MOODY'S
INVESTORS SERVICE

Credit Opinion: BPCE

Global Credit Research - 10 Apr 2015

Paris, France

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	A2/P-1
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	baa2
Senior Unsecured	A2
Subordinate	Baa3
Pref. Stock Non-cumulative	Ba2 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1
Natixis US Medium-Term Note Program LLC	
Outlook	Stable
Bkd Senior Unsecured	A2
Natixis Securities Americas LLC	
Outlook	Stable
Bkd Issuer Rating	A2
Bkd ST Issuer Rating	P-1
Natixis Loan Funding	
Outlook	Stable
Senior Unsecured -Dom Curr	A2
Other Short Term -Dom Curr	(P)P-1

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Key Indicators

Groupe BPCE (Consolidated Financials)[1]

	[2]**6-14**	[3]**12-13**	[3]**12-12**	[3]**12-11**	[3]**12-10**	**Avg.**
Total Assets (EUR million)	**1,095,582.0**	**1,068,855.0**	**1,073,433.0**	**1,138,395.0**	**1,048,442.0**	[4]**1.1**
Total Assets (USD million)	**1,500,016.4**	**1,472,820.1**	**1,415,205.0**	**1,477,801.7**	**1,406,530.6**	[4]**1.6**
Tangible Common Equity (EUR million)	**41,881.4**	**39,964.4**	**40,116.5**	**34,932.0**	**32,614.5**	[4]**6.5**
Tangible Common Equity (USD million)	**57,341.9**	**55,068.6**	**52,889.3**	**45,346.8**	**43,753.8**	[4]**7.0**
Problem Loans / Gross Loans (%)	**4.0**	**4.1**	**3.9**	**3.6**	**3.7**	[5]**3.8**
Tangible Common Equity / Risk Weighted Assets (%)	**10.4**	**10.8**	**10.5**	**9.0**	**8.0**	[6]**10.4**
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	**42.8**	**44.7**	**42.4**	**43.9**	**45.6**	[5]**43.9**
Net Interest Margin (%)	**1.1**	**1.1**	**1.0**	**1.2**	**1.2**	[5]**1.1**
PPI / Average RWA (%)	**1.8**	**1.8**	**1.7**	**1.8**	**1.8**	[6]**1.8**

Net Income / Tangible Assets (%)	**0.4**	**0.3**	**0.3**	**0.3**	**0.4**	[5]**0.3**
Cost / Income Ratio (%)	**68.5**	**70.1**	**70.9**	**69.1**	**68.8**	[5]**69.5**
Market Funds / Tangible Banking Assets (%)	**43.5**	**44.2**	**48.2**	**53.6**	**50.0**	[5]**47.9**
Liquid Banking Assets / Tangible Banking Assets (%)	**28.9**	**28.2**	**29.5**	**24.4**	**27.7**	[5]**27.7**
Gross Loans / Total Deposits (%)	**109.3**	**110.0**	**109.4**	**113.8**	**119.2**	[5]**112.3**

Source: Moody's

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; IFRS [3] Basel II; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel III - fully-loaded or transitional phase-in & IFRS reporting periods have been used for average calculation

Opinion

SUMMARY RATING RATIONALE

This credit opinion refers to both:

- Groupe BPCE (also referred to as "the group" in the text below), which is comprised of (1) the cooperative networks of Banques Populaires (BP) and Caisses d'Epargne (CE), (2) BPCE S.A., the central institution and holding company for all the operating subsidiaries, notably Natixis (LT deposit A2 stable; LT senior unsecured A2 stable, BCA ba2) and Crédit Foncier de France (CFF, LT deposit A2 stable; LT senior unsecured A2 stable ; BCA b1), and (3) the subsidiaries themselves;

- and BPCE (also referred to as "the bank") as the sub-group of Groupe BPCE consolidating the entity BPCE S.A. and its operating subsidiaries.

On March 17, we affirmed BPCE's (the bank) long-term deposit and senior unsecured debt ratings A2 with a stable outlook. Both short-term deposit and senior unsecured ratings remained unchanged at Prime-1. We also affirmed the bank's subordinated debt rating at Baa3, and its non-cumulative preferred stock rating at Ba2(hyb) with a stable outlook.

BPCE's adjusted baseline credit assessment (adjusted BCA) of baa2 incorporates three notches of affiliate-backed support from Groupe BPCE based on the strong solidarity mechanisms prevailing within the group and enshrined in the French banking law. The baa2 adjusted BCA reflects the group's strong domestic franchise, diversified range of activities and relatively stable flow of retail and commercial banking earnings. It also incorporates (1) the effect of the weakening macroeconomic outlook in France and the rest of Europe; (2) the group's vulnerable (albeit improving) liquidity and funding profiles; (3) modest profitability; (4) weak efficiency levels; and (5) the inherent riskiness of some of the group's wholesale banking operations. Our view on the parental and cooperative support takes into account the provisions of the French banking law.

The bank's baseline credit assessment (BCA) of Ba2 reflects the combined intrinsic strength of the main subsidiaries of the group, which are in turn exposed to risks from a worsening operating environment in France and the rest of Europe, where they mainly operate.

The affirmation of the A2 deposit and senior unsecured ratings was underpinned by (1) the bank's adjusted BCA of baa2, (2) and also takes into account the introduction of the new methodology, and specifically our advanced Loss Given Failure (LGF) analysis, resulting in the same Preliminary Rating Assessments (PRA) of a3 (or two notches above the adjusted BCA), as well as (3) the reduction of government support to one notch (from three notches previously), reflecting a moderate probability of support.

BPCE'S RATING IS SUPPORTED BY FRANCE'S VERY STRONG- MACRO PROFILE

As a primarily domestic bank, Groupe BPCE and BPCE's operating environment is heavily influenced by France and its Macro Profile is thus aligned with that of the France at Very Strong-.

French banks benefit from operating in a country with a large and broadly diversified economy, a robust institutional framework and a very low susceptibility to event risk. Nevertheless, France's long-term economic performance will continue to be constrained by subdued growth prospects, a loss in competitiveness relative to its trading partners, a gradual erosion of its export-oriented industrial base and rigidities in labour, goods and service markets. French banks' high reliance on wholesale funding is and will remain a source of vulnerability: this reliance arises both from the large stock of loans and financial assets to finance and from the intense competition on deposits, stemming from regulated savings accounts and insurance products. The French banking sector is relatively concentrated, with several banks benefiting from high retail market share in their core regions.

Rating Drivers

- Groupe BPCE has a strong franchise in France and an established name in selected activities internationally, providing a diversified earnings base

- Structurally weak, albeit improving, liquidity and funding positions constrain the group's rating

- Groupe BPCE's risk positioning is modest because risk management and controls are still evolving, coupled with Natixis's relatively high, albeit decreasing, risk profile

- Despite improved performance in 2014, difficult economic conditions could imply asset quality deterioration

- Profitability remains relatively weak

- The group's capitalisation is adequate and on an improving trend

- Large volume of deposits, senior and junior debt at Groupe BPCE resulting in deposit and senior unsecured debt ratings benefiting from a very low-given-failure and two-notch uplift from the adjusted BCA

- Moderate probability of government support resulting in one-notch uplift from the PRA for debt and deposits

Rating Outlook

The outlook on BPCE's long-term deposit and senior unsecured debt is stable. Our adjusted BCA of baa2 already incorporates our view that the currently foreseen risks to creditors, particularly those resulting from a still challenging economic outlook in France are already incorporated in our assessment. As such we do not expect to change our adjusted BCA over the outlook's time horizon. The outlook is also underpinned by the current liability structure of Groupe BPCE, which results in two notches of uplift reflecting very low loss-given-failure, and one notch of systemic support, reflecting a moderate probability of government support.

What Could Change the Rating - Up

Some upwards pressure could develop on the bank's adjusted BCA if the group improves its credit profile. Whilst we recognise the good progress towards the integration of the numerous entities which has been achieved since the group was set up in 2009, we believe that it will take more time for Groupe BPCE to become a truly fully integrated group and benefit from the associated synergies. A positive change in the bank's adjusted BCA would likely affect all ratings.

The bank's deposit rating could also be upgraded if Groupe BPCE's liability structure results in a lower loss-given-failure for deposits than we believe today, through an increase in the volume of subordination.

The bank's senior unsecured debt rating could also be upgraded if Groupe BPCE's liability structure results in a lower loss-given-failure for this class of debt than we believe today, through the combination of a greater layer of senior debt and an increase in subordination.

What Could Change the Rating - Down

Downward pressure could develop on BPCE's adjusted BCA if Groupe BPCE's credit fundamentals were to weaken through (1) a decrease in solvency resulting for example from a deterioration in asset quality or (2) a worsening in funding and liquidity. A negative change in BPCE's adjusted BCA could affect all ratings.

The bank's deposit rating could also be downgraded if Groupe BPCE's liability structure results in a higher loss-given-failure for deposits than we believe today through a decrease in their own volume and/or in the volume of instruments subordinated to them.

The bank's senior unsecured debt rating could also be downgraded if Groupe BPCE's liability structure results in a higher loss-given-failure for this class of debt than we believe today, which could be prompted bya decrease in its own volume and/or in the volume of instruments subordinated to it.

DETAILED RATING CONSIDERATIONS

GROUPE BPCE HAS A STRONG FRANCHISE IN FRANCE AND AN ESTABLISHED NAME IN SELECTED ACTIVITIES INTERNATIONALLY, PROVIDING A DIVERSIFIED EARNINGS BASE

Groupe BPCE's franchise value is its core credit strength. The group operates in France mainly through two separate networks of regional banks (BP and CE) targeting different market segments, together holding approximately 21% deposit and loan market shares. The group also comprises various subsidiaries including Natixis, the well-established wholesale banking arm and Crédit Foncier de France, a specialised real-estate finance firm, funded mainly through covered bonds.

However, the group's earnings generation capacity could be challenged in the current operating environment as a result of weak economic prospects. We believe that the bank has the potential to offset some of these pressures by developing its strengths in the retail segments and greater reliance on cross-selling opportunities among the group entities.

We consider BPCE's earnings base to be relatively narrow, given that it mainly consolidates the activities of both Natixis and CFF, whose income streams are relatively volatile. In addition, we note that Natixis, and therefore its major shareholder BPCE, no longer benefit from 20% of the group's retail banking earnings, as a result of the buyback in 2013 of the cooperative investment certificates by the regional banks that were held by Natixis. This will further increase the degree of cyclicality of BPCE's earnings mix. However, we view the earnings base for the consolidated Groupe BPCE, which includes all retail and commercial operations, as well diversified.

STRUCTURALLY WEAK, ALBEIT IMPROVING, LIQUIDITY AND FUNDING POSITION

Similar to other large French banking groups, Groupe BPCE has a relatively high, albeit globally on a reducing trend, gross loan-to-deposit ratio of approximately 130% at year-end 2014 (net of repo and reverse transaction but unadjusted for centralised savings products such as livret A). Given the relatively high loan-to-deposit ratio, which is a feature of all large banks in France where a large portion of retail savings is invested in savings products sold by insurance companies and mutual funds, the group remains reliant on the interbank and capital markets, and it is therefore vulnerable to market volatility. Groupe BPCE's vulnerable liquidity/funding represents its main credit rating constraint.

The group has reduced its overall funding requirements since 2011 through deleveraging and transitioning its wholesale activities to an "originate-to-distribute" model. The group issued EUR41.4 billion medium-to-long-term (MLT) debt in 2014 (or 138% of the programme set for the year), and has also achieved 28% of its MLT debt issuance programme of 2015 as of 10 February 2015. Groupe BPCE took advantage of still low credit spreads since late 2012 to issue new debt at lower spreads compared to recent years (average rate of mid-swap +45 basis points in 2014). Around 29% of new debt issuance was in secured form (through covered bonds), a much lower proportion compared with previous years, further pointing to a marked improvement in wholesale market conditions. We also note the group's efforts to diversify its funding by geography and currency.

Despite this, we believe that the group's funding position is vulnerable relative to some of its peers, as a result of the group's relatively high level of short-term debt outstanding of EUR144 billion at year-end 2014 (including EUR28 billion medium- to long-term debt maturing over the following 12 months). We understand that at year-end 2014, this amount was 119% covered by the group's liquidity buffer of EUR172 billion, comprising 65% of assets eligible for central bank financing and the remaining 35% in cash and other deposits to central banks. This full coverage of short-term debt indicates an improvement in the group's short-term liquidity position, as this level of coverage was not achieved until mid-2012. We believe that this improvement is largely due to the group deleveraging efforts, resulting in lower funding requirements. However, we note that the quality of Groupe BPCE's liquidity buffer, as well as those of the other large French banks, should be considered in the context of the material portion of loans and retained securitisations eligible as collateral by the ECB, which may not be liquidated in private markets. In our analysis, we differentiate between assets for which the central bank is likely to be the only source of liquidity in a stress scenario and assets (such as marketable securities) that can be liquidated in private markets, as well as being used as collateral to access central banks' facilities. We consider the latter types of assets as preferable from a bank creditor's perspective. Please refer to our Credit Focus "BNP, SG, Crédit Agricole and BPCE: Funding and Liquidity Improving, But Still Below Peers" published on 21 May 2013, for further details.

Groupe BPCE indicates that its Liquidiy Coverage Ratio - LCR - (based on BPCE's understanding of the latest standards) has been above 100% since end-June 2014.

RISK POSITIONING IS MODEST AS RISK MANAGEMENT AND CONTROLS ARE STILL EVOLVING AUGMENTED BY NATIXIS'S STILL RELATIVELY HIGH RISK PROFILE

Although gradually improving, BPCE's risk positioning is relatively modest and further challenged by the weakening operating environment. We recognise the actual progress made in defining the group's risk culture and practices since Groupe BPCE was set up in 2009. At the same time, we believe that the group's risk management is still evolving and that the implementation of a fully integrated group-wide risk management architecture will remain a key challenge for some time.

We positively note that Natixis's legacy asset portfolio (in run-off) has been actively downsized to a notional value of EUR8.7 billion at end-2013 compared with EUR23.0 billion in 2011 and EUR40.6 billion in 2009 - excluding complex derivatives and fund-linked structured products -. The related risk-weighted assets have been reduced to around EUR9.1 billion (under Basel III rules) at end-2013 from around EUR30 billion at end-June 2009 (under Basel II rules). As previously announced, the work out unit charged with the disposal of this legacy portfolio was closed 30 June 2014 and the residual portfolio (representing EUR5.6 billion risk-weighted assets) was transferred to Natixis's Wholesale Banking division.

DESPITE IMPROVED PERFORMANCE IN 2014, DIFFICULT ECONOMIC CONDITIONS COULD IMPLY ASSET QUALITY DETERIORATION

We believe that the overall group's asset quality profile remains robust, relative to its peers, reflecting the low-risk profile of its domestic retail banking activities. We also consider the group's loan book as well diversified by counterparty type due to its wide range of activities.

In 2014, the overall cost of risk for Groupe BPCE was 29 basis points, down from 35 basis points in 2013. However, we note that this masks material differences across the different loan portfolios. Whilst we believe that the cost of risk on the mortgage book remains very low, reflecting traditionally conservative lending practices at French banks, the asset quality within Natixis has been volatile in recent years reaching 53 basis points in 2013. Natixis credit costs reduced to 38 basis points in 2014. However, due to the tougher economic conditions and large borrower concentrations (especially in the Natixis' wholesale banking activities), the positive trend observed year-to-date at Natixis may not continue. We also believe that cost of risk could increase in other portfolios, such as SME and unsecured retail exposures, because these are typically sensitive to protracted weak economic conditions (please note that asset quality metrics for specific portfolios are undisclosed). Finally, we note that BPCE's exposures are mainly concentrated in France, whose economic prospects are weak for the next several quarters, making Groupe BPCE's overall asset quality profile more correlated to this economy than some of its peers that benefit from a higher degree of geographical diversification.

PROFITABILITY REMAINS RELATIVELY WEAK

Groupe BPCE's profitability has increased since the group was set up in 2009 but has remained weaker than many of its peers. Going forward, we expect the group's profitability to be less volatile than in the past but we expect it to remain under pressure due to weaker economic activity, translating into compressed revenues and deteriorating asset quality, leading to higher loan impairment charges. Groupe BPCE has recently announced that it will target significant increases in profitability across all its business lines during the period of its strategic plan (2014-17), which is expected to be achieved through further cost rationalisation, greater reliance on cross-selling opportunities amongst the different group entities and international growth in selected activities and geographies. We consider these targets as ambitious but overall achievable.

We believe that Groupe BPCE's operational efficiency is improving, albeit gradually, as the group reaches a higher degree of integration, thereby creating synergies. However, the group is still slightly lagging behind peers as its reported cost-to-income ratio was relatively high at 69.2% in 2014. The group aims to achieve a cost-to income ratio of or less than 65% over the cycle of the strategic plan.

CAPITALISATION IS ADEQUATE AND ON AN IMPROVING TREND

We view Groupe BPCE's capitalisation as adequate to its own risk profile, with a Common Equity Tier 1(CET1) ratio of 12% (fully fledged Basel III except for DTAs) and a total capital ratio (fully fledged Basel III except for DTAs) of 15.6% at year-end 2014, broadly in line with French peers. We note that in the calculation of disclosed CET1 ratio the deferred tax assets (DTAs) are not excluded in accordance with the full-fledged Basel III but rather deducted, as per the treatment to be applied during the transition period. Groupe BPCE anticipates to realize them during the transition period given its expected profits. Groupe BPCE is targeting a fully-loaded CET1 ratio above 12% at the end of 2017.

The group has also disclosed a Basel III leverage ratio of around 4.5% at end-September 2014, which is broadly in line with some of the group's domestic peers.

Groupe BPCE successfully passed the stress test of the European Central Bank (ECB)'s Comprehensive Assessment, the results of which were published in October 2014. Although this does not change our view on the group's creditworthiness, we nevertheless note that Groupe BPCE was positioning lower in the test relative to the other major French banks with a 304 basis points impact on its solvency ratio under the adverse scenario, resulting in a CET1 ratio of 7%. We understand that this higher impact is partly explained by (1) the severe stress applied to the group's legacy assets in run-off, and (2) its higher sensitivity to assumptions of deteriorating funding conditions, due to the larger reliance on market funding. The slightly lower level of CET1 ratio compared to peers at year-end 2013 (the starting point in the stress test) also explains the lower point of landing after the stress. The latter point was addressed during the first 9 months of 2014 through retained earnings and the issuance of cooperative shares for EUR1.2 billion.

BPCE's Tier 1 ratio was 10.3% at year-end 2014 (phased-in Basel 3). We consider that BPCE's capitalisation is low with a high nominal leverage. We nevertheless believe that both the full operational and strategic integration of BPCE within Groupe BPCE and the strong solidarity mechanisms prevailing within Groupe BPCE mitigate the low capitalisation of BPCE on a standalone basis.

Notching Considerations

AFFILIATE SUPPORT

We assign an adjusted BCA of baa2 to BPCE, incorporating three notches of uplift from its BCA of ba2 for affiliate-backed support provided by Groupe BPCE. As the central institution of Groupe BPCE and the holding company for the group's operating subsidiaries outside the cooperative networks, BPCE is fully integrated in the group both operationally and strategically. Importantly, BPCE falls in the legal scope of the strong solidarity mechanisms prevailing within Groupe BPCE.

LOSS GIVEN FAILURE AND ADDITIONAL NOTCHING

Groupe BPCE and its operating entities in France are subject to the EU Bank Resolution and Recovery Directive (BRRD), which we consider to be an Operational Resolution Regime. We assume that resolution if any, would occur at the level of Groupe BPCE once the said group has reached the point of non-viability. If financial difficulties occur at the level of the bank, this would be addressed by the group through the solidarity mechanism. Our LGF analysis is therefore based on Groupe BPCE's consolidated liability structure. We also assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions.

We believe that deposits are likely to face very low loss-given-failure, due to the loss absorption provided by the combination of the substantial deposit volume (we estimate junior deposits to make up about 9% of the group's tangible banking assets in failure), and the subordination of about 4.5% of tangible banking assets (and 14% in the event of deposits being preferred to senior debt). This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

We believe that senior unsecured debt is also likely to face very low loss-given-failure. This is supported by the combination of senior debt's own volume (about 9% of the group's tangible banking assets in failure, or 18% including junior deposits), and the amount of subordination (about 4.5%). This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

For subordinated and junior securities, our initial LGF analysis confirms a high level loss-given-failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity. We also incorporate additional notching for junior subordinated and preference share instruments reflecting the coupon features.

GOVERNMENT SUPPORT

The implementation of the BRRD has caused us to reconsider the potential for government support to benefit the group's and bank's creditors. We now expect a moderate probability of government support for both deposits and senior unsecured debt, resulting in an expected one-notch uplift to the PRAs for both classes of debt issued by Groupe BPCE's issuing entities once our review is completed.

For subordinated and other junior securities, we continue to believe that potential government is low and these ratings do not include any uplift. Junior securities also include additional downward notching from the BCA reflecting coupon suspension risk ahead of a potential failure.

ABOUT MOODY'S BANK SCORECARD

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

Groupe BPCE

Macro Factors	
Weighted Macro Profile	**Very Strong -**

Financial Profile						
Factor	**Historic Ratio**	**Macro Adjusted Score**	**Credit Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	4.0%	a2	↓	a3	Expected trend	
Capital						
TCE / RWA	10.4%	baa2	←→	baa2	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↑	baa3	Earnings quality	Loan loss charge coverage
Combined Solvency Score		baa2		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	44.2%	b1	←→	ba2	Market funding quality	Term structure
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	28.2%	a2	←→	baa3	Quality of liquid assets	
Combined Liquidity Score		ba1		ba1		

Financial Profile	**baa2**

Qualitative Adjustments	**Adjustment**
Business Diversification	0
Opacity and Complexity	0
Corporate Behavior	0

Total Qualitative Adjustments	**0**
Sovereign or Affiliate constraint	Aa1
Scorecard Calculated BCA range	**baa1 - baa3**
Assigned BCA	**Private**
Affiliate Support notching	**–**
Adjusted BCA	**Private**

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency rating	Foreign Currency rating
Deposits	--	--	--	--	A2	A2
Senior unsecured bank debt	--	--	--	--	A2	A2
Dated subordinated bank debt	--	--	--	--	Baa3	Baa3
Non-cumulative bank preference shares	--	--	--	--	Ba2(hyb)	Ba2(hyb)

Rating Factors

BPCE

Macro Factors	
Weighted Macro Profile	**Very Strong -**

Financial Profile

Factor	Historic Ratio	Macro Adjusted Score	Credit Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	4.9%	baa1	↓	baa3	Quality of assets	Market risk
Capital						
TCE / RWA	6.5%	b2	←→	caa1	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	0.2%	b1	↑	ba3	Earnings quality	
Combined Solvency Score		ba2		ba3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	77.3%	caa3	←→	ba2	Market funding quality	Term structure
Liquid Resources						

Liquid Banking Assets / Tangible Banking Assets	43.7%	aa2	←→	baa3	Quality of liquid assets	
Combined Liquidity Score		ba2		ba1		

Financial Profile	**ba2**

Qualitative Adjustments	**Adjustment**
Business Diversification	0
Opacity and Complexity	0
Corporate Behavior	0
Total Qualitative Adjustments	**0**

Sovereign or Affiliate constraint	Aa1
Scorecard Calculated BCA range	**ba1 - ba3**
Assigned BCA	**ba2**
Affiliate Support notching	**3**
Adjusted BCA	**baa2**

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency rating**	**Foreign Currency rating**
Deposits	2	0	a3	1	A2	A2
Senior unsecured bank debt	2	0	a3	1	A2	A2
Dated subordinated bank debt	-1	0	baa3	0	Baa3	Baa3
Non-cumulative bank preference shares	-1	-2	ba2	0	Ba2(hyb)	Ba2(hyb)

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