GROUPE BPCE
Bankers and insurers with a different perspective

Press Release

Paris, February 19, 2015

Results[1] for full-year 2014: strong performance achieved by Groupe BPCE in 2014, with a sharp rise in income before tax[2] of €5.6bn, up +9.5% compared with 2013, and net income attributable to equity holders of the parent of €3.1bn (+5.9% year-on-year)

- **Buoyant commercial activities**
  - ✓ **Banque Populaire and Caisse d'Epargne retail banking networks**
    - On-balance sheet deposits & savings[3] enjoyed net fund inflows > **€20bn** in 2014
    - Loan outstandings rose **3.0%** year-on-year, equal to an increase of €11bn
  - ✓ **Insurance**
    - Dynamic growth in the portfolio of non-life, provident and health insurance contracts, +9.3%
    - Recovery in new life insurance inflows in 2014, with a **4.0%** increase in total life funds under management
  - ✓ **Private banking**
    - **6.5%** growth in private banking assets under management year-on-year
  - ✓ **Core business lines of Natixis**
    - Wholesale Banking: net revenues up by 3.7% in 2014, new loan production of **€28bn** in Structured financing and strong growth in equity derivatives
    - Investment Solutions: 15.2% revenue growth in 2014, record-breaking net asset management inflows of **€32bn** year-on-year (excluding money market funds)
    - SFS: product offering rolled out in the retail networks, increased consumer finance outstandings (+9%) and growth in assets under management in employee benefit schemes (+6%)

- **A robust basis of results in 2014**
  - Cost/income ratio down 0.7 percentage points to **69.2%**
  - 6 basis-point decline in the annual average cost of risk to **29 basis points** in 2014
  - Income before tax up 9.5% year-on-year, to **€5.6bn**

- **Sharp improvement in capital adequacy and continued strengthening of liquidity**
  - High level of capital adequacy: Common Equity Tier-1 ratio[4] of **12.0% (+160bps in 2014)** and a total capital adequacy ratio[4] of **15.6% (+250bps in 2014)**
  - Leverage ratio[5] of **4.5%** at Dec. 31, 2014
  - Customer loan/deposit ratio stood at **121%[6]** at Dec. 31, 2014
  - Liquidity reserves cover **120%** of short-term funding and MLT & subordinate maturities ≤ 1 year

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[1] Full-year 2013 results 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 (for the Group's results only) and excluding the impact of the introduction of the Funding Valuation Adjustment (FVA)
[3] Excluding centralized savings
[4] Estimate at Dec. 31, 2014 – CRR/CRD4 without transitional measures and after restatement to account for deferred tax assets
[5] Estimate at Dec. 31, 2014 according to the rules of the Delegated Act published by the European Commission on October 10, 2014 - without CRR / CRD 4 transitional measures after restatement of deferred tax assets
[6] Excluding SCF (Compagnie de Financement Foncier, the Group's *société de crédit foncier* – a French legal covered bonds issuer)

On February 18, 2015, the Supervisory Board of Groupe BPCE convened a meeting chaired by Stève Gentili to examine the group's financial statements for the full year and 4th quarter of 2014.

François Pérol, Chairman of the Management Board of Groupe BPCE, said: *"2014 was a good year for Groupe BPCE, a dynamic and constructive period. Commercial activities were buoyant in France despite a sluggish economic environment. Growth in savings inflows via the Banque Populaire and Caisse d'Epargne retail banking networks was greater than growth in loan outstandings, which increased by 3%. Natixis, for its part, performed extremely well in all its core business lines – Wholesale Banking, Investment Solutions, and Specialized Financial Services – with an overall increase in net revenues of 7.5% last year. This performance, buoyed up by tight control over operating expenses and a reduced cost of risk, explains the 5.9% growth in net income attributable to equity holders of the parent to a total of 3.1 billion euros. 2014 also saw a substantial reinforcement of the group's liquidity and capital adequacy (with a Common Equity Tier-1 ratio of 12%). Our strategic plan is also being implemented in a satisfactory manner in an economic and financial environment that will continue to require a great deal of attention in 2015."*

1. CONSOLIDATED RESULTS[1] OF GROUPE BPCE FOR FULL-YEAR 2014

Groupe BPCE achieved an extremely robust performance in 2014. The cost/income ratio is down 0.7 percentage points and now stands at 69.2%. The cost of risk has been reduced by 6 basis points in the space of a year, to 29 basis points at the end of 2014. Income before tax has risen by 9.5% since 2013, to 5.6 billion euros, and net income attributable to equity holders of the parent[2] has risen by 5.6% year-on-year, to reach a total of 3.1 billion euros.

Groupe BPCE has significantly improved its capital adequacy, with a Common Equity Tier-1 ratio[4] of 12.0%, up 160 basis points in full-year 2014, and a total capital adequacy ratio[4] of 15.6%, up 250 basis points in the space of a year. At December 31, 2014, the Group's leverage ratio[5] stood at 4.5%.

Liquidity has been strengthened considerably, with a customer loan-to-deposit ratio of 121%[6] at December 31, 2014. Liquidity reserves largely cover (at a rate of 120%) short-term funding and medium/long-term and subordinate maturities equal to or less than one year.

Consolidated Results for full-year 2014: net income attributable to equity holders of the parent[7,8] has grown by 5.9% year-on-year, to reach €3.1 billion euros

The **net banking income**[8] generated by Groupe BPCE came to 23,609 million euros in 2014, up 2.3% compared with 2013. The core business lines contributed 21,988 million euros to net banking income, equal to 2.3% growth year-on-year.

The Group's **operating expenses** amounted to 16,330 million euros, up 1.2% during the year. The operating expenses of the core business lines came to 14,543 million euros, up 2.5%.

The **cost/income ratio**[8] has improved by 0.7 percentage points, and now stands at 69.2% for the Group as a whole. It is equal to 66.1% for the core business lines, virtually identical to its level in 2013.

Gross operating income[8] stands at 7,279 million euros, up 4.8% compared with 2013. The contribution made by the core business lines rose 1.9% year-on-year to reach a total of 7,445 million euros.

The **cost of risk** stands at 1,776 million euros, down 13.0% compared with 2013. It stood at 29 basis points[9] on average in 2014 versus 35 basis points on average in 2013. With respect to the core business lines, it has declined by 10.8%, to 1,734 million euros.

Income before tax[8] rose 9.5% during the year and stood at 5,630 million euros at December 31, 2014. For the core business lines, income before tax came to 5,967 million euros, representing growth of 6.6% compared with 2013.

Net income attributable to equity holders of the parent – excluding the revaluation of the Group's own debt and excluding the introduction of the Funding Valuation Adjustment (FVA) – is up by 5.9% and came to **3,080 million euros** in 2014. If account is taken of the revaluation of the Group's own debt and the introduction of the FVA, net income attributable to equity holders of the parent has risen by 4.4% to reach a total of 2,907 million euros. **Net income attributable to equity holders of the parent of the core business lines** has risen by 4.8% and stands at 3,423 million euros for the 2014 financial year.

The Group's **ROE** stands at 5.4%, down 0.3 percentage points. Return on equity stands at 10% for the core business lines, up one percentage point compared with 2013.

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7 Full-year 2013 results 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

8 Excluding revaluation of own debt (for the Group's results only) and excluding the impact of the introduction of the Funding Valuation Adjustment (FVA)

9 Cost of risk expressed in annualized basis points on gross customer loan outstandings at the beginning of the period

2. STRONG GROWTH IN CAPITAL ADEQUACY AND CONSOLIDATION OF LIQUIDITY CONFIRMED IN 2014

2.1 Improved capital adequacy

The capital adequacy of Groupe BPCE enjoyed strong growth in 2014 with a Common Equity Tier-1 ratio (CET-1) under Basel 3 of 12.0%[10,11] at December 31, 2014, representing an improvement of 160 basis points over December 31, 2013 (10.4%[10,12]) and of 310 basis points compared with December 31, 2012 (8.9%[10,12,13]).

As a result, risk-weighted assets (85% of which is comprised of credit risk) have decreased substantially over the past 2 years, falling from 442 billion euros[12] at December 31, 2012 to 393 billion euros[11] at December 31, 2014, equal to a decline of 11.1%.

Common Equity Tier-1 capital has increased substantially by almost 8 billion euros in the space of 2 years, rising from 39.4[12] billion euros at December 31, 2012 to 47.3 billion euros at December 31, 2014. Reserves[14] have grown successively by 1.1 billion euros in 2013 and by 3.1 billion euros in 2014 while our cooperative shares have increased by 1.9 billion euros and 1.8 billion euros in 2013 and 2014 respectively.

The Group's ability to generate CET-1 and its high level of CET-1 capital adequacy and total capital adequacy allows the Group to prepare, under good conditions, the introduction of the Total Loss-Absorbing Capacity (TLAC) after 2019.

More generally, total capital has increased by 10 billion euros since 2012. It stood at 61.2 billion at December 31, 2014 versus 51.2 billion euros[12] at the end of 2012.

Groupe BPCE enjoys a high level of total capital adequacy[10] at 15.6%[11], up 250 basis points compared with December 31, 2013 (13.1%) on a pro-forma Basel 3 basis, and up 400 basis points compared with December 31, 2012 (11.6%) also on a pro-forma Basel 3 basis.

At December 31, 2014, the leverage ratio under Basel 3[15] stood at 4.5%, a level stable compared with September 30, 2014.

2.2 Continuous strengthening of the balance sheet structure

Liquidity reserves cover 148% of short-term funding outstandings[16] and 120% if medium/long-term and subordinate maturities less or equal to one year are included. Liquidity reserves amounted to 172 billion euros at December 31, 2014 (138 billion euros at the end of 2013); this total includes 111 billion euros in available assets eligible for central bank funding (109 billion euros at the end of 2013) and 61 billion euros in liquid assets placed with central banks (29 billion euros at the end of 2013).

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[10] CRR/CRD 4, without transitional measures and after restatement to account for deferred tax assets
[11] Estimate at Dec. 31, 2014
[12] Pro forma under Basel 3
[13] Ratio pro forma to account for the buyback of CICs
[14] Reserves net of prudential restatements
[15] Estimate at Dec. 31, 2014 according to the rules of the Delegated Act published by the European Commission on Oct. 10, 2014 - CRR/CRD 4, without transitional measures and after restatement to account for deferred tax assets
[16] Change in method on Dec. 31, 2013 following the adoption of new netting agreements between financial receivables and payables

The customer loan/deposit ratio of Groupe BPCE[17] stood at 121%[18] at December 31, 2014.

The short-term liquidity coverage ratio (LCR) has been higher than 100%[19] since June 30, 2014.

2.3 Liquidity: proven ability to raise substantial funds thanks to enhanced diversification

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of 41.4 billion euros in 2014 (equal to 138% of the 2014 program for 30 billion euros). Out of this 41.1 billion euro total, 35.2 billion euros were raised in the BPCE MLT funding pool and 6.1 billion euros were raised in the CFF MLT funding pool.
The program of medium-/long-term issues planned for 2015 aims to raise a total of 25 billion euros to be divided between BPCE's MLT funding pool (20 billion euros) and the CFF's funding pool (5 billion euros).

As February 10, 2015, 7.0 billion euros[20] had already been raised by Groupe BPCE, i.e. 28% of the entire 2015 program. The average maturity at issue now stands at 5.8 years and the average interest rate is equal to mid-swap +27pbs. In 2014, the average maturity at issue was 6.6 years and the average interest rate was fixed at mid-swap +45 basis points.

At December 31, 2014, 71% of the MLT funding of Groupe BPCE consisted of unsecured bond issues while the remaining 29% was made up of covered bond issues.
In 2015, the aim is very similar: 68% of unsecured bond issues and 32% of covered bond issues.

In 2014, Groupe BPCE demonstrated its ability to raise substantial funds thanks to the enhanced diversification of its investor base[21]. As a result, 48% of the unsecured bonds issued in the institutional market in 2014 were denominated in currencies other than the euro (notably 33% in US dollars, 6% in sterling and 4% in yen) against 30% in 2013. In the space of one year, the volume of non-euro bond issues has been multiplied by a factor of two, rising to 13.5 billion euros versus 6.2 billion euros in 2013.

On January 23, 2015, Groupe BPCE was the first French bank to launch a Tier-2 yen-denominated Samurai bond issue. This 10-year issue was for a total of 48.3 billion yen (or approximately 360 million euros). This operation expresses the group's determination to pursue the diversification of its investor base, including for its Tier-2 issues.

[17] Excluding SCF (Compagnie de Financement Foncier, the Group's *société de crédit foncier* – a French legal covered bonds issuer)
[18] Change in method on Dec. 31, 2014 following the transfer of subordinated debt issues to the network customers from the Shareholders' equity item to the Customer deposits item on the cash balance sheet
[19] Based on Groupe BPCE's understanding of the latest Basel 3 standards available
[20] Excluding private placements completed in February 2015
[21] On the basis of unsecured bond issues in the institutional market

2014 CONSOLIDATED RESULTS OF GROUPE BPCE

Results *In €m*	**2014**	**2014 / 2013 *** **	**CORE BUSINESS LINES* 2014**	**2014/ 2013 *** **
Net banking income**	23,609	+2.3%	21,988	+2.3%
Operating expenses	-16,330	+1.2%	- 14,543	+2.5%
Gross operating income** ***Cost/income ratio*****	***7,279*** ***69.2%***	***+4.8%*** ***- 0.7 pt***	***7,445*** ***66.1%***	***+1.9%*** ***+0.1 pt***
Cost of risk	*-1,776*	*-13.0%*	*-1,734*	*-10.8%*
Income before tax**	***5,630***	***+9.5%***	***5,967***	***+6.6 %***
Net income attributable to equity holders of the parent** *Impact of the revaluation of own debt on net income attributable to equity holders of the parent* *Impact of the FVA on net income attributable to equity holders of the parent*	***3,080*** *-135* *- 38*	***+5.9%*** *+9.2%* -	***3,461*** - *- 38*	***+6.0%*** - -
Net income attributable to equity holders of the parent	***2,907***	***+4.4%***	***3,423***	***+4.8%***
ROE	***5.4%***	***-0.3 pt***	***10%***	***+1 pt***

* The core business lines are Commercial Banking and Insurance (with, in particular, the Banque Populaire 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 (Natixis).

** Excluding the revaluation of BPCE's own debt (for the Group's results exclusively) and excluding the impact of the introduction of the Funding Valuation Adjustment

*** Full-year 2013 results 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

3. 2014-2017 STRATEGIC PLAN "ANOTHER WAY TO GROW"

To mark the **first anniversary of the 2014-2017 strategic plan "Another way to grow,"** Groupe BPCE has carried out a review of the actions taken throughout 2014 along with the initial concrete results. The first banking group to make general use of electronic signatures in its branches, Groupe BPCE has demonstrated the strength of its ability to innovate and to **launch the digital transformation of its business activities.**

With its good 2014 performance in private banking, wealth management and asset management through Natixis, Groupe BPCE is increasingly asserting itself as a **major player in savings**.

The group has built up considerable momentum in its drive to become a **fully-fledged bancassurer** with the creation of a single insurance platform within Natixis to bring together the group's non-life and personal protection insurance products.

What is more, **Groupe BPCE is speeding up the pace of its international expansion**. Natixis has consolidated its position in the international arena in the area of Wholesale Banking (with the inauguration of a representation office in Los Angeles and the rollout of a fixed income offering in Japan) and in the area of asset management (with, among other things, the introduction of a multi-affiliate model in Europe). With regard to local banking services, Groupe BPCE has continued to adapt its organizational structure and refocus its equity interests around its core business activities.

Groupe BPCE **gained in collective efficiency** in 2014. Revenue synergies were developed between Natixis and the Caisse d'Epargne and Banque Populaire retail banking networks and a streamlining program aimed at generating cost synergies was launched by the Group.

In a demanding economic environment, Groupe BPCE continued to strengthen its financial structure in 2014 with a view to **consolidating its financial fundamentals** in terms of profitability, capital adequacy, and liquidity.

For further details, please consult the summary review on: www.groupebpce.fr

4. RESULTS[22] OF THE BUSINESS LINES: BUOYANT COMMERCIAL ACTIVITIES

4.1 Commercial Banking & Insurance: good commercial activities

The Commercial Banking & Insurance business line groups together the activities pursued by the Banque Populaire and Caisse d'Epargne retail banking networks, by Insurance, and the Other networks division consisting of BPCE IOM, Banque Palatine, and Real Estate financing.

The Banque Populaire banks and Caisses d'Epargne continued to give a robust commercial performance throughout 2014. Deposits & savings, including centralized savings products, stood at almost 600 billion euros at December 31, 2014. This represented 3.1% growth compared with 2013, equal to an increase of 18 billion euros. This growth was driven, in particular, by a more than 20 billion euro increase in on-balance sheet deposits & savings[23].

Loan outstandings stood at 378 billion euros at December 31, 2014. This item rose 3.0% year-on-year – representing growth of 11 billion euros – thereby confirming the active role played by Groupe BPCE in financing the French economy.

[22] Full-year 2013 results 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

[23] Excluding centralized savings

Financial results[22] of Commercial Banking & Insurance for full-year 2014

In full-year 2014, the **revenues** generated by the Commercial Banking & Insurance business line came to 15,020 million[24] euros, equal to growth of 0.7% compared with 2013. The net interest margin[24] remained buoyed up by business volumes and the decline in the cost of funding. The impact of the sharp decline in commissions paid on regulated savings products and lower compensation received for early loan redemption was offset by growth in commissions earned on loans and off-balance sheet savings products.

Gross operating income stands at 5,049 million euros, up 0.6% compared with 2013.

The **cost/income ratio** came to 66.4%, virtually the same as its level in 2013.

The **cost of risk**, which amounted to 1,478 million euros, has declined by 6.0%.

The **contribution of the Commercial Banking & Insurance division to the Group's income before tax** stood at 3,787 million euros at end-2014, up 3.3% year-on-year. The Caisses d'Epargne accounted for 50% of this result, the Banque Populaire banks contributed 37%, while Insurance and Other networks contributed 13%.

4.1.1 Banque Populaire: enhanced commercial performance

The Banque Populaire network comprises the 18 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 pursued its development strategy aimed at priority customer categories, leading to 6.2% year-on-year growth in the number of individual customers using banking services and insurance products, and by 3.0% growth in the number of professional customers active in a dual professional and private capacity.

- **Deposits & savings**

Deposits & savings enjoyed strong growth in 2014, with new inflows of 10 billion euros during the year. Aggregate savings deposits stood at 217 billion euros at December 31, 2014.
If centralized products are excluded, on-balance sheet deposits & savings stood at 143 billion euros, up by almost 9 billion euros in full-year 2014, equal to growth of 6.7% driven, in particular, by demand deposits (+10.8%) and home purchase savings schemes (+7.1%).
At the same time, life funds enjoyed further substantial growth of 4.1% during the year.

- **Customer loan outstandings**

Customer loan outstandings stood at 167 billion euros at the end of December 2014, representing moderate growth of 1.1% during the year.
Home loan outstandings rose by 2.9% in 2014, against 7.0% in full-year 2013, owing to a slower rate of new loan production compared to the exceptional performance achieved in 2013.
The strong momentum enjoyed in consumer finance was maintained in 2014 with new loan production up 9.1% compared with end-December 2013. Lastly, in a rather sluggish economic environment, equipment loans put up a good resistance (-0.6% year-on-year).

[24] Excluding changes in provisions for home purchase savings schemes

- **Bancassurance**

The portfolio of non-life, provident and health insurance contracts rose 6.4% year-on-year.

- **Financial results[25]**

Net banking income for full-year 2014 stands at 6,366 million euros (excluding changes in provisions for home purchase savings schemes), representing growth of 1.5% compared with 2013. This growth can be broken down into a 1.8% increase in the net interest margin (excluding changes in provisions for home purchase savings schemes) and 0.6% growth in commissions. This stability in commission income can be explained by changes in the regulations (cap on agency commissions) and a high basis of comparison in 2013.

Operating expenses, which stood at 4,286 million euros at end-December 2014, have increased by 2.8% in the space of one year.

Gross operating income comes to 2,073 million euros, down 1.5% compared with 2013.

The **cost/income ratio** has increased by 0.9 percentage points, to 67.4%.

The **cost of risk**, which stands at 707 million euros, is up 5.0% compared with end-2013.

The Banque Populaire retail banking network contributed 1,403 million euros to **Groupe BPCE's income before tax** at December 31, 2014, equal to a decline of 3.7% year-on-year.

4.1.2 Caisse d'Epargne: commercial dynamism maintained in 2014

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

- **Customer base**

The strategy of increasing the delivery of banking services to individual customers of the Caisse d'Epargne network was pursued in 2014 and led to 2.9% growth in the number of individual customers using banking facilities. In the professional and corporate customer segments, the strategy of winning new customers led to a 4.7% increase in the number of active professional customers and to 7.9% growth in active corporate customers.

- **Deposits & savings**

Aggregate deposits & savings rose by 8 billion euros in the course of 2014 to reach a total of 379 billion euros at December 31, 2014.
If centralized products are excluded, aggregate on-balance sheet savings and deposits came to 193 billion euros, up by 12 billion euros in full-year 2014, and equal to growth of 6.6%.

Passbook savings accounts have declined by 3.9% in favor of demand deposits (+15.7%) and long-term savings. Term accounts have consequently enjoyed growth of 15.8%, home purchase savings schemes have increased by 11.0% and life insurance by 2.5%.

[25] Variation restated to account for the impact of IFRS 10 and IFRS 11 on the scope of consolidation of the Crédit Coopératif group

- **Customer loan outstandings**

Customer loan outstandings amounted to 211 billion euros at end-December 2014, up 4.9% year-on-year, buoyed up by good dynamics in the private individuals segment. Despite the depressed real estate market, home loans continued to grow (+5.7%) in 2014, although this rate of growth failed to match the performance achieved in 2013 (+9.8%).
Consumer loan outstandings rose by 4.0%.

- **Bancassurance**

The portfolio of non-life, provident and health insurance enjoyed strong growth of 11.1%.

- **Financial results**

Net banking income (excluding changes in provisions for home purchase savings schemes) came to 7,081 million euros, equal to growth of 0.4% compared with 2013.

The net interest margin (excluding changes in provisions for home purchase savings schemes) rose by 4.7% compared with 2013.
Commissions declined by 4% under the pressure of lower commissions charged on regulated savings products, lower agency commissions, and less compensation for early loan redemptions.

Operating expenses are under tight control and only rose marginally (+0.2%) to 4,654 million euros.

Gross operating income increased by 1.6%, to reach a total of 2,455 million euros.

The **cost/income ratio** stood at 65.5%, down 0.3 percentage points.

The **cost of risk** rose 9.3% to reach 580 million euros.

The contribution of the Caisse d'Epargne network to the **income before tax of Groupe BPCE** in 2014 came to 1,876 million euros, virtually identical to the level achieved in 2013 (-0.5%).

4.1.3 Insurance and Other networks (Real-estate Financing, Insurance, BPCE IOM and Banque Palatine)

- **Real-estate Financing**

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

In a real-estate market that continued to contract in 2014, Crédit Foncier managed to maintain a buoyant level of business activity. Aggregate new loan production for full-year 2014 exceeded 10 billion euros (7 billion euros for individual customers and 3.3 billion euros for real-estate investors and public facilities), with enhanced margins.

At December 31, 2014, the loan outstandings[26] of the core business lines came to 88 billion euros, up from 83 billion euros at end-December 2013.

Crédit Foncier remains the No.1 lender to low- and middle-income families with a 43% market share for PAS loans[27] designed for low-income families, and a 25% market share for PTZ interest-free loans[28].

Within the framework of Groupe BPCE's strategic plan "Another way to grow," Compagnie de Financement Foncier, a wholly-owned subsidiary of Crédit Foncier, has extended its funding activity and made it available to the group's other entities. Since the launch of this strategic plan at the beginning of 2014, assets of group entities for a total of 6.2 billion euros have been funded by Compagnie de Financement Foncier.

Crédit Foncier has refocused its core business activities in France and, on September 25, 2014, transferred to BPCE a portfolio of securitized mortgage loans and public assets for a total of 11.6 billion euros.

What is more, Crédit Foncier completed in 2014 the first public securitization operation (Residential Mortgage-Backed Securities) since 1995 whereby mortgage loans are removed from the consolidated accounts. This operation concerned a portfolio of mortgage loans granted to individual customers for a total of almost one billion euros. It made it possible to diversify the funding methods for Crédit Foncier's activities.

At December 31, 2014, the **net banking income** of the Real-estate Financing division rose 4.5% compared with 2013 to reach 767 million euros.

Operating expenses, which remained stable throughout 2014, remain under tight control, in line with the strategic plan. They amounted to 546 million euros at end-December 2014.

The **cost of risk**, which came to 109 million euros in 2014, has fallen significantly (-56.1%) in the space of one year. This decline can be explained, in particular, by a high basis of comparison in 2013 and a substantial reversal of provisions following the sale of Commercial Mortgage-Backed Securities (CMBS) in 2014.

The contribution of the Real-estate Financing division to Groupe BPCE's **income before tax** became positive once again in 2014, amounting to 115 million euros (up from –€44m in 2013).

[26] Outstandings under management
[27] SGFGAS figures dated end-2014
[28] SGFGAS figures dated Sept. 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 generated by the Caisses d'Epargne came to 8.9 billion euros for full-year 2014, equal to growth of 33.4%. This increase was driven by private banking (up 45.9%), which accounts for 56.9% of gross new inflows in 2014.

Gross inflows in unit-linked sales represented 14.9% of aggregate inflows in 2014, representing an increase of 3.5 percentage points over 2013.

The contribution of the Insurance activity to Groupe BPCE's **income before tax** in 2014 came to 187 million euros, up 5.7% compared with December 31, 2013.

- **BPCE IOM**[29]

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

The deposits & savings of BPCE IOM had risen by 6.0%, to a total of 8.5 billion euros, at December 31, 2014, driven by on-balance sheet savings and deposits (+9.1% excluding demand deposits). Demand deposits enjoyed growth of 3.8%. Off-balance sheet savings, for their part, increased by 0.8% year-on-year.

Loan outstandings at end-December 2014 rose 3.6%, to reach 9.2 billion euros. In the individual customer segment, real-estate loan outstandings rose by a significant 7.0%. Short-term credit facilities granted to corporate customers rose by 8.6% during the period.

The contribution of BPCE IOM to Groupe BPCE's **income before tax** at December 31, 2014 came to 124 million euros, representing year-on-year growth of 8.6%.

- **Banque Palatine**

In December 2014, the deposits & savings[30] of Banque Palatine stood at 16.8 billion euros, up 1.1% versus 2013. On-balance sheet savings and deposits rose by 8.8%, partially offsetting the 14.9% decline in off-balance sheet savings.

The corporate customer market maintained a dynamic level of activities in on-balance sheet savings and deposits (+9.9%).

Private banking saw a marginal increase in its off-balance sheet (+0.9%) and on-balance sheet deposits & savings (0.7%).

Loan outstandings[30] amounted to 7.7 billion euros, up 5.8% in the space of one year. The dynamic performance of medium- and long-term loans granted to corporate customers resulted in a sharp increase in outstandings (+8.0%). The buoyant level of new loans granted to private banking customers made it possible to limit the decline in aggregate outstandings.

The contribution of Banque Palatine to Groupe BPCE's **income before tax**[31] amounted to 83 million euros for the 2014 financial period, up 17.7% compared with 2013.

[29] 2013 positions restated following the divestment of BCP Luxembourg
[30] Loan outstandings at end-2014 and average positions in December 2014 for deposits & savings
[31] Excluding the base effect in 2013, income before tax for 2014 increased by 38.2% (+€22.9m)

4.2 Wholesale Banking, Investment Solutions and Specialized Financial Services (core business lines of Natixis)[32,33,34]

The net banking income of the core business lines of Natixis (Wholesale Banking, Investment Solutions, and Specialized Financial Services) came to 6,980 million euros at the end of 2014, up 7.5% compared with 2013.

The operating expenses of the core business lines of Natixis, which stood at 4,548 million euros in 2014, increased 6.2% year-on-year.

The cost/income ratio has improved, with a 0.8-percentage point decline versus 2013 and stood at 65.2% at end-December 2014.

The gross operating income of the core business lines of Natixis came to 2,432 millions at December 31, 2014, equal to growth of 9.9%.

The cost of risk of the core business lines of Natixis reported a substantial decline (31.1%); it stood at 257 million euros at December 31, 2014.

The income before tax of the core business lines of Natixis amounted to 2,217 million euros at end-December 2014, representing 19.2% growth compared with 2013.

> In the **Wholesale Banking**[34] division, **income before tax** enjoyed substantial growth of 23.7% compared with 2013. This positive change is the result of a sharp improvement in the cost of risk and growth in net revenues, in line with the targets laid down in the strategic plan despite a difficult environment for capital market activities. The Wholesale Banking division accounted for 46% of the income before tax contributed by the core business lines.
>
> The **Investment Solutions** division put up a good performance with **income before tax** at December 31, 2014 up 19.3% on a year-on-year basis thanks to substantial growth in revenues. Asset management also enjoyed record-breaking net inflos of 32 billion euros (excluding money market funds) in the 2014 financial period. The Investment Solutions division accounted for 37% of the income before tax contributed by the core business lines.
>
> The **income before tax** of the **Specialized Financial Services (SFS) division** enjoyed growth of 8.4% thanks to good revenue resilience and a reduction in the cost of risk. The Specialized Financial Services division accounted for 17% of the income before tax contributed by the core business lines.

The ROE of the core business lines of Natixis came to 12% at December 31, 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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[32] The BPCE contribution figures are different from the figures published by Natixis

[33] Full-year 2013 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis and the buyback (and subsequent cancellation) by the Banque Populaire banks and the Caisses d'Epargne of the Cooperative Investment Certificates (CICs) held by Natixis

[34] Figures restated: first application of IFRS 13 (net revenues: +€72m in 2013), related changes in methodology (net revenues: -€37m in 2014) and introduction of the Funding Valuation Adjustment (net revenues: -€82m in Q4-14)

4.3 Equity interests

Equity Interests chiefly concern the activities pursued by Coface and Nexity[35].

In 2014, Groupe BPCE divested a number of its non-strategic equity interests. With the stock-market listing of Coface at the end of June 2014, the Group divested 58.65% of the capital of its credit insurer subsidiary. In November 2014, the Group sold the residual interest it held in Foncia. In December 2014 and January 2015, Groupe BPCE divested 7% of the capital and voting rights of Nexity, reducing its residual interest to 33.4%. Nexity has been accounted for by the equity method since December 31, 2014.

Lastly, in December 2014, Groupe BPCE signed an agreement whereby it will divest its minority interest (24.5%) in Volksbank România[36].

At December 31, 2014, the net banking income of the Equity interests division amounted to 1,698 million euros, down 1.3% compared with December 31, 2013. Income before tax, which stands at 176 million euros, has fallen by 31.3% compared with 2013.

- **Coface**

The turnover[37] generated by Coface rose by 1.6% in 2014 compared with 2013, in line with its predetermined objectives. Turnover amounted to 1,461 million euros at December 31, 2014.

The credit insurer subsidiary also boasts tight control over its expenses[38], down 1% compared with 2013.

Risk management was efficient in 2014:

- ✓ The loss ratio[39] stands at 50.4% vs 53.8% in 2013
- ✓ The cost ratio[39] amounted to 29.3% vs 29.7% in 2013
- ✓ The combined ratio[39] came to 79.7% for 2014, a considerable improvement over 2013 (3.8 percentage points)

- **Nexity**

Reservations for new housing units rose by 2% year-on-year.
The backlog of orders at December 31, 2014 stood at 3.3 billion euros, equal to 19 months of development activity.

Turnover[40] came to 2.6 billion euros for 2014 as a whole, equal to a decline of 3.8% during the 12-month period related, in particular, to a decrease in commercial real-estate activities. Turnover generated from residential real estate remained stable during the year at 1.8 billion euros.

At end-December 2014, 'residential real estate' accounted for 70% of aggregate turnover, 'services, distribution & other' represented 20%, while 'commercial real estate' accounted for the remaining 10%.

[35] The "Equity interests" division includes investments in Nexity, Volksbank România as well as the equity interests of Natixis (including Coface and the Private Equity activities)
[36] Completion of the operation subject to the agreement of the National Bank of Romania and of the competition authorities
[37] Constant perimeter and exchange
[38] Constant perimeter and exchange, excluding exceptional items
[39] 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
[40] Financial data derived from Nexity operating reports

For further details about the 2014 financial results, please consult the Investors/Results section of the corporate website www.groupebpce.fr

Notes on methodology

Groupe BPCE's stake in BPCE Assurances (60%) was transferred to Natixis Assurances 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 sub-division that chiefly comprises the Banque Palatine, BPCE IOM and Credit Foncier subsidiaries along with the minority equity interest in CNP Assurances. The Workout portfolio management sub-division has also been grouped together with the Corporate center division.

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

The full-year 2013 and Q4-13 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.

About Groupe BPCE

Groupe BPCE, the 2nd-largest banking group in France, includes two independent and complementary commercial banking networks: the network of 18 Banque Populaire banks and the network of 17 Caisses d'Epargne. It also works through Crédit Foncier in the area of real estate financing. It is a major player in Wholesale Banking, asset management and financial services with Natixis. Groupe BPCE serves more than 36 million customers and enjoys a strong presence in France with 8,000 branches, 108,000 employees and more than 8.9 million cooperative shareholders.

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