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BPCE

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Table Of Contents

Major Rating Factors

Outlook

Rationale

Related Criteria And Research

BPCE

SACP	a-
Anchor	bbb+	
Business Position	Strong	+1
Capital and Earnings	Adequate	0
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

\+

Support	+1
GRE Support	0
Group Support	0
Sovereign Support	+1

\+

Additional Factors	0

Issuer Credit Rating
A/Negative/A-1

Major Rating Factors

Strengths:	Weaknesses:
• Second-largest retail bank in France, with stable franchise in core businesses. • Focused strategy oriented toward areas of expertise. • High systemic importance in France, which we classify as supportive to its banking sector.	• Moderate growth potential in the French domestic banking market. • Need to continue to adapt to upcoming stricter funding and liquidity regulations.

Outlook: Negative

Reflecting our view that potential extraordinary government support for European banks will likely decrease as resolution frameworks are put into place, we may lower the ratings on BPCE by year-end 2015, if we believe there is a greater likelihood that senior unsecured liabilities may incur losses if the bank fails. Specifically, we may lower the long-term counterparty credit rating by one notch if we consider that extraordinary government support is less predictable under the new EU legislative framework.

The negative outlook also reflects the possibility that we could lower the ratings if we perceived any deviation from Groupe BPCE's continuing reshaping of its balance sheet to strengthen its funding and liquidity positions. We will, in particular, continue to monitor the bank's progress in improving its ratios of stable funding and broad liquid assets to short-term wholesale funding to levels in line with international peers'.

We could revise the outlook on BPCE to stable if we believed that the group was succeeding in strengthening its financial position on an ongoing basis. In addition, we would need to consider:

- That potential extraordinary government support for BPCE's senior unsecured creditors was unchanged in practice, despite the introduction of bail-in powers and international efforts to increase banks' resolvability; or
- That any steps BPCE might take to provide substantial additional flexibility to absorb losses while a going concern were sufficient to fully offset increased bail-in risks.

Rationale

The ratings on BPCE reflect its core membership in Groupe BPCE. We base our ratings on BPCE on Groupe BPCE's "strong" business position, "adequate" capital and earnings, "adequate" risk position, "average" funding, and "adequate" liquidity, as our criteria define these terms. The ratings also reflect our view of Groupe BPCE's "high" systemic importance in France, which we assess as "supportive" toward its banking system. As a result, and in line with our criteria, the 'A' long-term counterparty credit rating on BPCE stands one notch above the 'a-' SACP.

BPCE's SACP is supported by our view of its prominent and leading franchise in retail banking in France, as well as its adequate financial profile. The SACP also factors in our expectation that the bank will continue to strengthen its capital, funding, and liquidity ratios in the years to come. We view BPCE's risk management capabilities as adequate compared with peers'. The group's risk policy is conservative in our view. We expect loan loss provisions to continue to be below the average levels of its peers in 2014.

Anchor: 'bbb+' for banks operating predominantly in France

Our bank criteria use our Banking Industry Country Risk Assessment (BICRA) methodology and our economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our 'bbb+' anchor for a commercial bank operating predominantly in France is based on an economic risk score of '3' and an industry risk score of '3', on a scale of 1-10. BPCE's weighted economic risk score stands at around '3', reflecting Groupe BPCE's dominant share of assets in its domestic market. Its anchor is 'bbb+', which is the starting point to assess its SACP.

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Table 1

BPCE Key Figures					
	--Year-ended Dec. 31--				
(Mil. €)	**2013**	**2012**	**2011**	**2010**	**2009**
Adjusted assets	996,863.0	1,017,287.0	1,014,329.0	923,309.0	1,021,165.0
Customer loans (gross)	549,043.0	527,283.0	516,658.0	494,568.0	469,978.0
Adjusted common equity	44,074.0	41,219.0	36,745.0	33,352.0	26,564.0
Operating revenues	23,304.0	22,448.0	23,267.0	23,619.0	19,989.1
Noninterest expenses	16,135.0	15,935.0	15,881.0	16,057.0	16,207.1
Core earnings	2,937.4	2,622.1	2,731.5	3,746.7	54.4

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Business position: Prominent and stable position in retail banking in France

Groupe BPCE's business position is "strong," in our opinion. It is a universal banking group with a dominant focus on retail banking in France, where it ranks No. 2. Groupe BPCE's prominent, long-standing, and stable domestic retail franchise is the primary driver of our "strong" assessment of the group's business position. The group's universal banking model enables it to strengthen its relationship with customers, in our view. Nevertheless, we consider Groupe BPCE's business diversification to be average, and, by geography, limited in comparison with peers. We view the group as a second tier player in corporate and investment banking, while investment solutions and specialized financial services offer a nice complement to the group's business position. We consider the group's business and franchise stability to be strong and its earnings generation to be solid and predictable.

We are of the view that BPCE's management team is implementing a cohesive strategy that is built around its core franchises, grouped around two business lines: Retail Banking and Insurance, and Wholesale Banking, Investment Solutions and Specialized Financial Services (see box 1 below). We consider Groupe BPCE's management team to be risk-averse. Under our base case, we anticipate that BPCE's strategic direction will focus on organic growth in the coming quarters. As defined in the group's 2014-2017 strategic plan, we expect retail banking and insurance as well as customer-related wholesale banking to remain the cornerstone of Groupe BPCE's business position. International development should be selective and targeted. BPCE's strategic plan is laying the groundwork for additional cost and revenue synergies, which the group estimates will each be at around €900 million. We believe that potential for growth exists throughout all business lines, notably by better leveraging the group's large customer base in France. Groupe BPCE still faces the challenge of continuing to improve cross-selling though.

As a result of the group's new strategic plan, we believe that the strengthening of its financial structure will continue beyond 2013. This should take the form of increasing capitalization, further rebalancing of its funding profile, and the strengthening of liquidity reserves. We also expect strong cost management across all business lines.

Groupe Banque Populaire (GBP) and Groupe Caisse d'Epargne (GCE) merged in summer 2009 to form Groupe BPCE. Cost and revenue synergies derived from the merger were ahead of predefined targets. Over recent years, BPCE's management has also refocused its subsidiaries in lower-risk business areas where they have expertise. The business scope of its wholesale bank, Natixis, was consequently tightened, while its specialized mortgage lender, Credit Foncier de France (CFF), is still in the process of finalizing its rightsizing. Also, Groupe BPCE gradually simplified its complex structure, inherited from the merger, and identified subsidiaries that do not entirely fit into its two main business lines. Over the past few years, Groupe BPCE demonstrated its ability to:

- Seize opportunities to dispose of noncore assets, as exemplified by the partial IPO of credit insurer Coface, and the sale of real-estate manager Foncia and some private equity assets; and
- Wind-down Natixis' workout portfolio and most of CFF's nonstrategic assets.

Box 1

Groupe BPCE is a cooperative group. As a typical structure for a cooperative group, BPCE is fully owned by 36 regional banks (19 Banques Populaires and 17 Caisses d'Epargne), which in turn are owned by 8.8 million member-customers (who own cooperative shares issued by the regional banks and elect their board of directors). Although BPCE does not have a specific role in managing local banks, the bank closely monitors group risk exposures, provides most of its funding, and coordinates commercial and marketing policies. As per article L512-107 of Law no. 2009-715, BPCE is to apply article L511-31 of the French Monetary Code, according to which it is responsible for taking any step to guarantee the solvability and liquidity of the group and its member banks. As for all French mutual banking groups, Standard & Poor's considers the solidarity mechanism binding the central body to its member banks to be strong and reliable.

Retail Banking and Insurance (65% of net income before tax at year-end 2013). With operations through 8,000 branches, Groupe BPCE is the No. 2 domestic banking network and is well-scattered throughout the country. Its market share in credits and deposits stood at around 21% and 22%, respectively, as of Dec. 31, 2013. As a cooperative group, BPCE's retail banking in France is carried out by regional banks. Banques Populaires (BP) and the Caisses d'Epargne et de Prévoyance (CE) are the group's two major brands. CE's roots lie in serving individuals, while BP serves local entrepreneurs and SMEs. Other networks, such as specialized mortgage lender, Crédit Foncier de France, also enhance the group's domestic footprint. We believe that BPCE's international retail presence is limited. Outside France, BPCE International & Outre-Mer primarily operates in French territories overseas and North Africa. The group left most Central and Eastern European countries in 2011.

Wholesale banking, Investment Solutions and Specialized Financial Services (31% of net income before tax at year-end 2013). Natixis embodies the wholesale banking, investment solutions, and specialized finance business line. It is the major contributor to the diversification of Groupe BPCE's business position. We consider Natixis as a second-tier wholesale banking player (made up of financing and capital market activities, which quite evenly contributed to roughly 7% of Groupe BPCE's revenues as of year-end 2013). Natixis benefits from a longstanding and solid domestic franchise in lending to midsize and large corporations, and structured and commodity financing. Its specialized financing services sub-business line is growing and primarily directed toward serving BPCE's retail banking activities. Asset management accounts for the bulk of investment solutions, which is growing internationally, in particular in the U.S. BPCE owned 72% of Natixis on Dec. 31, 2013, with the remaining shares listed on the Paris Stock Exchange. We believe that Natixis should continue to reinforce its role in supporting the franchise of the group's retail banks.

In November 2013, BPCE announced that group insurance companies would be grouped around Natixis. Also, BPCE owns a 16.1% stake in CNP Assurances, with which it had traditionally been entertaining distribution relationships in life insurance. This distribution agreement will expire on Jan. 1, 2016.

Table 2

BPCE Business Position

	--Year-ended Dec. 31--				
(%)	**2013**	**2012**	**2011**	**2010**	**2009**
Loan market share in country of domicile	21.0	21.0	21.0	20.0	20.0
Deposit market share in country of domicile	22.0	22.0	22.0	22.0	22.0
Total revenues from business line (mil. €)	23,340.0	22,542.0	23,473.0	23,619.0	22,095.0

Table 2

BPCE Business Position (cont.)					
Commercial banking/total revenues from business line	6.1	6.6	6.8	7.6	7.4
Retail banking/total revenues from business line	69.9	70.8	69.3	68.0	67.4
Commercial & retail banking/total revenues from business line	76.0	77.5	76.1	75.6	74.8
Trading and sales income/total revenues from business line	6.4	6.3	5.1	5.9	8.2
Insurance activities/total revenues from business line	0.8	N/A	N/A	N/A	N/A
Asset management/total revenues from business line	9.7	9.2	8.0	7.6	7.1
Other revenues/total revenues from business line	7.1	7.1	10.7	10.9	10.0
Investment banking/total revenues from business line	6.4	6.3	5.1	5.9	8.2
Return on equity	5.3	4.4	6.0	8.9	0.9

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Capital and earnings: Building more capital

Our "adequate" assessment of Groupe BPCE's capital and earnings is based on our view that the group's projected risk-adjusted capital (RAC) ratio before diversification will stay sustainably above 7% in short to medium term. Groupe BPCE's RAC ratio stood at 6.9% on Dec. 31, 2013, which is in line with our expectations. We believe that the ratio has been continuing to improve since then, to stand above 7% as of mid-year 2014. Our "adequate" assessment is also reinforced by our view of the group's prospective loan losses trending below peers' and by its management's demonstrated capacity to gradually wind up risks arising from legacy assets. Quality of capital is also a supportive factor, with hybrids and deferred tax assets--which we view as a lower quality element within total adjusted capital--accounting for about 10% of its total.

Over the past few years, Groupe BPCE has been regularly improving its capital adequacy trajectory. Fundamentally, we see adequate risk-adjusted profits, limited dividends when compared with peers, and new sales of cooperative shares as the major future sources of group capital formation. The group sold more than €4 billion cooperative shares to its member-customers over 2012-2013. Our projected RAC ratio also takes into consideration a limited to moderate growth in S&P risk-weighted assets, driven by regional banks. Of note, our projection does not take into account any potential divestments from noncore assets in addition to Coface, which could translate into new sources of financial flexibility and capital.

Groupe BPCE common equity tier 1 ratio stood at 10.8% as of March 31, 2014 (fully loaded, except for deferred tax assets). The group's capital policy calls for a further increase in its regulatory capital ratios. The group indeed targets a common equity tier 1 ratio of above 12% in 2017. It also targets a total capital ratio beyond 15% in 2017 at the latest, therefore aiming to progressively strengthen the layer of subordinated instruments. This compares with a total capital ratio standing at 13.8% on March 31, 2014.

Table 3

BPCE Capital And Leverage Ratio Targets		
	Targets	**Main Actions**
Common equity tier 1 ratio	>=12% in 2017	
Total capital ratio	>=15% in 2017 at the latest*	Strengthening of common equity tier 1 instrument as a priority
		Issuance of tier 2 instruments
Leverage ratio	>=3% throughout the life of the plan	Strengthening of common equity tier 1 instrument

Table 3

BPCE Capital And Leverage Ratio Targets (cont.)

	Potential issuance of additional Tier 1 capital

*Without transitional measures, after restating DTAs. Source: BPCE.

We believe that the group's profitability will stand below potential in 2014. We forecast a moderate increase in the group's net operating income after loan loss provisions in the year. We base our opinion primarily on the subdued economic growth prospects the group faces. Retail banking accounts for the lion's share of Groupe BPCE's net income. Under our base case, we anticipate that retail banking revenues will moderately grow in 2014, on the back of good commercial dynamism and declining interest rates on regulated deposits. In our forecasts, we also incorporate that the group prioritizes cross selling and delivering on new cost synergies. We expect operating profits in other businesses at Natixis to hold up quite well, while we think that CFF's contribution to group earnings will be marginal. Cost of credit risk should overall remain below that of its domestic peers.

Table 4

Groupe BPCE Profitability Targets For Main Operating Lines, 2014-2017

	CAGR 2014-2017 revenues	Cost to income ratio in 2017
Banques Populaires network	1.70%	<=63% for the combined networks
Caisse d'Epargne network	1.60%	<=63% for the combined networks
Wholesale Banking	5%	55%
Investment Solutions	7-8%	<70%
Specialized Financial Services	3-4%	<64%

CAGR--Compound annual growth rate. Source: BPCE strategic plan November 2013.

Table 5

BPCE Capital And Earnings

	--Year-ended Dec. 31--				
(%)	**2013**	**2012**	**2011**	**2010**	**2009**
Tier 1 capital ratio	12.8	12.2	10.6	9.7	9.1
S&P RAC ratio before diversification	6.9	6.7	5.7	6.5	6.0
S&P RAC ratio after diversification	8.7	8.3	7.1	8.0	7.2
Adjusted common equity/total adjusted capital	96.0	95.1	94.5	79.9	75.2
Net interest income/operating revenues	49.5	49.0	53.8	51.6	63.8
Fee income/operating revenues	33.1	32.6	32.0	31.4	34.9
Market-sensitive income/operating revenues	10.7	9.9	3.8	8.2	0.2
Noninterest expenses/operating revenues	69.2	71.0	68.3	68.0	81.1
Preprovision operating income/average assets	0.6	0.6	0.7	0.7	0.3
Core earnings/average managed assets	0.3	0.2	0.2	0.4	0.0

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 6

BPCE Risk-Adjusted Capital Framework Data					
(Mil. €)	**Exposure***	**Basel II RWA**	**Average Basel II RW (%)**	**Standard & Poor's RWA**	**Average Standard & Poor's RW (%)**
Credit risk					
Government and central banks	199,092	1,355	1	9,189	5
Institutions	120,373	25,356	21	30,123	25
Corporate	221,630	149,125	67	187,213	84
Retail	338,976	76,743	23	167,449	49
Of which mortgage	183,035	38,284	21	48,682	27
Securitization§	21,610	12,488	58	25,933	120
Other assets	13,077	13,075	100	14,712	113
Total credit risk	914,758	278,142	30	434,618	48
Market risk					
Equity in the banking book†	12,128	36,717	339	85,065	701
Trading book market risk	--	16,237	--	24,751	--
Total market risk	--	52,954	--	109,815	--
Insurance risk					
Total insurance risk	--	--	--	66,775	--
Operational risk					
Total operational risk	--	37,875	--	53,344	--
(Mil. €)		**Basel II RWA**		**Standard & Poor's RWA**	**% of Standard & Poor's RWA**
Diversification adjustments					
RWA before diversification		368,971		664,553	100
Total Diversification/Concentration Adjustments		--		(137,204)	(21)
RWA after diversification		368,971		527,349	79
(Mil. €)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**Standard & Poor's RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		47,289	12.8	45,911	6.9
Capital ratio after adjustments‡		47,289	12.8	45,911	8.7

*Exposure at default. §Securitisation exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Exposure and Standard & Poor's 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, 2013, Standard & Poor's.

Risk position: Reasonable appetite for growth, focused on areas of expertise

Our assessment of Groupe BPCE's risk position as "adequate" factors in the group's reasonable appetite for growth oriented toward selected areas of expertise, and what we view as the group's adequate risk management capabilities. Groupe BPCE faces areas of risk that differ widely in nature, ranging from its simple businesses to more sophisticated market and credit activities. However, we view the balance sheet as being less complex than that of larger international peers.

In our opinion, Group BPCE's domestic loan book is, by nature, of good quality. We estimate that lower-risk mortgage loans make up about 45% of loans granted by the banking group.

Table 7

BPCE Customer Loan Book Breakdown, 2013	
(%)	
Individuals: homeloans	44
Individuals: consumer finance and others	5
Public sector France	12
Corporates	27
Professionals	12

Source: BPCE.

Maintaining a sound risk profile is one of the management's key strategic priorities. The group is primarily targeting expansion in its traditional areas of expertise, including insurance and asset management--the latter by nature boasts limited cost of credit risk. We think that Groupe BPCE has a good track record in credit risk management in its core lending business.

Groupe BPCE's assets are primarily exposed to the French economy. On March 31, 2014, the group's new loan loss provisions to gross loans stood at 29 basis points. While prospective cost of credit risk could moderately increase to stand in the range of 30 to 35 basis points, we believe it will trend below domestic peers'. This anticipation assumes that loan loss provisions should moderately increase in the coming quarters in retail banking, in particular for professionals, small and midsize companies, and low-to-medium income individuals. Exposures to large corporates could, by nature, lead to some volatility in CFF's and Natixis' cost of credit risk. The group's gross nonperforming loans reached a moderate 4.3% of customer loans on Dec. 31, 2013. Their coverage rate by reserves stood at 53% on the same date, which we consider satisfactory, given the group's aggregate risk position.

Table 8

BPCE -- Comparison Of Cost Of Credit Risk*

(bp)	Q3 - 2011	Q4 - 2011	Q1 - 2012	Q2 - 2012	Q3 - 2012	Q4 - 2012	Q1 - 2013	Q2 - 2013	Q3 - 2013	Q3 - 2014	Q1 - 2014
BPCE	23	42	30	45	30	44	33	36	31	38	29
Crédit Agricole	50	74	76	61	50	54	55	45	40	50	45
Société Générale	67	73	69	75	71	84	75	67	69	89	65
BNP Paribas	50	55	51	50	55	72	56	64	52	64	68

*As a percentage of gross customer loans outstanding, exluding impairment on Greece. bp--Basis points. Source: Banks' financial presentations.

We believe that the group has been transitioning toward a reduced risk profile by implementing de-risking measures. In particular, we believe Natixis' turnaround was successful. As planned, the winding-up of its legacy assets portfolio was completed by mid-2014. Thanks to a proactive deleveraging policy, CFF's nonstrategic portfolio has declined in size by more than one-third since Sept. 30, 2011. This portfolio amounted to €24.3 billion on Dec. 31, 2013, equally balanced between commitments to international public sector counterparties and securitization positions, primarily in the form of European real-estate mortgage-backed securities.

We expect CFF's nonstrategic portfolio, a legacy of CFF's past strategy, to continue to be managed in run-off mode. We are of the view that, although disparate in nature, underlying credit risks embedded in this portfolio are well provisioned and manageable. We also consider that most-at-risk structured loans granted to local authorities by CFF and CE networks are well-identified and collectively reserved for by the group. We expect that the European Central Bank review currently underway will have a limited impact on our analysis of BPCE's creditworthiness because our assessment of the group's risk position already reflects its relative weaknesses in asset quality.

Most of Groupe BPCE's market and operational risks lie with Natixis and the group's largest regional bank, BRED - Banque Populaire. The consistency of their measurement has improved across the group. Group BPCE's average value-at-risk (VAR; 99%, one-day) stood at €9.7 million in 2013. Global stress testing complements the group's VAR. Structural exposure to interest rates lies primarily in BPCE's large retail banking books. Risk appetite is moderate and monitoring tools are adequate, in our view.

Table 9

BPCE Risk Position

	--Year-ended Dec. 31--				
(%)	**2013**	**2012**	**2011**	**2010**	**2009**
Growth in customer loans	4.1	2.1	4.5	5.2	2.3
Total diversification adjustment / S&P RWA before diversification	N.M.	(19.4)	(20.0)	(19.2)	(17.5)
Total managed assets/adjusted common equity (x)	25.5	27.8	31.0	31.4	38.7
New loan loss provisions/average customer loans	0.4	0.4	0.5	0.3	0.9
Gross nonperforming assets/customer loans + other real estate owned	4.3	4.2	3.9	4.0	4.0
Loan loss reserves/gross nonperforming assets	52.1	53.0	55.2	56.2	57.6

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Funding and liquidity: Adapting to stricter regulation

Groupe BPCE's funding is "average" and its liquidity position is "adequate," in our opinion. The group relies on a large and stable deposit base and on confidence-sensitive wholesale funding to support its sizable balance sheet. So, the group is sensitive to a prolonged disruption in capital markets. We believe that, in the past two years, Groupe BPCE has been rebalancing its funding profile toward longer-term liabilities and on-balance-sheet savings, while reinforcing its liquidity management under stress test scenarios. On Dec. 31, 2013, the group's stable funding ratio stood at 89.3%, while its broad liquid assets to short-term wholesale funding ratio reached 97%. These ratios have been steadily improving over the past two years and are getting closer to peers'.

We understand that Groupe BPCE's management team sees these positive trends continuing in 2014 and 2015. Indeed, the group's main action plan focuses on efforts to continue to increase customer deposits, pursue improvement in its loan-to-deposit ratio, reinforce Natixis' originate-to-distribute model, and continue to improve the diversification of its funding tools. As an example, securitization of selected assets could complement the group's funding base in the medium term. More imminently, we understand that BPCE's main covered bond vehicle, Compagnie de Financement Foncier (CFiF), will refinance €5 billion of assets originated by the networks and Natixis in 2014.

Groupe BPCE is the second-largest deposit taker in France. We estimate its loan-to-deposit ratio at 145% as of year-end 2013. Although steadily declining, it compares unfavorably with those of large domestic peers. Groupe BPCE's major funding imbalances arise from wholesale-funded subsidiaries Natixis and CFF, and from the centralization of 60%-70% of its regulated savings plan deposits (including Livret A) at French state institution, Caisse des Depots et Consignations. This makes these centralized deposits unavailable for funding its assets. We believe Groupe BPCE's ability to repackage mortgage loans into covered bonds, raise funds throughout its large retail banking networks, and its loyal deposit base mitigate its vulnerabilities. We think that France's domestic investor base is also quite large, and it is complemented by BPCE's increasing diversification beyond its home market, particularly in the U.S. and Asia.

Group medium- and long-term funding is organized around two funding pools: BPCE and CFF, which funds itself autonomously through Europe's largest private covered bond issuer, CFiF. We believe that, thanks to CFiF and BPCE SFH--Groupe BPCE's second-largest covered bonds issuer--the bank secures the financing of its longer-term assets in a competitive way. This is positive for the group's overall creditworthiness, in our view. The group is paying increasing attention to the amount of assets encumbering its balance sheet. In spite of investor appetite, the group has consequently limited its recourse to covered bonds since 2012. We understand that assets pledged by the group as collateral for funding in the form of covered bonds should decline. We estimate that these assets amounted to about 10% of Groupe BPCE's total asset base at year-end 2013.

Groupe BPCE also revised down its liquidity and funding needs. As of Sept. 30, 2013, it reduced its liquidity needs by €47 billion when compared with end-June 2011. This reduction stands ahead of plan. Its 2014 medium- and long-term funding plan stood at €30 billion. On April 29, 2014, Groupe BPCE had completed 58% of its annual plan. We view the bank's liquidity management as adequate. Its liquidity analysis centers on stress tests at the group, but also at the level of its major business pools, including CFF. We understand that access to central bank funding in such scenarios would be rather limited, even in extended periods of adverse market conditions. BPCE has traditionally accessed funding from the European Central Bank opportunistically.

Table 10

BPCE Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	**2013**	**2012**	**2011**	**2010**	**2009**
Core deposits/funding base	44.7	39.3	37.5	37.1	35.1
Customer loans (net)/customer deposits	145.1	154.5	169.1	175.1	184.9
Long term funding ratio	71.7	69.5	70.6	66.8	63.6
Stable funding ratio	89.3	87.6	83.7	79.4	N/A
Short-term wholesale funding/funding base	30.0	32.1	30.8	35.1	38.4
Broad liquid assets/short-term wholesale funding (x)	1.0	0.9	0.8	0.7	N/A
Net broad liquid assets/short-term customer deposits	(1.8)	(6.1)	(14.2)	(27.2)	N/A
Short-term wholesale funding/total wholesale funding	54.1	52.7	49.1	54.9	57.8
Narrow liquid assets/3-month wholesale funding (x)	1.7	N/A	N/A	1.1	N/A

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

External support: "High" systemic importance and "supportive" government

Our long-term rating on BPCE is one notch higher than the SACP, reflecting Groupe BPCE's "high" systemic importance in France and our assessment of the French government as "supportive" of its banking system.

Additional rating factors:None

There are no additional rating factors.

Related Criteria And Research

Related Criteria

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- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Ratings On France-Based BPCE Affirmed At 'A/A-1' Following Government Support Review; Outlook Remains Negative, April 30, 2014
- Standard & Poor's Takes Various Rating Actions On European Banks Following Government Support Review, April 29, 2014
- Credit FAQ: The Rating Impact Of Resolution Regimes For European Banks, April 29, 2014
- Standard & Poor's To Review Government Support In European Bank Ratings, March 4, 2014
- Various Rating Actions Taken On French Banks Due To Rising Industry Risks, June 20, 2013

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 July 7, 2014)	
BPCE	
Counterparty Credit Rating	A/Negative/A-1

Ratings Detail (As Of July 7, 2014) (cont.)	
Commercial Paper	
Local Currency	A-1
Junior Subordinated	BBB-
Senior Unsecured	A
Subordinated	BBB+
Counterparty Credit Ratings History	
25-Oct-2012	A/Negative/A-1
23-Jan-2012	A/Stable/A-1
07-Dec-2011	A+/Watch Neg/A-1
31-Jul-2009	A+/Stable/A-1
Sovereign Rating	
France (Republic of) (Unsolicited Ratings)	AA/Stable/A-1+
Related Entities	
Banque Tuniso-Koweitienne	
Issuer Credit Rating	B/Negative/--
Senior Unsecured	B
BPCE SFH	
Senior Secured	AAA
Senior Secured	AAA/Stable
BRED - Banque Populaire	
Issuer Credit Rating	A/Negative/A-1
Certificate Of Deposit	A/A-1
Senior Unsecured	A
Subordinated	BBB+
Compagnie de Financement Foncier	
Certificate Of Deposit	
Local Currency	A-1+
Senior Secured	AAA
Senior Secured	AAA/Stable
Short-Term Secured Debt	A-1+
Compagnie Europeenne de Garanties et Cautions	
Financial Strength Rating	
Local Currency	A/Negative/--
Issuer Credit Rating	
Local Currency	A/Negative/--
Credit Foncier de France	
Issuer Credit Rating	A-/Developing/A-2
Certificate Of Deposit	A-/A-2
Senior Unsecured	A-
Short-Term Debt	A-2
Locindus S.A.	
Issuer Credit Rating	A-/Developing/A-2
Certificate Of Deposit	A-/A-2

Ratings Detail (As Of July 7, 2014) (cont.)	
Senior Unsecured	A-
Natixis Australia Pty Ltd.	
Issuer Credit Rating	A/Negative/A-1
Natixis Financial Products LLC	
Issuer Credit Rating	A/Negative/A-1
Natixis (New York Branch)	
Issuer Credit Rating	A/Negative/A-1
Senior Unsecured	A
Senior Unsecured	A-1
Short-Term Debt	A-1
Natixis S.A.	
Issuer Credit Rating	A/Negative/A-1
Certificate Of Deposit	A/A-1
Commercial Paper	A-1
Junior Subordinated	BBB-
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BBB+
Socram Banque	
Issuer Credit Rating	BBB+/Stable/A-2
Certificate Of Deposit	BBB+/A-2
Senior Unsecured	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact:
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