GROUPE BPCE

Bankers and insurers with a different perspective

Press Release

Paris, August 2nd, 2018

H1-18 growth in net banking income[1] to €12.2bn, +2.0% (+2.8% in Q2-18) and in published attributable net income to €1.6bn, +3.0% (+6.1% in Q2-18)

RESULTS OF THE BUSINESS LINES[1] in the first six months of 2018: growth in net banking income driven by the development of commission income and Insurance activities

Retail Banking & Insurance:

- H1-18: limited -1.1% year-on-year decline in net banking income to €8,468m
- Enhanced commission income (excluding ERF[2]) in the Banque Populaire banks and Caisses d'Epargne: +4.5% in H1-18
- Insurance: strong growth in business activities and revenues (+7.8% in H1-18)
- Growth in revenues posted by the Payments activities (+15% in H1-18)
- Q2-18: upturn in Retail Banking revenues, taking year-on-year growth in the division's net banking income to +0.8%, or €4,292m

Asset & Wealth management:

- Buoyant growth in the division with a €1,596m contribution to net banking income, representing year-on-year growth of 17.7% at constant foreign exchange rates (+10.2% to €819m in Q2-18)

Corporate & Investment Banking

- Contribution to the Group's net banking income of €1,904m, stable year-on-year at constant exchange rates (-5.3% to €965 in Q2-18)

CAPITAL ADEQUACY & RATINGS: high level of capital adequacy and Group's credit rating enhanced

- CET1[3] pro forma and TLAC[4] ratios equal to 15.2% and 21.6% respectively at June 30, 2018; the TLAC target defined in the strategic plan has already been achieved.
- Moody's credit rating on the Group's long-term preferred senior debt upgraded from A2, outlook positive, to A1, outlook stable.

STRATEGIC PROGRESS: continued implementation of the Group's transformation plan

- Plan to integrate Crédit Foncier[5]: an initiative announced in June 2018 designed to ensure the long-term future of Crédit Foncier's activities and expertise within the Group
- Innovation: the first banking group in France to roll out the Instant Payment solution
- Asset & Wealth Management: project of acquisition of MV Crédit (UK) and project of partnership with WCM Investment Management (USA)

On August 2nd, 2018, the Supervisory Board of Groupe BPCE convened a meeting chaired by Michel Grass to examine the Group's financial statements for the second quarter and first half of 2018.

Laurent Mignon, Chairman of the Management Board of Groupe BPCE, made the following statement: *"The Group is publishing a good set of results for the first half of 2018 that confirms the effectiveness of our universal cooperative banking model entirely focused on its customers and founded on a diversified, recurring revenue base. The significant growth in the proportion of fee and commission income – thanks to our Asset & Wealth Management division, Payments businesses, and activities in our Retail Banking sector – illustrates our ability to offer our customers an ever-wider range of value-added solutions. Our financial strength has been further enhanced, an improvement reflected in Moody's decision to upgrade our credit rating to A1. The transformation of the Group is continuing to progress in many areas with, for example, new acquisitions in asset management or the launch of the Instant Payment service. The second quarter of the year also saw the launch of ambitious plans to redeploy all the know-how and expertise of Crédit Foncier, an initiative capable of creating new value for the Group, its customers and employees. Thanks to the active commitment of all, Groupe BPCE has achieved a level of performance enabling it to further accelerate its development, innovate for its customers, pursue its transformation, and achieve the targets defined in its TEC 2020 strategic plan."*

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[1] On a constant exchange-rate basis for consolidated net banking income. Underlying results (i.e. excluding non-economic and exceptional items). Change expressed between H1-17 pf and H1-18, unless specified to the contrary

[2] ERF = Early Redemption Fees

[3] Estimate at June 30, 2018 – CRR/CRD IV without transitional measures

[4] Cf. Notes on methodology related to the total loss-absorption capacity, page 21

[5] Plan subject to the notification/consultation process of the trade union representatives of the employees of the Group entities concerned by this initiative

Unless specified to the contrary, the following comments and data refer to underlying results, i.e. results restated to exclude non-economic and exceptional items, as presented on page 19.

Segment reporting in the first quarter of 2018

No changes have been made since the fourth quarter of 2017 to the Group's segment reporting which stands as follows:

Three business divisions:

- **Retail Banking & Insurance**, comprised of the Banque Populaire and Caisse d'Epargne retail banking networks, Specialized Financial Services (Specialized financing, Payments, and Financial services), the Insurance business of Natixis and the Other networks subdivision (Crédit Foncier, Banque Palatine, BPCE International),
- **Asset & Wealth Management**, comprised of Asset management (including Private Equity) and Natixis' Wealth Management business,
- **Corporate & Investment Banking,** which comprises the Global markets, Global finance and Investment banking activities of Natixis.

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

1. A LEVEL OF RESULTS[6] ALLOWING THE TEC 2020 STRATEGIC PLAN TO GET OFF TO A GOOD START

The good results of Groupe BPCE for the first six months of 2018 confirm the strength of its universal banking model and the effectiveness of our transformation plan.

Growth in commission income and the strong development of our Insurance businesses offset the decline in net interest income, which continues to suffer from the effect of the low interest-rate environment. As a result, the Group's underlying net banking income rose slightly to 12,244 million euros in the first half of 2018 (up +0.5%, or +2.0% on a constant exchange-rate basis). The underlying commissions (excluding early redemption fees) generated by the Banque Populaire and Caisse d'Epargne retail banking networks rose by 4.5% in the first half of 2018 while the revenues generated by the Asset & Wealth Management and Payments activities increased by a substantial 17.7% (at constant exchange rates) and 15% respectively. At the same time, the revenues posted by the Insurance business increased by 7.8%.

The tight management of our operating expenses (up +1%, or +2.2% on a constant exchange-rate basis), combined with the low cost of risk (18bps), has enabled the Group to increase its underlying net income attributable to equity holders of the parent (after restating to account for the impact of IFRIC 21) to almost 2 billion euros, equal to growth of +3.6%.

The Group's capital adequacy remains at a high level with a pro forma estimated CET1 ratio of 15.2% while the total loss-absorbing capacity (TLAC) target defined in the TEC 2020 strategic plan was achieved in the first half of the year. Moody's decision to upgrade its credit rating on the Group's long-term senior preferred debt from A2 outlook positive to A1 outlook stable reflects the Group's success in diversifying its revenue streams and the measures taken by BPCE to strengthen its balance sheet.

Another highlight of the 6-month period is the announcement, on June 26, 2018, of plans to integrate the activities and expertise of Crédit Foncier, a move corresponding to the ongoing drive to transform Groupe BPCE. The notification/consultation process with the trade union representatives of Crédit Foncier employees began on July 20, 2018. In line with the Group's core values, this integration plan aims to ensure the long-term future of Crédit Foncier's activities and know-how within the Group while offering a responsible solution towards our employees and our customers, notably those interested in solutions designed to facilitate home-ownership among low-income families.

The generation of revenue synergies amounted to 126 million euros on June 30, 2018 (for a 2020 target of 750 million euros). The Insurance business line accounted for 64% of these synergies, reflecting the growing success of the Bancassurance business model.

[6] H1-17 pro forma (cf. Notes on methodology at the end of this press release); unless specified to the contrary, all changes use the same reference base of June 30, 2017 – underlying results

In line with its TEC 2020 strategic plan, the Group is continuing to innovate and has become the first banking group in France to offer its customers the Instant Payment and Samsung Pay mobile payment solutions.

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 1st HALF OF 2018

In millions of euros	H1-18	Impact of non-economic and exceptional items	H1-18 underlying
Net banking income	12,251	8	12,244
Operating expenses	-8,841	-162	-8,679
Operating expenses excl. SRF	*-8,501*		*-8,339*
Gross operating income	**3,410**	**-154**	**3,565**
Cost of risk	-576		- 576
Income before tax	**2,966**	**-154**	**3,120**
Income tax	-927	53	-981
Minority interests	-396	1	-396
Net income attributable to equity holders of the parent	**1,643**	**-100**	**1,743**
Restatement to account for the impact of IFRIC 21	*214*		*214*
Net income attributable to equity holders of the parent after restating to account for the impact of IFRIC 21	**1,856**	**-100**	**1,957**

In millions of euros	H1-17 pf underlying	H1-18 underlying / H-17 pf underlying % change	At constant exchange rates % change
Net banking income	12,182	0.5 %	2.0%
Operating expenses	-8,597	1.0%	2.2%
Operating expenses excl. SRF	*-8,337*	-	*1.3%*
Gross operating income	**3,585**	**-0.6%**	**1.5%**
Cost of risk	-691	-16.6%	
Income before tax	**3,067**	**1.7%**	
Income tax	-1,082	-9.3%	
Minority interests	-289	37.2%	
Net income attributable to equity holders of the parent	**1,696**	**2.8%**	
Restatement to account for the impact of IFRIC 21	*192*		
Net income attributable to equity holders of the parent after restating to account for the impact of IFRIC 21	**1,888**	**3.6%**	

Pro forma (pf) figures: cf. Notes on methodology at the end of this press release
Restated figures: a breakdown of non-economic and exceptional items is presented at the end of this press release

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 2nd QUARTER OF 2018

In millions of euros	Q2-18	Impact of non-economic and exceptional items	Q2-18 underlying
Net banking income	6,241	20	6,221
Operating expenses	-4,235	-116	-4,119
Gross operating income	**2,006**	**-96**	**2,102**
Cost of risk	-317		-317
Income before tax	**1,744**	**-96**	**1,840**
Income tax	-472	33	-505
Minority interests	-233	-8	-225
Net income attributable to equity holders of the parent	**1,038**	**-71**	**1,109**
Restatement to account for the impact of IFRIC 21	*-107*		*-107*
Net income attributable to equity holders of the parent after restating to account for the impact of IFRIC 21	**931**	**-71**	**1,002**

In millions of euros	Q2-17 pf underlying	Q2-18 underlying / Q2-17 pf underlying % change	Constant exchange rate % change
Net banking income	6,113	1.8 %	2.8%
Operating expenses	-4,090	0.7%	1.6%
Gross operating income	**2,023**	**3.9%**	**5.3%**
Cost of risk	-325	-2.5%	
Income before tax	**1,797**	**2.4%**	
Income tax	-585	-13.6%	
Minority interests	-174	29.3%	
Net income attributable to equity holders of the parent	**1,038**	**6.9%**	
Restatement to account for the impact of IFRIC 21	*-96*		
Net income attributable to equity holders of the parent after restating to account for the impact of IFRIC 21	**942**	**6.4%**	

Pro forma (pf) figures: cf. Notes on methodology at the end of this press release
Restated figures: a breakdown of non-economic and exceptional items is presented at the end of this press release

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

1.1 Consolidated results for the first half of 2018: 2% revenue growth (at constant exchange rates) thanks to the greater development of commission income

Net banking income generated by Groupe BPCE in the first half of 2018 came to 12,244 million euros, representing a marginal 0.5% rise compared with the same period in 2017. When expressed at constant exchange rates (in order to better reflect the intrinsic performance of the Group's different business lines), net banking income has increased by 2.0%. This improvement is the result of growth in the revenues generated by the Asset & Wealth Management (+17.7% at constant exchange rates) and Payments businesses (+15%) and by the development of Insurance activities (+7.8%).

The Group's **operating expenses** came to 8,679 million euros in the first half of 2018, up 1.0% on a year-on-year basis and up 2.2% on a constant exchange-rate basis. If the Single Resolution Fund (SRF) contribution is excluded, operating expenses remained flat over the 6-month period at 8,339 million euros (+1.3% at constant exchange rates).

The Group's **gross operating income** came to a total of 3,565 million euros representing a marginal decline of 0.6% compared with the same period in 2017. If foreign exchange rates are kept constant, this metric increased by 1.5%.

The **cost of risk** of Groupe BPCE stood at 576 million euros for the first half of 2018. Compared with the first half of 2017, it shows a 16.6% decline in absolute value to 18 basis points[7] (down from 20 basis points at June 30, 2017). The ratio of non-performing loans/gross loan outstandings has also improved, falling from 3.2% at January 1, 2018 to 3.0% at June 30, 2018, while the impaired loans coverage ratio (including guarantees related to impaired outstandings) came to 73.7% at June 30, 2018 (versus 71.4% at January 1, 2018).

- For the **Retail Banking & Insurance** division, the cost of risk[7] stood at 17 basis points at June 30, 2018, down 3 basis points compared with the first half of 2017.

- For the **Corporate & Investment Banking** division, the cost of risk[7] has declined to 24 basis points versus 26 basis points in the first half of 2017.

The Group's **income before tax** has increased by 1.7% to reach 3,120 million euros for the first half of 2018.

Net income attributable to equity holders of the parent stands at 1,743 million euros, up 2.8% versus the first half of 2017. After restating to account for the impact of IFRIC 21, **net income attributable to equity holders of the parent** stands at 1,957 million euros, representing growth of 3.6%.

After restating to reflect the impact of IFRIC 21 and excluding non-economic and exceptional items:
- The cost/income ratio is marginally down at 68.6% (-0.1 point at constant exchange rates);
- Return on equity is stable at 6.2%.

After accounting for non-economic and exceptional items and without restating to reflect the impact of IFRIC 21 adjustments, **published net income attributable to equity holders of the parent** stands at 1,643 million euros, up +3.0% over the period.

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

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

1.2 Consolidated results for the second quarter of 2018: good quarterly results with 6.4% growth in net income attributable to equity holders of the parent[8], rising to €1bn

Net banking income generated by Groupe BPCE in the second quarter of 2018 came to 6,221 million euros, up +1.8% compared with the same period in 2017. This increase is driven by commissions and by the development of new growth drivers that have improved the revenues generated by the Retail Banking & Insurance division (+0.9% excluding changes in the provision for home-purchase savings schemes). When restated on a constant exchange-rate basis (in order to give a clearer idea of the intrinsic performance of the Group's different business lines), net banking income has increased by 2.8%.

The Group's **operating expenses** came to 4,119 million euros in the second quarter of 2018, up 0.7% on a year-on-year basis and up 1.6% on a constant exchange-rate basis.

The Group's **gross operating income** came to a total of 2,102 million euros, equal to an increase of 3.9% compared with the same period in 2017. If foreign exchange rates are kept constant, this metric increased by 5.3%.

The **cost of risk** stood at 317 million euros for the second quarter of 2018. Compared with the second quarter of 2017, it shows a 2.5% decline in absolute value to stand at 20 basis points[9] for the second quarter of 2018 (versus 19 basis points in the second quarter of 2017).

The Group's **income before tax** has risen by 2.4% to reach 1,840 million euros for the second quarter of 2018.

Net income attributable to equity holders of the parent stands at 1,109 million euros, representing a sharp increase of 6.9% compared with the second quarter of 2017. After restating to account for the impact of IFRIC 21, **net income attributable to equity holders of the parent** stands at 1,002 million euros, representing growth of 6.4%.

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

- The cost/income ratio improved by 0.6 percentage points to stand at 68.4% at constant exchange rates,
- Return on equity increased by 0.3 percentage points to 6.4%.

After accounting for non-economic and exceptional items and without restating to account for the impact of IFRIC 21 adjustments, **published net income attributable to equity holders of the parent** stands at 1,038 million euros, up +6.1% year on year.

[8] After restating to reflect the impact of IFRIC 21
[9] Cost of risk expressed in annualized basis points on gross customer outstandings at the beginning of the period

2. HIGH LEVELS OF CAPITAL ADEQUACY AND LOSS-ABSORBING CAPACITY

2.1 High level of Common Equity Tier 1[10] despite the impact of two one-off events

Groupe BPCE's CET1 ratio decreased marginally in the first half of 2018, reaching a level estimated at 15.2% pro forma at June 30, 2018, down from 15.4% at December 31, 2017. This decline can chiefly be explained by the impact of two one-off events: the first-time application of IFRS 9 (having a negative impact of -17 basis points) and, secondly, the deduction from regulatory capital of contributions to the Single Resolution Fund and to the Bank Deposit Guarantee Fund (FGDR) recognized in the form of irrevocable payment commitments (IPC) as required by the supervisory authorities (impact of -12 basis points).

2.2 TLAC ratio[10,11]: TEC 2020 strategic plan target already achieved

The Group's Total Loss-Absorbing Capacity[4] (TLAC) stood at 85.1 billion euros at the end of March 2018 (including the impact of the deduction of IPC). The TLAC ratio (expressed as a percentage of risk-weighted assets) rose from 20.8% at December 31, 2017 to an estimated 21.6% at June 30, 2018, going beyond the target level defined in the TEC 2020 strategic plan of more than 21.5% by early 2019.

At June 30, 2018, the leverage ratio[12] stood at 5.0%, including the deduction of IPC.

2.3 MREL ratio[13]

Groupe BPCE has received notification of the MREL requirement (Minimum Requirement for own funds and Eligible Liabilities), which is effective immediately. The Group is already compliant with this requirement. This requirement will have no impact on Groupe BPCE's MLT funding plans (amount or type of instruments).

2.4 84% of the 2018 wholesale medium-/long-term funding plan already completed as at July 5, 2018

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of 18.5 billion euros at July 5, 2018, equal to 84% of the 2018 program (22 billion euros). The average maturity at issue stands at 7.5 years and the average cost of the liquidity is equal to mid-swap +18 basis points. During this period, 65% of MLT funding was completed in the form of public bond issues and 35% in the form of private placements.

The 18.5 billion euros raised as at July 5, 2018 can be broken down as follows:

- A total of 12.7 billion euros was raised in the form of unsecured issues (5.5 billion euros in senior non-preferred debt and 7.2 billion euros in senior preferred debt), representing 69% of the MLT funds already raised.
- A total of 5.8 billion euros was raised in the form of covered bond issues, representing 31% of the MLT funds already raised.

Groupe BPCE remains an important social bond issuer on the Japanese market. For 2018, social bonds issued by the bank on this market amounted to 132.1 billion Japanese yen equivalent to more than 1 billion euros.

During this period, Groupe BPCE continued to raise substantial funds thanks to the extremely broad diversification of its investor base. As a result, 50% of the bonds issued in the unsecured segment were placed in currencies other than euro (notably 29% in US dollars, 12% in Japanese yen and 6% in Australian dollars).

[10] CRR/CRD IV without transitional measures; additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force
[11] According to the term sheet dated November 9, 2015 published by the Financial Stability Board on the "Total Loss-absorbing Capacity" – cf. Notes on methodology, page 21
[12] Estimate calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014- The leverage ratio would amount to 5.3% after excluding the centralized outstanding of regulated savings from the calculation of the denominator of the ratio, subject to the agreement of the ECB and following the decision handed down by the General Court of the European Union on July 13, 2018
[13] Determination of the requirement and of the effective level of MREL subject to modification in view of ongoing changes of a regulatory and legislative nature

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

3. RESULTS[14] OF THE BUSINESS LINES

Contribution of the business lines to the results of Groupe BPCE

In the first half of 2018, the contribution of the business lines to the results of Groupe BPCE can be broken down as follows (on a constant exchange-rate basis and excluding the Corporate center division):

- The contribution of the **Retail Banking & Insurance** division accounted for 71% of the aggregate net banking income posted by Groupe BPCE's business lines in the first half of 2018 (against 73% in the first half of 2017). The division also accounted for 68% of the aggregate gross operating income of Groupe BPCE's business lines (against 70% in the first half of 2017).

- The **Asset & Wealth Management** division, which is enjoying strong growth momentum, contributed 13% of the aggregate net banking income of Groupe BPCE's business lines in the first half of 2018 (against 11% in the same period in 2017) and accounted for 13% of the aggregate gross operating income of Groupe BPCE's business lines (up from 10% in the first half of 2017).

- The **Corporate & Investment Banking** division contributed 16% of the aggregate net banking income of Groupe BPCE's business lines in the first half of 2018 (a level of performance virtually identical to its contributions in the first half of 2017) and 19% of the gross operating income (against 20% in the first half of 2017).

3.1 Retail Banking & Insurance: good level of results with income before tax stable at €2.4bn[15]

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

The Retail Banking & Insurance division maintained strong commercial momentum during the first half of this year.

New loan production, in all market segments taken together, reached a level in excess of 52 billion euros in the first half of 2018, down -24.4% from the first half of 2017, which enjoyed exceptional levels of new loan production. The **loan outstandings** position of the Retail Banking & Insurance division rose 4.8% year-on-year to reach a total of 555 billion euros at June 30, 2018. Home loans saw a 5.5% year-on-year increase while equipment loans grew by 7.8%.

Aggregate **Deposits & Savings** of the Retail Banking & Insurance division came to 702 billion euros at June 30, 2018, representing 2.9% growth since June 30, 2017. On-balance sheet Deposits & Savings inflows (excluding centralized regulated savings) reached 15 billion euros during the year and are derived, in particular, from demand deposits whose aggregate totals grew by 10.8%. As a result, on-balance sheet Deposits & Savings (excluding centralized items) increased by 3.7% on a year-on-year basis.

[14] H1-17 pro forma (cf. Notes on methodology at the end of this press release); unless specified to the contrary, all changes use the same reference base of June 30, 2017
[15] After restating to account for the impact of IFRIC 21

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

Retail Banking & Insurance division: financial results for the 1st half and 2nd quarter of 2018

In millions of euros (excluding non-economic and exceptional items)	H1-18	% change vs. H1-17	Q2-18	% change vs. Q2-17
Net banking income	8,468	-1.1%	4,292	0.8%
Net banking income (excluding changes in the provision for home-purchase savings schemes)	8,464	-1.1%	4,281	0.9%
Operating expenses	-5,664	-0.8%	-2,762	-0.9%
Gross operating income	**2,804**	**-1.6%**	**1,530**	**3.9%**
Cost of risk	-478	-13.7%	-265	5.7%
Income before tax after restating to account for the impact of IFRIC 21	**2,415**	**0.1%**	**1,217**	**2.2%**
Cost/income ratio after restating to account for the impact of IFRIC 21	65.9%	0.2pt	65.3%	-1.2pt
Impact of exceptional items	-90		-59	
Reinstatement of the IFRIC 21 impact	-81		41	
Published income before tax	**2,244**	**0.3%**	**1,199**	**-**

The **net banking income** posted by the Retail Banking & Insurance division for the first half of 2018 came to 8,464 million euros (excluding changes in the provision for home-purchase savings schemes), equal to a year-on-year decline of 1.1%. The slide in aggregate net income for the Banque Populaire and Caisse d'Epargne retail banking networks stands at 1.8% (if changes in provisions for home-purchase savings schemes are excluded).
This dip is a consequence of the decline in net interest income depressed by the low interest rate environment partially offset by the positive growth enjoyed by commissions (excluding early loan redemptions fees) up 4.5% compared with the first half of 2017 while early loan redemption fees have declined significantly. The revenues posted by the Specialized Financial Services (including Payment activities) and Insurance divisions have grown respectively by 6.1% (to 733 million euros) and 7.8% (to 397 million euros). In the second quarter of 2018, **net banking income** (excluding changes in the provision for home-purchase savings schemes) increased by 0.9% year-on-year to 4,281 million euros.

Operating expenses have been kept under tight control and stand at 5,664 million euros for the first half of 2018, equal to a marginal decrease of -0.8% compared with the first half of 2017. The Banque Populaire and Caisse d'Epargne retail banking networks follow the same trend with a decline in operating expenses of 1.3%. Expenses displayed a similar movement in the second quarter of 2018, declining by 0.9% since the same period in 2017 to stand at 2,762 million euros.

Gross operating income decreased by 1.6% in the first half of 2018 to stand at 2,804 million euros. In the second quarter of 2018, this item stood at 1,530 million euros, up 3.9% year-on-year.

The **cost of risk,** which came to 478 million euros in the first half of 2018, has declined by 13.7%. In the second quarter of 2018, however, it rose by 5.7% year-on-year to a total of 265 million euros.

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

- **Income before tax** came to 2,415 million euros for the first half of 2018, virtually identical (+0.1%) to the figure for the same period last year. It is equal to 1,217 million euros for the second quarter of 2018, up 2.2% year-on-year.
- The **cost/income ratio** stands at 65.9% for the first half of the year, stable compared with the same period last year (+0.2pt). In the second quarter of 2018 it came to 65.3%, improving by 1.2 percentage points against the second quarter of 2017.

After accounting for exceptional items and cancelling the restatement carried out to reflect the impact of IFRIC 21, **published income before tax** stands at 2,244 million euros for the first half of 2018, up 0.3% compared with the first half of 2017. In the second quarter of 2018, this item stood at 1,199 million euros at a level virtually unchanged from the same period last year.

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

3.1.1 Banque Populaire: positive jaws effect

The Banque Populaire network comprises the 14 Banque Populaire banks, including CASDEN Banque Populaire and Crédit Coopératif and their subsidiaries, Crédit Maritime Mutuel and the Mutual Guarantee Companies.

- #### Customer base (changes year-on-year)

The strategy consisting in delivering banking services to the individual customers of the Banque Populaire network continued in the first half of 2018, leading to +2.3% growth in the number of principal active customers, i.e. 85,800 additional customers. The number of Private Banking and Wealth management customers has risen by 5.5% (20,000 new customers). In the professional customers market segment, the number of active customers increased by 0.8% (+3,500 customers year-on-year). In the corporate customer segment, the number of active clients increased by 3.4% (+1,500 clients).

- #### Loan outstandings and Deposits & Savings

Loan outstandings stood at 203 billion euros at June 30, 2018, representing 6.2% growth compared with June 30, 2017.

Deposits & Savings came to 265 billion euros at June 30, 2018, equal to growth of 4.7% compared with June 30, 2017.

- #### Financial results

In millions of euros (excluding non-economic and exceptional items)	H1-18	% change vs. H1-17	Q2-18	% change vs. Q2-17
Net banking income	3,226	0.6%	1,641	2.7%
Net banking income (excluding changes in the provision for home-purchase savings schemes)	3,229	0.5%	1,640	2.6%
Operating expenses	-2,158	-0.5%	-1,062	-
Gross operating income	**1,068**	**3.0%**	**579**	**7.9%**
Cost of risk	-248	18.7%	-141	34.2%
Income before tax after restating to account for the impact of IFRIC 21	**868**	**-0.9%**	**436**	**2.6%**
Cost/income ratio after restating to account for the impact of IFRIC 21	66.0%	-0.7pt	65.6%	-1.8pt
Impact of exceptional items	-42		-19	
Reinstatement of the IFRIC 21 impact	-28		14	
Published income before tax	**799**	**-2.6%**	**431**	**1.6%**

Net banking income for the first half of 2018 came to 3,229 million euros (excluding changes in the provision for home-purchase savings schemes), up by 0.5% compared with the first half of 2017. This trend reflects, in particular, a 1.0% decline in net interest income (excluding changes in the provision for home-purchase savings schemes). When restated to exclude capital gains realized on the disposal of financial assets (which reached high levels in the first half of 2017 in preparation for the effective implementation of IFRS 9), net interest income increased by 3.6% during the period (excluding changes in the provision for home-purchase savings schemes). If early redemption fees (which fell 55.7% during the period), commission income rose by 4.4% compared with the first half of 2017. In the second quarter of 2018, net banking income (excluding changes in provisions for home-purchase savings schemes) stood at 1,640 million euros, equal to 2.6% growth on a year-on-year basis.

Operating expenses remain tightly managed and came to 2,158 million euros in the first half of 2018, representing a marginal 0.5% decline compared with the first half of 2017. In the second quarter of 2018, this item stood at 1,062 million euros, stable year-on-year.

Gross operating income for the first half of 2018 rose 3.0% compared with same period last year to reach a total of 1,068 million euros. In the second quarter of 2018, this item stood at 579 million euros, up 7.9% year-on-year.

The **cost of risk** at June 30, 2018 stood at 248 million euros, up 18.7% on a year-on-year basis. In the second quarter of 2018, it came to a total of 141 million euros, representing a 34.2% year-on-year increase.

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

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

- **Income before tax** stands at 868 million euros for the first half of 2018, equal to a minor dip of 0.9% compared with the first half of 2017. In the second quarter of 2018, it rose 2.6% year-on-year to reach a total of 436 million euros.
- The **cost/income ratio** improved by a 0.7 percentage point to reach 66.0% at June 30, 2018. In the second quarter of 2018, it improved by 1.8 percentage points compared with the same period last year to reach 65.6%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stood at 799 million euros for the first half of 2018, down 2.6% compared with the first half of 2017. In the second quarter of 2018, this item stood at 431 million euros, up 1.6% year-on-year.

3.1.2 Caisse d'Epargne

Following the merger between Caisses d'Epargne d'Alsace et de Lorraine Champagne-Ardenne, giving birth to the Caisse d'Epargne Grand Est Europe on June 23, 2018, the Caisse d'Epargne network comprises 15 individual Caisses d'Epargne along with their subsidiaries.

- **Customer base (changes year-on-year)**

The strategy consisting in delivering banking services to the individual customers of the Caisse d'Epargne retail banking network continued in the first half of 2018, leading to 1.1% growth in the number of principal active customers, i.e. 72,000 additional customers. The number of Private Banking and Wealth management customers rose by 3.7% (+15,700 customers). The strategy aimed at winning greater market share in the professional and corporate customer segments has led to substantial growth in the number of active customers with a 3.2% increase in professional customers (+6,216 individuals year-on-year) and an 8.0% rise in the number of corporate customers (+1,000 entities).

- **Loan outstandings and Deposits & Savings**

Loan outstandings stood at 261 billion euros at June 30, 2018, up 6.1% compared with June 30, 2017.

Deposits & Savings stood at 416 billion euros at June 30, 2018, equal to an increase of 1.9% compared with June 30, 2017.

- **Financial results**

In millions of euros (excluding non-economic and exceptional items)	H1-18	% change vs. H1-17	Q2-18	% change vs. Q2-17
Net banking income	3,475	-3.9%	1,761	-2.2%
Net banking income (excluding changes in the provision for home-purchase savings schemes)	3,468	-3.8%	1,752	-1.9%
Operating expenses	-2,343	-2.0%	-1,133	-3.1%
Gross operating income	**1,131**	**-7.7%**	**628**	**-0.6%**
Cost of risk	-161	-6.7%	-98	7.1%
Income before tax after restating to account for the impact of IFRIC 21	**1,002**	**-7.9%**	**516**	**-1.5%**
Cost/income ratio after restating to account for the impact of IFRIC 21	66.6%	1.4pt	65.2%	-0.7pt
Impact of exceptional items	-29		- 22	
Reinstatement of the IFRIC 21 impact	-30		15	
Published income before tax	**942**	**-7.2%**	**508**	**-2.4%**

Net banking income for the first half of 2018 stood at 3,468 million euros (excluding changes in the provision for home-purchase savings schemes), down 3.8% compared with the first half of 2017. This change is the result, in particular, of an 8.2% decline in net interest income (excluding changes in the provision for home-purchase savings schemes).
When restated to exclude capital gains realized on the disposal of financial assets (which reached high levels in the first half of 2017 in preparation for the effective implementation of IFRS 9), net interest income declined by 4.7% during the period (excluding changes in the provision for home-purchase savings schemes). If early redemption fees (which fell 55.5% during the period), commission income rose by 4.6% compared with the first half of 2017. In the second quarter of 2018, net banking income (excluding changes in provisions for home-purchase savings schemes) declined by 1.9% year-on-year to stand at 1,752 million euros.

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

Operating expenses remained under tight control and came to 2,343 million euros in the first half of 2018, reflecting a 2.0% decrease compared with the same period last year. In the second quarter of 2018, this item declined by 3.1% year-on-year to stand at 1,133 million euros.

Gross operating income for the first half of 2018 stood at 1,131 million euros, down 7.7% compared with the same period in 2017. In the second quarter of 2018, this item stood at 628 million euros, down by a marginal 0.6% year-on-year.

The **cost of risk** stood at 161 million euros in first half of 2018, down 6.7% compared with the first half of 2017. In the second quarter of 2018, it came to a total of 98 million euros, up 7.1% year-on-year.

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

- **Income before tax** came to 1,002 million euros for first half of 2018, down 7.9% compared with the first half of 2017. This item came to 516 million euros in the second quarter of 2018, down 1.5% year-on-year.
- The **cost/income ratio** increased by 1.4 percentage points, standing at 66.6% for the first half of 2018. It came to 65.2% in the second quarter of 2018, improving by 0.7 of a percentage point.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 942 million euros for the first half of 2018, down 7.2% compared with the same period last year. In the second quarter of 2018, this item stood at 508 million euros, down 2.4% year-on-year.

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

3.1.3 Specialized Financial Services: strong growth in Payments business activities

The Specialized Financial Services (SFS) division of Natixis includes three business lines: Specialized financing, Payments, and Financial services.

In millions of euros (excluding non-economic and exceptional items)	H1-18	% change vs. H1-17	Q2-18	% change vs. Q2-17
Net banking income	733	6.1%	371	7.0%
Operating expenses	-491	6.6%	-247	8.3%
Gross operating income	**242**	**5.1%**	**124**	**4.4%**
Cost of risk	-7	-81.1%	3	ns
Income before tax after restating to account for the impact of IFRIC 21	**241**	**20.4%**	**125**	**22.4%**
Cost/income ratio after restating to account for the impact of IFRIC 21	66.3%	0.3pt	67.2%	0.8pt
Impact of exceptional items	-5		-3	
Reinstatement of the IFRIC 21 impact	-5		2	
Published income before tax	**232**	**18.9%**	**124**	**18.9%**

Net revenues stand at 733 million euros for the first half of 2018, up 6.1% compared with the first half of 2017. More particularly, revenues generated by the Payments business enjoyed significant 15% year-on-year growth (approximately 60% of which is derived from recent business acquisitions in 2017). The Specialized financing activity achieved year-on-year growth of 4% driven by the Sureties & financial guarantees and Factoring businesses. The revenues of the Financial Services activity rose by 2% year-on-year buoyed up by the Employee savings plans activity (+4%).

In the second quarter of 2018, **net banking income** came to 371 million euros, up 7.0% compared with the same period in 2017.

Operating expenses stand at 491 million euros for the first half of 2018, up 6.6% compared with the first half of 2017 (up 2% on a constant basis of structure) in line with overall growth in business activities. In the second quarter of 2018, operating expenses stood at 247 million euros, up 8.3% compared with the second quarter of 2017.

Gross operating income rose by 5.1% in the first half of 2018 to stand at 242 million euros. In the second quarter, it came to 124 million euros, representing a 4.4% year-on-year increase.

The **cost of risk** improved substantially to stand at 7 million euros for the first half of 2018, down 81.1% compared with the first half of 2017. The cost of risk followed the same trend in the second quarter of 2018, leading to net writebacks of 3 million euros as a result of improvements in sectorial credit ratings.

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

- **Income before tax** came to 241 million euros for the first half of 2018, equal to substantial growth of 20.4% compared with the same period last year; it came to 125 million euros in the second quarter of 2018, up 22.4% year-on-year.

- The **cost/income ratio** has increased marginally (+0.3 percentage points) over the period to 66.3% (or 64.8% if the acquisitions made by the Payments business line are excluded). It rose by 0.8 of a percentage point in the second quarter of the year to stand at 67.2%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 232 million euros for the first half of 2018, up a significant 18.9% compared with the same period last year. In the second quarter of 2018, this item rose by the same percentage compared to the same period last year to reach a total of 124 million euros.

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.

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

3.1.4 Insurance: sustained commercial activity across all business lines

The results presented below concern the Insurance division of Natixis.

In millions of euros (excluding non-economic and exceptional items)	H1-18	% change vs. H1-17	Q2-18	% change vs. Q2-17
Net banking income	397	7.8%	193	7.9%
Operating expenses	-225	7.7%	-107	6.8%
Gross operating income	**171**	**8.0%**	**85**	**9.3%**
Income before tax after restating to account for the impact of IFRIC 21	**184**	**6.2%**	**81**	**4.4%**
Cost/income ratio after restating to account for the impact of IFRIC 21	54.4%	-0.5pt	58.1%	-0.2pt
Impact of exceptional items	-1		-1	
Reinstatement of the IFRIC 21 impact	-9		5	
Published income before tax	**173**	**20.0%**	**85**	**6.0%**

Net banking income stands at 397 million euros for the first half of 2018, up 7.8% compared with the first half of 2017, driven by both Life and Personal Protection insurance (2% growth in earned premiums over the year) and P&C insurance (8% growth in earned premiums over the year). This result reflects 3% year-on-year growth in global turnover to 6.6 billion euros (excluding the reinsurance treaty with CNP Assurances). In the second quarter of 2018, net banking income rose 7.9% to 193 million euros.

Operating expenses amounted to 225 million euros for the first half of 2018, up 7.7% compared with the same period last year. This increase is due, in particular, to a 5-million-euro increase in the Corporate Social Solidarity Contribution (C3S)[16]. If the payment of this levy is excluded, operating expenses only increased by 6%, in line with business growth. In the second quarter of 2018, operating expenses stood at 107 million euros, up 6.8% compared with the second quarter of 2017.

Gross operating income rose 8.0% in the first half of the year compared with the same period in 2018 to reach a total of 171 million euros. In the second quarter, this item stood at 85 million euros, representing a substantial 9.3% year-on-year increase.

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

- **Income before tax** came to 184 million euros for the first half of 2018, up 6.2% compared with the same period last it. In the second quarter of 2018, it rose 4.4% year-on-year to 81 million euros.
- The **cost/income ratio** saw a 0.5-percentage point improvement in the first half of 2018 to stand at 54.4%. This ratio followed the same trend (-0.2 of a percentage point year-on-year) in the second quarter of the year to reach 58.1%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 173 million euros for the first half of 2018, up a significant 20.0% compared with the same period last year. In the second quarter of 2018, this item stood at 85 million euros (up 6.0% compared with the second quarter of 2017).

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[16] The calculation of this item is based on the previous year's level of business activity; 2017 was the first full year of insurance activities with the Caisse d'Epargne network.

3.1.5 Other networks

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

- **Crédit Foncier**

Under the pressure of persistently low interest rates and fierce competition, Crédit Foncier experienced a downturn in new loan production, which slipped to 4.7 billion euros during the first six months of the year. Home loans granted to individual customers remain the main contributor, accounting for 3.4 billion euros in new loans.
At the same time, Crédit Foncier experienced a gradual decline in its loan outstandings position, which stood at 77.3 billion euros at June 30, 2018 versus 79.1 billion euros at June 30, 2017.

In this context, **net banking income** suffered a 14.1% decline owing, in particular, to the impact on net interest income of the high level of early loan redemptions since 2015. Crédit Foncier is also pursuing its policy aimed at substantially cutting its costs. As a result, **operating expenses** fell by 13.4% in the first half of 2018. At June 30, 2018, Crédit Foncier's contribution to the Group's income before tax, after restating to account for the impact of IFRIC 21, stands at 60 million euros, down 2.7% compared with the first half of 2017.

- **Banque Palatine**

The average loan outstandings position increased from 8.2 billion euros in the first half of 2017 to 8.8 billion euros at June 30, 2018. The level of Deposits & Savings decreased slightly over the period from 16.8 billion euros at June 30, 2017 to 16.6 billion euros at June 30, 2018.

Banque Palatine's contribution to the Group's income before tax, after restating to account for the impact of IFRIC 21, stands at 46 million euros for the first half of 2018, up 10.8% year-on-year.

- **BPCE International**

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

Loan outstandings stood at 5.2 billion euros at June 30, 2018 (versus 5.4 billion euros at June 30, 2017). Deposits & Savings came to 5.0 billion euros, a level that remained steady over the period.

The contribution of BPCE International to the Group's income before tax, after restating to account for the impact of IFRIC 21, was positive for the first half of 2018 at 14 million euros. This represents strong growth compared with the first half 2017, which included the additional booking of provisions on loan portfolios in Tunisia.

3.2 Asset & Wealth Management: continued increase in fee rate and solid revenue growth

The Asset & Wealth Management division includes the Asset Management and Wealth Management activities of Natixis.

In millions of euros	H1-18	% change vs. H1-17	% change vs. H1-17 at constant exchange rates	Q2-18	% change vs. Q1-17
Net banking income	1,596	10.2%	17.7%	819	10.2%
Operating expenses	-1,077	3.7%	10.5%	-549	5.5%
Gross operating income	**518**	**26.9%**	**36.3%**	**270**	**21.2%**
Income before tax after restating to account for the impact of IFRIC 21	**520**	**23.7%**		**267**	**20.3%**
Cost/income ratio after restating to account for the impact of IFRIC 21	67.3%	-4.3pts	-4.4pts	67.2%	-3.0pts
Reinstatement of the IFRIC 21 impact	-3			1	
Published income before tax	**516**	**23.5%**		**268**	**20.3%**

Net banking income came to 1,596 million euros in the first half of 2018, equal to significant growth of 10.2% (+17.7% on a constant exchange-rate basis) compared with the first half of 2017. For the first semester of 2018, performance fees reached 119 million euros, equivalent to almost 8% of the Asset Management revenues, mainly driven by the good results achieved by H_2O. At the same time, Wealth Management revenues grew by a significant 17% year-on-year. Net revenues stood at 819 million euros in the second quarter of 2018, up 10.2% compared with the same period in 2017. This upward trend is driven by an improvement in the overall fee rate enjoyed by the Asset management business (excluding performance fees) of more than 31bps for the second quarter of 2018, or +3.3 bps year-on-year).

Operating expenses came to 1,077 million euros in the first half of 2018, equal to a 3.7% increase (+10.5% on a constant exchange-rate basis) compared with the first half of 2017 in line with the growth in business activities. This item stood at 549 million euros in the second quarter of 2018, up 5.5% compared with the same period in 2017.

Gross operating income recorded substantial growth in the first half of 2018, rising 26.9% (+36.3% on a constant exchange-rate basis) compared with the same period in 2017 to 518 million euros. In the second quarter of 2018, gross operating income stood at 270 million euros, up 21.2% year-on-year.

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

- **Income before tax** came to 520 million euros in the first half of 2018, representing a sharp rise of 23.7% on a year-on-year basis. In the second quarter of 2018, income before tax stood at 267 million euros, up 20.3% year-on-year.
- **The cost/income ratio** saw a 4.3-percentage point improvement (4.4 points on a constant exchange rate basis) in the first half of 2018 to 67.3%. In the second quarter of 2018, the cost/income ratio followed the same trend with a 3.0 percentage point improvement compared with the same period last year, to reach 67.2%.
- **Normative ROE** rose 3 percentage points to 15%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 516 million euros for the first half of 2018, up a significant 23.5% compared with the same period last year. In the second quarter of 2018, this item stood at 268 million euros (up 20.3% compared with the second quarter of 2017).

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.

Unless specified to the contrary, the following financial data and related comments refer to underlying results, i.e. restated to account for non-economic and exceptional items, as presented on page 19.

3.3 Corporate & Investment Banking: sustainable value creation with ROE up 1 percentage point year-on-year at 17%

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

In millions of euros	H1-18	% change vs. H1-17	% change vs. H1-17 at constant exchange rates	Q2-18	% change vs. Q1-17
Net banking income	1,904	-4.3%	-0.3%	965	-5.3%
Operating expenses	-1,108	-1,2%	1.3%	-546	-1.6%
Gross operating income	**796**	**-8.4%**	**-2.3%**	**419**	**-9.7%**
Cost of risk	**-68**	**-12.7%**		**-39**	**-20.0%**
Income before tax after restating to account for the impact of IFRIC 21	**752**	**-7.7%**		**376**	**-8.2%**
Cost/income ratio after restating to account for the impact of IFRIC 21	57.4%	2.0pts	1.1pts	57.3%	1.9pts
Impact of exceptional items	-4			-3	
Reinstatement of the IFRIC 21 impact	-15			7	
Published income before tax	**733**	**-8.0%**		**381**	**-9.1%**

Net banking income came to 1,904 million euros in the first half of 2018, down 4.3% compared with the first half of 2017. These revenues remain stable on a constant exchange-rate basis and if CVA/DVA is excluded, thanks in particular to the fine performance achieved by Global Finance (+17%) offsetting the decline in the revenues posted by Global Markets that had enjoyed a historically good results in the first half of 2017. In the second quarter of 2018, net revenues came to 965 million euros, reflecting a 5.3% year-on-year decrease.

Operating expenses stood at 1,108 million euros in the first half of 2018, down 1.2% compared with the first half of 2017 (+1.3% on a constant exchange-rate basis). These expenses stood at 546 million euros in the second quarter of 2018, down 1.6% over the same period last year.

Gross operating income stands at 796 million euros in the first half of 2018, 8.4% lower than in the first half of 2017 (down 2.3% on a constant exchange-rate basis) and is virtually stable on a constant exchange-rate basis and excluding CVA/DVA. This item stood at 419 million euros in the second quarter of 2018, reflecting a 9.7% decline compared with the second quarter of 2017.

The **cost of risk** stood at 68 million euros in the first half of 2018, down 12.7% over the period. For the second quarter of 2018, it decreased by 20.0% year-on-year (a more significant decline than in the first half of 2018) to stand at 39 million euros.

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

- **Income before tax** in the first half of the year came to 752 million euros, down 7.7% compared to the same period last year. It came to 376 million euros in the second quarter of 2018, down 8.2% year-on-year.
- **The cost/income ratio** came to 57.4% in the first half of 2018, up 2.0 percentage points compared with same period last year (+1.1 points on a constant exchange-rate basis). In the second quarter of 2018, the ratio followed an identical path, standing at 57.3% (up 1.9 percentage points compared with the second quarter in 2017).
- **Normative ROE** increased by 1 percentage point in the first half of 2018 to stand at 17%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 733 million euros for the first half of 2018, down 8.0% compared with the same period last year. In the second quarter of 2018, published income before tax stood at 381 million euros (down 9.1% compared with the second quarter of 2017).

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.

For further details about the financial results, please consult the Investors/Results section of the corporate website http://www.groupebpce.fr/en

The quarterly financial statements of Groupe BPCE for the period ended June 30, 2018 approved by the Management Board at a meeting convened on July 30, 2018, were verified and reviewed by the Supervisory Board at a meeting convened on August 2, 2018. The financial results contained in this press release have not been reviewed by the statutory auditors.

DISCLAIMER

This presentation may contain forward-looking statements and comments relating to the objectives and strategy of Groupe BPCE. By their very nature, these forward-looking statements inherently depend on assumptions, project considerations, objectives and expectations linked to future events, transactions, products and services as well as on suppositions regarding future performance and synergies.

No guarantee can be given that such objectives will be realized; they are subject to inherent risks and uncertainties and are based on assumptions relating to the Group, its subsidiaries and associates and the business development thereof; trends in the sector; future acquisitions and investments; macroeconomic conditions and conditions in the Group's principal local markets; competition and regulation. Occurrence of such events is not certain, and outcomes may prove different from current expectations, significantly affecting expected results. Actual results may differ significantly from those anticipated or implied by the forward-looking statements. Groupe BPCE shall in no event have any obligation to publish modifications or updates of such objectives.

Information in this presentation relating to parties other than Groupe BPCE or taken from external sources has not been subject to independent verification; the Group makes no statement or commitment with respect to this third-party information and makes no warranty as to the accuracy, fairness, precision or completeness of the information or opinions contained in this presentation. Neither Groupe BPCE nor its representatives shall be held liable for any errors or omissions or for any harm resulting from the use of this presentation, the content of this presentation, or any document or information referred to in this presentation.

The financial information presented in this document relating to the fiscal period ended June 30, 2018 has been drawn up in compliance with IFRS guidelines, as adopted in the European Union. This financial information is the equivalent of summary financial statements for an interim period as defined by IAS 34 "Interim Financial Reporting."

The new IFRS 9 standard has been applied since January 1st, 2018. Groupe BPCE has elected to use the option provided by the standard to not restate the figures for previous financial years.

This presentation includes financial data related to publicly-listed companies which, in accordance with Article L.451-1-2 of the French Monetary and Financial Code (*Code Monétaire et Financier*), publish information on a quarterly basis about their total revenues per business line. Accordingly, the quarterly financial data regarding these companies is derived from an estimate carried out by BPCE. The publication of Groupe BPCE's key financial figures based on these estimates should not be construed to engage the liability of the abovementioned companies.

The quarterly financial statements of Groupe BPCE for the period ended June 30, 2018 approved by the Management Board at a meeting convened on July 30, 2018, were verified and reviewed by the Supervisory Board at a meeting convened on August 2, 2018. These results are subject to a limited review carried out by the statutory auditors.

ALTERNATIVE PERFORMANCE MEASURES - NON-ECONOMIC AND EXCEPTIONAL ITEMS

In millions of euros	H1-18 Net income attributable to equity holders of the parent	H1-17 pf Net income attributable to equity holders of the parent
Non-economic items of an accounting nature	**ns**	**-38**
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center division)	ns	-38
Disposal of non-strategic holdings and assets managed on a run-off basis (Corporate center division)		**-3**
Transformation and reorganization costs (Business lines/Corporate center division)	**-100**	**-52**
Impairment of goodwill and others		**-9**
Total impact of non-economic and exceptional items	**-100**	**-101**

In millions of euros	Q2-18 Net income attributable to equity holders of the parent	Q2-17 pf Net income attributable to equity holders of the parent
Non-economic items of an accounting nature	**3**	**-31**
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center division)	3	-31
Transformation and reorganization costs (Business lines/Corporate center division)	**-74**	**-28**
Total impact of non-economic and exceptional items	**-71**	**-60**

Notes on methodology

Presentation of pro-forma quarterly results

The segment information has been modified as of Q4-17 in accordance with the presentation of the business lines in the 2018-2020 strategic plan.
The Insurance activities of Natixis (life, personal protection, borrower's, and P&C insurance), previously included for reporting purposes in the Investment Solutions division, have now been transferred to the Retail Banking division. The Investment Solutions division has now become the Asset & Wealth Management division.
The previous quarters have been restated accordingly.
Since January 1, 2018, Groupe BPCE has applied IFRS 9 Financial Instruments as adopted by the European Union. The Group has elected to use the option provided by the standard to not restate the comparative figures for previous financial years. Consequently, with respect to financial instruments, the comparative figures for the 2017 financial year presented alongside the figures for 2018 shall remain drawn up in accordance with the provisions of IAS 39.
When the Q1-17 results were published, the amount recognized with respect to the Group's contribution to the Single Resolution Fund was based on an estimate. Following notification of the actual amount of the contribution in Q2-17, the amount of the SRF recognized as operating expenses in Q1-17 has been increased by a total of 3 million euros. The final amount of the SRF contribution for the 2018 fiscal period is recognized in the Q1-18 results.

Non-economic and exceptional items

The non-economic and exceptional items and the reconciliation of the restated income statement to the income statement published by Groupe BPCE are included in an annex to the slideshow document that may be consulted on the following website: **http://www.groupebpce.fr/en**.

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 ½ 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 is 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** 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 2%) 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 10.5% 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.
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. 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. Following the decision of July 13, 2018 handed down by the General Court of the European Union, Groupe BPCE again requested the agreement of the ECB to exclude the centralized outstandings of regulated savings from the calculation of the denominator of the ratio.

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 *comprise the following:*

- *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 14 Banque Populaire banks and the network of 15 Caisses d'Epargne. It also works through Crédit Foncier in the area of real estate financing. It is a major player in Asset & Wealth management, Insurance, Corporate & Investment Banking and Specialized Financial Services with Natixis. Groupe BPCE, with its 106,500 employees, serves a total of 31 million customers and enjoys a strong local presence in France with 7,800 branches and 9 million cooperative shareholders.
The Group's long-term senior preferred debt is rated by four financial rating agencies: Moody's (A1, outlook stable), S&P (A, outlook positive), Fitch (A, outlook positive) and R&I (A, outlook stable).

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