Creditreform Bank Rating

Groupe BPCE (Group)

Creditreform Rating

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Rating object	Rating information		
Groupe BPCE (Group)	**Long Term Issuer Rating / Outlook:** A- / stable		**Short Term:** L2
Creditreform ID: 400987742 Incorporation: 2009 (Main-) Industry: Banks Management: Laurent Mignon (Chairman of the Mgmt Board) *effective 1 June 2018* Nicolas Namias (CEO - Group Finance, Strategy & Legal Affairs Division) *effective 1 June 2018*	**Rating of Bank Capital and Unsecured Debt Instruments:**		
	Senior Unsecured A-	Tier 2 BB+	Additional Tier 1 BB
	Rating Date: **4 July 2018** Monitoring until: withdrawal of the rating Rating Type: **unsolicited** Rating Methodology: bank ratings; rating of bank capital and unsecured debt instruments		

Contents

SWOT-Analysis 1
Company Overview 2
Business Development 3
Profitability 3
Asset Situation and Asset Quality 5
Refinancing and Capital Quality 6
Liquidity 8
Conclusion 9
Ratings Detail 10

SWOT-Analysis

Strengths

+ One of the largest banking groups in France
+ Stable business model
+ Good asset quality, low NPL ratio
+ Favorable capital adequacy, convincing development

Weaknesses

- Low-interest environment cuts into net interest margin
- Below-average profitability
- Above-average operating expenses; CIR highest among French peers. Dense branch network costly to maintain

Opportunities / Threats

+ Comprehensive strategic plan “TEC 2020”; goals of previous plan met

+/- Consolidation of regional banks as necessary cost-cutting measure

+/- Digital transformation in full swing

+/- Shakeup of management board with departure of François Pérol

- High reliance on French home market

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Company Overview

Groupe BPCE (in the following BPCE or bank) is one of the four largest banking groups in France and includes two independent cooperative banking networks. The banking group is the result of the merger of Banque Populaire banks (BP) and Caisses d'Epargne (CE) in 2009. It has over 31 million customers and operates over 8,000 bank branches.

Nine million cooperative shareholders own BPCE, while both banking networks hold 50% each of the central institute BPCE SA, which in turn owns 100% of Credit Foncier (real estate financing), Banque Palatine and BPCE International as well as 71% of Natixis (29% free float).

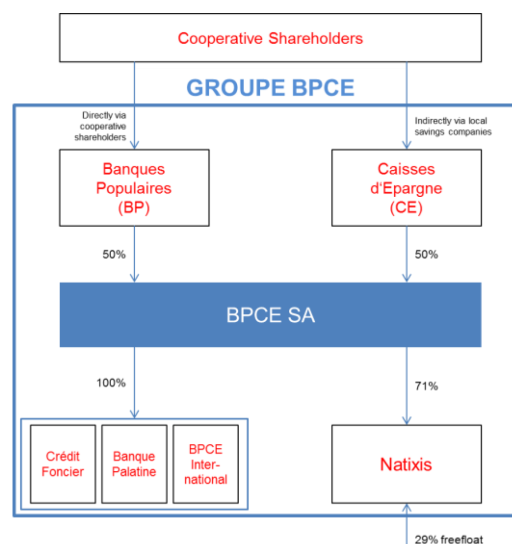

Chart 1: Organization Chart of Groupe BPCE
(Source: Registration Document 2017 of Groupe BPCE)

BPCE operates three core businesses. "Retail Banking and Insurance" is responsible for about two thirds of operating income and is served by the BP and CE networks as well as other, smaller networks including but not limited to insurance and real estate financing. "Asset & Wealth Management" and "Corporate & Investment Banking" are the other two core businesses. Natixis operates corporate and investment banking (CIB), investment solutions (IS) and specialized financial services (SFS). The Corporate Center is served by BPCE SA as the group's central institution and holding company. As such, BPCE SA manages and guarantees the group's liquidity through securitization transactions and the issue of financial instruments. It controls equity interests in Natixis and manages the contribution to the Single Resolution Fund (SRF), amongst others.

Major events of 2017 were the additional mergers (planned and/or executed) of regional banks. Four CE regional banks merged to create two larger regional banks, and two BP banks merged to form a larger BP regional entity. Per end of 2017, there are 14 BPs and 16 CEs. Furthermore, BPCE launched the "TEC 2020" strategic plan ("Transformation Digital Engagement Croissance") in November 2017. The plan puts emphasis on digital transformation, strong engagement toward clients, staff and cooperative shareholders as well as ambitious growth objectives in all business lines. A new digital "ecosystem", dubbed 89C3, is helping with the implementation of the digital action plan. The previous plan's goals ("Another way to grow") were largely met.

The management board experienced a major shakeup as François Pérol left BPCE. Laurent Mignon, former CEO of Natixis, replaced Pérol as chairman. François Riahi, former CEO of group finance, strategy & legal affairs replaced Laurent Mignon at Natixis.

Business Development

Profitability

The income statements of the observed period portray Groupe BPCE as a banking group with stable operating income on the one hand, and rising operating expense on the other hand. This decline in net banking profitability is softened by the fourth decline in cost of risk in a row.

Retail banking and insurance provide almost three fourths of operating income, while the share of other two business lines is roughly equal with about one eighth each. BPCE still earns most of its income in France, with less than a fourth coming from abroad. In Europe, BPCE almost exclusively operates in its home market.

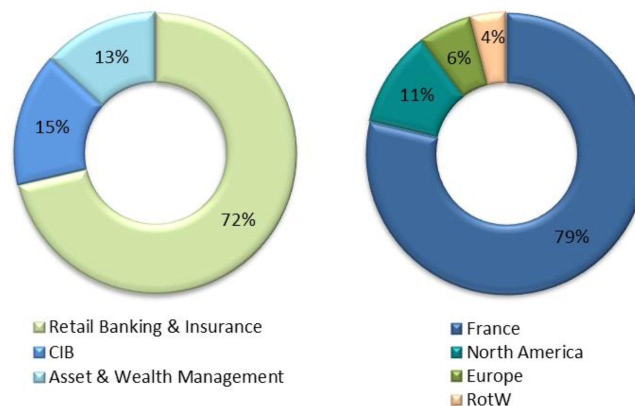

Chart 2: Operating Income per Business Line and by Geography (Source: Registration Document 2017)

Operating income added up to €24.2bn last year, and remained largely unchanged compared to the previous year. Net interest income contributed the biggest share with 42%, but considerably decreased by 6% YOY (-€672m). The decrease was primarily driven by lower net income from loans and receivables, countered by lower interest payments on debt securities and subordinated debt.
Fees and commissions were responsible for 39% of operating income, and considerably increased by 8% YOY (+€670m). The increase was mainly attributable to higher fees for customer transactions as well as trust management services. Both items account for almost three quarters of overall fee and commission income.
Of the three main drivers of operating income, net trading income contributed the smallest share with 16%, but significantly increased by 35% YOY (+€979m). Mainly accountable for this increase were gains on financial instruments held for trading, as well as on those designated at fair value through profit or loss.

Operating expenses increased by 3% YOY (+€426m) to €17.1bn last year. Personnel expenses accounted for 60.4% of total expenses, increased markedly by 3% YOY (+€302m), and were as such predominantly responsible for the overall increase in total expenses. While the total number of employees fell by 1,500 (-1.4%) to 106,500 overall, expenses related to wages and salaries still increased by over 3.7% YOY, which lead to an overall increase of personnel expense of over 3%.

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Other expenses accounted for 34.6% of total expenses last year, and increased 2% YOY (+€126m).

The pre-impairment profit stood at €7.1bn, equaling a decline of 2.6% YOY (-€192m), as operating expense displayed a larger increase not only in relative, but also in absolute terms compared to the previous year. This marks the third consecutive decline in pre-impairment profit. Cost of risk equaled €1.53bn, down from €1.7bn last year, marking the fourth consecutive decrease as the Eurozone economy continued to improve. The majority of charges were incurred by charges to provisions and provisions for impairment as in the previous years. Decreases in costs came predominantly from impairments on securities and non-financial investments.

After taxes, the reported net profit was €3.7bn last year, and decreased markedly by 17% YOY (-€783m). Without the exceptional items of the previous year, however, the net result would have remained largely unchanged.

A detailed group income statement for the years of 2014 through 2017 can be found in Figure 1 below:

Income Statement	2014	%	2015	%	2016	%	2017	%
Income (€000)								
Net Interest Income	11,542,000	48.8%	11,059,000	45.5%	10,904,000	45.6%	10,232,000	42.3%
Net Fee & Commission Income	8,121,000	34.3%	9,159,000	37.7%	8,781,000	36.7%	9,451,000	39.1%
Net Insurance Income	55,000	0.2%	190,000	0.8%	311,000	1.3%	-248,000	-1.0%
Net Trading Income	2,170,000	9.2%	2,999,000	12.3%	2,805,000	11.7%	3,784,000	15.7%
Equity Accounted Results	103,000	0.4%	275,000	1.1%	257,000	1.1%	276,000	1.1%
Dividends from Equity Instruments	296,000	1.3%	231,000	1.0%	237,000	1.0%	257,000	1.1%
Rental Revenue	127,000	0.5%	183,000	0.8%	117,000	0.5%	108,000	0.4%
Lease and Rental Revenue	6,000	0.0%	-1,000	0.0%	0	0.0%	7,000	0.0%
Other Income	1,247,000	5.3%	206,000	0.8%	524,000	2.2%	303,000	1.3%
Operating Income	**23,667,000**	**100%**	**24,301,000**	**100%**	**23,936,000**	**100%**	**24,170,000**	**100%**
Expenses (€000)								
Depreciation and Amortisation	890,000	5.5%	849,000	5.2%	853,000	5.1%	851,000	5.0%
Personnel Expense	10,007,000	61.8%	9,886,000	60.8%	10,025,000	60.1%	10,327,000	60.4%
Occupancy & Equipment	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tech & Communications Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Marketing and Promotion Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Provisions	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Expense	5,303,100	32.7%	5,513,000	33.9%	5,795,000	34.8%	5,921,000	34.6%
Operating Expense	**16,200,100**	**100%**	**16,248,000**	**100%**	**16,673,000**	**100%**	**17,099,000**	**100%**
Operating Profit & Impairment (€000)								
Pre-impairment Operating Profit	**7,466,900**		**8,053,000**		**7,263,000**		**7,071,000**	
Asset Writedowns	2,058,000		1,930,000		1,697,000		1,530,000	
Net Income (€000)								
Non-recurring Revenue	0		0		873,000		0	
Non-recurring Expense	129,900		0		69,000		25,000	
Pre-tax Profit	**5,279,000**		**6,123,000**		**6,370,000**		**5,516,000**	
Income Tax Expense	1,913,000	36.2%	2,323,000	37.9%	1,882,000	29.5%	1,811,000	32.8%
Discontinued Operations	0		0		0		0	
Net Profit	**3,366,000**		**3,800,000**		**4,488,000**		**3,705,000**	

Figure 1: Group income statement
(Source: S&P Global Market Intelligence)

The lower net profit, due to the lack of large extraordinary items, naturally had a negative impact on all related income ratios.

The return on average assets (ROAA), return on average equity (ROAE) as well as the return on risk-weighted assets (RORWA) decreased by about a fifth. In comparison to the

peer group, the Groupe BPCE was outperformed on average. In terms of the net interest margin, the bank fell well behind its peers. These banks were on average able to increase their margins compared to the previous year. The cost income ratio (CIR) increased YOY, but remained in sight of that of the peer group's average. BPCE's peers were largely able to rein in costs and decrease their CIR, predominantly though through very good trading results. In all analyzed income metrics, Groupe BPCE fell flat when compared to the average of its large French peers.

A detailed overview of the income ratios for the years of 2014 through 2017 can be found in Figure 2 below:

Income Ratios (%)	2014	%	2015	%	2016	%	2017	%
Return on Average Assets (ROAA)	0,29	0,03	0,32	0,03	0,37	0,05	0,30	-0,07
Return on Equity (ROAE)	5,51	0,18	6,00	0,50	6,76	0,76	5,25	-1,51
RoRWA	NA	NA	0,96	NA	1,15	0,19	0,95	-0,20
Net Interest Margin	1,06	NA	0,99	-0,07	0,97	-0,02	0,88	-0,09
Cost income Ratio ex. Trading	75,36	NA	76,27	0,91	78,90	2,63	83,88	4,97
Cost income Ratio	68,45	-1,74	66,86	-1,59	69,66	2,80	70,74	1,09
Change in % Points								

Figure 2: Group key earnings figures
(Source: S&P Global Market Intelligence)

Asset Situation and Asset Quality

In terms of total assets, financial assets made up 93%, and expanded by 2% YOY (+€25bn). Net loans to customers contributed the biggest share with 56%, and increased by 4% YOY (+26bn), and as such was the main reason for the overall increase of financial assets. This increase was mainly driven by home loans, which increased by almost €20bn YOY. Total securities provided 23% to the balance sheet, and declined by 2% YOY (-€7bn). Total Assets added up to €1,260bn, and advanced by 2% YOY (+€25bn) in total.
Gross exposure to clients in 2017 was dominated by retail customers with 37%, and corporate clients with 28%. Central banks and other sovereign exposures accounted for 14%. There was no meaningful change in portfolio breakdown between 2017 and 2016.
In terms of gross exposure to corporate clients, "Finance/Insurance", "Real Estate", and "Energy" occupy the top three slots. The concentration remains moderate, according to BPCE.

A detailed look at the development of the asset side of the balance sheet for the years of 2014 through 2017 can be taken in Figure 3 below:

Assets (€000)	2014	%	2015	%	2016	%	2017	%
Cash and Balances with Central Banks	79.028.000	6,5%	71.119.000	6,1%	83.919.000	6,8%	94.702.000	7,5%
Net Loans to Banks	104.097.000	8,5%	96.361.000	8,3%	97.103.000	7,9%	92.249.000	7,3%
Net Loans to Customers	621.518.000	50,8%	627.238.000	53,8%	677.380.000	54,8%	703.236.000	55,8%
Total Securities	342.593.000	28,0%	294.453.000	25,2%	294.647.000	23,9%	287.589.000	22,8%
Financial Assets	**1.147.236.000**	**94%**	**1.089.171.000**	**93%**	**1.153.049.000**	**93%**	**1.177.776.000**	**93%**
Equity Accounted Investments	4.091.000	0,3%	3.666.000	0,3%	3.891.000	0,3%	4.112.000	0,3%
Other Investments	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Insurance Assets	7.969.000	0,7%	8.444.000	0,7%	9.551.000	0,8%	11.457.000	0,9%
Non-current Assets HFS & Discontinued Ops	209.000	0,0%	22.000	0,0%	947.000	0,1%	1.195.000	0,1%
Tangible and Intangible Assets	11.452.000	0,9%	12.186.000	1,0%	11.960.000	1,0%	11.926.000	0,9%
Tax Assets	6.457.000	0,5%	6.107.000	0,5%	4.598.000	0,4%	4.551.000	0,4%
Total Other Assets	45.884.000	3,8%	46.939.000	4,0%	51.244.000	4,1%	48.833.000	3,9%
Total Assets	**1.223.298.000**	**100%**	**1.166.535.000**	**100%**	**1.235.240.000**	**100%**	**1.259.850.000**	**100%**

Figure 3: Development of assets
(Source: S&P Global Market Intelligence)

The asset quality has increased further, as non-performing loans appear to bottom out after years of economic expansion in France.
The non-performing loans as a fraction of total assets decreased by yet another 20bp to 3.31%, which was significantly lower than the ratios posted on average by the general peer group, as well as those posted by immediate French peers.
The risk-weighted assets (RWA) stood at a low 30.7%, which was on par with the peer group. 87% of RWA exposure was due to credit risk, with the remaining 10% and 3% being operational risk and market risk, respectively. Divided by business line, 72% of the RWA exposure was due to retail banking and insurance, and 15% by corporate and investment banking.

A detailed overview of the asset quality for the years of 2014 through 2017 can be found in Figure 4 below:

Asset-Quality (%)	2014	%	2015	%	2016	%	2017	%
Non-Performing Loans (NPL) / Loans	3,75	NA	3,74	-0,01	3,51	-0,23	3,31	-0,21
NPL / RWA	5,83	NA	5,90	0,07	5,99	0,09	5,93	-0,06
Potential Problem Loans / NPL	13,87	NA	11,78	-2,09	13,74	1,96	12,94	-0,80
Reserves / Impaired Loans	53,62	NA	53,29	-0,32	52,41	-0,89	51,39	-1,02
Net Write-offs / Risk-adjusted Assets	NA	NA	NA	NA	NA	NA	NA	NA
Risk-weighted Assets/ Assets	32,12	NA	33,55	1,43	31,65	-1,90	30,66	-0,99
Change in %Points								

Figure 4: Development of asset quality
(Source: S&P Global Market Intelligence)

Refinancing and Capital Quality

Financial liabilities accounted for 88% of total liabilities, and increased by 2% YOY (+€22,1bn). Customer deposits represented 48% of total liabilities, and increased markedly by 7% YOY (+€38bn). Responsible for this increase was a sharp rise in current accounts, which accounted for more than half of the increase, as well as higher investments in savings accounts. Total debt represented 25% of total liabilities, and decreased markedly by 6% YOY (-€17bn). The decrease was adversely affected by upward pressure on key interest rates.
Total equity contributed for 5.7% of liabilities and equity, and advanced 3% YOY (+€2bn) due to the net income of the period as well as a positive net change in capital due to issues of BP and CE cooperative shares.

Due to BPCE's bank capital and debt structure and a quickly increasing buffer of almost €8bn of non-preferred senior unsecured debt (almost €4.5bn issued in 2018 so far), the group's preferred senior unsecured debt instruments have not been notched down in comparison to the long term issuer rating. However, BPCE's Tier 2 capital rating is four notches below the long term issuer rating based on BPCE's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 capital is rated five notches below the long term issuer rating, reflecting a high bail-in risk in case of resolution.

A detailed overview of the development of liabilities for the years of 2014 through 2017 can be found in Figure 5 below:

Liabilities (€000)	2014	%	2015	%	2016	%	2017	%
Total Deposits from Banks	85.752.000	7,4%	77.067.000	7,0%	87.211.000	7,5%	92.238.000	7,8%
Total Deposits from Customers	473.845.000	40,8%	499.741.000	45,4%	531.781.000	45,6%	569.890.000	47,9%
Total Debt	357.974.000	30,8%	304.822.000	27,7%	309.475.000	26,5%	292.130.000	24,6%
Derivative Liabilities	88.700.000	7,6%	74.624.000	6,8%	71.149.000	6,1%	62.762.000	5,3%
Securities Sold, not yet Purchased	39.264.000	3,4%	23.351.000	2,1%	23.834.000	2,0%	26.948.000	2,3%
Other Financial Liabilities	1.288.000	0,1%	1.562.000	0,1%	1.870.000	0,2%	3.432.000	0,3%
Total Financial Liabilities	**1.046.823.000**	**90%**	**981.167.000**	**89%**	**1.025.320.000**	**88%**	**1.047.400.000**	**88%**
Insurance Liabilities	48.796.000	4,2%	50.445.000	4,6%	64.383.000	5,5%	68.657.000	5,8%
Non-current Liab. HFS & Discontinued Ops	106.000	0,0%	9.000	0,0%	813.000	0,1%	717.000	0,1%
Unit-Linked Insurance and Investment Contr.	8.315.000	0,7%	9.117.000	0,8%	11.433.000	1,0%	15.054.000	1,3%
Tax Liabilities	694.000	0,1%	1.240.000	0,1%	1.106.000	0,1%	998.000	0,1%
Non-current Asset Retirement Obligations	1.917.000	0,2%	1.789.000	0,2%	2.546.000	0,2%	2.278.000	0,2%
Other Provisions	3.691.000	0,3%	3.876.000	0,4%	3.953.000	0,3%	4.114.000	0,3%
Total Other Liabilities	50.278.000	4,3%	53.699.000	4,9%	56.550.000	4,8%	49.431.000	4,2%
Total Liabilities	**1.160.620.000**	**94,9%**	**1.101.342.000**	**94,4%**	**1.166.104.000**	**94,4%**	**1.188.649.000**	**94,3%**
Total Equity	**62.678.000**	**5,1%**	**65.193.000**	**5,6%**	**69.136.000**	**5,6%**	**71.201.000**	**5,7%**
Total Passiva	**1.223.298.000**	**100%**	**1.166.535.000**	**100%**	**1.235.240.000**	**100%**	**1.259.850.000**	**100%**
Deposits from Customers Growth*	3,46	NA	5,47	2,01	6,41	0,95	7,17	0,75
Change in %Points								

Figure 5: Development of refinancing and capital adequacy (Source: S&P Global Market Intelligence)

The regulatory capital ratios have improved significantly due to the positive result of the fiscal year 2017.

The CET1 ratio increased over 1.1pp to 15.28%, with similar increases for Tier 1 and Tier 2 capital ratios for the fourth year in succession. This development was helped by growth in capital stock as well as decline in total RWA. The posted ratios remain above average, compared to the general peer group as well as its French peers, and increased quicker at the same time. The SREP for 2018 set capital requirements of 8.625% of CET1, which was met with 15.28% at yearend 2017, and left significant headroom. All other things being equal, the requirements will stand at 9.5% as of January 1, 2019. The leverage ratio remained relatively unchanged at a solid 5.05%. The fraction of total equity and total assets, however, did not increase at the same pace, as balance sheet growth evened out gains in total equity.

A detailed overview of the development of capital ratios for the years of 2014 through 2017 can be found in Figure 6 below:

Capital (€000)	2014	%	2015	%	2016	%	2017	%
Total Capital	60.537.000	NA	65.791.000	8,68	72.300.000	9,89	74.047.000	2,42
Total Risk-weighted Assets	392.887.000	NA	391.382.000	-0,38	390.981.000	-0,10	386.331.000	-1,19
Capital Ratios (%)								
Core Tier 1 Ratio	11,86	NA	13,02	1,16	14,14	1,12	15,28	1,14
Tier 1 Ratio	12,72	NA	13,34	0,62	14,48	1,14	15,40	0,92
Total Capital Ratio	15,41	NA	16,81	1,40	18,49	1,68	19,17	0,67
Leverage Ratio	4,50	NA	4,47	-0,03	4,94	0,47	5,05	0,11
Fully Loaded: Common Equity Tier 1 Ratio	11,70	NA	12,90	1,20	14,20	1,30	15,40	1,20
Fully Loaded: Tier 1 Ratio	12,70	NA	13,30	0,60	14,50	1,20	15,50	1,00
Fully Loaded: Risk-weighted Capital Ratio	15,30	NA	16,70	1,40	18,50	1,80	19,20	0,70
Total Equity/ Total Assets	5,12	-0,03	5,59	0,46	5,60	0,01	5,65	0,05
Change in %Points								

Figure 6: Development of capital ratios (Source: S&P Global Market Intelligence)

Liquidity

The liquidity situation of Groupe BPCE in 2017 was satisfactory. The liquidity coverage ratio (LCR) increased modestly to 126.4%, while the balance of interbank deposits and loans was even. The loan to deposit ratio stood above average with 123.4%

A detailed overview of the development of liquidity for the years of 2014 through 2017 can be found in Figure 7 below.

Liquidity (%)	2014	%	2015	%	2016	%	2017	%
Liquidity Coverage Ratio	NA	NA	NA	NA	120,04	NA	126,37	6,34
Interbank Ratio	121,39	-0,48	125,04	3,64	111,34	-13,69	100,01	-11,33
Loan to Deposit (LTD)	131,16	4,74	125,51	-5,65	127,38	1,87	123,40	-3,98
Change in %Points								

Figure 7: Development of liquidity
(Source: S&P Global Market Intelligence)

Conclusion

Amid a low-interest environment, fierce competition, and a retail banking business in digital transition, BPCE faced a challenging year. Amid stagnating income, costs kept rising which in turn damaged profitability. The ambitious "TEC 2020" strategic plan was announced in late 2017 in order to engage these long standing issues. The biggest focus lies in the digital transformation of the retail business line and the streamlining of the IT landscape in an effort to simplify processes, amongst others. Further group integration of subsidiaries such as Crédit Foncier, as well as expanding new businesses such as Fidor bank are other stated goals.

The net banking income has generally decreased over the last years. Operating income stagnated, with a shift of interest income towards fees and commissions. At the same time, BPCE faced rising personnel and other costs, which in turn hurt overall profitability. While in turn income ratios of BPCE suffered, the peer group posted better results compared to the previous year. The CIR increased for the third time in succession and reached a staggering 84% without trading.
Meanwhile, the asset quality is BPCE's strong point: A very low NPL ratio paired with low cost of risk helps BPCE outperform its peers.
Another strong suit of BPCE was capitalization. Reported capital ratios are far in excess of regulatory requirements, and above those of its competitors on average.
The liquidity situation was satisfactory.

Further integration, as well as the deployment of cost cutting measures should in our view continue to be pursued. The group was created through a merger in 2009, but still manages two separate brands of cooperative banks. The ongoing mergers of regional banks are in our view a step in the right direction to mitigate administrative costs. The strategic plan is convincing, but also necessary, especially since competitor banks are engaged in similar schemes to transform their retail banking model. BPCE's business is still very much centered on France; gross exposures across all asset classes are predominantly located in Europe and especially France. As such, BPCE's performance and asset quality is very much tied to the economic development of the Eurozone, and France in particular.

In a conducted scenario analysis, a best case and a worst case development would see the rating improving slightly or slipping significantly, respectively. The ratings of bank capital and senior unsecured debt would behave similarly due to our rating mechanics. These ratings are especially sensitive to changes in total equity, bank capital, and the debt structure in general.

Ratings Detail

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Short-Term / Outlook **A- / L2 / stable**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

senior unsecured debt: **A-**
Tier 2 (T2): **BB+**
Additional Tier 1 (AT1): **BB**

Ratings Detail and History

Bank Capital und Debt Instruments			
Instruments	Rating Date	Publication Date	Ratings
Senior Unsecured / T2 / AT1	04.07.2018	05.07.2018	A- / BB+ / BB

Bank Issuer Ratings			
Type	Rating Date	Publication Date	Ratings
LT Issuer / Outlook / Short-Term	04.07.2018	05.07.2018	A- / stable / L2

Figure 8: Ratings Detail and History

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating.

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by S&P Global Market Intelligence. Subject to a peer group analysis were 20 competing institutes.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for unsolicited bank ratings as well as the methodology for the rating of bank capital and unsecured debt instruments in conjunction with Creditreform`s basic document “Rating Criteria and Definitions”.

On 4 July 2018, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Groupe BPCE, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is subject to one-year monitoring from the rating date (see cover sheet). Within this period, the rating can be updated. At the latest after one year, a follow-up is required to maintain the validity of the rating.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG (CRA) is permitted to issue credit ratings within the EU, and is obligated to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved nor any other natural persons whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our ‘Rating Committee’ policy, all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used the following substantially material sources:

1. Transaction structure and participants
2. Transaction documents
3. Issuance documents

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore, CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded the available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The ‘Basic Data’ information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated including any rating outlooks is indicated clearly and prominently in the ‘Basic Data’ card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within ‘Basic Data’ information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of Creditreform`s default rates are available in the credit rating methodologies disclosed on the website.

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