

Groupe BPCE

Issuer View • 9 February 2023

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Groupe BPCE (rating: -/A+/-) is the second-largest banking group in France with a focus on the retail & insurance business and global financial services. Moreover, it is a global systemically important bank (G-SIB; additional capital buffer: 1%). The distribution network consists of Banque Populaires and Caisse d'Épargne as well as Banque Palatine and Oney Bank. With Natixis, it is active worldwide in corporate and investment banking, asset management and payment transactions. It serves approximately 36 million customers in more than 40 countries. BPCE SA is the central bank within the French Groupe BPCE. In total, 50% of the shares in BPCE SA are held by 15 Caisses d'Épargne (savings banks), while the other 50% are held by 14 Banques Populaires (cooperative banks). Within the Group, BPCE SA is responsible for strategy, coordination and management as well as liquidity management, capitalisation and risk management. In July 2021, the Groupe BPCE presented a new strategic plan, which includes the streamlining of the organisational structure announced in February 2021. Part of this strategy included the squeeze-out of Natixis (July 2021, incl. de-listing) and the subsequent reorganisation of the structure and segments. Since this time, it has reported in the segments Retail Banking & Insurance, Global Financial Services and Corporate Center. Cross holdings have also been reduced. The targets for 2024 include increasing the CET1 ratio to 15.5% (9M/2022: 15.1%), maintaining the cost-to-income ratio at <65% (this was around 65% as of 9M/2022) and achieving a net income of EUR >5bn (9M/2022: EUR 3.4bn).

Ratings BPCE SA

		Outlook
Fitch	AA-	Negative
Moody's	A1	Stable
S&P	A	Stable

Homepage

<https://groupebpce.com>

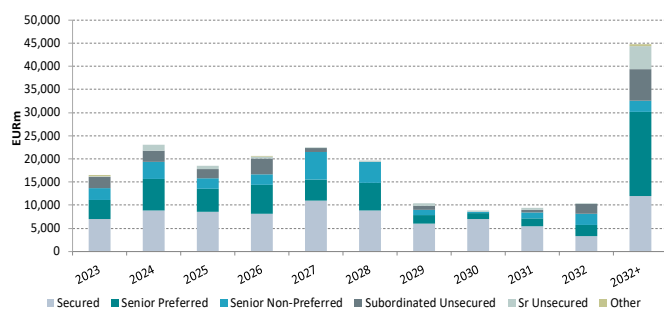
Balance Sheet

(EURm)	2020Y	2021Y	2022T3
Net Loans to Customers	818,907	844,784	-
Total Securities	219,050	221,373	-
Total Deposits	631,077	665,389	689,563
Tier 1 Common Capital	68,969	69,764	69,500
Total Assets	1,446,269	1,516,021	1,551,878
Total Risk-weighted Assets	431,222	441,428	461,000

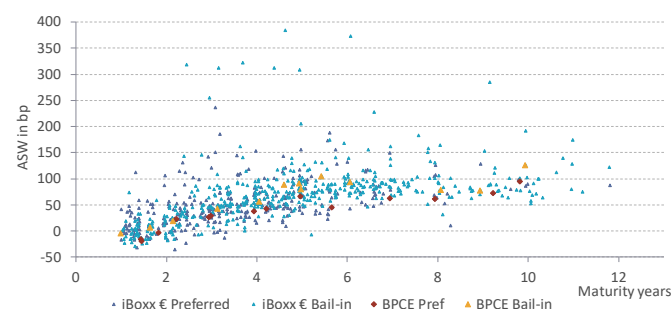
Income Statement

(EURm)	2020Y	2021Y	2022T3
Net Interest Income	9,170	9,879	-
Net Fee & Commission Inc.	9,187	10,324	-
Net Trading Income	1,250	2,447	-
Operating Expense	16,644	17,840	-
Credit Commit. Impairment	2,936	1,734	-
Pre-tax Profit	2,789	6,231	-

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022T3		2020Y	2021Y	2022T3
Net Interest Margin	0.74	0.75	-	Liquidity Coverage Ratio	156.12	160.43	136.00
ROAE	2.27	5.45	5.72	IFRS Tier 1 Leverage Ratio	4.97	4.79	-
Cost-to-Income	74.20	69.00	-	NPL/ Loans at Amortised Cost	2.89	2.78	2.59
Core Tier 1 Ratio	15.99	15.80	15.08	Reserves/Loans at Amort. Cost	1.78	1.73	1.69

As of: 09.02.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Market position in FR
- Capitalisation
- Solidarity mechanism within the Group

Risks / Weaknesses

- Asset quality susceptible to economic downturn
- Cyclical business areas (Natixis)
- Profitability

Covered Bonds

Author: Melanie Kiene

Outstanding covered bonds with a volume of EUR 41.4bn

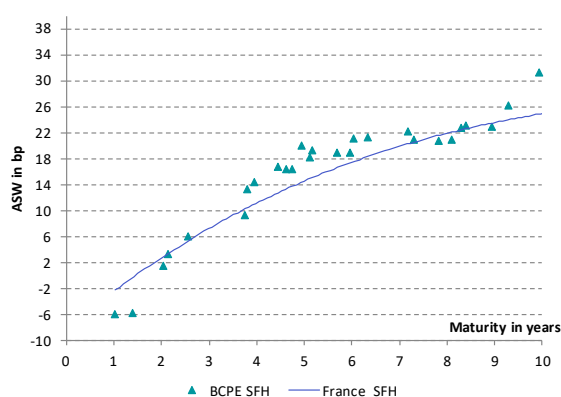
According to the investor report, BPCE SFH had an outstanding covered bond volume of around EUR 41.4bn in outstanding covered bond volume as at the end of December 2022. These were denominated exclusively in euros. EUR 34.8bn (divided into 30 covered bonds) were issued as syndicated EUR benchmark bonds, which are included in the iBoxx EUR Covered. The institution is among the "top 3" EUR benchmark issuers by volume. The issued mortgage covered bonds are matched by cover assets of EUR 54.1 billion, resulting in a nominal overcollateralisation ratio of 16.3%.

Programme data

31 December 2022	Mortgage
Covered bonds outstanding	EUR 41,379m
Cover pool volume	EUR 54,063m
Current OC (nominal / legal)	16,3% / 5.0%
Type	100% Residential
Country	100% France
Number of borrowers	681,106
10 largest exposures	0.01%
ØLTV (unindexed / indexed)	70.3% / 58.7%
Fixed interest (Cover Pool / CBs)	99.7% / 99.9%
WAL (Cover Pool / CBs)	7.6y / 3.1y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK; maturity >1y – <10y) – France



Primary cover from residential assets in France

The cover pool is composed entirely of residential assets, which are located exclusively in France. 681,106 loans with an average value of about EUR 79,376 and a share of the ten largest exposures in the cover pool of 0.01%, reflect the granularity of the cover pool. 80.6% of the loans were used to finance owner-occupied residential property, while 16.7% can be assigned to the "buy-to-let" category. Geographically, Île-de-France (16.5%) and the Auvergne-Rhône-Alpes region (14.2%) dominate. In addition, the two regions bordering the Mediterranean, Provence-Alpes-Côte d'Azur and Occitania, account for a further 11.8% and 10.7% respectively. With regard to the weight of fixed interest, a very high proportion can be noted both on the side of the issued securities and the cover assets with 99.9% and 99.7% respectively. Non-performing loans are not included in the cover assets, nor are loans with an amount of more than EUR 600,000.

Rating and regulatory treatment

BPCE's covered bonds are rated Aaa/AAA by the rating agencies Moody's and S&P. From a regulatory perspective, the issued bonds benefit from a preferred risk weight of 10% in accordance with the CRR, irrespective of the issue volume. In the context of LCR management, we believe that the EUR benchmark deals can also be used as Level 1 assets (see also our [LCR study](#)). Furthermore, the issues are generally suitable as collateral in the context of the ECB Collateral Framework and are eligible for purchase under CBPP3 and PEPP. Covered Bonds of the Issuer placed as of 8 July 2022 may bear the label "European Covered Bond (Premium)".

Appendix

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