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BPCE

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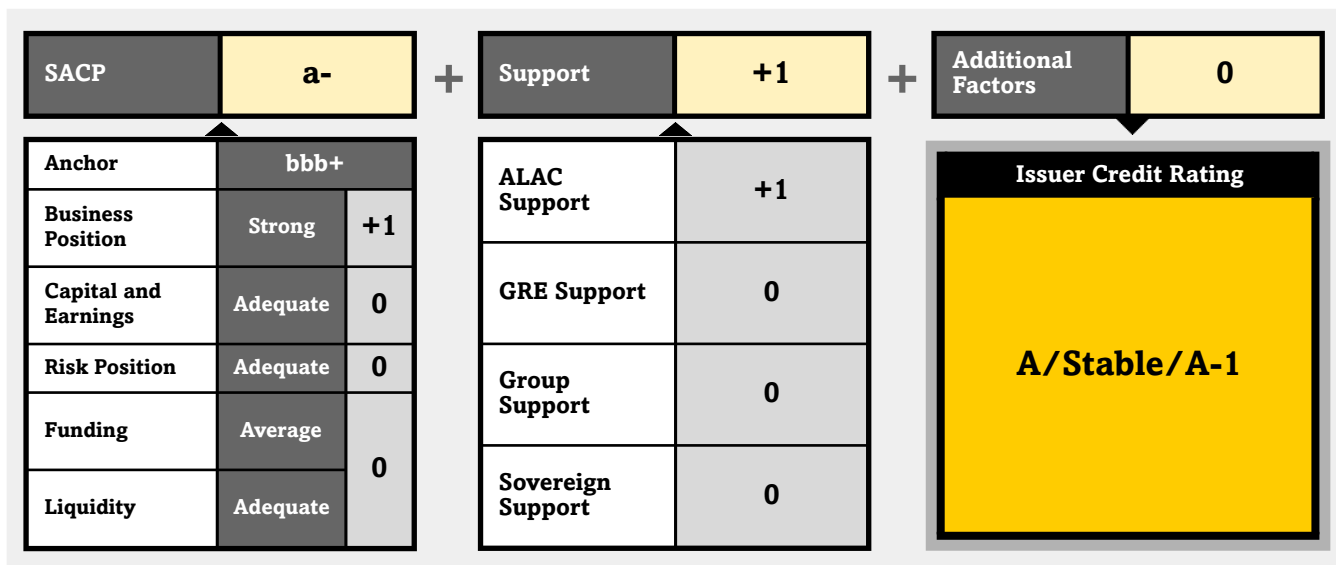
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BPCE



Major Rating Factors

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • Second-largest retail bank in France, with stable franchise in core businesses. • Focused strategy oriented toward areas of expertise. • Sound earnings retention, benefiting from its status as a cooperative institution. 	<ul style="list-style-type: none"> • Moderate growth potential in the French domestic banking market. • Dampening effect of low interest environment on revenues and overall efficiency.

Outlook

The stable outlook on France-based banking group BPCE reflects S&P Global Ratings' expectation that BPCE will continue to build its additional loss-absorbing capacity (ALAC) buffer to a level that will exceed 4.75% in the next two-to-three years. It also reflects our expectation that the bank will continue to demonstrate a sound capacity to generate internal capital through retained earnings, as well as good asset quality.

We could lower the ratings in the next 18 to 24 months if the build-up of the group's ALAC buffer appeared set to materially fall short of our expectations, for instance on the back of materially reduced retained earnings prospects or a material increase in risk exposures. We see relatively limited downside risk for BPCE's stand-alone credit profile (SACP) at this time, but an expected weakening in the maturity profile of BPCE's funding could weigh on the SACP. It could occur for instance if our stable funding metric appeared set to fail to increase to around 95% in the coming year or two.

A material strengthening in capitalization, with our prospective risk-adjusted capital (RAC) ratio exceeding 10%, could exert upward pressure on the SACP. However, this would likely lead to a low projected ALAC buffer--therefore leaving the issuer credit rating unchanged.

Our stable outlook on CFF and Locindus mirrors that on BPCE as we expect CFF to remain a highly strategic

subsidiary of BPCE, and Locindus a core subsidiary of CFF.

Table 1

BPCE Key Figures					
--Year-ended Dec. 31--					
(Mil. €)	2015	2014	2013	2012	2011
Adjusted assets	1,036,153.0	1,080,852.0	988,877.0	1,017,287.0	1,014,329.0
Customer loans (gross)	579,103.0	565,898.0	549,043.0	527,283.0	516,658.0
Adjusted common equity	52,337.4	48,299.0	44,074.0	41,219.0	36,745.0
Operating revenues	23,914.0	23,830.0	23,304.0	22,448.0	23,267.0
Noninterest expenses	16,248.0	16,330.0	16,135.0	15,935.0	15,881.0
Core earnings	3,419.9	3,475.9	2,937.4	2,622.1	2,731.5

Table 2

BPCE Business Position					
--Year-ended Dec. 31--					
(%)	2015	2014	2013	2012	2011
Total revenues from business line (mil. €)	24,222.0	23,437.0	23,082.0	22,542.0	23,473.0
Commercial banking/total revenues from business line	12.6	11.9	8.1	6.6	6.8
Retail banking/total revenues from business line	57.0	57.5	58.0	70.8	69.3
Trading and sales income/total revenues from business line	5.4	5.4	5.4	6.3	5.1
Insurance activities/total revenues from business line	6.5	6.7	6.6	N/A	N/A
Asset management/total revenues from business line	14.5	12.0	10.6	9.2	8.0
Other revenues/total revenues from business line	4.0	6.5	11.2	7.1	10.7
Return on equity	5.7	5.5	5.3	4.4	6.0

N/A--Not applicable.

Table 3

BPCE Capital And Earnings					
--Year-ended Dec. 31--					
(%)	2015	2014	2013	2012	2011
Tier 1 capital ratio	13.3	12.7	12.8	12.2	10.6
S&P RAC ratio before diversification	8.4	7.8	6.9	6.7	5.7
S&P RAC ratio after diversification	10.4	9.5	8.7	8.3	7.1
Adjusted common equity/total adjusted capital	99.2	97.0	96.0	95.1	94.5
Net interest income/operating revenues	46.2	48.4	49.5	49.0	53.8
Fee income/operating revenues	38.3	34.1	33.1	32.6	32.0
Market-sensitive income/operating revenues	11.2	10.6	10.7	9.9	3.8
Noninterest expenses/operating revenues	67.9	68.5	69.2	71.0	68.3
Preprovision operating income/average assets	0.6	0.6	0.6	0.6	0.7
Core earnings/average managed assets	0.3	0.3	0.3	0.2	0.2

Table 4

BPCE Risk-Adjusted Capital Framework Data					
(Mil. €)	Exposure*	Basel II RWA	Average Basel II RW (%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government and central banks	263,442	25,288	10	14,198	5
Institutions	38,581	9,975	26	10,634	28
Corporate	239,802	137,006	57	189,647	79
Retail	360,449	79,406	22	161,455	45
Of which mortgage	234,435	46,838	20	67,507	29
Securitization§	21,094	12,863	61	17,413	83
Other assets	22,357	23,238	104	25,462	114
Total credit risk	945,725	287,775	30	418,809	44
Market risk					
Equity in the banking book†	9,294	25,813	317	71,301	767
Trading book market risk	--	13,663	--	19,111	--
Total market risk	--	39,475	--	90,413	--
Insurance risk					
Total insurance risk	--	--	--	67,775	--
Operational risk					
Total operational risk	--	37,650	--	51,754	--
(Mil. €)		Basel II RWA		S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification		391,050		628,751	100
Total Diversification/Concentration Adjustments		--		(122,118)	(19)
RWA after diversification		391,050		506,633	81
(Mil. €)		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio					
Capital ratio before adjustments		52,207	13.4	52,752	8.4
Capital ratio after adjustments‡		52,207	13.3	52,752	10.4

*Exposure at default. §Securitisation Exposure includes the securitisation 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, 2015, S&P Global Ratings.

Table 5

BPCE Risk Position					
	--Year-ended Dec. 31--				
(%)	2015	2014	2013	2012	2011
Growth in customer loans	2.3	3.1	4.1	2.1	4.5
Total diversification adjustment / S&P RWA before diversification	(19.4)	(18.3)	(20.6)	(19.4)	(20.0)

Table 5

BPCE Risk Position (cont.)					
	--Year-ended Dec. 31--				
(%)	2015	2014	2013	2012	2011
Total managed assets/adjusted common equity (x)	22.3	25.3	25.5	27.8	31.0
New loan loss provisions/average customer loans	0.3	0.3	0.4	0.4	0.5
Gross nonperforming assets/customer loans + other real estate owned	4.0	4.1	4.2	4.2	3.9
Loan loss reserves/gross nonperforming assets	53.3	53.6	52.7	53.0	55.2

Table 6

BPCE Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	2015	2014	2013	2012	2011
Core deposits/funding base	47.9	41.9	44.2	39.3	37.5
Customer loans (net)/customer deposits	140.3	148.8	148.3	154.5	169.1
Long term funding ratio	74.9	67.1	70.9	69.5	70.6
Stable funding ratio	92.9	88.4	88.4	88.7	84.8
Short-term wholesale funding/funding base	26.8	34.9	30.8	32.1	30.8
Broad liquid assets/short-term wholesale funding (x)	1.1	0.9	0.9	0.9	0.8
Net broad liquid assets/short-term customer deposits	3.4	(7.2)	(4.9)	(6.1)	(14.2)
Short-term wholesale funding/total wholesale funding	51.4	60.0	55.0	52.7	49.1

Related Criteria And Research

Related Criteria

- Bank Rating Methodology And Assumptions – Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions – Nov. 9, 2011
- Bank Capital Methodology And Assumptions – Dec. 6, 2010
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions – Jul. 17, 2013
- Commercial Paper I: Banks – Mar. 23, 2004
- Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks – May 4, 2010
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, Apr.27, 2015
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions – Jan. 29, 2015
- Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Use Of CreditWatch And Outlooks – Sep. 14, 2009
- Group Rating Methodology – Nov. 19, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', 'CC' Ratings, Oct. 1, 2012
- S&P's National And Regional Scale Mapping Tables, Sep. 30, 2014
- National And Regional Scale Credit Ratings, Sep. 22, 2014
- Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Rating Government-Related Entities: Methodology And Assumptions, Mar. 25, 2015
- Use Of 'C' And 'D' Issue Credit Ratings For Hybrid Capital And Payment-In-Kind Instruments, Oct. 24, 2013

Related Research

- For France's Largest Banks, Capital Will Remain A Neutral Rating Factor, Despite Continuous Improvement, Aug. 25, 2016
- Top 50 West European Banks: Capital Continues To Rise, But Ranges Widely By Country, Aug. 1, 2016
- As The Tier 3 Ball Starts To Roll, European Banks Continue To Plot Their Bail-In Buffers, June 6, 2016
- S&P Global Ratings Explains Its Approach To Rating Senior Subordinated Tier 3 Bank Hybrid Instruments, May 24, 2016
- Europe's Stress Test Results Show That Most Rated Banks Improved Their Resilience, Aug. 1, 2016
- Banking Industry Country Risk Assessment: France, May 24, 2016
- Large French Banks Should Remain Resilient To 2016's More Complex Operating Conditions, Jan. 21, 2016
- France-Based BPCE Outlook Revised To Stable And 'A/A-1' Ratings Affirmed On Government Support And ALAC Review, Dec. 3, 2015
- Government And ALAC Support Ratings Uplift For Systemically Important European Banking Groups, Dec. 3, 2015
- Most European Bank Ratings Affirmed Following Government Support And ALAC Review, Dec. 2, 2015

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 September 23, 2016)

BPCE

Counterparty Credit Rating	A/Stable/A-1
Certificate Of Deposit	
<i>Local Currency</i>	A-1
Commercial Paper	A-1
Junior Subordinated	BB+
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	
<i>Greater China Regional Scale</i>	cnA
Subordinated	BBB

Counterparty Credit Ratings History

02-Dec-2015	A/Stable/A-1
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Ratings Detail (As Of September 23, 2016) (cont.)	
25-Oct-2012	A/Negative/A-1
23-Jan-2012	A/Stable/A-1
07-Dec-2011	A+/Watch Neg/A-1
Sovereign Rating	
France (Republic of)	AA/Negative/A-1+
Related Entities	
Banque Tuniso-Koweitienne	
Issuer Credit Rating	B/Stable/--
Senior Unsecured	B
Subordinated	CCC+
BPCE SFH	
Senior Secured	AAA
Senior Secured	AAA/Stable
BRED - Banque Populaire	
Issuer Credit Rating	A/Stable/A-1
Certificate Of Deposit	
<i>Local Currency</i>	A-1
Senior Unsecured	A
Subordinated	BBB
Compagnie de Financement Foncier	
Senior Secured	AAA/Stable
Compagnie Europeenne de Garanties et Cautions	
Financial Strength Rating	
<i>Local Currency</i>	A/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	A/Stable/--
Credit Foncier de France	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured	A-
Short-Term Debt	A-2
Locindus S.A.	
Issuer Credit Rating	A-/Stable/A-2
Certificate Of Deposit	
<i>Local Currency</i>	A-2
Senior Unsecured	A-
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
Commercial Paper	
<i>Local Currency</i>	A-1

Ratings Detail (As Of September 23, 2016) (cont.)

Natixis S.A.

Issuer Credit Rating	A/Stable/A-1
Certificate Of Deposit	
<i>Local Currency</i>	A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Junior Subordinated	BB+
Senior Unsecured	A
Subordinated	BBB

Parnasse Garanties

Issuer Credit Rating	A/Stable/--
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Socram Banque

Issuer Credit Rating	BBB+/Stable/A-2
Certificate Of Deposit	
<i>Local Currency</i>	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.

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