



Paris, February 9, 2017

### 4<sup>th</sup> QUARTER AND FULL-YEAR 2016 RESULTS<sup>1</sup> OF GROUPE BPCE

Published net income of €4bn in 2016  
Robust generation of capital, chiefly through retained earnings

#### COMMERCIAL ACTIVITIES REMAIN BUOYANT

##### Strong momentum in retail banking

- 3.7% year-on-year growth in loan outstandings and 1.7% in deposits & savings at Dec. 31, 2016
- New loan production in excess of €100bn in 2016

##### Development of Insurance activities<sup>2</sup>

- Strong momentum in life insurance with gross inflows up 7% compared with 2015
- Non-life insurance: 5.3 million contracts at end-2016 and 9% year-on-year portfolio growth

##### Notable contribution from Natixis' Corporate & Investment Banking division

- Excellent momentum enjoyed by *Global markets*, with high levels achieved by the *Equity* and *Fixed income* businesses

#### STRONG FUNDAMENTALS

##### Revenues<sup>3</sup> stand up well despite an interest rate environment highly unfavorable to retail banking activities: €23.4bn, down 1.1%

- Natixis business line revenues in 2016 up by 2.9%<sup>3</sup> year-on-year, to €8.1bn
- Retail banking revenues down by 2.2%<sup>4</sup>, to €15bn

**Decline in the cost of risk to 22 basis points in 2016**, lower than the business cycle average (30 to 35bp)

**Net income attributable to equity holders of the parent<sup>3</sup> of €3.4bn, up 7.6%**

**Published net income attributable to equity holders of the parent of €4bn, up 26.7%**

#### ROBUST GENERATION OF CAPITAL

**Substantial capital generation capacity** making the Group well-placed to comply with future regulatory requirements

**CET1 ratio of 14.3%<sup>5</sup> at Dec. 31, 2016: +130bp in 2016** (including 73bp through retained earnings)

**TLAC ratio of 19.4%<sup>5</sup>** (including the January 2017 issue of senior non-preferred debt for a total of €1.6bn)

#### PREPARATION OF GROUPE BPCE'S NEW STRATEGIC PLAN FOR 2018-2020

**Merger of regional banks:** creation of Banque Populaire Auvergne Rhône Alpes and Banque Populaire Méditerranée, reducing the number of Banque Populaire banks to 15 at end-2016 vs. 18 at end-2015

**Plans for the transformation of retail banking:** presentation on February 21, 2017

<sup>1</sup> 2015 and Q4-15 are presented 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 December 31, 2015

<sup>2</sup> Entities included: CNP Assurances, Natixis Assurances, Prépar vie (gross inflows from the Banque Populaire and Caisse d'Épargne retail banking networks)

<sup>3</sup> Excluding non-economic and exceptional items

<sup>4</sup> Excluding changes in provisions for home purchase savings schemes and after restating to account for €73m in capital gains on real estate asset disposal recognized in 2015

<sup>5</sup> Estimate at Dec. 31, 2016 - CRR/CRD IV without transitional measures (except for deferred tax assets 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 ineligible and capped at the phase-out rate in force

On February 9, 2017, the Supervisory Board of Groupe BPCE convened a meeting chaired by Pierre Valentin to examine the Group's financial statements for the full year and 4<sup>th</sup> quarter of 2016.

François Pérol, Chairman of the Management Board of Groupe BPCE, said: *"Our Group has published good results for 2016 with net income attributable to equity holders of the parent of €4bn, thereby confirming the strength of our fundamentals and the relevance of our full-service universal banking model. The business lines of Natixis put up a fine performance with the notable contribution of the Corporate & Investment Banking division and the further development of our insurance activities. In our retail banking division, the commercial dynamism of our networks – with new loan production in excess of €100bn in 2016 – has enabled us to limit the unfavorable impact of the low interest-rate environment on our revenues. Groupe BPCE will be presenting its plan for the transformation of its retail banking activities on February 21, in anticipation of its future strategic plan for 2018 – 2020."*

## **1. CONSOLIDATED RESULTS<sup>6</sup> OF GROUPE BPCE FOR FULL-YEAR AND THE FOURTH QUARTER OF 2016**

Despite a backdrop of persistently low interest rates and a difficult market environment, Groupe BPCE is publishing strong results for full-year 2016, with published net income attributable to equity holders of the parent of €4bn thanks to capital gains generated on the disposal of Visa Europe. If non-economic and exceptional items are excluded, net income attributable to equity holders of the parent stands at €3.4bn, up 7.6% compared with 2015.

Despite the difficult environment, Groupe BPCE revenues only declined by 1.1%<sup>3</sup> in 2016. The fine performance achieved by Natixis with 2.9%<sup>3</sup> growth in the revenues posted by its business lines (the Corporate & Investment Banking division, in particular) have partially offset the -2.2%<sup>4</sup> decline in income generated by the retail banking activities. This decline, the result of low interest rates, was contained by strong commercial dynamics.

Other highlights of the results for 2016 include the low level of the Group's cost of risk during the year (22 basis points<sup>7</sup>) – a level lower than the business cycle average of 30 to 35 basis points – and a decline in taxation, more than a third of which derived from a structural effect.

Groupe BPCE boasts a robust – and further reinforced – financial structure with a Common Equity Tier 1 (CET1) ratio of 14.3%<sup>5</sup> at December 31, 2016 and a TLAC ratio (including the issue of senior non-preferred debt in January 2017 for a total of €1.6bn) equal to 19.4%<sup>5</sup>, close to the January 1<sup>st</sup>, 2019 requirement, bearing in mind that the Group enjoys a strong capacity to generate capital and only has a limited need to issue senior non-preferred debt.

Groupe BPCE is also preparing a new strategic plan for 2018-2020 and will be presenting, on February 21, its plans for the transformation of its retail banking activities.

### **Revenue and cost synergies**

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In 2016, Groupe BPCE continued to strengthen its cost and revenue synergies. Additional revenues for a total of €623m generated since the 2014-2017 plan was first launched had been recorded at December 31, 2016 between the Banque Populaire banks, the Caisses d'Épargne and Natixis, for a target of €870m in 2017. The strong development of synergies in insurance is fully in line with the Group's ambitions. The relations forged between the Banque Populaire and Caisse d'Épargne retail banking networks on the one hand, and Natixis on the other, have been intensified, especially with the Sureties & Guarantees and the Lease Financing business lines. The contribution made by the Group's Insurance activities accounts for 57% of aggregate revenue synergies while the consumer loans business contributes 19% and the remaining 24% is divided equally between the Sureties & Guarantees and Other business lines.

<sup>6</sup> 2015 and Q4-15 are presented 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 December 31, 2015

<sup>7</sup> Cost of risk expressed in annualized basis points on gross customer outstandings at the beginning of the period

With regard to cost synergies, savings had been made for a total of €686m at December 31, 2016 for a 2017 target of €900m, i.e. more than 75% of the ultimate target has been achieved three-quarters of the way into the plan. These cost synergies have led to an acceleration in savings generated by the structural reforms completed in 2015 and by the earlier-than-anticipated savings generated by the centralization of IT production facilities within BPCE Infogérance & Technologies. Organizational changes accounted for 66% of these synergies, information systems were responsible for 25% while processes contributed 9%.

### 1.1 Consolidated results<sup>6</sup> for 2016: published net income attributable to equity holders of the parent of €4bn

For full-year 2016, the **net banking income**<sup>8</sup> of Groupe BPCE stands at €23,397m, reflecting a limited decline of 1.1% compared with 2015 thanks to its full-service universal banking model. The revenues posted by the business lines of Natixis, up 2.9%<sup>8</sup> on a year-on-year basis, have partially offset the decline in income generated by the retail banking activities (-2.2%)<sup>4</sup>.

The Group's **operating expenses**<sup>8</sup> rose by 1.6% year-on-year to reach a total of €16,497m. However, if the significant increase in the SRF contribution of €123m in 2016 is excluded, the Group's operating expenses only increased by 0.9%. Operating expenses saw a 3.3% increase in the business lines of Natixis owing to growth in their business activities (chiefly the Corporate & Investment Banking division). In 2016, operating expenses declined by 0.6%<sup>8</sup> in the retail banking activities.

The Group's **gross operating income**<sup>8</sup> stands at €6,900m, down 7.1% compared with 2015.

The Group's **cost of risk** came to a total of €1,448m<sup>8</sup> for 2016 as a whole. Compared to 2015, it recorded a significant drop of 14.7%<sup>8</sup> in absolute value and a decline of 7 basis points<sup>7</sup> in relative value, standing at 22 basis points in 2016 versus 29 basis points in 2015. This low level is even lower than the business cycle average (30 to 35 basis points). The ratio of non-performing loans to gross loan outstandings has also declined, falling from 3.7% at December 31, 2015 to 3.4% at December 31, 2016, and the impaired loans coverage ratio (including guarantees related to impaired outstandings) came to 83.5% at December 31, 2016 (against 81.0% at December 31, 2015).

- For the Banque Populaire and Caisse d'Épargne retail banking networks, the decline in the cost of risk confirms the downward trend observed for individual and collective provisions in an environment that shows signs of improvement in France
- For the business lines of Natixis (Investment Solutions, Corporate & Investment Banking, Specialized Financial Services), the constantly improving cost of risk for 2016 as a whole came to 34 basis points<sup>7</sup> (against 36 basis points in 2015 and 38 basis points in 2014) despite the drive to book provisions for the Oil & Gas sector in the first half of 2016.

The Group's **income before tax**<sup>8</sup> has declined by 3.1% to stand at €5,816m for 2016 as a whole.

**Income tax**<sup>8</sup> payable by the Group amounts to €1,900m, down 17.7% compared with 2015. More than one third of this reduction can be attributed to a structural effect (discontinuation of the exceptional contribution of 10.7%).

**Net income attributable to equity holders of the parent**<sup>8</sup> has increased by 7.6% compared with 2015 to stand at €3,395m. The **cost/income ratio**<sup>8</sup> of the Group has risen by 1.9 percentage points to 70.5%. The Group's **ROE**<sup>8</sup> is equal to 5.9%, stable year-on-year.

After accounting for non-economic and exceptional items, the **published net income attributable to equity holders of the parent** stands at €3,988m, reflecting the positive impact of the capital gains generated on the sale of Visa Europe.

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<sup>8</sup> Excluding non-economic and exceptional items listed on pages 15 and 16 of the press release

## 1.2 Consolidated results<sup>6</sup> for the fourth quarter of 2016: net income attributable to equity holders of the parent equal to €572m<sup>9</sup>, up 2.8%

In the fourth quarter of 2016, the **net banking income**<sup>8</sup> of Groupe BPCE came to €5,977m, up 0.9% compared with the same period in 2015. The revenues posted by the business lines of Natixis rose by 2.8 % during the quarter to reach €2.1bn, with a significant contribution from the Corporate & Investment Banking division and the Insurance business. The revenues posted by the retail banking activities (excluding changes in provisions for home purchase savings schemes) achieved 0.6% growth against a backdrop of persistently low interest rates.

The Group's **operating expenses**<sup>8</sup> have been kept under tight control and were subject to an extremely limited increase (+0.3%), reaching a total of €4,228m.

The Group's **gross operating income**<sup>8</sup> stands at €1,750m, up 2.4% compared with the 4<sup>th</sup> quarter of 2015.

The Group's **cost of risk** came to a total of €405m<sup>8</sup> in the 4<sup>th</sup> quarter of 2016. It has declined in terms of both absolute (-9.1%)<sup>8</sup> and relative value (down 6 basis points to 22bp, versus 28bp in the 4<sup>th</sup> quarter last year), chiefly in the Corporate & Investment Banking division.

The Group's **income before tax**<sup>8</sup> came to €1,409m in the 4<sup>th</sup> quarter of 2016, up 6.2% year-on-year.

When restated to account for the impact of the IFRIC 21 standard and excluding exceptional and non-economic items:

- **Net income attributable to equity holders of the parent** has risen by 2.8% to €572m.
- The **cost/income ratio** has risen by 0.1 point and now stands at 72.7%.
- The **ROE** is equal to 4.2%, stable compared to last year.

After accounting for non-economic and exceptional items, and cancelling restatements made to account for the impact of IFRIC 21, **published net income attributable to equity holders of the parent** stood at €541m.

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<sup>9</sup> Excluding non-economic and exceptional items and after restating to account for the impact of IFRIC 21

## 2016 CONSOLIDATED RESULTS OF GROUPE BPCE

In millions of euros	2016	Impact of non-economic and exceptional items	2016 underlying
Net banking income	24,158	762	23,397
Operating expenses	-16,673	-176	-16,497
<b>Gross operating income</b>	<b>7,485</b>	<b>586</b>	<b>6,900</b>
Cost of risk	-1,423	25	-1,448
<b>Income before tax</b>	<b>6,370</b>	<b>554</b>	<b>5,816</b>
Income tax	-1,882	18	-1,900
Minority interests	- 500	22	- 522
Cost/income ratio	69.0%		70.5%
ROE	6.9%		5.9%
<b>Net income attributable to equity holders of the parent</b>	<b>3,988</b>	<b>593</b>	<b>3,395</b>

In millions of euros	2015 pf	Impact of non-economic and exceptional items	2015 pf underlying	2016 underlying / 2015 pf underlying % change
Net banking income	23,682	23	23,659	-1.1%
Operating expenses	-16,249	-19	-16,230	+1.6%
<b>Gross operating income</b>	<b>7,434</b>	<b>5</b>	<b>7,429</b>	<b>-7.1%</b>
Cost of risk	-1,831	-133	-1,698	-14.7%
<b>Income before tax</b>	<b>5,936</b>	<b>-66</b>	<b>6,003</b>	<b>-3.1%</b>
Income tax	-2,257	51	-2,308	-17.7%
Minority interests	- 531	8	- 540	- 3.3 %
Cost/income ratio	68.6%		68.6%	1.9 pt
ROE	5.9%		5.9%	
<b>Net income attributable to equity holders of the parent</b>	<b>3,148</b>	<b>-7</b>	<b>3,155</b>	<b>+7.6%</b>

2015 pro forma, cf. the note on methodology at the end of this press release

**CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 4TH QUARTER OF 2016**

In millions of euros	Q4-16	Impact of non-economic and exceptional items	Q4-16 underlying
Net banking income	6,049	72	5,977
Operating expenses	-4,348	-120	-4,228
<b>Gross operating income</b>	<b>1,701</b>	<b>-49</b>	<b>1,750</b>
Cost of risk	-379	25	-405
<b>Income before tax</b>	<b>1,308</b>	<b>-101</b>	<b>1,409</b>
Income tax	-598	8	-606
Minority interests	-169	-28	-141
<b>Net income attributable to equity holders of the parent</b>	<b>541</b>	<b>-121</b>	<b>662</b>
<i>Restatement to account for the IFRIC 21 impact</i>	<i>-90</i>		<i>-90</i>
<b>Net income attributable to equity holders of the parent</b>	<b>451</b>	<b>-121</b>	<b>572</b>
Cost/income ratio	73.8%		72.7%
ROE	4.0%		4.2%
<i>Add-back to net income of the IFRIC 21 impact</i>	<i>90</i>		<i>90</i>
<b>Published net income attributable to equity holders of the parent</b>	<b>541</b>	<b>-121</b>	<b>662</b>

In millions of euros	Q4-15pf	Impact of non-economic and exceptional items	Q4-15pf underlying	Q4-16 underlying / Q4-15 pf underlying % change
Net banking income	5,897	-27	5,924	0.9%
Operating expenses	-4,223	-9	-4,215	0.3%
<b>Gross operating income</b>	<b>1,673</b>	<b>-36</b>	<b>1,709</b>	<b>2.4%</b>
Cost of risk	-445	0	-445	-9.1%
<b>Income before tax</b>	<b>1,276</b>	<b>-50</b>	<b>1,326</b>	<b>6.2%</b>
Income tax	-533	12	-546	11.0%
Minority interests	-159	-2	-158	-10.6%
<b>Net income attributable to equity holders of the parent</b>	<b>584</b>	<b>-39</b>	<b>623</b>	<b>6.3%</b>
<i>Restatement to account for the IFRIC 21 impact</i>	<i>-67</i>		<i>-67</i>	
<b>Net income attributable to equity holders of the parent</b>	<b>517</b>	<b>-39</b>	<b>556</b>	<b>2.8%</b>
Cost/income ratio	73.1%		72.6%	+0.1 pt
ROE	4.4%		4.2%	
<i>Add-back to net income of the IFRIC 21 impact</i>	<i>67</i>		<i>67</i>	
<b>Published net income attributable to equity holders of the parent</b>	<b>584</b>	<b>-39</b>	<b>623</b>	<b>6.3%</b>

2015 pro forma, cf. the note on methodology at the end of this press release

## 2. ROBUST GENERATION OF CAPITAL, MAKING THE GROUP WELL-PLACED TO COMPLY WITH FUTURE REGULATORY REQUIREMENTS

### 2.1 Significant ability to generate CET1, chiefly via retained earnings

The CET1 ratio<sup>10</sup> of Groupe BPCE continued to progress in 2016, reaching a level estimated at 14.3% at December 31, 2016, up from 13.0% at January 1, 2016 (on a pro-forma basis), equal to an increase of 130 basis points. This increase in the CET1 ratio reflects the strong generation of Common Equity Tier 1, chiefly via retained earnings, which has had an impact of 73 basis points since January 1, 2016 (if the Visa Europe transaction is excluded).

The phased-in CET1 ratio<sup>10</sup> of Groupe BPCE, estimated at 14.14% at December 31, 2016, is significantly higher than the level required by the European Central Bank (ECB) as defined in the 2016 Supervisory Review and Evaluation Process (SREP). The CET1 ratio requirement laid down by the ECB, which includes the "Pillar 2 requirement," is 7.75% as of January 1, 2017. To this should be added the part of the regulatory requirement of 1.50% of additional Tier-1 capital (AT1), which is met by the CET1 (estimated at 1.17% at December 31, 2016) to reach a level of CET1 requirement equal to 8.92%. The CET1 surplus is consequently equal to 522 basis points.

In all, the total phased-in capital ratio, estimated at 18.48% at December 31, 2016, is 723 basis points higher than the level required by the ECB (11.25%), divided into 522 basis points of CET1 surplus and 201 basis points of Tier-2 surplus.

### 2.2 The 19.5% TLAC ratio<sup>10</sup> required for early 2019 is already nearly satisfied

Total loss-absorbing capacity (TLAC)<sup>11</sup> stood at €75.8bn<sup>10</sup> at end-2016, including the issue of senior non-preferred debt for a total of €1.6bn in January 2017.

The TLAC ratio<sup>10</sup>, estimated at 19.4% at December 31, 2016, should enable the Group to respect the TLAC level required in early 2019 – i.e. 19.5% – without the Group needing to issue senior preferred debt, and by issuing senior non-preferred debt for between €1.5bn and €3.5bn per year.

Risk-weighted assets remain under tight management, equal to €391bn at December 31, 2016, stable compared with their level at December 31, 2015 (at current exchange rates).

At December 31, 2016, the leverage ratio under Basel 3<sup>12</sup> was equal to 5.0% versus 4.7% at December 31, 2015.

### 2.3 Reinforced liquidity reserves

At December 31, 2016, Groupe BPCE's total liquidity reserves<sup>13</sup> stood at €230bn at December 31, 2016, including €93bn in available assets eligible for central bank funding, €66bn in securities eligible for the LCR, and €71bn in cash<sup>13</sup> placed with central banks.

The stock of short-term funds has increased, rising from €93bn at December 31, 2015 to €119bn at December 31, 2016, thanks to the strengthening of liquidity reserves.

At December 31, 2016, the total liquidity reserves of Groupe BPCE covered 158% of total short-term funding outstandings and medium-/long-term debt maturing within one year or less (against 168% at end-2015). It should be emphasized, however, that in fact the coverage rate increased in 2016 to the extent that total liquidity reserves increased more than outstanding short-term funding and short-term maturities of medium-/long-term debts (+€34bn versus +€29bn).

<sup>10</sup> CRR/CRD IV without transitional measures (except for deferred tax assets on tax loss carryforwards – pro forma of the additional phase-in of the stock of DTA in accordance with regulation 2016/445 for periods prior to December 31, 2016); additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force

<sup>11</sup> According to the term sheet published by the Financial Stability Board on the Total Loss-Absorbing Capacity dated November 9, 2015

<sup>12</sup> Estimate at Dec. 31, 2016 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 and pro forma of the additional phase-in of the stock of DTA in accordance with regulation 2016/445 for periods prior to December 31, 2016; additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force

<sup>13</sup> Excluding MMF US Natixis deposits

The Liquidity Coverage Ratio (LCR) remained in excess of 110% at December 31, 2016.

#### **2.4 A wholesale medium-/long-term funding plan for 2017 already 34% completed as at January 31, 2017 and smaller in scale than in 2016**

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of €23.9bn at December 31, 2016, equal to 104% of the revised 2016 program (€23bn). The average maturity at issue stands at 7.2 years and the average interest rate is equal to mid-swap +36 basis points. In 2016 as a whole, 47% of MLT funding was completed in the form of public bond issues and 53% in the form of private placements.

The €23.9bn raised as at December 31, 2016 can be broken down as follows:

- A total of €16.6bn (€14.2bn in senior debt and €2.4bn in the form of Tier-2 debt instruments) was raised in the form of unsecured issues, representing 69% of the 2016 MLT funding structure, in line with the Group's objectives. Aggregate Tier-2 debt issued in 2016 is equal to €3.0bn if account is taken of the bond issue distributed via the Banque Populaire et Caisse d'Épargne retail banking networks,
- A total of €7.3bn was raised in the form of covered bond issues (31% of the funding structure raised in 2016, in line with the information given to the market in early 2016).

In 2016, Groupe BPCE continued to raise substantial funds thanks to the considerably broad diversification of its investor base. As a result, 37% of the bonds issued in the unsecured segment were placed in currencies other than the euro (notably 26% in US dollars and 7% in the Japanese yen).

The target amount of funding adopted for the projected 2017 wholesale MLT funding plan is equal to €20bn. Unsecured bond issues should account for €13bn (or 65% of the plan) including €9.5bn to €11.5bn in preferred senior debt and €1.5bn to €3.5bn in senior non-preferred debt. Covered bond issues should amount to €7bn (representing 35% of the overall plan).

At January 31, 2017, a total of €6.8bn had already been raised, equal to 34% of the projected funding plan (75% in the form of unsecured bond issues and 25% in the form of covered bonds). This total includes \$1.85bn raised in a pre-funding operation for 2017, completed on November 29, 2016. More particularly, Groupe BPCE issued in January 2017 €1.6bn in the form of senior non-preferred debt in very good conditions: €1bn in the Euro market and the equivalent of €0.6bn denominated in JPY in the Japanese market, the first issue of this type in this market).

### 3. RESULTS<sup>14</sup> OF THE BUSINESS LINES: COMMERCIAL ACTIVITY REMAINS BUOYANT

#### 3.1 Commercial Banking & Insurance: resilience of net banking income linked to the buoyancy of commercial activities

*The Commercial Banking & Insurance business line groups together the activities pursued by the Banque Populaire and Caisse d'Épargne retail banking networks, and those of the Other Networks division comprised of the subsidiaries of BPCE International, Banque Palatine, Crédit Foncier and the minority interest in CNP Assurances, consolidated using the equity method.*

The Commercial Banking & Insurance business line preserved a strong commercial momentum throughout 2016. With new loan production reaching €100bn in 2016, the business line is playing an active role in financing the French economy. Loan outstandings are rising steadily, standing at €514bn at December 31, 2016, equal to year-on-year growth of 3.7% since December 31, 2015, and growth of 6.3% since December 31, 2014. More particularly, Commercial Banking & Insurance has increased its share<sup>15</sup> of the consumer loans markets by 70 basis points in the space of a year, to 16.3%. New loan production was dynamic in the corporate customer segment, with medium-/long-term commitments up 12.2% compared with 2015.

Deposits & savings entrusted to the Commercial Banking & Insurance business line stood at €663bn at December 31, 2016, up by 1.7% since December 31, 2015 (i.e. by €12bn) and by 5.7% since December 31, 2014. This growth is largely due to the increase in on-balance sheet savings driven, in particular, by growth in demand deposits (+8.5%).

Synergies generated between Natixis and Commercial Banking & Insurance business line were further strengthened in 2016:

- In Insurance activities, with the successful rollout of the life-insurance offering in the Caisse d'Épargne network and an increase in P&C insurance contracts (+9% to 5.3 million contracts) in the Banque Populaire and Caisse d'Épargne retail banking networks,
- Via an intensification of relations between Natixis' Specialized Financial Services division and the Banque Populaire and Caisse d'Épargne banking networks. The Sureties & Guarantees and Lease Financing businesses both put up a fine performance.

#### Financial results<sup>14</sup> of the Commercial Banking & Insurance business line for full-year 2016 and the 4<sup>th</sup> quarter of 2016

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The **revenues** generated by the Commercial Banking & Insurance business line came to €14,949m (excluding changes in provisions for home purchase savings schemes), down 2.7%, year-on-year. Revenues stood at €3,722m (excluding changes in provisions for home purchase savings schemes), in the 4<sup>th</sup> quarter of 2016, up 0.6%. The prevailing context of historically low interest rates continues to weigh down one customer net interest income. Commissions generated on customers' use of banking products and services and insurance continue to increase thanks, in particular, to growth in the customer base. Commissions earned on early loan redemption continued to decline compared with the major volumes recorded in 2015, along with commissions related to centralized savings owing to the reduction in the commissioning rate. When restated to account for €73m in capital gains booked in the 3<sup>rd</sup> quarter of 2015, net banking income (excluding changes in provisions for home purchase savings schemes) only declined by 2.2%.

**Operating expenses<sup>16</sup>** excluding exceptional items, came to €9,952m for 2016 as a whole, virtually the same as in 2015 (-0.6%). Expenses stand at €2,519m for the 4<sup>th</sup> quarter of 2016, down by 2.1% compared with the 4<sup>th</sup> quarter of 2015.

**Gross operating income<sup>16</sup>**, excluding exceptional items, declined by 5.6% in 2016 to €4,998m. It enjoyed 11.4% growth in the 4<sup>th</sup> quarter of 2016 to stand at €1,246m.

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<sup>14</sup> 2015 and Q4-15 are presented 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 December 31, 2015

<sup>15</sup> Share of household market, source: Banque de France, Q3-16

<sup>16</sup> The exceptional items correspond to the transformation costs incurred in the BP and CE retail banking networks and have an impact on the operating expenses

The **cost of risk**, which came to €1,163m for 2016 as a whole, has improved significantly (-17.1%). In the 4<sup>th</sup> quarter of 2016, it stood at €372m, equal to a decline of 6.2%.

The **contribution of the Commercial Banking & Insurance business line to the Group's income before tax**, excluding exceptional items<sup>16</sup>, came to €4,108m for 2016 as a whole, virtually unchanged (+0.1%) compared with 2015. Income before tax rose sharply during the 4<sup>th</sup> quarter (+22.3%) compared with the same period in 2015, to reach €942m.

Restated to account for the impact of IFRIC 21 and excluding exceptional items<sup>16</sup>:

- The **cost/income ratio** displays a 1.2-point year-on-year increase, standing at 66.6%. In the 4<sup>th</sup> quarter of 2016 is improved by 2.9 percentage points to reach 68.0%.
- The **ROE** for full-year 2016 comes to 10%, up 1 point year-on-year. Return on equity for the 4<sup>th</sup> quarter of 2016 stands at 9%, reflecting a 3 percentage-point increase compared to the 4<sup>th</sup> quarter of 2015.
- **Income before tax** came to €4,108m for 2016 as a whole, stable year-on-year (0.1%). This item stands at €902m in the 4<sup>th</sup> quarter of 2016, up 23.7% year-on-year.

### 3.1.1 Banque Populaire: increase in the customer base

*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 retail banking network is pursuing its strategy of providing its customers with greater banking services and products, leading to a 2.3% year-on-year increase in the number of principal active customers aged 25 or more using banking services (+74,400 clients). In this customer segment, customer using banking services and insurance products increased by 9.9% in the space of one year (+111,200 customers).

CASDEN Banque Populaire, a bank initially dedicated to civil servants working in education, research, and culture, broadened its remit in February 2016 to include the entire French civil service, which accounted for 70% of the 164,000 new members recorded during 2016.

- **Loan outstandings**

Customer loan outstandings stood at €182bn at end-December 2016, recording growth of 5.6% compared with the same date in 2015, and growth of 8.8% compared with the end of 2014.

- **Deposits & savings**

Customer deposits & savings stood at €241bn at December 31, 2016, equal to growth of 11.2% compared with December 31, 2014

- **Insurance**

Insurance activities continued to grow, with a 10.3% year-on-year growth in the portfolio of P&C/non-life insurance contracts and 9.9% growth for provide & health insurance.

- **Financial results**

**Net banking income** for full-year 2016 came to €6,302m (excluding changes in provisions for home purchase savings plans), down 3.2% versus 2015. This change is notably the result of a 6.2% decline in the net interest margin on customer operations (excluding changes in provisions for home purchase savings plans) and 0.6% drop in commissions. Net banking income for the 4<sup>th</sup> quarter of 2016 stands at €1,580m (excluding changes in provisions for home purchase savings plans), equal to growth of 1.7% compared with the 4<sup>th</sup> quarter of 2015. When restated to account for capital gains of €73m realized on the disposal of an office building booked in the 3<sup>rd</sup> quarter of 2015, net banking income (excluding changes in provisions for home purchase savings plans) for full-year 2016 shows a 2.1% decline compared with 2015.

**Operating expenses** for full-year 2016, which came to €4,271m (excluding exceptional items<sup>16</sup>), remain virtually stable (-0.2%) compared with 2015. In the 4<sup>th</sup> quarter of 2016, expenses amounted to €1,072m, representing a decline of 1.5%

**Gross operating income** for full-year 2016 is equal to €2,024m (excluding exceptional items<sup>16</sup>), down 8.7% compared with full-year 2015. This item came to €519m in the 4<sup>th</sup> quarter of 2015, up 11.6%.

The **cost of risk** in full-year 2016, equal to €508m, reflects a significant 18.7% decline compared with 2015. The cost of risk for the 4<sup>th</sup> quarter of 2016 amounts to €149m, down by 16.8% compared with the 4<sup>th</sup> quarter of 2015.

**Income before tax** (excluding exceptional items<sup>16</sup>) for full-year 2016 stands at €1,589m, down 2.3% compared with full-year 2015. This item is positive (+2.0%) when income before tax is restated to account for capital gains of €73m realized on the disposal of an office building booked in the 3<sup>rd</sup> quarter of 2015.

In the 4<sup>th</sup> quarter of 2016, income before tax (excluding exceptional items<sup>16</sup>) stands at €382m, up 32.4% compared with the same period in 2015. When restated to account for the impact of IFRIC 21, it comes to €367m, up 34.4%.

The **cost/income ratio** (excluding exceptional items<sup>16</sup> and restated to account for the impact of IFRIC 21) increased by 2.0 percentage points in full-year 2016 to stand at 67.8%. It improved by 2.7 percentage points, to 68.3%, in the 4<sup>th</sup> quarter of 2016.

### **3.1.2 Caisse d'Épargne: commercial performance buoyed up by the distribution of banking services and new share of the corporate & professional markets**

*Caisse d'Épargne network comprises the 17 individual Caisses d'Épargne along with their subsidiaries.*

- **Customer base**

The strategy of increasing the delivery of banking services to individual customers of the Caisse d'Épargne network was pursued in 2016 and led to 1.4% growth in the number of principal active customers aged 25 years or more using banking services, i.e. 73,500 additional customers. Within this customer segment, customers using banking services increased by 3.6%, representing a total of 114,000 customers. In the professional customer segment, the strategy of winning new customers led to a 5.4% increase in the number of active professional customers (+9,500 new customers in the space of one year). In the corporate customer segment, the number of active corporate customers has risen by 4.6% (+800 customers).

- **Loan outstandings**

Customer loan outstandings stood at €236bn at December 31, 2016, equal to growth of 5.1% compared with December 31, 2015 and 10.4% compared with December 31, 2014.

- **Deposits & savings**

Aggregate customer deposits & savings stood at €399bn at December 31, 2016, equal to growth of 2.9% compared with December 31, 2014.

- **Insurance**

The Caisse d'Épargne retail banking network continued to pursue strong growth in its insurance activities, leading to 7.6% growth in its portfolio of P&C/non-life contracts and growth of 9.7% in the provident and health insurance segment.

- **Financial results**

**Net banking income** for full-year 2016 stands at €7,208m (excluding changes in provisions for home purchase savings plans), down 0.9% compared with 2015. This decline is chiefly the result

of a 6.2% decrease in customer net interest income (excluding changes in provisions for home purchase savings plans) and a 1.2% reduction in commissions. In the fourth quarter of 2016, net banking income (excluding changes in provisions for home purchase savings plans) stood at €1,758m, down 0.4%.

**Operating expenses**, excluding exceptional items<sup>16</sup>, slightly decreased compared with 2015 (-1.0%) and come to a total of €4,747m for full-year 2016. In the fourth quarter of 2016, they amount to €1,207m, down 2.7% compared with the fourth quarter of 2015.

**Gross operating income**, excluding exceptional items<sup>16</sup>, is equal to €2,468m for full-year 2016, up 0.9% compared with 2015. In the fourth quarter of 2016, it comes to €583m, reflecting a year-on-year increase of 12.7%.

The **cost of risk**, equal to €419m for full-year 2016, has fallen by a total of 26.4% compared with 2015. In the fourth quarter of 2016, it stood at €149m, down 0.2% compared with the 4<sup>th</sup> quarter of 2015.

**Income before tax**, excluding exceptional items<sup>16</sup>, stands at €2,045m for full-year 2016, up 8.8% year-on-year, and at €433m for the fourth quarter, representing 16.0% growth in the space of one year. If the results are restated to account for the impact of IFRIC 21, income before tax comes to €415m in the fourth quarter of 2016, equal to 16.8% growth compared with the same period in 2015.

The **cost/income ratio** (excluding exceptional items<sup>16</sup> and after restated to account for the impact of IFRIC 21) improved by a 0.4 percentage point, rising to 65.8% for full-year 2016. In the fourth quarter, it stands at 68.4%, equal to a 3.2-point decrease.

### 3.1.3 Other networks

*The Other networks business line groups together the activities pursued by Crédit Foncier, Banque Palatine, BPCE International and the minority equity interest in CNP Assurance (consolidated using the equity method).*

- **Real estate financing**

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

Crédit Foncier's activities remained buoyant in 2016. Aggregate new loan production came to €9.6bn, including €7.1bn of home loans granted to individual customers.

In the 4<sup>th</sup> quarter of 2016, aggregate new loan production stood at €3.2bn, including €2.3bn of home loans granted to individual customers.

- **BPCE International**

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

Loan outstandings stand at €5.7bn, down 3.5%; home loan outstandings boast 6.5% growth while equipment loans are down by 6.5%.

Customer deposits & savings, which stand at €5.3bn, have decreased by 1.1%, despite 2.6% growth of demand deposits.

- **Banque Palatine**

Buoyed up by the production of new home loans (+5.5%), the average position of aggregate loan outstandings enjoyed 3.7% growth to reach a total of €8.1bn.

Within the framework of the policy to keep a tight management over the cost of resources, the average position of customer deposits & savings declined by 6.8% overall, to €16.5bn, including a 13.7% decrease in demand deposits.

### 3.2 Business lines of Natixis<sup>17,18</sup> (Investment Solutions, Corporate & Investment Banking and Specialized Financial Services): net revenues of more than €8.1bn in 2016

The **net banking income**<sup>19</sup> of the business lines of Natixis (Investment Solutions, Corporate & Investment Banking, and Specialized Financial Services) came to 8,105 million euros at December 31, 2016, up 2.9% year-on-year (Investment Solutions -4.3%, CIB +11.0%, SFS +3.2%). In the 4<sup>th</sup> quarter of 2016 it stood at 2,141 million euros, reflecting 2.8% growth compared with the 4<sup>th</sup> quarter of 2015 (Investment Solutions - 10.2%, CIB +20.8%, SFS +2.1%).

The **operating expenses** of the business lines of Natixis amounted to 5,262 million euros at December 31, 2016, up 3.3% on a year-on-year basis. These expenses stood at 1,412 million euros in the 4<sup>th</sup> quarter of 2016, up 3.8% compared with the 4<sup>th</sup> quarter of 2015.

The **gross operating income**<sup>19</sup> of the business lines of Natixis came to 2,843 million euros at December 31, 2016, representing 2.1% growth compared with December 31, 2015. This item stood at 729 million euros in the 4<sup>th</sup> quarter of 2016, up 1.1% on a year-on-year basis.

The **cost of risk** of the business lines of Natixis amounted to 252 million euros for 2016 as a whole, down 0.4% compared with full-year 2015. In the 4<sup>th</sup> quarter of 2016, the cost of risk has improved with a 45.6% reduction, to reach 36 million euros.

The **income before tax**<sup>19</sup> of the business lines of Natixis came to 2,666 million euros at December 31, 2016, up 3.4% on a year-on-year basis. Income before tax stood at 697 million euros in the 4<sup>th</sup> quarter of the year, up 3.3%.

**Restated to account for the impact of IFRIC 21**, income before tax at December 31, 2016 stands at 2,666 million euros, up 3.4% compared with December 31, 2015. It came to 680 million euros in the 4<sup>th</sup> quarter of 2016, up 3.5%. On a division-by-division basis, income before tax can be broken down as follows:

- The **Investment Solutions** division reported **income before tax**<sup>19</sup> of 1 045 million euros for 2016 as a whole, down 10.2% compared with full-year 2015. The Investment Solutions division accounted for 39% of the income before tax of the business lines excluding exceptional items. In the 4<sup>th</sup> quarter of 2016, income before tax stood at 278 million euros, down 23.1% compared with the 4<sup>th</sup> quarter of 2015.
- In the **Corporate & Investment Banking** division, **income before tax** came to 1178 million euros for 2016 as a whole, up 15.1%. The Corporate & Investment Banking division accounted for 44% of the income before tax of the business lines excluding exceptional items. In the 4<sup>th</sup> quarter of 2016, income before tax enjoyed growth of 54.4% compared with the 4<sup>th</sup> quarter of 2015, rising to 299 million euros.
- The **income before tax of the Specialized Financial Services (SFS)** division enjoyed growth of 12.9% for 2016 as a whole, rising to 444 million euros. The Specialized Financial Services division accounted for 17% of the income before tax of the business lines excluding exceptional items. In the 4<sup>th</sup> quarter of 2016, income before tax rose by 0.9% compared with the 4<sup>th</sup> quarter of 2015 to reach a total of 103 million euros.

Restated to account for the impact of IFRIC 21, the **cost/income ratio**<sup>19</sup> of the business lines of Natixis is equal to 64.9% at December 31, 2016, representing an increase of 0.3 point. In the 4<sup>th</sup> quarter of this year, it stood at 66.7%, equal to a 0.5-point improvement.

Restated to account for the impact of IFRIC 21, **ROE**<sup>19</sup> was equal to 13% at December 31, 2016, up one point compared with the same period in 2015. In the 4<sup>th</sup> quarter of 2016, it rose one point compared with the 4<sup>th</sup> quarter of 2015 to reach 13%.

(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](http://www.natixis.com)).

<sup>17</sup> Contribution figures ≠ figures published by Natixis

<sup>18</sup> 2015 and Q4-15 are presented 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 December 31, 2015

<sup>19</sup> Excluding an exceptional item impacting the revenues of the Corporate & Investment Banking division and corresponding to the SWL litigation

**NON-ECONOMIC AND EXCEPTIONAL ITEMS FOR FULL-YEAR 2016**

In millions of euros	2016		2015 pf	
	Income before tax	Net income attributable to equity holders of the parent	Income before tax	Net income attributable to equity holders of the parent
<b>Non-economic items of an accounting nature</b>	<b>28</b>	<b>17</b>	<b>106</b>	<b>60</b>
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center)	28	17	106	60
<b>Disposal of non-strategic holdings and assets managed on a run-off basis</b>	<b>765</b>	<b>768</b>	<b>32</b>	<b>66</b>
Capital gains on the disposal of Visa Europe (Corporate center)	831	797		
Disposal of share capital of Nexity (Corporate center)	39	40	130	126
Disposal of international assets managed on a run-off basis (Corporate center)	- 106	- 69	- 98	- 61
<b>Transformation and reorganization costs</b>	<b>- 99</b>	<b>- 89</b>	<b>- 19</b>	<b>- 12</b>
Transformation costs (Commercial Banking & Insurance)	- 145	- 95	-19	- 12
Coface reorganization	56	11		
Operational Efficiency Transformation Plan (Natixis – Corporate center)	- 9	- 4		
<b>Legal disputes</b>	<b>- 69</b>	<b>- 32</b>	<b>- 30</b>	<b>- 13</b>
SWL Natixis legal dispute (CIB)	- 69	- 32		
Settlement of 2008 legal dispute (Natixis - Corporate center)			- 30	- 13
<b>Impairment of goodwill and others</b>	<b>- 72</b>	<b>- 70</b>	<b>- 156</b>	<b>- 108</b>
Impairment of goodwill and other gains or losses on other assets (Corporate center)	- 57	- 56	-49	- 40
Banca Carige / Prolonged decline in value (Corporate center)	- 15	- 15	-4	- 4
Heta Asset Resolution AG (Corporate center)			-104	- 64
<b>Total impact of non-economic and exceptional items</b>	<b>554</b>	<b>593</b>	<b>-66</b>	<b>- 7</b>

2015 results are presented pro forma (cf. notes on methodology at the end of this press release)

**NON-ECONOMIC AND EXCEPTIONAL ITEMS FOR THE 4TH QUARTER OF 2016**

In millions of euros	Q4-16		Q4-15 pf	
	Income before tax	Net income attributable to equity holders of the parent	Income before tax	Net income attributable to equity holders of the parent
<b>Non-economic items of an accounting nature</b>	<b>60</b>	<b>36</b>	<b>26</b>	<b>14</b>
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center)	60	36	26	14
<b>Disposal of non-strategic holdings and assets managed on a run-off basis</b>	<b>- 41</b>	<b>- 27</b>	<b>- 50</b>	<b>- 31</b>
Capital gains on the disposal of Visa Europe (Corporate center)				
Disposal of share capital of Nexity (Corporate center)				
Disposal of international assets managed on a run-off basis (Corporate center)	- 41	- 27	- 50	- 31
<b>Transformation and reorganization costs</b>	<b>- 43</b>	<b>- 52</b>	<b>- 9</b>	<b>- 5</b>
Transformation costs (Commercial Banking & Insurance)	- 89	- 59	- 9	- 5
Coface reorganization	56	11		
Operational Efficiency Transformation Plan (Natixis – Corporate center)	- 9	- 4		
<b>Legal disputes</b>				
SWL Natixis legal dispute (CIB)				
Settlement of 2008 legal dispute (Natixis - Corporate center)				
<b>Impairment of goodwill and others</b>	<b>- 78</b>	<b>- 78</b>	<b>- 17</b>	<b>- 17</b>
Impairment of goodwill and other gains or losses on other assets (Corporate center)	- 78	- 78	- 15	-15
Banca Carige / Prolonged decline in value (Corporate center)			-3	- 3
Heta Asset Resolution AG (Corporate center)				
<b>Total impact of non-economic and exceptional items</b>	<b>- 101</b>	<b>- 121</b>	<b>- 50</b>	<b>- 39</b>

Q4-15 results are presented pro forma (cf. notes on methodology at the end of this press release)

For further details about the financial results for the 4<sup>th</sup> quarter and full-year 2016, please consult the Investors/Results section of the corporate website [www.bpce.fr](http://www.bpce.fr)

The consolidated financial statements of Groupe BPCE for the fiscal period ended December 31, 2016 approved by the Management Board at a meeting convened on February 6, 2017, were verified and reviewed by the Supervisory Board at a meeting convened on February 9, 2017.

The audit procedures relating to the consolidated financial statements for the year ended December 31, 2016 have been substantially completed. The reports of the statutory auditors regarding the certification of these consolidated financial statements will be published following the verification of the Management Report and the finalization of the procedures required for the registration of the reference document.

## Notes on methodology

### **Presentation of 2015 and 2016 pro-forma quarterly results**

*The segment information was modified as of Q1-16 after the Equity interests division was subsumed into the Corporate center division.*

*On September 18, 2015, BPCE International transferred to the Caisse d'Épargne Provence-Alpes-Corse the entire equity interest it held in Banque de la Réunion, Banque des Antilles Françaises and Banque de Saint-Pierre-et-Miquelon. The revenues generated by these entities have been attributed retroactively to the Caisse d'Épargne sub-division. This operation has no impact on the Commercial Banking & Insurance division as a whole.*

*The retroactive application since January 1st, 2015 of the change in the accounting method whereby assets and liabilities denominated in foreign currencies are hedged by currency swaps (with the impacts of the inefficiency of hedging now being recorded in transferable capital) has led to a restatement of the 2015 quarterly reviews; this restatement has no impact on the 2015 annual result.*

*The series of financial reports for 2015 is also presented pro forma to account for the transfer of expenses from the Corporate Center division to the SFS division.*

*The method used to account for renegotiation fees charged by the retail networks has been standardized between 2015 and 2016 leading to a pro-forma figure for the 2015 financial year. In 2016, renegotiation fees are accounted for in net interest margin over the period whereas in 2015 certain entities accounted for these fees in commissions, on a one-off basis.*

*With regard to the CIB division, the presentation has been updated to reflect the new organization announced on March 15, 2016. This update takes account in particular of the creation of the Global finance & Investment banking business line that henceforth encompasses all the Financing activities (structured and plain vanilla) in addition to the M&A, Equity Capital Markets and Debt Capital Markets businesses.*

*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 and the 2015 series of quarterly reviews have been restated accordingly.*

### **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 provided in an annex to this document.*

*As of Q1-16, the contribution to the Single Resolution Fund, accounted for in the operating expenses of the Corporate center, is no longer restated as an exceptional item.*

*When the Q1-15 results were published, the amount recognized as the Group's contribution to the Single Resolution Fund was based on an estimate. The series of financial reports for 2015 has been restated to reflect the actual amount of the Q1-15 contribution to the SRF as calculated by the supervisory authority. This restatement has no impact on the 2015 annual result. Similarly, following notification of the actual amount of the contribution in Q2-16, the amount of the SRF recognized in Q1-16 has been readjusted.*

*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.*

### **Net banking income**

*Net customer 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 Épargne 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."*

### **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  $\frac{1}{4}$  of the amount of taxes and contributions resulting from the interpretation of IFRIC 21 for a given quarter, or  $\frac{1}{2}$  of 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 the Single Supervisory Mechanism).

### 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** (Commercial Banking & Insurance; Investment Solutions, Corporate & Investment Banking, and Specialized Financial Services) 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 since Q1-15 on the basis of 10% of Basel-3 average RWA.

### Capital adequacy

**Common Equity Tier 1** is determined in accordance with the applicable CRR/CRD 4 rules; **fully-loaded** equity is presented without the application of transitional measures, except for deferred tax assets 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 TLAC ratio (Total Loss-Absorbing Capacity)** 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 Nov. 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 MMF (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 have been subject to the following adjustments:  
Addition of security issues placed by the Banque Populaire and Caisse d'Épargne 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 2<sup>nd</sup>-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 17 Caisses d'Épargne. 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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