GROUPE BPCE

Bankers and insurers with a different perspective

Press Release

Paris, August 1, 2017

RESULTS[1] OF GROUPE BPCE FOR THE SECOND QUARTER AND FIRST HALF OF 2017

All business lines enjoy strong commercial momentum
Income before tax up 13.5%[2] in H1 2017

EXCELLENT LEVELS OF ACTIVITY ACHIEVED BY THE BUSINESS LINES

Retail Banking: high business volumes

- 5.2% year-on-year growth in loan outstandings
- Increase in on-balance sheet savings & deposits (excl. centralized items) of €24bn YoY (+6.4%)
- Good performance achieved by the Specialized financing business, related to the intensification of relationships with the retail banking network

Growth in Insurance activities

- Life insurance: doubling of the proportion of unit-linked policies in gross inflows year-on-year
- Non-life insurance[3]: portfolio of contracts up 9% year-on-year

Asset management

- Positive net inflows in Europe and the United States

Corporate & Investment Banking (CIB)

- Strong commercial momentum across the board
- Significant growth in the contribution from the Asia platform

INCOME BEFORE TAX UP 13.5%[2] ON A YEAR-ON-YEAR BASIS, DRIVEN BY THE CIB DIVISION

Retail Banking stands up well

- Limited decline in income before tax of 1.6%, to €2.2bn[2,4] in H1-17

Substantial growth in contributions to income before tax from the Investment Solutions and CIB divisions

- Investment Solutions: income before tax[2,4] up 14.0%, to approximately €600m in H1-17
- CIB: income before tax[2,4] up 46.5%, to almost €850m in H1-17

Decline in the cost of risk to 20bps in H1-17, lower than the business cycle average (30 to 35bps)

Attributable net income[2,4] equal to €1.9bn in H1-17, +11.3% if H1-16 tax relief is excluded

CONTINUED STRENGTHENING OF CAPITAL ADEQUACY

CET1 ratio[5]: 14.7%, representing an improvement of 40bps since December 31, 2016

TLAC ratio[5]: 20.0%, representing an improvement of 60bps since December 31, 2016

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[1] H1-16 and Q2-16 pro forma (cf. the note on methodology at the end of this press release); unless specified to the contrary, all changes use the same reference base of June 30, 2016
[2] Excluding non-economic and exceptional items
[3] Entities included: CNP Assurances, Natixis Assurances, Prépar vie (gross inflows from the Banque Populaire and Caisse d'Epargne retail banking networks
[4] After restating to account for IFRIC 21
[5] Estimate at June 30, 2017 - CRR/CRD IV without transitional measures (except for deferred tax assets on tax loss carryforwards); additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force

On August 1, 2017, the Supervisory Board of Groupe BPCE convened a meeting chaired by Michel Grass to examine the Group's financial statements for the first half and second quarter of 2017.

François Pérol, Chairman of the Management Board of Groupe BPCE, said: *"These results demonstrate the relevance of the strategy pursued by the Group since 2013 that has enabled us to lay a strong foundation for the forthcoming strategic plan to be unveiled in November. The core business lines of Natixis achieved a fine performance in the first half of the year with the CIB division boasting revenue growth of 20.8% and the Investment Solutions division posting growth of 9.3%. Similarly, in the Retail Banking division, the Banque Populaire banks and Caisses d'Epargne proved resilient in the face of a persistently adverse interest rate environment with net banking income of +1.2% and -0.6% respectively. The Group's revenues came to an aggregate total of 12.2[2] billion euros, representing growth of 4.8%. Thanks to a closely managed cost of risk and tightly controlled operating expenses, the Group's net income attributable to equity holders of the parent[2,4] stands at 1.9 billion euros. Our capital adequacy ratios have risen to 14.7% for the CET1 and 20.0% for the TLAC, thereby exceeding the stated target for 2019. In addition, Moody's recently upgraded the outlook of its long-term rating assigned to Groupe BPCE from 'stable' to 'positive'."*

1. CONSOLIDATED RESULTS[1] OF GROUPE BPCE FOR THE 1ST HALF AND 2ND QUARTER OF 2017

Groupe BPCE announces **strong results** for the first half of 2017, with a 4.8%[6] across-the-board increase in revenues. These results underscore the **good performance achieved by the Group's three business divisions** (Retail Banking, Investment Solutions, and Corporate & Investment Banking) and demonstrate the **relevance of BPCE's adoption of a diversified universal banking model**. Despite the extremely negative impact of low interest rates, the revenues posted by the Retail Banking division only declined by 0.4% (excluding changes in the provision for home purchase savings schemes) during the first six months of the year thanks to strong business momentum. Extremely good results were posted by the Corporate & Investment Banking arm, with 20.8% growth in revenues, as well as by the Investment Solutions division (+9.3%).

In this context and all things being equal, the Group's results made further headway in the first six months of 2017: net income attributable to equity holders of the parent[6,7] came to 1,889 million euros, a level stable compared with the same period in 2016 (-0.2%). If tax relief obtained in the first half of 2016 is excluded, net income grew by 11.3%. The published net income attributable to equity holders of the parent company stands at 1,596 million euros.

Groupe BPCE boasts a robust balance sheet that was further reinforced during the period with fully-loaded CET1[5] and TLAC[5] ratios of 14.6% and 19.9% respectively at June 30, 2017, to the effect that the TLAC ratio already exceeds the level of 19.5% required in early 2019 by banking regulations.

The Moody's rating agency has upgraded its long-term rating assigned to BPCE from 'outlook: stable' to 'outlook: positive.'

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

1.1 Consolidated results for the first half of 2017: income before tax[6] up 13.5% to €3.1bn

In the first half of 2017, the **net banking income** generated by Groupe BPCE came to 12,182 million euros[6], representing 4.8% growth over the same period in 2016 thanks, on the one hand, to strong momentum achieved by the core business lines of Natixis – notably the Corporate & Investment Banking (+20.8%) and Investment Solutions divisions (+9.3%) – and, on the other

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

hand, to the resilience of Retail Banking revenues (-0.4%, excluding changes in provisions for home purchase savings schemes). The revenues posted by the Retail Banking division stood up well against a backdrop of persistently low interest rates that depressed net interest income and favored the renegotiation and early redemption of home loans. This negative trend was offset by buoyant growth in the customer base and the development of synergies with the Natixis business lines that helped boost commission earnings.

The Group's **operating expenses** came to 8,597 million euros[6] for the first half of 2017, up 2.2% on a year-on-year basis. This increase is related to the development of the Corporate & Investment Banking and Investment Solutions divisions. If transformation costs in the Banque Populaire and Caisse d'Épargne retail banking networks are excluded, the operating expenses incurred by the Retail Banking division remain stable.

The Group's **gross operating income** came to a total of 3,585 million euros[6], equal to growth of 11.5% compared with the first half of 2016.

The **cost of risk** of Groupe BPCE stands at 691 million euros[6] for the first half of 2017. Compared with the first half of 2016, this metric has declined by 6.8% to 20 basis points[8] in the first half of this year (down from 23 basis points in the first half of 2016). The ratio of non-performing loans/gross loan outstandings has improved, falling from 3.5% at June 30, 2016 to 3.4% at June 30, 2017, while the impaired loans coverage ratio (including guarantees related to impaired outstandings) stood at 82.7% at June 30, 2017 (versus 83.6% at June 30, 2016).

- For the Banque Populaire and Caisse d'Epargne retail banking networks, the decline in the cost of risk follows the reduction noted in individual provisions,

- For the Corporate & Investment Banking division, the cost of risk has declined significantly compared with the first half of 2016, a period marked by a drive to book provisions for the Oil & Gas sector.

The Group's **income before tax** has grown by a substantial 13.5% to reach 3,067 million euros[6] in the first half of 2017.

The Group's **income tax** stands at 1,082 million euros[6] for the first half of the year and represents a more typical level of taxation. Income tax is 42.5% higher than in the first half of 2016 because the 2016 tax base was unusually low owing to tax relief for a total of 200 million euros obtained in the first half of that same year.

Net income attributable to equity holders of the parent[6] stands at €1,696m, representing a 1.0% decline compared with the first half of 2016.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:
- The cost/income ratio has declined by 1.8 percentage points to 68.6%,
- Return on equity has declined by 0.5 point to stand at 6.2%,
- Net income attributable to equity holders of the parent stands at 1,889 million euros, virtually unchanged (-0.2%) compared with the first half of 2016, and up by 11.3% if the tax relief obtained in the first half of 2016 is excluded.

After accounting for non-economic and exceptional items and cancelling the restatement of the impact of IFRIC 21, published net income attributable to equity holders of the parent stands at 1,596 million euros.

It should be noted that the 2016 basis of comparison includes highly significant exceptional items (including the divestment of Visa Europe securities with a 797 million euro impact on net income attributable to equity holders of the parent).

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

1.2 Consolidated results for the 2nd quarter of 2017: income before tax of €1.8bn[6], up 15.1%

In the second quarter of 2017, the **net banking income** of Groupe BPCE stood at 6,113 million euros[6], equal to a 4.7% increase versus the second quarter of 2016, driven by growth in the revenues posted by the Corporate & Investment Banking and Investment Solutions division of 16.4% and 10.6% respectively, in line with the results achieved in the first quarter of the year. The revenues posted by the Retail Banking division remain stable (excluding changes in provisions for home purchase savings schemes).

The Group's **operating expenses** came to 4,090 million euros[6] in the second quarter of 2017, up 1.6% on a year-on-year basis.

The Group's **gross operating income** stood at 2,023 million euros[6] in the second quarter of 2017, representing growth of 11.4% compared with the second quarter of 2016.

The Group's **cost of risk** fell by 12.0% in the second quarter of 2017, to a total of 325 million euros[6], or 19 basis points (versus 23 basis points in the second quarter of 2016).

The Group's **income before tax** came to a total of 1,797 million euros[6] in the second quarter of 2017, up 15.1% over the previous 12-month period.

The Group's **income tax** stands at 585 million euros[6] for the quarter, up 87.7% compared with the second quarter of 2016 (owing to tax relief obtained that same year).

Net income attributable to equity holders of the parent stands at 1,038 million euros[6], down 6.4% when compared with the second quarter of 2016.

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

- The cost/income ratio has declined by 2.0 percentage points to 68.9%,
- Return on equity is down by 1.1 percentage points to stand at 6.1%,
- Net income attributable to equity holders of the parent is equal to 943 million euros, down 7.4% compared with the second quarter of 2016.

After accounting for non-economic and exceptional items and the cancellation of measures taken to restate the impact of IFRIC 21, **published net income attributable to equity holders of the parent** stands at 978 million euros.

It should be noted that the 2016 basis of comparison includes highly significant exceptional items (including the divestment of Visa Europe securities with a 797 million euro impact on net income attributable to equity holders of the parent) and tax relief equal to 200 million euros.

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE FIRST HALF OF 2017

In millions of euros	H1-17	Impact of non-economic and exceptional items	H1-17 underlying
Net banking income	12,114	-68	12,182
Operating expenses	-8,700	-103	-8,597
Gross operating income	**3,414**	**-171**	**3,585**
Cost of risk	-699	-8	-691
Income before tax	**2,888**	**-179**	**3,067**
Income tax	-1,023	59	-1,082
Minority interests	-270	19	-289
Net income attributable to equity holders of the parent	**1,596**	**-101**	**1,696**
Restatement to account for the IFRIC 21 impact	*193*		*193*
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**1,788**	**-101**	**1,889**
Cost/income ratio	69.8%		68.6%
ROE			6.2%

In millions of euros	H1-16 pf	Impact of non-economic and exceptional items	H1-16 pf underlying	H1-17 underlying / H1-16 pf underlying % change
Net banking income	12,398	770	11,628	+4.8%
Operating expenses	-8,449	-36	-8,413	+2.2%
Gross operating income	**3,949**	**734**	**3,215**	**+11.5%**
Cost of risk	-741		-741	-6.8%
Income before tax	**3,360**	**658**	**2,702**	**+13.5%**
Income tax	-750	9	-759	+42.5%
Minority interests	-176	54	-230	+25.7%
Net income attributable to equity holders of the parent	**2,435**	**721**	**1,714**	**-1.0%**
Restatement to account for the IFRIC 21 impact	*180*		*180*	+7.0%
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**2,615**	**721**	**1,894**	**-0.2%**
Cost/income ratio	66.3%		70.4%	-1.8 pts
ROE			6.7%	-0.5 pt

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

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

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 2ND QUARTER OF 2017

In millions of euros	Q2-17	Impact of non-economic and exceptional items	Q2-17 underlying
Net banking income	6,052	-61	6,113
Operating expenses	-4,136	-46	-4,090
Gross operating income	**1,916**	**-107**	**2,023**
Cost of risk	-324	1	-325
Income before tax	**1,690**	**-106**	**1,797**
Income tax	-550	35	-585
Minority interests	-162	12	-174
Net income attributable to equity holders of the parent	**978**	**-60**	**1,038**
Restatement to account for the IFRIC 21 impact	*-95*		*-95*
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**883**	**-60**	**943**
Cost/income ratio	70.3%		68.9%
ROE			6.1%

In millions of euros	Q2-16 pf	Impact of non-economic and exceptional items	Q2-16 pf underlying	Q2-17 underlying / Q2-16 pf underlying % change
Net banking income	6,666	825	5,841	+4.7%
Operating expenses	-4,045	-20	-4,025	+1.6%
Gross operating income	**2,621**	**805**	**1,816**	**+11.4%**
Cost of risk	-370		-370	-12.0%
Income before tax	**2,290**	**729**	**1,561**	**+15.1%**
Income tax	-338	-26	-312	+87.7%
Minority interests	-89	51	-141	+23.6%
Net income attributable to equity holders of the parent	**1863**	**754**	**1,108**	**-6.4%**
Restatement to account for the IFRIC 21 impact	*-90*		*-90*	
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**1772**	**754**	**1,018**	**-7.4%**
Cost/income ratio	62.4%		70.9%	-2.0 pts
ROE			7.2%	-1.1 pts

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

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

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

2.1 Continuous generation of Common Equity Tier 1

The CET1 ratio[9] of Groupe BPCE continued to progress in the second quarter of 2017, reaching a level estimated at 14.7% at June 30, 2017, up from 14.3% at December 31, 2016, equal to an increase of 40 basis points. The increase in the CET1 ratio reflects the continuous generation of Common Equity Tier 1 thanks to the Group's policy regarding retained earnings (+35 basis points since December 31, 2016) and to the issue of cooperative shares (+19 basis points since December 31, 2016).

The total capital adequacy ratio[9], estimated at 18.8% at June 30, 2017, is 10 basis points higher than at December 31, 2016.

Total capital increased by 0.4 billion euros during the first half of 2017, rising from 73.0 billion euros at December 31, 2016 to an estimated 73.4 billion euros at June 30, 2017. This growth in the Group's total capital was driven, in particular, by the increase in CET1[9], which amounted to an estimated 57.5 billion euros at June 30, 2017 versus 56.0 billion euros at December 31, 2016. This 1.5 billion euro increase in capital was chiefly obtained via retained earnings.

Risk-weighted assets remain under tight control at 391 billion euros at June 30, 2017, stable compared with their level at December 31, 2016 (at current exchange rates).

2.2 The TLAC ratio requirement for early 2019 is already satisfied

The Total Loss Absorbing Capacity[10] (TLAC) stood at 78.3 billion euros at the end of June 2017.

The TLAC ratio (expressed as a percentage of risk-weighted assets), which stood at an estimated 20.0% at June 30, 2017, has risen by 60 basis points above its December 31, 2016 level. It is consequently already higher than the TLAC level of 19.5% required at the beginning of 2019. In order to remain compliant with this regulatory requirement, Groupe BPCE plans to issue senior non-preferred debt of between 1.5 and 3.5 billion euros per year, and does not anticipate having recourse to the fixed portion of senior preferred debt.

In view of Groupe BPCE's TLAC policy, readers are reminded that it is now more likely that the call options attached to former additional Tier-1 capital instruments issued by BPCE without step-up clauses will be exercised subject, however, to obtaining prior approval from the banking supervisory authorities.

At June 30, 2017, the leverage ratio[11] stood at 5.0%, stable compared with December 31, 2016.

2.3 Enhanced liquidity reserves

At June 30, 2017, Groupe BPCE's total liquidity reserves[12] stood at 220 billion euros, including 72 billion euros in available assets eligible for central bank funding, 71 billion euros in securities eligible for the Liquidity Coverage Ratio (LCR), and 77 billion euros in cash placed with central banks.

At June 30, 2017, the total liquidity reserves[12] of Groupe BPCE covered 164% of total short-term funding outstandings and medium-/long-term debt maturing within one year or less (against 158% at December 31, 2016).

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

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[9] CRR/CRD IV without transitional measures (except for deferred tax assets on tax loss carryforwards); additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force
[10] According to the term sheet published by the Financial Stability Board on the "Total Loss-Absorbing Capacity" dated November 9, 2015
[11] Estimate at June 30, 2017 calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014 - CRR/CRD IV without transitional measures, after restating to account for deferred tax assets on tax loss carryforwards
[12] Excluding US Natixis MMF deposits

2.4 A wholesale medium-/long-term funding plan for 2017 already 102% completed as at June 30, 2017

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of 20.5 billion euros at June 30, 2017, equal to 102% of the 2017 program (20 billion euros). This total includes an issue of 1.85 billion USD raised in a pre-funding operation for 2017, completed on November 29, 2016. The average maturity at issue stands at 7.3 years and the average interest rate is equal to mid-swap +28 basis points. During this period, 55% of MLT funding was completed in the form of public bond issues and 45% in the form of private placements.

The 20.5 billion euros raised as at June 30, 2017 can be broken down as follows:

- A total of 14.3 billion euros (10.3 billion euros in senior preferred debt and 4 billion euros in senior non-preferred debt) was raised in the form of unsecured issues, representing 70% of the MLT funding structure, in line with the Group's objectives.
- A total of 6.2 billion euros was raised in the form of covered bond issues, representing 30% of the MLT funding structure, in line with the Group's objectives.

During this period, Groupe BPCE continued to raise substantial funds thanks to the considerably broad diversification of its investor base. As a result, 58% of the bonds issued in the unsecured segment were placed in currencies other than the euro (notably 42% in US dollars and 13% in Japanese yen).

In May and June 2017, Groupe BPCE completed several landmark bond issues:

- An inaugural issue by BPCE of USD-denominated senior non-preferred debt: 1.5 billion USD of 5-year bonds issued under very tight conditions and with a record-breaking order book,
- A long issue of covered bonds by BPCE SFH: 1 billion euros of 12-year bonds issued with a 1.08% return for investors, contributing to the optimal refunding of home loans granted by the Group,
- An inaugural – and innovative – issue of social bonds by BPCE on the Japanese market: a 58.1 billion JPY (468 billion euro) issue, maturing in 5, 7, 10 and 15 years under tight conditions. This montage makes it possible to refinance eligible loans granted in the social and health sectors by the Banque Populaire banks and Caisses d'Epargne.

3. RESULTS[13] OF THE BUSINESS LINES: EXCELLENT LEVEL OF ACTIVITY ACHIEVED BY THE BUSINESS LINES

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

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

Three business line divisions:

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

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

Contribution of the business lines to the results of Groupe BPCE

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

- The contribution of the **Retail Banking** division to the net banking income of Groupe BPCE accounted for 68% of the aggregate total in the first half of 2017 (against 71% during the same period in 2016). The division was responsible for 60% of aggregate income before tax (against 67% in the first half of 2016). The division's ROE stands at 9%, versus 10% in the first half of 2016.
- The **Investment Solutions** division contributed 15% to the Group's net banking income in the first half of 2017 (against 14% in the first half of 2016) and contributed 17% to income before tax (against 16% in the first half of 2016). The division's ROE stands at 14%, at the same level as in the first half of 2016.
- The contribution made by the **Corporate & Investment Banking** division accounted for 17% of the Group's aggregate net banking income in the first half of 2017 (against 14% in the first half of 2016). It also contributed 23% to aggregate income before tax (against 17% in the first half of 2016). The division's ROE came to 17% versus 11% in the first half of 2016.

3.1 Retail Banking: net banking income stable in the first half of 2017, marked by strong new loan production and a high level of early redemption fees

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

The Retail Banking division maintained **buoyant commercial activity** in the first half of 2017 and continued to play an active role in financing the French economy. Loan outstandings reached 529 billion euros at June 30, 2017, equal to growth of 5.2% since June 30, 2016 with an increase in home loans and equipment loans of 5.1% and 4.2% respectively and 7.8% growth in consumer loans. The volume of new loan production remained at a high level (almost 70 billion euros).

[13] H1-16 and Q2-16 pro forma (cf. the note on methodology at the end of this press release); unless specified to the contrary, all changes use the same reference base of June 30, 2016

Total **deposits & savings** of the Retail Banking division came to 677 billion euros at June 30, 2017, up 2.4% since June 30, 2016. New on-balance sheet deposits & savings (excluding centralized savings products) amounted to 24 billion euros over the 12-month period driven, in particular, by strong growth in demand deposits (+13.3%).

Synergies of revenues between the Banque Populaire and Caisse d'Epargne retail banking networks and the business lines of Natixis totaled 730 million euros between January 2014 and June 2017:

- Contribution predominantly from the Insurance business (59%) driven by buoyant growth,
- Intensification of relations between the retail networks and the business lines of Specialized Financial Services (Consumer finance, Sureties & Financial Guarantees, and Leasing).

Retail Banking: financial results for the second quarter and first half of 2017

The **net banking income** of the Retail Banking division came to 8,187 million euros (excluding changes in provisions for home purchase savings schemes) in the first half of 2017, representing a marginal decline of 0.4% over the previous 12-month period. Net interest income continued to decline against a backdrop of historically low interest rates. It is partially offset by service fees related to the expansion of the customer base and the greater use of banking products and services, and by the high level of early redemption fees. Net banking income for the second quarter of 2017 stands at 4,065 million euros (excluding changes in provisions for home purchase savings schemes), stable on a year-on-year basis.

Operating expenses (excluding exceptional items) came to 5,499 million euros for the first half of 2017, stable on a year-on-year basis. In the second quarter of 2017, this item stood at 2,685 million euros, up 0.5% year-on-year.

Gross operating income (excluding exceptional items) came to 2,691 million euros in the first 6 months of 2017, up 0.3% compared with the first half of 2016. In the second quarter of 2017, this item stood at 1,395 million euros, up 0.7% year-on-year.

The **cost of risk** (excluding exceptional items), came to 555 million euros in the first half of 2017, down by 2.8%. In the second quarter of 2017, it came to a total of 251 million euros, down by 13.7% year-on-year.

The contribution made by the Retail Banking division to the Group's income before tax (excluding exceptional items) came to 2,157 million euros in the first half of 2017, down 1.5% year-on-year, and stood at 1,155 million euros in the second quarter of 2017, up 0.8% compared with the same period in 2016.

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

- **Income before tax** stands at 2,239 million euros for the first half of 2017, down 1.6% compared with the first half of 2016. It is equal to 1,114 million euros for the second quarter of 2017, up 1.0% year-on-year.
- **The cost/income ratio** stands at 66.2%, stable on a year-on-year basis. It is equal to 66.8% in the second quarter of 2017, down 0.1 point.

After accounting for non-economic and exceptional items and cancelling restatements made to account for the impact of IFRIC 21, **published income before tax** stands at 2,092 million euros for the first half of 2017, down 2.9% compared with the same period in 2016. In the second quarter of 2017, this item stood at 1,119 million euros, down 0.6% year-on-year.

3.1.1 Banque Populaire: growth in the customer base and positive momentum in commission income

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 expanded its customer base in the first half of 2017 with a 9% increase in the number of new relationships forged with individual customers (+245,400 customers). It also pursued its strategy of increasing the delivery of banking services and products to its customers resulting, at the end of June 2017, in 2.7% year-on-year growth in the number of principal active customers aged 25 or more using banking services (or +90,700 customers including +78,300 customers using banking services).

- **Loan outstandings and deposits & savings**

Loan outstandings came to 191 billion euros at June 30, 2017, representing 7.9% growth compared with June 30, 2016.

Deposits & savings stood at 250 billion euros at June 30, 2017, equal to growth of 4.9% compared with June 30, 2016.

- **Insurance**

Insurance activities continued to grow with a year-on-year increase in the portfolio of 8.8% for P&C/non-life insurance and of 7.2% for provident and health insurance.

- **Financial results**

Net banking income stood at 3,210 million euros in the first half of 2017 (excluding changes in provisions for home purchase savings schemes), up 0.9% compared with the first half of 2016. This progress is the result, in particular, of an 3.3% decrease in net interest income (excluding changes in provisions for home purchase savings schemes and after restating to account for Prépar Vie, a life-insurance subsidiary of BRED) and a 5.0% rise in commissions (excluding early loan redemption fees, which enjoyed growth of 75.5% compared with the first half of 2016). For the second quarter, net banking income came to a total of 1,596 million euros (excluding changes in provisions for home purchase savings schemes), up 0.5% compared with the second quarter of 2016.

Operating expenses remained under tight control in the first half of 2017, reaching 2,168 million euros (excluding exceptional items[14]), marginally up compared with the first half of 2016 (+0.6%). For the second quarter of the year, they stand at 1,061 million euros, up 1.4%.

Gross operating income for the first half of 2017 is equal to 1,035 million euros (excluding exceptional items), up 2.4% compared with the first half of 2016. This item came to 536 million euros, down 0.1% in the second quarter.

The **cost of risk** in the first half of 2017, equal to 211 million euros, has declined by a substantial 19.2% compared with the first half of 2016. The cost of risk in the second quarter of 2017 came to 105 million euros, down 18.6% compared with the second quarter of 2016.

Income before tax (excluding exceptional items) for the first half of 2017 stands at 843 million euros, up 5.5% compared with the first half of 2016. In the second quarter of the year, it came to 439 million euros, up 2.9% compared with the same period last year.

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

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

- **Income before tax** stands at 873 million euros for the first half of 2017, up 5.2% compared with the first half of 2016. It is equal to 424 million euros for the second quarter of 2017, up 3.2% year-on-year.
- **The cost/income ratio** stands at 66.8%, down a 0.3 percentage point. It is equal to 67.4% in the second quarter of 2017, up by 0.3 points.

After accounting for non-economic and exceptional items and cancelling restatements made to account for the impact of IFRIC 21, **published income before tax** stands at 817 million euros for the first half of 2017, up 4.1% compared with the same period in 2016. In the second quarter of 2017, this item stood at 423 million euros, up 1.3% year-on-year.

3.1.2 Caisse d'Epargne: buoyant lending activity and growth in commission income

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

- **Customer base**

The strategy consisting in delivering banking services to the individual customers of the Caisse d'Epargne retail banking network continued during the first half of 2017 and led to 3.0% growth in the number of principal active customers aged 25 or more, i.e. 169,000 additional customers (of which 128,000 customers using banking services). In the professional customers market segment, the strategy aimed at attracting new customers made it possible to increase the number of active customers by 7.7% (+13,900 clients in the space of a year). In the corporate customer segment, the number of active customers increased by 11.7% (+1,900 customers).

- **Loan outstandings and deposits & savings**

Loan outstandings stood at 245 billion euros at June 30, 2017, up 6.9% compared with June 30, 2016.

Deposits & savings came to 405 billion euros at June 30, 2017. This figure represents a 1.0% increase over their level at June 30, 2016.

- **Insurance**

The Caisse d'Epargne retail banking network saw significant expansion in its insurance activities, leading to 6.7% growth in its portfolio of P&C/non-life insurance contracts and 12.4% growth in provident and health insurance cover.

- **Financial results**

Net banking income stood at 3,606 million euros in the first half of 2017 (excluding changes in provisions for home purchase savings schemes), down 1.5% compared with the first half of 2016. This progress is the result, in particular, of a 5.8% decrease in net interest income (excluding changes in provisions for home purchase savings schemes) and a 2.2% rise in commissions (excluding early loan redemption fees, which rose by 74.2% compared with the same period in 2016). For the second quarter, net banking income came to a total of 1,787 million euros (excluding changes in provisions for home purchase savings schemes), down 0.1% compared with the second quarter of 2016.

Operating expenses for the first half of 2017, which amounted to 2,391 million euros (excluding exceptional items), down 1.3% compared with the first half of 2016. For the second quarter of the year, they stand at 1,169 million euros, down 0.9%.

Gross operating income for the first half of 2017 is equal to 1,226 million euros (excluding exceptional items), up 0.9% compared with the first half of 2016. This item came to 632 million euros, up 4.4%, in the second quarter.

The **cost of risk** in the first half of 2017, equal to 172 million euros, is virtually stable (-0.5%) compared with the first half of 2016. The cost of risk in the second quarter of 2017 comes to 91 million euros, up 3.4% compared with second quarter of 2016.

Income before tax (excluding exceptional items) for the first half of 2017 stands at 1,054 million euros, up 1.4% compared with the first half of 2016. In the second quarter of the year, it came to 540 million euros, up 4.8% compared with second quarter of 2016.

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

- **Income before tax** stands at 1,087 million euros for the first half of 2017, up 1.2% compared with the first half of 2016. It is equal to 523 million euros for the second quarter of 2017, up 5.2% year-on-year.
- **The cost/income ratio** stands at 65.2% for the first half of 2017, down 0.5 point. It is equal to 65.9% in the second quarter of 2017, down 1.2 point.

After accounting for exceptional items and the cancellation of restatements made with respect to the impact of IFRIC 21, **published income before tax** stands at 1,015 million euros for the first half of 2017, down 0.2% compared with the same period in 2016. In the second quarter of 2017, this item stood at 521 million euros, up 3.2% year-on-year.

3.1.3 Specialized Financial Services: good performance from Specialized financing

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

- **Financial results**

Net revenues stood at 691 million euros in the first half of 2017, up 1.0% compared with the first half of 2016. More particularly, the net banking income generated by the Specialized financing business line achieved 3% growth year-on-year. In the second quarter of 2017, net banking income came to 347 million euros, up 1.6%.

Operating expenses amounted to 458 million euros in the first half of 2017, up 2.8% compared with the first half of 2016. This increase is due to the inclusion of Groupe BPCE's payment structures within Natixis. In the second quarter of 2017, they stood at 227 million euros, up 2.9% compared with the second quarter of 2016.

Gross operating income came to 233 million euros in the first half of 2017, down 2.3% compared with the first half of 2016. In the second quarter of 2017, it came to 120 million euros, representing a 0.7% year-on-year decline.

The **cost of risk**, which came to 35 million euros for the first half of 2017, increased by 20.5% versus the same period in 2016. This unfavorable trend is chiefly due to the Lease financing activity (unfavorable basis of comparison) and the Consumer finance business (migration toward a new recovery system). It returned to a more normal level in the second quarter of 2017, falling 14.6% to 14 million euros.

Income before tax amounted to 197 million euros in the first half of 2017, down 17.8% over a 12-month period, and to 106 million euros in the second quarter of 2017, down 22.0% year-on-year.

If non-economic and exceptional items are excluded, and after restating to account for the impact of IFRIC 21:

- **Income before tax** came to 202 million euros in the first half of 2017, down 17.7% compared with the first half of 2016 (-6% if capital gains on real estate carried in CEGC's accounts in the second quarter of 2016 are excluded). It came to 103 million euros in the second quarter of 2017, down 22.1% year-on-year.

- The **cost/income ratio** rose by 1.2 percentage points in the first half of the year, to stand at 65.6%; it rose by 0.7 points in the second quarter of the year to 66.1%.

Acquisition of Dalenys, a recognized player in e-merchant solutions: an agreement to acquire 50.04% of the capital of Dalenys (equating to 58.09% of its voting rights) was signed on June 26, 2017; the completion of the transaction is subject to several conditions precedent. Once the transaction is completed, a public bid will be launched for Dalenys' remaining capital. This acquisition would be a significant step for Natixis Payment Solutions (NPS) in strengthening its position on the French market while enabling it to broaden its European footprint in a strong growth market segment.

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

3.1.4 Other networks

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

- **Real estate Financing**

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

Aggregate new loan production increased sharply in the first half of 2017 (+34.1%) compared with the same period in 2016, to reach a total of 5.8 billion euros. Home loans granted to individual customers accounted for 4.5 billion euros in the aggregate new loan production figure (equal to an increase of 44% compared with the first half of 2016).

At the same time, Crédit Foncier has experienced a gradual decline in its loan outstandings[15] position. As a result, loan outstandings stood at 79.6 billion euros at June 30, 2017 against 83.0 billion euros at June 30, 2016.

Against a background of low interest rates and more intense competition, the contribution made by Crédit Foncier to the Group's income before tax (after restating to account for the impact of IFRIC 21) stands at 62 million euros, down 25.3% compared with the first half of 2016. This change should be understood in the context of a 7.5% decline in net banking income, chiefly under the double effect of the reduction in the stock of credits (carried on the balance sheet) and new loan production realized at a margin significantly lower than in 2016. Crédit Foncier is also pursuing its policy aimed at substantially cutting its costs. As a result, in the first half of 2017, operating expenses restated to account for provisions booked with respect to new employee retirement agreements have fallen by almost 4.3%.

- **Banque Palatine**

The average loan outstandings position has increased to stand at 8.2 billion euros (against 7.9 billion euros at June 30, 2016). The average level of deposits & savings has increased to 16.9 billion euros (up from 16.5 billion euros at June 30, 2016).

The contribution made by Banque Palatine to the Group's income before tax (after restating to account for the impact of IFRIC 21) came to 42 million euros in the first half of 2017 representing year-on-year growth of 29.0%. This increase is related to a moderate cost of risk.

- **BPCE International**

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

[15] Core business line outstandings under management, estimate at June 30, 2017

Aggregate loan outstandings stand at 5.4 billion euros (against 5.7 billion euros at June 30, 2016). Deposits & savings amount to 5.0 billion euros (against 5.3 billion euros at June 30, 2016).

The contribution of BPCE International to the Group's income before tax (after restating to account for the impact of IFRIC 21) was negative in the first half of 2017 at -27 million euros. This sharp decline is due to the booking of additional provisions on loan portfolios in Tunisia.

3.2 Investment Solutions: continuing dynamic performance in Insurance and confirmed rebound in Asset management

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

- **Financial results**

Net revenues came to 1,811 million euros in the first half of 2017, up 9.3% compared with the first half of 2016. Asset management, in particular, contributed 1,388 million euros[16] to this total (+11%). The net banking income generated by the Investment Solutions division stood at 920 million euros in the second quarter of 2017, up 10.6% compared with the same period in 2016.

Operating expenses (excluding exceptional item) stood at 1,244 million euros in the first half of 2017, up 6.4% compared with the same period in 2016, and at 619 million euros in the second quarter of 2017, up 7.0% compared with the same period in 2016.

Gross operating income (excluding exceptional item) came to 566 million euros in the first half of 2017, up 16.2% compared with the same period in 2016. In the second quarter of 2017, this item stood at 301 million euros, up 18.7% year-on-year.

The **cost of risk** is zero.

Income before tax (excluding exceptional item) stood at 583 million euros in the first half of 2017, up 13.8% year-on-year, and at 304 million euros in the second quarter of 2017, up 19.4% year-on-year.

If non-economic and exceptional items are excluded, and after restating to account for the impact of IFRIC 21:

- **Income before tax** came to 593 million euros in the first half of 2017, up 14.0% over the 12-month period. It came to 299 million euros in the second quarter of 2017, up 19.3% year-on-year.
- The **cost/income ratio** improved by almost 2 percentage points, to 68.2% in the first half of 2017. It improved by 2.2 percentage points, to 67.8% in the second quarter of 2017 compared with the same period in 2016.

After accounting for exceptional item and cancelling restatements made to account for the impact of IFRIC 21, **published income before tax** comes to 562 million euros for the first half of 2017, up 9.6% compared with the same period in 2016. In the second quarter of 2017, it stood at 302 million euros, up 18.8%.

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

[16] Underlying revenues refer to revenues excluding €25m provision in Q2-17 related to the AMF sanction concerning Formula funds

3.3 Corporate & Investment Banking: strong commercial momentum across the board

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

- **Financial results**

Net revenues rose 20.8% in the first half of 2017 to reach a total of 2,016 million euros. It came to 1,032 million euros in the second quarter of 2017, reflecting 16.4% growth year-on-year.

Operating expenses came to 1,114 million euros in the first half of 2017, up 12.1% compared with the first half of 2016. These expenses stood at 552 million euros in the second quarter of 2017, up 14.4% over the same period last year.

Gross operating income amounted to 902 million euros in the first half of 2017, up 33.7% compared with the first half of 2016. This item stood at 481 million euros in the second quarter of 2017, reflecting 18.7% growth compared with the second quarter of 2016.

The **cost of risk**, which stood at 78 million euros for the first half of 2017, has declined sharply by a total of 37.5% compared with the first half of 2016. The cost of risk for the second quarter of 2017 decreased by 8.4% year-on-year to stand at 48 million euros.

Income before tax stood at 829 million euros in the first half of 2017, up 48.6% year-on-year, and at 435 million euros in the second quarter of 2017, up 22.1% year-on-year.

If non-economic and exceptional items are excluded, and after restating to account for the impact of IFRIC 21:

- **Income before tax** came to 848 million euros in the first half of 2017, up 46.5% compared with the first half of 2016. It came to 426 million euros in the second quarter of 2017, up 23.0% year-on-year.
- The **cost/income ratio** improved significantly by 3.9 percentage points, to 54.4% in the first half of 2017. It improved by 1.2 percentage points, to 54.3% in the second quarter of 2017 compared with the same period in 2016.

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

NON-ECONOMIC AND EXCEPTIONAL ITEMS FOR THE FIRST HALF OF 2017

In millions of euros	H1-17 Net income attributable to equity holders of the parent	H1-16 pf Net income attributable to equity holders of the parent
Non-economic items of an accounting nature	**-38**	**-13**
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center division)	-38	-13
Disposal of non-strategic holdings and assets managed on a run-off basis (Corporate center division)		**794**
Capital gains realized on Visa Europe securities		797
Disposal of share capital of Nexity		40
Disposal of international assets managed on a run-off basis		-43
Transformation and reorganization costs (Business lines / Corporate center division)	**-52**	**-24**
Impairment of goodwill and others	**-11**	**-36**
One-off additional company social solidarity contribution related to the agreement with CNP (Investment Solutions)	-9	
Banca Carige / Prolonged decline in value (Corporate center division)	-2	-13
Impairment of goodwill (Corporate center division)		-23
Total impact of non-economic and exceptional items	**-101**	**721**

NON-ECONOMIC AND EXCEPTIONAL ITEMS FOR THE 2ND QUARTER OF 2017

In millions of euros	Q2-17 Net income attributable to equity holders of the parent	Q2-16 pf Net income attributable to equity holders of the parent
Non-economic items of an accounting nature	**-31**	**14**
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center division)	-31	14
Disposal of non-strategic holdings and assets managed on a run-off basis (Corporate center division)	**1**	**780**
Capital gains realized on Visa Europe securities		797
Disposal of share capital of Nexity		
Disposal of international assets managed on a run-off basis	1	-17
Transformation and reorganization costs (Business lines / Corporate center division)	**-28**	**-13**
Impairment of goodwill and others	**-1**	**-26**
One-off additional company social solidarity contribution related to the agreement with CNP (Investment Solutions)		
Banca Carige / Prolonged decline in value (Corporate center division)	-1	-3
Impairment of goodwill (Corporate center division)		-23
Total impact of non-economic and exceptional items	**-60**	**754**

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

The quarterly and half-year financial statements of Groupe BPCE for the period ended June 30, 2017 approved by the Management Board at a meeting convened on July 27, 2017, were verified and reviewed by the Supervisory Board at a meeting convened on August 1, 2017. These results are subject to a limited review carried out by the statutory auditors.

Notes on methodology

Presentation of pro-forma quarterly results

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

Non-economic and exceptional items

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

Restatement of the impact of IFRIC 21

The results, cost/income ratios and ROE, after being restated to account for the impact of IFRIC 21, are calculated on the basis of 1/4 of the amount of taxes and contributions resulting from the interpretation of IFRIC 21 for a given quarter, or 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 to the Single Supervisory Mechanism).

Net banking income

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

Operating expenses

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

Cost of risk

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

Business line performance presented using Basel 3 standards

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

Capital adequacy

Common Equity Tier 1 *is determined in accordance with the applicable CRR/CRD IV rules;* ***fully-loaded*** *equity is presented without the application of transitional measures, except for the restatement of deferred tax assets (DTA) on tax loss carryforwards and pro forma of the additional phase-in of the stock of DTA in accordance with regulation 2016/445.*

***Additional Tier-1 capital** takes account of subordinated debt issues that have become non-eligible and subject to ceilings at the phase-out rate in force.*
***The leverage ratio** is calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014, without transitional measures, after restating to account for deferred tax assets on tax loss carryforwards. Securities financing operations carried out with clearing houses are offset on the basis of the criteria set forth in IAS 32, without consideration of maturity and currency criteria. Account has been taken in the total leverage exposure of savings deposits centralized with the Caisse des Dépôts et Consignations since Q1-16.*

Total loss-absorbing capacity
*The **amount of liabilities eligible for inclusion in the numerator used to calculate the Total Loss-Absorbing Capacity (TLAC) ratio** is determined on the basis of our understanding of the Term Sheet published by the FSB on November 9, 2015: "Principles on Loss-Absorbing and Recapitalization Capacity of G-SIBs in Resolution." This amount is comprised of the following 4 items: Common Equity Tier 1 in accordance with the applicable CRR/CRD IV rules, Additional Tier-1 capital in accordance with the applicable CRR/CRD IV rules,Tier-2 capital in accordance with the applicable CRR/CRD IV rules, Subordinated liabilities not recognized in the capital mentioned above and whose residual maturity is greater than 1 year, namely: - The share of additional Tier-1 capital instruments not recognized in common equity (i.e. included in the phase-out),- The share of the prudential discount on Tier-2 capital instruments whose residual maturity is greater than 1 year,- The nominal amount of senior non-preferred securities maturing in more than 1 year. Eligible amounts differ slightly from the amounts adopted for the numerator of the capital adequacy ratios; these eligible amounts are determined using the principles defined in the Term Sheet published by the FSB on November 9, 2015.*

Liquidity
***Total liquidity reserves** include:*
Central bank-eligible assets include: ECB-eligible securities not eligible for the LCR, taken for their ECB valuation (after ECB haircut), securities retained (securitization and covered bonds) that are available and ECB-eligible taken for their ECB valuation (after ECB haircut) and private receivables available and eligible for central bank funding (ECB and Federal Reserve), net of central bank funding.
LCR eligible assets comprising the Group's LCR reserve taken for their LCR valuation.
Liquid assets placed with central banks (ECB and the Federal Reserve), net of US Money Market Funds deposits and to which fiduciary money is added.
***Short-term funding** corresponds to funding with an initial maturity of less than or equal to 1 year, and **the short-term maturities of medium-/long-term debt** correspond to debt with an initial maturity date of more than 1 year maturing within the next 12 months.*
*The Group's **LTD ratio (customer loan-to-deposit ratio)** is the ratio between customer loans and centralized regulated passbook savings accounts in the numerator, and customer deposits in the denominator. The scope of the calculation excludes SCF (Compagnie de Financement Foncier, the Group's société de crédit foncier, a French covered bond issuer). These items are taken from the Group's accounting balance sheet after accounting for the insurance entities using the equity method. Customers' deposits are subject to the following adjustments:*
Addition of security issues placed by the Banque Populaire and Caisse d'Epargne retail banking networks with their customers, and certain operations carried out with counterparties comparable to customer deposits
Withdrawal of short-term deposits held by certain financial customers collected by Natixis in pursuit of its intermediation activities.

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

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

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