

Groupe BPCE

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Authors: Melanie Kiene // Stefan Rahaus

Groupe BPCE is the second-largest banking group in France with a focus on the retail and insurance business. 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 corporate & investment banking, asset & wealth management. 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 addition, there is an internal solidarity and guarantee system within the group. The current strategic plan, which includes the simplification of the organisational structure announced in February 2021, also led to the squeeze-out of Natixis (July 2021, including delisting) 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, for example following the sale of a 16.1% stake in CNP Assurances to La Banque Postale and the acquisition of a 45% stake in Ostrum AM and a 40% share in AEW Europe from La Banque Postale through Natixis Investment Managers, with the result that the Group now holds 100% of shares in these companies. The targets for 2024 include among others: CET1 ratio of 15.5%, CIR of <65%, Net Income of EUR >5 bn. As of H1 2022, the CET1 ratio was 14.9%.

Ratings

	Rating	Outlook
Fitch	A+	Negative
Moody's	A1	Stable
S&P	A	Stable

Homepage

www.groupebpce.com

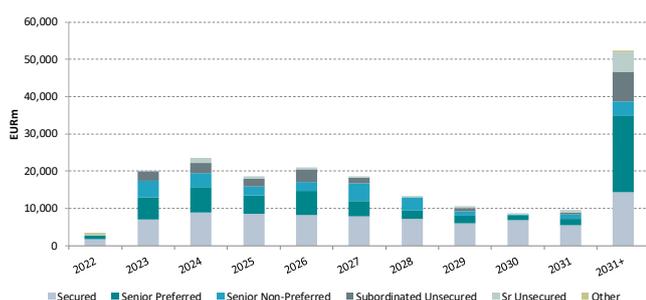
Balance Sheet

(EURm)	2020Y	2021Y	2022H1
Net Loans to Customers	818,907	844,784	885,466
Total Securities	219,050	221,373	210,223
Total Deposits	630,957	665,353	678,630
Tier 1 Common Capital	68,969	69,764	68,557
Total Assets	1,446,269	1,516,021	1,483,856
Total Risk-weighted Assets	431,222	441,428	459,214

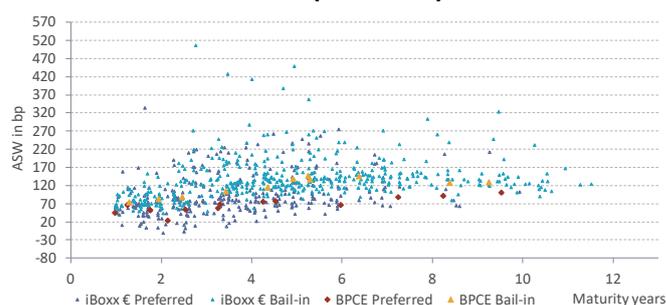
Income Statement

(EURm)	2020Y	2021Y	2022H1
Net Interest Income	9,170	9,879	4,990
Net Fee & Commission Inc.	9,187	10,324	5,022
Net Trading Income	1,250	2,447	1,442
Operating Expense	16,644	17,840	9,211
Credit Commit. Impairment	2,936	1,734	860
Pre-tax Profit	2,789	6,231	3,131

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022H1		2020Y	2021Y	2022H1
Net Interest Margin	0.74	0.75	0.74	Liquidity Coverage Ratio	156.12	160.43	152.31
ROAE	2.27	5.45	5.38	IFRS Tier 1 Leverage Ratio	4.97	4.79	4.84
Cost-to-Income	74.20	69.00	69.66	NPL/ Loans at Amortised Cost	2.78	2.62	2.51
Core Tier 1 Ratio	15.99	15.80	14.93	Reserves/Loans at Amort. Cost	1.78	1.73	1.71

As of: 17.10.2022; 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

Authors: Stefan Rahaus // Melanie Kiene

Outstanding covered bonds with a volume of EUR 37.7bn

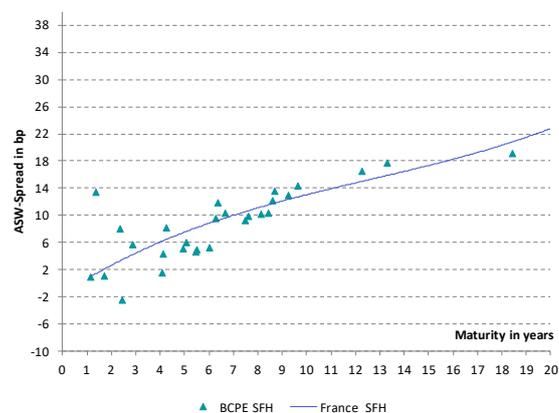
According to the September Investor Report, BPCE SFH had around EUR 37.7bn in covered bond volume outstanding, of which EUR 32.25bn were issued as syndicated EUR benchmark bonds. This means that the bank is currently one of the “top 3” EUR benchmark issuers by volume. This is offset by cover assets of EUR 50.8bn, resulting in a nominal overcollateralisation ratio of 34.9%. In the HTT of 30 June 2022, the OC ratio is published as 12.8% based on the OC ratio certified by the specific controller. BPCE SFH last appeared in the market in mid-May this year, placing EUR 1.0bn over ten years at ms +9bp, having already raised EUR 6.25bn from investors in 2022.

Programme data

31 Aug 2022	Mortgage
Covered bonds outstanding	EUR 37,663.5m
Cover pool volume	EUR 50,820.6m
Current OC (nominal / legal)	34.9% / 5.0%
Type	100% Residential
Country	100% France
Number of borrowers	588,250
Number of loans/exposures	657,825
Average loan/exposure size	EUR 77,256
WA unindexed LTV	70.18%
Fixed interest (Cover Pool / CBs)	99.6% / 100%
Non-performing Loans (%)	0%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA

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

Spread overview (BMK) – France



Primary cover from residential assets in France

The cover pool is composed entirely of residential assets, which are located exclusively in France. Granularity of the pool is shown by 657,825 loans with an average value of over EUR 77,256 and a share of the ten largest exposures in the cover pool of 0.01%. 79.7% of the loans were used to finance owner-occupied residential property, while 17.46% can be assigned to the category "buy-to-let/non-owner occupied". Geographically, Ile-de-France (16.2%) and the Auvergne-Rhône-Alpes region (14.2%) dominate. In addition, the two regions bordering the Mediterranean, Provence-Alpes-Côte d'Azur and Occitanie, account for a further 11.9% and 10.7% respectively. With regard to fixed rates, a very high share of 100% and 99.6%, respectively, is to be noted on the side of the issued securities as well as the cover assets. Non-performing loans are not included in the cover assets, nor are loans with an amount of more than EUR 1m.

Regulatory and rating

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, benchmark deals can also be used as Level 1 assets in our view. In addition, the covered bonds are eligible for purchase under the purchase programme CBPP3 and can also be deposited as collateral under repo transactions with the Eurosystem. Since 8 July 2022, BPCE SFH has been entitled to use the label "European Covered Bond (Premium)" for its covered bond issues.

Appendix

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