GROUPE BPCE

Bankers and insurers with a different perspective

Press Release

Paris, May 17, 2018

RESULTS FOR THE 1st QUARTER OF 2018 OF GROUPE BPCE

SLIGHT INCREASE IN NET BANKING INCOME TO €6BN (1)

Retail Banking & Insurance:
Limited decline in net banking income (-2.9% year-on-year) to €4.2bn, with good resilience from the commission-earning activities pursued by the Insurance and Payments business lines in particular, and despite the persistent impact of low interest rates on the net interest income generated by the Banque Populaire and Caisse d'Epargne retail banking networks

Asset & Wealth Management:
Net banking income of €777m, representing strong year-on-year growth of 20.2% at constant exchange rates

Corporate & Investment Banking:
Despite the impact of unfavorable foreign exchange rates, net banking income of €938m, up 1.3% year-on-year at constant exchange rates

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT UP MARGINALLY TO €955M (1)

Despite the sharp increase in regulatory contributions, attributable net income rose by 0.9% year-on-year

EXTREMELY HIGH LEVELS OF CAPITAL ADEQUACY AND LOSS-ABSORBING CAPACITY

CET1(2,3) , and TLAC(2,3) ratios of 15.1% and 21.5% respectively at March 31, 2018

Limited impact of the first-time application of IFRS 9 on the Group's CET1(2) ratio: -17bps

On May 17, 2018, the Supervisory Board of Groupe BPCE convened a meeting chaired by Michel Grass to examine the Group's financial statements for the first quarter of 2018.

François Pérol, Chairman of the Management Board of Groupe BPCE, made the following statement: *"Today, the Group is announcing strong results for the first quarter of 2018. Against a background of very low interest rates and increased competition, the Retail Banking division has limited the decline in its revenues to 2.9% thanks to the dynamism of its lending and deposits & savings activities, and to the development of new growth drivers with Specialized Financial Services and Insurance. Natixis has reported good results, with enhanced revenues in all its business lines at constant exchange rates, including extremely vigorous growth (+20.2%) in the Asset & Wealth Management division. Thanks to our tight control over operating expenses and a moderate cost of risk, we have managed to keep the Group's net income attributable to equity holders of the parent steady at 955 million euros. The strength of our business model is also reflected in the extremely satisfactory levels of capital adequacy and loss-absorbing capacity. I am very proud to have been involved for almost a decade in the creation and development of Groupe BPCE, which now possesses all the strengths it needs to bring its TEC2020 strategic plan to a successful conclusion. I am entirely convinced that Laurent Mignon, with the support of all our people, will be able to provide the Group with the energy it requires to pursue its ongoing growth."*

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1 Excluding non-economic and exceptional items for the net banking income; excluding non-economic and exceptional items and after restating to reflect the impact of IFRIC 21 for net income attributable to equity holders of the parent

2 Estimate at Dec. 31, 2017 - 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

3 Deduction, following the instructions of the supervisory authorities, of the part of the contributions to the Single Resolution Fund and the Bank Deposit Guarantee Fund recognized in the form of irrevocable payment commitments

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.).

Application of IFRS 9

The new IFRS 9 standard has been applied since January 1st, 2018. It sets out new rules for classifying and measuring financial instruments depending on their characteristics and the management model used, and a new method for calculating financial asset credit risk impairment based on expected credit losses.

Groupe BPCE has elected to use the option offered by the standard to not restate the figures for previous financial years.

1. CONSOLIDATED RESULTS[4] OF GROUPE BPCE FOR THE FIRST QUARTER OF 2018

Groupe BPCE has announced good results for the first quarter of 2018 with net banking income equal to 6,022 million euros[5], representing a marginal 0.8% decrease (at current exchange rates) from the same period in 2017.

On a constant exchange rate basis, revenues have increased by +0.9% thanks to strong growth achieved by the **Asset & Wealth Management** division (+20.2%) and the strong results generated by the **Specialized Financial Services** and **Insurance** divisions (+5.2% and +7.7% respectively) which, together, limit the -3.0% decline in the revenues (excluding changes in provisions for home purchase savings schemes) posted by the **Retail Banking & Insurance** division due to the negative impact of persistently low interest rates on net interest income. The **Corporate & Investment Banking** division completed a good first quarter in 2018 and enjoyed 1.3% growth (at constant exchange rates) in net banking income despite being penalized by an unfavorable foreign exchange rate and a base effect in the first quarter of 2017 (with a historically high level of revenues achieved by Global Markets).

Groupe BPCE boasts what remains a high level of capital adequacy and has again enhanced its total loss-absorbing capacity.

The Group's performance in the first quarter of 2018 makes it possible to get the TEC2020 strategic plan off to a good start.

At June 1, 2018, the membership of Groupe BPCE's senior management team will change. As of that date, Lauren Mignon will become Chairman of the Management Board of Groupe BPCE. François Riahi will succeed him as Chief Executive Officer of Natixis. This change in governance represents continuity in the Group's strategy and in the pursuit of the TEC 2020 strategic plan.

[4] Q1-17 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 March 31, 2017

1.1 Consolidated results for first quarter of 2018: net income attributable to equity holders of the parent[5,6] rises by 0.9% to €955m

Net banking income generated by Groupe BPCE in the first quarter of 2018 came to 6,022 million euros[5], representing a marginal 0.8% decline compared with the same period in 2017 due to the substantial decline in the value of the USD versus the euro, a trend that weighs down on business activities denominated in the US dollar. 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 0.9%.

The Group's **operating expenses** came to 4,560 million euros[5] in the first quarter of 2018, up 1.2% on a year-on-year basis, and up 2.5% on a constant exchange rate basis. If the Single Resolution Fund (SRF) contribution is excluded – an item that increased by 31% to 340 million euros between the first quarter of 2017 and the first quarter of 2018 – operating expenses remained steady over the period at 4,220 million euros (-0.7% a current exchange rates and +0.7% at constant exchange rates).

The Group's **gross operating income** came to a total of 1,463 million euros[5] down 6.3% compared with the same period in 2017. If foreign exchange rates are kept constant, this decline is reduced to 3.6%.

The cost of risk at March 31, 2018 is computed following IFRS 9 standards whereas that of March 31, 2017 is expressed in accordance with IAS 39 standards.
The **cost of risk** of Groupe BPCE stood at 259 million euros for the first quarter of 2018. Compared with the first quarter of 2017, it shows a 29.2% decline in absolute value[5] to 16 basis points[7] for the quarter (down from 22 basis points at March 31, 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 March 31, 2018, while the impaired loans coverage ratio (including guarantees related to impaired outstandings) came to 74.2% at March 31, 2018 (versus 71.4% at January 1, 2018).

- For the **Retail Banking & Insurance** division, this latest decline in the cost of risk[7] follows the reduction in this metric noted in the retail banking networks, falling to 15 basis points at March 15, 2018, down 7 basis points compared with the first quarter of 2017.

- For the **Corporate & Investment Banking** division, the cost of risk remains virtually unchanged at 21 basis points versus 20 basis points in the first quarter of 2017.

The Group's **income before tax** has grown by 0.8% to reach 1,280 million euros[5] for the first quarter of 2018. After being restated to account for the impact of IFRIC 21, the Group's **income before tax** has risen by 3.2% to 1,686 million euros[5]

The Group's **income tax** stands at 475 million euros[5] for first quarter of 2018, down 4.4% YoY.

Net income attributable to equity holders of the parent stands at 634 million euros[5], representing a limited decline of 3.7% versus the first quarter of 2017 against a background of sharp rises in regulatory contributions. After restating to account for the impact of IFRIC 21, **net income attributable to equity holders** of the parent stands at 955 million euros[5].

After restating to reflect the impact of IFRIC 21 and excluding non-economic and exceptional items:
- The cost/income ratio has increased by 0.7 percentage points to 69.0%,
- Return on equity has decreased by a 0.1 percentage point to stand at 6.1%.

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 605 million euros.

[5] Excluding non-economic and exceptional items
[6] After restating to reflect the impact of IFRIC 21
[7] Cost of risk expressed in annualized basis points on gross customer outstandings at the beginning of the period

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

In millions of euros	Q1-18	Impact of non-economic and exceptional items	Q1-18 underlying
Net banking income	6,010	-12	6,022
Operating expenses	-4,606	-46	-4,560
Operating expenses excl. SRF	*-4,266*		*-4,220*
Gross operating income	**1,404**	**-58**	**1,463**
Cost of risk	- 259		- 259
Income before tax	**1,222**	**-58**	**1,280**
Income before tax restated to reflect the impact of IFRIC 21	*1,627*		*1,686*
Income tax	-455	20	-475
Minority interests	-162	9	-171
Net income attributable to equity holders of the parent	**605**	**-29**	**634**
Restatement to account for the IFRIC 21 impact	*321*		*321*
Net income attributable to equity holders of the parent after restating to account for the impact of IFRIC 21	**926**	**-29**	**955**
Cost/income ratio			69.0%
ROE			6.1%

In millions of euros	Q1-17 pf underlying	Q1-18 underlying / Q1-17 pf underlying % change	Constant exchange rate % change
Net banking income	6,069	-0.8 %	+0.9%
Operating expenses	-4,507	+ 1.2%	+2.5%
Operating expenses excl. SRF	*-4,247*	*-0.7%*	*+0.7%*
Gross operating income	**-1,562**	**-6.3%**	**-3.6%**
Cost of risk	-366	-29.2%	
Income before tax	**1,270**	**+0.8%**	
Income before tax restated to reflect the impact of IFRIC 21	*1,633*	*+3.2%*	
Income tax	-497	-4.4%	
Minority interests	-115	+49.1%	
Net income attributable to equity holders of the parent	**659**	**-3.7%**	
Restatement to account for the IFRIC 21 impact	*288*		
Net income attributable to equity holders of the parent after restating to account for the impact of IFRIC 21	**946**	**+0.9%**	
Cost/income ratio	68.3%	+0.7pt	
ROE	6.2%	-0.1pt	

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

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

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

2.1 High level of Common Equity Tier 1[8] despite the impact of one-off events

Groupe BPCE's CET1 ratio decreased marginally in the first quarter of 2018, reaching a level estimated at 15.1% at March 31, 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 (-17 basis points) and, secondly, the deduction from regulatory capital of contributions to the SRF and Deposit Guarantee and Resolution Fund (FGDR) recognized as irrevocable payment commitments (IPC) as required by the supervisory authorities (impact of -12 basis points).
The other changes in the CET1 ratio cancel each other out overall: retained earnings (+13 basis points since January 1, 2018) and to the issue of cooperative shares (+14 basis points since January 1, 2018), the increase in risk-weighted asset (-17 basis points) and Other changes (-4 basis points).

2.2 TLAC ratio[8,9]

Total Loss-Absorbing Capacity (TLAC) stood at 83.8 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 21.5% at March 31, 2018, very close to the target level fixed in the TEC 2020 strategic plan of more than 21.5% by early 2019. In order to respect this target, Groupe BPCE plans to issue senior non-preferred debt for an amount of between 4 and 5 billion euros per year, and does not anticipate having recourse to senior preferred debt.

At March 31, 2018, the leverage ratio[10] stood at 5.0%, including the deduction of IPC.

2.3 66% of the 2018 wholesale medium-/long-term funding plan already completed at end-April 2018

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of 14.5 billion euros at April 30, 2018, equal to 66% of the 2018 program (22 billion euros). The average maturity at issue stands at 7.4 years and the average cost of the liquidity is equal to mid-swap +16 basis points. During this period, 68% of MLT funding was completed in the form of public bond issues and 32% in the form of private placements.

The 14.5 billion euros raised as at April 30, 2018 can be broken down as follows:

- A total of 10.3 billion euros was raised in the form of unsecured issues (4.5 billion euros in senior non-preferred debt and 5.8 billion euros in senior preferred debt), representing 71% of the MLT funds already raised.
- A total of 4.2 billion euros was raised in the form of covered bond issues, representing 29% of the MLT funds already raised.

As already mentioned, unsecured bond issues should account for approximately 70% of this funding plan (including 4 to 5 billion euros in senior non-preferred debt); the remainder should be raised in the form of covered bond issues. The completion rate at end-April is consequently in line with these objectives.

During this period, Groupe BPCE continued to raise substantial funds thanks to the extremely broad diversification of its investor base. As a result, 46% of the bonds issued in the unsecured segment were placed in currencies other than euro (notably 29% in US dollars, 8% in Japanese yen and 8% in Australian dollars).

[8] 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
[9] According to the term sheet dated November 9, 2015 published by the Financial Stability Board on the "Total Loss-absorbing Capacity"
[10] Estimate calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014

3. RESULTS[11] OF THE BUSINESS LINES

Contribution of the business lines to the results of Groupe BPCE

In the first quarter 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 exceptional items and the Corporate center division):

- The contribution of the **Retail Banking and Insurance** division accounted for 71% of the aggregate net banking income posted by Groupe BPCE's business lines in the first quarter of 2018 (against 73% in the first quarter of 2017). The division also accounted for 67% of the aggregate gross operating income of Groupe BPCE's business lines (against 71% in the first quarter of 2017).

- The **Asset & Wealth Management** division contributed 13% of the aggregate net banking income of Groupe BPCE's business lines in the first quarter 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 (against 9% in the first quarter of 2017).

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

3.1 Retail Banking & Insurance: development of new growth drivers with Insurance and Payments activities

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 quarter of the year.

The Retail Banking & Insurance division continues to play an active role in financing the French economy: **new loan production**, in all market segments taken together, reached almost 26 billion euros in the first quarter of 2018, showing a decline from the first quarter of 2017, which had achieved exceptional levels of new production. However, the results for the first quarter of 2018 remain in line with the average quarterly levels achieved in 2016. Retail banking **loan outstandings** rose by 4.8% year-on-year to reach a total of 548 billion euros at March 31, 2018. Home loans rose by 5.7% year-on-year while equipment loans increased by 7.4%.

Aggregate **deposits & savings** of the Retail Banking & Insurance division came to 696 billion euros at March 31, 2018, representing 3.5% growth since March 31, 2017. On-balance sheet deposits & savings inflows (excluding the centralization of regulated savings products) have risen to 24 billion euros year-on-year; they are notably derived from demand deposits whose aggregate totals enjoyed 11.0% growth.

Insurance[12], one of the new growth drivers along with Payments, continued to deliver a dynamic performance in the first quarter of the year with gross life fund inflows in unit-linked contracts enjoying 15% year-on-year growth (the unit-linked proportion of gross life fund inflows has risen by 2.8 percentage points since the same period in 2017).

Life insurance commissions from the Banque Populaire and Caisse d'Epargne retail banking networks have increased by 5.3% while the non-life portfolio saw its number of contracts rise by 8.5% year-on-year, buoyed up simultaneously by P&C and Personal Protection insurance.

[11] Q1-17 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 March 31, 2017

[12] Entities included: Natixis Assurances, Prépar Vie, CNP Assurances

Retail Banking & Insurance division: financial results for the first quarter of 2018

The **net banking income** posted by the Retail Banking & Insurance division for the first quarter of 2018 came to 4,180 million euros (excluding changes in the provision for home purchase savings schemes), equal to a year-on-year decline of 3.0%. This reflects a similar trend experienced by the aggregate net banking income of the Banque Populaire and Caisse d'Epargne retail banking networks, which also declined by 3.8% (if changes in provisions for home purchase savings schemes are excluded). This reduction is the result of the persistent decline in net interest income depressed by the low interest rate environment that has prevailed for the past several years. In contrast, however, the good performance of commission-earning activities should be emphasized. Indeed, commissions have remained stable compared with the first quarter of 2017 despite the fact that early loan redemption fees have declined significantly (-53.3% compared with the first quarter of 2017) owing, in particular, to the return of the volume of early loan redemptions to more normal levels in the first quarter of 2018.

Operating expenses have been kept under tight control and stand at 2,902 million euros[13] for the first quarter of 2018, representing a marginal decrease of -0.8% compared with the first quarter of 2017. The Banque Populaire and Caisse d'Epargne retail banking networks follow the same trend with a reduction in operating expenses of 1.0%.

Gross operating income decreased by 7.5% in the first quarter of 2018 to stand at 1,272 million euros[13].

The **cost of risk,** which came to 213 million euros[13] in the first quarter of 2018, has declined by a significant 30.0%.

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

- **Income before tax** came to 1,197 million euros for the first quarter of 2018, down 1.9% compared with the same period last year,
- The **cost/income ratio** is equal to 66.6% in the first quarter of the year, representing a 1.7-point increase,
- **Normative ROE** is down 1 percentage point to 9%.

After accounting for exceptional items and cancelling the restatement carried out to reflect the impact of IFRIC 21, **published income before tax** stands at 1,044 million euros for the first quarter of 2018, representing a 0.7% increase compared with the first quarter of 2017.

[13] Excluding non-economic and exceptional items (cf. notes on methodology at the end of this press release)

3.1.1 Banque Populaire

Following the merger between the Banque Populaire de l'Ouest and the Banque Populaire Atlantique, giving birth to the Banque Populaire Grand Ouest on December 7, 2017, 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**

The strategy consisting in delivering banking services to the individual customers of the Banque Populaire network continued in the first quarter of 2018, leading to +2.5% growth in the number of principal active customers, i.e. 93,700 additional customers. The number of Private Banking and Wealth management customers has risen by 6.2% (22,000 new customers). In the professional customers market segment, the strategy aimed at attracting new customers and intensifying the bank's relationship with them made it possible to increase the number of active customers by 1.0% (+4,400 customers year-on-year). In the corporate customer segment, the number of active clients increased by 3.0% (+1,300 clients).

- **Loan outstandings and deposits & savings**

Loan outstandings stood at 199 billion euros at March 31, 2018, representing 6.5% growth compared with March 31, 2017.

Deposits & savings came to 259 billion euros at March 31, 2018, equal to growth of 5.3% compared with March 31, 2017.

- **Financial results**

Net banking income for the first three months of 2018 came to 1,588 million euros (excluding changes in the provision for home purchase savings schemes), down by 1.6% compared with the first quarter of 2017. This trend reflects, in particular, a 4.0% decline in net interest income (excluding changes in the provision for home purchase savings schemes) and 4.3% growth in commission income, excluding early loan redemption fees, which decreased by a total of 55.0% compared with 2017 first quarter.

Operating expenses for the first quarter of 2018 stand at 1,095 million[13] euros equal to a 1.1% drop since the first quarter of 2017.

Gross operating income for the first quarter 2018 came to 489 million euros[13], down 2.1% compared with same period last year.

The **cost of risk** at March 31, 2018, which stands at 107 million euros[13], rose by 1.9% on a year-on-year basis.

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

- **Income before tax** stands at 431 million euros for the first quarter of 2018, equal to a decline of 3.9% compared with the first quarter of 2017,
- The **cost/income ratio** increased by 0.4 of a percentage point to reach 66.5% at March 31, 2018.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stood at 367 million euros for the first quarter of 2018, down 6.7% compared with first quarter of 2017.

3.1.2 Caisse d'Epargne

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

- **Customer base**

The strategy consisting in delivering banking services to the individual customers of the Caisse d'Epargne retail banking network continued in the first quarter of 2018, leading to 1.6% growth in the number of principal active customers, i.e. 103,400 additional customers in an increasingly competitive banking environment. The number of Private Banking and Wealth management customers has risen by 3.8% (+15,900 customers). In the professional customers market segment, the strategy aimed at attracting new customers made it possible to increase the number of active customers by 3.7% (+7,000 clients year-on-year). In the corporate customer segment, the number of active clients increased by 11.4% (+2,000 customers).

- **Loan outstandings and deposits & savings**

Loan outstandings stood at 257 billion euros at March 31, 2018, up 6.4% compared with March 31, 2017.

Deposits & savings stood at 414 billion euros at March 31, 2018, equal to an increase of 2.5% compared with March 31, 2017.

- **Financial results**

Net banking income for the first quarter of 2018 stood at 1,716 million euros (excluding changes in the provision for home purchase savings schemes), down 5.7% on a year-on-year basis. This change is the result, in particular, of a 10.5% decline in net interest income (excluding changes in the provision for home purchase savings schemes) offset by 4.1% growth in commissions, excluding early loan redemption fees, which experienced a 52.1% decline compared with same period last year.

Operating expenses for the first quarter came to 1,210 million euros[13], reflecting a 0.9% decrease compared with the same period last year.

Gross operating income stood at 503 million euros[13], down 15.3% compared with the first quarter of 2017.

The **cost of risk,** which stood at 63 million euros[13] in first quarter of 2018, experienced a substantial 22.3% decline compared with the first quarter of 2017.

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

- **Income before tax** came to 486 million euros for first quarter of 2018, 13.8% down compared with first quarter of 2017,
- The **cost/income ratio** increased by 3.5 percentage points, standing at 68.0% for the first three months of 2018.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 434 million euros for the first quarter of 2018, down 12.2% compared with the same period last year.

3.1.3 Specialized Financial Services: faster pace of growth enjoyed by the Payments business

The Specialized Financial Services (SFS) division of Natixis includes three business lines: Specialized financing, Payments, and Financial services. It is included in the Group's Retail Banking & Insurance division.

- **Financial results**

Net revenues stand at 362 million euros for the first quarter of 2018, up 5.2% compared with the first quarter of 2017. More particularly, the net banking income generated by the Specialized financing business line achieved year-on-year growth of 2% driven by the leasing, factoring, and Consumer finance businesses. The revenues of the Financial Services activity rose by 4% year-on-year buoyed up by the Employee savings plans activity (+7%) while the revenues generated by the Payments business – 70% of which is generated by the Banque Populaire and Caisse d'Epargne retail banking networks – enjoyed 15% year-on-year growth (approximately two-thirds of which is derived from recent business acquisitions in 2017).

Operating expenses stand at 244 million euros[13] for the first quarter of 2018, up 4.9% compared with the first quarter of 2017 (but remaining steady on a constant basis of structure).

Gross operating income rose by 5.8% in the first quarter of 2018 to stand at 118 million euros[13].

The **cost of risk** came to 9 million euros[13] for the first three months of 2018, dropping by a significant 55.7% compared to the first quarter of 2017.

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:
- **Income before tax** came to 116 million euros for the first quarter of 2018, equal to growth of 18.3%,
- The **cost/income ratio** remained steady over the period at 65.5% (or 64.5% if the acquisitions made by the Payments business line are excluded).

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 108 million euros for the first quarter of 2018, up 19.0% compared with the same period last year.

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

3.1.4 Insurance: good level of profitability maintained

The Insurance business line of Natixis is included in the Group's Retail Banking & Insurance division.

- **Financial results**

Net banking income stands at 204 million euros for the first quarter of 2018, up 7.7% compared with the first quarter of 2017, driven by both Life and Personal Protection insurance. This result corresponds to total premiums of 3.5 billion euros (excluding the reinsurance treaty with CNP), representing growth of 6% on a year-on-year basis.

Operating expenses amounted to 118 million euros[13] for the first quarter of 2018, up 8.5% 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). If the payment of this tax is excluded, operating expenses only increased by 5% in line with business growth.

Gross operating income rose by 6.7% compared with the same period in 2017 to reach a total of 86 million euros[13].

After restating to account for the impact of IFRIC 21 and excluding non-economic and exceptional items:
- **Income before tax** came to 103 million euros for the first quarter of 2018, up by 7.7%,
- The **cost/income ratio** saw a 0.8-percentage point improvement in the first quarter of 2018 to stand at 50.9%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 89 million euros for the first three months of 2018, up by a significant 37.4% compared with the same period in 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.

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**

Crédit Foncier achieved aggregate new loan production of equal to 2.2 billion euros, a decline less marked that the downturn experienced by the market overall. Home loans granted to individual customers remain the main contributor, accounting for 1.6 billion euros in new loans.
At the same time, Crédit Foncier experienced a gradual erosion in its loan outstandings position, which stood at 77.7 billion euros at March 31, 2018 versus 80.7 billion euros at March 31, 2017.

Owing to the prevailing business environment characterized by low interest rates and stiff competition, **net banking income** suffered a 15.8% decline owing, in particular, to the impact on net interest income of the high level of early loan redemptions since 2015 as well as loan renegotiations in previous quarters. Crédit Foncier is also pursuing its policy aimed at substantially cutting its costs. As a result, **operating expenses** fell by 13.8% in the first quarter of 2018. As a result, at March 31, 2018, the contribution made by Crédit Foncier to the Group's income before tax, after accounting for the impact of IFRIC 21, stands at 22 million euros, down 19.8% compared with the first quarter of 2017.

- **Banque Palatine**

The average loan outstandings position increased from 8.2 billion euros in the first quarter of 2017 to stand at 8.7 billion euros at March 31, 2018. The level of deposits & savings increased marginally during the period to reach 16.7 billion euros at March 31, 2018.

The contribution made by Banque Palatine to the Group's income before tax, after accounting for the impact of IFRIC 21, stands at 25 million euros for the first quarter of 2018, up 19.1% year-on-year.

- **BPCE International**

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

Loan outstandings stood at 5.0 billion euros at March 31, 2018 (versus 5.5 billion euros at March 31, 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 accounting for the impact of IFRIC 21, was positive in the first quarter of 2018 at 14 million euros. This represents strong growth compared with the first quarter of 2017, which included the booking of additional provisions on loan portfolios in Tunisia.

3.2 Asset & Wealth Management: strong growth dynamics with gross operating income up 34% despite an unfavorable foreign exchange effect

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

- **Financial results**

Net banking income came to 777 million euros in the first quarter of 2018, equal to 10.3% growth (+20.2% on a constant exchange rate basis) over the first quarter of 2017.

Operating expenses came to 528 million euros in the first quarter of 2018, equal to a 1.9% increase (+10.5% on a constant exchange rate basis) in line with growth in business activities compared with the first quarter of 2017.

Gross operating income came to 248 million euros in the first quarter of 2018, representing an increase of 33.8% (+47.8% on a constant exchange rate basis) compared with the same period in 2017.

After restating to account for the impact of IFRIC 21:

- **Income before tax** came to 253 million euros in the first quarter of 2018, up 27.4% on a year-on-year basis,
- The **cost/income ratio** saw a 5.7-percentage point improvement (6.0 points on a constant exchange rate basis) in the first quarter of 2018, to reach 67.5%,
- **Normative ROE** increased to 14%, up 2.5 percentage points.

After cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 248 million euros in the first quarter of 2018, up by a substantial 27.2% compared with the same period last year.

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

3.3 Corporate & Investment Banking: increased pace of value creation

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

- **Financial results**

Net banking income came to 938 million euros in the first quarter of 2018, down 3.3% compared with the first quarter of 2017 but up 1.3% on a constant exchange rate basis and up 5% is CVA/DVA is excluded. These results must compete with a high basis of comparison due, in particular, to the performance of the Global Markets activity.

Operating expenses stand at 562 million euros[14] in the first quarter of 2018, down 0.8% compared with the first quarter of 2017 (+2.3% on a constant exchange rate basis).

Gross operating income stands at 376 million euros[14] in the first quarter of 2018, 6.9% lower than in the first quarter of 2017 (stable on a constant exchange rate basis, and up by +10% if CVA/DVA is excluded).

The **cost of risk** stood at 29 million euros in the first quarter of 2018, stable over the period.

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

- **Income before tax** in the first quarter of the year came to 376 million euros, down 7.2%,
- The **cost/income ratio** came to 57.5% in the first quarter of 2018, up 2.0 percentage points (+1.2 points on a constant exchange rate basis),
- **ROE** increased by 1 percentage point to 17%.

After accounting for exceptional items and cancelling the restatement of the impact of IFRIC 21, **published income before tax** stands at 352 million euros in the first quarter of 2018, down 6.8% compared with the same period in 2017.

[14] Excluding non-economic and exceptional items (cf. notes on methodology at the end of this press release)

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

NON-ECONOMIC AND EXCEPTIONAL ITEMS FOR THE 1ST QUARTER OF 2018

In millions of euros	Q1-18 Net income attributable to equity holders of the parent	Q1-17 pf Net income attributable to equity holders of the parent
Non-economic items of an accounting nature	**-3**	**-7**
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center division)	-3	-7
Disposal of non-strategic holdings and assets managed on a run-off basis (Corporate center division)		**-1**
Disposal of international assets managed on a run-off basis		-1
Transformation and reorganization costs (Business lines/Corporate center division)	**-26**	**-24**
Impairment of goodwill and others		**-9**
Impairment of goodwill and other gains or losses on other assets (Corporate center division)		-9
Total impact of non-economic and exceptional items	**-29**	**-41**

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 March 31, 2018 approved by the Management Board at a meeting convened on May 4, 2018, were verified and reviewed by the Supervisory Board at a meeting convened on May 17, 2018. The financial results contained in this press release have not been reviewed by the statutory auditors.

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 & Insurance 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 available 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. Account has been taken in the total leverage exposure of savings deposits centralized with the Caisse des Dépôts et Consignations since Q1-16.*

Total loss-absorbing capacity

The amount of liabilities eligible for inclusion in the numerator used to calculate the Total Loss-Absorbing Capacity (TLAC) ratio *is determined on the basis of our understanding of the Term Sheet published by the FSB on November 9, 2015: "Principles on Loss-Absorbing and Recapitalization Capacity of G-SIBs in Resolution."*
This amount is comprised of the following 4 items:

- *Common Equity Tier 1 in accordance with the applicable CRR/CRD IV rules,*
- *Additional Tier-1 capital in accordance with the applicable CRR/CRD IV rules,*
- *Tier-2 capital in accordance with the applicable CRR/CRD IV rules,*
- *Subordinated liabilities not recognized in the capital mentioned above and whose residual maturity is greater than 1 year, namely: the share of additional Tier-1 capital instruments not recognized in common equity (i.e. included in the phase-out); the share of the prudential discount on Tier-2 capital instruments whose residual maturity is greater than 1 year; the nominal amount of senior non-preferred securities maturing in more than 1 year.*

Eligible amounts differ slightly from the amounts adopted for the numerator of the capital adequacy ratios; these eligible amounts are determined using the principles defined in the Term Sheet published by the FSB on November 9, 2015.

Liquidity

Total liquidity reserves *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 16 Caisses d'Epargne. It also works through Crédit Foncier in the area of real estate financing. It is a major player in Asset and 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.

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