GROUPE BPCE

Bankers and insurers with a different perspective

Press Release

Paris, November 4, 2014

Results[1] for the 3rd quarter and first 9 months of 2014: robust net income attributable to equity holders of the parent[2] of €2.5bn in 9M-14 (+8.2%) and of €810m in Q3-14 (+4.0%), leading to a CET1 ratio[3] of 11.5% (+110bp in 9 months)

- **Bouyant commercial activity**
  - ✓ **Banque Populaire and Caisse d'Epargne retail banking networks**
    - On-balance sheet deposits & savings[4] up by **5.3%** year-on-year versus 9M-13
    - Loan outstandings increased by **3.7%** year-on-year versus 9M-13
  - ✓ **Core business lines of Natixis**
    - Wholesale Banking: **2.4%** growth in net banking income in 9M-14 and new loan production of €20bn in the Structured financing business at end-September 2014
    - Investment Solutions: record net inflows of **€24bn** in 9M-14 for the asset management business, with 15.9% revenue growth during the period
    - Specialized Financial Services: 2% growth in Specialized financing revenues in 9M-14

- **A base of recurring income for Groupe BPCE founded on the strong performance of the core business lines**
  - Growth in revenues: +3.5% à €**17.7bn** in 9M-14 and +3.2% to €5.8bn in Q3-14
  - Decline in the cost of risk[5]: 27bp in Q3-14 vs. 31bp in Q3-13
  - Net income generated by the core business lines: +9.6%, reaching **€2.7bn** in 9M-14, and +15.1% in Q3-14, rising to €975m

> Net income attributable to equity holders of the parent[2] of €2.5bn in 9M-14, +8.2% vs. 9M-13, and of €810m in Q3-14, +4.0% vs. Q3-13

- **A strong balance sheet with capital adequacy reinforced still further**
  - High level of capital adequacy: Common Equity Tier-1 ratio[3] of **11.5% (+110bp in 9 months)** and a total capital adequacy ratio[3] of **15.0% (+190bp in 9 months)**
  - Leverage ratio[6] of **4.5%** as at Sept. 30, 2014
  - Liquidity reserves: €**168bn** as at Sept. 30, 2014, covering 161% of short-term funding

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[1] Q3-13 and 9M-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis Assurances and to reflect the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Epargne of the Cooperative Investment Certificates (CICs) held by Natixis

[2] Excluding revaluation of own debt

[3] Estimate as at Sept. 30, 2014 – CRR/CRD 4 without transitional measures and after restatement to account for deferred tax assets.

[4] Excluding centralized savings products

[5] Cost of risk expressed in annualized basis points on gross customer outstandings at the beginning of the period.

[6] Estimate at Sept. 30, 2014 in accordance with the rules of the Delegated Act published by the European Commission on October 10, 2014

On November 4, 2014, the Supervisory Board of BPCE convened a meeting chaired by Stève Gentili to examine the Group's financial statements for the 3rd quarter and first 9 months of 2014.

François Pérol, Chairman of the Management Board of Groupe BPCE, said*:*

"These results posted by Groupe BPCE for the 3rd quarter and first 9 months of 2014, which clearly underscore the Group's positive trajectory and robust good health, come in recognition of the strategy followed for the past five years. Our Banque Populaire and Caisse d'Epargne retail banking networks are continuing their active policy of lending to their customers and recorded 3.7% year-on-year growth in loan outstandings despite the sluggish economic environment. Natixis has also put up a fine performance, achieving a new record in its asset management activities with net inflows of €24 billion in the first 9 months of the year. With 3.5% growth in consolidated net banking income – which stands at €17.7 billion for the 9-month period – and net income attributable to equity holders of the parent – which has risen to €2.5 billion – this commercial dynamism has gone hand-in-hand with a significant strengthening of our balance sheet. This was recently confirmed by the results of the stress tests carried out by the European Central Bank that ranked us, with respect to our 2013 figures, among Europe's most resilient banking institutions. But we have further enhanced our financial strength since then: at September 30, the Common Equity Tier-1 ratio had improved by 110bp to 11.5%, and our total capital adequacy ratio had risen by 190bp to 15.0%. These scores allow us to look to the future with a degree of cautious serenity."

1. CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 3RD QUARTER AND 1ST NINE MONTHS OF 2014 [7]

Groupe BPCE generated strong results in the 3rd quarter of the year, driven by the dynamism of its core business lines: Commercial Banking & Insurance, Wholesale Banking, Investment Solutions, and Specialized Financial Services. Aggregate revenues achieved growth of 3.2% in the 3rd quarter of 2014 and rose by 3.5% over the first 9 months of the year. At the same time, the cost of risk[5] of the core business lines continued to decline and only represented – when compared to loan outstandings – 27 basis points in the 3rd quarter of 2014 against 31 basis points in the 3rd quarter of 2013.

The Group boasts a robust income base, with net income attributable to equity holders of the parent (excluding revaluation of own debt) of **€810 million** in the 3rd quarter of 2014 (+4.0% year-on-year), and of **€2.5 billion** in the first nine months of 2014 (+8.2% year-on-year).

Capital adequacy and liquidity have been substantially improved, with a Common Equity Tier-1 ratio[3] of 11.5%, up by 110 basis points during the 9-month period, and a total capital adequacy ratio[3] of 15.0%, up by 190 basis points during the first 9 months of the year. Liquidity reserves, which stood at €168 billion at September 30, 2014, cover short-term funding by a wide margin (161%).

Once again, Groupe BPCE has confirmed its active contribution to financing the French economy with a 3.7% year-on-year increase in its customer loan outstandings (Banque Populaire and Caisse d'Epargne retail banking networks).

[7] Q3-13 and 9M-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis Assurances and to reflect the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Epargne of the Cooperative Investment Certificates (CICs) held by Natixis.

1.1 Consolidated results for the 3rd quarter of 2014[7]: strong 15.6% growth in the Group's Q3-14 income before tax, driven by the core business lines

Groupe BPCE's **net banking income**[8] for the period stood at €5,839 million, equal to 3.2% growth compared with the 3rd quarter of 2013. The core business lines posted net banking income[8] of €5,449 million, up 2.4% over the same period last year.

The Group's **operating expenses** amounted to €3,921 million. The operating expenses incurred by the core business lines remain stable at €3,498 million.

The **cost/income ratio** has improved by 2 percentage points and now stands at 67.1% for the Group. The ratio stands at 64.2% for the core business lines, down 1.5 percentage point versus the 3rd quarter of 2013.

Gross operating income[8] stands at €1,918 million, up 10.0% compared with the same period in 2013. The contribution of the Group's core business lines rose 7.1% year-on-year to reach a total of €1,950 million.

The **cost of risk** stands at €412 million, down 10.1% compared with the 3rd quarter of 2013. The cost of risk of the core business lines has decreased by 8.9%, to €385 million; it is equal to 27 basis points[9] against 31 basis points in the 3rd quarter of 2013.

Income before tax[8] has increased by 15.6% to reach €1,543 million in the 3rd quarter of 2014. The income before tax of the core business lines rose by 13.3% to reach €1,642 million euros in the 3rd quarter of 2014.

Net income attributable to equity holders of the parent, excluding revaluation of own debt, has risen 4.0% and now stands at **€810 million**. If account is taken of the revaluation of the Group's own debt, attributable net income stands at €720 million for the Group and at €975 million for the core business lines, representing a 15.1% improvement over the 3rd quarter of 2013.

The **ROE** of the core business lines stands at 11%, up 1 percentage point.

1.2 Consolidated results for the first 9 months of 2014[7]: net income attributable to equity holders of the parent[8] increased by 8.2% during the 9-month period

The **net banking income**[8] of Groupe BPCE rose to €17,707 million, up 3.5% compared with the first 9 months of 2013. The net banking income of the core business lines rose 2.9% to €16,454 million.

The Group's **operating expenses** during the period stand at €12,006 million, up by 1.1% compared with the first 9 months of 2013. The operating expenses of the core business lines increased by 1.3%, to €10,704 million.

The **cost/income ratio** has improved and now stands at 67.8% for the Group as a whole, representing a 1.6 percentage point reduction versus the first 9 months of 2013. The ratio is 65.1% for the core business lines (representing a 1.0-point improvement compared with the first 9 months of 2013).

Gross operating income[8] comes to €5,702 million, up 9.0% versus the first 9 months of 2013. The contribution of the core business lines stands at €5,750 million, up 6.1% compared with the first 9 months of 2013.

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[8] Excluding revaluation of own debt.
[9] Cost of risk expressed in annualized basis points on gross customer outstandings at the beginning of the period.

The **cost of risk** amounts to €1,337 million, down 9.4% compared with the first 9 months of 2013. For the core business lines, this item has declined by a total of 10.6%, to reach €1,249 million. It now represents 29 basis points[9] versus 34 basis point in the first 9 months of 2013.

Income before tax[8] is up 13.8% and stands at €4,500 million for the first 9 months of 2014. For the core business lines, income before tax stands at €4,703 million, equal to growth of 12.3%.

Net income attributable to equity holders of the parent, excluding revaluation of the Group's own debt, rose 8.2% during the period to reach a total of **€2,504 million**. If account is taken of the revaluation of the Group's own debt, net income attributable to equity holders of the parent shows growth of 5.7% to stand at €2,384 million. The **net income of the core business lines**[8] grew by 9.6% to reach €2,736 million for the first 9 months of 2014.

The **ROE** of the core business lines remains stable at 10%; it stands at 6.1% for the Group, down 0.1 percentage point.

2. CAPITAL ADEQUACY AND LIQUIDITY[10]: SHARP IMPROVEMENT IN CAPITAL ADEQUACY IN 2014

2.1 Enhanced capital adequacy

The capital adequacy of Groupe BPCE improved significantly in the 3rd quarter of 2014, with a Common Equity Tier-1 ratio (CET1) under Basel 3[11] of 11.5% as at September 30, 2014, equal to a 40bp improvement versus June 30, 2014. At December 31, 2013, this ratio stood at 10.4% and has consequently improved by 110 basis points during the 9-month period.

The Group now boasts a total capital adequacy ratio[11] of 15.0%, up 50 basis points since June 30, 2014. At December 31, 2013, this ratio was 13.1% and has therefore improved by 190 basis points during the 9-month period.

The Group enjoyed a Basel 3[12] leverage ratio of 4.5% as at Sept. 30, 2014.

2.2 Continuous strengthening of the balance sheet structure

Liquidity reserves cover 161% of short-term refunding and totaled €168 billion at end-September 2014, divided into €119 billion of available assets eligible for central bank funding and €49 billion of liquid assets placed with central banks.
The customer loan/deposit ratio of Groupe BPCE[13] stood at 125% at September 30, 2014.

The liquidity coverage ratio (LCR) has remained above 100%[14] since June 30, 2014.

2.3 Medium-/long-term resources

Groupe BPCE has demonstrated its ability to raise substantial funds thanks to the increased diversification of its investor base.

The Group's ability to access major debt markets enabled it to raise medium-/long-term (MLT) resources for a total of €35.1 billion as at September 30, 2014 (i.e. 117% of the 2014 program for €30 billion).

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[10] Retained earnings taking into account the projected distribution of dividends.
[11] Estimate at Sept. 30, 2014 – CRR/CRD 4, without transitional measures and after restatement to account for deferred tax assets.
[12] Estimate at Sept. 30, 2014 in accordance with the rules of the Delegated Act published by the EU Commission on Oct. 10, 2014.
[13] Excl. SCF (*Compagnie de Financement Foncier*, the Group's *société de crédit foncier* – a French legal covered bonds issuer).
[14] Based on Groupe BPCE's understanding of the latest Basel 3 standards available.

The average maturity at issue is 6.8 years while the average rate is mid-swap +51 basis points.

At September 30, 2014, €30.5 billion had been raised in BPCE's MLT funding pool.
At the same date, €4.6 billion had been raised in CFF's funding pool.

At September 30, 2014, 74% of the funding is based on unsecured bond issues with the remaining 26% comprised of issues of covered bonds. 52% of the total was raised from public issues and 48% in the form of private placements.

Groupe BPCE is continuing to diversify its investor base regarding unsecured bond issues raised in the institutional market. Issues denominated in currencies other than the euro accounted for 49% of the total against 30% in 2013 to the effect that, at September 30, 2014, issues denominated in US dollars accounted for 34% of the total, issues denominated in pounds sterling represented 7% and those denominated in yen accounted for 3%.

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 3RD QUARTER OF 2014

in €m *Pro forma results****	Q3-14	Q3-14/ Q3-13	CORE BUSINESS LINES* Q3-14	Q3-14/ Q3-13
Net banking income**	5,839	+3.2%	5,449	+2.4%
Operating expenses	-3,921	+0.2%	-3,498	+0.0%
Gross operating income ** ***Cost/income ratio***	***1,918*** ***67.1%***	***+10.0%*** ***-2.0 pts***	***1,950*** ***64.2%***	***+7.1%*** ***-1.5 pt***
Cost of risk	-412	-10.1%	-385	-8.9%
Income before tax*	***1,543***	***+15.6%***	***1,642***	***+13.3%***
Net income attributable to equity holders of the parent** *Impact of the revaluation of own debt on net income*	**810** *-89*	**+4.0%** *ns*	-	-
Net income attributable to equity holders of the parent	**720**	**-3.5%**	**975**	**+15.1%**
ROE	**5.4%**	**-0.6 pt**	**11%**	**+1 pt**

* The core business lines are Commercial Banking & Insurance (with, in particular, the Banque Populaire banks and Caisse d'Epargne retail networks in addition to Crédit Foncier, Banque Palatine and BPCE International et Outre-mer) and the Wholesale Banking, Investment Solutions, and Specialized Financial Services divisions of Natixis.
** Excluding revaluation of BPCE's own debt for the Group's results.
*** Presented pro forma to the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Epargne of the Cooperative Investment Certificates (CICs) held by Natixis.

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 1ST NINE MONTHS OF 2014

in €m *Pro forma results****	9M-14	9M-14/ 9M-13	Core business lines*	9M-14/ 9M-13
Net banking income**	17,707	+3.5%	16,454	+2.9%
Operating expenses	-12,006	+1.1%	-10,704	+1.3%
Gross operating income* ***Cost/income ratio***	***5,702*** ***67.8%***	***+9.0%*** ***-1.6 pt***	***5,750*** ***65.1%***	***+6.1%*** ***-1.0 pt***
Cost of risk	-1,337	-9.4%	-1,249	-10.6%
Income before tax*	***4,500***	***+13.8%***	***4,703***	***+12.3%***
Net income attributable to equity holders of the parent** *Impact of the revaluation of own debt on net income*	***2,504*** *- 120*	**+8.2%** *ns*	-	-
Net income attributable to equity holders of the parent	**2,384**	**+5.7%**	**2,736**	**+9.6%**
ROE	**6.1%**	**-0.1 pt**	**10%**	

* The core business lines are Commercial Banking & Insurance (with, in particular, the Banque Populaire banks and Caisse d'Epargne retail networks in addition to Crédit Foncier, Banque Palatine and BPCE International et Outre-mer) and the Wholesale Banking, Investment Solutions, and Specialized Financial Services divisions of Natixis.
** Excluding revaluation of BPCE's own debt for the Group's results.
*** Presented pro forma to the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Epargne of the Cooperative Investment Certificates (CICs) held by Natixis.

3. RESULTS[15] OF THE BUSINESS LINES: WELL-ORIENTED COMMERCIAL ACTIVITY

3.1 Commercial Banking & Insurance: good commercial performance

The Commercial Banking & Insurance business line groups together the activities of the Banque Populaire and Caisse d'Epargne retail banking networks, Insurance and Other networks including BPCE IOM, Banque Palatine and Real-estate Financing.

The Banque Populaire banks and Caisses d'Epargne continued to deliver a solid commercial performance over the first 9 months of 2014 with significant growth in on-balance sheet deposits & savings[16] (+5.3%) and loan outstandings (+3.7%) and strong development in all the segments of the Group's insurance business (life, P&C, health and personal risk).

The two retail banking networks confirm their active commitment to financing the French economy and its different regions. Over a rolling 12-month period, the Banque Populaire banks granted investment loans for almost €9 billion to business customers (SMEs and micro-companies) and €900 million in loans granted to micro-companies underwritten by small-business mutual guarantee companies (SOCAMA). During the same period, the Caisses d'Epargne financed the activities of professional and corporate customers, local authorities and associations for a total of €11.2 billion.

In pursuit of its ambition to innovate for the benefit of its customers, the Group was the first banking institution to offer individuals a payment solution enabling them to transfer money with a simple tweet using the S-Money electronic wallet. The CNOUS and CROUS student restaurants and support organizations have also chosen Groupe BPCE to implement *Izly*, their new electronic payments solution, starting in 2015. This solution will allow students to make their on-campus payments using their student ID card or mobile phone.

Financial results[15] of the Commercial Banking & Insurance business line for the 3rd quarter of 2014

The **revenues** generated by the Commercial Banking & Insurance business line reached €3,779 million[17] in the 3rd quarter of 2014, representing growth of 2.2% compared with the same period in 2013. The net interest margin continued to improve, buoyed up by the rise in loan outstandings and the decline in the cost of regulated resources. With regard to commissions, the marked impact of regulatory measures – decline in the commissioning rate on regulated savings products and the cap on agency commissions – was mitigated by the good performance achieved by life insurance commissions.

Gross operating income amounted to €1,381 million, up 11.0% compared with the 3rd quarter of 2013.

The **cost/income ratio** stands at 63.5%, down by 2.7 percentage points year-on-year.

The **cost of risk**, which came to €342 million, has risen by 3.2%.

The **contribution of the Commercial Banking & Insurance business line to the Group's income before tax** stands at €1,092 million for the 3rd quarter of 2014, up 14.0% compared with the 3rd quarter of 2013. During the first 9 months of 2014, the Group's income before tax came to €3,053 million (48% of which generated by the Caisses d'Epargne, 39% by the Banque Populaire banks, and 13% by the Insurance and Other networks business line). Income before tax is up by 11.6% compared with the first 9 months of 2013.

[15] Q3-13 and 9M-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis Assurances and to reflect the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Epargne of the Cooperative Investment Certificates (CICs) held by Natixis.
[16] Excluding centralized savings products.
[17] Excluding provisions for home purchase savings schemes.

3.1.1 Banque Populaire: good contribution from the Insurance business to the network's commercial dynamism

The Banque Populaire network comprises the 19 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 is pursuing its strategy of expanding its delivery of banking services, to the effect that the number of active individual customers using banking facilities and insurance products rose by 6.2% year-on-year while the number of professional customers (banking in both a private and professional capacity) rose by 2.5%.

- **Deposits & savings**

At September 30, 2014, total deposits & savings amounted to €213 billion. On-balance sheet deposits & savings (excluding centralized savings products) rose by 3.8% year-on-year. On-balance sheet deposits & savings (including centralized savings products) enjoyed 4.2% growth with, in particular an increase in demand deposits (+8.3%), home purchase savings schemes (+5.6%), and term deposit accounts (+8.2%). At the same time, off-balance sheet savings deposits grew by 5.4% year-on-year, buoyed up by the contribution from the life insurance business (+10.0% of gross new inflows).

- **Loan outstandings**

Customer loan outstandings came to €167 billion at end-September 2014, up 1.6% year-on-year. Home loan outstandings grew 4.4% year-on-year against 6.4% year-on-year from June 30, 2014 owing to a slower rate of new loan production compared to the exceptional performance in 2013. The momentum developed by consumer loans is continuing with new loan production up 10.6% compared with end-September 2013. Lastly, despite the sluggish economic environment, loans granted to corporate customers stood up well.

- **Bancassurance**

The portfolio of property & casualty, personal risk and health insurance contracts enjoyed year-on-year growth of 6.9%.

- **Financial results**[18]

Net banking income for the quarter came to €1,588 million (excluding changes in provisions for home purchase savings schemes), up 2.2% compared with the 3rd quarter of 2013. This growth is based on a 1.1% increase in the net interest margin (excluding changes in provisions for home purchase savings schemes) offset by a 2.5% decline in commissions as a result of changes in the regulations (cap on agency fees) and a high basis of comparison considering that the 3rd quarter of 2013 benefitted from a large proportion of loan buybacks and early redemptions.

Operating expenses, which stood at €1,046 million in the 3rd quarter of 2014, have risen by 1.4% compared with the 3rd quarter of 2013.

Gross operating income stands at €540 million, up 5%.

The **cost/income ratio** has declined by a marginal 0.7 percentage point to 66.0%.

[18] Contributions and variations expressed after restating to account for the impact of IFRS 10 and IFRS 11 on the scope of consolidation of the Crédit Coopératif group.

The **cost of risk**, which stands at €153 million, has declined by 3.5% (34 basis points in the 3rd quarter of 2014 against 38 basis points in the 3rd quarter of 2013).

The Banque Populaire retail banking network contributed €397 milllion to the **income before tax of Groupe BPCE** in the 3rd quarter of 2014, equal to 9.7% growth compared with the 3rd quarter of 2013. During the first 9 months of 2014, the network's contribution to the Group's income before tax rose 13.1% to €1,182 million.

3.1.2 Caisse d'Epargne: strong momentum in specialized markets

The Caisse d'Epargne network comprises the 17 individual Caisses d'Epargne along with their subsidiaries.

- **Customer base**

In the 3rd quarter of the year, the Caisses d'Epargne continued to pursue their strategy of extending the use of banking services and facilities with a 3.0% increase in the number of individual customers using their services, a 5.2% rise in active professional customers, and 8.6% growth in the number of corporate customers.

- **Deposits & savings**

At September 30, 2014, aggregate customer deposits & savings stood at €379 billion. On-balance sheet deposits & savings (excluding centralized savings products) had risen 6.4% year-on-year. Demand deposits were up 14.0% thanks to the positive momentum in the customer base. At the same time, the prevailing low short-term interest rates have stimulated interest in long-term savings products, notably home purchase savings schemes and life insurance products whose volumes increased by 9.8% and 2.9% respectively. New gross inflows from life insurance products enjoyed substantial 41.0% growth versus the first 9 months of 2013. Term deposit accounts also saw strong growth (+34.8%), driven by the specialized markets.

- **Loan outstandings**

Customer loan outstandings stood at €208 billion at end-September 2014, up 5.5% year-on-year. Home loan outstandings continued to enjoy buoyant growth (+7.0% at September 30, 2014 versus September 30, 2013) albeit at a slower pace than the annual rate of growth recorded at June 30, 2014 (+8.5%). Consumer loan outstandings also enjoyed positive growth (+2.3%), with new loan production remaining stable at a high level. Equipment loan outstandings reported strong growth in the corporate customer segment (+8.7%).

- **Bancassurance**

The portfolio of personal risk, property & casualty, and health insurance contracts increased by 11.5%.

- **Financial results**

Net banking income came to €1,794 million in the 3rd quarter of 2014 (excluding changes in provisions for home purchase savings schemes), up 2.4% year-on-year.

The net interest margin (excluding changes in provisions for home purchase savings schemes), enjoyed strong growth (+9.9%), buoyed up by a volume effect regarding loans and the decline in interest rates on regulated resources. Commissions fell by 8.2% during the period, impacted by the reduction in agency fees, commissions paid on regulated savings products, and the lower level of compensation for early loan redemption.

Operating expenses for the quarter have fallen to €1,115 million, representing a 2.1% reduction compared with the 3rd quarter of 2013.

Gross operating income grew by 13.4% in the 3rd quarter of 2014 to reach a total of €681 million.

The **cost/income ratio** has improved, falling 3.4 percentage points to 62.1% in the 3rd quarter of 2014.

The **cost of risk** stands at €149 million euros, up 9.9% but remains at a moderate level (29 basis points in the 3rd quarter of 2014 against 27 basis point in the 3rd quarter of 2013).

The Caisse d'Epargne retail banking network contributed €532 milllion to the **income before tax of Groupe BPCE** in the 3rd quarter of 2014, reflecting growth of 14.5%. During the first 9 months of 2014, the network's contribution to the Group's income before tax rose 5.6% to €1,467 million.

3.1.3 Insurance and Other networks (Real estate Financing, Insurance, BPCE IOM et Banque Palatine)

- **Real estate Financing**

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

In the 3rd quarter of 2014, aggregate new loan production stood at €2.6 billion, at a level stable compared with the 3rd quarter of 2013 both for individual customers (€1.9 billion) – despite an unsettled economic environment and a slightly more difficult real-estate market – as well as for real-estate investors and public facilities (€0.7 billion).

Loan outstandings[19] granted by the core business lines stood at €87 billion at September 30, 2014 versus €82 billion at end-September 2013. Crédit Foncier remains the No.1 lender to low-income households with a market share of 42% for the PAS loan designed to promote home-ownership among low-income families[20] and 25% for PTZ interest-free loans[21].

Within the framework of Groupe BPCE's "Growing differently" strategic plan, Compagnie de Financement Foncier, a wholly-owned subsidiary of Crédit Foncier, has extended its refinancing activities in favor of the Group's other institutions. Since this program was first launched at the beginning of this year, assets of the Banque Populaire banks and Caisses d'Epargne had been refinanced by Compagnie de Financement Foncier for a total of €5.5 billion at September 30, 2014.

In the 3rd quarter of 2014, the **net banking income** of the Real estate Financing division rose by 13.3% compared with the 3rd quarter of 2013 to reach a total of €220 million.

Operating expenses for the 3rd quarter of 2014 have risen 1.4% to €135 million.

The **cost of risk** stands at €28 million, down 11.1% compared with the 3rd quarter of 2013.

The contribution of the Real estate Financing division to the **income before tax** of Groupe BPCE in the 3rd quarter of 2014 stands at €60 million euros, up 83.6% year-on-year. During the first 9 months of 2014, the division's contribution to the Group's income before tax rose 70.0% to €80 million.

[19] Outstandings under management.
[20] SGFGAS figures dated September 15, 2014.
[21] SGFGAS figures dated June 30, 2014.

- **Insurance**

The principal entity comprising the Insurance division is the minority interest in CNP Assurances, accounted for by the equity method.

In life insurance, gross new inflows came to €2.2 billion in the 3rd quarter of 2014, equal to growth of 50.1% versus the same period last year. It stood at €7.0 billion for the first 9 months of 2014, representing an increase of 40.6% driven by growth in private banking products, which accounted for 57.3% of new inflows during the first 9 months of 2014.

Gross inflows in unit-linked sales accounted for 16% of aggregate new inflows at end-September 2014, representing a 5-point increase versus end-September 2013.

The contribution of the Insurance business to the **income before tax** of Groupe BPCE in the 3rd quarter of 2014 stands at €41 million, up 5.9% versus the same period in 2013. During the first 9 months of 2014, its contribution to the Group's income before tax rose 4.6% to reach €144 million.

- **BPCE IOM**

BPCE International et Outre-mer (BPCE IOM) represents all the international and overseas subsidiaries of Groupe BPCE (with the exception of Natixis).

The customer deposits & savings[22] of BPCE IOM had grown by 4.6%, to €8.2 billion, at end-September 2014. This growth was driven by a 6% increase in on-balance sheet deposits & savings (excluding demand deposits). For their part, demand deposits rose by 3.8%. Off-balance sheet savings increased by 1.4% year-on-year.

Loan outstandings at end-September 2014 rose by 3%, to €9.1 billion. In the individual customer segment, home loans enjoyed growth of 6.6%. Loans granted to corporate customers remained stable during the period.

The contribution of BPCE IOM to the **income before tax** of Groupe BPCE in the 3rd quarter of 2014 came to €37 million, equal to growth of 19.2% compared to the 3rd quarter of 2013. During the first 9 months of 2014, the subsidiary's contribution to the Group's income before tax increased by 74.4% to €106 million.

- **Banque Palatine**

At the end of September 2014, the customer savings & deposits[23] of Banque Palatine stood at €17.3 billion, up 6.2% year-on-year. This growth was driven by significant growth in on-balance sheet deposits & savings (+9.8% with, in particular, a 6.0% increase in demand deposits) reflecting the dynamism of the corporate customer segment. Off-balance sheet savings are marginally down year-on-year (-1.2%), in line with a slight decline in mutual fund outstandings held by corporate customers.

Loan outstandings stand at €7 billion, up 4.7% year-on-year. The buoyant new production of home loans granted to private banking customers made it possible to curtail the decline in outstandings (-0.8%). The dynamic performance of medium-/long-term loans granted to corporate customers resulted in a sharp rise in outstandings (+10.9%).

The contribution of Banque Palatine to the **income before tax** of Groupe BPCE in the 3rd quarter of 2014 stands at €30 million, up 16.1% compared with the 3rd quarter of 2013. During the first 9 months of 2014, the bank's contribution to the Group's income before tax

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[22] 2013 positions restated following the divestment of BCP Luxembourg.
[23] Average quarterly positions.

rose by 50.4% to €73 million.

3.2 Wholesale Banking, Investment Solutions, and Specialized Financial Services (the core business lines of Natixis)[24,25,26]

The **net banking income** of the core business lines of Natixis (Wholesale Banking, Investment Solutions, and Specialized Financial Services) stood at €5,179 million in the first 9 months of 2014, equal to growth of 7.0%.

The **operating expenses** of the core business lines of Natixis, equal to €3,337 million during the first 9 months of the year, are 4.7% higher than the expenses recorded during the same period in 2013.

The **cost/income ratio** fell by 1.4 percentage points uring the first 9 months of 2014 to reach 64.4%.

Gross operating income came to €1,842 million euros during the first 9 months of 2014, representing growth of 11.5%.

> In the **Wholesale Banking division**, **gross operating income** grew by 4.9% during the first 9 months of 2014. This increase reflects 2.4% growth in net revenues during the first 9 months of 2014, buoyed up by the Equity and Structuring financing businesses.
>
> The **Investment Solutions division** delivered a strong performance with 31.1% growth in **gross operating income** during the first 9 months of 2014. This significant gain in profitability reflects the dynamism of all the business lines. More particularly, asset management enjoyed record-breaking net inflows of €24 billion during the first 9 months of 2014, boosting assets under management to €708 billion at end-September 2014 (representing 14% growth, year-on-year).
>
> The **gross operating income** of the **Specialized Financial Services (SFS) division** achieved 1.5% growth thanks to good resistance on the part of specialized financing revenues. The cost/income ratio remains stable at 65.8%.

The **cost of risk** has declined substantially (-33.3%), totaling €189 million euros for the first 9 months of the year (37 basis points for the first 9 months of 2014 against 54 basis points for the first 9 months of 2013).

Income before tax stands at €1,687 million for the first 9 months of 2014, equal to 22.2% versus the first 9 months of 2013.

The ROE of the core business lines of Natixis stands at 12% for the first 9 months of 2014, up 2 percentage points.

(For a more detailed analysis of the core business lines and results of Natixis, please refer to the press release published by Natixis that may be consulted online at:www.natixis.com).

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[24] The figures specifying the contribution to Groupe BPCE are different from those published by Natixis.

[25] Q3-13 and 9M-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis Assurances and to reflect the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Epargne of the Cooperative Investment Certificates (CICs) held by Natixis.

[26] Figures excluding non-recurring items: first application of IFRS 13 (+€72m in 9M-13) and related changes in method (-€37m in 9M-14).

3.3 Equity interests

Equity Interests chiefly concern the activities pursued by Coface and Nexity.[27.]

In the 3rd quarter of 2014, the net banking income of the Equity interests division amounted to €419 million, up 5.3% compared with the 3rd quarter of 2013.
Income before tax amounted to €74 million, up 44.8% compared with the same period last year. During the first 9 months of 2014, this division's contribution to the Group's income before tax rose 2.4% to reach €212 million.

- **Coface**

Coface is continuing to display commercial dynamism. In the 3rd quarter of 2014, the subsidiary's turnover[28] increased by 1.7% versus the 3rd quarter of 2013, and by 1.8% in the first 9 months of 2014 compared with the same period in 2013, in line with the predetermined targets.

Risk management is efficient:

- ✓ The loss ratio[29] declined by 6 percentage points during the first 9 months of 2014 to stand at 49.7% in September 2014,
- ✓ The cost ratio[29] stood at 27.6% for first 9 months of 2014, an improvement driven by a tight control over expenses,
- ✓ The combined ratio[29] came to 77.4% for the first 9 months of 2014, representing an extremely significant improvement (-6.5 percentage points compared with the same period in 2013).
- ✓

- **Nexity**

Reservations for new housing units increased slightly during the first 9 months of 2014.

The backlog stands at €3.2 billion, including €2.9 billion for residential real estate, representing 19 months of development activity.

Revenues[30] amount to €1.7 billion for the first 9 months of 2014, down 8.7% versus the first 9 months of 2013 owing to a smaller contribution from commercial real estate activities. It should be remembered that commercial real estate booked a large number of orders in the first 9 months of 2013, thereby creating an unfavorable basis of comparison. Residential real esate is holding up well in an extremely depressed French real estate market.

Total revenues for the first 9 months of 2014 can be broken down as follows: residential real estate accounts for 68% of aggregate revenues, services & distribution represent 23% and commercial real estate accounts for the remaining 9%.

[27] The "Equity Interests" division includes investments in Coface, Nexity, and Volksbank Romania as well as the equity interests of Natixis.
[28] Constant exchange rates and perimeter.
[29] Pro forma realized on the loss ratio: participation in profit sharing is charged to premiums (turnover) and no longer included with claims expenses. Pro forma realized on the cost ratio: the "value-added contribution" (CVAE) is removed from insurance management expenses and charged to taxation. 2 Financial data derived from Nexity's operational reports.
[30] Financial data derived from Nexity's operational reports.

Notes on methodology

Groupe BPCE's 60% stake in BPCE Assurances was transferred to Natixis on March 13, 2014 with a retroactive effect as of January 1st, 2014. This transfer retains the existing equity and cooperation agreements with Macif and MAIF. The contribution of BPCE Assurances to the Group's consolidated accounts, previously included within the results of the Commercial Banking and Insurance division, is now attributed to Natixis' Investment Solutions division.

The segment information has been modified as of Q2-14. The Commercial Banking & Insurance division is now divided into 3 sub-divisions: the Banque Populaire banks, the Caisses d'Epargne, and the Insurance & Other networks business line that chiefly comprises the Banque Palatine, BPCE IOM and Credit Foncier subsidiaries along with the minority equity interest in CNP Assurance. The Workout portfolio management sub-division has also been grouped together with the "Other businesses" division.

The segment information of Groupe BPCE has been restated accordingly for previous reporting periods.

The Q3-13 and 9M-13 financial results are presented pro forma to account for the operation completed on August 6, 2013 whereby the Banque Populaire banks and Caisses d'Epargne bought back, and subsequently cancelled, the cooperative investment certificates (CICs) held by Natixis.

Regulatory capital is allocated to Groupe BPCE business lines on the basis of 9% of their Basel 3 average risk-weighted assets.

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