

Oct 25, 2018

## R&I Affirms A, Changes Outlook to Positive: BPCE S.A.

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** **BPCE S.A.**  
**Issuer Rating: A, Affirmed**  
**Rating Outlook: Positive, Changed from Stable**

### RATIONALE:

BPCE S.A. is the central institution (a term defined by French banking law) of Groupe BPCE, a major cooperative group in France. Its domestic retail banking networks have historical strength in home loans for individual customers and small and mid-sized enterprise loans. Its franchise is thus robust. The risk resilience will strengthen further, in R&I's view, as sound asset quality will be maintained amid efforts to improve the earning capacity. In consideration of such factors, R&I has affirmed the Issuer Rating at A and changed the Rating Outlook to Positive.

According to its 2018-2020 strategic plan, TEC 2020, the Group aims to achieve 1 billion euros in cost savings, drawing on cumulative investments of 790 million euros. It will accelerate the digital transformation of Group businesses by increasing investments in IT areas. The Group expects 750 million euros in additional revenue synergies between the Banque Populaire banks and the Caisses d'Epargne and Natixis by 2020. The target cost to income ratio (the ratio of operating expenses to net banking income) is approximately 64% for Retail Banking and Insurance, 68% for Asset and Wealth Management, and 60% for Corporate and Investment Banking. R&I will keep an eye on whether the Group is able to make stable profits by implementing the strategic plan steadily and enhancing its earning capacity, even when earnings continue to be under downward pressure due mainly to low interest rates in Europe and higher regulatory costs.

The Group's asset quality will likely remain sound. The average annual cost of risk on gross customer loan outstandings for 2017 was the lowest since BPCE was established in 2009. The favorable result is attributable to the Group's conservative risk policy, as well as the improved business environment. The remaining run-off portfolios, such as non-French mortgage-backed securities and public-sector assets initially underwritten by Credit Foncier de France, are also continuously reduced, and their impact on asset quality is diminishing. TEC 2020 calls for keeping cost of risk between 20 bps and 30 bps.

R&I expects the Group's risk resilience, which is commensurate with the rating, to strengthen further. As of end-June 2018, the Group estimated the Common Equity Tier 1 ratio (without transitional measures) at 15.2%, which is slightly lower than the end-2017 level owing to one-off factors such as the implementation of International Financial Reporting Standards (IFRS) 9. The target ratio for TEC 2020 is set at 15.5% or higher. Despite an anticipated increase in risk assets, the ratio will likely be on an improving trend on the back of retained earnings accumulation and capital subscription by cooperative shareholders, among other factors.

The customer loan-to-deposit ratio was relatively high at 120% (excluding a covered bonds issuer) at end-2017. Meanwhile, the Group's total liquidity reserves at end-June 2018 were 223 billion euros, which cover 169% of short-term funding and medium and long-term debt maturing in the short term. The liquidity coverage ratio under Capital Requirements Directive 4 rules exceeds 110%. Accordingly, concern about liquidity is small.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Depository Financial Institutions", "R&I's Analytical Approach to Financial Groups" and "R&I's Analytical Approach to Regulatory Capital Instruments and Financial Institutions". The methodologies are available at the

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web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

## R&I RATINGS:

**ISSUER:** BPCE S.A.  
**Issuer Rating**  
**RATING:** A, Affirmed  
**RATING OUTLOOK:** Positive, Changed from Stable

## Shelf Registration (Bonds)

**ISSUE AMOUNT (mn):** JPY 800,000  
**ISSUE PERIOD:** From Nov 28, 2017 to Nov 27, 2019  
**RATING:** **Senior Preferred Bonds: A, Affirmed (Preliminary)**  
**Senior Non-Preferred Bonds: A-, Affirmed (Preliminary)**  
**Sub. Bonds: A-, Affirmed (Preliminary)**

Japanese Yen Sub. Bonds No.1	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 27,200
<b>RATING:</b>	<b>A-, Affirmed</b>		

Japanese Yen Callable Sub. Bonds No.2	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 7,900
<b>RATING:</b>	<b>A-, Affirmed</b>		

Japanese Yen Sub. Flt. Rate Bonds No.3	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 13,200
<b>RATING:</b>	<b>A-, Affirmed</b>		

Japanese Yen Bonds No.10	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 09, 2015	Jul 09, 2020	JPY 60,800
<b>RATING:</b>	<b>A, Affirmed</b>		

Japanese Yen Flt. Rate Bonds No.5	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 09, 2015	Jul 09, 2019	JPY 600
<b>RATING:</b>	<b>A, Affirmed</b>		

Japanese Yen Sub. Bonds No.4	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2015	Dec 11, 2025	JPY 25,100
<b>RATING:</b>	<b>A-, Affirmed</b>		

Japanese Yen Callable Sub. Bonds No.5	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2015	Dec 11, 2025	JPY 10,100
<b>RATING:</b>	<b>A-, Affirmed</b>		

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<b>Japanese Yen Sub. Flt. Rate Bonds No.6</b> RATING:	<b>Issue Date</b> Dec 11, 2015 <b>A-, Affirmed</b>	<b>Maturity Date</b> Dec 11, 2025	<b>Issue Amount (mn)</b> JPY 500
<b>Japanese Yen Bonds No.11</b> RATING:	<b>Issue Date</b> Dec 11, 2015 <b>A, Affirmed</b>	<b>Maturity Date</b> Dec 11, 2020	<b>Issue Amount (mn)</b> JPY 66,400
<b>Japanese Yen Flt. Rate Bonds No.6</b> RATING:	<b>Issue Date</b> Dec 11, 2015 <b>A, Affirmed</b>	<b>Maturity Date</b> Dec 11, 2020	<b>Issue Amount (mn)</b> JPY 3,100
<b>Japanese Yen Bonds No.12</b> RATING:	<b>Issue Date</b> Jun 17, 2016 <b>A, Affirmed</b>	<b>Maturity Date</b> Jun 17, 2021	<b>Issue Amount (mn)</b> JPY 1,500
<b>Japanese Yen Bonds No.13</b> RATING:	<b>Issue Date</b> Jun 17, 2016 <b>A, Affirmed</b>	<b>Maturity Date</b> Jun 16, 2023	<b>Issue Amount (mn)</b> JPY 40,000
<b>Japanese Yen Bonds No.14</b> RATING:	<b>Issue Date</b> Jun 17, 2016 <b>A, Affirmed</b>	<b>Maturity Date</b> Jun 17, 2026	<b>Issue Amount (mn)</b> JPY 19,100
<b>Japanese Yen Sub. Bonds No.7</b> RATING:	<b>Issue Date</b> Jul 13, 2016 <b>A-, Affirmed</b>	<b>Maturity Date</b> Jul 13, 2026	<b>Issue Amount (mn)</b> JPY 17,300
<b>Japanese Yen Callable Sub. Bonds No.8</b> RATING:	<b>Issue Date</b> Jul 13, 2016 <b>A-, Affirmed</b>	<b>Maturity Date</b> Jul 13, 2026	<b>Issue Amount (mn)</b> JPY 35,700
<b>Japanese Yen Bonds No.15</b> RATING:	<b>Issue Date</b> Jan 27, 2017 <b>A, Affirmed</b>	<b>Maturity Date</b> Jan 26, 2024	<b>Issue Amount (mn)</b> JPY 64,600
<b>Japanese Yen Bonds No.16</b> RATING:	<b>Issue Date</b> Jan 27, 2017 <b>A, Affirmed</b>	<b>Maturity Date</b> Jan 27, 2027	<b>Issue Amount (mn)</b> JPY 8,500
<b>Japanese Yen Senior Non-Preferred Bonds No.1</b>	<b>Issue Date</b> Jan 27, 2017	<b>Maturity Date</b> Jan 27, 2022	<b>Issue Amount (mn)</b> JPY 69,600

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**RATING:** A-, Affirmed

<b>Japanese Yen Bonds No.1 (Social Bonds)</b>	<b>Issue Date</b> Jun 30, 2017	<b>Maturity Date</b> Jun 30, 2022	<b>Issue Amount (mn)</b> JPY 24,500
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**RATING:** A, Affirmed

<b>Japanese Yen Bonds No.2 (Social Bonds)</b>	<b>Issue Date</b> Jun 30, 2017	<b>Maturity Date</b> Jun 28, 2024	<b>Issue Amount (mn)</b> JPY 23,500
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**RATING:** A, Affirmed

<b>Japanese Yen Bonds No.3 (Social Bonds)</b>	<b>Issue Date</b> Jun 30, 2017	<b>Maturity Date</b> Jun 30, 2027	<b>Issue Amount (mn)</b> JPY 7,600
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**RATING:** A, Affirmed

<b>Japanese Yen Bonds No.4 (Social Bonds)</b>	<b>Issue Date</b> Jun 30, 2017	<b>Maturity Date</b> Jun 30, 2032	<b>Issue Amount (mn)</b> JPY 2,500
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**RATING:** A, Affirmed

<b>Japanese Yen Senior Non-Preferred Bonds No.2</b>	<b>Issue Date</b> Jul 26, 2017	<b>Maturity Date</b> Jul 26, 2022	<b>Issue Amount (mn)</b> JPY 10,000
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**RATING:** A-, Affirmed

<b>Japanese Yen Bonds No.17</b>	<b>Issue Date</b> Jan 25, 2018	<b>Maturity Date</b> Jan 25, 2023	<b>Issue Amount (mn)</b> JPY 49,400
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**RATING:** A, Affirmed

<b>Japanese Yen Bonds No.18</b>	<b>Issue Date</b> Jan 25, 2018	<b>Maturity Date</b> Jan 24, 2025	<b>Issue Amount (mn)</b> JPY 1,200
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**RATING:** A, Affirmed

<b>Japanese Yen Bonds No.5 (Social Bonds)</b>	<b>Issue Date</b> Jan 25, 2018	<b>Maturity Date</b> Jan 25, 2028	<b>Issue Amount (mn)</b> JPY 2,300
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**RATING:** A, Affirmed

<b>Japanese Yen Senior Non-Preferred Bonds No.3</b>	<b>Issue Date</b> Jan 25, 2018	<b>Maturity Date</b> Jan 25, 2023	<b>Issue Amount (mn)</b> JPY 38,400
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**RATING:** A-, Affirmed

<b>Japanese Yen Senior Non-Preferred Bonds No.1 (Social Bonds)</b>	<b>Issue Date</b> Jan 25, 2018	<b>Maturity Date</b> Jan 25, 2028	<b>Issue Amount (mn)</b> JPY 23,700
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**RATING:** A-, Affirmed

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<b>Japanese Yen Senior Non-Preferred Bonds No.4 RATING:</b>	<b>Issue Date</b> Jan 25, 2018 <b>A-, Affirmed</b>	<b>Maturity Date</b> Jan 25, 2033	<b>Issue Amount (mn)</b> JPY 1,100
<b>Japanese Yen Bonds No.19 RATING:</b>	<b>Issue Date</b> Jul 12, 2018 <b>A, Affirmed</b>	<b>Maturity Date</b> Jul 12, 2023	<b>Issue Amount (mn)</b> JPY 1,300
<b>Japanese Yen Bonds No.20 RATING:</b>	<b>Issue Date</b> Jul 12, 2018 <b>A, Affirmed</b>	<b>Maturity Date</b> Jul 12, 2028	<b>Issue Amount (mn)</b> JPY 1,200
<b>Japanese Yen Senior Non-Preferred Bonds No.2 (Social Bonds) RATING:</b>	<b>Issue Date</b> Jul 12, 2018 <b>A-, Affirmed</b>	<b>Maturity Date</b> Jul 12, 2023	<b>Issue Amount (mn)</b> JPY 66,100
<b>Japanese Yen Senior Non-Preferred Bonds No.3 (Social Bonds) RATING:</b>	<b>Issue Date</b> Jul 12, 2018 <b>A-, Affirmed</b>	<b>Maturity Date</b> Jul 12, 2028	<b>Issue Amount (mn)</b> JPY 40,000
<b>Japanese Yen Senior Non-Preferred Bonds No.5 RATING:</b>	<b>Issue Date</b> Jul 12, 2018 <b>A-, Affirmed</b>	<b>Maturity Date</b> Jul 12, 2028	<b>Issue Amount (mn)</b> JPY 10,900
<b>AUD Senior Non-Preferred Notes due 26 April 2028 RATING:</b>	<b>Issue Date</b> Apr 26, 2018 <b>A-, Affirmed</b>	<b>Maturity Date</b> Apr 26, 2028	<b>Issue Amount (mn)</b> AUD 330

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.

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