

# RatingsDirect®

---

## BPCE

**Primary Credit Analyst:**

Sylvie Dalmaz, PhD, Paris (33) 1-4420-6682; sylvie.dalmaz@standardandpoors.com

**Secondary Contact:**

Thierry Grunspan, Paris (33) 1-4420-6739; thierry.grunspan@standardandpoors.com

### Table Of Contents

---

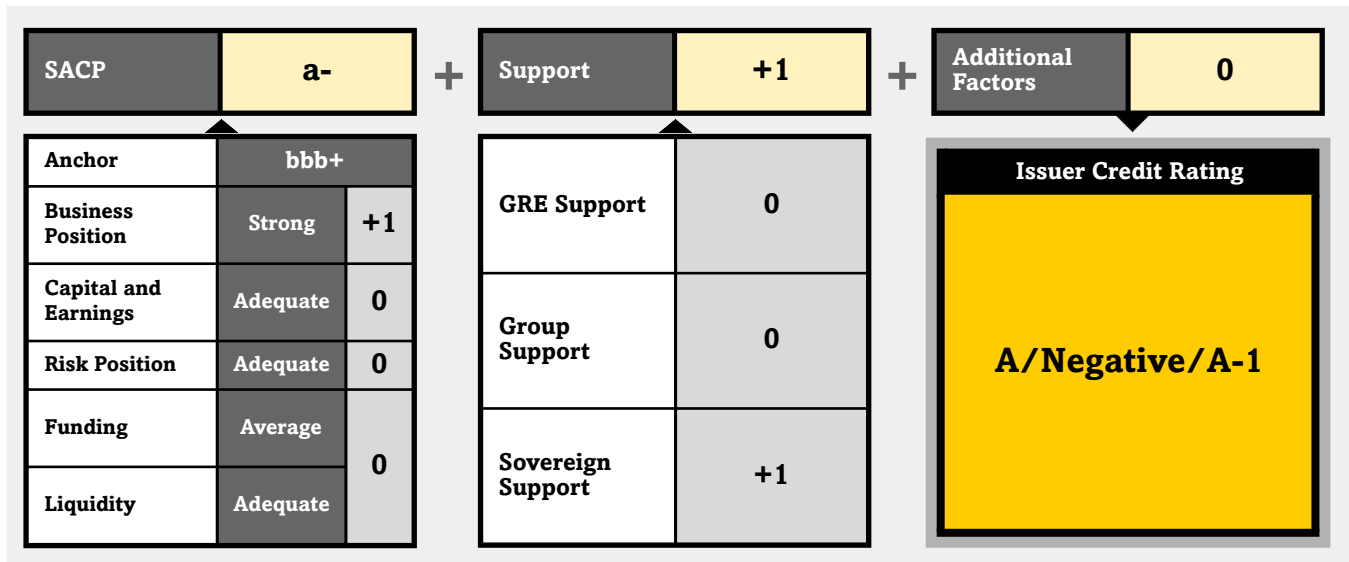
Major Rating Factors

Outlook

Rationale

Related Criteria And Research

# BPCE



## Major Rating Factors

Strengths:	Weaknesses:
<ul style="list-style-type: none"> <li>• Second-largest retail bank in France.</li> <li>• Well-anchored franchise in core businesses.</li> <li>• Focused strategy oriented toward areas of expertise.</li> <li>• High systemic importance.</li> </ul>	<ul style="list-style-type: none"> <li>• Near-term earnings prospects below underlying capabilities.</li> <li>• Large legacy portfolio that still weighs on the group's capitalization.</li> </ul>

## Outlook: Negative

Standard & Poor's Ratings Services' outlook on France-based bank BPCE is negative. BPCE is the main funding bank and the central institution of the French cooperative banking entity Groupe BPCE. The negative outlook reflects our view of the possibility that low economic growth in France and a difficult operating environment for banks could hinder progress in the reshaping of Groupe BPCE's balance sheet. In particular, BPCE's efforts to strengthen its capital and funding position could be affected, which might lead us to lower the ratings.

We might revise the outlook to stable if, all other factors remaining equal, we believed that the group's ongoing transition toward a stronger balance sheet and enhanced financial position were confirmed.

## Rationale

The ratings on BPCE reflect its core membership of Groupe BPCE. We base our ratings on BPCE on Groupe BPCE's "strong" business position, "adequate" capital and earnings, "adequate" risk position, "average" funding, and "adequate"

liquidity, as our criteria define these terms. The ratings also reflect our view of Groupe BPCE's "high" systemic importance in France, which we assess as "supportive" toward the domestic banking system. We assess Groupe BPCE's stand-alone credit profile at 'a-'.

**Table 1**

<b>BPCE Key Figures</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(Mil. €)</b>	<b>2013*</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Adjusted assets	1,026,600.0	1,017,287.0	1,014,329.0	923,309.0	1,021,165.0
Customer loans (gross)	538,137.0	527,283.0	516,658.0	494,568.0	469,978.0
Adjusted common equity	42,376.0	41,219.0	36,745.0	33,352.0	26,564.0
Operating revenues	11,530.0	22,448.0	23,267.0	23,619.0	19,989.1
Noninterest expenses	7,967.0	15,935.0	15,881.0	16,057.0	16,207.1
Core earnings	1,701.0	2,622.1	2,731.5	3,746.7	54.4

\*Data as of June 30.

**Table 2**

<b>BPCE Business Position</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2013*</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Loan market share in country of domicile	21.0	21.0	21.0	20.0	20.0
Deposit market share in country of domicile	22.0	22.0	22.0	22.0	22.0
Total revenues from business line (mil. €)	11,557.0	22,542.0	23,473.0	23,619.0	22,095.0
Commercial banking/total revenues from business line	N/A	6.6	6.8	7.6	7.4
Retail banking/total revenues from business line	71.7	70.8	69.3	68.0	67.4
Commercial & retail banking/total revenues from business line	71.7	77.5	76.1	75.6	74.8
Trading and sales income/total revenues from business line	N/A	6.3	5.1	5.9	8.2
Asset management/total revenues from business line	9.3	9.2	8.0	7.6	7.1
Other revenues/total revenues from business line	19.1	7.1	10.7	10.9	10.0
Investment banking/total revenues from business line	N/A	6.3	5.1	5.9	8.2
Return on equity	6.6	4.4	6.0	8.9	0.9

\*Data as of June 30. N/A--Not applicable.

**Table 3**

<b>BPCE Capital And Earnings</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2013*</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Tier 1 capital ratio	11.5	12.2	10.6	9.7	9.1
S&P RAC ratio before diversification	N/A	6.7	5.7	6.5	6.0
S&P RAC ratio after diversification	N/A	8.3	7.1	8.0	7.2
Adjusted common equity/total adjusted capital	95.3	95.1	94.5	79.9	75.2
Net interest income/operating revenues	48.3	49.0	53.8	51.6	63.8
Fee income/operating revenues	33.1	32.6	32.0	31.4	34.9
Market-sensitive income/operating revenues	12.2	9.9	3.8	8.2	0.2

**Table 3**

<b>BPCE Capital And Earnings (cont.)</b>					
Noninterest expenses/operating revenues	69.1	71.0	68.3	68.0	81.1
Provision operating income/average assets	0.6	0.6	0.7	0.7	0.3
Core earnings/average managed assets	0.3	0.2	0.2	0.4	0.0

\*Data as of June 30. N/A--Not applicable.

**Table 4**

<b>BPCE RACF [Risk-Adjusted Capital Framework] Data</b>						
(Mil. €)	Exposure*	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)	
<b>Credit risk</b>						
Government and central banks	194,553	1,003	1	7,864		4
Institutions	131,594	28,470	22	28,395		22
Corporate	227,017	154,594	68	185,157		82
Retail	325,857	84,256	26	172,872		53
Of which mortgage	165,800	43,748	26	49,739		30
Securitization§	31,040	13,189	42	27,942		90
Other assets	1,185	14,813	1,250	1,333		113
Total credit risk	911,245	296,324	33	423,563		46
<b>Market risk</b>						
Equity in the banking book†	12,844	27,000	231	85,304		664
Trading book market risk	--	19,038	--	28,600		--
Total market risk	--	46,038	--	113,904		--
<b>Insurance risk</b>						
Total insurance risk	--	--	--	60,888		--
<b>Operational risk</b>						
Total operational risk	--	38,600	--	52,525		--
(Mil. €)		Basel II RWA		Standard & Poor's RWA		% of Standard & Poor's RWA
<b>Diversification adjustments</b>						
RWA before diversification		380,961		650,879		100
Total Diversification/Concentration Adjustments		--		(126,130)		(19)
RWA after diversification		380,961		524,749		81
(Mil. €)		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital		Standard & Poor's RAC ratio (%)
<b>Capital ratio</b>						
Capital ratio before adjustments		46,500	12.2	43,325		6.7
Capital ratio after adjustments‡		46,500	12.2	43,325		8.3

\*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2012, Standard & Poor's.

**Table 5**

<b>BPCE Risk Position</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2013*</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Growth in customer loans	4.1	2.1	4.5	5.2	2.3
Total managed assets/adjusted common equity (x)	27.4	27.8	31.0	31.4	38.7
New loan loss provisions/average customer loans	0.4	0.4	0.5	0.3	0.9
Gross nonperforming assets/customer loans + other real estate owned	4.2	4.2	3.9	4.0	4.0
Loan loss reserves/gross nonperforming assets	53.2	53.0	55.2	56.2	57.6

\*Data as of June 30.

**Table 6**

<b>BPCE Funding And Liquidity</b>					
	<b>--Year-ended Dec. 31--</b>				
<b>(%)</b>	<b>2013*</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Core deposits/funding base	41.0	39.3	37.5	37.1	35.1
Customer loans (net)/customer deposits	149.9	154.5	169.1	175.1	184.9
Long term funding ratio	68.4	69.5	70.6	66.8	63.6
Stable funding ratio	86.9	87.6	83.7	79.4	N/A
Short-term wholesale funding/funding base	33.3	32.1	30.8	35.1	38.4
Broad liquid assets/short-term wholesale funding (x)	0.9	0.9	0.8	0.7	N/A
Net broad liquid assets/short-term customer deposits	(6.3)	(6.1)	(14.2)	(27.2)	N/A
Short-term wholesale funding/total wholesale funding	56.2	52.7	49.1	54.9	57.8

\*Data as of June 30. N/A--Not applicable.

## Related Criteria And Research

### Related Criteria

- Group Rating Methodology, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

### Related Research

- Ratings On Systemically Important French Banks Unchanged After Lowering Of French Sovereign Rating, Nov. 8, 2013
- France Long-Term Ratings Lowered To 'AA' On Weak Economic Growth Prospects And Fiscal Policy Constraints; Outlook Stable, Nov. 8, 2013
- Banking Industry Country Risk Assessment: France, July 29, 2013
- French Bank BPCE 'A/A-1' Ratings Affirmed Despite Higher Industry Risks; Outlook Remains Negative, June 20,

2013

- Various Rating Actions Taken On French Banks Due To Rising Industry Risks, June 20, 2013

Anchor Matrix										
Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

### Ratings Detail (As Of December 12, 2013)

#### BPCE

Counterparty Credit Rating	A/Negative/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Junior Subordinated	BBB-
Senior Unsecured	A
Subordinated	BBB+

#### Counterparty Credit Ratings History

25-Oct-2012	A/Negative/A-1
23-Jan-2012	A/Stable/A-1
07-Dec-2011	A+/Watch Neg/A-1
31-Jul-2009	A+/Stable/A-1

#### Sovereign Rating

France (Republic of) (Unsolicited Ratings)	AA/Stable/A-1+
--	----------------

#### Related Entities

##### Banque Tuniso-Koweitienne

Issuer Credit Rating	B/Negative/--
Senior Unsecured	B

##### BPCE SFH

Senior Secured	AAA
Senior Secured	AAA/Stable

##### BRED - Banque Populaire

Issuer Credit Rating	A/Negative/A-1
Certificate Of Deposit	A/A-1
Senior Unsecured	A

## Ratings Detail (As Of December 12, 2013) (cont.)

Subordinated	BBB+
<b>Compagnie de Financement Foncier</b>	
Certificate Of Deposit	
<i>Local Currency</i>	A-1+
Senior Secured	AAA
Senior Secured	AAA/Stable
Short-Term Secured Debt	A-1+
<b>Compagnie Europeenne de Garanties et Cautions</b>	
Financial Strength Rating	
<i>Local Currency</i>	A/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	A/Negative/--
<b>Credit Foncier de France</b>	
Issuer Credit Rating	A-/Developing/A-2
Certificate Of Deposit	A-/A-2
Senior Unsecured	A-
Short-Term Debt	A-2
<b>Locindus S.A.</b>	
Issuer Credit Rating	A-/Developing/A-2
Certificate Of Deposit	A-/A-2
Senior Unsecured	A-
<b>Natexis Banques Populaires Capital Trust III</b>	
Preferred Stock	BBB
<b>Natixis Australia Pty Ltd.</b>	
Issuer Credit Rating	A/Negative/A-1
<b>Natixis Financial Products LLC</b>	
Issuer Credit Rating	A/Negative/A-1
<b>Natixis (New York Branch)</b>	
Issuer Credit Rating	A/Negative/A-1
Senior Unsecured	A
Senior Unsecured	A-1
Short-Term Debt	A-1
<b>Natixis S.A.</b>	
Issuer Credit Rating	A/Negative/A-1
Certificate Of Deposit	A/A-1
Commercial Paper	A-1
Junior Subordinated	BBB-
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BBB+
<b>Socram Banque</b>	
Issuer Credit Rating	BBB+/Stable/A-2
Certificate Of Deposit	BBB+/A-2
Senior Unsecured	BBB+

## Ratings Detail (As Of December 12, 2013) (cont.)

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

### **Additional Contact:**

Financial Institutions Ratings Europe; FIG\_Europe@standardandpoors.com



Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).