GROUPE BPCE

Press Release

Paris, May 9, 2019

Results for the 1st quarter of 2019

Robust performance achieved by Retail Banking & Insurance
Successful completion of transformation operations launched since June 2018
New strategic partnerships in line with our growth ambitions

Underlying NBI of €5.9bn, virtually unchanged
Underlying net income[1] of €933m, a limited decrease (-4%)
Reported net income[1] of €650m including transformation costs of €258m

Robust performance achieved by Retail Banking & Insurance and solidity of our diversified banking model in a challenging business environment

Underlying Group revenues down by a marginal 1.2%[1], to €5.9bn

- **Retail Banking & Insurance:** buoyant growth in revenues, **+2.3% vs. Q1-18**, driven by the momentum of all our business lines and, in particular, the Banque Populaire and Caisse d'Epargne retail banking networks
- **Asset & Wealth Management:** good resilience of revenues and positive net inflows
- **Corporate & Investment Banking:** diversification of the business model partially offsetting a sluggish quarter for Capital Market activities and a high comparison base in Q1-18

Operating expenses[1] under tight control, down 1.1% overall vs. Q1-18, including 2.3% for Retail Banking & Insurance

Underlying net income[1] down marginally vs. Q1-18 to €933m

High level of capital including the organic growth of our businesses and the acquisition of 50.1% of Oney Bank

- **CET1[1] at 15.4%** pro forma at end-March 2019 including **organic growth and the acquisition of a 50.1% stake in the capital of Oney Bank**
- **TLAC[1] at 22.6%** pro forma at March 31, 2019, **a level well above our target** of 21.5% for the beginning of 2019

Successful implementation of strategic projects launched since June 2018, and the bulk of transformation costs already incurred

- Integration finalized **of SFS businesses and Crédit Foncier expertise**
- Project to dispose of **banking interests in Africa: closing planned in the 2nd half of 2019**
- **Fidor:** impairment booked in Q1-19 for €148m related to **this no longer strategic equity investment**

Ongoing development of our core businesses: new strategic partnerships

- **Oney Bank: signature of a long-term partnership agreement on April 4, 2019 and acquisition of a 50.1% equity interest. Effective completion of the transaction expected in the 3rd quarter of 2019**
- **Non-life Insurance:** Natixis to take over new P&C business for the Banque Populaire banks' individual customers as part of the renewed partnership with COVEA
- **Corporate & Investment Banking: new M&A franchise in Australia with the acquisition of Azure Capital Limited**

Laurent Mignon, Chairman of the Management Board of Groupe BPCE, made the following statement: *"Our diversified banking model continues to demonstrate its strength, notably within the context of a lackluster market environment. Our businesses put up robust performances, primarily our two Banque Populaire and Caisse d'Epargne retail banking networks, our Financial Solutions & Expertise division, and our Insurance and Payments businesses. Asset & Wealth Management resisted well and the diversified Corporate & Investment Banking business model enabled partially to offset the decline in our capital markets activities. We have also pursued the execution of our transformation projects, such as the integration, now finalized, of Crédit Foncier's activities and the Financial Solutions & Expertise division, or the acquisition of a majority stake in the capital of Oney Bank. Our robust capital position allows us to pursue the sustained development of our franchises in addition to the completion of targeted acquisitions in our core businesses. Our Group is now in a position to focus even more on the added value we want to offer our customers thanks to the expertise and commitment of our employees."*

[1] See notes on methodology and pro-forma impacts on page 4 regarding CET1 and TLAC

GROUPE BPCE

On May 9, 2019, the Supervisory Board of Groupe BPCE, chaired by Michel Grass, examined the Group's financial statements for the first quarter of 2019.

Groupe BPCE: decline in reported net income in Q1-19 owing to the inclusion of the bulk of transformation costs

Reported figures €m	Q1-19	Q1-18	*Q1-19 vs. Q1-18*
Net banking income	**5,953**	**6,010**	**-1.0%**
Operating expenses	-4,686	-4,606	1.7%
o/w expenses excluding SRF	*-4,310*	*-4,266*	*1.0%*
Gross operating income	**1,267**	**1,404**	**-9.8%**
Cost of risk	-294	-259	13.4%
Impairment of goodwill	-88	-	na
Income before tax	**901**	**1,222**	**-26.3%**
Income tax	-472	-455	3.8%
Non-controlling interests	-88	-162	na
Net income – Group share	**340**	**605**	**-43.8%**
Restatement of IFRIC 21	310	321	
Net income – Group share – after IFRIC 21 restatement	**650**	**925**	**-29.7%**

Exceptional items including the strategic projects

€m			Q1-19	Q1-18
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies	*Net banking income*	*Corporate center*	6	-12
Transformation and reorganization costs	*Operating expenses/Gains or losses on other assets/Goodwill*	*Business lines & Corporate center*	-257	-46
Other impairment	*Share in income of equity-accounted associates*	*Corporate center*	-25	
Total impact on income before tax			**-276**	**-58**
Total impact on net income – Group share			**-283**	**-29**

Transformation and reorganization costs in Q1-19 can be broken down as follows: Retail banking networks (9%), Crédit Foncier (15%), Natixis (13%), Fidor (52%), and Other (11%).

1. Groupe BPCE: solid performance in a challenging environment. Resilient revenues, significant cost reduction and a limited decrease in net income[1] of 4.2%

Underlying figures €m	Q1-19	Q1-18 Pro forma[2]	*Q1-19 vs. Q1-18 Pro forma*	*Q1-19 vs. Q1-18 Pro forma and constant FX*
Net banking income	**5,947**	**6,022**	**-1.2%**	**-2.3%**
Operating expenses	-4,549	-4,560	-0.2%	-1.1%
o/w expenses excluding SRF	*-4,173*	*-4,220*	*-1.1%*	*-2.0%*
Gross operating income	**1,398**	**1,463**	**-4.4%**	**-6.1%**
Cost of risk	-284	-259	9.8%	
Income before tax	**1,176**	**1,280**	**-8.1%**	
Income tax	-449	-475	-5.5%	
Non-controlling interests	-104	-153	-31.6%	
Net income – Group share	**623**	**652**	**-4.5%**	
Restatement of IFRIC 21	310	322		
Net income – Group share – after IFRIC 21 restatement	**933**	**974**	**-4.2%**	
Cost/income ratio[1]	*69.9%*	*69.0%*	*0.9pp*	*1.0pp*
ROE after tax[1]	*5.7%*	*6.2%*	*-0.5pp*	

Unless specified to the contrary, the following financial data and related comments refer to the underlying results, i.e. results restated to exclude exceptional items, as presented on page 2.
Unless specified to the contrary, changes express differences between Q1-19 and Q1-18.

In Q1-19, the **net banking income** generated by Groupe BPCE fell by a marginal 1.2% to 5.9 billion euros. Revenues posted by the Retail Banking & Insurance division confirmed their positive trend (net banking income up +2.3%), while revenues from the Asset & Wealth Management division resisted well. In the Corporate & Investment Banking division, the diversification of activities partially offset the adverse trend in revenues posted by Global markets faced with a challenging market environment and a high comparison base in Q1-18.

Operating expenses declined by 0.2% and, when restated to account for the contribution to the Single Resolution Fund (376 million euros, up 10.7% year-on-year), this reduction in expenses stands at 1.1%. This item includes the continued drive to reduce costs in the retail banking networks (down 3.2% year-on-year), good cost control in Asset & Wealth Management (+0.9%) and an increase in expenses in the Corporate & Investment Banking division (+2.5%).
The cost/income ratio rose slightly (+0.9pt) to 69.9% while the gross operating income came to 1.4 billion euros.

The aggregate **cost of risk**[1] for Groupe BPCE increased by 9.8% vs. a very low comparison base in 2018, to 284 million euros, corresponding to 17 basis points compared to 16 basis points in Q1-18, which still remains a very low ratio, below our guidance of 20 to 30 basis points for the 2018/2020 strategic plan.

Net income Group share came to 623 million euros in Q1-19, equal to a decline of 4.5%. After restating to account for the impact of IFRIC 21, it stood at 933 million euros, down slightly by 4.2%.

RoE decreased to 5.7% (-0.5 percentage points).

[1] See notes on methodology and excluding IFRIC 21 for the calculation of ROE and the cost/income ratio
[2] 2018 figures have been restated to take account of changes in the segment reporting as presented on page 5

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

Unless specified to the contrary, changes express differences between Q1-19 and Q1-18.

2.1 High levels of CET1[1] and TLAC[1] ratios

Groupe BPCE's CET1 ratio (CRR/CRD IV without transitional measures) at the end of March 2019 was estimated at 15.6% compared with 15.8% at December 31, 2018. Changes for the quarter can be broken down into:

- Retained earnings: +11bps,
- Change in risk-weighted assets: -35bps,
- Issue of cooperative shares: +17bps,
- Other changes: -14bps.

The implementation of the initiatives[2] in the Group's transformation plan, combined with the deduction from regulatory capital of irrevocable payment commitments (IPCs), have an impact on the Group's CET1 ratio equal to -22bps. This translates into a pro forma CET1 ratio of these items (including the impact of the acquisition of a 50.1% equity interest in Oney Bank) of 15.4% at the end of March 2019.

2.2 TLAC ratio[1,3]: target fixed in the 2018-2020 strategic plan already achieved since June 2018

Total loss-absorbing capacity (TLAC) stands at 91.5 billion euros (including the pro-forma impacts – estimate at end-March 2019). The TLAC ratio, expressed as a percentage of risk-weighted assets, is equal to 22.6%, thereby confirming the achievement of the objective fixed in the Group's strategic plan of reaching a level exceeding 21.5% by early 2019.

At March 31, 2019, the leverage ratio[3] stood at 5.1%.

2.3 60% of the 2019 medium-/long-term funding plan has been completed

The target of the medium-/long-term funding plan for 2019 stands at 20 billion euros, including 13 to 14 billion euros to be raised in the unsecured segment (of which 3 to 4 billion euros of non-preferred senior debt) and 6 to 7 billion euros in the secured segment.

At April 30, 2019, Groupe BPCE had raised 12 billion euros, of which 7.5 billion euros in the unsecured segment, including 2.2 billion euros of non-preferred debt.

[1] See notes on methodology.
[2] Plan for BPCE SA to acquire a 50.1% stake in the capital of Oney Bank (subject to the usual conditions precedent for this type of operation); plan to dispose of banking interests in Africa; acquisitions in the Asset & Wealth Management and Corporate & Investment Banking divisions.
[3] Deduction, following the instructions of the supervisory authorities, of the part of the contribution to the Single Resolution Fund and the Deposit Guarantee Fund recognized as irrevocable payment commitments (IPC)

3.1 RESULTS OF THE BUSINESS LINES

In order to reflect the execution of our strategic projects, segment reporting will include as of 2019 the following changes in the three business lines:

Retail Banking & Insurance: Creation of the **Financial Solutions & Expertise division (FSE)**, comprising the following activities: factoring, consumer credit, sureties & financial guarantees, and retail securities services (these activities previously formed part of the Specialized Financial Services division, SFS); and **Payments becomes a full-fledged division** (this activity was previously pursued in the SFS division).

Corporate & Investment Banking: Film industry financing, previously managed by the SFS division within the RB&I business line, has been reallocated to Global finance within CIB.

Asset & Wealth Management: the Employee savings plan activity, previously a part of the SFS division within the RB&I business line, has now been reallocated to the Asset & Wealth Management business line.

In the Corporate center business line, equity interests chiefly include Coface and CNP Assurances, while the Run-off activities include, in particular, Crédit Foncier (with the exception of Socfim and CFI allocated to RB&I) and BPCE International (except for Pramex allocated to RB&I).

Unless specified to the contrary, the following financial data and related comments refer to the underlying results, i.e. results restated to exclude exceptional items, as presented on page 2. Unless specified to the contrary, changes express differences between Q1-19 and Q1-18.

3.1 Retail Banking & Insurance
All divisions contributed to revenue growth; gross operating income up 12.5%

Underlying figures €m	Q1-19	% Change N-1
Net banking income	**4,069**	**2.3%**
Net banking income excl. home purchase savings schemes	4,033	1.2%
Operating expenses	-2,671	-2.3%
Gross operating income	**1,398**	**12.5%**
Cost of risk	-247	27.1%
Income before tax, after IFRIC 21 restatement	**1,243**	**6.2%**
Cost/income ratio[1]	63.7%	- 2.3pp
ROE after tax[1]	10.8%	0.3pp

Loan outstandings rose by 5.2% year-on-year to reach a total of 495 billion euros at end-March 2019, including a 6.6% increase in home loans, and an increase in equipment loans and consumer loans of 4.6% and 5.7% respectively.
At the end of March 2019, **deposits & savings** (excluding regulated savings centralized with the CDC) amounted to 432 billion euros (+5.1%) while demand deposits recorded a significant increase of 12.3% year-on-year.

In Q1-19, **net banking income** generated by the Retail Banking & Insurance business line rose 2.3% year-on-year to 4,069 million euros:

- The Banque Populaire and Caisse d'Epargne networks generated net banking income for an aggregate total of 3,362 million euros (+1.9%)
- Financial Solutions & Expertise (FSE) generated net banking income of 270 million euros (+0.8%),
- Payments and Insurance posted strong revenue growth of 10.8% and 6.9% respectively.

Operating expenses, down 2.3%, reflect the continued drive to reduce costs in the retail banking networks (-3.2%) and an increase in expenses incurred by activities currently under development: Insurance and Payments.
Gross operating income increased by 12.5% and the cost/income ratio improved by 2.3 points to reach 63.7% in Q1-19.

Income before tax, after restating to account for the impact of IFRIC 21, increased by 6.2% in Q1-19 to reach a total of 1,243 million euros.

[1] See notes on methodology and excluding IFRIC 21

3.1.1 Banque Populaire network: revenues up 2.0%, despite the low interest rates environment

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.

Underlying figures *€m*	Q1-19	% Change N-1
Net banking income	**1,618**	**+2.0%**
Net banking income excluding home purchase savings schemes	1,610	+1.2%
Operating expenses	-1,078	-1.7%
Gross operating income	**540**	**+10.3%**
Cost of risk	-94	+12.6%
Income before tax after IFRIC 21 restatement	**483**	**+11.7%**
Cost/income ratio[1]	*65.0%*	*-1.5pp*

Loan outstandings increased by 6.9% year-on-year to 213 billion euros at the end of March 2019. **Deposits & savings** rose by 4.8% year-on-year to 273 billion euros at the end of March 2019 (+6.3% for on-balance sheet savings, excluding regulated savings centralized with the CDC). The number of principal active customers increased by 2.3% (+86,600 customers).

Net banking income in Q1-19 increased by 2.0%, including a 4.4% increase in net interest income and commissions, excluding early repayment fees that declined by 2.1%.

Operating expenses fell by 1.7% while the cost/income ratio improved by 1.5pp. This led to a 10.3% increase in **gross operating income** in Q1-19.

The cost of risk is down by 12.6%. **Income before tax** after restating to account for the impact of IFRIC 21 came to 483 million euros in Q1-19, up 11.7%.

3.1.2 Caisse d'Epargne network: significant decrease in the cost/income ratio to 64.1%

The Caisse d'Epargne network comprises 15 individual Caisses d'Epargne along with their subsidiaries

Underlying figures *€m*	Q1-19	% Change N-1
Net banking income	**1,744**	**+1.8%**
Net banking income excluding home purchase savings schemes	1,717	+0.1%
Operating expenses	-1,155	-4.6%
Gross operating income	**590**	**+17.2%**
Cost of risk	-115	+83.3%
Income before tax after IFRIC 21 restatement	**511**	**+5.0%**
Cost/income ratio[1]	*64.1%*	*-3.8pp*

Loan outstandings rose by 6.0% year-on-year to 273 billion euros at the end of March 2019 and **deposits & savings** increased by 2.3% compared with the same period in 2018 to reach a total of 424 billion euros (+4.4% for on-balance sheet savings, excluding regulated savings centralized with the CDC). The number of principal active customers increased by 0.9% (+62,000 customers).

Net banking income increased by 1.8% to reach a total of 1,744 million euros in Q1-19. Net interest income increased by 1.6% and commissions excluding early repayment fees increased by 1.7% to a total of 763 billion euros in Q1-19.

Operating expenses were reduced by 4.6% in Q1-19, while the cost/income ratio saw a 3.8pp improvement to 64.1%, leading to a 17.2% increase in **gross operating income** to 590 million euros.

Income before tax after restating to account for the impact of IFRIC 21 came to 511 million euros in Q1-19, up 5.0%.

[1] See notes on methodology and excluding IFRIC 21

3.1.3 Financial Solutions & Expertise: stable revenue base

Underlying figures €m	Q1-19	% Change N-1
Net banking income	**270**	**+0.8%**
Operating expenses	-153	+0.8%
Gross operating income	**117**	**+0.8%**
Cost of risk	-25	+28.1%
Income before tax after IFRIC 21 restatement	**95**	**-6.4%**
Cost/income ratio[1]	55.4%	+0.7pp

Net banking income came to a total of 270 million euros in Q1-19, up 0.8%.
Within Factoring, pace of business activity increased with the BP and CE retail banking networks in the Professional and SME segments.
Outstanding consumer loans are up by 8% year-on year. Leasing recorded almost 12% growth in new loan production in Q1-19.
The Sureties & Financial Guarantees business continued its strong momentum, as evidenced by the 23.8% increase in written premiums.

In Q1-19, **operating expenses** remained virtually unchanged at 153 million euros and the **cost/income ratio** came to 55.4% (+0.7pp).

The cost of risk remained under control at 25 million euros in Q1-19, up 28.1% vs. a low comparison base.

Income before tax after restating to account for the impact of IFRIC 21 amounted to 95 million euros (-6.4%).

3.1.4 Payments: continued momentum with a positive jaws effect

Underlying figures €m	Q1-19	% Change N-1
Net banking income	**103**	**+10.8%**
Operating expenses	-88	+10.2%
Gross operating income	**16**	**+14.1%**
Income before tax after IFRIC 21 restatement	**16**	**+13.0%**
Cost/income ratio[1]	84.1%	-0.4pp

Net banking income came to 103 million euros in Q1-19, reflecting growth of 10.8%.

In *Payment Processing & Services*, the historical activities developed by Natixis, revenues increased by 6% in Q1-19 and the number of card transactions processed rose by 9%, including the ramp-up of the Instant Payment service.
In *Merchant Solutions*, the volumes generated by Dalenys (for medium/large corporations) and PayPlug (serving SMEs) increased by 26% year-on-year in Q1-19. Synergies within Groupe BPCE are being developed, notably through the roll-out of PayPlug and Android POS solutions in the Caisse d'Epargne network.
In *Prepaid & Issuing Solutions*, Q1-19 growth was driven by the meal vouchers and Benefits & Rewards segments (*Titres Cadeaux* and *Comitéo*). The number of mobile payments in Q1-19 increased by a factor of 2.4 over the past year.

The development of activities led to a 10.2% increase in Q1-19 **operating expenses**.

Despite significant investments to support the growth of the Payments business, **gross operating income** enjoyed 14.1% growth.

Income before tax after restating to account for the impact of IFRIC 21 came to 16 million euros (+13.0%).

[1] See notes on methodology and excluding IFRIC 21

3.1.5 Insurance: continued strong delivery with gross operating income of 7.9%

The results presented below concern the Insurance division of Natixis.

Underlying figures €m	Q1-19	% Change N-1
Net banking income	**218**	**+6.9%**
Operating expenses	-125	+6.1%
Gross operating income	**93**	**+7.9%**
Income before tax after IFRIC 21 restatement	**106**	**+2.6%**
Cost/income ratio[1]	51.7%	+0.8pp

In Q1-19, **premiums[2]** reached a total of 3.3 billion euros. This represents a total 6% decline year-on-year, including a 4% increase in Non-Life Insurance. In Life and Personal protection insurance, premiums fell by 7%. Unit-linked products represent 29% of gross inflows, which is higher than the market average of 23% (at the end of March – source FFA).

Assets under management[2] amounted to 63.0 billion euros at the end of March 2019, including 15.2 billion euros in unit-linked products (+8% in Q1-19). **Net inflows[2]** in life insurance amounted to 1.7 billion euros.

In Q1-19, **net banking income** stood at 218 million euros, representing growth of 6.9% while **operating expenses** increased by 6.1%. **Gross operating income** rose by 7.9%.

Income before tax after restating to account for the impact of IFRIC 21 amounted to 106 million euros, up 2.6% in Q1-19.

Natixis will take over the new P&C insurance business distributed to private customers in the Banque Populaire network as of 2020 as part of the renewed partnership with Covéa.

Figures specifying the contribution to Groupe BPCE are different from those reported 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

[1] See notes on methodology and excluding IFRIC 21 [2] Excluding the reinsurance agreement with CNP

3.2 Asset & Wealth Management: a resilient quarter after the market correction in Q4-18

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

Underlying figures €m	Q1-19	% Change N-1	Constant FX % Change N-1
Net banking income	**773**	**-3.3%**	***-7.5%***
Operating expenses	-553	+0.9%	*-3.6%*
Gross operating income	**220**	**-12.4%**	***-15.9%***
Income before tax after IFRIC 21 restatement	**225**	**-12.1%**	
Cost/income ratio[1]	71.0%	+3.0pp	+2.8pp
ROE after tax[1]	12.1%	-1.9pp	

In Asset Management, **net inflows** in Q1-19 amounted to 1 billion euros. In line with the objectives adopted in the strategic plan, the momentum for alternative strategies is strong with nearly 2 billion euros in new inflows, in contrast to strategies such as Core Fixed Income.

In Europe[2], net inflows of 4 billion euros are derived from positive flows across the majority of European affiliates including Ostrum, H_2O and Mirova. In North America, net outflows amounted to 3 billion euros.

At March 31, 2019, assets under management reached 855 billion euros in Asset Management (+6% over a quarter) and 27 billion euros in Wealth Management.

The division's **net banking income** came to 773 million euros, down 3.3% year-on-year, with a limited decline in Asset Management, reflecting the resilience of the business model, and a 6 million euro decline in Wealth Management, a result chiefly due to a change in scope following the sale of *Sélection 1818* in Q4-18.

In Asset Management, the fee rate (excluding performance fees) stands at 30bps overall, derived from 27bps in Europe (excluding life insurance) and 38bps in North America.

The adjustment of variable costs resulted in a limited increase in **operating expenses** of 0.9% in Q1-19.

The **cost/income ratio[1]** is equal to 71.0% (+3.3pp) while the **gross operating income** stands at 220 million euros (-12.4%).

Income before tax after restating to account for the impact of IFRIC 21 stands at 225 million euros (-12.1%).

ROE after tax[1] is equal to 12.1% (-1.9pp).

[1] See notes on methodology and excluding IFRIC 21 [2] Including Dynamic Solutions and the assets under management of Vega IM

3.3 Corporate & Investment Banking: diversification allowing for a RoE of almost 10% despite a challenging environment for Global markets

The Corporate & Investment Banking division (CIB) includes the Global markets, Global finance, Investment banking and M&A activities of Natixis.

Underlying figures €m	*Q1-19*	% Change N-1	Constant FX % Change N-1
Net banking income	**807**	**-14.5%**	***-17.1%***
Operating expenses	- 79	2.5%	*+0.2%*
Gross operating income	**228**	**-39.9%**	***-42.3%***
Cost of risk	- 0	- .7%	
Income before tax after IFRIC 21 restatement	**225**	**-40.4%**	
Cost/income ratio	68.7%	+11.2pp	+11.6pp
ROE after tax	9.6%	-7.5pp	

The **net banking income** generated by the Corporate & Investment Banking division amounted to 807 million euros in Q1-19, down 14.5% year-on-year.
The revenues posted by Global markets have decreased by 28%, impacted in particular by unfavorable conditions prevailing in the Rates and Forex markets. In 2018, FIC-T recorded a very high first quarter to the effect that Q1-19 revenues fell by 34% despite the positive momentum achieved by the Credit business and US platform. The Equity segment saw its revenues decline by 13% year-on-year.
Within Global Finance, new loan production saw 32% growth in ENR and 50% growth in Real Assets over the year, with growth being particularly strong in the Infrastructure segment.
The revenues posted by the Investment banking and M&A business lines increased by 6% in Q1-19, including double-digit growth in M&A driven by the integration of Fenchurch and Vermilion.

The 2.5% increase in **operating expenses** to 579 million euros was notably due to investments made in the development of sectorial expertise and the expansion of M&A. The cost/income ratio stands at 68.7% (+11.2 pp).

Gross operating income fell to 228 million euros (-39.9%).

The **cost of risk** remained virtually unchanged at 30 million euros.

Income before tax after restating to account for the impact of IFRIC 21 came to 225 million euros (-40.4%).

In Q1-19, **ROE after tax**[1] stood at 9.6% (-7.5 pp).

Figures specifying the contribution to Groupe BPCE are different from those reported 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

[1] See notes on methodology and excluding IFRIC 21

Notes on methodology

Presentation of pro-forma quarterly results

The segment information has been modified as of Q1-19 in in order to reflect the execution of our strategic projects:

- **Retail Banking & Insurance**: Creation of the **Financial Solutions & Expertise division (FSE)**, comprising the following activities: factoring, consumer credit, sureties & financial guarantees, and retail securities services (these activities previously formed part of the Specialized Financial Services division, SFS); and **Payments** becomes a full-fledged division (this activity was previously pursued in the SFS division).
- **Corporate & Investment Banking:** Film industry financing, previously managed by the SFS division within the RB&I business line, has been reallocated to Global finance within CIB.
- **Asset & Wealth Management:** the Employee savings plan activity, previously a part of the SFS division within the RB&I business line, has now been reallocated to the Asset & Wealth Management business line.
- In the Corporate center business line, equity interests chiefly include Coface and CNP Assurances, while the Run-off activities include, in particular, Crédit Foncier (with the exception of Socfim and CFI allocated to RB&I) and BPCE International (except for Pramex allocated to RB&I).

The previous quarters have been restated accordingly.

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;
- **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 the 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 the 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.

Customer 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.

DISCLAIMER

This press release 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.

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The financial information presented in this document relating to the fiscal period ended March 31, 2019 has been drawn up in compliance with IFRS guidelines, as adopted in the European Union. This financial information is not the equivalent of summary financial statements for an interim period as defined by IAS 34 "Interim Financial Reporting".

This press release 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 financial results contained in this press release have not been reviewed by the statutory auditors.

About Groupe BPCE

Groupe BPCE, with its business model as a universal cooperative bank represented by 9 million cooperative shareholders, is currently the 2nd-largest banking group in France. With its 105,000 employees, it serves a total of 30 million customers – individuals, professionals, corporates, investors, and local government bodies – around the world. It operates in the retail banking and insurance sectors in France via its two major Banque Populaire and Caisse d'Epargne banking networks, along with Banque Palatine. With Natixis, it also runs global business lines specializing in asset & wealth management, corporate & investment banking, and payments. Through this structure, it is able to offer its customers a comprehensive, diversified range of products and services: solutions in savings, investment, cash management, financing, and insurance. The Group's financial strength is recognized by four financial rating agencies: Moody's (A1, outlook stable), Standard & Poor's (A+, outlook stable), Fitch (A+, outlook stable) and R&I (A, outlook positive).

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