GROUPE BPCE

Press Release

Paris, February 6, 2020

Results for the 4th quarter and full year 2019

Robust Q4-19 performance: 7.8% revenue growth to €6.3bn
Operating expenses declined by 0.9% to €4.6bn
Strong 34.2% growth in reported net income to €789m

Reported revenues increased by 1.3% in 2019 to €24.3bn, and net income of €3bn

Retail Banking & Insurance: strong commercial dynamism and enhanced profitability

- **8.2% year-on-year growth in loan outstandings**
- **7.2% revenue increase generated by Financial Solutions & Expertise in Q4-19, up by 2.6% in 2019**
- **Continued strong growth enjoyed by the Insurance (7.1%) and Payments businesses (8.5%) in 2019**
- **Improvement in the cost to income ratio thanks to the tight cost control in the Banques Populaires banks and Caisses d'Epargne**

Asset & Wealth Management: strength of the multi-boutique business model

- **Net inflows of €3bn on long-term products in Q4-19 both in Europe and in the United States**
- **Fee rate on assets under management in line with the strategic target of 30 basis points**

Corporate & Investment Banking: positive jaws effect in Q4-19 and in full year 2019 with a strong business recovery at the end of the year

- **16% growth in revenues[1] in Q4-19, including 40% for Global markets**
- **Historically high quarter for Investment Banking and M&A activities**

Cost of risk at a low level in 2019 at 19 basis points on loan outstandings, stable vs. 2018

High level of capital adequacy, well above the regulatory requirements

- **Rise in the CET1 ratio[2] to 15.6%, with TLAC[2] and MREL[2] ratios at 23.3% and 29.2% respectively at end-2019**

A streamlined group on the move: proven ability to transform itself…

- **2020 target of €1bn in cost synergies already achieved at end-2019 and growth in revenue synergies thanks to the bancassurance business model finalized this year**
- **Successful completion of simplification projects**
- **Acquisition of a 50.1% stake in the capital of Oney Bank in October 2019**
- **Creation of a major player in asset management with the merger between Ostrum and La Banque Postale Asset Management**

… and to innovate for the benefit of its customers and for its social commitments

- **"Digital Inside" strategy recognized by the D-rating agency, which ranks Groupe BPCE in the *digital transformers* category**
- **Innovation in favor of the energy transition with notably the *Green Weighting Factor* created by Natixis**

Laurent Mignon, Chairman of the Management Board of Groupe BPCE, made the following statement: *"Thanks to the confidence of our customers and the energy of all our people, the Group's three core business lines achieved an extremely good commercial performance in the 4th quarter of last year and throughout 2019 as a whole. Our two major retail banking networks pursued their development and continued to roll out digital tools for our customers' benefit; the Asset Management division recorded positive net inflows this quarter; and the Corporate & Investment Banking business lines were extremely dynamic. At the same time, we kept costs under tight control, generated positive jaws effects in all our businesses, thereby enhancing the Group's profitability. 2019 was also a highly eventful year regarding the completion of strategic projects to streamline our structures and pave the way for our Group's future development, notably with the acquisition of a majority stake in Oney Bank, the finalization of our insurance banking model, or the creation by Natixis, in partnership with La Banque Postale, of a major player in insurance-related asset management in Europe. Finally, the Group, which is deeply committed to sustainable growth, continued to take major initiatives in favor of the energy transition and in the area of social responsibility."*

[1] Adjusted in Q4-18 to account for the non-recurring impact of - €259m on Asian equity derivatives [2] Estimate at December 31, 2019

The quarterly financial statements of Groupe BPCE for the period ended December 31, 2019 approved by the Management Board at a meeting convened on February 3, 2020 were verified and reviewed by the Supervisory Board, chaired by Pierre Valentin, at a meeting convened on February 6, 2020

Groupe BPCE: reported net income (Group share) of €789m in Q4-19, up 34.2% year-on-year, and of €3bn in full year 2019 (stable)

Reported figures in €m	2019	2018	*2019 vs. 2018*	Q4-19	Q4-18	Q4-19 vs. Q4-18
Net banking income	**24,305**	**24,001**	**1.3%**	**6,300**	**5,844**	**7.8%**
Operating expenses	(17,582)	(17,687)	(0.6)%	(4,580)	(4,621)	(0.9%)
o/w expenses excluding SRF	*(17,206)*	*(17,347)*	(0.8)%			
Gross operating income	**6,722**	**6,314**	**6.5%**	**1,720**	**1,222**	**40.8%**
Cost of risk	(1,367)	(1,299)	5.2%	(426)	(396)	7.5%
Income before tax	**5,538**	**5,297**	**4.6%**	**1,399**	**917**	**52.6%**
Income tax	(1,801)	(1,477)	21.9%	(393)	(123)	x3.2
Non-controlling interests	(707)	(793)	(10.9)%	(217)	(206)	5.2%
Net income – Group share	**3,030**	**3,026**	**0.1%**	**789**	**588**	**34.2%**

Exceptional items:

In €m			2019	2018	Q4-19	Q4-18
Revaluation of assets associated with deeply subordinated notes denominated in foreign currencies	*Net banking income*	*Corporate center*	17	14	2	5
SWL provision reversal	*Net banking income*	*CIB*		68		
Transformation and reorganization costs	*Operating expenses / Cost of risk / Gains or losses on other assets / Goodwill*	*Business lines & Corporate center*	(574)	(730)	(178)	(297)
Legal provision	*Cost of risk*	*CIB*		(71)		
Asset disposals and impairments	*Share in income of equity-accounted associates / Gains or losses on other assets / Goodwill*	*Business lines & Corporate center*	(35)	(16)	2	(16)
Total impact on income before tax			**(591)**	**(735)**	**(174)**	**(309)**
Total impact on net income – Group share			**(462)**	**(507)**	**(85)**	**(221)**

Transformation and reorganization costs incurred in 2019 are broken down as follows: 34% Retail banking networks; 3% Crédit Foncier; 14% Natixis; 23% Fidor and 26% Other.

1. Groupe BPCE:
Strong 28.3% increase in underlying income before tax in Q4-19
Underlying income before tax up 1.6% in full year 2019, to €6.1bn

Underlying figures in €m	2019	2018	*2019 vs. 2018*	Q4-19	Q4-18	Q4-19 vs. Q4-18
Net banking income	**24,287**	**23,919**	**1.5%**	**6,298**	**5,839**	**7.9%**
Operating expenses	(17,142)	(16,991)	0.9%	(4,420)	(4,338)	1.9%
o/w expenses excluding SRF	*(16,766)*	*(16,651)*	*0.7%*			
Gross operating income	**7,145**	**6,927**	**3.1%**	**1,878**	**1,501**	**25.1%**
Cost of risk	(1,316)	(1,228)	7.2%	(385)	(396)	(2.8)%
Income before tax	**6,129**	**6,032**	**1.6%**	**1,573**	**1,226**	**28.3%**
Income tax	(1,886)	(1,697)	11.1%	(453)	(207)	x2.2
Non-controlling interests	(752)	(803)	(6.4)%	(246)	(210)	17.2%
Net income – Group share	**3,492**	**3,532**	**(1.1)%**	**874**	**809**	**8.1%**
Restatement of IFRIC 21				(104)	(107)	
Net income – Group share – after IFRIC 21 restatement	**3,492**	**3,532**	**(1.1)%**	**770**	**702**	**9.8%**
Cost/income ratio[1]	*70.6%*	*71.0%*	*(0.5)pp*	*72.3%*	*76.6%*	*(4.3)pp*
ROE[1]	*5.3 %*	*5.6%*	*(0.3)pp*	*4.5%*	*4.3%*	*0.2pp*

Unless specified to the contrary, the following financial data and related comments refer to the underlying results, i.e. results restated to exclude exceptional items, as presented on page 2. Changes express differences between Q4-19 and Q4-18 or between 2019 and 2018.

In Q4-19, **net banking income** grew by 7.9% to reach 6.3 billion euros, driven by growth in the revenues posted by all the business lines: Retail Banking & Insurance (+3.8%), Asset & Wealth Management (+7.5%), and Corporate & Investment Banking (+73.6%). In full year 2019, the Group's net banking income rose slightly (+1.5%) to reach €24.3bn.

Operating expenses, restated to account for the contribution to the Single Resolution Fund (376 million euros, up by 10.6% year-on-year) increased by 0.7% in 2019. For the year as a whole, the cost/income ratio came to 70.6%, down 0.5 percentage points, while gross operating income stood at 7.1 billion euros, up by 3.1%.

The aggregate **cost of risk** for Groupe BPCE came to 385 million euros in Q4-19 (-2.8%) and 1,316 million euros in 2019 (+7.2%).

Net income (Group share) after restating to account for the impact of IFRIC 21, stood at 770 million euros in Q4-19 (+9.8% compared with the same period last year) and at 3,492 million euros in 2019 (-1.1% year-on-year).

RoE[1] for full year 2019 is equal to 5.3% (-0.3pp vs. 2018).

[1] See notes on methodology and after IFRIC 21 restatement

2. LEVELS OF CAPITAL ADEQUACY AND LOSS-ABSORBING CAPACITY WELL ABOVE REGULATORY REQUIREMENTS

2.1 CET1[1] level

Groupe BPCE's CET1 ratio[1,2] at end-December 2019 reached the estimated level of 15.6%, up from 15.5% at September 30, 2019. Changes for the quarter can be broken down into:

- Retained earnings: +17pb,
- Change in risk-weighted assets: -12pb,
- Issue of cooperative shares: +12pb,
- Acquisition of Oney Bank: -11pb,
- Other changes: +5pb.

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

Total loss-absorbing capacity (TLAC) stands at 98.4 billion euros[2] (estimate at end-December 2019). The TLAC ratio, expressed as a percentage of risk-weighted assets, stands at an estimated 23.3%[2] at end-December 2019, confirming the achievement of the objective fixed in the Group's strategic plan of reaching a level exceeding 21.5% by early 2019.

2.3 MREL ratio

Expressed as a percentage of risk-weighted assets at December 31, 2019, Groupe BPCE's MREL ratio stands at 29.2%, well above the minimum requirement of 23.2%.

2.4 Leverage ratio

At December 31, 2019, the leverage ratio[1] was equal to 5.3%[3].

2.5 2020 medium-/long-term funding plan already 29% completed

The target size of the medium-/long-term funding plan for 2020 lies between 20 and 21 billion euros (excluding structured private placements and asset-backed securities, or ABS) of which 2.6 billion euros in senior non-preferred debt, 8.4 billion euros in senior preferred debt, and 9 to 10 billion euros in covered bonds. The ABS target is 1.5 billion euros.

At January 31, 2020, Groupe BPCE had raised:

- 6.2 billion euros (excluding structured private placements and ABS), including 1.1 billion euros in senior non-preferred debt, 2.6 billion euros in senior preferred debt, and 2.5 billion euros in covered bonds. These amounts represent 29% of the medium-/long-term funding plan over the corresponding scope,
- 0.4 billion euros (net) in structured private placements,
- 0.4 billion euros in ABS.

[1] See notes on methodology [2] After deduction of irrevocable payment commitments [3] The leverage ratio would amount to 5.6% after excluding the centralized outstandings of regulated savings from the calculation of the denominator of the ratio, subject to the agreement of the ECB and following the decision dated July 13, 2018 of the General Court of the European Union

3. RESULTS OF THE BUSINESS LINES

Unless specified to the contrary, the following financial data and related comments refer to the underlying results, i.e. results restated to exclude exceptional items, as presented on page 2. Changes express differences between Q4-19 and Q4-18 or between 2019 and 2018.

3.1 Retail Banking & Insurance
Growth in income before tax and a strong positive jaws effect

Underlying figures In €m	2019	% Change N-1	Q4-19	% Change N-1
Net banking income	16,317	1.6%	4,176	3.8%
Operating expenses	(10,647)	0.5%	(2,776)	1.2%
Gross operating income	**5,670**	**3.9%**	**1,401**	**9.2%**
Cost of risk	(977)	(2.2)%	(275)	(21.0)%
Income before tax after IFRIC 21 restatement	**4,746**	**5.3%**	**1,104**	**21.1%**
Cost/income ratio[1]	*65.3%*	*(0.7)pp*	*67.1%*	*(1.9)pp*
Normative ROE (after tax)[1]	*9.8%*	*(0.3)pp*	*8.8%*	*0.7pp*

Loan outstandings rose by 8.2% year-on-year to reach a total of 551 billion euros at end-December 2019, including an 8.7% increase in residential mortgages, and growth in consumer loans and equipment loans of 16.5% and 6.6% respectively.
At the end of December 2019, **deposits & savings** (excluding centralized regulated savings) stood at 458 billion euros (+8.3%) while sight deposits enjoyed growth of 12.9% year-on-year.

The **net banking income** generated by the Retail Banking & Insurance division enjoyed growth of 3.8% in Q4-19 and growth of 1.6% in full year 2019, driven by the Banque Populaire and Caisse d'Epargne retail banking networks (+0.2%), Financial Solutions & Expertise business activities (+2.6%), Insurance (+7.1%) and Payments (+8.5%).

The cost control is continuing in the Banque Populaire and Caisse d'Epargne retail banking networks (-0.9% in 2019). The development of the Insurance and Payments businesses recorded a year-on-year rise in their operating expenses of 5.9% and 7.1% respectively.
For the business line overall, **operating expenses** remained virtually stable in 2019 (+0.5%) while the **cost/income ratio** stood at 65.3% (down 0.7 percentage points).

Gross operating income rose by 3.9% in 2019 to reach a total of 5,670 million euros.

The cost of risk stood at 977 million euros in 2019, down by 2.2%.

Income before tax, after restating to account for the impact of IFRIC 21, rose by 21.1% in Q4-19 to reach 1,104 million euros and rose by 5.3% in full year 2019 to reach a total of 4,746 million euros.

[1] See notes on methodology and after IFRIC 21 restatement

3.1.1 Banque Populaire retail banking network: Income before tax[1] up by 20.0% in Q4-19 and by 7.8% in 2019

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

Underlying figures In €m	2019	% Change N-1	Q4-19	% Change N-1
Net banking income	6,434	0.9%	1,622	2.0%
Operating expenses	(4,275)	0.0%	(1,065)	(1.0)%
Gross operating income	**2,159**	**2.7%**	**557**	**8.3%**
Cost of risk	(417)	(13.0)%	(123)	(15.4)%
Income before tax after IFRIC 21 restatement	**1,780**	**7.8%**	**422**	**20.0%**
Cost/income ratio[1]	*66.4%*	*(0.6)pp*	*66.2%*	*(2.3)pp*

Loan outstandings increased by 7.6% during the year to reach 225 billion euros at the end of December 2019. **Deposits & savings** rose by 8.5% year-on-year to 288 billion euros at end-December 2019 (+8.3% for on-balance sheet savings, excluding centralized regulated savings). The number of principal customers using banking services increased by 2.2% year-on-year (+88,400).

Net banking income increased by 0.9% in 2019 to 6,434 million euros, including a 1.3% increase in net interest income to 3,615 million euros and a marginal 0.4% decline in commissions to 2,622 million euros.

In 2019, **operating expenses** came to 4,275 million euros while the cost/income ratio stood at 66.4%.

The cost of risk declined by 13.0% in 2019; **income before tax** rose by 20.0% in Q4-19 (after restating to account for the IFRIC 21 impact) and by 7.8% for 2019 as a whole.

3.1.2 Caisse d'Epargne retail banking network: income before tax[1] up by +20.2% in Q4-19 and by 2.6% in full-year 2019

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

Underlying figures In €m	2019	% Change N-1	Q4-19	% Change N-1
Net banking income	7,048	(0.4)%	1,727	(2.2)%
Operating expenses	(4,626)	(1.8)%	(1,197)	(3.3)%
Gross operating income	**2,422**	**2.2%**	**530**	**0.3%**
Cost of risk	(409)	(0.6)%	(89)	(43.6)%
Income before tax after IFRIC 21 restatement	**2,010**	**2.6%**	**428**	**20.2%**
Cost/income ratio[1]	*65.6%*	*(0.9)pp*	*70.0%*	*(0.9)pp*

Loan outstandings rose by 7.6% year-on-year to 291 billion euros at end-December 2019, and **deposits & savings** increased by 5.5% over the year to 441 billion euros (+7.9% for on-balance sheet savings, excluding centralized regulated savings). The number of principal customers using banking services increased by 0.9% over the 12-month period (+58,900).

Net banking income reached 7,048 million euros in 2019, remaining virtually stable over the year. Net interest income decreased by a marginal 0.8%, to 3,854 million euros, while commissions declined by 0.6% to 3,159 million euros.

In 2019, **operating expenses** were trimmed by 1.8%, leading to a 0.9 pp improvement in the cost/income ratio to 65.6%.
This resulted in a 2.2% increase in **gross operating income** to 2,422 million euros in 2019.
The cost of risk came to 409 million euros over the year, reflecting a slight decrease of 0.6%.

Income before tax, after restating to account for the impact of IFRIC 21, rose by 2.6% in 2019, to reach 2,010 million euros**.**

[1] See notes on methodology and after IFRIC 21 restatement

3.1.3 Financial Solutions & Expertise: dynamic business with the retail banking networks

Underlying figures In €m	2019	% Change N-1	Q4-19	% Change N-1
Net banking income	1,117	2.6%	298	7.2%
Operating expenses	(629)	3.0%	(169)	4.1%
Gross operating income	**488**	**2.1%**	**129**	**11.7%**
Cost of risk	(79)	24.9%	(17)	14.8%
Income before tax after IFRIC 21 restatement	**409**	**(1.3)%**	**111**	**11.7%**
Cost/income ratio[1]	*56.3%*	*0.2pp*	*57.1%*	*(2.0)pp*

The **Financial Solutions & Expertise** division recorded 2.6% growth in its **net banking income** in 2019, which reached a total of 1,117 million euros.

In Consumer credit, personal loan outstandings at the end of 2019 had increased by 8% over the year. New leasing production rose by 13% in 2019. In the Sureties & financial guarantees activity, gross premiums written increased by 24% in 2019. In Factoring, the number of contracts opened increased by 18% in 2019 compared with the previous year.

The 3.0% increase in **operating expenses** in 2019 is related, in particular, to projects designed to support growth in business activities, the pursuit of IT projects, regulations, and new initiatives. The cost/income ratio stood at 56.3% in 2019, reflecting a moderate increase of 0.2 pp over the year.

Gross operating income rose by 2.1% in 2019, to reach a total of 488 million euros.

The cost of risk came to 79 million euros in 2019, up by 24.9% compared with a low basis of comparison in 2018.

In 2019, **Income before tax**, restated to account for the impact of IFRIC 21, stood at 409 million euros (-1.3%).

3.1.4 Insurance: strong performance once again with 9% growth in GOI in 2019

The results presented below concern the Insurance division of Natixis.

Underlying figures In €m	2019	% Change N-1	Q4-19	% Change N-1
Net banking income	846	7.1%	216	7.3%
Operating expenses	(472)	5.9%	(123)	5.5%
Gross operating income	**374**	**8.8%**	**93**	**9.8%**
Income before tax after IFRIC 21 restatement	**384**	**7.1%**	**92**	**4.2%**
Cost/income ratio[1]	*55.8%*	*(0.7)pp*	*58.9%*	*(1.4)pp*

In 2019, **premiums**[2] reached a total of 12.7 billion euros, representing 6% growth over the 12-month period, including a 6% increase in non-life insurance and 6% growth in life and personal protection insurance. Unit-linked products represented 31% of gross inflows in 2019, a proportion higher than the French market average (source: FFA).

Assets under management[2] amounted to 68.4 billion euros at end-December 2019, including 17.3 billion euros in unit-linked products (25%). **Net inflows**[2] in life insurance came to 1.4 billion euros in Q4-19 and 6.0 billion euros in 2019 overall.

In non-life insurance, the product/service ownership rate of Banque Populaire customers stands at 26.6% (+1.2 pp in the space of a year) while that of the Caisse d'Epargne retail banking network stands at 29.9% (+1.3 pp in one year).

In 2019, **net banking income**, equal to 846 million euros, increased by 7.1% while **operating expenses** rose by 5.9%.
Gross operating income rose by 8.8% over the same period.
Income before tax, restated to account for the impact of IFRIC 21, came to 384 million euros, up by 7.1% in 2019.

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

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

3.1.5 Payments: positive jaws effect and double-digit growth in income before tax

Underlying figures *In €m*	2019	% Change N-1	Q4-19	% Change N-1
Net banking income	423	8.5%	111	6.0%
Operating expenses	(365)	7.1%	(93)	3.8%
Gross operating income	**57**	**18.7%**	**18**	**18.7%**
Income before tax after IFRIC 21 restatement	**55**	**17.8%**	**17**	**36.2%**
Cost/income ratio[1]	*86.5%*	*(1.1)pp*	*84.1%*	*(1.8)pp*

Net banking income rose by 6.0% in Q4-19 to 111 million euros and by 8.5% in 2019 to a total of 423 million euros. **Operating expenses** over the same periods rose by 3.8% and 7.1% respectively.
This positive jaws effect generated 18.7% growth in the **gross operating income** in both Q4-19 and 2019.

In the activities historically pursued by Natixis, Payment Processing & Services, revenues increased by 5% in 2019 and the number of card transactions processed rose by 10% in the space of one year.
In Merchant Solutions, the volumes generated by Dalenys and PayPlug increased by 25% in 2019.
In Prepaid & Issuing Solutions, full-year 2019 growth was driven by the Benefits & Rewards business (*Titres Cadeaux* and *Comitéo*) and Meal voucher. The number of mobile payments in 2019 increased by a factor of more than 2.5 compared with 2018.

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[1] See notes on methodology and after IFRIC 21 restatement

3.1.6 Other networks: integration of Oney Bank in Q4-19

Underlying figures *In €m*	Q4-19
Net banking income	117
Operating expenses	(80)
Gross operating income	**37**
Cost of risk	(21)
Income before tax	**16**

New loan production generated by Oney Bank grew by 9.4% in 2019 compared with 2018, while the number of customers rose by 1.6% over the 12-monoth period, to reach 7.7 million customers at end-2019.

3.2 Asset & Wealth Management: positive net inflows on long-term products both in North America and in Europe in Q4-19

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

Underlying figures in €m	2019	% Change N-1	Constant FX % Change N-1	Q4-19	% Change N-1
Net banking income	3,760	7.0%	4.1%	1,109	7.5%
Operating expenses	(2,483)	6.9%	3.8%	(679)	7.1%
Gross operating income	**1,277**	**7.2%**	**4.6%**	**430**	**8.2%**
Income before tax after IFRIC 21 restatement	**1,282**	**3.8%**		**434**	**(1.7)%**
Cost/income ratio[1]	*66.0%*	*(0.1)pp*	(0.2)pp	*61.3%*	*(0.3)pp*
Normative ROE (after tax)[1]	*14.9%*	*(1.1)pp*		*19.1%*	*(1.0)pp*

In Q4-19, Asset Management (excluding employee savings plans) recorded approximately 3 billion euros in positive long-term net inflows. In North America[2], inflows stand at approximately 3 billion euros and concern Fixed Income and Equity strategies. In Europe[2], net inflows are in the region of half a billion euros, driven chiefly by the "global macro" and ESG strategies.

At December 31, 2019, assets under management[2] reached a total of 934 billion euros in Asset Management (excluding employee savings plans), up by 16% over the year. The change in Q4-19 includes a positive market effect of 26 billion euros, a negative foreign exchange and reporting scope impact of 14 billion euros, net inflows of 3 billion euros on long-term products and net outflows of 2 billion euros on money market funds.

In the Wealth Management segment, assets under management stood at 30.4 billion euros at end-December 2019 and positive net inflows amounted to 0.5 billion euros in full-year 2019.

The **net banking income** of the business line increased by 7.5% in Q4-19 and by 7.0% in full-year 2019 (+4.1% at constant foreign exchange rates) and stood at 1,109 and 3,760 million euros respectively. Performance fees, generated by a variety of strategies (global macro, real assets, ESG, equity growth, and fixed income) of several affiliates, came to 627 million euros in 2019.

In Asset Management, the fee rate (excluding performance fees) stood at 30bps overall in Q4-19 and for 2019 overall, in line with the targets defined in the strategic plan.

Operating expenses rose by 3.8% (at constant foreign exchange rates) in 2019 and by +6.9% at current exchange rates.

The **cost/income ratio[1]** fell by 0.1 pp in 2019 to 66.0% while the **gross operating income** stood at 1,277 million euros, up by 4,6% at constant foreign exchange rates (+7.2% at current exchange rates).

Income before tax declined by 1.7% in Q4-19 after restating to account for the impact of IFRIC 21, but rose by 3.8% in 2019 as a whole.

Normative ROE after tax[1] was equal to 19.1% in Q4-19 (-1.0 pp) and at 14.9% in full year 2019 (-1.1 pp).

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[1] See notes on methodology and after restating to account for the impact of IFRIC 21 [2] Europe notably includes Dynamic Solutions and the assets under management of Vega IM; North America notably includes WCM IM

3.3 Corporate & Investment Banking: a resilient year in 2019, benefiting from strong fundamentals and a dynamic 4th quarter

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

Underlying figures in €m	2019	% Change N-1	Constant FX % Change N-1	Q4-19	% Change N-1
Net banking income	3,337	4.4%	2.1%	899	73.6%
Operating expenses	(2,208)	0.9%	(0.8)%	(590)	6.6%
Gross operating income	**1,129**	**11.8%**	**8.4%**	**309**	**ns**
Cost of risk	(312)	x3		(118)	ns
Income before tax after IFRIC 21 restatement IFRIC 21	**827**	**(10.2)%**		**185**	**ns**
Cost/income ratio[1]	*66.2%*	*(2.2)pp*	*(2.0)pp*	*66.5%*	
Normative ROE (after tax)[1]	*8.9%*	*(1.3)pp*		*8.0%*	*ns*

The **net banking income** generated by the Corporate & Investment Banking business line came to 899 million euros in Q4-19, representing growth of 74% year-on-year at current exchange rates. In full-year 2019, it increased by 4.4% at current exchange rates and by 2.1% at constant exchange rates.

The revenues posted by Global markets in Q4-19 were up by 40% (after adjusting to take account of the non-recurring negative 259 million euro impact related to the Asian equity derivatives business which occurred in Q4-18) owing to the dynamism of the two business lines:

- FICT revenues enjoyed 33% growth during the quarter,
- Revenues generated by the Equity business were multiplied by a factor of 2 in Q4-19 compared with Q4-18.

Global Finance revenues were up 2% in Q4-19, driven by syndication across all Real Assets businesses and by Trade & Treasury Solutions. This dynamism offsets the lower Q4-19 contribution from Energy & Natural Resources. The financing distribution rate for Real Assets in 2019 is approximately 60%.

Investment banking and M&A revenues grew by 14% in Q4-19 (6% over the year), which benefited from sustained business activities in Debt Capital Markets, Acquisitions & Strategic Finance and M&A.

In 2019, **operating expenses** were down 1% at constant exchange rates (+ 1% at current exchange rates), reflecting good cost control against a background of growth in CIB revenues, which rose 2% year-on-year at constant exchange rates (+4% at current exchange rates).

Gross operating income increased to 309 million euros in Q4-19.

The **cost of risk** amounted to 118 million euros in Q4-19 and 312 million euros in full year 2019, a significant increase due to a large single file in Q2-19 and an increase in provisions in the Energy & Natural Resources business line with, in particular, an increase on the natural gas sector in the United States in Q4-19.

Income before tax was 185 million euros in Q4-19 (after restating to account for the impact of IFRIC 21) and 827 million euros in 2019 (- 10.2%).

In 2019, **normative RoE after tax[1]** came to 8.9% (- 1.3 pp).

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

[1] See notes on methodology and after IFRIC 21 restatement

Notes on methodology

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 universal registration document, note 4.7 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 & deduction of IPC

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

Total loss-absorbing capacity

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

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

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

Liquidity

Total liquidity reserves comprise the following:

- Central bank-eligible assets include: ECB-eligible securities not eligible for the LCR, taken for their ECB valuation (after the ECB haircut), securities retained (securitization and covered bonds) that are available and ECB-eligible taken for their ECB valuation (after ECB haircut) and private receivables available and eligible for central bank funding (ECB and the Federal Reserve), net of central bank funding.
- LCR eligible assets comprising the Group’s LCR reserve taken for their LCR valuation.
- Liquid assets placed with central banks (ECB and the Federal Reserve), net of US Money Market Funds deposits and to which fiduciary money is added.

Short-term funding corresponds to funding with an initial maturity of less than, or equal to, 1 year and the short-term maturities of medium-/long-term debt correspond to debt with an initial maturity date of more than 1 year maturing within the next 12 months. 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.

GROUPE BPCE

AVERTISSEMENT

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.

Information in this press release relating to parties other than Groupe BPCE or taken from external sources has not been subject to independent verification; the Group makes no statement or commitment with respect to this third-party information and makes no warranty as to the accuracy, fairness, precision or completeness of the information or opinions contained in this document. Neither Groupe BPCE nor its representatives shall be held liable for any errors or omissions or for any harm resulting from the use of this document, the content of this document, or any document or information referred to in this press release.

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

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

The audit procedures relating to the consolidated financial statements for the year ended December 31, 2019 have been substantially completed. The reports of the statutory auditors will be published following the certification of these consolidated financial statements.

About Groupe BPCE

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

Groupe BPCE press contact
Christophe Gilbert: 33-1 40 39 66 00
mail: christophe.gilbert@bpce.fr

Groupe BPCE analyst relations
Roland Charbonnel: 33-1 58 40 69 30
François Courtois: 33-1 58 40 46 69
mail: bpce-ir@bpce ,fr

groupebpce.com