MOODY'S
INVESTORS SERVICE

Credit Opinion: BPCE

Global Credit Research - 20 Oct 2015

Paris, France

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	A2/P-1
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured	A2
Subordinate	Baa3
Pref. Stock Non-cumulative	Ba2
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]**6-15**	[2]**12-14**	[3]**12-13**	[3]**12-12**	[3]**12-11**	**Avg.**
Total Assets (EUR million)	**1,104,685.0**	**1,154,968.0**	**1,068,855.0**	**1,073,433.0**	**1,138,395.0**	[4]**-0.7**
Total Assets (USD million)	**1,230,846.8**	**1,397,572.6**	**1,472,820.1**	**1,415,205.0**	**1,477,801.7**	[4]**-4.5**
Tangible Common Equity (EUR million)	**46,423.1**	**45,132.8**	**39,964.4**	**40,116.5**	**34,932.0**	[4]**7.4**
Tangible Common Equity (USD million)	**51,724.9**	**54,613.1**	**55,068.6**	**52,889.3**	**45,346.8**	[4]**3.3**
Problem Loans / Gross Loans (%)	**3.8**	**3.9**	**4.1**	**3.9**	**3.6**	[5]**3.8**
Tangible Common Equity / Risk Weighted Assets (%)	**11.8**	**11.5**	**10.8**	**10.5**	**9.0**	[6]**11.6**
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	**40.1**	**39.9**	**44.7**	**42.4**	**43.9**	[5]**42.2**
Net Interest Margin (%)	**1.0**	**1.1**	**1.1**	**1.0**	**1.2**	[5]**1.1**

PPI / Average RWA (%)	**2.0**	**1.9**	**1.8**	**1.7**	**1.8**	[6]**2.0**
Net Income / Tangible Assets (%)	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**	[5]**0.3**
Cost / Income Ratio (%)	**67.2**	**68.9**	**70.1**	**70.9**	**69.1**	[5]**69.2**
Market Funds / Tangible Banking Assets (%)	**41.5**	**46.1**	**44.2**	**48.2**	**53.6**	[5]**46.7**
Liquid Banking Assets / Tangible Banking Assets (%)	**25.4**	**29.9**	**28.2**	**29.5**	**24.4**	[5]**27.5**
Gross Loans / Total Deposits (%)	**116.1**	**110.1**	**110.0**	**109.4**	**113.8**	[5]**111.9**

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 23 June, we affirmed BPCE's (the bank) adjusted Baseline credit assessment (BCA) of baa2 and assigned the bank a counterparty risk (CR) assessment of A1(cr)/Prime-1(cr). We also affirmed the bank's subordinated debt rating at Baa3, and its non-cumulative preferred stock rating at Ba2(hyb) and removed the outlook. All other ratings of the bank remained unchanged.

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 still uncertain 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 still uncertain operating environment in France and the rest of Europe, where they mainly operate.

The A2 deposit and senior unsecured ratings are underpinned by (1) the bank's adjusted BCA of baa2, (2) the two-notch uplift under our Advanced Loss Given Failure (LGF) analysis, stemming from the large volumes of deposits and senior long-term debt associated with significant amounts of debt subordinated to them and (3) the reduction of government support to one notch (from three notches previously), reflecting a moderate probability of support.

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;

- Despite improved performance in 2014 and the first half of 2015, still challenging economic conditions could imply asset quality deterioration;

- Profitability remains relatively weak;

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

- BPCE's rating is supported by France's Strong + macro profile;

- Large volume of deposits, senior and junior debt at Groupe BPCE resulting in deposit and senior unsecured debt ratings benefiting from a very low loss-given-failure;

- Moderate probability of government support.

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 LGF, and one notch of systemic support, reflecting a moderate probability of government support.

What Could Change the Rating - Up

Some upward 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 by a 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 ("Banques Populaires" and "Caisses d'Epargne") targeting different market segments, together holding approximately 21% of market shares for deposits and 22% for loans. 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. We view the earnings base for the consolidated Groupe BPCE, which includes all retail and commercial operations, as well diversified.

However, the group's earnings generation capacity could be challenged in the current operating environment as a result of weak, albeit improving, 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.

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 EUR17.7 billion as of 30 June 2015, which represents 71% of its MLT debt issuance programme of 2015. Groupe BPCE took advantage of low credit spreads since late 2012 to issue new debt at lower spreads compared to previous years (average rate of mid-swap +32 basis points in Q1 2015 and +18 basis points in Q2 2015). Around 29% of new debt issuance in 2015 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: 44% of 2015 unsecured issues in the institutional market are denominated in foreign currencies (among which 22% in USD and 10% in JPY).

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 EUR126 billion at the end of June 2015 (including EUR28 billion medium- to long-term debt maturing over the following 12 months). We understand that, at the same date, this amount was 132% covered by the group's liquidity buffer of EUR166 billion, comprising 70% of assets eligible for central bank financing and the remaining 30% 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 Sector In-Depth " BNP Paribas, Société Générale, Crédit Agricole, BPCE: Improved Funding Profiles Are Credit Positive; Further Progress Will Be Moderate" published on 22 May 2015, 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.

The ba1 Combined Liquidity score of the group properly reflects those elements. The same score applies to all rated entities within the group to reflect the strong solidarity mechanism which ensures that liquidity properly flows in all parts of the group.

DESPITE IMPROVED PERFORMANCE IN 2014, STILL UNCERTAIN 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 June 2015, the overall cost of risk for Groupe BPCE was

25 basis points, slightly lower than in 2014 (29 basis points). It increased to 41 basis points in March 2015, though, mainly due to a EUR142 million provision made by BPCE's subsidiary CFF to cover a EUR260 million exposure on the Austrian HETA asset resolution fund, which defaulted on 1 March 2015; this exposure has been sold in Q2 2015, resulting in a EUR38 million provision reversal and a net loss of EUR104 million before tax.

We positively note that Natixis's legacy asset portfolio (in run-off) has been actively downsized so that, as previously announced, the work out unit charged with the disposal of this portfolio was closed on 30 June 2014 and the residual assets (representing EUR3.1 billion risk-weighted assets) were transferred to Natixis's Wholesale Banking division.

However, we note that this overall asset quality 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 main activities has been volatile in recent years reaching 53 basis points in 2013. It has decreased to 32 basis points in Q2 2015. However, due to the tougher economic conditions in certain emerging countries and large borrower concentrations (especially in the Natixis' wholesale banking activities), the positive trend observed since 2013 at Natixis may not continue. We also believe that the cost of risk could increase in other portfolios, such as residential mortgages, which could eventually suffer from the high unemployment rate in France. Finally, we note that BPCE's exposures are mainly concentrated in France, whose economic prospects are improving but still 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.

It is also worth noting 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.

The expected trend in asset quality and the progressive construction of a group-wide risk management framework are reflected in the baa1 score assigned to the group's Asset Risk, one notch below the a3 score resulting from the bank's low ratio of non-performing loans. For the bank, the score is adjusted two notches downward, from baa1 to baa3, to reflect, in addition to the previous factors, the lower level of asset and risk diversification within BPCE than within the whole group.

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 the low interest rate environment, which negatively impacts interest rate margins. Furthermore, a slight deterioration in asset quality, could also lead to higher loan impairment charges. Groupe BPCE has 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 65.6% in the first half of 2015. The group aims to achieve a cost-to income ratio of or less than 65% over the cycle of the strategic plan.

The baa3 assigned to the Profitability score factors in the group's stability and diversity of earnings, which is not fully reflected in the moderate net income to tangible assets ratio of 0.3%, mapping into a ba2 score. A similar upward adjustment is made for BPCE but of 1 notch only (from b1 to ba3) to reflect the narrower bank's earnings base.

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 12.4% (fully fledged Basel III except for DTAs, and 12.1% without DTAs) and a total capital ratio (fully fledged Basel III except for DTAs) of 15.9% at the end of June 2015, 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 rules 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 (fully fledged Basel III except for DTAs) of around 4.8% at end-June 2015, 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 consider 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.

These elements are properly reflected in the TCE/RWA ratio, which maps to a baa1 score for the group's capital and caa1 for the bank.

BPCE'S RATING IS SUPPORTED BY FRANCE'S STRONG + MACRO PROFILE

As a primarily domestic bank, Groupe BPCE and BPCE's operating environment is heavily influenced by France and their Macro Profile is thus aligned with that of France. On 23 September 2015, we decided to change the macro profile of France to Strong + from Very Strong - following the downgrade of the French government bond rating to Aa2 stable from Aa1 negative. As a result, Groupe BPCE and BPCE's weighted macro profiles were amended to Strong + from Very Strong -. This has led to changes in the macro adjusted scores for Asset Risk and Profitability in Groupe BPCE's scorecard as per the new bank methodology.

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.

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 8.5% of the group's tangible banking assets in failure), and the subordination of about 4.8% of tangible banking assets (and 14% in the event of deposits being preferred to senior debt). This results in a two notch uplift from the Adjusted 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 17.6% including junior deposits), and the amount of subordination (about 4.8%). This results in a two notch uplift from the Adjusted 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 led 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.

CR ASSESSMENT

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

The CR Assessment is positioned at A1(cr) / Prime-1(cr).

The CR Assessment, prior to government support, is positioned three notches above the Adjusted BCA of baa2, based on the cushion against default provided to the senior obligations represented by the CR Assessment by subordinated instruments amounting to 22.4% of Tangible Banking Assets. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

The CR Assessment also benefits from one notch of public support, in line with our support assumptions on deposits and senior unsecured debt. This reflects our view that any support provided by governmental authorities to a bank which benefits senior unsecured debt or deposits is very likely to benefit operating activities and obligations reflected by the CR Assessment as well, consistent with our belief that governments are likely to maintain such operations as a going-concern in order to reduce contagion and preserve a bank's critical functions.

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	**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	3.9%	a3	↓	baa1	Expected trend	
Capital						
TCE / RWA	11.8%	baa1	←→	baa1	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	46.1%	b1	←→	b1	Market funding quality	Term structure
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	29.9%	a3	←→	a3	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	Aa2
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**

Rating Factors

BPCE

Macro Factors	
Weighted Macro Profile	**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	4.7%	baa1	↓	baa3	Quality of assets	Market risk
Capital						
TCE / RWA	5.4%	caa1	←→	caa1	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	0.2%	b1	↑	ba3	Earnings quality	
Combined Solvency Score		ba3		ba3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	78.1%	caa3	←→	ba2	Market funding quality	Term structure
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	45.6%	aa3	←→	baa3	Quality of liquid assets	
Combined Liquidity Score		ba3		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	Aa2
Scorecard Calculated BCA range	**ba1 - ba3**
Assigned BCA	**ba2**
Affiliate Support notching	**3**
Adjusted BCA	**baa2**

Instrument Class	**Loss Given**	**Additional**	**Preliminary**	**Government**	**Local**	**Foreign**

	Failure notching	notching	Rating Assessment	Support notching	Currency rating	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)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on http://www.moodys.com for the most updated credit rating action information and rating history.

and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.
MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.