

Jul 26, 2019

R&I Upgrades to A+, Stable: BPCE S.A.

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

ISSUER: BPCE S.A.
Issuer Rating: A+, Previously A
Rating Outlook: 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. Efforts to improve earning capacity are progressing steadily. With asset quality remaining sound, its risk resilience is commensurate with the rating. In consideration of such factors, R&I has upgraded the Issuer Rating to A+.

According to a 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. Cost savings of around 800 million euros were achieved by end-2018 in line with the plan. The number of regional banks was reduced by 6 to 29 as of end-2018. The Group also completed the integration of Credit Foncier de France operations into other Group entities and Natixis retail banking operations into BPCE S.A. It targets net banking revenue of over 25 billion euros for 2020. R&I will keep an eye on whether the Group is able to continue to implement the strategic plan steadily and thereby enhance its earning capacity further, even when earnings remain under downward pressure due mainly to low interest rates in Europe and higher regulatory costs.

The Group's asset quality remains sound. The average annual cost of risk on gross customer loan outstandings for 2018 was even lower than its record low in 2017 since BPCE was established in 2009. The ratio continued to be low in 1Q 2019. The favorable results are attributable to the Group's conservative risk policy. TEC 2020 calls for keeping cost of risk between 20 bps and 30 bps.

Its risk resilience is commensurate with the rating. As of end-March 2019, the Group estimated the Common Equity Tier 1 (CET1) ratio (without transitional measures) at 15.6%. Its pro forma CET1 ratio including a planned acquisition of an interest in Oney Bank SA and other impacts is 15.4%. The target for TEC 2020 is set at 15.5% or higher. Despite an anticipated increase in risk-weighted assets, the ratio will likely exceed the target 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 124% (excluding a covered bonds issuer) at end-2018. Meanwhile, the Group's total liquidity reserves at end-March 2019 were 220 billion euros, which cover 153% 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 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

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R&I RATINGS:

ISSUER: BPCE S.A.
Issuer Rating
RATING: A+, Previously A
RATING OUTLOOK: 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+, Previously A (Preliminary)**
Senior Non-Preferred Bonds: A, Previously A- (Preliminary)
Sub. Bonds: A, Previously A- (Preliminary)

Japanese Yen Sub. Bonds No.1	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 27,200

RATING: A, Previously A-

Japanese Yen Callable Sub. Bonds No.2	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 7,900

RATING: A, Previously A-

Japanese Yen Sub. Flt. Rate Bonds No.3	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 13,200

RATING: A, Previously A-

Japanese Yen Bonds No.10	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 09, 2015	Jul 09, 2020	JPY 60,800

RATING: A+, Previously A

Japanese Yen Sub. Bonds No.4	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2015	Dec 11, 2025	JPY 25,100

RATING: A, Previously A-

Japanese Yen Callable Sub. Bonds No.5	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2015	Dec 11, 2025	JPY 10,100

RATING: A, Previously A-

Japanese Yen Sub. Flt. Rate Bonds No.6	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2015	Dec 11, 2025	JPY 500

RATING: A, Previously A-

Japanese Yen Bonds No.11	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2015	Dec 11, 2020	JPY 66,400

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RATING:	A+, Previously A		
Japanese Yen Flt. Rate Bonds No.6	Issue Date Dec 11, 2015	Maturity Date Dec 11, 2020	Issue Amount (mn) JPY 3,100
RATING:	A+, Previously A		
Japanese Yen Bonds No.12	Issue Date Jun 17, 2016	Maturity Date Jun 17, 2021	Issue Amount (mn) JPY 1,500
RATING:	A+, Previously A		
Japanese Yen Bonds No.13	Issue Date Jun 17, 2016	Maturity Date Jun 16, 2023	Issue Amount (mn) JPY 40,000
RATING:	A+, Previously A		
Japanese Yen Bonds No.14	Issue Date Jun 17, 2016	Maturity Date Jun 17, 2026	Issue Amount (mn) JPY 19,100
RATING:	A+, Previously A		
Japanese Yen Sub. Bonds No.7	Issue Date Jul 13, 2016	Maturity Date Jul 13, 2026	Issue Amount (mn) JPY 17,300
RATING:	A, Previously A-		
Japanese Yen Callable Sub. Bonds No.8	Issue Date Jul 13, 2016	Maturity Date Jul 13, 2026	Issue Amount (mn) JPY 35,700
RATING:	A, Previously A-		
Japanese Yen Bonds No.15	Issue Date Jan 27, 2017	Maturity Date Jan 26, 2024	Issue Amount (mn) JPY 64,600
RATING:	A+, Previously A		
Japanese Yen Bonds No.16	Issue Date Jan 27, 2017	Maturity Date Jan 27, 2027	Issue Amount (mn) JPY 8,500
RATING:	A+, Previously A		
Japanese Yen Senior Non-Preferred Bonds No.1	Issue Date Jan 27, 2017	Maturity Date Jan 27, 2022	Issue Amount (mn) JPY 69,600
RATING:	A, Previously A-		
Japanese Yen Bonds No.1 (Social Bonds)	Issue Date Jun 30, 2017	Maturity Date Jun 30, 2022	Issue Amount (mn) JPY 24,500
RATING:	A+, Previously A		
Japanese Yen Bonds No.2	Issue Date	Maturity Date	Issue Amount (mn)

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(Social Bonds) RATING:	Jun 30, 2017 A+, Previously A	Jun 28, 2024	JPY 23,500
Japanese Yen Bonds No.3 (Social Bonds) RATING:	Issue Date Jun 30, 2017 A+, Previously A	Maturity Date Jun 30, 2027	Issue Amount (mn) JPY 7,600
Japanese Yen Bonds No.4 (Social Bonds) RATING:	Issue Date Jun 30, 2017 A+, Previously A	Maturity Date Jun 30, 2032	Issue Amount (mn) JPY 2,500
Japanese Yen Senior Non-Preferred Bonds No.2 RATING:	Issue Date Jul 26, 2017 A, Previously A-	Maturity Date Jul 26, 2022	Issue Amount (mn) JPY 10,000
Japanese Yen Bonds No.17 RATING:	Issue Date Jan 25, 2018 A+, Previously A	Maturity Date Jan 25, 2023	Issue Amount (mn) JPY 49,400
Japanese Yen Bonds No.18 RATING:	Issue Date Jan 25, 2018 A+, Previously A	Maturity Date Jan 24, 2025	Issue Amount (mn) JPY 1,200
Japanese Yen Bonds No.5 (Social Bonds) RATING:	Issue Date Jan 25, 2018 A+, Previously A	Maturity Date Jan 25, 2028	Issue Amount (mn) JPY 2,300
Japanese Yen Senior Non-Preferred Bonds No.3 RATING:	Issue Date Jan 25, 2018 A, Previously A-	Maturity Date Jan 25, 2023	Issue Amount (mn) JPY 38,400
Japanese Yen Senior Non-Preferred Bonds No.1 (Social Bonds) RATING:	Issue Date Jan 25, 2018 A, Previously A-	Maturity Date Jan 25, 2028	Issue Amount (mn) JPY 23,700
Japanese Yen Senior Non-Preferred Bonds No.4 RATING:	Issue Date Jan 25, 2018 A, Previously A-	Maturity Date Jan 25, 2033	Issue Amount (mn) JPY 1,100
Japanese Yen Bonds No.19 RATING:	Issue Date Jul 12, 2018 A+, Previously A	Maturity Date Jul 12, 2023	Issue Amount (mn) JPY 1,300

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Japanese Yen Bonds No.20 RATING:	Issue Date Jul 12, 2018 A+, Previously A	Maturity Date Jul 12, 2028	Issue Amount (mn) JPY 1,200
Japanese Yen Senior Non-Preferred Bonds No.2 (Social Bonds) RATING:	Issue Date Jul 12, 2018 A, Previously A-	Maturity Date Jul 12, 2023	Issue Amount (mn) JPY 66,100
Japanese Yen Senior Non-Preferred Bonds No.3 (Social Bonds) RATING:	Issue Date Jul 12, 2018 A, Previously A-	Maturity Date Jul 12, 2028	Issue Amount (mn) JPY 40,000
Japanese Yen Senior Non-Preferred Bonds No.5 RATING:	Issue Date Jul 12, 2018 A, Previously A-	Maturity Date Jul 12, 2028	Issue Amount (mn) JPY 10,900
Japanese Yen Bonds No.21 RATING:	Issue Date Jan 25, 2019 A+, Previously A	Maturity Date Jan 25, 2024	Issue Amount (mn) JPY 19,700
Japanese Yen Bonds No.22 RATING:	Issue Date Jan 25, 2019 A+, Previously A	Maturity Date Jan 25, 2029	Issue Amount (mn) JPY 2,700
Japanese Yen Senior Non-Preferred Bonds No.4 (Social Bonds) RATING:	Issue Date Jan 25, 2019 A, Previously A-	Maturity Date Jan 25, 2024	Issue Amount (mn) JPY 50,000
Japanese Yen Senior Non-Preferred Bonds No.6 RATING:	Issue Date Jan 25, 2019 A, Previously A-	Maturity Date Jan 25, 2024	Issue Amount (mn) JPY 66,200
Japanese Yen Senior Non-Preferred Bonds No.7 RATING:	Issue Date Jan 25, 2019 A, Previously A-	Maturity Date Jan 25, 2029	Issue Amount (mn) JPY 25,000
JPY Senior Preferred Notes due 24 June 2024 RATING:	Issue Date Jun 24, 2019 A+, Previously A	Maturity Date Jun 24, 2024	Issue Amount (mn) JPY 1,500

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JPY Senior Preferred Notes due 24 June 2026 RATING:	Issue Date Jun 24, 2019 A+, Previously A	Maturity Date Jun 24, 2026	Issue Amount (mn) JPY 1,000
JPY Senior Preferred Notes due 22 June 2029 RATING:	Issue Date Jun 24, 2019 A+, Previously A	Maturity Date Jun 22, 2029	Issue Amount (mn) JPY 4,000
JPY Senior Non-Preferred Notes due 24 June 2024 RATING:	Issue Date Jun 24, 2019 A, Previously A-	Maturity Date Jun 24, 2024	Issue Amount (mn) JPY 36,000
JPY Senior Non-Preferred Notes due 24 June 2026 RATING:	Issue Date Jun 24, 2019 A, Previously A-	Maturity Date Jun 24, 2026	Issue Amount (mn) JPY 4,500
JPY Senior Non-Preferred Notes due 22 June 2029 RATING:	Issue Date Jun 24, 2019 A, Previously A-	Maturity Date Jun 22, 2029	Issue Amount (mn) JPY 15,100
AUD Senior Non-Preferred Notes due 26 April 2028 RATING:	Issue Date Apr 26, 2018 A, Previously A-	Maturity Date Apr 26, 2028	Issue Amount (mn) 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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