GROUPE BPCE

Bankers and insurers with a different perspective

Press Release

Paris, November 7, 2017

RESULTS[1] OF GROUPE BPCE FOR THE THIRD QUARTER AND THE FIRST NINE MONTHS OF 2017

Robust fundamentals underlying the launch of the new strategic plan

A DIVERSIFIED UNIVERSAL BANKING MODEL

Retail Banking: buoyant business activities

- Expansion of the customer base and banking services provided to customers, driving growth in fee and commission income
- Loan outstandings +5.3% and on-balance sheet savings (excl. centralized items) +5.1% year-on-year
- €780m of aggregate synergies between the retail banking networks and the business lines of Natixis

Insurance business: strong growth

- Life insurance: doubling of the proportion of unit-linked policies in gross inflows year-on-year
- Non-life insurance[2]: portfolio of contracts up 8% year-on-year

Asset management: robust performance

- Positive net inflows of €16bn since the beginning of the year

Corporate & Investment Banking (CIB)

- Strong growth in the contribution from the CIB's international platforms (57% of 9M-17 income)

STRONG BASIS OF INCOME

- Contribution of Retail Banking activities to income before tax[3] records a limited decline to €3.3bn
- Strong increase in the contributions to income before tax[3] from the Investment Solutions (+18.3%) and CIB divisions (+26.6%)
- New decline in the cost of risk to 19bps
- Attributable net income[3] equal to €2.7bn, +4.5%[4] vs. 9M-16 pf

FINANCIAL STRENGTH FURTHER ENHANCED

Further growth in the Group's capital adequacy

- CET1 ratio[5] equal to 15.0%, representing an improvement of 70bps since December 31, 2016
- LCR ratio > 110%

Future requirements already satisfied

- TLAC ratio[5] equal to 20.3%, representing an improvement of 90bps since December 31, 2016

Standard & Poor's: long-term outlook revised from stable to positive

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[1] 9M-16 and Q3-16 pro forma (cf. the note on methodology at the end of this press release); unless specified to the contrary, all changes use the same reference base of September 30, 2016

[2] Entities included: CNP Assurances, Natixis Assurances, Prépar vie (gross inflows from the Banque Populaire and Caisse d'Epargne retail banking networks

[3] Excluding non-economic and exceptional items and after restating to account for IFRIC 21

[4] Excluding tax relief obtained in 2016

[5] Estimate at September 30, 2017 - CRR/CRD IV without transitional measures (except for deferred tax assets on tax loss carryforwards); additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force

On November 7, 2017, the Supervisory Board of Groupe BPCE convened a meeting chaired by Michel Grass to examine the Group's financial statements for the third quarter and first nine months of 2017.

François Pérol, Chairman of the Management Board of Groupe BPCE, said: *"The results for the first nine months of 2017 confirm the resilience of our universal banking model. The business lines of Natixis have again put up a fine performance, with the Corporate & Investment Banking and Investment Solutions divisions achieving revenue growth of 12.4% and 11.3% respectively; our Insurance activities are also enjoying strong growth and our Asset Management business is continuing to boast positive fund inflows (+16 billion euros). In the Retail Banking division, the commercial momentum of our networks – with new loan production in excess of 96 billion euros during the nine-month period – enables us to limit the unfavorable impact of low interest rates on our revenues. Our cost of risk has declined yet again, to reach 19 basis points, and, compared with the first nine months of 2016, net income has risen by 4.5% to 2.7 billion euros, if we exclude non-economic and exceptional items and the tax relief obtained in 2016. The Group's balance sheet has been strengthened still further, with the CET1 ratio and TLAC ratio standing at 15.0% and 20.3% respectively. These ratios mean that the Group is already compliant with requirements that only come into force in 2019. These results also demonstrate that the Group possesses the robust fundamentals it needs to launch its new strategic plan to be presented on November 29 this year."*

1. CONSOLIDATED RESULTS[1] OF GROUPE BPCE FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2017

Groupe BPCE announces strong results for the first nine months of 2017, with a 2.8%[6] across-the-board increase in revenues. These results underscore the **good performance achieved by the Group's three business divisions** (Retail Banking, Investment Solutions, and Corporate & Investment Banking) and demonstrate the **relevance of BPCE's choice of a diversified universal banking model**. Despite the negative impact of low interest rates, the revenues posted by the Retail Banking division only declined by 1.3% (excluding changes in the provision for home purchase savings schemes) during the first nine months of the year thanks to strong business momentum. Extremely good results were posted by the Investment Solutions division, with 11.8% growth in revenues, as well as by the Corporate & Investment Banking arm (+12.4%).

In this context and on a like-for-like basis, the Group's results made further headway in the first nine months of 2017: net income attributable to equity holders of the parent[6,7] came to 2,726 million euros, equal to a 4.5% increase year-on-year if tax relief obtained in 2016 is excluded. The published net income attributable to equity holders of the parent company stands at 2,527 million euros.

Groupe BPCE boasts a robust balance sheet that was further reinforced during the period with fully-loaded CET1 and TLAC ratios of 15.0% and 20.2% respectively at September 30, 2017, to the effect that the TLAC ratio already exceeds the level of 19.5% required in early 2019 by banking regulations.

Following Moody's in July earlier this year, the Standard & Poor's rating agency has raised its long-term rating assigned to BPCE from 'outlook: stable' to 'outlook: positive.'

Groupe BPCE and Natixis are scheduled to present their next strategic plan for 2018-2010 in the *Investor Days* events to be held on November 20, 2017 for Natixis and November 29, 2017 for Groupe BPCE.

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[6] Excluding non-economic and exceptional items
[7] After restating to account for IFRIC 21

1.1 Consolidated results for the first nine months of 2017: income before tax[6] up 5.3% to €4.6bn

In the first nine months of 2017, the **net banking income** generated by Groupe BPCE came to 17,900 million euros[6], representing 2.8% growth over the same period in 2016 thanks, on the one hand, to strong momentum achieved by the core business lines of Natixis – notably **Investment Solutions** divisions (+11.8%) and the **Corporate & Investment Banking** (+12.4%) – and, on the other hand, to the limited decline in **Retail Banking** revenues (-1.3%, excluding changes in provisions for home purchase savings schemes). The revenues posted by the Retail Banking division stood up well against a backdrop of persistently low interest rates that depressed net interest income and a slow-down in early home loan redemptions in the third quarter of 2017, while growth in the customer base, banking services used by customers and the dynamism of life insurance all helped to drive commission income.

The Group's **operating expenses** came to 12,540 million euros[6] for the first nine months of 2017, up 2.2% on a year-on-year basis. This increase is related to the development of the Corporate & Investment Banking and Investment Solutions divisions. In the Retail Banking division, the cost basis is tightly managed (excluding exceptional items). The Investment Solutions division saw a 2.4 percentage points improvement in its cost/income ratio to 67.7% while that of the CIB division improved by 1.0 percentage point to 57.2%.

The Group's **gross operating income** came to a total of 5,360 million euros[6], equal to growth of 4.1% compared with the first nine months of 2016.

The **cost of risk** of Groupe BPCE stands at 960 million euros[6] for the first nine months of 2017. Compared with the first nine months of 2016, this metric has declined by 8.0% to 19 basis points[8] in the first nine months of this year (down from 21 basis points in the first nine months of 2016). The ratio of non-performing loans/gross loan outstandings has improved, falling from 3.5% at September 30, 2016 to 3.3% at September 30, 2017, while the impaired loans coverage ratio (including guarantees related to impaired outstandings) stood at 82.5% at September 30, 2017 (versus 83.0% at September 30, 2016).

- For the Banque Populaire and Caisse d'Epargne retail banking networks, the decline in the cost of risk follows the reduction noted in individual provisions,
- For the Corporate & Investment Banking division, the cost of risk has declined significantly compared with the first nine months of 2016, marked by a drive to book provisions for the Oil & Gas sector in the first half of last year.

The Group's **income before tax** has grown by 5.3% to reach 4,643 million euros[6] in the first nine months of 2017.

The Group's **income tax** stands at 1,540 million euros[6] for the first nine months of the year and represents a more typical level of taxation. Income tax is 19.0% higher than in the first nine months of 2016 because the 2016 tax base was unusually low.

Net income attributable to equity holders of the parent[6] stands at 2,630 million euros, representing a 3.7% decline compared with the first nine months of 2016.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:

- The cost/income ratio has declined by 0.4 percentage points to 69.4%,
- Return on equity has declined by a 0.7 percentage point to stand at 5.9%,
- Net income attributable to equity holders of the parent stands at 2,726 million euros, down 3.4% compared with the first nine months of 2016, and up by 4.5% if the tax relief obtained in the first nine months of 2016 is excluded.

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[8] Cost of risk expressed in annualized basis points on gross customer outstandings at the beginning of the period

After accounting for non-economic and exceptional items and cancelling the restatement of the impact of IFRIC 21, **published net income attributable to equity holders of the parent** stands at 2,527 million euros.

It should be noted that the 2016 basis of comparison includes highly significant exceptional items recorded in the first nine months of 2016, including the **divestment of Visa Europe securities** with a 797 million euro impact on net income attributable to equity holders of the parent.

1.2 Consolidated results for the third quarter of 2017: net income of €838m[6,7]

In the third quarter of 2017, the **net banking income** of Groupe BPCE stood at 5,718 million euros[6], equal to a decline of 1.3% versus the third quarter of 2016. The revenues posted by the **Retail Banking** division have also declined (-3.1% excluding changes in provisions for home purchase savings schemes) as the impact of low interest rates was only partially offset by growth in business activities. The **Investment Solutions** division put up a fine performance (+16.9%) while the revenues posted by CIB declined by 4.7% owing to the lower contribution from the FICT business (Foreign Exchange, Interest Rate, Commodities & Treasury).

The Group's **operating expenses** came to 3,943 million euros[6] in the third quarter of 2017, up 2.3% on a year-on-year basis.

The Group's **gross operating income** stood at 1,775 million euros[6] in the third quarter of 2017, representing an 8.3% decline compared with the third quarter of 2016.

The Group's **cost of risk** fell by a substantial 10.9% in the third quarter of 2017, to a total of 269 million euros[6], or 16 basis points (versus 18 basis points in the third quarter of 2016).

The Group's **income before tax** came to a total of 1,576 million euros[6] in the third quarter of 2017, down 7.6% over the previous 12-month period.

The Group's **income tax** stands at 458 million euros[6] for the quarter, down 14.4% compared with the third quarter of 2016.

Net income attributable to equity holders of the parent stands at 934 million euros[6], down 8.3% when compared with the third quarter of 2016.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:

- The cost/income ratio has increased by 2.5 percentage points to 71.1%,
- Return on equity is down by 1.1 percentage points to stand at 5.3%,
- Net income attributable to equity holders of the parent is equal to 838 million euros, down 9.8% compared with the third quarter of 2016.

After accounting for non-economic and exceptional items and the cancellation of measures taken to restate the impact of IFRIC 21, **published net income attributable to equity holders of the parent** stands at 931 million euros.

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE FIRST NINE MONTHS OF 2017

In millions of euros	9M-17	Impact of non-economic and exceptional items	9M-17 underlying
Net banking income	17,802	-98	17,900
Operating expenses	-12,681	-140	-12,540
Gross operating income	**5,121**	**-238**	**5,360**
Cost of risk	-968	-8	-960
Income before tax	**4,457**	**-186**	**4,643**
Income tax	-1,485	55	-1,540
Minority interests	-445	27	-473
Net income attributable to equity holders of the parent	**2,527**	**-104**	**2,630**
Restatement to account for the IFRIC 21 impact	*96*		*96*
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**2,623**	**-104**	**2,726**
Cost/income ratio	70.6%		69.4%
ROE			5.9%

In millions of euros	9M-16 pf	Impact of non-economic and exceptional items	9M-16 pf underlying	9M-17 underlying / 9M-16 pf underlying % change
Net banking income	18,110	690	17,420	+2.8%
Operating expenses	-12,325	-56	-12,269	+2.2%
Gross operating income	**5,784**	**634**	**5,150**	**+4.1%**
Cost of risk	-1,044		-1,044	-8.0%
Income before tax	**5,062**	**655**	**4,407**	**+5.3%**
Income tax	-1,284	10	-1,294	+19.0%
Minority interests	-331	50	-381	+24.2%
Net income attributable to equity holders of the parent	**3,447**	**714**	**2,733**	**-3.7%**
Restatement to account for the IFRIC 21 impact	*90*		*90*	
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**3,537**	**714**	**2,823**	**-3.4%**
Cost/income ratio	67.4%		69.8%	-0.4 pt
ROE			6.6%	-0.7 pt

Pro forma (pf) figures: cf. the note on methodology at the end of this press release

Restated figures: breakdown of non-economic and exceptional items presented at the end of this press release

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE THIRD QUARTER OF 2017

In millions of euros	Q3-17	Impact of non-economic and exceptional items	Q3-17 underlying
Net banking income	5,688	-30	5,718
Operating expenses	-3,980	-37	-3,943
Gross operating income	**1,707**	**-67**	**1,775**
Cost of risk	-269	0	-269
Income before tax	**1,569**	**-7**	**1,576**
Income tax	-462	-4	-458
Minority interests	-176	8	-184
Net income attributable to equity holders of the parent	**931**	**-3**	**934**
Restatement to account for the IFRIC 21 impact	*-96*		*-96*
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**835**	**-3**	**838**
Cost/income ratio	72.1%		71.1%
ROE			5.3%

In millions of euros	Q3-16 pf	Impact of non-economic and exceptional items	Q3-16 pf underlying	Q3-17 underlying / Q3-16 pf underlying % change
Net banking income	5,712	-80	5,791	-1.3%
Operating expenses	-3,876	-20	-3,856	+2.3%
Gross operating income	**1,836**	**-100**	**1,935**	**-8.3%**
Cost of risk	-302		-302	-10.9%
Income before tax	**1,702**	**-3**	**1,705**	**-7.6%**
Income tax	-534	1	-535	-14.4%
Minority interests	-156	-5	-151	+21.9%
Net income attributable to equity holders of the parent	**1,012**	**-7**	**1,019**	**-8.3%**
Restatement to account for the IFRIC 21 impact	*-90*		*-90*	
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**922**	**-7**	**929**	**-9.8%**
Cost/income ratio	69.9%		68.6%	2.5 pts
ROE			6.4%	-1.1 pt

Pro forma (pf) figures: cf. the note on methodology at the end of this press release

Restated figures: breakdown of non-economic and exceptional items presented at the end of this press release

2. HIGH CAPITAL ADEQUACY RATIOS LEAVE THE GROUP WELL-PLACED TO COMPLY WITH FUTURE REGULATORY REQUIREMENTS

2.1 Continuous generation of Common Equity Tier 1

The CET1 ratio[9] of Groupe BPCE continued to progress in the first nine months of 2017, reaching a level estimated at 15.0% at September 30, 2017, up from 14.3% at December 31, 2016, equal to an increase of 70 basis points. The increase in the CET1 ratio reflects the continuous generation of Common Equity Tier 1 thanks to the Group's policy regarding retained earnings (+56 basis points since December 31, 2016) and to the issue of cooperative shares (+26 basis points since December 31, 2016).

The total capital adequacy ratio[9], estimated at 19.1% at September 30, 2017, is 40 basis points higher than at December 31, 2016.

Total capital[9] increased by 1.2 billion euros during the first nine months of 2017, rising from 73.0 billion euros at December 31, 2016 to an estimated 74.2 billion euros at September 30, 2017. This growth in the Group's total capital was driven by the increase in CET1[9], which amounted to an estimated 58.6 billion euros at September 30, 2017 versus 56.0 billion euros at December 31, 2016. This 2.6 billion euro increase in capital was chiefly obtained via retained earnings.

At current exchange rates, risk-weighted assets remain under tight control at 390 billion euros at September 30, 2017, marginally down compared with their December 31, 2016 level (391 billion euros).

2.2 The TLAC ratio requirement for early 2019 is already satisfied

The Total Loss Absorbing Capacity[10] (TLAC) stood at 79.1 billion euros[9] at the end of September 2017.

The TLAC ratio[9] (expressed as a percentage of risk-weighted assets), which stood at 19.4% at December 31, 2016, (including the issue of senior non-preferred debt for a total of 1.6 billion euros completed in January 2017) rose by 90 basis points during the first nine months of the year to reach an estimated 20.3% at September 30, 2017. It is consequently already higher than the TLAC level of 19.5% required at the beginning of 2019. In order to remain compliant with this regulatory requirement, Groupe BPCE plans to issue senior non-preferred debt of between 1.5 and 3.5 billion euros per year, and does not anticipate having recourse to the senior preferred debt.

At September 30, 2017, the leverage ratio[11] stood at 5.1%.

2.3 Enhanced liquidity reserves

At September 30, 2017, Groupe BPCE's total liquidity reserves[12] stood at 213 billion euros, including 73 billion euros in available assets eligible for central bank funding, 66 billion euros in securities eligible for the Liquidity Coverage Ratio (LCR), and 74 billion euros in cash placed with central banks.

At September 30, 2017, the total liquidity reserves[12] of Groupe BPCE covered 172% of total short-term funding outstandings and medium-/long-term debt maturing within one year or less (against 158% at December 31, 2016).

The LCR remained in excess of 110% at September 30, 2017.

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[9] CRR/CRD IV without transitional measures (except for deferred tax assets on tax loss carryforwards); additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force

[10] According to the term sheet published by the Financial Stability Board on the "Total Loss-Absorbing Capacity" dated November 9, 2015

[11] Estimate at September 30, 2017 calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014 - CRR/CRD IV without transitional measures, after restating to account for deferred tax assets on tax loss carryforwards

[12] Excluding US Natixis MMF deposits

2.4 A wholesale medium-/long-term funding plan for 2017 already 107% completed as at September 30, 2017

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of 21.3 billion euros[13] at September 30, 2017, equal to 107% of the 2017 program (20 billion euros). This total includes an issue of 1.85 billion USD raised in a pre-funding operation for 2017, completed on November 29, 2016. The average maturity at issue stands at 7.2 years and the average interest rate is equal to mid-swap +25 basis points. During this period, 59% of MLT funding was completed in the form of public bond issues and 41% in the form of private placements.

The 21.3 billion euros[13] raised as at September 30, 2017 can be broken down as follows:

- A total of 13.3 billion euros[13] (9.3 billion euros[13] in senior preferred debt and 4 billion euros in senior non-preferred debt) was raised in the form of unsecured issues, representing 63% of the MLT funding structure.
- A total of 8.0 billion euros was raised in the form of covered bond issues, representing 37% of the MLT funding structure.

During this period, Groupe BPCE continued to raise substantial funds thanks to the considerably broad diversification of its investor base. As a result, 57% of the bonds issued in the unsecured segment were placed in currencies other than the euro (notably 39% in US dollars and 12% in Japanese yen).

In October 2017, Groupe BPCE completed several landmark bond issues in anticipation of its 2018 funding plan:

- An issue of covered bonds by BPCE SFH: 1 billion euros maturing in 10.5 years delivering a yield to investors of 0.943%, contributing to the optimum refinancing of the Group's home loans,
- A first long-term public issue of BPCE senior non-preferred debt: a 10-year issue for 1.25 billion USD placed under particularly tight conditions with a negative issue premium with respect to the issue's intrinsic value on the secondary market.

[13] With a new methodology for structured private placements (SPP) issued by Natixis whereby the surplus from the exercise of call options vs. the assumptions made at the beginning of the year is deducted to better reflect the supply of liquidity to the Group; without this €2.5bn deduction, the issues of SPP net of buybacks stood at €7.4bn at Sept. 30, 2017; once this deduction is made, the supply of net liquidity resulting from these SPPs stands at €4.9bn, the figure used in the amounts raised, as mentioned above

3. RESULTS[14] OF THE BUSINESS LINES: BUOYANT BUSINESS ACTIVITIES

Reminder: changes were made to segment reporting in the first quarter of 2017

Since the first quarter of 2017, information about the Group's different divisions has been presented as follows:

Three business line divisions:

- **Retail Banking,** including the Banque Populaire and Caisse d'Epargne retail banking networks, Specialized Financial Services (Consumer finance, Employee savings plans, Factoring, Film industry financing, Lease financing, Payments, Securities services, Sureties & financial guarantees) and Other networks (Crédit Foncier, Banque Palatine, BPCE International),
- **Investment Solutions,** including Asset management and Private banking in addition to Insurance,
- **Corporate & Investment Banking,** including Global markets and Global finance & Investment banking.

A **Corporate center division**, which includes the Corporate Center as such (BPCE SA and the Corporate center division of Natixis), Equity interests, and Other activities (cross-functional activities, investment activities, real-estate subsidiaries, etc.).

Contribution of the business lines to the results of Groupe BPCE

In the first nine months of 2017, the contribution of the business lines to the results of Groupe BPCE (excluding exceptional items, after restating to account for the impact of IFRIC 21, and excluding the Corporate center division) can be broken down as follows:

- The contribution of the **Retail Banking** division to the aggregate net banking income of Groupe BPCE's business lines accounted for 68% of the total in the first nine months of 2017 (against 71% in the same period in 2016). The division also accounted for 62% of the aggregate income before tax of Groupe BPCE's business lines (against 67% in the same period in 2016) while its normative ROE came to 9% versus 10% in the same period last year.

- The **Investment Solutions** division contributed 16% to the aggregate net banking income of Groupe BPCE's business lines in the first nine months of 2017 (up from 14% in the same period in 2016) and accounted for 17% of the aggregate income before tax of Groupe BPCE's business lines (against 15% in the first nine months of 2016). The division's normative ROE stands at 15%; it stood at 14% in the same period in 2016.

- La **Corporate & Investment Banking** contributed 16% to the aggregate net banking income of Groupe BPCE's business lines in the first nine months of 2017 (against 15% in the same period in 2016) and 21% to the aggregate income before tax of Groupe BPCE's business lines (against 18% in the first nine months of last year). The division's normative ROE is equal to 15% against 11% during the same period in 2016.

3.1 Retail Banking: limited decline to €3.3bn[15] in the contribution to income before tax

The Retail Banking division groups together the activities pursued by the Banque Populaire and Caisse d'Epargne retail banking networks, the Specialized Financial Services of Natixis and the activities of the Other networks comprised of the Crédit Foncier, Banque Palatine and BPCE International subsidiaries.

The Retail Banking division maintained **strong commercial momentum** during the first nine months of 2017, and continues to play an active role in financing the French economy. Loan outstandings rose by 5.3% year-on-year to reach 534 billion euros at September 30, 2017. Home

[14] 9M-16 and Q3-16 pro forma (cf. the note on methodology at the end of this press release); unless specified to the contrary, all changes use the same reference base of September 30, 2016
[15] Excluding exceptional items and after restating to account for the impact of IFRIC 21

loans rose by 5.2% year-on-year, equipment loans and consumer loans increased by 4.8% and 10.7% respectively. New loan production remained at a high level at more than 96 billion euros in the first nine months of 2017.

Aggregate **deposits & savings** of the Retail Banking division came to 684 billion euros at September 30, 2017, representing 3.3% growth since September 30, 2016. On-balance sheet deposits & savings inflows (excluding the centralization of regulated savings) came to 20 billion euros year-on-year and chiefly derive from demand deposits whose aggregate totals enjoyed 15.6% growth.

Revenue synergies between the Banque Populaire and Caisse d'Epargne retail banking networks and the business lines of Natixis reached an aggregate total of 780 million euros from January 2014 to September 2017:

- Decisive contribution from the Insurance business (60%),
- Buoyant level of activity for the Specialized Financial Services businesses (Consumer finance, Sureties & Financial guarantees, and Leasing)

Retail Banking division: financial results for the third quarter and first nine months of 2017

The **net banking income** posted by the Retail Banking division came to 12,072 million euros (excluding changes in the provision for home purchase savings schemes) for the first nine months of 2017, equal to a year-on-year slip of 1.3%. Net interest income continues to decline against a background of historically low interest rates. This decline is partially offset by service commissions generated by growth in the customer base and customers' use of banking products and services, and by the high level of early loan redemption fees – which, however, lost momentum in the third quarter. Net banking income in the third quarter stood at 3,885 million euros (excluding changes in the provision for home purchase savings schemes), representing a 3.1% year-on-year decline.

Operating expenses (excluding exceptional items[16]) came to 8,092 million euros in the first nine months of 2017, stable compared with the same period in 2016. They stood at 2,593 million euros in the third quarter of 2017, down 0.1% compared with the third quarter of 2016.

Gross operating income (excluding exceptional items) decreased by 2.4% in the first nine months of 2017 to stand at 3,998 million euros. It came to 1,307 million euros in the third quarter of 2017, down 7.6% compared with the third quarter of 2016.

The **cost of risk,** which came to 785 million euros in the first nine months of 2017, has fallen by 5.7% compared with the first nine months of 2016. It stood at 230 million euros in the third quarter of 2017, down 12.0% year-on-year.

The **contribution of the Retail Banking division to the Group's income before tax** (excluding exceptional items) came to 3,248 million euros in the first nine months of 2017, down 3.2% on a year-on-year basis; it stood at 1,090 million euros in the third quarter of 2017, down 6.3% compared with the third quarter of 2016.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:
- **Income before tax** came to 3,288 million euros in the first nine months of 2017, down 3.2% compared with the first nine months of 2016; it came to 1,049 million in the third quarter of 2017, down 6.4% compared to the third quarter 2016,
- The **cost/income ratio** is equal to 66.6% for the first nine months of 2017, representing a marginal 0.6-point increase during the period; it stood at 67.5% in the third quarter (+1.7 point).

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 3,159 million euros in the first nine months of 2017,

[16] Excluding exceptional items corresponding to transformation costs (cf. the note on methodology at the end of this press release)

representing a 4.2% decline compared with the first nine months of 2016. It came to 1,067 million euros in the third quarter of 2017, down 6.7% year-on-year.

3.1.1 Banque Populaire: revenues driven by strong commercial momentum and a sustained rise in commissions

The Banque Populaire network comprises the 15 Banque Populaire banks, including CASDEN Banque Populaire and Crédit Coopératif and their subsidiaries, Crédit Maritime Mutuel and the Mutual Guarantee Companies.

- **Customer base**

The Banque Populaire network expanded its customer base in the first nine months of 2017 with a 2.2% increase in the number of new relationships forged with individual customers (340,900 customers). The Banque Populaire network is pursuing its strategy of increasing the delivery of banking services and products to its customers resulting, at the end of September 2017, in 2.7% year-on-year growth in the number of principal active customers aged 25 or more using banking services (or +90,400 customers, including +80,600 customers using banking services).

- **Loan outstandings and deposits & savings**

Loan outstandings stood at 193 billion euros at September 30, 2017, representing 8.1% growth compared with September 30, 2016.

Deposits & savings came to 252 billion euros at September 30, 2017, equal to growth of 5.6% compared with September 30, 2016.

- **Insurance**

Insurance activities continued to grow with a year-on-year increase in the portfolio of 8.5% for P&C/non-life insurance and of 6.9% for provident and health insurance.

- **Financial results**

Net banking income for the first nine months of 2017 came to 4,771 million euros (excluding changes in the provision for home purchase savings schemes), up by 1.0% compared with the first nine months of 2016. This change is due, in particular, to a 2.9% decline in net interest income (excluding changes in the provision for home purchase savings schemes and after restating to account for Prépar Vie, a life insurance subsidiary of Bred) and 5.1% growth in commission income, excluding early loan redemption fees, which increased by a total of 47.1% compared with the first nine months of 2016. During the third quarter, net banking income stood at 1,560 million euros (excluding changes in the provision for home purchase savings schemes), up by 1.2% compared with the third quarter 2016.

Operating expenses for the first nine months of 2017 have been kept under tight control, rising by a marginal 0.9% compared with the same period in 2016 to reach a total of 3,227 million euros (excluding exceptional items). In the third quarter, operating expenses stood at 1,059 million euros, up by 1.4%.

Gross operating income for the first nine months of 2017 came to 1,538 million euros (excluding exceptional items), up 2.2% compared with the first nine months of 2016. During the third quarter, gross operating income rose by 1.6% to reach 503 million euros.

The **cost of risk** in the first nine months of 2017, which stands at 312 million euros, enjoyed a substantial decrease of 13.0% compared with the first nine months of 2016. During the third quarter, the cost of risk came to 102 million euros, up by 3.6% compared with the third quarter of 2016.

Income before tax (excluding exceptional items) for the first nine months of 2017 stood at 1,256 million euros, up 4.1% compared with the first nine months of 2016. In the third quarter, it came to 412 million euros, up 1.3% compared with the third quarter of 2016.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:

- **Income before tax** stands at 1,271 million euros for the first nine months of 2017, equal to growth of 4.0% compared with the first nine months of 2016. In the third quarter of 2017, it came to 398 million euros, up 1.4%,
- The **cost/income ratio** has declined by 0.3 of a percentage point to reach 67.4% in the first nine months of 2017 and was down 0.1 of a percentage point, to 68.8% in the third quarter of 2017.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stood at 1,214 million euros for the first nine months of 2017, up 2.6% compared with the first nine months of 2016. In the third quarter, it came to 397 million euros, down 0.4% compared with the third quarter of 2016.

3.1.2 Caisse d'Epargne: slight decline in revenues; growth in the customer base, rise in commissions, and reduced operating expenses (excluding exceptional items)

Following the merger between the Caisse d'Epargne Picardie and the Caisse d'Epargne Nord France Europe, giving birth to the Caisse d'Epargne Hauts de France on May 1, 2017, the Caisse d'Epargne network comprises 16 individual Caisses d'Epargne along with their subsidiaries.

- **Customer base**

The strategy consisting in delivering banking services to the individual customers of the Caisse d'Epargne retail banking network continued during the first nine months of 2017 and led to 3.3% growth on a rolling 12-month basis in the number of principal active customers aged 25 or more, i.e. 177,400 additional customers (of which 121,500 customers using banking services). In the professional customers market segment, the strategy aimed at attracting new customers made it possible to increase the number of active customers by 7.1% (+ 13,000 clients year-on-year). In the corporate customer segment, the number of active customers increased by 13.3% (+ 2,200 clients).

- **Loan outstandings and deposits & savings**

Loan outstandings stood at 249 billion euros at September 30, 2017, up 6.9% compared with September 30, 2016.

Deposits & savings stood at 411 billion euros at September 30, 2017, equal to an increase of 2.2% compared with September 30, 2016.

- **Insurance**

The Caisse d'Epargne retail banking network enjoyed significant expansion in its insurance activities, leading to 6.7% growth in its portfolio of P&C/non-life insurance contracts and 11.3% growth in provident and health insurance cover.

- **Financial results**

Net banking income for the first nine months of 2017 stood at 5,311 million euros (excluding changes in the provision for home purchase savings schemes), down 2.5% compared with the first nine months of 2016. This change is the result, in particular, of a 7.0% reduction in customer net interest income (excluding changes in the provision for home purchase savings schemes) and 2.1% growth in commissions, excluding early loan redemption fees, which rose by 45.0% compared with the first nine months of 2016. In the third quarter, net banking income stood at 1,705 million euros (excluding changes in the provision for home purchase savings schemes), down 4.6% compared with the third quarter of 2016.

Operating expenses in the first nine months of 2017 came to 3,516 million euros (excluding exceptional items), down 0.7% compared with the first nine months of 2016. In the third quarter of the year, they amounted to 1,125 million euros, up 0.7%.

Gross operating income in the first nine months of 2017 stood at 1,819 million euros (excluding exceptional items), down 3.5% compared with the first nine months of 2016. In the third quarter, they came to 593 million euros, down 11.5%.

The **cost of risk,** which stood at 236 million euros in the first nine months of 2017, fell by 12.5% compared with the first nine months of 2016. In the third quarter, it came to 64 million euros, down 33.9% compared with the third quarter of 2016.

Income before tax (excluding exceptional items) for the first nine months of 2017 came to 1,584 million euros, down 1.8% compared with the first nine months of 2016. In the third quarter, it amounted to 530 million euros, down 7.5% compared with the third quarter of 2016.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:

- **Income before tax** came to 1,601 million euros for the first nine months of 2017, equal to a decline of 1.8% compared with the first nine months of 2016. In the third quarter of 2017, it stood at 513 million euros, down 7.5%,
- The **cost/income ratio** is down by 0.7 of a percentage point, to 65.6% for the first nine months of 2017 and rose by 3.0 percentage points, to 66.5% in the third quarter of 2017.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** comes to 1,539 million euros for the first nine months of 2017, down 2.6% compared with the first nine months of 2016. In the third quarter, it stood at 523 million euros, down 6.8% compared with the same period in 2016.

3.1.3 Specialized Financial Services: robust commercial activity in the third quarter

The Specialized Financial Services (SFS) division of Natixis includes eight activities organized within two business lines: Specialized financing (factoring, sureties & financial guarantees, consumer finance, lease financing, film industry financing) and Financial services (employee savings plans, payments, securities services).

- **Financial results**

Net banking income stands at 1,032 million euros for the first nine months of 2017, up 2.2% compared with the first nine months of 2016. Net banking income in the third quarter comes to 341 million euros, up 4.8%. More particularly, the net banking income generated by the Specialized financing business line achieved year-on-year growth of 6%, driven by the Sureties & Financial Guarantees, Lease financing and Consumer finance businesses. With regard to Financial services, the net banking income of this activity enjoyed 3% growth driven by Employee savings plans and Payments.

Operating expenses amounted to 685 million euros in the first nine months of 2017, up 3.6% year-on-year. They came to 227 million euros in the third quarter of 2017, up 5.3% year-on-year (3% on a constant basis of structure).

Gross operating income declined by 0.4% in the first nine months of 2017 to stand at 347 million euros. It amounted to 114 million euros in the third quarter of 2017, up 3.9%.

The **cost of risk,** which came to 49 million euros in the first nine months of 2017, increased by 17.4% compared with the first nine months of 2016. In the third quarter, it increased by 10.2%, to 13 million euros.

Income before tax came to 298 million euros for the first nine months of 2017, down 11.8% year-on-year, and stood at 101 million euros in the third quarter of 2017, up 3.1%.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:

- **Income before tax** came to 301 million euros in the first nine months of 2017, down 11.8%. It is equal to 98 million euros in the third quarter of 2017, up 3.6%,
- The **cost/income ratio** rose by 0.9 of a percentage point, to 66.1% in the first nine months of 2017 and increased by 0.2 of a percentage point in the third quarter of 2017, to reach 67.2%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 297 million euros for the first nine months of 2017, down 12.2% compared with the first nine months of 2016. In the third quarter, it came to 100 million euros, up 2.1% compared with the same period in 2016.

Figures specifying the contribution to Groupe BPCE are different from those published by Natixis. For a more detailed analysis of the business lines and results of Natixis, please refer to the press release published by Natixis that may be consulted online at www.natixis.com.

3.1.4 Other networks

The Other networks business line is chiefly comprised of the activities pursued by Crédit Foncier, Banque Palatine, and BPCE International.

- **Real estate Financing**

Crédit Foncier is the principal entity contributing to the Real estate Financing business line.

During the first nine months of 2017, aggregate new loan production increased by a substantial 28.7% compared with the first nine months of 2016, to reach 8.3 billion euros. Home loans granted to individual customers accounted for 6.5 billion euros (equal to growth of 34% compared with the first nine months of 2016).

At the same time, Crédit Foncier has experienced a gradual decline in its loan outstandings[17] position owing to the impact of early loan redemptions, a trend, however, that lost considerable momentum in the third quarter of 2017. As a result, loan outstandings stood at 78.4 billion euros at September 30, 2017 versus 82.0 billion euros at September 30, 2016.

Against a background of low interest rates and more intense competition, the contribution made by Crédit Foncier to the Group's income before tax (after restating to account for the impact of IFRIC 21) stood at 97 million euros, down 25.0% compared with the first nine months of 2016. This downward trend should be viewed in the light of a 15.0% decline in net banking income chiefly as a result of the dual impact of a reduction in the volume of loan outstandings (carried on the balance sheet) and the very high level of early loan redemptions and loan renegotiations noted in recent quarters. Crédit Foncier is also pursuing its policy aimed at substantially cutting its costs. As a result, operating expenses fell by 11.0%[18] in the first nine months of 2017.

- **Banque Palatine**

The average loan outstandings position has increased by 4.5% year-on-year to stand at 8.3 billion euros (versus 7.9 billion euros at September 30, 2016). The average level of deposits & savings has remained virtually stable, at 16.6 billion euros at September 30, 2017; it was equal to 16.7 billion euros at September 30, 2016.

The contribution made by Banque Palatine to the Group's income before tax (after restating to account for the impact of IFRIC 21) remains stable at 58 million euros for the first nine months of 2017.

- **BPCE International**

BPCE International represents all the international subsidiaries of Groupe BPCE, with the exception of Natixis.

[17] Core business line outstandings under management, estimate at September 30, 2017
[18] If the provision booked with regard to the new employee retirement agreements is excluded, operating expenses fell by almost 5.7%

Loan outstandings stood at 5.3 billion euros at September 30, 2017 (versus 5.7 billion euros at September 30, 2016). Deposits & savings came to 5.0 billion euros (versus 5.3 billion euros at September 30, 2016).

The contribution of BPCE International to the Group's income before tax (after restating to account for the impact of IFRIC 21) was negative in the first nine months of 2017 at -39 million euros. This sharp decline is due to the booking in the first half of 2017 of additional provisions on loan portfolios in Tunisia.

3.2 Investment Solutions: continued strong performance in Asset Management and Insurance

The Investment Solutions business line includes the Asset management, Private banking and Insurance activities.

- **Financial results**

Net banking income came to 2,750 million euros in the first nine months of 2017, up by 11.8% compared with the first nine months of 2016. The increase in these revenues can be explained by the division's buoyant business activities and an improvement in the product mix in the Asset management and Insurance businesses. The net banking income of the Investment Solutions division came to 940 million euros in the third quarter of 2017, equal to 16.9% growth over the third quarter of 2016.

Operating expenses (excluding exceptional items) stand at 1,866 million euros for the first nine months of 2017, up 8.1% compared with the first nine months of 2016; they amounted to 622 million euros in the third quarter of 2017, equal to an 11.5% increase compared with the third quarter of 2016.

Gross operating income (excluding exceptional items) stood at 884 million euros for the first nine months of 2017, up 20.6% compared with the same period in 2016; gross operating income was equal to 318 million euros in the third quarter of 2017, representing growth of 29.1% compared with the third quarter of 2016.

Income before tax (excluding exceptional items) came to 903 million euros in the first nine months of 2017, up 18.3% year-on-year; it rose to 320 million euros in the third quarter of 2017, up 27.4% year-on-year.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:

- **Income before tax** came to 908 million euros for the first nine months of 2017 (up 18.3% year-on-year) and to 315 million euros in the third quarter of 2017, up 27.5% on a year-on-year basis.
- The **cost/income ratio** saw a 2.4-percentage point improvement in the first nine months of 2017, to reach 67.7%. It improved by 3.2 percentage points during the third quarter of the year, to stand at 66.7%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 879 million euros for the first nine months of 2017, up 15.1% and at 317 million euros in the third quarter of 2017, up 26.3%.

Figures specifying the contribution to Groupe BPCE are different from those published by Natixis. For a more detailed analysis of the business lines and results of Natixis, please refer to the press release published by Natixis that may be consulted online at www.natixis.com.

3.3 Corporate & Investment Banking: ROE improved to 15% in the first nine months of 2017 despite a less buoyant third quarter

The Corporate & Investment Banking division includes the Global markets and Global finance & Investment banking activities of Natixis.

Net banking income (excluding exceptional items) in the first nine months of 2017 rose 12.4% compared with the same period in 2016 (+13% if the CVA/DVA desk is excluded) to reach a total of 2,803 million euros. This growth was driven by an increased contribution from the international platforms (equal to 57% compared with 54% in the first nine months of 2016). Net banking income (excluding exceptional items) came to 787 million euros in the third quarter of 2017, representing a 4.7% decline compared with the third quarter of 2016.

Operating expenses stand at 1,614 million euros for the first nine months of 2017, up 10.4% compared with the first nine months of 2016. They came to 500 million euros in the third quarter of 2017, equal to a 6.7% increase compared with the third quarter of 2016.

Gross operating income (excluding exceptional items) stands at 1,189 million euros for the first nine months of 2017, up 15.2% compared with the first nine months of 2016. It came to 288 million euros in the third quarter of 2017, 19.6% lower than in the third quarter of 2016.

The **cost of risk**, equal to 94 million euros in the first nine months of 2017, declined by a substantial 46.1%. This item stood at 16 million euros for the third quarter of 2017, down 67.4% compared with the same period in 2016.

Income before tax (excluding exceptional items) stands at 1,103 million euros for the first nine months of 2017, up 27.1% year-on-year. It came to 274 million euros in the third quarter of 2017, down 11.7% year-on-year.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:

- **Income before tax** for the first nine months of the year stands at 1,112 million euros, up 26.6%; income before tax for the third quarter of the year is equal to 264 million euros, down 11.8%.
- The **cost/income ratio** improved in the first nine months of 2017 by 1.0 percentage point, to stand at 57.2%. It came to 64.6% in the third quarter of 2017, up 6.7 percentage points.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** came to 1,100 million euros for the first nine months of 2017, up 37.6% and stood at 271 million euros in the third quarter of 2017, up 12.2%.

Figures specifying the contribution to Groupe BPCE are different from those published by Natixis. For a more detailed analysis of the business lines and results of Natixis, please refer to the press release published by Natixis that may be consulted online at www.natixis.com.

NON-ECONOMIC AND EXCEPTIONAL ITEMS FOR THE FIRST NINE MONTHS OF 2017

In millions of euros	9M-17 Net income attributable to equity holders of the parent	9M-16 pf Net income attributable to equity holders of the parent
Non-economic items of an accounting nature	**-54**	**-19**
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center division)	-54	-19
Disposal of non-strategic holdings and assets managed on a run-off basis (Corporate center division)	**-21**	**794**
Disposal of Banco Primus	-20	
Capital gains realized on Visa Europe securities		797
Disposal of share capital of Nexity		40
Disposal of international assets managed on a run-off basis		-43
Transformation and reorganization costs (Business lines / Corporate center division)	**-74**	**-37**
SWL legal dispute (CIB)		**-32**
Impairment of goodwill and others	**44**	**8**
Impairment of goodwill and other gains or losses on other assets (Corporate center division)	54	22
One-off additional company social solidarity contribution related to the agreement with CNP (Investment Solutions)	-9	
Banca Carige / Prolonged decline in value (Corporate center division)	-1	-15
Total impact of non-economic and exceptional items	**-104**	**714**

NON-ECONOMIC AND EXCEPTIONAL ITEMS FOR THE 3D QUARTER OF 2017

In millions of euros	Q3-17 Net income attributable to equity holders of the parent	Q3-16 pf Net income attributable to equity holders of the parent
Non-economic items of an accounting nature	**-16**	**-6**
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center division)	-16	-6
Disposal of non-strategic holdings and assets managed on a run-off basis (Corporate center division)	**-20**	
Disposal of Banco Primus	-20	
Transformation and reorganization costs (Business lines / Corporate center division)	**-22**	**-13**
Impairment of goodwill and others	**55**	**44**
Impairment of goodwill and other gains or losses on other assets (Corporate center division)	54	45
Banca Carige / Prolonged decline in value (Corporate center division)	1	-1
Total impact of non-economic and exceptional items	**-3**	**-7**

For further details about the financial results for the first nine months of 2017 and the third quarter of 2017, please consult the Investors/Results section of the corporate website http://www.groupebpce.fr/en

The financial statements of Groupe BPCE for the period ended September 30, 2017 approved by the Management Board at a meeting convened on October 30, 2017, were verified and reviewed by the Supervisory Board at a meeting convened on November 7, 2017. The financial results contained in this presentation have not been reviewed by the statutory auditors.

Notes on methodology

Presentation of pro-forma quarterly results

The segment information was modified as of Q1-17, with the creation of the Retail Banking division, which includes the Banque Populaire and Caisse d'Epargne retail banking networks, the Specialized Financial Services division of Natixis, and the Other networks division (Crédit Foncier, Banque Palatine, and BPCE International). The SFS division includes two business lines: Specialized financing (factoring, sureties & financial guarantees, lease financing, consumer financing) and Financial services (payments, employee savings plans, and securities services), which are central to the Group's retail banking networks and at the service of their continuing growth. The minority equity interest in CNP Assurances, consolidated using the equity method and previously included for reporting purposes within the Commercial Banking & Insurance division, has been transferred to the Corporate center division. The IFRS 9 standard adopted in November 2016 permits the early adoption – starting with the financial year ended on Dec. 31, 2016 – of regulatory provisions governing the bank's own credit risk, to the effect that all changes will henceforth be recorded in shareholders' equity and no longer as previously in the income statement. The first three quarters of 2016 have been restated accordingly. When the Q1-16 and Q1-17 results were published, the amount recognized as the Group's contribution to the Single Resolution Fund was based on an estimate. Following notification of the actual amount of the contribution in Q2-16 and Q2-17, the amount of the SRF recognized in Q1-16 and Q1-17 has been readjusted.

Non-economic and exceptional items

The non-economic and exceptional items and the reconciliation of the restated income statement with the income statement published by Groupe BPCE are presented in an annex to the slideshow at http://www.groupebpce.fr/en.
The Group has launched a number of transformation operations helping to simplify its organizational structure and to generate synergies. The resulting transformation costs (restructuring expenses specific to projects for the combination/merger of entities and the migration to existing IT platforms) have been isolated on a retrospective basis as of Q2-16.

Restatement of the impact of IFRIC 21

The results, cost/income ratios and ROE, after being restated to account for the impact of IFRIC 21, are calculated on the basis of ¼ of the amount of taxes and contributions resulting from the interpretation of IFRIC 21 for a given quarter, or ½of the amount of taxes and contributions resulting from the interpretation of IFRIC 21 for a 6-month period. In practice, for Groupe BPCE, the principal taxes concerned by IFRIC 21 are the company social solidarity contribution (C3S) and contributions and levies of a regulatory nature (systemic risk tax levied on banking institutions, contribution to ACPR control costs, contribution to the Single Resolution Fund and to the Single Supervisory Mechanism).

Net banking income

Customer net interest income, excluding regulated home savings schemes, is computed on the basis of interest earned from transactions with customers, excluding net interest on centralized savings products (Livret A, Livret Développement Durable, Livret Epargne Logement passbook savings accounts) in addition to changes in provisions for regulated home purchase savings schemes. Net interest on centralized savings are assimilated to commissions.

Operating expenses

The operating expenses correspond to the aggregate total of the "Operating Expenses" (as presented in the Group's registration document, note 6.6 appended to the consolidated financial statements of Groupe BPCE) and "Depreciation, amortization and impairment for property, plant and equipment and intangible assets."

Cost of risk

The cost of risk is expressed in basis points and measures the level of risk per business line as a percentage of the volume of loan outstandings; it is calculated by comparing net provisions booked with respect to credit risks of the period to gross customer loan outstandings at the beginning of the period.

Business line performance presented using Basel 3 standards

*The **accounting ROE of Groupe BPCE** is the ratio between the following items:*
Net income attributable to equity holders of the parent restated to account for the interest expense related to deeply subordinated notes classified as equity and for non-economic and exceptional items
Equity attributable to equity holders of the parent restated to account for the deeply subordinated notes classified as equity and for unrealized gains and losses
*The **normative ROE of the business lines** (Retail Banking; Investment Solutions, and Corporate & Investment Banking), is the ratio between the following items:*
Business line contributory net income attributable to equity holders of the parent, less interest (computed at the standard rate of 3%) paid on surplus equity compared with normative capital and restated to account for non-economic and exceptional items
Normative capital adjusted to reflect goodwill and intangible assets related to the business line
Normative capital is allocated to Groupe BPCE business lines on the basis of 10% of Basel-3 average risk weighted assets.

Capital adequacy

***Common Equity Tier 1** is determined in accordance with the applicable CRR/CRD IV rules; **fully-loaded** equity is presented without the application of transitional measures, except for the restatement of deferred tax assets (DTA) on tax loss carryforwards and pro forma of the additional phase-in of the stock of DTA in accordance with regulation 2016/445.*
***Additional Tier-1 capital** takes account of subordinated debt issues that have become non-eligible and subject to ceilings at the phase-out rate in force.*
***The leverage ratio** is calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014, without transitional measures, after restating to account for deferred tax assets on tax loss carryforwards. Securities financing operations carried out with clearing houses are offset on the basis of the criteria set forth in IAS 32, without consideration of maturity and currency criteria. Account has been taken in the total leverage exposure of savings deposits centralized with the Caisse des Dépôts et Consignations since Q1-16.*

Total loss-absorbing capacity

*The **amount of liabilities eligible for inclusion in the numerator used to calculate the Total Loss-Absorbing Capacity (TLAC) ratio** is determined on the basis of our understanding of the Term Sheet published by the FSB on November 9, 2015: "Principles on Loss-Absorbing and Recapitalization Capacity of G-SIBs in Resolution." This amount is comprised of the following 4 items:*

- *Common Equity Tier 1 in accordance with the applicable CRR/CRD IV rules,*
- *Additional Tier-1 capital in accordance with the applicable CRR/CRD IV rules,*
- *Tier-2 capital in accordance with the applicable CRR/CRD IV rules,*
- *Subordinated liabilities not recognized in the capital mentioned above and whose residual maturity is greater than 1 year, namely: The share of additional Tier-1 capital instruments not recognized in common equity (i.e. included in the phase-out), The share of the prudential discount on Tier-2 capital instruments whose residual maturity is greater than 1 year, The nominal amount of senior non-preferred securities maturing in more than 1 year.*

Eligible amounts differ slightly from the amounts adopted for the numerator of the capital adequacy ratios; these eligible amounts are determined using the principles defined in the Term Sheet published by the FSB on November 9, 2015.

Liquidity

***Total liquidity reserves** include:*
Central bank-eligible assets include: ECB-eligible securities not eligible for the LCR, taken for their ECB valuation (after ECB haircut), securities retained (securitization and covered bonds) that are available and ECB-eligible taken for their ECB valuation (after ECB haircut) and private receivables available and eligible for central bank funding (ECB and Federal Reserve), net of central bank funding.
LCR eligible assets comprising the Group's LCR reserve taken for their LCR valuation.
Liquid assets placed with central banks (ECB and the Federal Reserve), net of US Money Market Funds deposits and to which fiduciary money is added.

***Short-term funding** corresponds to funding with an initial maturity of less than or equal to 1 year, and **the short-term maturities of medium-/long-term debt** correspond to debt with an initial maturity date of more than 1 year maturing within the next 12 months.*
*The Group's **LTD ratio (customer loan-to-deposit ratio)** is the ratio between customer loans and centralized regulated passbook savings accounts in the numerator, and customer deposits in the denominator. The scope of the calculation excludes SCF (Compagnie de Financement Foncier, the Group's société de crédit foncier, a French covered bond issuer). These items are taken from the Group's accounting balance sheet after accounting for the insurance entities using the equity method. Customers' deposits are subject to the following adjustments:*
Addition of security issues placed by the Banque Populaire and Caisse d'Epargne retail banking networks with their customers, and certain operations carried out with counterparties comparable to customer deposits
Withdrawal of short-term deposits held by certain financial customers collected by Natixis in pursuit of its intermediation activities.

Loan outstandings and deposits & savings

Restatements regarding transitions from book outstandings to outstandings under management (loans and deposits & savings) are as follows:
Deposits & savings: the scope of outstandings under management excludes debt securities (certificates of deposit and savings bonds)
Loan outstandings: the scope of outstandings under management excludes securities classified as customer loans and receivables and other securities classified as financial operations.

About Groupe BPCE

Groupe BPCE, the 2nd-largest banking group in France, includes two independent and complementary cooperative commercial banking networks: the network of 15 Banque Populaire banks and the network of 16 Caisses d'Epargne. It also works through Crédit Foncier in the area of real estate financing. It is a major player in Investment Solutions & Insurance, Corporate & Investment Banking and Specialized Financial Services with Natixis. Groupe BPCE, with its 108,000 employees, serves a total of 31.2 million customers and enjoys a strong local presence in France with 8,000 branches and 9 million cooperative shareholders.

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