Creditreform Bank Rating
Compagnie de Financement Foncier SA as member of Groupe BPCE (Group)

Compagnie de Financement Foncier SA:
Long-term issuer rating: A-
Outlook: stable
Short-Term Rating: L2
Preferred Sen. Unsec. Debt: n.r.
Non-Preferred Sen. Unsec. Debt: -
Tier 2 Capital: n.r.
AT1 Capital: n.r.

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Rating Action:

Creditreform Rating affirms the long-term issuer rating of Groupe BPCE (Group) and those of its subsidiaries BPCE SA, BPCE SFH SA and Compagnie de Financement Foncier at 'A-' (Outlook: stable)

Creditreform Rating (CRA) has affirmed the long-term issuer rating of Groupe BPCE (in the following: BPCE) at 'A-' and the short-term rating at 'L2'. The rating outlook is stable.
At the same time, we retire all instrument ratings of Groupe BPCE, BPCE SFH SA and Compagnie de Financement Foncier SA such as senior unsecured debt instruments, Tier 2 capital and AT1 capital and set each rating to 'n.r.'.
Concurrently we affirm the issuer rating and the ratings of bank capital and debt instruments of the Group's subsidiary BPCE SA, which is the group's central institution and holding company. As such, it serves as refinancing facility of Groupe BPCE.

Please note that adjustments in our rating methodology for bank capital and debt instruments occurred because of legislative alterations in the European Union. As a result, CRA reclassifies its rating of senior unsecured debt to preferred senior unsecured debt (PSU) and newly assigns ratings for non-preferred senior unsecured debt (NPS). The rating for NPS is set to 'A-' for Groupe BPCE's subsidiary BPCE SA, while Groupe BPCE and the other rated entities receive no such rating because of non-applicability.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update. In addition, we refer to the more detailed report of the Group from 4 July 2018 on our homepage.

Key Rating Drivers

CRA has affirmed the rating of BPCE and the bank capital and debt instruments of BPCE SA as a result of its periodic updating process for the following reasons:

- Only slight improvement in profitability; high CIR and low NIM
- Slightly improving asset quality, healthy growth
- No significant change in capital ratios
- No substantial improvement over the first nine months of 2019

Rating Rationale

BPCE's credit rating affirmation was primarily driven by the overall stability of business. The bank, on a consolidated basis, improved only slightly in terms of net profitability; income ratios in terms of balance sheet items remained practically unchanged or decreased slightly. There was only a marginal improvement in asset quality, though growth was healthy. Capital ratios remained practically unchanged. As of Q3 2019, no significant change in either area mentioned above is noted.

A significant development in 2019 was the acquisition of the 50.1% stake of Oney Bank SA from Auchan holding. The impact of the purchase was estimated at year's end at 15bps of CET1, which has since been reduced to 10bps as of Q3 2019.

Profitability

Please note that due to the first-time application of IFRS 9, results between 2018 and 2017 may not be directly comparable. 2017 values are calculated with IAS 39.

Through a higher pre-impairment operating profit and decrease in income tax expense, BPCE was able to increase the net profit over the previous year.

The operating income increased by 3.4% (>€0.8bn) to €25.1bn. This increase stems predominantly from a surge in net insurance income, countering a significant decline in net interest income. With IFRS 9 come many changes in the way banks report their insurance business, so these values are not directly comparable. Net interest income, accounting for almost 45% in 2015, declined to a share of 34% of operating income in 2018. The interest income declined predominantly in the area of loans to customers of almost €1.5bn, while expenses only declined by €1bn. Lenders such as BPCE continue to suffer amid the low interest environment. A slight increase in net fee and commission income was enough to elevate it to be the primary income source of Groupe BPCE, with a share of 38% of operational income.

Operating expense rose steadily across the board, with personnel expense increasing by almost 3% over the previous year.

As operational income increased in relative as well as absolute terms, the pre-impairment profit increased substantially by almost 5%, breaking out of the negative trend in the observed timeframe. Amidst a solid economic environment, cost of risk decreased by over 10%, marking the lowest point in the observed period.

The pre-tax profit was the lowest in the observed timeframe, however. This view was skewed however due to a relative lack of non-recurring items in 2018. The 2017 result was boosted by, among other factors, net gains on the disposal of insurance investments and other insurance items worth €334m. The 2016 result was amplified inter alia by €831m related to the disposal of Visa Europe shares and the remaining stake at Nexity (€42m).

After an income tax expense of €1.5bn, which was significantly lower in 2018 through an increased deferred tax expense in 2017, net profit stood at €3.8bn, 3.1% higher than in 2017. The net profit available to owners of BPCE was just above €3bn, virtually unchanged from the previous year.

This slight increase in operational profitability affects depending ratios such as the cost income ratio positively, albeit only slightly. Nevertheless, the ratio is, with almost 74%, still rather high, and trailing the average of BPCE's peer group. Ratios depending on overall profit and balance sheet items generally declined slightly, and remain below average in comparison to the bank's peers. The net interest margin decreased further to below 1%, far below the peer group average of over 1.4%.

As of Q3 2019, operating and net income was slightly down vs the first nine months of 2018, but up in comparison to Q3 2018. Cost of risk remained low at 18bps.

In the EBA Stresstest of 2018, BPCE would suffer a dramatic loss of over €5.8bn (-1.48% in terms of RORWA vs +0.97% in actual 2018) in the adverse scenario 2018, before tapering off in 2019 and 2020, respectively.

Asset Situation and Asset Quality

The balance sheet is dominated by changes through IFRS 9 over IAS 39. Values for 2017 are restated values to accommodate IFRS 9, dated 1 January 2018 to enable CRA to make a meaningful comparison between the years.

BPCE noted robust growth in net loans to customers of almost €32bn or 5% over the previous year. The drop from 2016 to 2017 is due to reclassifications due to IFRS 9 and insurance business. Other Financial assets increased through IFRS 9 reclassifications of repurchase agreements.

Total other assets decreased decreased by over €23bn through IFRS 9 and insurance business reclassifications /reallocations. In comparison to 2017, the balance sheet grew only very modestly by 1.2%, with financial assets even less so at 0.4%, where net loan growth was counteracted by a decrease in cash/central bank positions and total securities positions.

The asset quality of BPCE increased slightly, as the NPL ratio declined from 3.65% to 3.21% and risk-weighted assets remained practically unchanged. Cost of risk remained low in terms of net loans, with 20bp expense. Please consider that the NPL ratio for IFRS 9 adhering banks will henceforth be calculated by stage 3 loans divided by net loans to customers, while potential problem loans (PPL) are now defined as stage 2 loans. As such, NPL and PPL ratios are not directly comparable between 2017 and 2016.

As of Q3 2019, the asset quality improved further. The NPL ratio stood at 2.7% of gross loan outstandings at 30 September 2019. Loan outstandings at BP and CE banks grew robustly by over 7% compared to Q3 2018.

In the EBA Stresstest of 2018, the credit risk increased only relatively little in comparison to other partaking banks. The non-performing exposure (NPE) at year-end 2018 was at 3.56%, while in the adverse scenario it was merely at 5.85%, an increase of less than two-thirds.

Refinancing and Capital Quality

As the balance sheet size only increased by 1.2%, financial liabilities remained practically unchanged, with deposits growing at only 2.6% over the previous year. The loan-to-deposit ratio hence increased by almost 3 percentage points. The break from 2016 to 2017 is yet again due to the switch to IFRS 9 accounting and is thus not directly comparable.

Total consolidated equity increased by €3.8bn. Net income for the period was €3.8bn; distribution to the owners of BPCE was €878m, and €302m worth of deeply subordinated notes were redeemed. At the same time, the consolidated group raised over €1.4bn in capital increases of the Banque Populaire banks and the Caisses d'Epargne (€791m) and the issuance of cooperative shares by the Local Savings Companies worth €615m. With other charges worth over €200m, the shareholder's equity stood at €73.4bn at year end 2018, and at €75.5bn in Q3 2019.

In 2018, BPCE raised a total of €18.1bn in senior unsecured issues, of which were €10.8 in preferred senior unsecured titles and €7.3bn in the newly created class of non-preferred senior unsecured debt. €8.4bn were raised through the various covered bond issuers of the consolidated BPCE group. By Q3 2019, €13.8bn were raised as senior unsecured debt, and €8.3bn in covered bonds.

Regulatory capital ratios changed little fully loaded, to 15.5% in terms of CET1 and 19.2% in total capital. As of Q3 2019, the CET1 ratio remains unchanged before a pro-forma decrease of 10bps due to the acquisition of the 50%+1 stake in Oney bank.

In the EBA Stresstest of 2018, both the variation in bps, as well as final CET1 ratio in the adverse scenario of 2020, performed on par with the partaking banks.

Liquidity

The LCR ratio of the group increased slightly to 129.7%, a value that is both below average but still vastly in excess of the minimum threshold of 100%. As a whole, the liquidity situation of the bank is satisfactory.

Outlook

We consider the outlook of Groupe BPCE's long-term issuer rating and the ratings of bank capital and debt instruments of the subsidiary BPCE SA as stable. This reflects our view that BPCE is likely to keep being profitable in the upcoming years, while maintaining its good capital stock and increasing its asset quality. We will continue to monitor the group's progress in meeting the goals of TEC 2020. As of 2019, BPCE appears well on track to meet the modest financial goals and is in fact already surpassing most. It will reflect positively on BPCE if it continues to meet and surpass the set goals and negatively, if it suffers setbacks.

In addition, we assume a stable political and economic environment in BPCE's markets of operations.

Scenario Analysis

In a scenario analysis, BPCE's rating developed significantly better in the “best case” scenario and only slightly worse in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We could upgrade BPCE's long-term issuer rating if we continue to see BPCE outperforming its TEC 2020 plan. The rating is specifically sensitive to the earnings side of BPCE, where significant, lasting improvements in profitability could lead to an upgrade of BPCE.

By contrast, a downgrade of BPCE's long-term issuer rating is likely if BPCE fails to deliver on TEC 2020 financial goals and no significant steps in profitability are taken.

CRA's rating actions at a glance

Groupe BPCE (Group):

- Long-Term Issuer Rating affirmed at to 'A-', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and set to 'n.r.'
- Tier 2 capital set to 'n.r.'
- AT1 capital set to 'n.r.'

BPCE SA:

- Long-Term Issuer Rating affirmed at to 'A-', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and affirmed at 'A-'
- Non-preferred senior unsecured debt set to 'BBB+'
- Tier 2 capital affirmed at 'BB+'
- AT1 capital affirmed at 'BB'

BPCE SFH SA:

- Long-Term Issuer Rating affirmed at to 'A-', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and set to 'n.r.'
- Tier 2 capital set to 'n.r.'
- AT1 capital set to 'n.r.'

Compagnie de Financement Foncier SA:

- Long-Term Issuer Rating affirmed at to 'A-', stable outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured debt reclassified to preferred senior unsecured debt and set to 'n.r.'
- Tier 2 capital set to 'n.r.'
- AT1 capital set to 'n.r.'

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

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.

Preferred senior unsecured debt (PSU):	**n.r.**
Non-preferred senior unsecured debt (NPS):	**-**
Tier 2 (T2):	**n.r.**
Additional Tier 1 (AT1):	**n.r.**

Ratings Detail and History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	04.07.2018	A - / stable / L2
Rating Update	19.12.2019	A - / stable / L2
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	04.07.2018	A- / BB+ / BB
PSU / NPS / T2 / AT1	19.12.2019	n.r. / - / n.r. / n.r.
Subsidiaries of the Bank	**Rating Date**	**Result**
BPCE SA		
LT / Outlook / Short-Term (Initial)	04.12.2018	A - / stable / L2
Rating Update	19.12.2019	A - / stable / L2
Bank Capital and Debt Instruments of BPCE SA		
Senior Unsecured / T2 / AT1 (Initial)	04.12.2018	A- / BB+ / BB
PSU / NPS / T2 / AT1	19.12.2019	A- / BBB+ / BB+ / BB
BPCE SFH SA		
LT / Outlook / Short-Term (Initial)	04.12.2018	A - / stable / L2
Rating Update	19.12.2019	A - / stable / L2
Bank Capital and Debt Instruments of BPCE SFH SA		
Senior Unsecured / T2 / AT1 (Initial)	04.12.2018	A- / BB+ / BB
PSU / NPS / T2 / AT1	19.12.2019	n.r. / - / n.r./ n.r.

Compagnie de Financement Foncier SA		
LT / Outlook / Short-Term (Initial)	04.12.2018	A - / stable / L2
Rating Update	19.12.2019	A - / stable / L2
Bank Capital and Debt Instruments of Compagnie de Financement Foncier SA		
Senior Unsecured / T2 / AT1 (Initial)	04.12.2018	A- / BB+ / BB
PSU / NPS / T2 / AT1	19.12.2019	n.r. / - / n.r. / n.r.

Appendix

Figure 2: Group income statement | Source: eValueRate / CRA | 2017: IAS39, 2018: IFRS9

Income Statement	2015	2016	2017	%	2018
Income (€000)					
Net Interest Income	11.059.000	10.904.000	10.232.000	-15,5	8.641.000
Net Fee & Commission Income	9.159.000	8.781.000	9.451.000	+1,2	9.568.000
Net Insurance Income	190.000	311.000	-248.000	< -100	3.094.000
Net Trading Income	2.405.000	2.428.000	3.116.000	-27,6	2.255.000
Equity Accounted Results	275.000	257.000	276.000	+6,2	293.000
Dividends from Equity Instruments	231.000	237.000	257.000	-53,7	119.000
Other Income	1.263.000	1.172.000	1.177.000	-4,6	1.123.000
Operating Income	**24.582.000**	**24.090.000**	**24.261.000**	**+3,4**	**25.093.000**
Expenses (€000)					
Depreciation and Amortisation	849.000	853.000	851.000	+6,2	904.000
Personnel Expense	9.886.000	10.025.000	10.327.000	+2,9	10.629.000
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	141.000	104.000	59.000	< -100	-187.000
Other Expense	6.340.000	6.648.000	6.734.000	+6,2	7.151.000
Operating Expense	**17.216.000**	**17.630.000**	**17.971.000**	**+2,9**	**18.497.000**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**7.366.000**	**6.460.000**	**6.290.000**	**+4,9**	**6.596.000**
Asset Writedowns	1.911.000	1.543.000	1.469.000	-10,5	1.315.000
Net Income (€000)					
Non-Recurring Income	668.000	1.453.000	695.000	-97,8	15.000
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**6.123.000**	**6.370.000**	**5.516.000**	**-4,0**	**5.296.000**
Income Tax Expense	2.323.000	1.882.000	1.811.000	-18,4	1.477.000
Discontinued Operations	-	-	-	-	-
Net Profit (€000)	**3.800.000**	**4.488.000**	**3.705.000**	**+3,1**	**3.819.000**
Attributable to minority interest (non-controlling interest)	558.000	500.000	681.000	+16,4	793.000
Attributable to owners of the parent	3.242.000	3.988.000	3.024.000	+0,1	3.026.000

Figure 3: Group key earnings figures | Source: eValueRate / CRA
2017: IFRS 9 dated 1.1.2018 , 2018: IFRS 9 dated 31.12.2019

Income Ratios (%)	2015	2016	2017	%	2018
Cost Income Ratio (CIR)	70,03	73,18	74,07	-0,36	73,71
Cost Income Ratio ex. Trading (CIRex)	77,63	81,39	84,99	-4,00	80,99
Return on Assets (ROA)	0,33	0,36	0,29	+0,01	0,30
Return on Equity (ROE)	5,83	6,49	5,32	-0,12	5,20
Return on Assets before Taxes (ROAbT)	0,52	0,52	0,44	-0,02	0,42
Return on Equity before Taxes (ROEbT)	9,39	9,21	7,93	-0,71	7,21
Return on Risk-Weighted Assets (RORWA)	0,97	1,15	0,96	+0,01	0,97
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,56	1,63	1,43	-0,08	1,35
Net Interest Margin (NIM)	1,24	1,16	1,20	-0,23	0,98
Pre-Impairment Operating Profit / Assets	0,63	0,52	0,50	+0,02	0,52
Cost of Funds (COF)	1,74	1,57	1,48	-0,08	1,40

Change in % Points

Figure 4: Development of assets | Source: eValueRate / CRA| 2017: IFRS 9 dated 1.1.2018 , 2018: IFRS 9 dated 31.12.2019

Assets (€000)	2015	2016	2017	%	2018
Cash and Balances with Central Banks	71.119.000	83.919.000	94.697.000	-19,3	76.458.000
Net Loans to Banks	96.361.000	97.103.000	90.408.000	+1,0	91.349.000
Net Loans to Customers	627.238.000	677.380.000	634.838.000	+5,0	666.690.000
Total Securities	173.888.000	178.662.000	128.772.000	-6,9	119.873.000
Total Derivative Assets	76.968.000	75.614.000	62.561.000	-4,9	59.507.000
Other Financial Assets	43.597.000	40.371.000	97.108.000	+2,0	99.024.000
Financial Assets	**1.089.171.000**	**1.153.049.000**	**1.108.384.000**	**+0,4**	**1.112.901.000**
Equity Accounted Investments	3.666.000	3.891.000	4.105.000	-1,8	4.033.000
Other Investments	2.020.000	1.980.000	790.000	-0,9	783.000
Insurance Assets	9.900.000	11.453.000	103.182.000	+6,9	110.295.000
Non-current Assets & Discontinued Ops	22.000	947.000	1.195.000	> +100	2.639.000
Tangible and Intangible Assets	10.166.000	9.980.000	9.932.000	+1,8	10.106.000
Tax Assets	6.107.000	4.598.000	5.224.000	-22,5	4.047.000
Total Other Assets	45.483.000	49.342.000	26.061.000	+11,7	29.122.000
Total Assets	**1.166.535.000**	**1.235.240.000**	**1.258.873.000**	**+1,2**	**1.273.926.000**

Figure 5: Development of asset quality | Source: eValueRate / CRA
2017: IFRS 9 dated 1.1.2018 , 2018: IFRS 9 dated 31.12.2019

Asset Ratios (%)	2015	2016	2017	%	2018
Net Loans/ Assets	53,77	54,84	50,43	+1,90	52,33
Risk-weighted Assets/ Assets	33,55	31,65	30,69	+0,12	30,80
NPLs*/ Net Loans to Customers	3,75	3,53	3,65	-0,43	3,21
NPLs*/ Risk-weighted Assets	6,02	6,11	5,99	-0,53	5,46
Potential Problem Loans**/ NPLs*	32,53	36,27	360,00	-36,79	323,21
Reserves/ NPLs*	52,27	51,40	57,64	+1,22	58,87
Reserves/ Net Loans	1,96	1,81	2,10	-0,21	1,89
Net Write-offs/ Net Loans	0,30	0,23	0,23	-0,03	0,20
Net Write-offs/ Risk-weighted Assets	0,49	0,39	0,38	-0,05	0,34
Level 3 Assets/ Total Assets	1,65	1,55	1,48	-0,83	0,65

Change in % Points

* NPLs are represented from 2017 onwards by Stage 3 Loans.

** Potential Problem Loans are represented from 2017 onwards by Stage 2 Loans.

Figure 6: Development of refinancing and capital adequacy | Source: eValueRate / CRA
2017: IFRS 9 dated 1.1.2018 , 2018: IFRS 9 dated 31.12.2019

Liabilities (€000)	2015	2016	2017	%	2018
Total Deposits from Banks	77.067.000	87.211.000	84.778.000	+1,1	85.744.000
Total Deposits from Customers	499.741.000	531.781.000	524.733.000	+2,6	538.167.000
Total Debt	260.304.000	273.860.000	257.634.000	+0,6	259.053.000
Derivative Liabilities	74.624.000	71.149.000	62.582.000	-3,4	60.425.000
Securities Sold, not yet Purchased	23.351.000	23.834.000	26.644.000	-20,6	21.167.000
Other Financial Liabilities	46.080.000	37.485.000	101.530.000	-6,8	94.593.000
Total Financial Liabilities	**981.167.000**	**1.025.320.000**	**1.057.901.000**	**+0,1**	**1.059.149.000**
Insurance Liabilities	68.042.000	84.765.000	93.728.000	+5,5	98.855.000
Non-current Liabilities & Discontinued Ops	9.000	813.000	717.000	> +100	2.096.000
Tax Liabilities	1.240.000	1.106.000	1.191.000	-3,8	1.146.000
Provisions	5.665.000	6.499.000	6.796.000	-3,3	6.574.000
Total Other Liabilities	45.219.000	47.601.000	28.958.000	+12,9	32.701.000
Total Liabilities	**1.101.342.000**	**1.166.104.000**	**1.189.291.000**	**+0,9**	**1.200.521.000**
Total Equity	**65.193.000**	**69.136.000**	**69.582.000**	**+5,5**	**73.405.000**
Total Liabilities and Equity	**1.166.535.000**	**1.235.240.000**	**1.258.873.000**	**+1,2**	**1.273.926.000**

Figure 7: Development of capital ratios | Source: eValueRate / CRA
2017: IFRS 9 dated 1.1.2018 , 2018: IFRS 9 dated 31.12.2019

Capital Ratios (%)	2015	2016	2017	%	2018
Total Equity/ Total Assets	5,59	5,60	5,53	+0,23	5,76
Leverage Ratio	4,70	5,00	5,05	+0,23	5,28
Phased-in: Common Equity Tier 1 Ratio (CET1)	13,00	14,10	15,30	+0,50	15,80
Phased-in: Tier 1 Ratio (CET1 + AT1)	13,30	14,50	15,40	+0,50	15,90
Phased-in: Total Capital Ratio (CET1 + AT1 + T2)	16,80	18,50	19,20	+0,40	19,60
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	12,90	14,20	15,40	+0,10	15,50
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	13,30	14,60	15,50	+0,10	15,60
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	16,70	18,50	19,20	+0,00	19,20
Change in %Points					

Figure 8: Development of liquidity | Source: eValueRate / CRA
2017: IFRS 9 dated 1.1.2018 , 2018: IFRS 9 dated 31.12.2019

Liquidity (%)	2015	2016	2017	%	2018
Net Loans/ Deposits (LTD)	125,51	127,38	120,98	+2,90	123,88
Interbank Ratio	125,04	111,34	106,64	-0,10	106,54
Liquidity Coverage Ratio	-	120,00	127,00	+2,70	129,70
Customer Deposits / Total Funding (excl. Derivates)	48,67	48,57	46,57	+0,63	47,20
Change in %Points					

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 eValueRate / CRA. Subject to a peer group analysis were 24 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 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".

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document "Rating Criteria and Definitions" is published on the following homepage:

www.creditreform-rating.de/de/regulatory-requirements/.

On 19 December 2019, the rating was presented by the analysts to the rating committee and adopted in a resolution.

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

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound 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 or any other natural person 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 approving credit ratings and rating outlooks.

In case 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 policy "Rating Committee," 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 following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

There are no other attributes and limitations of the credit rating or rating outlook other than 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 available historical data as sufficient.

Between the 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 case 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 credit rating and indicates how the different methodologies or these 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 as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first 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.

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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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