GROUPE BPCE

Bankers and insurers with a different perspective

Press Release

Paris, November 8, 2016

RESULTS[1] OF GROUPE BPCE FOR THE 3rd QUARTER AND 1st NINE MONTHS OF 2016

In the first 9 months of 2016, net income attributable to equity holders of the parent stands at €2.8bn[2], up 8.6%, with published net income attributable to equity holders of the parent of €3.4bn thanks to capital gains realized on the Visa Europe transaction

COMMERCIAL ACTIVITY REMAINS BUOYANT

Strong momentum in the Banque Populaire and Caisse d'Epargne retail banking networks

- Increase in loan outstandings by 5.0% and in deposits & savings of 2.2% as of Sept. 30, 2016
- Production of new MLT loans to corporate customers rose by 18.1% compared with 9M-15

Development of Insurance businesses[3]

- Strong momentum in life insurance with gross inflows up by 16.9% compared with 9M-15
- Portfolio of non-life insurance contracts up by 9.7% year-on-year

Significant contribution from the Corporate & Investment Banking division of Natixis

- High level of business activity, with a very good performance achieved by the Fixed Income and Mergers & Acquisitions activities

ROBUST RESULTS THANKS TO OUR "UNIVERSAL BANK" MODEL

Decline in retail banking revenues offset by the good performance of the core business lines[4] of Natixis

- Net banking income[5] of the Group's core business lines declined by 1.5% compared with 9M-15
- Low interest rates depressed the net interest income generated by retail banking activities
- 2.9% increase in the net banking income[6] of the core business lines of Natixis driven by CIB (+7.8%) vs. 9M-15

The Group's cost of risk kept at a low level: 21 basis points in 9M-16

Net income attributable[2] to equity holders of the parent of the core business lines equal to €3.2bn, up by 4.4% vs. 9M-15

TOTAL CAPITAL RATIO TARGET ACHIEVED

- Fully-loaded total capital ratio of 18.2%[7], ahead of the early 2019 target of 18%[7]
- CET1 ratio of 14.0%[8] as of Sept. 30, 2016
- Generation of CET1 via retained earnings: +60bps since the beginning of 2016

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

Transformation and Business Efficiency Project[9] of Natixis: €250m in cost savings by the end of 2019

Specialized Financial Services: creation of a business line bringing together within Natixis all payment platforms on behalf of Groupe BPCE

Groupe BPCE: presentation in early 2017 of the digital action plan, its new local banking relationship models, and the Group's Transformation and Operational Excellence project.

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1 9M-15 and Q3-15 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 September 30, 2015
2 Excluding non-economic and exceptional items and after restating to account for the impact of IFRIC 21
3 Entities included: CNP Assurances, Natixis Assurances, Prépar vie (gross inflows from the Banque Populaire and Caisse d'Epargne retail banking networks)
4 Core business lines: Commercial Banking & Insurance, Investment Solutions, Corporate & Investment Banking, and Specialized Financial Services
5 Excluding non-economic and exceptional items
6 Excluding exceptional items
7 CRR/CRD IV without transitional measures
8 Estimate at Sept. 30, 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
9 Plans will be subject to the consultation process with employee representatives

On November 8, 2016, the Supervisory Board of Groupe BPCE convened a meeting chaired by Pierre Valentin to examine the Group's financial statements for the third quarter and first nine months of 2016.

François Pérol, Chairman of the Management Board of Groupe BPCE, said: "*Our results for this quarter highlight the dynamism of new loan production activities in our local banking networks and the 15%[10] growth in the revenues posted by Natixis' Corporate & Investment Banking arm. As such, these results demonstrate the relevance of our universal banking model: the impact of low interest rates on the revenues generated by our local banking activities are offset, in part, by the performance of the business lines of Natixis. The sharp decline in the cost of risk and the reduction in our tax burden enabled the Group to increase its recurrent net income by 8.6%[2] to 2.8 billion euros in the first nine months of the year. These good financial results have enabled the Group to reach its total capital ratio target of 18%[7] more than two years ahead of schedule. In early 2017, the Group will present – ahead of its future strategic plan for 2018-2020 – its new action plan regarding its digital strategy, customer relations in its local banking activities, and operational excellence.*"

1. CONSOLIDATED RESULTS[11] OF GROUPE BPCE FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2016

Against a background of persistently low interest rates and an adverse market environment, Groupe BPCE posts strong results for the first nine months of 2016 thanks to the continued buoyancy of its commercial activities and thanks to its model as a universal banking institution. The loan outstandings of the Banque Populaire and Caisse d'Epargne retail banking networks have increased by 20 billion euros year-on-year. The life insurance and non-life activities have made strong progress, with 16.9% growth in gross inflows of life funds in the first nine months of 2016 compared with the same period in 2015, and a 9.7% increase in the portfolio of non-life insurance contracts in the space of one year. The core business lines of Natixis put up an extremely strong performance in the third quarter, with net banking income[6] up by 7.4%, notably thanks to the Corporate & Investment Banking division offsetting, in part, the decline in retail banking revenues.

The Group generated net income attributable to equity holders of the parent equal to 2.8 billion euros[2] for the first nine months of 2016, representing growth of 8.6%; this overall figure may be broken down into a limited 1.5%[5] decline in the revenues posted by its core business lines, the cost of risk maintained at a low level (21 basis points[12]) and a significant decline in taxation (owing to both structural and temporary effects).

Groupe BPCE possesses a robust financial structure with a Common Equity Tier 1 (CET1) ratio of 14.0%[8] at September 30, 2016 and a fully-loaded total capital ratio of 18.2%[7], ahead of the 2019 target of 18%[7] that should enable the Group to comply with the TLAC requirements without having to make use of preferred senior debt (assuming there are no changes in the regulations).

Preparation of the Group's new strategic plan for 2018-2020

Natixis took advantage of the publication of its results for the third quarter of 2016 to unveil its Transformation and Business Efficiency plan[9]. This initiative is based on four areas for action: the streamlining of IT resources, organizational optimization, a tighter control over operating expenses, and the digitalization of processes. Natixis will be investing 220 million euros to industrialize, transform and digitize its business lines with a view to generating recurring annual savings of 250 million euros as of 2019 (25% of this target should be achieved as of end-2017, 65% by end-2018, and 100% by end-2019). These gains in operational efficiency will be achieved on the basis of an unchanged business scope.

[10] Excluding exceptional items and excluding desk CVA/DVA
[11] 9M-15 and Q1-15 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 September 30, 2015
[12] Cost of risk expressed in annualized basis points on gross customer outstandings at the beginning of the period

At the beginning of 2017, Groupe BPCE will be presenting its digital strategy, its new local banking relationship models, and its Transformation and Operational Excellence project.

Creation of a new business line grouping together of all payment platforms within Natixis and investment in a rapidly changing activity

Payment operations represent a source of new growth and value creation for the Group. This strategic business promotes greater competitiveness for the Banque Populaire banks and Caisses d'Epargne. Payment activities will now be grouped together within Natixis, which has announced plans to purchase S-Money and its subsidiaries (*Le Pot Commun*, *E-Cotiz*, and *Depopass*), initially owned by BPCE. This new centralized organization will make it possible to capitalize on digital expertise and new practices, and to pursue an ambitious external growth strategy with a view to becoming one of the leading European specialists in payment solutions on mobile devices, e-commerce and point-of-sale payment solutions. Within the framework of this external growth policy – a necessary complement to organic growth – the Group has entered into exclusive negotiations for the acquisition of *PayPlug*, an innovative player in the field of "merchant services."

1.1 Consolidated results[11] for the first nine months of 2016: net income attributable to equity holders of the parent[13] up by 8.6%, to €2.8bn

The **net banking income**[14] of Groupe BPCE for the first nine months of 2016 stood at 17,420 million euros, down 1.8% compared with the first nine months of 2015. The core business lines contributed 17,149 million euros to net banking income, down 1.5% compared with the first nine months of 2015.

The Group's **operating expenses**[14] came to 12,269 million euros, up 2.1% year-on-year. The operating expenses of the core business lines, which amounted to 11,283 million euros, have increased by 1.0%. However, the Group's operating expenses have only increased by 1.1% if the substantial increase in the contribution to the Single Resolution Fund of 229 million euros for the first nine months of 2016 is excluded while this contribution only amounted to 106 million euros in the first nine months of 2015.

The Group's **gross operating income**[14] stands at 5,150 million euros, down 10.0% compared with the first nine months of 2015. The contribution of the core business lines came to 5,866 million euros, down 6.0% compared with the first nine months of 2015.

The Group's **cost of risk**[14] remained moderate in the first nine months of 2016 but declined by a significant 16.7% compared with the same period in 2015. It now stands at 1,044 million euros, corresponding to 21 basis points[12]. The ratio of non-performing loans to gross loan outstandings has declined, falling from 3.7% at September 30, 2015 to 3.5% at September 30, 2016, while the impaired loans coverage ratio (including guarantees related to impaired outstandings) came to 83.0% at September 30, 2016 (vs. 79.7% at September 30, 2015).

- For the Banque Populaire and Caisse d'Epargne retail banking networks, the change in the cost of risk confirms the downward trend in individual provisions
- For the core business lines of Natixis (Investment Solutions, Corporate & Investment Banking, SFS), the cost of risk – which has been constantly improving since the beginning of 2016 – reflects the end of the drive to book provisions for the Oil & Gas sector
- For the Group's core business lines, the cost of risk stands at 1,007 million euros, down by 15.6%, corresponding to 23 basis points[12].

The Group's **income before tax**[14] has declined by 5.8% to 4,407 million euros for the first nine months of 2016. For the core business lines, income before tax stands at 5,136 million euros, down 2.0% compared with the first nine months of 2015.

The Group's **income tax** stands at 1,294 million euros, down 26.6% compared with the first nine months of 2015. This decline is both structural in nature (discontinuation of the exceptional 10.7% tax on profits) and temporary (tax relief obtained in the first half of 2016 equal to

[13] Excluding non-economic and exceptional items and after restating to account for the impact of IFRIC 21
[14] Excluding non-economic and exceptional items

approximately 200 million euros). For the core business lines, income tax came to 1,602 million euros, down by 13.2%.

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

- **Net income attributable to equity holders of the parent** has risen by 8.6% compared with the first nine months of 2015 to reach a total of 2,823 million euros. The corresponding metric for the core business lines enjoyed growth of 4.4% to reach 3,152 million euros.
- The Group's **cost/income ratio** has risen by 2.5 points and now stands at 69.8% for the Group as a whole. It is equal to 65.5% for the core business lines, representing a 1.6-point increase compared with the first nine months of 2015.
- The Group's **ROE** stands at 6.6%, equal to a 0.3-point increase compared with the first nine months of 2015. ROE is 11% for the core business lines, stable compared with the first nine months of 2015.

After accounting for non-economic and exceptional items (including the capital gains realized on the Visa Europe transaction), and cancelling restatements made to account for the impact of IFRIC 21, **published net income attributable to equity holders of the parent** increased by 28.9% for the first nine months of 2016, to 3,382 million euros. The published net income of the core business lines rose by 2.4% to stand at 3,043 million euros for the first nine months of the year.

1.2 Consolidated results[11] for the third quarter of 2016: net income attributable to equity holders of the parent[13] equal to €929m, up 2.7%

In the third quarter of 2016, the **net banking income**[14] of Groupe BPCE came to 5,791 million euros, up 0.4% compared with the third quarter of 2015. The net banking income of the core business lines, equal to 5,639 million euros, has experienced a limited 0.7% decline compared with the third quarter of 2015. The net revenues posted by the core business lines of Natixis rose by 7.4%, with a significant contribution made by the Corporate & Investment Banking division in the third quarter of 2016, while the revenues (excluding changes in provisions for home purchase savings schemes) of the Commercial Banking & Insurance division have declined by 2.9%[15] in a persistently low interest rates environment.

The Group's **operating expenses**[14] came to a total of 3,856 million euros, representing a limited increase of 0.8% year-on-year. The operating expenses of the core business lines, equal to 3,621 million euros, have risen by 1.0%.

The Group's **gross operating income**[14] stands at 1,935 million euros, down 0.6% compared with the third quarter of 2015. The contribution from the core business lines is equal to 2,018 million euros, down 3.7% year-on-year.

The Group's **cost of risk**[14] declined by 6.6% in the third quarter of 2016 to reach 302 million euros, or 18 basis points[12]. For the core business lines, this metric stands at 312 million euros, up 3.2%, and corresponds to 21 basis points.

The Group's **income before tax**[14] came to 1,705 million euros in the third quarter of 2016, up 1.3% year-on-year. For the core business lines, income before tax stands at 1,769 million euros, down 4.3% compared with the third quarter of 2015.

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

- **Net income attributable to equity holders of the parent** has increased by 2.7% to 929 million euros. The same item for the core business lines declined by 2.3% to 1,009 million euros.
- The **cost/income ratio** has risen by 0.8 point to 68.6% for the Group; it stands at 65.2% for the core business lines, up 1.1 points compared with the third quarter of 2015.

[15] After restating to account for capital gains of €73m realized on the disposal of real-estate assets recognized in the third quarter of 2016

- The Group's **ROE** stands at 6.4%, down 0.1 point. It is equal to 10% for the core business lines, down one point compared with the third quarter of 2015.

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** remains virtually unchanged (-0.5%) at 955 million euros. Published net income attributable to equity holders of the parent posted by the core business lines declined by 6.1% to reach a total of 1,004 million euros in the third quarter of 2016.

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE FIRST NINE MONTHS OF 2016

In millions of euros	**9M-16**	**9M-16 / 9M-15 pf** % change	**Core business lines 9M-16**	**9M-16 / 9M-15 pf** % change
Net banking income*	17,420	-1.8%	17,149	-1.5%
Operating expenses*	-12,269	+2.1%	-11,283	+1.0%
Gross operating income*	**5,150**	**-10.0%**	**5,866**	**-6.0%**
Cost of risk*	-1,044	-16.7%	-1,007	-15.6%
Income before tax*	**4,407**	**-5.8%**	**5,136**	**-2.0%**
Income tax	-1,294	-26.6%	-1,602	-13.2%
Minority interests	-381	-0.3%	-421	+1.2%
Net income attributable to equity holders of the parent*	**2,733**	**+7.9%**	**3,112**	**+4.5%**
Restatement to account for the IFRIC 21 impact	*90*		*40*	
Net income attributable to equity holders of the parent**	**2,823**	**+8.6%**	**3,152**	**+4.4%**
Cost/income ratio**	69.8%	+2.5 pts	65.5%	+1.6 pt
ROE**	6.6%	+0.3 pt	11%	
Impact on net income of non-economic and exceptional items	*649*		*-69*	
Add-back to net income of the IFRIC 21 impact	*-90*		*-40*	
Published net income attributable to equity holders of the parent	**3,382**	**+28.9%**	**3,043**	**+2.4%**

9M-15 pro forma, cf. the note on methodology at the end of this press release

The core business lines are Commercial Banking & Insurance (with, in particular, the Banque Populaire and Caisse d'Epargne retail banking networks in addition to Crédit Foncier, Banque Palatine and BPCE International), and the Investment Solutions, CIB, and Specialized Financial Services divisions of Natixis

* Excluding non-economic and exceptional items

** Excluding non-economic and exceptional items and excluding the IFRIC 21 impact

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 3RD QUARTER OF 2016

In millions of euros	Q3-16	Q3-16 / Q3-15 pf % change	Core business lines Q3-16	Q3-16 / Q3-15 pf % change
Net banking income*	5,791	+0.4%	5,639	-0.7%
Operating expenses*	-3,856	+0.8%	-3,621	+1.0%
Gross operating income*	**1,935**	**-0.6%**	**2,018**	**-3.7%**
Cost of risk*	-302	-6.6%	-312	+3.2%
Income before tax*	**1,705**	**+1.3%**	**1,769**	**-4.3%**
Income tax	-535	-10.3%	-578	-10.3%
Minority interests	-151	+31.2%	-142	+7.9%
Net income attributable to equity holders of the parent*	**1,019**	**+4.9%**	**1,049**	**-2.3%**
Restatement to account for the IFRIC 21 impact	*-90*		*-40*	
Net income attributable to equity holders of the parent **	**929**	**+2.7%**	**1,009**	**-2.3%**
Cost/income ratio**	68.6%	+0.8 pt	65.2%	+1.1 pt
ROE**	6.4%	-0.1 pt	10%	-1 pt
Impact on net income of non-economic and exceptional items	-64		*-45*	
Add-back to net income of the IFRIC 21 impact	*90*		*40*	
Published net income attributable to equity holders of the parent	**955**	**-0.5%**	**1,004**	**-6.1%**

Q3-15 pro forma, cf. the note on methodology at the end of this press release

The core business lines are Commercial Banking & Insurance (with, in particular, the Banque Populaire and Caisse d'Epargne retail banking networks in addition to Crédit Foncier, Banque Palatine and BPCE International), and the Investment Solutions, CIB, and Specialized Financial Services divisions of Natixis

* Excluding non-economic and exceptional items

** Excluding non-economic and exceptional items and excluding the IFRIC 21 impact

2. IMPROVEMENTS IN CAPITAL ADEQUACY AHEAD OF TARGET AND A HIGHLY FAVORABLE LIQUIDITY POSITION

2.1 Significant ability to generate CET1, chiefly via retained earnings

The CET1 ratio[16] of Groupe BPCE continued to improve in the third quarter of 2016 with a level estimated at 14.0% at September 30, 2016 versus 13.0% on January 1st, 2016 on a pro-forma basis, representing an increase of 100 basis points. This improvement in the CET1 ratio reflects the significant generation of Common Equity Tier 1, chiefly via retained earnings; the impact of this improvement is equal to 60 basis points since January 1st, 2016.

The level of Groupe BPCE's phased-in CET1 ratio[16], estimated at September 30, 2016 is 625 basis points higher than the requirement of the European Central Bank (ECB) defined within the framework of the Supervisory Review and Evaluation Process (SREP). The CET1 ratio requirement laid down by the ECB, including the "Pillar 2 requirement," stands at 7.75% as of January 1st, 2017, subject to confirmation of the advance notification received from the ECB. As of January 1st, 2017, this will be the threshold for triggering the Maximum Distributable Amount (MDA). The total requirement for the CET1 ratio drawn up by the ECB, including the "Pillar 2 Guidance" element, is not intended for publication. Ultimately, the fully-loaded CET1 ratio requirement, which will be the threshold for triggering the Minimum Distributable Amount (MDA) should stand at 9.50%.

2.2 The early-2019 total capital ratio target of 18 %[17] has been reached more than two years in advance

The total capital ratio, estimated at 18.4%[16] at September 30, 2016, is continuing its upward trend with an increase of 160 basis points since the beginning of 2016: 100 basis points due to the increase in CET1 and 60 basis points due to the increase in Tier-2 capital. The fully-loaded total capital ratio stands at 18.2%.

The total capital ratio target of 18%[17] in early 2019, which should enable the Group to comply with TLAC requirements without needing to make use of preferred senior debt, has already been achieved (assuming no changes in regulations). Groupe BPCE feels it has the ability to enhance its CET1 ratio by an average of 60 basis points[18] per year between early 2016 and late 2018, and has set itself a target for Tier-2 issues and/or future non-preferred senior debt (a new category of debt due to be created by the French so-called Sapin II act on transparency, the fight against corruption and the modernization of the economy) of between 1.5 billion euros and 3.5 billion euros per year with an increase[19] of at least 3 billion euros in Tier-2 capital stock and/or non-preferred senior debt between early 2016 and the end of 2018.

Total capital increased by 5.4 billion euros in the first nine months of 2016, rising from 65.9 billion euros at January 1, 2016 to an estimated 71.3 billion euros at September 30, 2016. This growth in the Group's total capital is mostly related to the following factors:

- The 3.3 billion euro increase in CET1 (thanks, in particular, to retained earnings) which amounted to 54.4 billion euros at September 30, 2016 vs. 51.1 billion euros at January 1, 2016.
- The 2.2 billion euro growth in Tier-2 capital since the beginning of the year, which stood at 15.4 billion euros at September 30, 2016 against 13.2 billion euros at January 1, 2016.

Risk-weighted assets remain under tight control, at 388 billion euros at September 30, 2016, marginally lower versus December 31 2015, at 391 billion euros (at current exchange rates).

[16] CRR/CRD 4 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; additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force
[17] CRR/CRD 4 without transitional measures, taking account of the estimated impact of the application of IFRS 9 as of January 1, 2018
[18] Taking account of the estimated impact of the application of IFRS 9 as of January 1, 2018
[19] Net increase taking account of non-preferred senior debt and/or Tier-2 issues, Tier-2 maturities and AT1 calls

At September 30, 2016, the leverage ratio[20] stood at 5.0%. It also stood at 5.0% at December 31, 2015 but this figure was arrived at using a different method. By applying the new method in force since January 1st, 2016 – consisting of keeping savings deposits centralized with the Caisse des Dépôts et des Consignations (CDC) included in the denominator of the leverage ratio – this ratio comes to 4.7%. The current level of 5.0% is significantly higher than the minimum required by the Basel Committee (3%).

2.3 Robust liquidity reserves

At September 30, 2016, liquidity reserves covered 153% of total short-term funding outstandings and medium-/long-term and subordinated debt maturing within one year or less. Liquidity reserves stood at 183 billion euros at September 30, 2016, including 45 billion euros of cash placed with central banks and 138 billion euros of available assets eligible for central bank funding.

The liquidity coverage ratio (LCR) remained higher than 110% at September 30, 2016.

2.4 Diversified wholesale funding raised in 2016, with almost the entire revised 2016 medium-/long-term wholesale funding plan completed (97% completed at October 31, 2016)

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of 22.2 billion euros at October 31, 2016, equal to 97% of the revised 2016 program. The average maturity at issue now stands at 7.5 years and the average interest rate is equal to mid-swap +37 basis points. In the first ten months of 2016, 51% of MLT funding had been completed in the form of public bond issues and 49% in the form of private placements.

At October 31, 2016, 15.0 billion euros (12.7 billion euros in senior debt and 2.4 billion euros in Tier-2 debt) had been raised in the form of unsecured bond issues.

At the same date, 7.2 billion euros had been raised in the form of covered bond issues.

Total Tier-2 debt raised in 2016 is equal to 3.0 billion euros bearing in mind the issue distributed through the Banque Populaire and Caisse d'Epargne retail banking networks.

Groupe BPCE continues to raise very substantial funds thanks to a significant diversification of its investor base. As a result, 37% of the issues in the unsecured bond compartment (excluding redemptions) were placed in currencies other than the euro (notably 26% in USD and 7% in JPY).

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[20] Estimate at Sept. 30, 2016 according to the rules of the Delegated Act published by the European Commission on October 10, 2014 - CRR/CRD 4 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; additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force

3. RESULTS[21] OF THE CORE BUSINESS LINES: COMMERCIAL ACTIVITY REMAINS BUOYANT

3.1 Commercial Banking & Insurance: decline in net banking income limited by the dynamism of commercial activities

The Commercial Banking & Insurance business line groups together the activities pursued by the Banque Populaire and Caisse d'Epargne 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.

The Banque Populaire banks and Caisses d'Epargne maintained strong commercial dynamics in the first nine months of 2016.

Groupe BPCE is actively contributing to financing the French economy: the loan outstandings positions of the Banque Populaire banks and Caisses d'Epargne have enjoyed substantial growth, reaching 412 billion euros at September 30, 2016, equal to an increase of 20 billion euros (+5.0%) year-on-year, driven chiefly by short-term credit facilities (+3.9%), consumer loans (+7.5%) and home loans (+5.9%). New loan production remains at a high level, at approximately 62 billion euros, buoyed up by the strong dynamism of medium-/long-term loans granted to corporate customers: +18.1% compared with the first nine months of 2015.

Aggregate deposits & savings of Banque Populaire and Caisse d'Epargne customers stood at 640 billion euros at September 30, 2016, up 14 billion euros compared with the same period last year (+2.2%). This growth is largely the result of an increase in on-balance sheet deposits & savings (+2.2% year-on-year) driven, in particular, by growth in demand deposits (+10.3%).

The Group is also continuing to develop its activities in insurance, a veritable growth driver. In life insurance, life funds grew by 3.6% in the space of a year. In the non-life insurance segment, the portfolio of contracts is continuing to enjoy strong growth, up 9.7% year-on-year.

Groupe BPCE is continuing to offer innovative solutions to its customers. A pioneer in the area of mobile payments, it is the first banking group in the euro zone to have teamed up – via its two Banque Populaire and Caisse d'Epargne retail banking networks – with Apple Pay. Since the launch of this new mobile payment solution in France on July 19 earlier this year, Banque Populaire and Caisse d'Epargne customers have been able to use their Visa bank cards to complete purchases wherever contactless payments are accepted.

Financial results[21] for the third quarter and first nine months of 2016 of the Commercial Banking & Insurance business line

The **revenues** generated by the Commercial Banking & Insurance business line for the first nine months of 2016 came to 11,227 million euros (excluding changes in provisions for home purchase savings schemes), representing a decline of 3.7% compared with the same period in 2015. The historically low interest rates are continuing to weigh down on net customer interest income. Commissions derived from customers' use of banking products and services and from life insurance have risen. In contrast, commissions earned on early loan redemption have declined compared with the large volumes noted in 2015, as well as commissions related to centralized savings owing to the decline in the commission rate. If the results for the third quarter of 2015 are restated to account for capital gains of 73 million euros realized on the disposal of real-estate assets recognized in the third quarter of 2015, net banking income for the first nine months of 2016 (excluding changes in provisions for home purchase savings schemes) has declined by 3.1% year-on-year. Revenues for the third quarter of 2016 stand at 3,685 million euros (excluding changes in provisions for home purchase savings schemes) down 4.8% year-on-year.

Operating expenses (excluding exceptional items) are tightly managed, standing at 7,433 million euros for the first nine months of 2016, at a level comparable with the first nine

[21] 9M-15 and Q3-15 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 September 30, 2015

months of 2015 (-0.1%), and at 2,379 million euros in the third quarter of 2016, marginally down compared with the same period in 2015 (-0.6%).

Gross operating income (excluding exceptional items) came to 3,752 million euros in the first nine months of 2016, down 10.2% compared with the first nine months of 2015. In the third quarter of 2016, this item stood at 1,304 million euros, down 11.1% year-on-year.

The **cost of risk** (excluding exceptional items), which amounted to 791 million euros for the first nine months of 2016, has improved substantially, down by 21.4%. In the third quarter of 2016, it came to a total of 249 million euros, down 2.1% year-on-year.

The **contribution made by the Commercial Banking & Insurance business line to the Group's income before tax** (excluding exceptional items) came to 3,166 million euros for the first nine months of 2016, down 5.1% year-on-year, and stood at 1,110 million euros in the third quarter of 2016, down 12.1% compared with the same period in 2015.

Restated to account for the impact of IFRIC 21 and exceptional items:

- **Income before tax** stands at 3,206 million euros for the first nine months of 2016, down 5.0% compared with the same period in 2015. It is equal to 1,070 million euros for the third quarter of 2016, down 12.4% year-on-year. This negative performance is substantially less after the figures have been restated to account for capital gains realized on the disposal of real-estate assets for 73 million euros recognized in the third quarter of 2015.
- The **cost/income ratio** rose by 2.4 points for the first nine months of 2016, to stand at 66.1%. Reaching 65.7% in the third quarter of 2016, it has increased by 2.6 points in the space of one year.
- **ROE** for the first nine months of 2016 is equal to 10%, at a level comparable with the first nine months of 2015. The ROE of the third quarter of 2016 is equal to 10%, down one point compared with the third quarter of 2015.

3.1.1 Banque Populaire: growth in the customer base driven by the individual customer segment and general growth in the distribution of customer services

The Banque Populaire network comprises the 18 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 encouraging customers to extend their use of banking services and facilities leading, at the end of September 2016, to 2.0% year-on-year growth in the number of its principal active adult customers (+64,200 customers). Within this clientele, the number of customers using banking service and insurance products has increased by 8.9% in the space of a year (+98,500 customers). The number of active professional customers reported 1.3% year-on-year growth (+5,300 customers).

- **Customer loan outstandings**

Loan outstandings stood at 179 billion euros at the end of September 2016, equal to 5.1% year-on-year growth.

- **Customer deposits & savings**

Customer deposits & savings enjoyed 4.3% year-on-year growth, rising to a total of 239 billion euros at September 30, 2016.

- **Insurance**

Insurance activities continued to expand with 10.4% year-on-year growth in the size of the portfolio of P&C/non-life contracts and 10.7% growth in provident and health insurance contracts.

- **Financial results**

Net banking income for the first nine months of 2016 came to a total of 4,722 million euros (excluding changes in provisions for home purchase savings plans), down 4.7% compared with the first nine months of 2015. This change is the result, in particular, of a 6.4% decrease in customer net interest income (excluding changes in provisions for home purchase savings plans) and a 1.6% decline in commissions. Net banking income for the third quarter came to 1,541 million euros (excluding changes in provisions for home purchase savings plans), down 7.5% compared with the third quarter of 2015. If restated to account for capital gains realized on the disposal of real-estate assets for 73 million euros recognized in the third quarter of 2015, net banking income (excluding changes in provisions for home purchase savings plans) for the first nine months of 2016 has declined by 3.3% compared with the first nine months of 2015; a similar trend was noted in the third quarter of the year.

Operating expenses for the first nine months of 2016, which came to a total of 3,199 million euros (excluding exceptional items), are virtually stable (+0.3%) compared with the first nine months of 2015. In the third quarter of 2016, they stand at 1,045 million euros, up by 0.9%.

Gross operating income for the first nine months of 2016 stands at 1,505 million euros (excluding exceptional items), down 14.1% compared with the first nine months of 2015. For the third quarter, this items stands at 495 million euros, down 21.3%. This negative trend is substantially less after the figures have been restated to account for capital gains realized on the disposal of real-estate assets for 73 million euros recognized in the third quarter of 2015.

The **cost of risk** in the first nine months of 2016 is equal to 359 million euros, reflecting a significant decline of 19.5% compared with the first nine months of 2015. The cost of risk in the third quarter of 2016 stands at 98 million euros, down 9.8% compared with the same period in 2015.

Income before tax (excluding exceptional items) for the first nine months of 2016 stood at 1,207 million euros, down 9.8% compared with the first nine months of 2015. For the third quarter, income before tax is equal to 407 million euros, down 23.0% compared with the third quarter last year. This decline in income before tax is substantially less after the figures have been restated to account for capital gains realized on the disposal of real-estate assets for 73 million euros recognized in the third quarter of 2015.

If the results are restated to account for the impact of IFRIC 21, income before tax, excluding exceptional items, stands at 1,222 million euros for the first nine months of 2016, representing a decline of 9.7% compared with the first nine months of 2015. If the underlying figures are restated to account for capital gains realized on the disposal of real-estate assets for 73 million euros recognized in the third quarter of 2015, income before tax is down by 4.6% compared with the first nine months of 2015. In the third quarter of 2016, this item stood at 392 million euros, down 23.7%. This decline is substantially less when the underlying figures are restated to account for capital gains realized on the disposal of real-estate assets for 73 million euros recognized in the third quarter of 2015. The **cost/income ratio** has deteriorated by 3.4 percentage points, rising to 67.7% in the first nine months of 2016, and by 5.7 points, rising to 68.9% in the third quarter of 2016. This deterioration is substantially reduced after the underlying figures have been restated to account for capital gains realized on the disposal of real-estate assets recognized in the third quarter of 2015.

3.1.2 Caisse d'Epargne: growth in the customer base driven by the professional and corporate segments, and widespread growth in customer services

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

- **Customer base**

The strategy of increasing the delivery of banking services to individual customers of the Caisse d'Epargne network was pursued in the first nine months of 2016 and led to 1.5% growth in the number of principal active customers using banking services, i.e. 76,300 additional customers.

Within this customer segment, customers using banking services increased by 3.9%, representing a total of 121,900 customers. In the professional customer segment, the strategy of winning new customers led to a 4.3% increase in the number of active professional customers (+7,400 new customers in the space of one year). In the corporate customer segment, the number of active corporate customers has risen by 5.1% (+800 customers).

- **Customer loan outstandings**

Customer loan outstandings stood at 233 billion euros at September 30, 2016, equal to growth of 5.0% compared with September 30, 2015.

- **Customer deposits & savings**

Aggregate customer deposits & savings rose by 1.0% to reach 402 billion euros at September 30, 2016.

- **Insurance**

The Caisse d'Epargne retail banking network continued to pursue strong growth in its insurance activities, leading to 8.6% growth in its portfolio of P&C/non-life contracts and growth of 9.9% in the provident and health insurance segment.

- **Financial results**

Net banking income for the first nine months of 2016 stands at 5,449 million euros (excluding changes in provisions for home purchase savings plans), down 1.1% compared with the first nine months of 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 1.8% reduction in commissions. In the third quarter of 2016, net banking income (excluding changes in provisions for home purchase savings plans) stood at 1,787 million euros, down 0.8%.

Operating expenses, excluding exceptional items, are stable compared with the first nine months of 2015 (-0.4%) and come to a total of 3,540 million euros for the first nine months of 2016. In the third quarter of 2016, they amount to 1,117 million euros, down 1.9% compared with the third quarter of 2015.

Gross operating income, excluding exceptional items, is equal to 1,885 million euros for the first nine months of 2016, down 2.3% compared with the first nine months of 2015. In the third quarter of 2016, it comes to 671 million euros, reflecting a year-on-year reduction of 2.1%.

The **cost of risk**, equal to 270 million euros for the first nine months of 2016, has fallen by a total of 35.7% compared with the first nine months of 2015, excluding exceptional items. In the third quarter of 2016, it stood at 97 million euros, down 8.9%.

Income before tax, excluding exceptional items, stands at 1,612 million euros for the first nine months of 2016, up 7.1% year-on-year, and at 573 million euros for the third quarter, representing 4.6% growth in the space of one year.

If the results are restated to account for the impact of IFRIC 21, income before tax, excluding exceptional items, comes to 1,630 million euros for the first nine months of 2016, equal to 7.0% growth compared with the first nine months of 2015. In the third quarter of 2016, it came to 555 million euros, up by 4.7%. The **cost/income ratio** deteriorated by a 0.4 percentage point, rising to 64.9% in the first nine months of 2016. In the third quarter, it stands at 63.5%, equal to a 0.9-point improvement.

3.1.3 Other networks

The contribution of the **Other networks** sub-division to the income before tax of Groupe BPCE restated to account for the impact of IFRIC 21, stands at 354.2 million euros for the first nine months of 2016.

- **Real estate financing**

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

Crédit Foncier's activities remained buoyant in the first nine months of 2016. Aggregate new loan production came to 6.5 billion euros during the first nine months of 2016 and stood at 2.1 billion euros in the third quarter of this year driven, in particular, by home loans granted to individual customers (1.7 billion euros).

When restated to account for exceptional items (including the CVA/DVA impact), **net banking income** declined by 8.4% in the first nine months of 2016 compared with the first nine months of 2015. This negative trend reflects the decline in net interest income and the reduction in commissions (a consequence of fewer requests for early loan redemption and a decline in related fee income.)

- **BPCE International**

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

Loan outstandings stand at 5.7 billion euros, down 0.6%; home loan outstandings boast 7.1% growth while equipment loans are down by 5.1%.
Customer deposits & savings, which stand at 5.3 billion euros, have increased by 1.0%; demand deposits are up 4.8% while on-balance sheet deposits & savings (other than demand deposits) have declined by 1.3%.

- **Banque Palatine**

Buoyed up by the production of new home loans (+23.0%), the aggregate loan outstandings position[22] enjoyed 1.6% growth to reach a total of 8.3 billion euros.
Within the framework of the policy to keep a tight management over the cost of resources, customer deposits & savings[22] have declined by 4.3% overall, to 16.7 billion euros, including an 11.9% decrease in demand deposits.

3.2 Core business lines of Natixis[23,24] (Investment Solutions, Corporate & Investment Banking, and Specialized Financial Services: net banking income[25] of almost €6bn, +3% vs. 9M-15, despite a difficult first quarter in 2016

The **net banking income**[25] of the core business lines of Natixis (Investment Solutions, Corporate & Investment Banking, and Specialized Financial Services) stood at 5,964 million euros for the first nine months of 2016, up 2.9% compared with the same period in 2015 (Investment Solutions -1.9%, CIB +7.8%, SFS +3.6%). Net banking income came to 1,955 million euros in the third quarter of 2016, reflecting 7.4% growth compared with the third quarter of 2015 (Investment Solutions -4.3%, CIB +24.1%, SFS +3.2%).

The **operating expenses** of the core business lines of Natixis amounted to 3,850 million euros for the first nine months of 2016, up 3.1% compared with the same period in 2015. These expenses stood at 1,241 million euros in the third quarter of 2016, up 4.1% compared with the third quarter of 2015.

The **gross operating income**[25] of the core business lines of Natixis came to 2,114 million euros for the first nine months of 2016, representing 2.4% growth compared with the same period in 2015. This item stood at 714 million euros in the third quarter of 2016, reflecting a strong increase (+13.8%) compared with the third quarter of 2015.

[22] Position at end-September 2015 for loan outstandings and average position for deposits & savings
[23] The Groupe BPCE contribution figures are different from those published by Natixis
[24] 9M-15 and Q3-15 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 September 30, 2015
[25] Excluding exceptional items

The **cost of risk** of the core business lines of Natixis amounted to 216 million euros for the first nine months of 2016, up 15.5% compared with the same period in 2015. The cost of risk for the third quarter of 2016 rose 31.9% year-on-year to stand at 62 million euros.

The **income before tax**[25] of the core business lines of Natixis came to 1,970 million euros for the first nine months of 2016, up 3.4% on a year-on-year basis. Income before tax stood at 659 million euros in the third quarter of the year, up 12.2%.

Restated to account for the impact of IFRIC 21 and excluding exceptional items, income before tax for the first nine months of 2016 stands at 1,987 million euros, up 3.3% compared with the same period in 2015. It came to 642 million euros in the third quarter of 2016, up 12.7%. On a division-by-division basis, income before tax can be broken down as follows:

- The **Investment Solutions** division reported **income before tax** of 767 million euros for the first nine months of 2016, down 4.4% compared with the first nine months of 2015. The Investment Solutions division accounted for 39% of the income before tax of the core business lines. In the third quarter of 2016, income before tax stood at 247 million euros, down 10.1% compared with the third quarter of 2015.
- In the **Corporate & Investment Banking** division, **income before tax** came to 878 million euros for the first nine months of 2016, up 5.9%. The Corporate & Investment Banking division accounted for 44% of the income before tax of the core business lines. In the third quarter of 2016, income before tax enjoyed growth of 45.3% compared with the third quarter of 2015, rising to 300 million euros.
- The **income before tax of the Specialized Financial Services (SFS)** division enjoyed growth of 17.1% for the first nine months of 2016, rising to 341 million euros. The Specialized Financial Services division accounted for 17% of the income before tax of the core business lines. In the third quarter of 2016, income before tax rose by 7.3% compared with the third quarter of 2015 to reach a total of 95 million euros.

Restated to account for the impact of IFRIC 21, the **cost/income ratio** of the core business lines of Natixis is equal to 64.3% for the first nine months of 2016, representing an increase of 0.2 point. In the third quarter of this year, it stood at 64.3%, equal to a 2.1-point improvement.

Restated to account for the impact of IFRIC 21, **ROE** was equal to 13% for the first nine months of 2016, up one point compared with the same period in 2015. In the third quarter of 2016, it rose two points compared with the third quarter of 2015 to reach 12%.

(For a more detailed analysis of the core 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 2016

Non-economic items In millions of euros	9M-16 Income before tax	9M-16 Net income attributable to equity holders of the parent	9M-15 pf Income before tax	9M-15 pf Net income attributable to equity holders of the parent
Revaluation of own debt* *(net banking income)*	-138	-65	131	60
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies** *(net banking income)*	-32	-19	81	46
Total impact of non-economic items	**-170**	**-84**	**212**	**106**

Exceptional items In millions of euros	9M-16 Income before tax	9M-16 Net income attributable to equity holders of the parent	9M-15 pf Income before tax	9M-15 pf Net income attributable to equity holders of the parent
SWL Natixis legal dispute (*net banking income*)	-69	-32		
Capital gains realized on Visa Europe securities *(net banking income)*	831	797		
Disposal of the entire residual equity interest in Nexity *(net banking income)*	39	40	130	126
Banca Carige / Permanent impairment *(net banking income)*	-15	-15	-1	-1
Disposal of international assets managed on a run-off basis *(net banking income)*	-65	-43	-48	-30
Transformation costs *(operating expenses)*	-56	-37	-10	-6
Heta Asset Resolution AG *(cost of risk)*			-104	-64
Settlement of 2008 legal dispute of Natixis *(cost of risk)*			-30	-13
Decline in value of goodwill and other gains or losses on other assets	21	22	-34	-26
Total impact of exceptional items	**687**	**733**	**-97**	**-14**
Total impact	**517**	**649**	**115**	**92**

9M-15 results are presented pro forma (cf. notes on methodology)

* Concerns Natixis and Crédit Foncier

** Concerns Natixis and BPCE

NON-ECONOMIC AND EXCEPTIONAL ITEMS FOR THE 3D QUARTER OF 2016

Non-economic items In millions of euros	Q3-16 Income before tax	Q3-16 Net income attributable to equity holders of the parent	Q3-15 pf Income before tax	Q3-15 pf Net income attributable to equity holders of the parent
Revaluation of own debt* *(net banking income)*	-119	-57	13	6
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies** *(net banking income)*	-10	-6	-3	-1
Total impact of non-economic items	**-129**	**-63**	**10**	**4**

Exceptional items In millions of euros	Q3-16 Income before tax	Q3-16 Net income attributable to equity holders of the parent	Q3-15 pf Income before tax	Q3-15 pf Net income attributable to equity holders of the parent
SWL Natixis legal dispute (*net banking income*)	-69	-32		
Capital gains realized on Visa Europe securities *(net banking income)*				
Disposal of the entire residual equity interest in Nexity *(net banking income)*			19	18
Banca Carige / Permanent impairment *(net banking income)*	-1	-1	-3	-3
Disposal of international assets managed on a run-off basis *(net banking income)*			-19	-12
Transformation costs *(operating expenses)*	-20	-13	-8	-5
Heta Asset Resolution AG *(cost of risk)*				
Settlement of 2008 legal dispute of Natixis *(cost of risk)*			-30	-13
Decline in value of goodwill and other gains or losses on other assets	97	45		
Total impact of exceptional items	**7**	**-1**	**-41**	**-15**
Total impact	**-122**	**-64**	**-31**	**-11**

Q3-15 results are presented pro forma (cf. notes on methodology)

* Concerns Natixis and Crédit Foncier

** Concerns Natixis and BPCE

For further details about the financial results for the first nine month and the 3rd quarter of 2016, please consult the Investors/Results section of the corporate website www.bpce.fr.

The summary financial statements of Groupe BPCE for the period ended September 30, 2016 approved by the Management Board at a meeting convened on November 2, 2016, were verified and reviewed by the Supervisory Board at a meeting convened on November 8, 2016. The financial results contained in this press release have not been reviewed by the statutory auditors.

Notes on methodology

Presentation of 2015 pro-forma quarterly results

The segment information has been 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'Epargne Provence-Alpes-Corse the entire equity interest it held in Banque de la Reunion, Banque des Antilles Francaises and Banque de Saint-Pierre-et-Miquelon. The revenues generated by these entities have been attributed retroactively to the Caisse d'Epargne 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.

Non-economic and exceptional items

The figures and comments contained in this presentation are based on the income statements of Groupe BPCE and its business lines restated to reflect the non-economic and exceptional accounting items listed on pages 15 and 16 of this press release. A reconciliation of the restated income statement with the income statement published by Groupe BPCE is provided in an annex to the analysts' presentation.
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 Developpement 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."

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 . 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 core business lines *(Commercial Banking & Insurance; Investment Solutions, Corporate & Investment Banking, and Specialized Financial Services) is the ratio between the following items:*
Core 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 core business line
Normative capital is allocated to Groupe BPCE business lines since Q1-15 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 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 phaseout 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 Depôts et Consignations since Q1-16.*

Liquidity

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'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.
The ***liquidity reserve*** *includes:*
Available assets eligible for the Federal Reserve
Other available securities eligible for the Central European Bank
Securities retained, available and eligible for the Central European Bank
Private receivables eligible for central bank funding
Liquid assets placed with central banks
Amounts are published after including Central Bank discounts
Short-term funding *corresponds to funding with an initial maturity of less than 12 months.*

Loan outstandings and deposits & savings

Restatements conducted for the transition 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 18 Banque Populaire banks and the network of 17 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 35 million customers and enjoys a strong local presence in France with 8,000 branches and more than 8.9 million cooperative shareholders.

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