S&P Global
Ratings

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BPCE

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Table Of Contents

Table Of Contents (cont.)

BPCE

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A/Stable/A-1
Resolution Counterparty Rating
A+/--/A-1

SACP: a-

Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +1

ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0

Issuer credit rating
A/Stable/A-1
Resolution counterparty rating
A+/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Second-largest retail bank in France, with stable franchises in core businesses.	Benefits only gradually from increasing interest rates; some inflation pressure on costs.
Focused strategy, oriented toward areas of expertise, where insurance and asset management businesses support a significant share of revenue from noninterest income.	Asset quality remains vulnerable to a deterioration in the domestic economy.
Strong earnings retention, further reinforced by the full ownership of Natixis SA.	Natixis' businesses are more cyclical but the negative effect on earnings remains manageable, considering Groupe BPCE's (BPCE's) diversified and more stable retail and insurance earnings.

BPCE is the second-largest retail bank in France and has established franchises in corporate and investment banking, and asset gathering, both hosted at Natixis. BPCE primarily operates through the networks of Groupe Banque Populaire and Groupe Caisse d'Epargne. Its subsidiary Natixis, which it fully owns since July 2021, is a niche corporate and investment bank (CIB) but has significant asset management operations globally. While we expect the near-term decline in revenues will reverse in 2024, the group's through-the-cycle profitability remains modest, with more pronounced weaknesses in profitability and efficiency metrics, compared with French and international peers. This adds to challenges posed by higher inflation, lower GDP growth, and the fact that the group only gradually benefits from rising interest rates.

We expect that net income will decline to below €3.0 billion in 2023 due to higher funding costs but that it will recover gradually to more than €4.0 billion by 2025 as assets are repriced at higher rates. In the first nine months of 2023, BPCE generated €2.4 billion in net profit, a decline of 26% from a strong €3.3 billion reported in the same period of 2022. The decline resulted from margin pressures in domestic retail banking that stemmed from increased fundings costs on regulated savings. Net banking income was down 8% year-on-year, for similar reasons. This will weigh on BPCE's net income, which we expect has declined by 25% to about €3.0 billion year-on-year in 2023. The effect on BPCE is relatively higher, given its larger exposure to regulated savings when compared with other French peers and its concentration in domestic mortgages, which experience a slow repricing due to their fixed-rate nature. The estimated effect of the Livret A increase on BPCE's revenue is about €1.2 billion for 2023, an amount that is not offset by the group's corporate, investment, and asset management revenues, in our view. However, as assets are gradually repriced at higher rates, we expect operating revenues will increase by about 5%-10% over 2024–2025, while net income will exceed €4.0 billion by 2025.

The group benefits from a strong balance sheet and a solid capital position. On Sept. 30, 2023, BPCE had a common equity tier 1 ratio of 15.4% and a total capital ratio of 18.2%, both of which are typically higher than the ratios of domestic and international listed peers. We forecast that our risk-adjusted capital (RAC) ratio will remain above 10% in the next two years, supported by BPCE's healthy earnings retention. We expect margin pressure from higher rates on regulated savings accounts will lead to an increase in the cost-to-income ratio in the near term but will recover to below 70% by 2025, albeit this is well above what we see for French and international peers. Continued cost controls and margin improvements will be key for BPCE to get closer to its cost-to-income target of below 65% for 2024.

BPCE maintains a sizable additional loss-absorbing capacity (ALAC) buffer, which stood at 5.5% of S&P Global Ratings' risk-weighted assets (RWAs) as of year-end 2022 and will likely remain well above 5.0% through 2025. BPCE's subordinated minimum requirement for own funds and eligible liabilities (MREL) stood at 24.7% as of end-September 2023, well above the minimum requirement of 22.0% as of the same period and above the group's target of 23.5% for 2024.

Outlook

The outlook on the ratings on BPCE and its rated entities is stable. We take into account BPCE's good positioning in domestic activities, as the second-largest retail bank in France, and in aligned segments. These include insurance, which should support earnings in the coming two years.

Downside scenario

We could lower the ratings if macroeconomic pressures and geopolitical uncertainties challenged asset quality and earnings materially. We could also consider a negative rating action if the bank was unable to adjust its business, including retail banking, to the evolving interest rate environment, or if our RAC trajectory fell markedly below 10%.

Upside scenario

Although an upgrade is unlikely in the next two years, upside could come from profitability, cost efficiency, and solvency metrics that are sustainably in line with those of rated peers with an 'a' group stand-alone credit profile (SACP). At the current 'a-' group SACP level, our issuer credit rating and resolution counterparty rating on the bank could also benefit from a second notch of ALAC uplift if the bank's ALAC ratio increased sustainably above 6%.

Key Metrics

BPCE--Key ratios and forecasts

	--Fiscal year ends Dec. 31 --				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	14.2	-0.8	(4.8)-(5.9)	9.1-11.1	3.5-4.2
Growth in customer loans	4.8	6.1	2.7-3.3	2.7-3.3	2.7-3.3
Net interest income/average earning assets (NIM)	1.0	0.9	0.8-0.8	0.9-1.0	0.9-1.0
Cost to income ratio	68.8	70.3	74.6-78.4	69.1-72.6	67.8-71.3
Return on average common equity	5.3	4.9	2.9-3.2	4.1-4.6	4.3-4.8
New loan loss provisions/average customer loans	0.2	0.2	0.2-0.2	0.2-0.3	0.3-0.3
Gross nonperforming assets/customer loans	2.8	2.6	2.5-2.7	2.7-3.0	2.8-3.1
Risk-adjusted capital ratio	10.2	10.2	10.1-10.6	10.3-10.8	10.4-11.0

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' For Banks Operating Predominantly In France

We use our Banking Industry Country Risk Assessment methodology to determine a bank's anchor, the starting point in assigning an issuer credit rating. France is in group 3, along with the U.S., the U.K., Australia, the Netherlands, and Denmark. Our 'bbb+' anchor for a bank operating in France is based on our economic risk score of '3' and our industry risk score of '4', on a scale of '1' to '10' ('1' being the lowest risk). BPCE's weighted economic risk score is '3', indicating that most of its assets are in its domestic market.

Banks in France benefit from the country's open and diversified economy and higher credit growth than the eurozone average. Persistent inflation and higher interest rates have reduced growth prospects and increased downside risks. For France, we envisage GDP growth of 0.9% over 2023-2024. The unemployment rate will remain below the 2019 level and stabilize at 7.5% over 2024-2025. We project inflation, which peaked at 5.9% in 2022, will reduce to 2.7% in 2024 and close to 2.0% thereafter. We expect French banks' loan growth will decelerate but remain positive at 2.5%-3.0% annually. Real estate market prices have started to decrease. Domestic asset quality is structurally supported by fixed-rate mortgage loans and will not suffer from higher interest rates. While some problem loans could emerge this year and next, asset quality deterioration will likely remain contained. We project domestic nonperforming assets (NPAs) will increase to 2.8% of domestic assets by year-end 2025.

Regarding industry risk, we expect French banks' interest income will benefit from higher interest rates, but only gradually, compared with some other European banking markets. This notably reflects the pace of repricing in French banks' loan portfolios. Cost efficiency is a weakness for French banks, compared with their European peers, notably due to a still-dense branch network. In a scenario of persistent high inflation, banks' management teams will find it harder to keep operational expenses under control. Banks also face the challenge of streamlining their operations by increasing their digitalization efforts. Finally, most French banks' banking models rely on wholesale resources to some extent, exposing the sector to market shocks.

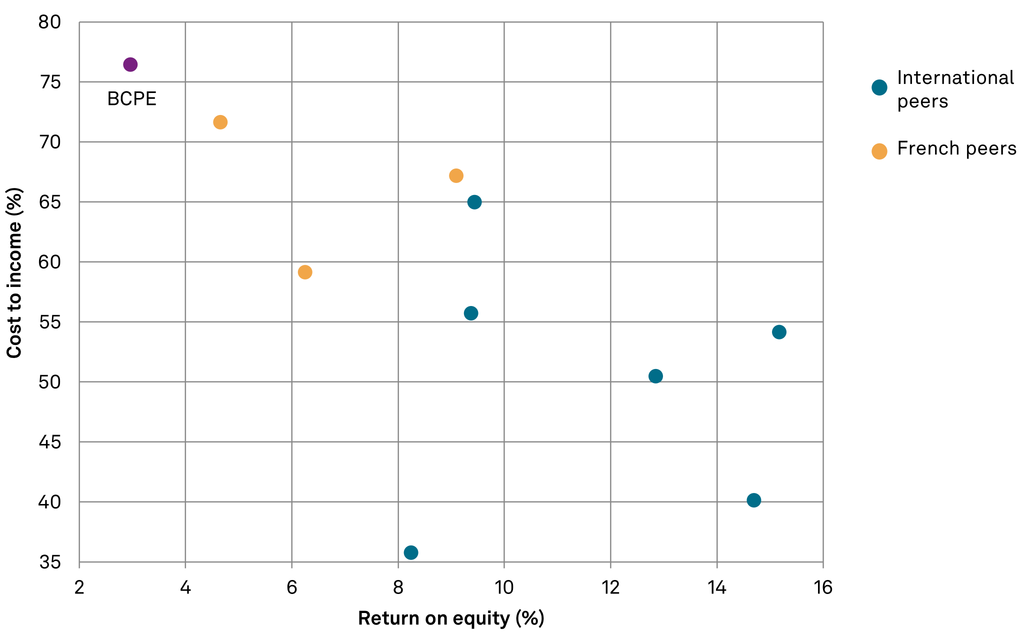
Business Position: Prominent Position But Very Competitive Home Market

BPCE's business profile benefits from its leading and longstanding position as the second-largest domestic retail bank in France. It has recognized franchises in CIB and asset gathering, both hosted at Natixis, which is a fully-owned subsidiary. The group's universal banking model enables it to offer a diversified product range to a large customer base. However, we consider its geographic diversification is more limited than that of some European peers, such as Crédit Agricole, BNP Paribas, and ING. BPCE's cost-to-income efficiency position is less favorable than that of peers and its profitability remains relatively modest. That said, BPCE's business model results in stable earnings generation, demonstrated by low revenue volatility over the past decade, despite Natixis being slightly sensitive to market volatility. Natixis has reduced the complexity in its activities following the losses in equity derivatives in 2018 and structured products in 2020. Further, after its delisting, we believe each business line's strategy is better aligned with that of the broader group and ultimately with that of regional banks. For example, the insurance and payment divisions, previously held by Natixis, were transferred to BPCE, which strengthened the group's centralization.

BPCE's management follows a coherent and focused strategy, which it has executed consistently. As part of its 2024 plan, BPCE has made progress in controlling costs, although this is also due to a reduction in contributions to the Single Resolution Fund. The group reported a 2% year-on-year decline in operating expenses for the first nine months of 2023, despite the inflationary environment, while most of its French peers reported cost increases, albeit in low to mid-single digits, over the same period. However, we expect BPCE's cost-to-income ratio will remain high in the near term. This is because of weaker revenues and increasing margin pressure in its retail banking activities in the near term due to its relative high exposure to regulated savings and its concentration in French mortgages, which experienced a reduced traction in 2023. Indeed, BPCE reported a 7.6% decline in operating revenues for the first nine months of 2023, which is weaker than that of all other French banks for the same period (see "French Banks' Domestic Net Interest Income Remained Depressed In The Third Quarter," Nov. 10, 2023). The idiosyncrasies of French markets will put some pressure on French banks' domestic revenues in the near term. We expect that the group will return to its previous level of profitability as it rebuilds loan margins and originates new loans to reprice its portfolio, based on higher interest rates.

Chart 1

BPCE's efficiency and profitability measures, compard with peers
Data (estimated) as of year-end 2023



Source: S&P Global Ratings.

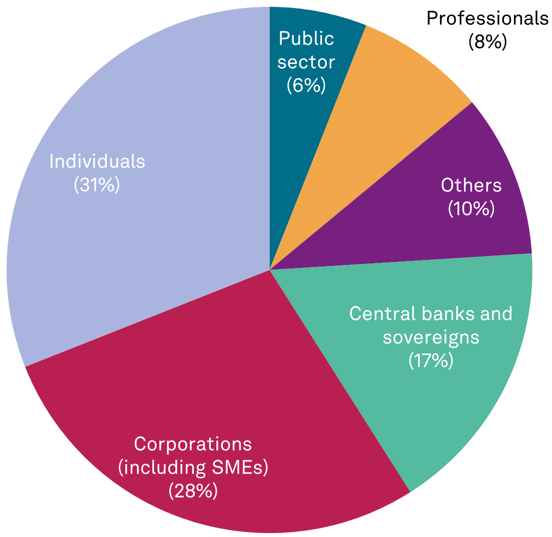
Retail banking and insurance in France traditionally account for more than two-thirds of BPCE's revenue. BPCE's shares of domestic household savings and mortgage loans are sticky, standing at 22% and 26%, respectively. BPCE has strong social roots, with 15 million active customers in its two retail networks, Banque Populaire and Caisse d'Epargne. It operates through a dense network that comprises more than 7,000 branches and, increasingly, through digital channels, which saw over 10.4 million active customers in 2022, up 15% from 2021. Banque Populaire and Caisse d'Epargne are the group's two main brands. The former largely serves local entrepreneurs and small and midsize enterprises (SMEs), while the latter mainly caters to individuals. BPCE directs its specialized financial services and insurance activities toward its retail clients. It is gradually consolidating its position in bancassurance. Since 2020, BPCE experienced a strong take-up in digital and self-service transactions, supporting smooth and secure banking operations.

CIB and asset and wealth management each generate typically about 15% of the group's revenues and are housed at fully-owned subsidiary Natixis. Both segments offer BPCE an international presence. We consider Natixis is a second-tier wholesale banking player that has successfully refocused on its selected areas of expertise. Natixis benefits from a longstanding and solid domestic franchise in lending to midsize and large corporations, as well as in structured and commodity financing. Its strategy is characterized by a sector-based approach, an efficient originate-to-distribute model, and noticeable forays into sustainable finance. Natixis is among the top 20 largest asset managers globally. It runs a network of about 20 affiliates, which range from the management of life insurance assets to more entrepreneurial boutique businesses, both in Europe and in the U.S. This model allows for multiple and diverse investment strategies.

BPCE has a typical structure for a cooperative group, being fully owned by 29 regional banks. 9 million member-customers hold the cooperative shares issued by these regional entities and elect their boards of directors. BPCE is not directly involved in managing these local banks but it helps define the cooperative group's strategy. BPCE also closely monitors the cooperative group's risk exposures, provides most of the medium- and long-term wholesale funding, coordinates commercial policies, and holds the major subsidiaries. BPCE applies articles L512-106 to L516-108 of the French Monetary Code, according to which it is the central body responsible for taking steps to guarantee the solvency and liquidity of the cooperative group and its member banks.

Chart 2

Breakdown of credit risk exposures
Data as of June 2023



SMEs--Small and midsize enterprises. Source: S&P Global Ratings.

Capital And Earnings: Strong Earnings Retention But Modest Headroom

As is typical for cooperative organizations, BPCE experiences capital build-up from increasing earnings retention and the regular sale of cooperative shares to its member customers. It is less profitable than several of its listed peers when measured by return on equity but earnings volatility is typically lower, especially in less benign parts of the cycle. We expect our RAC ratio before diversification for the group will remain above 10% but below 11% over the next two years, after having increased slightly to 10.3% at year-end 2022 (from 10.2% at year-end 2021). Compared with other peers that have a strong capital assessment, BPCE will likely have a smaller buffer to absorb any additional pressure on asset quality, asset growth, earnings, and, more generally, one-off events that could ultimately erode its strong capital.

Our measure of total S&P Global Ratings-adjusted capital increased to €72.4 billion at year-end 2022, from €68.1 billion in 2021. The increase resulted from retained earnings and a slight capital increase of €452 million because of the sale of cooperative shares, which supported the 4.8% increase in S&P Global Ratings' RWAs before diversification on the back of on expanding loan book.

Our forecast RAC ratio reflects the following assumptions:

- BPCE to continue to follow its conservative financial policy;
- Net income group share to slightly decline to below €3.0 billion in 2023, before improving to about €4.0 billion-€4.5 billion in 2025;
- Ongoing issuance of cooperative shares to remain dynamic, at about €800 million annually;
- Annual increase in S&P Global Ratings' RWA of about 3.0%-3.5% over the forecast horizon;
- No issuance of additional tier 1 instruments since the group's strategy is to uphold its regulatory common equity ratio through retained earnings; and
- No major negative exceptional events.

As part of its 2024 plan, BPCE targets consolidated net income (group share) of more than €5.0 billion. Over time, we expect the group could spend that part of the earning retention opportunistically on bolt-on acquisitions in asset management, consumer finance, or leasing. We also expect overall less-supportive conditions that could hamper BPCE's performance in the coming years and do not rule out downside risks and a prudent approach in light of the changing environment.

Quality of capital is a supportive factor. BPCE's total adjusted capital (TAC) includes hardly any contribution from hybrid capital instruments. At end-September 2023, BPCE reported a 15.4% phased-in Basel III common equity tier 1 (CET1) ratio, which was 544 basis points (bps) above the minimum requirement set by the Supervisory Review and Evaluation Process (SREP). This level is slightly below the group's target of above 15.5% by end-2024. Our expectation of an increase in capitalization is supported by our view of BPCE's earnings retention. Even though earnings will suffer from margin pressure in the near term, we see high interest rates as more conducive for the bank's profitability as assets are gradually repriced at higher rates.

Overall, we expect a return on average common equity of 4.5%-5.0% in the next two years, which factors in our expectation that higher interest rates will progressively alleviate pressure on revenue. But our projections also incorporate inflation pressure on costs. Furthermore, we forecast that annual cost of risk will increase to close to €2.5 billion over 2024-2025, equivalent to about 25 bps-28 bps of customer loans. We expect our measure of BPCE's cost-to-income ratio will be about 69%-71% over 2024-2025, notably improving from over 75% in 2023, as operating revenues benefit from margin improvements. Our measure of BPCE's cost-to-income ratio, including regulatory costs, stood at 74% in the first half of 2023.

Risk Position: Strong Asset Quality And Prudent Risk Appetite

BPCE has a low to moderate risk appetite and adequate risk management capabilities. Compared with larger international peers, BPCE has a less complex balance sheet, with a good track record in credit risk management in its core lending business. BPCE's exposures are mostly concentrated in France and the underlying quality of its loan book is good. For example, BPCE's exposure to Russia is mainly limited to financing activities that amounted to €805 million at end-June 2023, while housing loans accounted for about 25% of credit risk exposures at end-June 2023. The fixed-rate housing loan portfolio is characterized by a minimal cost of risk throughout the credit cycle. The deteriorating environment can drive credit risk, in particular in the corporate and SME sectors. We think concentrations by sector or name exist, notably at Natixis, but remain contained at the wider group level. Exposure to vulnerable corporate sectors is diversified. Commercial real estate loans, most of them in France, amounted to €43 billion or approximately 5% of gross loans at end-June 2023.

In the first nine months of 2023, BPCE's consolidated cost of risk stood at 16 bps. Its reported nonperforming loan (NPL) ratio remained stable at 2.3%, compared with year-end 2022. Our measure of NPL ratio in terms of stage 3 loans as a percentage of gross customer loans stood at 2.7% at end-June 2023 and we expect it will increase slightly to close to 3% by 2025. The coverage by reserves was a satisfactory 63.1%, reflecting the group's aggregate risk profile and the collateralized nature of most of its loans. We consider that BPCE has successfully reduced its risk profile in recent years. Since the end of 2019, stage 1 and stage 2 outstanding provisions have increased by over €2.2 billion, proving a meaningful buffer against an unanticipated deterioration in asset quality. At 15%, BPCE's stage 2 loans are slightly higher than those of other French banks. This is because BPCE changed its loan classification policy without, in our view, indicating a more pronounced deterioration in its credit exposure.

Most of BPCE's market and operational risks lie with Natixis and BRED Banque Populaire (BRED). We expect BPCE will continue to implement enhanced risk management practices for Natixis and BRED. Natixis has reduced the complexity of its activities following the losses in equity derivatives in 2018 and structured products in 2020. In asset management, BPCE's multi-boutique model, albeit agile and diversified, is more scattered and independent than that of peers.

BPCE's exposure to interest rate risk essentially stems from its long-term fixed-rate loans in French retail. Similar to other French banks, it manages interest rate risk through macro-hedges. Nevertheless, BPCE's focus on French domestic retail meant that its revenues were more affected by rising interest rates than those of its French peers. As of end-June 2023, unrealized losses were limited to €0.8 billion (1.1% of TAC as of year-end 2022) on its €41.3 billion of debt securities classified at fair value through other comprehensive income. BPCE has another €28.5 billion in debt securities, which are held to maturity as of the same period. We believe the group has solid asset-liability management expertise, which will help it manage the implications from increasing interest rates, monitor the pace of repricing of its loan books, and adapt to the increased cost of funding resources.

Funding And Liquidity: Large And Stable Deposit Base And More Confidence-Sensitive Wholesale Sources Fund The Sizable Balance Sheet

BPCE is the second-largest deposit-taker in France. We calculate that its loan-to-deposit ratio was 136% as of end-June 2023, having improved steadily from 141% at year-end 2019. Despite the improving trend, BPCE's loan-to-deposit ratio compares unfavorably with that of large domestic peers. Its major funding imbalances arise from its largest and wholesale-funded subsidiaries, Natixis and Crédit Foncier de France S.A. (CFF). However, we think the group's ability to repackage mortgage loans into covered bonds and to raise funds throughout its large retail banking networks, along with its loyal deposit base, are strong qualitative mitigating factors. France's domestic investor base is quite large, and BPCE is increasing its geographic diversification, particularly in the U.S. and Asia.

The group organizes its medium- and long-term funding around BPCE, BPCE SFH, and Compagnie de Financement

Foncier S.A., the group's covered bond issuers. BPCE conservatively manages the amount of its encumbered assets. BPCE benefits from its access to a fairly diversified mix of funding sources, both on a secured and an unsecured basis. We estimate that assets pledged as collateral for covered bonds traditionally stand at less than 10% of the group's total asset base, providing BPCE with some flexibility to use more of this competitive funding source.

We estimate BPCE's stable funding ratio at 95% and its ratio of broad liquid assets to short-term wholesale funding at 1.0x as of June 30, 2023. After increasing temporarily over 2020-2021, supported by increasing liquidity from customer deposits and drawings under the targeted longer-term refinancing operations (LTRO III), these ratios are now in line with those seen at year-end 2019 (see table 6). For BPCE, we consider that the comparatively large amount of retail deposits that it collects in the form of regulated savings (mostly Livret A)--partially centralized at French parastate institution Caisse des Dépôts et Consignations--weakens its funding and liquidity indicators and means they are lower than those of peers.

We estimate BPCE's medium- and long-term funding, excluding asset-backed securities, was €29 billion in 2023. BPCE already completed its 2023 medium- and long-term wholesale funding plan at end-September 2023. Recourse to LTRO III stood at a relatively modest €20.7 billion as of end-September 2023, from a peak of €83.2 billion at end-June 2022, following repayment over the year. The balance maturities are fully integrated into BPCE's medium- and long-term funding plans and maturity profile. The group's average monthly liquidity coverage ratio was 140% in the third quarter of 2023 and its liquidity reserves were €289 billion. This equated to a coverage ratio of short-term debt of 146%, which was broadly in line with the 150% at end-2022.

Support: One Notch Of Support For ALAC Buffer

We factor in one notch of uplift for ALAC support to the group SACP, leading to a long-term issuer credit rating of 'A' on BPCE. This is because we consider that BPCE will likely maintain an ALAC ratio above our 3% threshold.

We estimate that the ratio of the group's ALAC to our RWA metric was 546 bps at year-end 2022. In the first nine months of 2023, BPCE had issued €12.2 billion in new senior nonpreferred and tier 2 notes. We assume that new issuances will total about €6 billion annually in the coming years. Reflecting this assumption, we forecast in particular that our ALAC ratio will remain higher than 5.0% until 2025.

BPCE is subject to both a requirement of total loss-absorbing capacity (TLAC; initially developed by the Financial Stability Board and further transposed into European law) and MREL. As of end-September 2023, the group estimated that its TLAC ratio and subordinated MREL ratio (based solely on own funds and eligible subordinated debt, including senior nonpreferred debt) stood at 24.7% of regulatory RWAs. This is already above BPCE's target of 23.5% for the subordinated MREL ratio in 2024.

Environmental, Social, And Governance

We think that BPCE's ESG standards are in line with those of other banks in Europe and that they do not affect its credit quality.

As is typical for a cooperative group, BPCE's decision-making process and management oversight are decentralized. We expect governance practices and values are harmonized across the organization, including Natixis, where an alignment with these practices and values may be more challenging because of multiple affiliates. BPCE has a prudent risk culture. The group prioritizes earnings stability and sustainability above absolute returns. Social considerations form an integral part of BPCE's strategic goals. Although we view BPCE's exposures as less important than those of the larger corporate and investment houses, Natixis' banking activities entail lending to or investing in carbon-intensive sectors. In the housing space, environmental risks and the transition to a greener economy are key challenges for Natixis and BPCE. The group has, however, improved its framework to better capture environmental risks.

Group Structure, Rated Subsidiaries, And Hybrids

Our ratings on Natixis and BRED are aligned with our 'A' ALAC-supported group credit profile on BPCE, reflecting our assessment of their core position within the banking group. This is based on their integration in and close alignment with BPCE's strategy, among others.

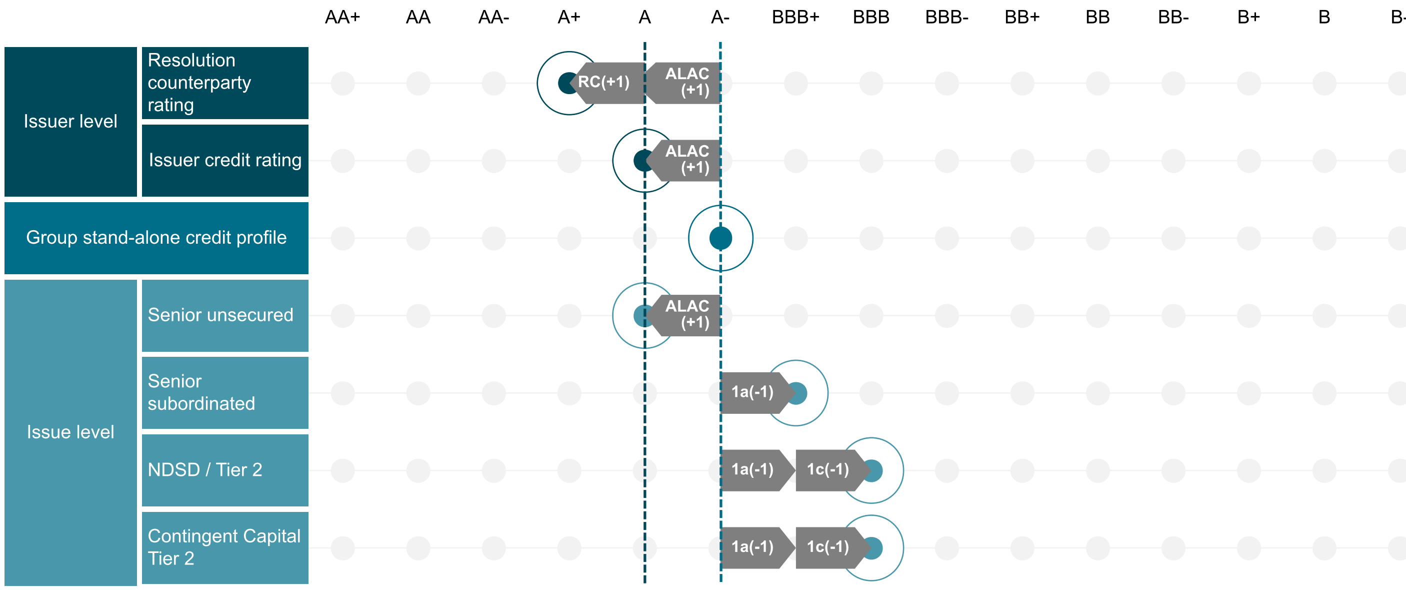
We also apply ALAC uplift to the ratings on core entities Compagnie Européenne de Garanties et Cautions and Parnasse Garanties. These are captive-like insurance companies that provide financial guarantees on housing loans granted by BPCE's retail banks. We use the supported group credit profile as a reference point to rate them because the insurance schemes they provide are beneficial to BPCE's banks that originate the loans. Consequently, we factor in that, if BPCE were to stop supporting these in-house guarantors, the group's operations would have to bear the losses anyway.

We also apply ALAC uplift to the ratings on CFF, since we view this subsidiary as highly strategic to BPCE.

Rating Approach For Hybrid Capital Instruments And Senior Subordinated Debt

We rate hybrid debt instruments according to their respective features and by notching them down from our assessment of BPCE's group SACP.

BPCE: Notching



Key to notching

----	Issuer credit rating
-----	Group stand-alone credit profile
RC	Resolution counterparty liabilities (senior secured debt)
ALAC	Additional loss-absorbing capacity buffer
1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
NDSD--Non-deferrable subordinated debt.

Resolution Counterparty Ratings (RCRs)

We assign RCRs to BPCE; Natixis and its New York branch, CFF; and BRED. The long- and short-term RCRs are 'A+/A-1' on all the entities except CFF, on which the RCRs are 'A/A-1'. An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institutions. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective and where we consider the issuer likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Key Statistics

Table 1

BPCE--Key figures

	--Year ended Dec. 31--				
(Mil. €)	**H1 2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	1,303,143.0	1,315,010.0	1,298,757.0	1,239,863.0	1,142,346.0
Customer loans (gross)	843,040.0	838,327.0	789,769.0	753,446.0	699,501.0
Adjusted common equity	72,130.0	70,661.0	66,364.0	63,020.0	62,264.9
Operating revenues	11,309.0	25,730.0	25,936.0	22,720.0	24,571.0
Noninterest expenses	8,386.0	18,077.0	17,840.0	16,644.0	17,582.0
Core earnings	1,494.2	4,027.9	4,341.4	1,924.7	3,747.3

*Ended June 30, 2023. H1--First half.

Table 2

BPCE--Business position

	--Year ended Dec. 31--				
(%)	**H1 2023***	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (mil. €)	11,360.0	26,066.0	25,936.0	22,720.0	24,572.0
Commercial and retail banking/total revenues from business line	81.9	79.5	77.8	80.8	76.5
Insurance activities/total revenues from business line	2.7	3.7	3.7	4.0	3.4
Asset management/total revenues from business line	13.7	12.8	15.1	14.2	15.3
Other revenues/total revenues from business line	1.7	3.9	3.3	1.0	4.7
Return on average common equity	3.7	4.9	5.3	2.3	4.4

*Ended June 30, 2023. H1--First half.

Table 3

BPCE--Capital and earnings

	--Year ended Dec. 31--				
(%)	**H1 2023***	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	15.2	15.1	15.8	16.0	15.7
S&P Global Ratings' RAC ratio before diversification	N/A	10.3	10.2	9.8	10.3
S&P Global Ratings' RAC ratio after diversification	N/A	11.2	11.2	10.8	11.4
Adjusted common equity/total adjusted capital	97.6	97.6	97.4	100.0	99.9
Net interest income/operating revenues	32.7	37.7	38.1	40.4	35.2
Fee income/operating revenues	44.1	39.0	39.8	40.4	39.0
Market-sensitive income/operating revenues	15.2	11.8	10.1	6.1	9.2
Cost to income ratio	74.2	70.3	68.8	73.3	71.6
Preprovision operating income/average assets	0.4	0.5	0.5	0.4	0.5
Core earnings/average managed assets	0.2	0.3	0.3	0.1	0.3

*Ended June 30, 2023. H1--First half. N/A--Not available.

Table 4

BPCE--Risk-adjusted capital framework data

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government and central banks	426,046	25,854	6	10,644	2
Of which regional governments and local authorities	54,317	10,793	20	2,295	4
Institutions and CCPs	54,892	9,424	17	12,139	22
Corporate	328,440	208,140	63	276,731	84
Retail	526,634	89,111	17	198,350	38
Of which mortgage	422,650	56,419	13	120,569	29
Securitization§	23,585	4,408	19	7,358	31
Other assets†	23,589	20,974	89	50,888	216
Total credit risk	1,383,187	357,911	26	556,109	40
Credit valuation adjustment					
Total credit valuation adjustment	--	2,913	--	6,576	--
Market Risk					
Equity in the banking book	9,351	43,039	460	64,076	685
Trading book market risk	--	15,375	--	22,138	--
Total market risk	--	58,414	--	86,214	--
Operational risk					
Total operational risk	--	41,266	--	52,467	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	460,503	--	701,367	100
Total Diversification/ Concentration Adjustments	--	--	--	-57,678	-8
RWA after diversification	--	460,503	--	643,688	92
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		69,665	15.1	72,411	10.3
Capital ratio after adjustments‡		69,665	15.1	72,411	11.2

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' 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, 2022, S&P Global Ratings.

Table 5

BPCE--Risk position

	--Year ended Dec. 31--				
(%)	H1 2023*	2022	2021	2020	2019
Growth in customer loans	1.1	6.1	4.8	7.7	5.4

Table 5

BPCE--Risk position (cont.)

	--Year ended Dec. 31--				
(%)	**H1 2023***	**2022**	**2021**	**2020**	**2019**
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(8.2)	(9.0)	(9.6)	(9.7)
Total managed assets/adjusted common equity (x)	20.9	21.7	22.8	22.9	21.5
New loan loss provisions/average customer loans	0.2	0.2	0.2	0.4	0.2
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	2.7	2.6	2.8	2.9	3.1
Loan loss reserves/gross nonperforming assets	63.1	65.1	63.1	62.7	59.2

*Ended June 30, 2023. H1--First half. N/A--Not available.

Table 6

BPCE--Funding and liquidity

	--Year ended Dec. 31--				
(%)	**H1 2023***	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	53.2	53.0	50.9	50.4	49.6
Customer loans (net)/customer deposits	136.4	135.9	132.5	134.0	141.2
Long-term funding ratio	73.9	73.0	77.9	74.5	72.7
Stable funding ratio	94.7	94.1	105.5	100.0	92.9
Short-term wholesale funding/funding base	28.0	28.9	23.5	27.2	29.3
Broad liquid assets/short-term wholesale funding (x)	1.0	1.0	1.3	1.1	0.9
Broad liquid assets/total assets	20.6	21.1	22.9	22.1	19.7
Broad liquid assets/customer deposits	51.2	53.2	59.3	58.0	54.2
Net broad liquid assets/short-term customer deposits	(1.7)	(1.7)	15.0	4.9	(5.8)
Regulatory liquidity coverage ratio (LCR) (%)	144.0	156.6	161.1	167.8	N/A
Short-term wholesale funding/total wholesale funding	59.5	61.3	47.7	54.8	58.2
Narrow liquid assets/3-month wholesale funding (x)	2.3	2.3	2.4	2.5	2.0
Regulatory net stable funding ratio (%)	N/A	106.3	115.7	N/A	N/A

*Ended June 30, 2023. H1--First half. N/A--Not available.

BPCE--Rating component scores

Issuer credit rating	**A/Stable/A-1**
SACP	a-
Anchor	bbb+
Economic risk	3
Industry risk	4
Business position	Adequate (0)
Capital and earnings	Strong (+1)
Risk position	Adequate (0)
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	1

BPCE--Rating component scores (cont.)	
Issuer credit rating	**A/Stable/A-1**
ALAC support	1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- French Banks' Domestic Net Interest Income Remained Depressed In The Third Quarter, Nov. 10, 2023

Ratings Detail (As Of January 18, 2024)*	
BPCE	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	A-1
Senior Subordinated	BBB+
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BBB
Issuer Credit Ratings History	
24-Jun-2021	A/Stable/A-1
23-Apr-2020	A+/Negative/A-1

Ratings Detail (As Of January 18, 2024)*(cont.)	
19-Oct-2018	A+/Stable/A-1
Sovereign Rating	
France	AA/Negative/A-1+
Related Entities	
BPCE SFH SA	
Senior Secured	AAA/Stable
BRED - Banque Populaire	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Local Currency	A-1
Senior Unsecured	A
Compagnie de Financement Foncier	
Commercial Paper	
Local Currency	A-1+
Senior Secured	AAA/Stable
Compagnie Europeenne de Garanties et Cautions	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--
Credit Foncier de France	
Issuer Credit Rating	A-/Stable/A-2
Resolution Counterparty Rating	A/--/A-1
Natixis Australia Pty Ltd.	
Issuer Credit Rating	A/Stable/A-1
Natixis Financial Products LLC	
Issuer Credit Rating	A/Stable/A-1
Natixis (New York Branch)	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Local Currency	A-1
Natixis S.A.	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Local Currency	A-1
Junior Subordinated	BB+
Senior Unsecured	A
Subordinated	BBB
Oney Bank S.A.	
Issuer Credit Rating	BBB-/Stable/A-3

Ratings Detail (As Of January 18, 2024)*(cont.)	
Parnasse Garanties	
Issuer Credit Rating	A/Stable/--
Socram Banque	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.