GROUPE BPCE

Press Release

Paris, August 1, 2019

Results for the 1st half of 2019

Retail Banking & Insurance: strong business dynamics and tight cost control
Strength of the multi-boutique model in Asset Management
New phase in our enhanced business partnership with
La Banque Postale and CNP Assurances

Net Banking Income of €12.1bn and underlying net income[1] of €1.8bn
Reported net income[1] of €1.5bn including transformation costs

Retail Banking & Insurance: solid revenues generation of 1.8% and strong 6.6% growth in income before tax in H1-19

- **Good business dynamics in the retail banking networks** and **decline in operating costs**
- **Continued growth in Insurance and Payments** as reflected by the major increase in income before tax
- **Acceleration of our digital transformation: new offers and customers satisfaction increased**
  - 4.7 active users of the BP/CE apps in June 2019 (+18% in one year)
  - 4.4/5 score in App store® for the BP and CE

Strength of the Asset Management multi-boutique business model

- **Buoyant revenue growth, +10.8% in Q2-19**
- **Net inflows of long-term products above €3bn in Q2-19** (excluding H_2O) in Europe and the USA

Value Creation in the Corporate & Investment Banking

- **Strength of the diversified model and strict cost control, -7% at constant exchange rates in Q2-19**

Cost of risk low and stable vs. H1-18, at 18bps

High level of solvency and upgrading of the Group's credit rating

- **CET1[2] at 15.5%** and **TLAC[2] at 23,2%** pro forma at June 30, 2019,
- Groupe BPCE's long-term senior preferred credit rating **upgraded to A+ by the Japanese agency R&I**

Project for an enhanced business partnership[3] with La Banque Postale

- **Project for a partnership between Ostrum AM and La Banque Postale AM, through a new company controlled by Natixis IM**
- Early extension of the expiration date of the current agreements and new coinsurance conditions in the borrower insurance business to strengthen the **multi-partnership model between CNP Assurances and BPCE/Natixis**
- **New shareholders' agreement for CNP Assurances**

Laurent Mignon, Chairman of the Management Board of Groupe BPCE, made the following statement: *"Ten years after its creation, Groupe BPCE is pursuing its transformation and development, and demonstrating the efficiency and potential of its universal cooperative banking model. Our results for the first six months of the year confirm the business momentum developed by our two major Banque Populaire and Caisse d'Epargne retail banking networks, the growth of our insurance and payments activities and the strength of the multi-affiliate model in our asset management business. Despite the more difficult context for capital market activities, the Corporate & Investment Banking business is delivering a good level of profitability. Operating expenses are well under control in all of our three core business lines, illustrating the relevance of the initiatives we are currently pursuing. Our financial strength has been further enhanced and has again won recognition with the decision of the Japanese R&I agency to upgrade the Group's credit rating to A+. Finally, our strategic agility is illustrated this quarter by our project for an enhanced industrial partnership with La Banque Postale, encompassing a partnership in Asset Management, the extension of the long-standing agreements with CNP Assurances, and the conclusion of a new shareholders' agreement.*
As it enters a new decade, and thanks to the expertise and active commitment of all its people, Groupe BPCE will focus on enhancing its impact on society in all its business lines by contributing to the sustainable growth of the French economy and by supporting, wherever it is present, its customers and employees in the transformation of our environment."

[1] See notes on methodology and excluding IFRIC 21 [2] Pro-forma impacts on page 4 regarding CET1 and TLAC [3] All the different steps in the notification/consultation process of the trade union representative bodies concerned will be completed prior to any agreement to be concluded on this basis.

The quarterly financial statements of Groupe BPCE for the period ended June 30, 2019 approved by the Management Board at a meeting convened on July 30, 2019 were verified and reviewed by the Supervisory Board, chaired by Pierre Valentin, at a meeting convened on August 1, 2019.

Groupe BPCE: income before tax of €1.7bn in Q2-19 and €2.6bn in H1-19, including transformation costs

Reported figures In €m	H1-19	H1-18	*H1-19 vs. H1-18*	Q2-19	Q2-18	*Q2-19 vs. Q2-18*
Net banking income	**12,069**	**12,251**	**(1.5)%**	**6,116**	**6,241**	**(2.0)%**
Operating expenses	(8,866)	(8,841)	0.3%	(4,180)	(4,235)	(1.3)%
o/w expenses excluding SRF	*(8,490)*	*(8,501)*	(0.1)%			
Gross operating income	**3,203**	**3,410**	**(6.1)%**	**1,936**	**2,006**	**(3.5)%**
Cost of risk	(620)	(576)	7.7%	(326)	(317)	2.9%
Impairment of goodwill	(85)			3		
Income before tax	**2,594**	**2,966**	**(12.5)%**	**1,693**	**1,744**	**(2.9)%**
Income tax	(1,012)	(927)	9.1%	(540)	(472)	14.3%
Non-controlling interests	(284)	(396)	(28.3)%	(197)	(233)	(15.5)%
Net income – Group share	**1,298**	**1,643**	**(21.0)%**	**956**	**1,038**	**(7.9)%**
Restatement of IFRIC 21	207	214		(103)	(107)	
Net income – Group share – after IFRIC 21 restatement	**1,505**	**1,856**	**(18.9)%**	**853**	**931**	**(8.4)%**

Exceptional items

In €m			H1-19	H1-18	Q2-19	Q2-18
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies	*Net banking income*	*Corporate center*	1	8	(4)	20
Transformation and reorganization costs	*Operating expenses / Gains or losses on other assets / Goodwill*	*Business lines & Corporate center*	(316)	(182)	(59)	(136)
Other impairment	*Share in income of equity-accounted associates / Goodwill*	*Business lines*	(22)		3	
Total impact on income before tax			**(336)**	**(174)**	**(61)**	**(116)**
Total impact on net income – Group share			**(312)**	**(121)**	**(30)**	**(92)**

Transformation and reorganization costs in H1-19 can be broken down as follows: Retail banking networks (19%), Crédit Foncier (12%), Natixis (15%), Fidor (42%), and Other (12%).

The bulk of the transformation costs had been recorded at the end of Q1-19. More limited transformation costs – especially in the Banque Populaire and Caisse d'Epargne retail banking networks – have been accounted for in Q2-19.

GROUPE BPCE

1. Groupe BPCE: resilient Q2-19 and H1-19 income before tax compared to a high base in 2018

Underlying figures In €m	H1-19	H1-18 pf	H1-19 *vs.* H1-18 pf	H1-19 *vs.* H1-18 pf *at constant FX*	Q2-19	Q2-18 pf	*Q2-19 vs. Q2-18 pf*	Q2-19 *vs.* Q2-18 pf *at constant FX*
Net banking income	**12,068**	**12,244**	**(1.4)%**	**(2.4)%**	**6,121**	**6,221**	**(1.6)%**	**(2.4)%**
Operating expenses	(8,670)	(8,679)	(0.1)%	(0.9)%	(4,121)	(4,119)	0.0%	(0.7)%
o/w expenses excluding SRF	*(8,293)*	*(8,339)*	*(0.6)%*	*(1.4)%*				
Gross operating income	**3,398**	**3,565**	**(4.7)%**	**(5.9)%**	**2,000**	**2,102**	**(4.8)%**	**(5.7)%**
Cost of risk	(611)	(576)	6.0%		(326)	(317)	2.9%	
Income before tax	**2,930**	**3,140**	**(6.7)%**		**1,754**	**1,860**	**(5.7)%**	
Income tax	(1,016)	(981)	3.6%		(567)	(505)	12.1%	
Non-controlling interests	(304)	(356)	(14.6)%		(202)	(203)	(0.9)%	
Net income – Group share	**1,610**	**1,803**	**(10.7)%**		**986**	**1,151**	**(14.4)%**	
Restatement of IFRIC 21	207	214			(103)	(107)		
Net income after IFRIC 21 restatement	**1,817**	**2,018**	**(9.9)%**		**882**	**1,044**	**(15.5)%**	
Cost/income ratio[1]	*69.7%*	*68.7%*	*1.0pp*		*69.5%*	*68.4%*	*1.1pp*	
ROE[1]	*5.6%*	*6.4%*	*(0.8)pp*		*5.4%*	*6.6%*	*(1.2)pp*	

2018 figures have been restated to take account of changes in the segment reporting in Q1-19 (see annex p.11)

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. Changes express differences between Q2-19 and Q2-18 or between H1-19 and H1-18.

In H1-19, the **net banking income** generated by Groupe BPCE experienced a slight 1.4% decline to stand at 12.1 billion euros. This performance is the result of positive momentum achieved by all the activities pursued by the Retail Banking & Insurance business line (net banking income up by 1.8%) and stable revenues (at constant foreign exchange rates) generated by Asset & Wealth Management; the revenues generated by the Corporate & Investment Banking business line should be seen against a historically high basis of comparison recorded in the first half of 2018.

Operating expenses, restated to account for the contribution to the Single Resolution Fund (376 million euros, up 10.7% year-on-year), declined by 0.6% in H1-19. These expenses include actions taken to reduce costs in the retail banking networks (down 1.1% year-on-year), and the 3.3% reduction in expenses (at constant foreign exchange rates) achieved by the Corporate & Investment Banking business line.
In the first six months of 2019, the cost/income ratio stands at 69.7% and the gross operating income is equal to 3.4 billion euros.

The aggregate **cost of risk[1]** for Groupe BPCE came to 326 million euros in Q2-19, representing a limited 2.9% increase year-on-year owing, in particular, to a large single file impacting the Corporate & Investment Banking business line. In H1-19, this item represented a total of 611 million euros, corresponding to 18 basis points of outstandings, a level stable to the one achieved in H1-18.

Net income, Group share, came to 986 million euros in Q2-19, and 1,610 million euros in H1-19, down by 14.4% and 10.7% respectively, impacted by an increase in taxation. After restating to account for the impact of IFRIC 21, net income stood at 1.8 billion euros in H1-19.

RoE stood at 5.6% in the first half of 2019, down by 0.8 percentage points compared with H1-18.

[1] See notes on methodology and excluding IFRIC 21 for the calculation of ROE and the cost/income ratio

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

2.1 High level of CET1[1]

Groupe BPCE's CET1 ratio (CRR/CRD IV without transitional measures) at the end of June 2019 was estimated at 15.5%[2] compared with 15.5%[2] at March 31, 2019. Changes for the quarter can be broken down into:

- Retained earnings: +22bps,
- Change in risk-weighted assets: -15bps,
- Issue of cooperative shares: +4bps,
- Other changes: -5bps.

Groupe BPCE's CET1 ratio was 15.5% pro forma the impact of following projects[3]: acquisition of 50.1% of Oney Bank and disposal of African subsidiaries.

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 94.9 billion euros (including the pro-forma impacts – estimate at end-June 2019). The TLAC ratio, expressed as a percentage of risk-weighted assets, is equal to 23.2%, thereby confirming the achievement of the minimum objective fixed in the Group's strategic plan of reaching a level exceeding 21.5% by early 2019.

At June 30, 2019, the leverage ratio[1] stood at 5.1%.

2.3 80% 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 June 30, 2019, Groupe BPCE had raised 16.1 billion euros, of which 10.5 billion euros in the unsecured segment, including 3.9 billion euros of non-preferred senior debt.

[1] See notes on methodology.
[2] After deduction of irrevocable payment commitments
[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;

3.1 RESULTS OF THE BUSINESS LINES

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. Changes express differences between Q2-19 and Q2-18 or between H1-19 and H1-18.

3.1 Retail Banking & Insurance
Positive jaws effect thanks to strong revenue momentum and strict cost control

Underlying figures In €m	H1-19	% Change N-1 pf	Q2-19	% Change N-1 pf
Net banking income	**8,200**	**1.8%**	**4,129**	**1.2%**
Operating expenses	(5,321)	(0.4)%	(2,649)	1.6%
Gross operating income	**2,879**	**6.0%**	**1,480**	**0.6%**
Cost of risk	(459)	0.0%	(212)	(20.0)%
Income before tax after IFRIC 21 restatement	**2,509**	**6.6%**	**1,267**	**7.1%**
Cost/income ratio[1]	*64.3%*	*(1.2)pp*	*64.8%*	*0.0pp*
Normative ROE (after tax[1]	*10.6%*	*(0.2)pp*	*10.4%*	*(0.5)pp*

Loan outstandings rose by 7.1% year-on-year to reach a total of 506 billion euros at end-June 2019, including a 7.8% increase in residential mortgages, and an increase in equipment loans and consumer loans of 6.5% and 7.0% respectively. At the end of June 2019, **deposits & savings** (excluding regulated savings centralized with the CDC) amounted to 443 billion euros (+6.7%) while sight deposits recorded a 13.5% increase year-on-year.

Net banking income generated by the Retail Banking & Insurance business line enjoyed year-on-year growth of 1.2% and 1.8% in Q2-19 and H1-19 respectively, driven by the strong momentum achieved by the Banque Populaire and Caisse d'Epargne retail banking networks (aggregate net banking income of 6,762 million euros in H1-19, up by 0.9%), by the Financial Solutions & Expertise activities (net banking income up by 1.8% in H1-19), by the buoyant growth enjoyed by Insurance revenues (7.1% growth in net banking income in H1-19) and by the Payments activity (net banking income up by 10.4% in H1-19).

The cost reduction continues in the retail banking networks (down 1.1% in H1-19). The development of the Insurance and Payments businesses explains the rise in their operating expenses of 6.0% and 9.0% respectively in H1-19.
For the business line overall, **operating expenses** declined by 0.4% in H1-19 while the **cost/income ratio** improved by 1.2 percentage points to stand at 64.3%.
Gross operating income rose by 6.0% in H1-19 to stand at 2,879 million euros.

The cost of risk declined by 20% in Q2-19 and remained stable in H1-19 overall, at 459 million euros.

Income before tax, after restating to account for the impact of IFRIC 21, **increased by 7.1% in Q2-19 and by 6.6% in H1-19.**

The retail banking division is putting the development of specific digital solutions at the service of its customers at the heart of its business strategy. Among the innovative and entirely digital application solutions, H1-19 was marked by:

- the roll-out of a 100% digital loan application process, from simulation to signature of the loan contract for residential mortgage,
- the acceleration of new production through full digital subscription with the electronic signature for consumer loans,
- the deployment of an insurance solution designed to improve claims management and customer experience.

[1] See notes on methodology and excluding IFRIC 21

3.1.1 Banque Populaire network: income before tax up 9.2% in H1-19

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 In €m	H1-19	% Change N-1	Q2-19	% Change N-1
Net banking income	**3,244**	**0.5%**	**1,626**	**(0.9)%**
Operating expenses	(2,162)	0.1%	(1,083)	1.8%
Gross operating income	**1,083**	**1.5%**	**543**	**(6.0)%**
Cost of risk	(179)	(28.0)%	(85)	(39.7)%
Income before tax after IFRIC 21 restatement	**947**	**9.2%**	**464**	**6.7%**
Cost/income ratio[2]	*66.1%*	*0.0pp*	*67.2%*	*1.5pp*

Loan outstandings increased by 6.8% year-on-year to reach 217 billion euros at the end of June 2019. **Deposits & savings** rose by 5.6% year-on-year to 279 billion euros at the end of June 2019 (+7.0% for on-balance sheet savings, excluding regulated savings centralized with the CDC). The number of principal customers using banking services increased by 2.3% year-on-year (+89,700 customers).

Net banking income in H1-19 increased by 0.5% to 3,244 million euros, including a 2.0% increase in net interest income and commissions (excluding early repayment fees) that declined by 1.6%.

Operating expenses remained stable in H1-19; the cost/income ratio likewise, equal to 66.1%.

The cost of risk enjoyed a sharp decline in Q2-19 and H1-19. **Income before tax,** after restating to account for the impact of IFRIC 21, rose significantly by 6.7% in Q2-19 and by 9.2% in H1-19.

3.1.2 Caisse d'Epargne network: expenses under tight control and positive jaws effect

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

Underlying figures In €m	H1-19	% Change N-1	Q2-19	% Change N-1
Net banking income	**3,518**	**1.2%**	**1,773**	**0.7%**
Operating expenses	(2,292)	(2.2)%	(1,137)	0.4%
Gross operating income	**1,226**	**8.3%**	**636**	**1.2%**
Cost of risk	(206)	27.8%	(90)	(7.9)%
Income before tax after IFRIC 21 restatement	**1,042**	**4.1%**	**532**	**3.1%**
Cost/income ratio[1]	*64.5%*	*(2.1)pp*	*64.8%*	*(0.4)pp*

Loan outstandings rose by 7.3% year-on-year to 280 billion euros at the end of June 2019, and **deposits & savings** increased by 4.5% compared with the same period in 2018 to reach a total of 435 billion euros (+6.8% for on-balance sheet savings, excluding regulated savings centralized with the CDC). The number of principal customers using banking services increased by 0.9% year-on-year (+56,100 customers).

Net banking income increased by 1.2% to reach 3,518 million euros in H1-19. Net interest income increased by 1.9% and commissions (excluding early repayment fees) remained virtually unchanged (down 0.2%) at 1,506 million euros.

Operating expenses were reduced by 2.2% in H1-19, triggering an improvement in the cost/income ratio of 2.1pp to 64.5%. This led to a 8.3% increase in **gross operating income**, which now stands at 1,226 million euros.

Income before tax, after restating to account for the impact of IFRIC 21, rose by **3.1% and 4.1% in Q2-19 and H1-19 respectively**.

[1] See notes on methodology and excluding IFRIC 21

3.1.3 Financial Solutions & Expertise: business dynamism and solid revenue base

Underlying figures In €m	H1-19	% Change N-1	Q2-19	% Change N-1
Net banking income	**551**	**1.8%**	**279**	**2.3%**
Operating expenses	(306)	1.5%	(151)	1.4%
Gross operating income	**245**	**2.2%**	**128**	**3.3%**
Cost of risk	(47)	58.0%	(22)	ns
Income before tax after IFRIC 21 restatement	**200**	**(6.5)%**	**106**	**(5.6)%**
Cost/income ratio[1]	*55.2%*	*0.2pp*	*54.5%*	*(0.8)pp*

The **Financial Solutions & Expertise** division recorded a 1.8% increase in its **net banking income** in H1-19 to 551 million euros.
In Consumer credit, loan outstandings had increased by 6.8% year-on-year at June 30, 2019. New leasing production rose by 18% in H1-19. In the Sureties & financial guarantees activity, gross premium written with individual customers increased by 22% in the first half of the year.
In Factoring, the development of the SME segment for the Banque Populaire and Caisse d'Epargne networks remained buoyant with a 17% growth in the number of contracts opened in H1-2019.

The 1.5% rise in **operating expenses** in H1-19 is due, in particular, to projects designed to support the growth in business volumes. The cost/income ratio came to 55.2% in H1-19, virtually unchanged from one year to the next.

The cost of risk came to 22 million euros in Q2-19 and rose by 58% in H1-19 compared with H1-18 owing to a low basis of comparison last year.
In H1-19, **income before tax,** after restating to account for the impact of IFRIC 21, came to 200 million euros (-6.5%).

3.1.4 Insurance: continued strong momentum with gross operating income up 8.6%

The results presented below concern the Insurance division of Natixis.

Underlying figures[1] In €m	H1-19	% Change N-1	Q2-19	% Change N-1
Net banking income	**425**	**7.1%**	**207**	**7.4%**
Operating expenses	(239)	6.0%	(114)	5.8%
Gross operating income	**186**	**8.6%**	**93**	**9.3%**
Income before tax after IFRIC 21 restatement	**200**	**8.7%**	**94**	**16.5%**
Cost/income ratio[1]	*54.2%*	*(0.2)pp*	*56.9%*	*(1.2)pp*

In H1-19, **premiums[1]** reached a total of 6.7 billion euros, representing year-on-year growth of 2%, including a 5% increase in Non-Life Insurance and a 1% rise in Life and Personal protection insurance. Unit-linked products represented 29% of gross inflows in Q2-19, which is higher than the French market average (source FFA).

Assets under management[1] amounted to 65.0 billion euros at the end of June 2019, including 15.9 billion euros in unit-linked products. **Net inflows[1]** in life insurance amounted to 1.6 billion euros in Q2-19 and to 3.4 billion euros in H1-19.

In the first half of 2019, **net banking income** stood at 425 million euros, representing growth of 7.1% while **operating expenses** increased by 6.0%. **Gross operating income** rose by 8.6%.
Income before tax, after restating to account for the impact of IFRIC 21, amounted to 200 million euros, up 8.7% in H1-19.

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

3.1.5 Payments: continued dynamism

Underlying figures In €m	H1-19	% Change N-1	Q2-19	% Change N-1
Net banking income	**208**	**10.4%**	**105**	**10.0%**
Operating expenses	(181)	9.0%	(94)	7.8%
Gross operating income	**27**	**21.1%**	**11**	**32.9%**
Income before tax after IFRIC 21 restatement	**26**	**14.7%**	**10**	**17.6%**
Cost/income ratio[1]	*87.0%*	*(1.1)pp*	*89.8%*	*(1.8)pp*

Net banking income rose by 10.0% in Q2-19 to reach a total of 105 million euros and by 10.4% in H1-19 to 208 million euros.
Operating expenses over the same periods rose by 7.8% and 9.0% respectively.
This positive jaws effect generated strong 32.9% growth in **gross operating income** in Q2-19 and growth of 21.1% in H1-19.

In *Payment Processing & Services*, the historical activities pursued by Natixis, revenues increased by 5% in H1-19 and the number of card transactions processed rose by 9% in Q2-19.
In *Merchant Solutions*, the volumes generated by Dalenys and PayPlug increased by 24% year-on-year in the first half of 2019.
In *Prepaid & Issuing Solutions*, Q2-19 growth was driven by the meal vouchers and Benefits & Rewards segments (*Titres Cadeaux* and *Comitéo*). The number of mobile payments in Q2-19 increased by a factor of more than 2.6 over the past year.

[1] See notes on methodology and excluding IFRIC 21

3.2 Asset & Wealth Management: an active asset management model to deliver performance and growth

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

Underlying figures In €m	H1-19	% Change N-1pf	Constant FX % change N-1pf	Q2-19	% Change N-1pf
Net banking income	**1,705**	**3.9%**	**0.1%**	**932**	**10.8%**
Operating expenses	(1,158)	3.8%	(0.2)%	(605)	6.6%
Gross operating income	**547**	**4.2%**	**0.7%**	**327**	**19.5%**
Income before tax after IFRIC 21 restatement	**549**	**4.1%**		**324**	**19.5%**
Cost/income ratio[1]	*67.8%*	-		*65.1%*	*(2.6)pp*
Normative ROE (after tax)[1]	*13.5%*	*(1.1)pp*		*15.0%*	*(0.2)pp*

In Asset Management, **net inflows** in Q2-19 amounted to more than 3 billion euros on long-term products and excluding H_2O; 1 billion euros in Europe[2] driven by Fixed Income, ESG and Real Asset strategies; 2 billion euros in North America driven by the fixed-oncome and growth Equity strategies.

At June 30, 2019, assets under management reached a total of 898 billion euros in Asset Management; the change in Q2-19 includes a positive market effect of 22 billion euros, a foreign exchange and reporting scope impact of 27 billion euros (chiefly WCM) and net withdrawals of 6 billion euros. The assets under management administered by H_2O stood at 26 billion euros at the end of June 2019, a total slightly greater than the aggregate amount at end-June 2018.

In the Wealth Management segment, assets under management stood at 30.0 billion euros (including Massena Partners) at the end of June 2019, and positive net inflows came to 0.3 billion euros in Q2-19.

The business line's **net banking income** came to 1,705 million euros in the first half of the year, stable year-on-year (at constant foreign exchange rates) and up 3.9% at current exchange rates, including a 10.8% increase to 932 million euros in Q2-19. Revenues in Q2-19 include 171 million euros in performance fees, generated in particular by H_2O and AEW.

In Asset Management, the fee rate (excluding performance fees) stands at 30bps overall in Q2-19, in line with the targets defined in the strategic plan, of which 28.6bp in Europe (excluding life insurance) and 38bp in North America.

Operating expenses are virtually unchanged (at constant foreign exchange rates) in H1-19 (+3.8% at current exchange rates).

The **cost/income ratio[1]** remains stable at 67.8% in H1-19 while the **gross operating income** stands at 547 million euros, representing growth of 4.2% at current foreign exchange rates and 0.7% at constant exchange rates.

Income before tax, after restating to account for the impact of IFRIC 21, rose by 19.5% in Q2-19 and by 4.1% in the first six months of the year.

ROE after tax[1] is equal to 13.5% (-1.1pp) in H1-19 and stands at 15.0% in the second quarter of the year (-0.2pp).

[1] See notes on methodology and excluding IFRIC 21 [3] Including Dynamic Solutions and the assets under management of Vega IM

3.3 Corporate & Investment Banking: value creation thanks to tight cost control and business diversification

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

Underlying figures In €m	H1-19	% Change N-1pf	Constant FX % change N-1pf	Q2-19	% Change N-1pf
Net banking income	**1,654**	**(13.9)%**	**(16.1)%**	**847**	**(13.2)%**
Operating expenses	(1,099)	(1.2)%	(3.3)%	(520)	(5.1)%
Gross operating income	**554**	**(31.3)%**	**(33.6)%**	**327**	**(23.7)%**
Cost of risk	(134)	ns		(104)	ns
Income before tax after IFRIC 21 restatement	**442**	**(42.1)%**		**217**	**(43.8)%**
Cost/income ratio[1]	*65.5%*	*8.3pp*		*62.4%*	*5.5pp*
Normative ROE (after tax)[1]	*9.5%*	*(7.7)pp*		*9.3%*	*(8.0)pp*

The **net banking income** generated by the Corporate & Investment Banking business line amounted to 1,654 million euros in H1-19, down 13.9% year-on-year at current exchange rates and down 16.1% at constant exchange rates.
The revenues posted by Global markets decreased overall in H1-19 in an challenging market environment; this decline, however, includes 2% revenue growth for FICT in Q2-19 with good performances recorded on Credit and Rates products, and continued selectivity in terms of the profitability of transactions. Equity activities (excluding cash equity), despite the 16% decline in revenues in Q2-19, have enjoyed a solid recovery since Q4-18.

Within Global Finance, the Energy & Natural Resources and Europe Real Assets activities continue to enjoy strong momentum, and the business has recorded a high distribution rate (62% for Real Assets in H1-19).
The revenues posted by the Investment Banking and M&A businesses increased by 6% in H1-19, driven by M&A and Green & Sustainable initiatives.

Despite investments to support the development of our sectorial approach and reinforce our control functions, efforts made to boost efficiency and reduce costs led to a 7% reduction (at constant exchange rates) in **operating expenses** in the 2nd quarter of 2019.

Gross operating income fell to 554 million euros (-31.3% at current exchange rates) in H1-19.

The increase in the **cost of risk** in Q2-19 is chiefly due to a large single file. The cost of risk consequently stood at 134 million euros in H1-19.

Income before tax, after restating to account for the impact of IFRIC 21, came to 442 million euros (-42.1%) in the first half of 2019.

In H1-19, **ROE after tax[1]** stood at 9.5% (-7.7pp).

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 and after deduction of irrevocable payment commitments
- **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 June 30, 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 are subject to a limited review carried out 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 stable).

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