GROUPE BPCE

Bankers and insurers with a different perspective

Press Release

Paris, May 9, 2017

RESULTS[1] FOR THE FIRST QUARTER OF 2017 OF GROUPE BPCE

Good performance achieved by all the business lines in the first quarter of 2017
Attributable net income of €948m[2], up by 8.2%

EXCELLENT LEVEL OF ACTIVITY ACHIEVED BY THE BUSINESS LINES

Retail Banking: strong lending activities

- Strong new loan production in Q1-17: €33bn
- Increase in loan outstandings equal to 4.5% year-on-year

Continued momentum in Insurance

- Natixis life insurance offering rolled out in the CE network: new inflows of life funds equal to €1.9bn in Q1-17 (x3 year-on-year)
- Portfolio of non-life[3] contracts: +9% year-on-year

Asset management: return to positive inflows in the USA

Corporate & Investment Banking: greater momentum enjoyed by Global markets and increased contribution from the international platforms

INCOME BEFORE TAX UP BY 11.6%[4] YEAR-ON-YEAR

Resilient performance achieved by Retail Banking

- Income before tax of €1.1bn[2], representing a limited 4.1% decline; net banking income has stood up well and operating expenses kept under close management

Sharp increase in the CIB division's contribution to income before tax: +81.4%, to €422m[2]

Gross operating income[4]: +11.9% year-on-year (despite the higher contribution to the SRF)

Cost of risk stable at 22bp, lower than the business cycle average (30 to 35bp)

OPERATIONAL EXCELLENCE

Operating expenses down in the retail banking networks: if transformation expenses are excluded, the cost base changed as follows: Banque Populaire network -0.1% and Caisse d'Epargne network -1.7%

Mergers: 31 regional banks in May 2017 vs. 35 one year ago

- 2 mergers in 2016 and 1 merger finalized in early May 2017
- Plans for a new merger announced in March 2017

TLAC RATIO ALREADY MEETS 2019 REQUIREMENTS

CET1 ratio of 14.4%[5], up 10bp in Q1-17

TLAC ratio of 19.7%[5]

---

[1] Q1-16 pro forma (cf. the note on methodology at the end of this press release) ; unless specified to the contrary, all changes use the same reference base of March 31, 2016
[2] Excluding non-economic and exceptional items and after restating to account for the impact of IFRIC 21
[3] Entities included: CNP Assurances, Natixis Assurances, Prépar vie (gross inflows from the Banque Populaire and Caisse d'Epargne retail banking networks)
[4] Excluding non-economic and exceptional items
[5] Estimate at March 31, 2017 - CRR/CRD IV without transitional measures (except for deferred tax assets on tax loss carryforwards); additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force

On May 9, 2017, the Supervisory Board of Groupe BPCE convened a meeting chaired by Pierre Valentin to examine the Group's financial statements for the first quarter of 2017.

François Pérol, Chairman of the Management Board of Groupe BPCE, said: *"Our first quarter results confirm the strength of our fundamentals and the resilience of our universal banking model. Thanks to business growth in all our major business lines, our revenues have increased by 4.9%*[4] *with, in particular, 4.5% growth in the loan outstandings position of our Retail Banking division, strong development of our insurance business, the extremely significant expansion of our capital market activities this quarter, and the return of our asset management business to positive growth. Closely managed operating expenses and a new decline in the cost of risk have allowed our net income to increase by 8.2%*[2]*."*

1. CONSOLIDATED RESULTS[6] OF GROUPE BPCE FOR THE FIRST QUARTER OF 2017

Groupe BPCE has published robust results for the first quarter of 2017, with a 4.9%[4] increase in its revenues as a whole, emphasizing the **good performance of the Group's three business divisions**: Retail Banking, Investment Solutions, Corporate & Investment Banking (see below). Despite the low interest-rate environment, the revenues posted by the Retail Banking division only declined by 0.8% (excluding changes in provisions for home purchase savings schemes) thanks to strong business dynamics. Both the Corporate & Investment Banking and Investment Solutions divisions posted extremely good results, with 25.9% and 8.1% growth in revenues respectively.

In this context, the Group's results improved still further in the first quarter of 2017: net income attributable to equity holders of the parent rose 8.2% to reach a total of 948 million euros[2].

Groupe BPCE boasts **a robust, enhanced financial structure** with a fully loaded TLAC ratio equal to 19.6% at March 31, 2017, exceeding the 19.5% required at the beginning of 2019.

In the first quarter of the year, Groupe BPCE was also able to enjoy strong **momentum in its operational excellence initiative** pending the launch of the next strategic plan for 2018-2020 to be presented at the *Investor Days* event scheduled for November 20, 2017 for Natixis and November 29, 2017 for Groupe BPCE.

Changes in segment reporting in the first quarter of 2017

Starting in the first quarter of 2017, information about the Group's different divisions is presented as follows:

Three business line divisions:

- **Retail Banking,** including the Banque Populaire and Caisse d'Epargne retail banking networks, Specialized Financial Services (Consumer finance, Employee savings plans, factoring, Film industry financing, Lease financing, Payments, Securities services, Sureties & financial guarantees,) and Other networks (Crédit Foncier, Banque Palatine, BPCE International),
- **Investment Solutions,** including Asset management and Private banking in addition to Insurance,
- **Corporate & Investment Banking,** including Global markets and Global finance & Investment banking.

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

[6] Q1-16 pro forma (cf. the note on methodology at the end of this press release) ; unless specified to the contrary, all changes use the same reference base of March 31, 2016

Consolidated results for the first quarter of 2017: net income attributable to equity holders of the parent equal to 948 million euros[2], up 8.2%

The **net banking income**[7] of Groupe BPCE for the first quarter of 2017 came to 6,069 million euros, equal to an increase of 4.9% compared with the first quarter of 2016 thanks to extremely strong growth in revenues posted by the **Corporate & Investment Banking** division (+25.9%), a sharp rebound in the **Investment Solutions** division (+8.1%) driven by Asset management in Europe and strong momentum in Insurance activities, and a limited decline in revenues posted by the **Retail Banking** division (-0.8%, excluding changes in provisions for home purchase savings schemes). Retail Banking revenues only suffered a limited dip thanks to the strong resilience of the net banking income generated by the Banque Populaire and Caisse d'Epargne networks in a business environment characterized by continuous pressure on net interest margins, a favorable trend in commissions as well as net banking income generated by the Specialized financing business line (now included in the Retail Banking division) which enjoyed growth in all its different segments.

The Group's **operating expenses**[7] came to 4,504 million euros for the first quarter of 2017, representing year-on-year growth of 2.6%. This increase in expenses can be explained by a number of reasons, notably the increase in different regulatory contributions (accounted for in the Corporate center division). If we exclude the increase in the estimated contribution to the SRF of 256 million euros in the first quarter of 2017 (against 229 million euros in the first quarter last year), the Group's operating expenses increased by 2.0%. The operating expenses of the Retail Banking division have declined by 0.5%[7], while the expenses of the Investment Solutions and Corporate & Investment Banking divisions experienced a moderate increase given the buoyant growth in their activities.

The Group's **gross operating income**[7] came to 1,565 million euros, up by 11.9% compared with the first quarter of 2016.

The Group's **cost of risk** stood at 366 million euros[7] for the first quarter of 2017. It was down 1.6%[7] compared with the first quarter of 2016, reaching 22 basis points[8] in the first quarter of 2017 (against 24 basis points in the first quarter of 2016). This low level is equivalent to the average annual cost of risk observed in 2016. The ratio of non-performing loans to gross loan outstandings has declined, falling from 3.6% at March 31, 2016 to 3.4% at March 31, 2017, and the impaired loans coverage ratio (including guarantees related to impaired outstandings) came to 82.5% at March 31, 2017 (against 82.3% at March 31, 2016).

- For the Banque Populaire and Caisse d'Epargne retail banking networks, the decline in the cost of risk confirms the downward trend in individual provisions,
- For the Corporate & Investment Banking division, the cost of risk has improved significantly compared with the first quarter of 2016, which included the drive to book provisions for the Oil & Gas industry.

The Group's **income before tax**[7] has risen by a substantial 11.6% to reach 1,274 million euros in the first quarter of 2017.

The Group's **income tax**[7] charge comes to 497 million euros, up 11.1% compared with the first quarter of 2016. The tax rate is structurally high in the first quarter of the year (41.6% in the first quarter of 2017 and 40.6% in the same period of 2016) as the contribution to the Single Resolution Fund (SRF) and the tax on systemic banking risks (TSB) are not deductible from taxable income.

Net income attributable to equity holders of the parent[7] has risen by 9.7% compared with the first quarter of 2016 to reach a total of 664 million euros. After restatement to account for the impact of IFRIC 21, net income attributable to equity holders of the parent[7] stands at 948 million euros, up by 8.2%, the **cost/income ratio**[7] has declined by 1.6 percentage points to 68.3% and the Group's **ROE**[7] comes to 6.2%, stable on a year-on-year basis. After accounting for non-economic and exceptional items and cancelling restatements made to account for the impact of IFRIC 21, **published net income attributable to equity holders of the parent** stands at 623 million euros, up by 8.8%.

[7] Excluding non-economic and exceptional items (presented at the end of this press release)
[8] 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 FIRST QUARTER OF 2017

In millions of euros	Q1-17	Impact of non-economic and exceptional items	Q1-17 underlying
Net banking income	6,062	-6	6,069
Operating expenses	-4,561	-57	-4,504
Gross operating income	**1,501**	**-64**	**1,565**
Cost of risk	-375	-9	-366
Income before tax	**1,201**	**-73**	**1,274**
Income tax	-473	24	-497
Minority interests	-105	8	-113
Net income attributable to equity holders of the parent	**623**	**-41**	**664**
Restated to account for the IFRIC 21 impact	*284*		*284*
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**907**	**-41**	**948**
Cost/income ratio	69.3%		68.3%
ROE	4.0%		6.2%

In millions of euros	Q1-16 pf	Impact of non-economic and exceptional items	Q1-16 pf underlying	Q1-17 underlying/ Q1-16 pf underlying % change
Net banking income	5,732	-55	5,787	4.9%
Operating expenses	-4,405	-16	-4,388	2.6%
Gross operating income	**1,328**	**-71**	**1,399**	**11.9%**
Cost of risk	-372		-372	-1.6%
Income before tax	**1,071**	**-71**	**1,142**	**11.6%**
Income tax	-412	35	-447	11.1%
Minority interests	-86	3	-89	26.7%
Net income attributable to equity holders of the parent	**572**	**-33**	**605**	**9,7%**
Restated to account for the IFRIC 21 impact	*270*		*270*	
Net income attributable to equity holders of the parent after IFRIC 21 restatement	**843**	**-33**	**876**	**8.2%**
Cost/income ratio	70.8%		69.8%	-1.6 pt
ROE	4.0%		6.2%	

Q1-2016 pro forma, cf. the notes on methodology at the end of this press release

2. HIGH LEVEL OF CAPITAL ADEQUACY RATIOS PUTS THE GROUP IN A STRONG POSITION TO MEET FUTURE REGULATORY REQUIREMENTS

2.1 Continuous generation of Common Equity Tier 1

The CET1[9] ratio of Groupe BPCE continued to progress in the first quarter of 2017, reaching a level estimated at 14.4% at March 31, 2017, up from 14.3% at December 31, 2016, equal to an increase of 10 basis points. The increase in the CET1[9] ratio reflects the continuous generation of Common Equity Tier 1 thanks to the Group's policy regarding retained earnings (+13 basis points since December 31, 2016) and the issue of cooperative shares (+15 basis points since December 31, 2016).

The total capital ratio[9], with a level estimated at 18.7% at March 31, 2017, has stabilized vis-à-vis December 31, 2016 with a 190 basis-point rise since January 1st, 2016 on a pro forma basis. The total capital ratio without transitional measures, which came to an estimated 18.7% at March 31, 2017, is pursuing its upward trajectory with an increase of 20 basis points since the beginning of 2017 and an increase of 200 basis points since January 1st, 2016 pro forma.

Total capital[9] increased by 0.3 billion euros in the first quarter of 2017, rising from 73.0 billion euros at December 31, 2016 to an estimated 73.3 billion euros at March 31, 2017. This growth in the Group's total capital is mostly related to the increase in CET1 (thanks, in particular, to retained earnings) which amounted to an estimated 56.5 billion euros at March 31, 2017 vs. 56.0 billion euros at December 31, 2016.

Risk-weighted assets remain under tight control, at 391 billion euros at March 31, 2017, stable compared with their level at December 31, 2016 (at current exchange rates).

2.2 TLAC ratio required for early 2019 attained as of the first quarter of 2017

Total loss-absorbing capacity[10] (TLAC) stood at 76.9 billion euros[9] at the end of March 2017.

The TLAC ratio[9] (expressed as a percentage of risk-weighted assets), which stood at an estimated 19.7% at March 31, 2017, is already higher than the TLAC level of 19.5% required at the beginning of 2019. In order to remain compliant with this requirement, Groupe BPCE plans to issue senior non-preferred debt of between 1.5 and 3.5 billion euros per year, and does not anticipate having recourse to the fixed portion of senior preferred debt.

In view of Groupe BPCE's TLAC policy, it is now more likely that the call options attached to former additional Tier-1 capital instruments issued by BPCE without step-up clauses will be exercised subject, however, to obtaining prior approval from the banking supervisory authorities.

At March 31, 2017, the leverage ratio[9,11] was equal to 5.0%, stable compared with the December 31, 2016 ratio.

2.3 Enhanced liquidity reserves

At March 31, 2017, Groupe BPCE's total liquidity reserves[12] stood at 215 billion euros at March 31, 2017, including 61 billion euros in available assets eligible for central bank funding, 69 billion euros in securities eligible for the Liquidity Coverage Ratio (LCR), and 85 billion euros in cash placed with central banks.

At March 31, 2017, the total liquidity reserves of Groupe BPCE covered 154% of total short-term funding outstandings and medium-/long-term debt maturing within one year or less (against 158% at December 31, 2016).
The LCR remained in excess of 110% at March 31, 2017.

---

[9] CRR/CRD IV without transitional measures (except for deferred tax assets on tax loss carryforwards – pro forma of the additional phase-in of the stock of DTA in accordance with regulation 2016/445 for periods prior to December 31, 2016); additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force
[10] According to the term sheet published by the Financial Stability Board on the "Total Loss-Absorbing Capacity" dated November 9, 2015
[11] Estimate at March 31, 2017 calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014
[12] Excluding US Natixis MMF deposits

2.4 A wholesale medium-/long-term funding plan for 2017 already 60% completed as at April 30, 2017

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of 11.9 billion euros at April 30, 2017, equal to 60% of the 2017 program (20 billion euros). This total includes an issue of 1.85 billion dollars raised in a pre-funding operation for 2017, completed on November 29, 2016. The average maturity at issue stands at 8.6 years and the average interest rate is equal to mid-swap +32 basis points. During this period, 58% of MLT funding was completed in the form of public bond issues and 42% in the form of private placements.

The 11.9 billion euros raised as at April 30, 2017 can be broken down as follows:

- A total of 8.9 billion euros (6.3 billion euros in senior preferred debt and 2.6 billion euros in the form of senior non-preferred debt) was raised in the form of unsecured issues, representing 74% of the MLT funding structure, in line with the Group's objectives.
- A total of 3.0 billion euros was raised in the form of covered bond issues, representing 26% of the MLT funding structure, in line with the Group's objectives.

During this period, Groupe BPCE continued to raise substantial funds thanks to the considerably broad diversification of its investor base. As a result, 54% of the bonds issued in the unsecured segment were placed in currencies other than the euro (notably 34% in US dollars and 15% in Japanese yen).

3. RESULTS[13] OF THE BUSINESS LINES: EXCELLENT LEVEL OF ACTIVITY ACHIEVED BY THE BUSINESS LINES

The contribution of the business lines to the results of Groupe BPCE in the first quarter of 2017 can be broken down as follows (excluding the Corporate center division):

- The contribution of the **Retail Banking** division to the net banking income of Groupe BPCE accounted for 69% of the aggregate total in the first quarter of 2017 (against 72% during the same period in 2016). The division also accounted for 70% of aggregate operating expenses (against 72% in the first quarter of 2016), and was responsible for 60% of aggregate income before tax (against 70% in the first quarter of 2016). The division's ROE stands at 10%, at the same level it achieved in the same period last year.
- The **Investment Solutions** division contributed 15% to the Group's net banking income in the first quarter of 2017 (against 14% in the first quarter of 2016), accounted for 16% of aggregate operating expenses (against 15% in the first quarter of 2016), and contributed 17% to income before tax, as in the first quarter of 2016. The division's ROE stands at 15%, at the same level as in the first quarter of 2016.
- The contribution made by the **Corporate & Investment Banking** division accounted for 16% of the Group's aggregate net banking income in the first quarter of 2017 (against 14% in the first quarter of 2016). It also represented 14% of operating expenses (against 13% in the first quarter of 2016) and contributed 23% to aggregate income before tax (against 13% in the first quarter of 2016). The division's ROE came to 17% versus 9% in the first quarter of 2016.

3.1 Retail Banking: net banking income remains firm, buoyed up by a robust commercial performance

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

The Retail Banking division maintained **strong commercial momentum** in the first quarter of 2017. With new loan production in excess of 33 billion euros in the first quarter of this year, the result of strong growth in all business segments, the Retail Banking division is playing an active role in financing the French economy: increase in home loans and equipment loans of 86% and 35% respectively and 22% growth in consumer loans. **Loan outstandings** enjoy regular growth, reaching an aggregate total of 521 billion euros at March 31, 2017, equal to growth of 4.5% since March 31, 2016.

Total **deposits & savings** of the Retail Banking division came to 672 billion euros at March 31, 2017, up 2.0% since March 31, 2016 (representing an increase of more than 13 billion euros). This growth is largely the result of an increase in on-balance sheet deposits & savings driven, in particular, by strong growth in demand deposits (+13.7%).

Synergies between the Retail Banking activities and the business lines of Natixis continued to be developed in the first quarter of 2017:

- In **Life Insurance**, with the successful roll-out of Natixis' life insurance offering in the Caisse d'Epargne retail banking network, resulting in strong growth in Natixis' turnover,
- In the area of **Provident insurance**, with continuing buoyant growth driven by all segments,
- In **Specialized Financial Services** (SFS), where the Specialized financing business achieved a fine performance.

[13] Q1-16 pro forma (cf. the note on methodology at the end of this press release); unless specified to the contrary, all changes use the same reference base of March 31, 2016

Retail Banking: financial results for the first quarter of 2017

The **net banking income** of the Retail Banking division came to 4,122 million euros (excluding changes in provisions for home purchase savings schemes) in the first quarter of 2017, representing a marginal decline of 0.8% over the previous 12-month period. The environment characterized by historically low interest rates continued to depress net interest income. Commissions have risen, buoyed up by growth in the customer base and by the wider use of banking products and services, as have commissions related to payment processing. Commissions related to early loan redemption also enjoyed substantial growth during the first quarter of the year.

Operating expenses (excluding exceptional items[14]) came to 2,814 million euros for the first quarter of 2017, marginally down compared with the first quarter of 2016 (-0.5%).

Gross operating income (excluding exceptional items) remained virtually unchanged (-0.1%) in the first quarter of 2017 and stands at 1,295 million euros.

The **cost of risk**, which reached 304 million euros in the first quarter of 2017, has risen by 8.3% compared with the first quarter of 2016 (this increase is chiefly due to BPCE International while the cost of risk has declined in the Banque Populaire and Caisse d'Epargne retail banking networks).

The **contribution of the Retail Banking division to the Group's income before tax** (excluding exceptional items) came to 1,003 million euros in the first quarter of 2017, down 4.0% compared with the same period in 2016. Restated to reflect the impact of IFRIC 21 and excluding exceptional items, **income before tax** stood at 1,125 million euros in the first quarter of 2017, translating a decline of 4.1% compared with the first quarter of 2016, while the **cost/income ratio** rose marginally (+0.1 percentage point) to 65.5%. If account is taken of exceptional items and the restatement of the impact of IFRIC 21 is cancelled, **published income before tax** came to a total of 973 million euros in the first quarter of 2017, down by 5.4% compared with the first quarter of 2016.

3.1.1 Banque Populaire: net banking income driven by the dynamism of commissions

The Banque Populaire network comprises the 15 Banque Populaire banks, including CASDEN Banque Populaire and Crédit Coopératif and their subsidiaries, Crédit Maritime Mutuel and the Mutual Guarantee Companies.

- **Customer base**

The Banque Populaire retail banking network expanded its customer base in the first quarter of 2017 with a 20% increase in the number of new relationships forged with individual customers (+137,000 customers). The Banque Populaire network pursued its strategy of increasing the delivery of banking services and products to its customers resulting, at the end of March 2017, in 2.6% year-on-year growth in the number of principal active customers aged 25 or more using banking services (or +84,300 customers including +78,000 customers using banking services).

- **Loan outstandings and deposits & savings**

Loan outstandings came to 187 billion euros at the end of March 2017, representing 7.1% growth compared to March 31, 2016.

Deposits & savings stood at 246 billion euros at March 31, 2017, equal to growth of 4.3% compared with March 31, 2016.

[14] The exceptional items correspond to transformation costs (cf. Notes on methodology at the end of this press release)

- **Insurance**

Insurance activities continued to grow with a year-on-year increase in the portfolio of 10.0% for P&C/non-life insurance and of 8.3% for provident and health insurance.

- **Financial results**

Net banking income stood at 1,614 million euros in the first quarter of 2017 (excluding changes in provisions for home purchase savings schemes), up 1.3% compared with the first quarter of 2016. This progress is the result, in particular, of an 8.3% decrease in customer net interest income (excluding changes in provisions for home purchase savings schemes), a substantial increase in early loan redemption fees (+61.4%), and a 6.3% rise in other commissions.

Operating expenses (excluding exceptional items), which came to 1,107 million euros in the first quarter of 2017, are marginally down (-0.1%) compared with the same period in 2016.

Gross operating income (excluding exceptional items) stood at 499 million euros in the first quarter of 2017, up 5.2% compared with the first quarter of last year.

The **cost of risk**, which amounted to 105 million euros in the first quarter of 2017, enjoyed a significant drop of 19.9% compared with the first quarter of 2016.

Income before tax (excluding exceptional items) came to 404 million euros in the first quarter of 2017, equal to growth of 8.5% compared with the first quarter of 2016. Restated to reflect the impact of IFRIC 21 and excluding exceptional items, **income before tax** stands at 449 million euros, up 7.3%, and the **cost/income ratio** declined by 1.0 percentage point to 66.1% in the first quarter of 2017. After taking account of exceptional items and the cancellation of the restatement of the impact of IFRIC 21, **published income before tax** came to 393 million euros in the first quarter of 2017, up 7.2% compared with the first quarter of 2016.

3.1.2 Caisse d'Epargne: commercial activities buoyed up by new customer influx and the take-up of banking services, leading to growth in commissions

In the first quarter of 2017, the Caisse d'Epargne network comprised the 17 individual Caisses d'Epargne along with their subsidiaries. The Caisse d'Epargne Hauts de France, created from the merger between the Caisse d'Epargne Picardie and the Caisse d'Epargne Nord France Europe on May 1st, 2017, takes to 16 the number of Caisses d'Epargne as of this date.

- **Customer base**

The strategy consisting in delivering banking services to the individual customers of the Caisse d'Epargne retail banking network continued during the first quarter of 2017 and led to 2.3% growth in the number of principal active customers aged 25 or more, i.e. 120,500 additional customers (of which 102,000 customers using banking services). In the professional customers market segment, the strategy aimed at attracting new customers made it possible to increase the number of active customers by 7.0% (+12,500 clients in the space of a year). In the corporate customer segment, the number of active customers increased by 8.7% (+1,400 customers).

- **Loan outstandings and deposits & savings**

Loan outstandings stood at 240 billion euros at March 31, 2017, up 6.2% compared with March 31, 2016.

Deposits & savings came to 404 billion euros at March 31, 2017. This figure represents a 1.1% increase over their level at March 31, 2016.

- **Insurance**

The Caisse d'Epargne retail banking network saw significant expansion in its insurance activities, leading to 6.9% growth in its portfolio of P&C/non-life insurance contracts and 11.6% growth in provident and health insurance cover.

- **Financial results**

Net banking income stood at 1,820 million euros in the first quarter of 2017 (excluding changes in provisions for home purchase savings schemes), down 2.9% compared with the first quarter of 2016. This change is the result, in particular, of a 10.5% reduction in customer net interest income (excluding changes in provisions for home purchase savings schemes), a significant rise in early loan redemption fees (+50.6%) and a 2.5% increase in other commissions.

Operating expenses (excluding exceptional items) came to a total of 1,222 million euros in the first quarter of 2017, down 1.7% compared with the same period in 2016.

Gross operating income (excluding exceptional items) stood at 594 million euros in the first quarter of 2017, down 2.6% compared with the first quarter of 2016.

The **cost of risk**, which came to 81 million euros for the first quarter of 2017, is 4.5% lower than in the first quarter of 2016.

Income before tax (excluding exceptional items) amounted to 513 million euros in the first quarter of 2017, down 2.0% on a year-on-year basis. When restated to reflect the impact of IFRIC 21 and excluding exceptional items, income before tax for the quarter stands at 564 million euros, down 2.2%, and the **cost/income ratio** is up by a 0.3 percentage point, at 64.5% for the first quarter of the year. After accounting for exceptional items and cancelling restatements made to account for the impact of IFRIC 21, **published income before tax** comes to 495 million euros for the first quarter of 2017, down 3.5% compared with the same period in 2016.

3.1.3 Specialized Financial Services: net banking income stands up well

The Specialized Financial Services (SFS) division of Natixis includes eight activities organized within two business lines: Specialized financing (factoring, sureties & financial guarantees, consumer finance, lease financing, film industry financing) and Financial services (employee savings plans, payments, securities services).

- **Financial results**

Net banking income stood at 344 million euros in the first quarter of 2017, virtually unchanged (+0.4%) compared with the first quarter of 2016. More particularly, the net banking income generated by the Specialized financing business line achieved year-on-year growth of 2% driven by Consumer finance (+2%), Factoring (+4%) and Lease financing (+5%).

Operating expenses amounted to 231 million euros in the first quarter of 2017, up 2.7% compared with the first quarter of 2016. This increase is due to the inclusion of Groupe BPCE's payment structures within Natixis.

Gross operating income came to 113 million euros in the first quarter of 2017, down 4.0% compared with the first quarter of 2016.

The **cost of risk**, which came to 21 million euros for the first quarter of 2017, increased by a significant 65.9% versus the same period in 2016. This deterioration is chiefly due to the Lease financing activity (unfavorable basis of comparison) and the Consumer finance business (migration toward a new recovery system). Return to normal is expected in the second quarter of 2017.

Income before tax amounted to 92 million euros in the first quarter of 2017, down 12.5% over a 12-month period. Restated to account for the impact of IFRIC 21, income before tax for the quarter stands at 99 million euros, representing a decline of 12.6%, while the **cost/income ratio** increases by a 1.8 percentage point to 65.2% for the first quarter of 2017.

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

3.1.4 Other networks

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

- **Real estate Financing**

Crédit Foncier is the principal entity contributing to the Real estate Financing business line.

Aggregate new loan production remained at a good level, comparable to that of the 4th quarter of 2016, with 3.2 billion euros in the first quarter of 2017 versus 2.1 billion euros in the same period last year. Home loans granted to individual customers accounted for 2.4 billion euros in the aggregate new loan production figure.

At the same time, and chiefly owing to the high rate of early loan redemptions noted over the past nine months, Crédit Foncier has experienced a gradual decline in its loan outstandings position. As a result, loan outstandings stood at 80.7 billion euros at March 31, 2017 against 84.6 billion euros at March 31, 2016.

Against a background of low interest rates and more intense competition, the contribution made by Crédit Foncier to the Group’s income before tax has declined, falling from 39 million euros in the first quarter of 2016 (pro forma) to 12 million euros in the first quarter of this year. This downward trend should be viewed in the light of a 10.7% decline in net banking income as a result of early loan redemption and the booking in the first quarter of 2017 of a provision related to a retirement forecasting agreement; indeed, within the framework of a new operational efficiency plan, five agreements were signed at the beginning of the year with trade union organizations. Crédit Foncier is also pursuing its policy aimed at substantially cutting its costs. As a result, operating expenses – restated to account for the provision booked regarding the retirement forecasting agreement – declined by almost 7% in the first quarter of 2017.

- **Banque Palatine**

The average loan outstandings position has increased to stand at 8.6 billion euros (against 8.2 billion euros in the first quarter of 2016). In line with the policy to manage the cost of resources, the average level of deposits & savings has declined to 16.6 billion euros (against 17.7 billion euros in the first quarter of 2016).

The contribution made by Banque Palatine to the Group’s income before tax came to 18 million euros in the first quarter of 2017 against 14 million euros in the same period of 2016 on a pro forma basis. This increase is related to an improvement in the cost of risk; the net banking income and operating expenses, for their part, remain stable overall.

- **BPCE International**

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

Aggregate loan outstandings stand at 5.5 billion euros (against 5.8 billion euros in the first quarter of 2016). Deposits & savings amount to 5.0 billion euros (against 5.3 billion euros in the first quarter of 2016).

The contribution of BPCE International to the Group’s income before tax was negative in the first quarter of 2017 at -37 million euros. This sharp decline is due to the booking of additional provisions on loan portfolios in Tunisia.

3.2 Investment Solutions: continued strong momentum enjoyed by Insurance activities and return to positive inflows in the USA

The Investment Solutions business line includes the Asset management, Private banking and Insurance activities.

- **Financial results**

Net banking income came to 891 million euros in the first quarter of 2017, up 8.1% compared with the first quarter of 2016. This sharp recovery can be explained by the strong momentum achieved by Asset management activities in Europe and by Insurance.

Operating expenses (excluding exceptional items) came to 625 million euros in the first quarter of 2017, up 5.9% compared with the same period in 2016.

Gross operating income (excluding exceptional items) stood at 266 million euros in the first quarter of 2017, up 13.6% compared with the same period in 2016.

The **cost of risk** is zero, as in the first quarter of 2016.

Income before tax (excluding exceptional items) stood at 280 million euros in the first quarter of 2017, up 8.4% year-on-year. If exceptional items are excluded, and after restating to account for the impact of IFRIC 21, **income before tax** came to 294 million euros in the first quarter of 2017, up 9.1% over the 12-month period, and the **cost/income ratio** improved by 1.6 percentage points, to 68.6% in the first quarter of 2017. After cancelling restatements made to account for the impact of IFRIC 21 and exceptional items, the quarter's **published income before tax** stands at 259 million euros, up 0.6%.

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: greater momentum enjoyed by Global markets

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

- **Financial results**

Net banking income rose 25.9% in the first quarter of 2017 to reach a total of 984 million euros. If the CVA/DVA desk is excluded, net banking income rose by 20% on a year-on-year basis driven in particular, by the increased contribution from the international platforms.

Operating expenses came to 563 million euros in the first quarter of 2017, up 10.0% compared with the first quarter of 2016. The increase in fixed costs is limited to 4%.

Gross operating income amounted to 421 million euros in the first quarter of 2017, up 56.1% compared with the first quarter of 2016.

The **cost of risk**, which stood at 29 million euros for the first quarter of 2017, has declined by a total of 58.9% compared with the first quarter of 2016.

Income before tax stood at 394 million euros in the first quarter of 2017. It has almost doubled in the space of one year (+95.4%). **When restated to account for the impact of IFRIC 21**, the income before tax for the quarter comes to 422 million euros, equal to growth of 81.4%, while the **cost/income ratio** improved by 7.1 percentage points, to 54.4%, for the first quarter of 2017.

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

NON-ECONOMIC AND EXCEPTIONAL ITEMS

In millions of euros	Q1-17		Q1-16 pf	
	Income before tax	**Net income attributable to equity holders of the parent**	**Income before tax**	**Net income attributable to equity holders of the parent**
Non-economic items of an accounting nature	**-13**	**-7**	**-45**	**-26**
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies (Corporate center division)	-13	-7	-45	-26
Disposal of non-strategic holdings and assets managed on a run-off basis	**-2**	**-1**		**14**
Disposal of share capital of Nexity (Corporate center division)			39	40
Disposal of international assets managed on a run-off basis (Corporate center division)	-2	-1	-39	-26
Transformation and reorganization costs (Business lines / Corporate center division)	**-38**	**-24**	**-16**	**-11**
Impairment of goodwill and others	**-19**	**-9**	**-10**	**-10**
One-off additional company social solidarity contribution related to the agreement with CNP (Investment Solutions)	-19	-9		
Banca Carige / Prolonged decline in value (Corporate center division)			-10	-10
Total impact of non-economic and exceptional items	**-73**	**-41**	**-71**	**-33**

Q1-16 results are presented pro forma (cf. notes on methodology at the end of this press release)

For further details about the financial results for the first quarter 2017, please consult the Investors/Results section of the corporate website www.groupebpce.fr

The quarterly financial statements of Groupe BPCE for the period ended March 31, 2017 approved by the Management Board at a meeting convened on May 2, 2017, were verified and reviewed by the Supervisory Board at a meeting convened on May 9, 2017.
The financial results contained in this presentation have not been reviewed by the statutory auditors.

Notes on methodology

Presentation of 2016 pro-forma quarterly results

The segment information was modified as of Q1-17, with the creation of the Retail Banking division, which includes the Banque Populaire and Caisse d'Epargne retail banking networks, the Specialized Financial Services division of Natixis and the Other networks division (Crédit Foncier, Banque Palatine and BPCE International).

The SFS division includes two business lines: Specialized financing (factoring, sureties & financial guarantees, lease financing, consumer finance) and Financial services (payments, employee savings plans, and securities services), which are central to the Group's retail banking networks and at the service of their continuing growth.

The minority equity interest in CNP Assurances, consolidated using the equity method and previously included for reporting purposes within the Commercial Banking & Insurance division, has been transferred to the Corporate center division.

The IFRS 9 standard adopted in November 2016 permits the early adoption – starting with the financial year ended on Dec. 31, 2016 – of regulatory provisions governing the bank's own credit risk, to the effect that all changes will henceforth be recorded in shareholders' equity and no longer as previously in the income statement. The first three quarters of 2016 have been restated accordingly.

When the Q1-16 results were published, the amount recognized as the Group's contribution to the Single Resolution Fund was based on an estimate. Following notification of the actual amount of the contribution in Q2-16, the amount of the SRF recognized in Q1-16 has been readjusted.

Non-economic and exceptional items

The non-economic and exceptional items and the reconciliation of the restated income statement with the income statement published by Groupe BPCE are specified in the table above.

The Group has launched a number of transformation operations helping to simplify its organizational structure and to generate synergies. The resulting transformation costs (restructuring expenses specific to projects for the combination/merger of entities and the migration to existing IT platforms) have been isolated on a retrospective basis as of Q2-16.

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 1/4 of the amount of taxes and contributions resulting from the interpretation of IFRIC 21 for a given quarter, or 1/2 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

Net customer 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 are 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** (Retail Banking; Investment Solutions and Corporate & Investment Banking), 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 3%) 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% 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, except for the restatement of deferred tax assets (DTA) on tax loss carryforwards and pro forma of the additional phase-in of the stock of DTA in accordance with regulation 2016/445.*

***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, after restating to account for deferred tax assets on tax loss carryforwards. 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 Dépots 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** include:*
>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 15 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 Investment Solutions & Insurance, Corporate & Investment Banking and Specialized Financial Services with Natixis. Groupe BPCE, with its 108,000 employees, serves a total of 31.2 million customers and enjoys a strong local presence in France with 8,000 branches and 9 million cooperative shareholders.

Groupe BPCE press contacts
Anne-Laure Declaye: 33-1 58 40 61 79
Marie de Clercq: 33-1 58 40 59 26
mail: presse@bpce.fr

BPCE investor relations
Roland Charbonnel: 33-1 58 40 69 30
Evelyne Etcheverry: 33-1 58 40 57 46
Geraldine Lamarque: 33-1 58 40 33 96
mail: investor.relations@bpce.fr

www.bpce.fr