GROUPE BPCE

Press Release

Paris, February 12, 2019

FULL-YEAR 2018 RESULTS of GROUPE BPCE

2018 reported net banking income up 1.2% to €24bn
2018 reported net income stable at €3bn (underlying net income up 3.7%[1] to €3.5bn)
Reported net income in Q4-18 up 18% to €588m

Significant strategic moves in 2018 creating value for our core businesses
Partnership project[2] with Auchan Holding through the acquisition of a 50.1% stake in Oney Bank

SOLID PERFORMANCE ACHIEVED BY GROUPE BPCE THANKS TO OUR DIVERSIFIED UNIVERSAL BANKING MODEL

Underlying revenues up 0.7%[1,3] to €23.9bn

- **Retail Banking & Insurance**: revenues on a positive trend; sustained activity in the other growth drivers, i.e. Insurance, SFS businesses and Payments
- **Asset & Wealth Management**: strong revenue growth in 2018
- **Corporate & Investment Banking**: revenue growth across Global finance and M&A and a difficult business environment for market activities

Underlying net income up 3.7%[1] to €3.5bn, including non-recurring items in Q4-18

CONTINUOUS IMPROVEMENT IN OUR FINANCIAL STRENGTH, TARGETS ACHIEVED FOR OUR CET1 AND TLAC RATIOS

- **CET1[1] at 15.5%** at December 31, 2018, including **43bps of organic capital creation:** the minimum CET1 target fixed in the 2018-2020 strategic plan has already been achieved
- **TLAC[1] at 22.5%,** the target fixed for early 2019 was already exceeded in June 2018
- Groupe BPCE's LT senior preferred **ratings upgraded to A1/A+/A+ by 3 ratings agencies** in 2018

EXECUTION OF THE STRATEGIC PROJECTS WELL ON TRACK

- **Integration[4] of Crédit Foncier's activities and expertise** with a major milestone of the implementation of the project on April 1st, 2019
- **Integration of SFS businesses within BPCE SA** in line with our initial schedule
- **Project to dispose of banking interests in Africa**: closing of the Banque des Mascareignes disposal in October 2018 and finalization of the other transactions in progress
- **Speeding up the transformation of banking activities through the activation of digital services for our customers**:
  - Finalization of the deployment of 100% digital customer pathways for consumer, equipment and residential mortgages
  - 4.3 million customers active on mobile applications, +600,000 in 2018
- **CIB**: continued development of multi-boutique business in M&A model with **the acquisitions of Fenchurch Advisory, Vermillion Partners and Clipperton**
- **AWM**: **enhancement of the multi-affiliates model with the acquisition of MV Credit,** an investment house specializing in alternative strategies (private debt)

A PARTNERSHIP PROJECT[2] CREATING VALUE IN RETAIL BANKING IN EUROPE

Partnership project[2] with Auchan Holding, through the acquisition of a 50.1% stake in Oney Bank by BPCE, European player active in consumer loans, payment solutions and digital products

Oney Bank, with 7.6 million customers and present in 11 countries (mainly France, Spain and Portugal), has developed a unique business model based on a network of 400 partnerships including major retailers and major e-commerce companies.
This partnership will allow Groupe BPCE to:

- Start a carefully managed expansion in Europe building on the presence of an established, recognized and innovative player; Oney Bank will be positioned as the Group's international retail focused digital bank,
- Create value from the Group's expertise and capabilities, particularly in payments,
- Build on its digital transformation with Oney Bank's profitable activities.

[1] See notes on methodology [2] Project is subject to the notification/consultation process of the trade union representatives of the employees of the Group entities concerned by this initiative and will also be subject to the usual conditions precedent for this type of transaction [3] At constant exchange rates [4] on April 1st, 2019, the transfer of Crédit Foncier employees due to join other Group companies will become effective

Laurent Mignon, Chairman of the Management Board and CEO of Groupe BPCE, made the following statement: *"Groupe BPCE delivered a solid performance thanks to its business model as a universal cooperative bank, and it did so despite economic uncertainties and difficult market conditions. The revenues generated by our retail banking businesses are on a positive trend thanks to the commercial dynamism of our two major Banque Populaire and Caisse d'Epargne networks and to the buoyant growth of our Insurance, Specialized Financial Services and Payments activities. Our Asset & Wealth Management businesses are making strong progress while our Corporate & Investment Banking division, whose market activities were adversely impacted in the fourth quarter of the year, enjoyed steady growth in its financing and M&A activities.*
The pace of the transformation for our banks and the group as a whole has also increased considerably. With major growth in our customers' use of our range of mobile solutions. We are implementing, in accordance with our predetermined timetable, all the strategic operations designed to reinforce the development of our retail banking activities. We are also taking today a major step in our development in Europe with the project to acquire from Auchan Holding a 50.1% stake in Oney Bank with which we will be forging a long-term partnership which will allow us to develop a digital offer for our customers.
Today, Groupe BPCE enjoys a robust financial position and, despite the more challenging business environment, it has already achieved key objectives of its TEC 2020 strategic plan. Furthermore, Natixis, whose business lines are enjoying steady growth and good levels of profitability, has confirmed the goals of its New Dimension strategic plan.
Thanks to its deep historical roots, the expertise of its teams, its well-known brands, its strong local presence, and the diversity of its business activities, Groupe BPCE will continue to contribute actively to the development of the French economy."

Group BPCE's commitment in favor of the French economy and consumer purchasing power

Thanks to its deep historical roots and its strong local presence, Groupe BPCE is making an active contribution to the development of the French economy, employment and consumer purchasing power.

The Group employs 105,448 people, of whom 93,365 work in France. In 2018, 5,000 people were recruited in France under permanent contracts, while a further 2,000 were taken on under work/study schemes. In 2019, the Group plans to hire a total of 4,500 people on permanent contracts and 3,000 on work/study contracts.

For the 2017 fiscal year, Groupe BPCE paid an aggregate total of 2.7 billion euros in tax in France. This included corporate tax, payroll taxes, other taxes levied on banks, and unrecovered VAT, for a total equal to 50% of the Group's net income before tax generated in France.

Since early January 2018, Groupe BPCE has proceeded with four social bond issues for a total of 2.7 billion euros with a view to refinancing, in France, educational and health facilities as well as companies and associations in disadvantaged areas.

In order to support the purchasing power of our employees, an exceptional bonus of at least 1,000 euros is being paid to all the employees of Groupe BPCE companies in France (Banque Populaire banks, Caisses d'Epargne, Crédit Foncier, Banque Palatine, Natixis and its subsidiaries, BPCE and its subsidiaries) whose gross remuneration is less than, or equal to, 35,964 euros per year, i.e. equivalent to twice the minimum wage (SMIC).

Lastly, as announced on December 13, 2018, Groupe BPCE undertakes not to increase any of its bank rates for individual customers. The customers of the Banque Populaire banks and Caisse d'Epargne who have already signed up for the banking offer designed for vulnerable customers benefit from an even more significant reduction with fees charged on payment incidents limited to 16.5 euros per month, and customers who meet the official criteria defining them as vulnerable but who have not yet taken out this offer, will benefit from an upper limit of 25 euros.

On February 12, 2019, the Supervisory Board of Groupe BPCE convened a meeting chaired by Michel Grass to examine the Group's financial statements for the full year and 4th quarter of 2018.

Groupe BPCE: reported net income stable in 2018 at €3.0bn

€m	2018 reported	2017 reported	*2018 vs. 2017 reported*	Q4-18 reported	Q4-17 reported	*Q4-18 vs. Q4-17 reported*
Net banking income	**24,001**	**23,720**	**+1.2%**	**5,844**	**5,918**	**-1.3%**
Operating expenses	-17,687	-17,098	+3.4%	-4,621	-4,418	+4.6%
o/w expenses excluding SRF	*-17,347*	*-16,839*	*+3.0%*			
Gross operating income	**6,314**	**6,621**	**-4.6%**	**1,222**	**1,500**	**-18.5%**
Cost of risk	-1,299	-1,384	-6.1%	-396	-416	-4.7%
Income before tax	**5,297**	**5,516**	**-4.0%**	**917**	**1,059**	**-13.4%**
Income tax	-1,477	-1,811	-18.4%	-123	-327	-62.4%
Minority interests	-793	-681	+16.5%	-206	-236	-12.4%
Net income – Group share	**3,026**	**3,024**	**+0.1%**	**588**	**497**	**+18.2%**
Restatement of IFRIC 21	-	-	-	-107	-96	
Net income – Group share – after IFRIC 21 restatement	**3,026**	**3,024**	**+0.1%**	**481**	**401**	**+19.8%**

Exceptional items, including high level of investments in transformation

€m			2018	2017	Q4-18	Q4-17
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies	*Net banking income*	*Corporate center*	14	-112	5	-7
SWL provision reversal	*Net banking income*	*CIB*	68			
Litigation / Check imaging exchange commissions	*Net banking income*	*Business lines & Corporate center*		-87		-87
Disposal of Caceis	*Net banking income*	*Corporate center*		74		74
Disposal of international assets managed on a run-off basis	*Net banking income/ cost of risk*	*Corporate center*		-91		-90
Transformation and reorganization costs	*Operating expenses/ Gains or losses on other assets*	*Business lines & Corporate center*	-730	-297	-298	-146
One-off additional corporate Social Solidarity Contribution related to the agreement with CNP	*Operating expenses*	*Insurance*		-19		
Legal provision	*Cost of risk*	*CIB*	-71			
Disposal of non-strategic holdings	*Gains or losses on other assets*	*Business lines & Corporate center*		-5		18
Impairment of goodwill and other gains or losses on other assets	*Goodwill / Gains or losses on other assets*	*Corporate center*	-16	-1	-16	-85
Total impact on income before tax			**-735**	**-538**	**-309**	**-322**
Total impact on net income – Group share			**-506**	**-381**	**-221**	**-259**

1. Groupe BPCE: underlying net income +3.7% in 2018 to €3.5bn

€m	2018 underlying	2017 underlying	2018 vs. 2017 underlying	2018 vs. 2017 underlying constant FX	Q4-18 underlying	Q4-17 underlying	Q4-18 vs. Q4-17 underlying	Q4-18 vs. Q4-17 underlying constant FX
Net banking income	**23,919**	**23,885**	**+0.1%**	**+0.7%**	**5,839**	**5,985**	**-2.4%**	**-2.9%**
Operating expenses	-16,991	-16,782	+1.2%	+1.7%	-4,338	-4,271	+1.6%	+1.2%
o/w expenses excluding SRF	*-16,651*	*-16,523*	*+0.8%*	*+1.2%*				
Gross operating income	**6,927**	**7,102**	**-2.5%**	**-1.6%**	**1,501**	**1,713**	**-12.4%**	**-12.9%**
Cost of risk	-1,228	-1,333	-7.8%		-396	-372	+6.4%	
Income before tax	**6,032**	**6,054**	**-0.4%**		**1,226**	**1,382**	**-11.3%**	
Income tax	-1,697	-1,954	-13.2%		-207	-404	-48.8%	
Minority interests	-803	-694	+15.7%		-210	-222	-5.1%	
Net income - Group share	**3,532**	**3,405**	**+3.7%**		**809**	**756**	**+7.0%**	
Restatement of IFRIC 21	-	-			-107	-96		
Net income - Group share – after IFRIC 21 restatement	**3,532**	**3,405**	**+3.7%**		**702**	**660**	**+6.3%**	
Cost/income ratio[1]	71.0%	70.3%	+0.8pp	+0.7pp	76.6%	73.4%	+3.2pp	+3.3pp
ROE after tax[1]	5.6%	5.5%	+0.1pp		4.3%	4.2%	+0.1pp	

Unless specified to the contrary, the following comments and data refer to underlying results, i.e. results restated to exclude exceptional items, as presented on page 4.
Changes express differences between full-year 2017 and full-year 2018 or between Q4-17 and Q4-18, unless specified to the contrary.

In 2018, the **net banking income** of Groupe BPCE rose by 0.7% at constant exchange rate to reach 23.9 billion euros (+0.1% at current exchange rates) thanks to the resilient performance of the retail banking networks and the strong growth achieved by the Insurance the Specialized Financial Services and Payments businesses. It also includes continued strong momentum enjoyed by Asset & Wealth Management and the Global Finance businesses, as well as the M&A activity within the Corporate & Investment Banking division.

Commissions (excluding early repayment fees) generated by the Banque Populaire and Caisse d'Epargne networks enjoyed 4.1% growth in 2018. Revenues from the Asset & Wealth Management and Payments activities increased by 12.6% (at constant exchange rates) and 15.9% respectively. In Insurance, revenues also enjoyed significant growth of 7.6%.
For Groupe BPCE overall, the aggregate total of commissions and Insurance revenues stood at 10.2 billion euros, up 7.5% at constant exchange rates.

Revenue synergies came to 280 million euros in 2018 (vs. a target of 750 million euros for the end of 2020, representing a linearized objective of 250 million euros for 2018); 57% of this total was generated by Insurance activities, reflecting the ramping up of the Bancassurance business model.

Operating expenses remain under tight control with the 1.7% at constant exchange rate increase in 2018 despite the sharp increase in regulatory contributions (+31% in contribution to the Single Resolution Fund) and additional operating expenses in Q4-18 due to the exceptional purchasing power bonus for employees. Excluding SRF contributions, the rise in expenses is limited to 1.2% at constant exchange rate.
The cost/income ratio has risen marginally (+0.8pp) to 71.0% and gross operating income stands at 6.9 billion euros.

Over the year, the **cost of risk**[1] remained at a low level, both in the retail banking division (23 basis points for the Banque Populaire network and 15 basis points for the Caisse d'Epargne network) and in the Corporate & Investment Banking division (18 basis points). Groupe BPCE boasts a 7.8% decline in its cost of risk to an aggregate total of 1,228 million euros, corresponding to 19 basis points against 20 basis points in 2017.

Net income – Group share has risen by 3.7% to 3.5 billion euros in 2018. RoE is up marginally to 5.6%.

After accounting for exceptional items, reported net income – Group share remains stable at 3.0 billion euros.

[1] See notes on methodology and excluding IFRIC 21 in Q4-18 for the ROE and cost/income ratio

In Q4-2018, net banking income came to 5,839 million euros, down 2.9% at constant exchange rate, owing to the impact of non-recurring items and an exceptional business environment. Operating expenses have increased by a marginal 1.2% at constant exchange rate. Gross operating income declined by 12.9% at constant exchange rate to 1,501 million euros. The cost of risk remained low, at 396 million euros versus 372 million euros in Q4-17.

Net income – Group share rose by 7% to 809 million euros. Restated for IFRIC 21 impact (-107 million euros in Q4-18), it stands at 702 million euros, equal to year-on-year growth of 6.3%.

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

Changes express differences between full-year 2017 and full-year 2018 or between Q4-17 and Q4-18, unless specified to the contrary.

2.1 A high level of CET1[1], target of 2018-2020 strategic plan already achieved

Groupe BPCE's CET1 ratio (CRR/CRD IV without transitional measures) improved at the end of December 2018 to reach a level estimated at 15.8% (versus 15.2% at January 1st, 2018). The creation of organic capital (retained earnings and change in risk-weighted assets) emerges as the principal contributor to this positive change (~+43 bps).

The implementation of the initiatives[2] defined in the Group's transformation plan, combined with the deduction from our capital of irrevocable payment commitments (IPCs) and the integration of new norm IFRS 16 impact, have had an impact on the Group's CET1 ratio equal to 38 bps. These impacts translate into a pro forma CET1 ratio of 15.5% at end-December 2018.

2.2 TLAC[1] ratio: target fixed in the 2018-2020 strategic plan already reached in June 2018

The Group's Total Loss Absorbing Capacity (TLAC) stands at 88.4 billion euros (including pro forma impacts – estimate at end-December 2018). The TLAC ratio (as a percentage of risk-weighted assets) is equal to 22.5%, exceeding the target fixed in the strategic plan of a level greater than 21.5% in early 2019.

At December 31, 2018, the leverage ratio[1] stood at 5.2%.

2.3 125% of the initial 2018 wholesale medium-/long-term funding plan has been completed; 5.5 billion euros of prefunding raised for 2019

In 2018, Groupe BPCE raised a total of 27.5 billion euros, equivalent to 125% of its medium-/long-term funding plan fixed at 22 billion euros for the year as a whole.
In order to satisfy investors' expectations, to contribute to financing socially responsible projects and in line with the Group's strategic ambitions, issues of social bonds for an aggregate total of 2.3 billion euros were successfully placed in 2018:

- January and July 2018: 2 issues labeled "Human Development" for 1.0 billion euros realized in Japan
- September 2018: initial bond issue on the euro market dedicated to local economic development for a total of 1.25 billion euros.

The target of the medium-/long-term funding plan for 2019 stands at 20 billion euros. This includes 13 to 14 billion euros 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.

In January 2019, 4.4 billion euros were raised (22% of the plan) of which 1.2 billion of senior non preferred debt and 2.8 billion euro of preferred debt.

[1] Cf. notes on methodology.
[2] Project to integrate the Consumer finance, Factoring, Leasing, Sureties & Guarantees and Securities services businesses within BPCE SA, Project to dispose of banking interests in Africa, acquisitions in AWM – The first project is subject to the notification/consultation process of the trade union representatives of the employees of the Group entities concerned by this initiative and will also be subject to the usual conditions precedent for this type of transaction.

3. RESULTS OF THE BUSINESS LINES

Unless specified to the contrary, the following comments and data refer to underlying results, i.e. results restated to exclude exceptional items, as presented on page 4.
Changes express differences between full-year 2017 and full-year 2018 or between Q4-17 and Q4-18, unless specified to the contrary.

3.1 Retail Banking & Insurance: Income before tax up 2.3% to €4.5bn

The Retail Banking & Insurance division brings 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.

Underlying figures €m	2018	% Change N-1	Q4-18	% Change N-1
Net banking income	**16,795**	**+0.2%**	**4,182**	**+1.3%**
Net banking income excluding home purchase savings schemes	16,761	+0.1%	4,165	+0.9%
Operating expenses	-11,214	-0.2%	-2,892	+0.9%
Gross operating income	**5,581**	**+0.9%**	**1,289**	**+2.1%**
Cost of risk	-1,072	-3.0%	-367	+14.4%
Income before tax after IFRIC 21 restatement	**4,548**	**+2.3%**	**885**	**+1.3%**
Cost/income ratio[1]	66.8%	-0.3pp	70.1%	- 0.3pp
ROE after tax[1]	8.8%	-0.3pp	6.6%	- 1.2pp

Loan outstandings rose 4.8% to stand at 564 billion euros (including a 5.5% increase in residential mortgages and a 7.3% rise in consumer loans) in 2018.
At end-2018, on-balance sheet **deposits & savings** (excluding outstanding of centralized regulated savings) came to 427 billion euros (+2.5%) while sight deposits enjoyed significant growth of 8.8% year-on-year.

In 2018, the **rollout and activation of digital services for the benefit of our customers** achieved the following results:

- Increase in online loan applications: consumer loan solution rolled out for the entire Banque Populaire network (deployment in 2019 for the Caisses d'Epargne), more than 3,700 files opened online for residential mortgages,
- Adoption of mobile applications increasing at a faster pace: 4.3 million users (+600,000 year-on-year),
- Launch of instant mobile payments, thereby giving Groupe BPCE pioneer status in this area.

In 2018, the **net banking income** of the Retail Banking & Insurance division stood at 16,795 million euros, reflecting a marginal 0.2% increase year-on-year:

- The Banque Populaire and Caisse d'Epargne retail banking networks enjoyed 4.1% growth in commissions (excluding early repayment fees) and a decline in net interest income, which continues to be penalized by the low interest-rate environment. Overall, the retail banking networks report a 1.2% decline in their net banking income in 2018.
- Insurance and Specialized Financial Services boast strong growth in their revenues: of +6% and +6.6% respectively in Q4-18, and equal to +7.6% and +6.5% respectively for the year as a whole.

Excluding the provision for home-purchase savings schemes, net banking income amounted to 16,761 million euros (+0.1%) in 2018.

Operating expenses, which have declined by 0.2%**,** reflect the continued drive to cut costs in the retail banking networks (-1.1%) and an increase in expenses in business activities still in the development stage as Insurance and Payments.

The **cost/income ratio** shows a 0.3-point improvement to reach 66.8% in 2018, with a further 0.3-point improvement in Q4-18 to 70.1%.

Income before tax rose by 2.3% in 2018 to reach 4,548 million euros, and increased by 1.3% after being restated to account for the impact of IFRIC 21 in Q4-18.

[1] See notes on methodology and excluding IFRIC 21 for the ROE and cost/income ratio in Q4-18

3.1.1 Banque Populaire network

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

Underlying figures €m	2018	% Change N-1	Q4-18	% Change N-1
Net banking income	**6,371**	**+0.6%**	**1,588**	**+1.7%**
Net banking income excluding home purchase savings schemes	6,368	+0.4%	1,584	+1.3%
Operating expenses	-4,269	-0.8%	-1,074	+0.1%
Gross operating income	**2,102**	**+3.6%**	**513**	**+5.1%**
Cost of risk	-479	+7.0%	-152	+11.0%
Income before tax after IFRIC 21 restatement	**1,651**	**+2.7%**	**351**	**+5.5%**
Cost/income ratio[1]	*67.0%*	*-0.9pp*	*68.5%*	*-1.1pp*

In 2018, **loan outstandings** rose by 6.0% to reach 209 billion euros while **deposits & savings** enjoyed 2.0% growth to 266 billion euros (+4.1% for on-balance sheet savings excluding outstanding of centralized regulated savings). The number of principal active individual customers increased by 2.5% (+93,300 individuals) while the number of Private banking and Wealth Management customers grew by 5.7% (+21,500).

Net banking income in 2018 rose by 0.4% excluding provision for home-purchase savings schemes, of which a net interest income which declined by 0.5%[2]. If early repayment fees – which fell by 42.8% over the year – are excluded, commissions increased by 3.1%.

Operating expenses saw a 0.8% contraction in 2018 and remained virtually stable in Q4-18. The cost/income ratio improved by 1.1pp in Q4-18 and by 0.9pp in 2018 to stand at 67.0%.

Gross operating income rose by 3.6% in 2018 to reach a total of 2,102 million euros and by 5.1% in Q4-18 to 513 million euros.

In 2018, **income before tax** rose by 2.7% to 1,651 million euros.

[1] See notes on methodology and excluding IFRIC 21 for the cost/income ratio in Q4-18 [2] excluding capital gains realized on the disposal of financial assets

3.1.2 Caisse d'Epargne network

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

Underlying figures €m	2018	% Change N-1	Q4-18	% Change N-1
Net banking income	**6,952**	**-2.5%**	**1,731**	**-3.7%**
Net banking income excluding home purchase savings schemes	6,922	-2.6%	1,719	-4.3%
Operating expenses	-4,633	-1.3%	-1,218	+0.9%
Gross operating income	**2,319**	**-4.9%**	**513**	**-13.1%**
Cost of risk	-395	+8.3%	-150	+16.7%
Income before tax after IFRIC 21 restatement	**1,926**	**-7.0%**	**349**	**-20.9%**
Cost/income ratio[1]	*66.6%*	*+0.8pp*	*71.3%*	*+3.1pp*

In 2018, **loan outstandings** increased by 6.2% to reach 270 billion euros and **deposits & savings** rose by 1.4% to 418 billion euros (+1.6% for on-balance sheet savings excluding outstanding of centralized regulated savings). The number of principal active individual customers grew by 0.9% (+60,600 individuals) while the number of Private banking and Wealth Management customers rose by 2.2% (+ 9,500).

Net banking income declined by 2.5% in 2018 to 6,952 million euros. Excluding provision for home-purchase savings schemes, net banking income decreased by 2.6%[2] and net interest income is down by 4.4%[2]. If early repayment fees – which fell by 37.8% during the period – are excluded, commissions grew by 4.8% to reach 3,016 billion euros in 2018.

Operating expenses remained under tight control in 2018, down by 1.3%, and the cost/income ratio saw a marginal increase of 0.8pp to 66.6%.

Gross operating income stands at 2,319 million euros, down by 4.9% over the year. **Income before tax** came to 1,926 million euros in 2018 (-7.0%) and stood at 349 million euros after restating to account for the impact of IFRIC 21 in Q4-18 (-20.9%).

[1] See notes on methodology and excluding IFRIC 21 for the cost/income ratio in Q4-18 [2] excluding capital gains realized on the disposal of financial assets

3.1.3 Specialized Financial Services: strong dynamics across all business lines

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

Underlying figures €m	2018	% Change N-1	Q4-18	% Change N-1
Net banking income	**1,472**	**+6.5%**	**373**	**+6.6%**
Operating expenses	-995	+6.9%	-259	+6.5%
Gross operating income	**476**	**+5.5%**	**114**	**+6.7%**
Cost of risk	-23	-68.1%	-6	-75.2%
Income before tax after IFRIC 21 restatement	**454**	**+20.0%**	**106**	**+32.1%**
Cost/income ratio[1]	67.6%	+0.3pp	70.0%	+0.1pp

Net banking income stands at 1,472 million euros in 2018, up 6.5%, and at 373 million euros in Q4-18, up 6.6%:

- Specialized financing enjoyed 4% growth in revenues in 2018, driven by the Leasing and Sureties & Financial Guarantees businesses,
- In 2018, revenues generated by the Payments activity rose by 16%; approximately half of this growth was driven by acquisitions made since 2017,
- Financial services financiers report revenue growth of 2% in 2018, driven by the Employee savings plans activity.

Operating expenses rose by 6.9% in 2018 (+3% on a constant scope basis) leading to **gross operating income** of 476 million euros, up 5.5% in 2018 overall. Operating expenses increased by 6.7% in 4T-18, to the effect that gross operating income stood at 114 million euros in the 4th quarter of the year.
In 2018, the **cost/income ratio** rose by 0.3 of a percentage point to reach 67.8%. If new acquisitions in the Payments business are excluded, this ratio is equal to 66.0%.

Thanks to the tight management of risk, **income before tax** came to 454 million euros in full-year 2018 and 106 million euros after restating to account for the impact of IFRIC in Q4-18, up by 20% and 32.1% respectively.

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] Cf. notes on methodology and excluding IFRIC 21 for the cost/income ratio in Q4-18

3.1.4 Insurance: sustained commercial activity across all business lines

The results presented below concern the Insurance division of Natixis.

Underlying figures €m	2018	% Change N-1	Q4-18	% Change N-1
Net banking income	**790**	**+7.6%**	**201**	**+6.0%**
Operating expenses	-446	+7.2%	-116	+5.7%
Gross operating income	**344**	**+8.1%**	**85**	**+6.4%**
Income before tax after IFRIC 21 restatement	**358**	**+8.3%**	**89**	**+10.9%**
Cost/income ratio[1]	56.5%	-0.1pp	60.3%	+0.3pp

In 2018, **insurance premiums**[2] grew by 2% to reach 12.0 billion euros. In Life and Personal Protection insurance, premium rose by 1% to 10.5 billion euros while Property & Casualty insurance (P&C) rose by 7%.
Total assets under management[2] stood at 60.1 billion euros at the end of 2018, including 14 billion euros in the form of unit-linked assets.
Net inflows of life funds came to 5.8 billion euros with unit-linked products accounting for 2.5 billion euros of this total.
In 2018, the proportion of unit-linked products in gross inflows stood at 33%, a level higher than the market average of 28% (as at end-November – source: FFA).
In the Personal protection segment, gross earned premiums rose by 8% in 2018 to a total of 890 million euros.
In the P&C segment, earned premiums stood at 1.5 billion euros.

This good commercial dynamic led to 7.6% growth in the **net banking income,** rising to 790 million euros in 2018.

In 2018, **operating expenses** increased by 7.2%, in line with new business developments, while the cost/income ratio[1] remains virtually stable at 56.5%.

Income before tax[1] came to 358 million euros, up 8.3% in 2018 (+10.9% in Q4-18 at 89 million euros).

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] Cf. notes on methodology and excluding IFRIC 21 for the cost/income ratio in Q4-18[2] Excluding the reinsurance treaty with CNP

3.2 Asset & Wealth Management: double-digit revenue growth in Q4-18 and 2018 in challenging market conditions

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

Underlying figures €m	2018	% Change N-1	Constant FX % Change N-1	Q4-18	% Change N-1
Net banking income	**3,419**	**+9.8%**	***+12.6%***	**1,005**	**+11.8%**
Operating expenses	-2,244	+3.2%	*+5.8%*	-614	+0.8%
Gross operating income	**1,174**	**+25.2%**	***+28.3%***	**392**	**+34.9%**
Income before tax after IFRIC 21 restatement	**1,218**	**+28.0%**		**436**	**+48.5%**
Cost/income ratio[1]	65.7%	-4.2pp		61.2%	-6.6pp
ROE after tax[1]	16.0%	+3.2pp		20.0%	+6.0pp

In a business environment less favorable to Asset Management activities in 2018, **net inflows** amounted to +11 billion euros in Europe including 2 billion euros on long-term products in Q4-18 while North America recorded aggregate outflows of 10 billion euros (including outflows of -16 billion euros in Q4-18).
At December 31, 2018, assets under management stood at 808 billion euros.

In the Wealth Management segment, net inflows stood at 2 billion euros in 2018 and assets under management came to 26.1 billion euros at the end of 2018, including a scope effect of 5.7 billion euros related to the disposal of Sélection 1818.

The **net revenues** generated by the division rose by 9.8% in 2018 (or by 12.6% at constant exchange rates) to reach a total of 3,419 million euros; in Q4-18, this item increased by 11.8%. This growth was driven by robust fee rates (excluding performance fees): 31bp overall, including 26bp in Europe and 40bp in North America. Performance fees reached 426 million euros in 2018 (or approximately 13% of the annual revenues of the Asset Management business).
At the same time, the revenues generated by the Wealth Management business rose by 2% year-on-year.

The **cost/income ratio[1]** has improved significantly to stand at 65.7% in 2018, down 4.2 percentage points during the year thanks to a tightly managed increase in operating expenses (+5.8% in 2018).

Gross operating income rose by a significant 25.2% in 2018 (+28.3% at constant exchange rates) and by 34.9% in Q4-18.
Income before tax rose to 1,218 million euros in 2018, up by a substantial 28.0%.

ROE after tax[1] reached very good levels in Q4-18 and in full-year 2018 of 20.0% and 16.0% respectively.

[1] Cf. notes on methodology and excluding the impact of IFRIC 21 for the RoE and cost/income ratio in Q4-18 [2] Still including Dynamic Solutions and Vega IM AuM

3.3 Corporate & Investment Banking: RoE above 10% in 2018 despite headwinds in Q4-18, thanks to diversification and asset light model

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

Underlying figures €m	*2018*	*% Change N-1*	*Constant FX % Change N-1*	*Q4-18*	*% Change N-1*
Net banking income	**3,169**	**- 11.5%**	***- 9.9%***	**512**	
Adjusted net banking income[1]	3,428	-4%	-3%	771	-6%
Operating expenses	- 2,178	-0.6%	*+0.5%*	- 552	-2.7%
Gross operating income	**990**	**- 28.7%**	***- 26.6%***	**-40**	
Cost of risk	- 104	- 9.9%		- 11	-45.5%
Income before tax after IFRIC 21 restatement	**901**	**- 29.9%**		**-56**	
Adjusted cost/income ratio[1,2]	63.6%	+2.4pp		72.6%	+2.0pp
Adjusted ROE after tax[1,2]	13.0%	-0.2pp		9.0%	-1.3pp

The diversification of the business lines and geographical reach of the Corporate & Investment Banking division are key assets underpinning the resilience of its revenues. The robust performance of the Global finance business (notably the Real Assets activities) and that of the Investment banking and M&A businesses partially offset the contraction in revenues experienced by Global markets related, in particular, to the exceptional business environment prevailing in the last few months of 2018.

The **net banking income** generated by the CIB division in 2018 came to 3,169 million euros, reflecting a year-on-year decline of 9.9% at constant exchange rates and a limited 3% year-on-year decline when adjusted to account for the exceptional environment in Q4-18.

Operating expenses have declined by 0.6% to 2,178 million euros. The **adjusted cost/income ratio** came to 63.6% in 2018.

The **gross operating income** declined by 28.7% in 2018 to 990 million euros.

The **cost of risk** was down by 45.5% in Q4-18 and by 9.9% in 2018.

Income before tax stands at 901 million euros in 2018, down 29.9%.

For 2018 as a whole, **adjusted ROE after tax[1,2]** comes to 13.0% virtually unchanged year-on-year.

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] Net revenues adjusted to account for the non-recurring -€259m impact on equity derivatives in Asia [2] Cf. notes on methodology and excluding IFRIC 21 for the ROE and cost/income ratio in Q4-18

Notes on methodology

Presentation of pro-forma quarterly results

- The segment information has been modified as of Q4-17 in accordance with the presentation of the business lines in the 2018-2020 strategic plan.The Insurance activities of Natixis (life, personal protection, borrower's, and P&C insurance), previously included for reporting purposes in the Investment Solutions division, have now been transferred to the Retail Banking division. The Investment Solutions division has now become the Asset & Wealth Management division.The previous quarters have been restated accordingly.
- Since January 1, 2018, Groupe BPCE has applied IFRS 9 *Financial Instruments* as adopted by the European Union. The Group has elected to use the option provided by the standard not to 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.

Restatement of the impact of IFRIC 21

The results, cost/income ratios and ROE, after being restated to account for the impact of IFRIC 21, are calculated on the basis of ¼ of the amount of taxes and contributions resulting from the interpretation of IFRIC 21 for a given quarter, or ½ of the amount of taxes and contributions resulting from the interpretation of IFRIC 21 for a 6-month period. In practice, for Groupe BPCE, the principal taxes concerned by IFRIC 21 are the company social solidarity contribution (C3S) and contributions and levies of a regulatory nature (systemic risk tax levied on banking institutions, contribution to ACPR control costs, contribution to the Single Resolution Fund and to the Single Supervisory Mechanism).

Net banking income

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

Operating expenses

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

Cost of risk

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

Business line performance presented using Basel 3 standards

The accounting ROE of Groupe BPCE is the ratio between the following items:

- Net income attributable to equity holders of the parent restated to account for the interest expense related to deeply subordinated notes classified as equity and for non-economic and exceptional items.
- Equity attributable to equity holders of the parent restated to account for the deeply subordinated notes classified as equity and for unrealized gains and losses.

The normative ROE of the business lines is the ratio between the following items:

- Business line contributory net income attributable to equity holders of the parent, less interest (computed at the standard rate of 2%) paid on surplus equity compared with normative capital and restated to account for non-economic and exceptional items.
- Normative capital adjusted to reflect goodwill and intangible assets related to the business line.
- Normative capital is allocated to Groupe BPCE business lines on the basis of 10.5% of Basel-3 average risk-weighted assets.

Capital adequacy

Common Equity Tier 1 is determined in accordance with the applicable CRR/CRD IV rules; fully-loaded equity is presented without the application of transitional measures.
Additional Tier-1 capital takes account of subordinated debt issues that have become non-eligible and subject to ceilings at the phase-out rate in force.
The **leverage ratio** is calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014, without transitional measures. Securities financing operations carried out with clearing houses are offset on the basis of the criteria set forth in IAS 32, without consideration of maturity and currency criteria.
Following the decision of July 13, 2018 handed down by the General Court of the European Union, Groupe BPCE again requested the agreement of the ECB to exclude the centralized outstandings of regulated savings from the calculation of the denominator of the ratio.

Total loss-absorbing capacity

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

- Common Equity Tier 1 in accordance with the applicable CRR/CRD IV rules,
- Additional Tier-1 capital in accordance with the applicable CRR/CRD IV rules,
- Tier-2 capital in accordance with the applicable CRR/CRD IV rules,
- Subordinated liabilities not recognized in the capital mentioned above and whose residual maturity is greater than 1 year, namely:
    - The share of additional Tier-1 capital instruments not recognized in common equity (i.e. included in the phase-out),

- The share of the prudential discount on Tier-2 capital instruments whose residual maturity is greater than 1 year,
- The nominal amount of senior non-preferred securities maturing in more than 1 year.

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

Liquidity

Total liquidity reserves comprise the following:

- Central bank-eligible assets include: ECB-eligible securities not eligible for the LCR, taken for their ECB valuation (after 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 December 31, 2018 has been drawn up in compliance with IFRS guidelines, as adopted in the European Union. The new IFRS 9 standard has been applied since January 1st, 2018. Groupe BPCE has elected to use the option provided by the standard to not restate the figures for previous financial years.

The consolidated financial statements of Groupe BPCE for the fiscal period ended December 31, 2018 approved by the Management Board at a meeting convened on February 5, 2019, were verified and reviewed by the Supervisory Board at a meeting convened on February 12, 2019.

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

The audit procedures relating to the consolidated financial statements for the year ended December 31, 2018 have been substantially completed. The reports of the statutory auditors regarding the certification of these consolidated financial statements will be published following the verification of the Management Report and the finalization of the procedures required for the registration document.

About Groupe BPCE

Groupe BPCE, the 2nd-largest banking group in France, includes two independent and complementary cooperative commercial banking networks: the network of 14 Banque Populaire banks and the network of 15 Caisses d'Epargne. It is a major player in Asset & Wealth management, Insurance, Corporate & Investment Banking and Specialized Financial Services with Natixis. Groupe BPCE, with its 106,500 employees, serves a total of 31 million customers and enjoys a strong local presence in France with 7,800 branches and 9 million cooperative shareholders.

The Group's long-term senior preferred debt is rated by four financial rating agencies: Moody's (A1, outlook stable), S&P (A+, outlook stable), Fitch (A+, outlook stable) and R&I (A, outlook positive).

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