



## Press Release

Paris, May 6, 2014

### Groupe BPCE: results for the 1<sup>st</sup> quarter of 2014

#### Robust commercial and financial performance

- **Robust financial performance**

- ✓ Revenues generated by the core business lines<sup>1</sup>: **5.5 billion euros, +3.7%** compared with the 1<sup>st</sup> quarter of 2013
- ✓ Net income attributable to equity holders of the parent<sup>2</sup>: **866 million euros, +16.1%** compared with the 1<sup>st</sup> quarter of 2013

- **Continued low risk profile**

- ✓ Moderate cost of risk at **29 basis points** in the 1<sup>st</sup> quarter of 2014, against **33 basis points** in the 1st quarter of 2013 and **38 basis points** in the 4<sup>th</sup> quarter of 2013

- **Significant improvement in capital adequacy in the 1<sup>st</sup> quarter of 2014**

- ✓ Common Equity Tier-1 ratio<sup>3</sup>: **10.8%**, i.e. **+40 basis points** compared with December 31, 2013
- ✓ Overall capital adequacy ratio<sup>3;4</sup> **13.8%** i.e. **+40 basis points** compared with December 31, 2013

- **The banks in Groupe BPCE confirm their active role in helping to fund the economy**

- ✓ Growth in loan outstandings: **+4.8%**<sup>5</sup> year-on-year
- ✓ Support for micro-companies and SMEs: loan outstandings up **2.1%**<sup>6</sup> year-on-year

<sup>1</sup> Commercial Banking & Insurance, Wholesale Banking, Investment Solutions and Specialized Financial Services

<sup>2</sup> Pro-forma results to account for the transfer of BPCE Assurances to Natixis and Q1-13 basis of comparison presented pro forma 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, excluding the revaluation of own debt

<sup>3</sup> Estimate at March 31, 2014 – CRR/CRDIV, as applied by Groupe BPCE without transitional measures and after restating to account for deferred tax assets

<sup>4</sup> Including the £750 million Tier-2 issue completed on April 9, 2014

<sup>5</sup> Banque Populaire and Caisse d'Epargne retail banking networks; Banque Palatine, Crédit Foncier

<sup>6</sup> Source: Banque de France, figures for end-February 2014

On May 6, 2014, the Supervisory Board of BPCE convened a meeting chaired by Stève Gentili to examine the Group's financial statements for the 1<sup>st</sup> quarter of 2014.

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

*"The Group's strong commercial impetus remained strong in the 1<sup>st</sup> quarter of the year buoyed up, in particular, by significant growth in customer loan outstandings and savings deposits recorded by the Banque Populaire and Caisse d'Épargne retail networks as well as by the dynamic performance of the businesses in Natixis' Investment Solutions division which – together – illustrate, quarter after quarter, the contribution made by all the brands of Groupe BPCE to supporting the economy. This dynamism is bolstered by a cost of risk that remains at a moderate level, and a reinforcement of our results and balance sheet with quarterly net income of 866 million euros, up 16.1% compared with the same period last year, and enhanced capital adequacy with a Common Equity Tier-1 ratio under Basel 3 that now stands at 10.8%."*

## **1. CONSOLIDATED RESULTS OF GROUPE BPCE IN THE 1<sup>ST</sup> QUARTER OF 2014<sup>2</sup>**

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Groupe BPCE put up a robust commercial and financial performance in the 1<sup>st</sup> quarter of 2014, with 3.7% growth in revenues to 5.5 billion euros for its core business lines and significant growth in net income attributable to equity holders of the parent (+16.1% compared with the 1<sup>st</sup> quarter of 2013) to 866 million euros<sup>2</sup>.

The Group enjoys a moderate cost of risk: 29 basis points in the 1<sup>st</sup> quarter of 2014 versus 33 basis points in the 1<sup>st</sup> quarter of 2013 and 38 basis points in the 4<sup>th</sup> quarter of last year.

Groupe BPCE has again strengthened its capital adequacy with a Common Equity Tier-1 ratio<sup>3</sup> under Basel 3 of 10.8% at March 31, 2014 and an overall capital adequacy ratio under Basel 3<sup>3;4</sup> of 13.8%.

Groupe BPCE again confirmed its role as a major provider of financing for the economy with year-on-year growth of 2.1%<sup>6</sup> in outstanding loans granted to micro-companies and SMEs. Over the same period, its overall loan outstandings<sup>5</sup> position rose by 4.8%<sup>5</sup>. New on-balance sheet deposits and savings (excluding centralized savings products) recorded by the two retail banking networks stood at 27 billion euros in the 1<sup>st</sup> quarter of this year.

The restructuring of the Group's balance sheet – with a principal focus on GAPC and Crédit Foncier – is entering its final stages with the winding up of GAPC launched in the 1<sup>st</sup> quarter of 2014. This process will make it easier for customers to fully benefit from the Group's key strengths.

Groupe BPCE as a whole is actively engaged in implementing the 2014-2017 strategic plan "Another way to grow"; this plan sets out to promote the growth and digital transformation of BPCE's businesses by constantly improving its ability to satisfy its customers' needs and expectations while simultaneously reasserting the Group's cooperative values. The solid commercial and financial performance achieved in the 1<sup>st</sup> quarter of 2014 puts the Group well on its way to achieving the objectives of this strategic plan.

## 1.1 Consolidated results for the 1<sup>st</sup> quarter of 2014<sup>7</sup>

The **net banking income** of Groupe BPCE reached 5,853 million euros, up 2.9% compared with the 1<sup>st</sup> quarter of 2013.

The Group's **operating expenses** stand at 3,977 million euros and remain stable compared with the 1<sup>st</sup> quarter of 2013 (+0.8%). The **operating expenses of the core business lines** enjoyed growth of 2.3% to reach 3,590 million euros. The **cost/income ratio** stands at 67.9% for the Group, down 1.4 percentage points compared with the 1<sup>st</sup> quarter of 2013. The ratio is 65.0% for the core business lines, down 0.9 percentage points compared with the 1<sup>st</sup> quarter of 2013.

**Gross operating income** is equal to 1,876 million euros, up 7.5% compared with the 1<sup>st</sup> quarter of 2013. The contribution of the Group's core business lines stands at 1,932 million euros, up 6.5% compared with the 1<sup>st</sup> quarter of 2013.

The **cost of risk** is 434 million euros, down 10.5% compared with the 1<sup>st</sup> quarter of 2013. For the core business lines, this item has declined by 8.9% to 412 million euros.

Groupe BPCE enjoys a moderate risk profile with an average annual cost of risk<sup>8</sup> equal to 29 basis points, down 9 basis points from the level reported in the 4<sup>th</sup> quarter of 2013. The non-performing loans/total loans ratio remains moderate (3.9% at March 31, 2014) and stable compared with December 31, 2013. The cover rate for impaired loan outstandings stood at 79.9%<sup>9</sup> at March 31, 2014, reflecting a 1.7-point improvement compared with December 31, 2013.

For the Group's Commercial Banking & Insurance activities, the average annual cost of risk<sup>8</sup> of the two retail banking networks remains stable, at 32 basis points since the 3<sup>rd</sup> quarter of 2013. Within the Commercial Banking & Insurance core business, the cost of risk of the Real estate Financing division is returning to more normal levels.

The cost of risk of the core business lines of Natixis has declined sharply, chiefly in its Wholesale Banking division. This item stands at 40 basis points against 56 bp in the 1<sup>st</sup> quarter of 2013, and 53 basis points in the 4<sup>th</sup> quarter of that year.

**Net income attributable to equity holders of the parent** rose by a substantial 16.6% and stands at 863 million euros. The **net income of the core business lines** has risen by 10.9% to reach 927 million euros in the 1<sup>st</sup> quarter of 2014.

The **ROE** of the core business lines stands at 10%.

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<sup>7</sup> Pro-forma results to account for the transfer of BPCE Assurances to Natixis and Q1-13 basis of comparison presented pro forma to reflect the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Épargne of the Cooperative Investment Certificates (CICs) held by Natixis

<sup>8</sup> Cost of risk expressed in annualized basis points on gross customer loan outstandings at the beginning of the period

<sup>9</sup> Cover rate, including guarantees related to impaired outstandings

### **1.3 Workout Portfolio Management (GAPC): winding-up process launched in the 1<sup>st</sup> quarter of 2014**

In the 1<sup>st</sup> quarter of 2014, the asset disposal program realized sales of 0.5 billion euros, and risk-weighted assets (before guarantee) for 4.1 billion euros were transferred to the Wholesale Banking division. These assets chiefly consist of structured credit instruments (Europe/US) and interest-rate derivatives.

These disposals had no significant impact on net income attributable to equity holders of the parent.

An agreement with an investment fund to sell assets worth 1.3 billion US dollars, representing risk-weighted assets of 2.7 billion euros before guarantee, is currently being finalized.

The winding-up of GAPC has been confirmed, in line with the target announced on May 6, 2013.

## **2. CAPITAL ADEQUACY AND LIQUIDITY<sup>10</sup>: SIGNIFICANT STRENGTHENING OF CAPITAL ADEQUACY IN THE 1<sup>ST</sup> QUARTER OF 2014**

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### **2.1 Enhanced capital adequacy**

The capital adequacy of Groupe BPCE improved significantly in the 1<sup>st</sup> quarter of 2014, with a Common Equity Tier-1 ratio under Basel 3<sup>3</sup> of 10.8% at March 31, 2014, up 40 basis points compared with December 31, 2013.

The Group has an overall capital adequacy ratio<sup>3</sup> of 13.8%<sup>4</sup>, up 40 basis points compared with December 31, 2013.

The Group presented a leverage ratio under Basel 3<sup>3</sup> close to 4% at March 31, 2014.

### **2.2 Liquidity reserves and short-term funding**

Liquidity reserves cover 142% of short-term funding outstandings and amounted to 161 billion euros at the end of March 2014, including 125 billion euros in available assets eligible for central bank refinancing and 36 billion euros in liquid assets placed with central banks.

The customer loan-to-deposit ratio of Groupe BPCE<sup>11</sup> has fallen 4 points compared to March 31, 2013 and stood at 125% at March 31, 2014.

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<sup>10</sup> Retained earnings taking account of the projected distribution of dividends

<sup>11</sup> Excluding SCF (Compagnie de Financement Foncier, the Group's *société de crédit foncier*, a French legal covered bonds issuer)

### **2.3 Medium- and long-term funding: 58% of the 2014 issuance program has been completed, with increased diversification of the investor base**

For Groupe BPCE as a whole, 17.3 billion euros had been raised as at April 29, representing 58% of the 2014 30 billion-euro funding plan. The average maturity at issue is 6.5 years and the average mid-swap rate is +57 basis points.

At April 29, 2014, 73% of the funding was in the form of covered bond issues, with the remaining 27% in the form of unsecured bond issues.

In BPCE's medium-/long-term funding pool, 15 billion euros had been raised by April 29, representing 60% of the funding plan of the BPCE pool for 2014 (for a total of 25 billion euros).

In Crédit Foncier's funding pool, 2.3 billion euros have been raised, equal to 45% of the 2014 funding plan for a total of 5 billion euros.

In the 1<sup>st</sup> quarter of 2014, Groupe BPCE continued to diversify its investor base for unsecured bond issues in the institutional market. Issues denominated in currencies other than the euro accounted for 51% of the total during the first four months of 2014 against 30% for 2013 as a whole. It should be noted that 30% of the unsecured bond issues were raised in US dollars and 12% in pounds sterling.

**CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 1<sup>ST</sup> QUARTER OF 2014**

<i>Pro-forma results</i> <i>In millions of euros</i>	<b>Q1-14</b>	<b>Q1-14 / Q1-13</b>	<b>CORE BUSINESS LINES* Q1-14</b>	<b>Q1-14/ Q1-13</b>
Net banking income**	5,853	+2.9%	5,522	+3.7%
Operating expenses	-3,977	+0.8%	-3,590	+2.3%
<b>Gross operating income**</b> <b>Cost/income ratio</b>	<b>1,876</b> <b>67.9%</b>	<b>+7.5%</b> <b>- 1.4 pts</b>	<b>1,932</b> <b>65.0%</b>	<b>+6.5%</b> <b>-0.9 pts</b>
Cost of risk	-434	-10.5%	-412	-8.9%
<b>Income before tax**</b>	<b>1,501</b>	<b>+14.2%</b>	<b>1,582</b>	<b>+11.9%</b>
<b>Net income attributable to equity holders of the parent**</b> <i>Impact of the revaluation of own debt on net income</i>	<b>866</b> -4	<b>+16.1%</b> -	-	-
<b>Net income attributable to equity holders of the parent</b>	<b>863</b>	<b>+16.6%</b>	<b>927</b>	<b>+10.9%</b>
<b>ROE</b>	<b>6.7%</b>	<b>+0.5 pts</b>	<b>10%</b>	-

The results are presented pro forma to account for the transfer of BPCE Assurances to Natixis; similarly, the Q1-13 basis of comparison is presented pro forma to reflect the purchase (and subsequent cancellation) by the Banque Populaire banks and the Caisses d'Épargne of the Cooperative Investment Certificates (CIC's) held by Natixis.

\* The core business lines are Commercial Banking & Insurance (with, in particular, the Banque Populaire and Caisse d'Épargne 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 the revaluation of BPCE's own debt for the Group's results

### 3. RESULTS<sup>12</sup> OF THE BUSINESS LINES: A BUOYANT 1<sup>ST</sup> QUARTER IN 2014, CONTINUING THE TREND SET IN 2013

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#### 3.1 COMMERCIAL BANKING & INSURANCE: CONFIRMED COMMERCIAL DYNAMISM

*The Commercial Banking & Insurance core business line groups together the activities of the Banque Populaire and Caisse d'Épargne retail banking networks, activities related to real estate financing (chiefly Crédit Foncier) and the Insurance, International and Other networks activities.*

The Banque Populaire and Caisse d'Épargne retail banking networks made an active contribution to injecting new funding into the French economy in the 1<sup>st</sup> quarter of 2014 with 6.1% growth in their loan outstandings (for an aggregate total of 371 billion euros).

At the same time, the networks boasted a new increase in on-balance sheet deposits<sup>13</sup> (+9.0%), with new inflows of 27 billion euros in the space of one year. Financial savings deposits also rose by 1.7% driven, in particular, by the sale of life insurance (+3.0%). In line with the goal of providing insurance solutions to one out of every three customers by 2017, the networks also achieved good results in non-life, provident and health insurance products.

In accordance with the goals of the 2014-2017 strategic plan "Another way to grow," the Banque Populaire and Caisse d'Épargne retail banking networks are pursuing their drive to firmly establish online banking services and are making new tools and services an integral part of the everyday lives of their customers and their advisors.

The 1<sup>st</sup> quarter of 2014 saw the launch of *Dilizi*, a new mobile digital cash register application, in both retail networks. This original solution transforms a smartphone or tablet device into a 'digital cash register' and provides a wealth of integrated services for retailers, tradespeople, self-employed professionals, associations and mobile service providers.

#### **Financial results<sup>12</sup> of the Commercial Banking & Insurance business line for the 1<sup>st</sup> quarter of 2014**

The **revenues** generated by the Commercial Banking & Insurance business line stood at 3,835 million euros<sup>14</sup>, equal to growth of +4.9% compared with the 1<sup>st</sup> quarter of 2013.

The net interest margin of the Banque Populaire and Caisse d'Épargne networks continued to increase, driven by growth in business volumes and a decline in the cost of resources. Commercial dynamism – notably in life insurance – has made it possible to offset the unfavorable impact of the regulatory environment and to stabilize commissions.

**Operating expenses** have risen marginally (+1.2%) compared with the 1<sup>st</sup> quarter of 2013.

The **gross operating income** came to 1,347 million euros, equal to growth of 11.1%.

The **cost/income ratio** stands at 64.9%, down 2.1 percentage points on a year-on-year basis.

The **cost of risk**, which amounted to 342 million euros, is down 3%.

The **income before tax** of the Commercial Banking & Insurance business line came to 1,055 million euros, representing growth of 16.6% compared with the 1<sup>st</sup> quarter of 2013.

The **ROE after tax** of the business line – which stands at 10% for the quarter – is up 1 percentage point compared with the same period in 2013.

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<sup>12</sup> Pro-forma results to account for the transfer of BPCE Assurances to Natixis and Q1-13 basis of comparison presented pro forma to reflect the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Épargne of the Cooperative Investment Certificates (CIC's) held by Natixis

<sup>13</sup> BP and CE retail networks, excluding centralized savings products

<sup>14</sup> Excluding changes in provisions for home purchase savings schemes

### 3.1.1 BANQUE POPULAIRE

*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 results of the Banque Populaire retail network reflect the dynamic drive to expand the customer base (24,500 new individual customers and 4,400 new professional customers) and the pursuit of the strategy to equip existing customers with additional products and services. In the individual customer segment, the number of active customers using banking services and insurance products increased by 5.5% in the space of one year.

- **Deposits & savings**

The Banque Populaire network preserved its positive momentum regarding deposits and savings, in all product areas and with all categories of clientele. Growth in new deposits (excluding centralized savings products) reached 3.4% year-on-year to reach a total of 201 billion euros at the end of March 2014. This growth was driven, in particular, by demand deposits (+3.6%), passbook savings accounts (+2.8%) and term deposit accounts (+6.8%). With regard to financial savings, the confirmed recovery in life insurance led to a 3.1% increase in life funds, with gross inflows up 4.5%.

- **Loan outstandings**

At the end of March, the aggregate loan outstandings position of the Banque Populaire banks had risen 3.8% to reach a total of 167 billion euros, chiefly driven by real estate loans (+7.2%). Despite the sluggish business environment, outstanding equipment loans saw a 1.4% increase, reflecting the relative buoyancy of new loan production.

- **Bancassurance**

The portfolio of non-life and health contracts enjoyed 7.0% growth versus the same period in 2013, while the volume of provident insurance contract increased by a similar margin (7.2%) from one year to the next.

- **Financial results**

**Net banking income** rose 6.0% to 1,618 million euros (excluding changes in provisions for home purchase savings schemes).

**Operating expenses** increased marginally (+1.9%) to a total of 1,058 million euros. The **gross operating income** for the period is 561 million euros, up 12.5%; the **cost/income ratio**, which now stands at 65.4%, is down 2.2 percentage points.

The **cost of risk** remains stable, at 159 million euros.

The Banque Populaire retail banking network contributed 409 million euros to the **income before tax of Groupe BPCE** in the 1<sup>st</sup> quarter of 2014 (+19.1%).



### 3.1.2 CAISSE D'EPARGNE

*The Caisse d'Epargne network comprises the 17 individual Caisses d'Epargne.*

- **Customer base**

The Caisse d'Epargne retail network is actively pursuing its strategy aimed at extending their customers' use of banking services and achieved 3.7% year-on-year growth in the number of individual customers using its services. The number of active customers in other market segments also increased significantly: +5.6% in the professional customer and +9.0% in the corporate customer segments.

- **Deposits & savings**

Savings deposits (excluding centralized savings products) increased by 8.1% compared with the same period last year, reaching a total of 304 billion euros. These new inflows were buoyed up, in particular, by strong growth in demand deposits (+16.4%) in line with the drive to attract new customers. The quarter is characterized by a shift from short-term savings to long-term savings products, leading to enhanced growth in home purchase savings schemes (+9.1%) and life insurance (+2.9%), with a 50% increase in gross new fund inflows. Funds held on term deposit accounts, driven by the specialized markets (notably the corporate customer segment) increased at a much faster pace (+37.2%).

- **Loan outstandings**

Customer loan outstandings stood at 204 billion euros at the end of March 2014, the result of continuing dynamism in this area (+8.1% year-on-year). This growth remains buoyed up by the strong performance achieved in real estate loans (+9.6%) and equipment loans (+7.0%).

- **Bancassurance**

The portfolio of non-life and health contracts grew by 8.8%; the provident insurance segment achieved 16.6% growth versus the same period last year.

- **Financial results**

**Net banking income** stands at 1,805 million euros (excluding changes in provisions for home purchase savings schemes), equal to growth of 4.2%.

**Operating expenses** remain stable at 1,158 million euros.

The **gross operating income** for the period stands at 647 million euros, up 10.2%; the **cost/income ratio** has declined by 2.1 percentage points, and now stands at 64.2%.

The **cost of risk** has risen to 137 million euros (+5.0%).

The contribution of the Caisse d'Epargne network to the **net income before tax of Groupe BPCE** stood at 509 million euros in the 1<sup>st</sup> quarter of 2014 (+11.0%).

### 3.2 Real estate Financing

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

In the 1<sup>st</sup> quarter of 2014, aggregate new loan production declined by 20.6% to reach 2.0 billion euros, in line with the contraction of the real estate market.

In the individual customer segment, new loan production stood at 1.5 billion euros, buoyed up by the favorable conjunction of low interest rates and a moderate decline in prices. In the real estate investor and public facilities segment, new loan production fell to a total of 0.5 billion euros in a more fiercely competitive market.

The customer loan outstandings<sup>15</sup> of the core business lines stood at 82.8 billion euros at March 31, 2014, up 2.5% compared with the 1<sup>st</sup> quarter of 2013.

In the 1<sup>st</sup> quarter of 2014, the **net banking income** of the Real estate Financing division, which stood at 168 million euros, remained stable compared with the 1<sup>st</sup> quarter of 2013.

**Operating expenses** has declined significantly to 130 million euros (-4.1%) thanks, in particular, to the cost-cutting plan launched at the end of 2011.

The **cost of risk** stands at 27 million euros. This figure is 20.1% lower than the cost of risk for the 1<sup>st</sup> quarter of 2013, and significantly lower than the 4<sup>th</sup> quarter of 2013 (high basis of comparison).

The contribution of the Real estate Financing division to the income before tax of Groupe BPCE is 12 million euros.

### 3.3 Insurance, International and Other networks

- **Insurance**

*The Insurance division is chiefly comprised of the Group's minority interest in CNP Assurances, accounted for by the equity method.*

In the life insurance segment, gross new inflows amounted to 2.7 billion euros in the 1<sup>st</sup> quarter of 2014, up 49.7% compared with the 1<sup>st</sup> quarter of 2013. The portfolio of life insurance contracts has increased by 0.9% in the space of a year.

The contribution of the Insurance business to the income before tax of Groupe BPCE in the 1<sup>st</sup> quarter of 2014 stands at 43 million euros, equal to growth of 13.1%.

- **International**

*Principal entity contributing to this business line is BPCE International et Outre-mer (BPCE IOM), which represents all the international and overseas subsidiaries of Groupe BPCE (with the exception of Natixis).*

The deposits and savings of BPCE IOM amounted to 7.9 billion euros at the end of March 2014, stable compared with the same period in March 2013. The slight decline in demand deposit accounts (-2.5%) was offset by the increase in other savings products (+2.0%).

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<sup>15</sup> Outstandings under management

Customer loan outstandings at the end of March 2014 were up by 1.0%, to 8.9 billion euros. In the individual customer segment, real estate loans and personal loans enjoyed growth of 5.5% and 5.8% respectively. In the corporate customer segment, the period was marked by a downturn in equipment loans (-2.6%) while short-term credit facilities grew by 4.0%.

The contribution of the International division to the income before tax of Groupe BPCE in the 1<sup>st</sup> quarter of 2014 stands at 40 million euros, up 14.5% compared with the same period last year.

- **Other networks**

*The principal entity contributing to this business line is Banque Palatine*

At the end of March 2014, savings deposits stood at 16.3 billion euros, representing year-on-year growth of 6.0%. Demand deposit accounts increased by 36.9%, reflecting the dynamism of the corporate market. Financial savings rose by 3.2% compared with the same period last year, driven by private customers.

Loan outstandings stand at 6.8 billion euros, up 3.5% in the space of one year. This growth reflects the dynamism of the equipment loan activities in the corporate customer market (+9.5%) with outstandings remaining stable in the individual customer segment.

The contribution of the Other Networks division to the net income before tax of Groupe BPCE stands at 42 million euros in the 1<sup>st</sup> quarter of 2014, up 38.7%.

### **3.4 Wholesale Banking, Investment Solutions and Specialized Financial Services (business lines included within Natixis)<sup>16</sup>**

In the 1<sup>st</sup> quarter of 2014, the **net banking income** of the core business lines of Natixis (Wholesale Banking, Investment Solutions and Specialized Financial Services) came to a total of 1,688 million euros, up 6.7% compared with the same period in 2013.

The revenues generated by the Investment Solutions division grew by 18.3% compared with the 1<sup>st</sup> quarter of 2013 and reached a total of 647 million euros in the 1<sup>st</sup> quarter of this year, driven by all the different business lines. During the same period, the revenues posted by the Wholesale Banking division remained stable (+0.1%) at 727 million euros, while the revenues of SFS increased by 1.6%, to 314 million euros.

**Operating expenses**, at 1,102 million euros, increased by a total of 4.8%.

The **cost/income ratio** was reduced by 1.2 percentage points in the 1<sup>st</sup> quarter of 2014 and now stands at 65.3%.

The **cost of risk** has declined substantially (-29.9%) and now stands at 70 million euros.

The contribution of the core business lines of Natixis to the income before tax of Groupe BPCE stands at 526 million euros, up 20.9% compared with the 1<sup>st</sup> quarter of 2013.

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<sup>16</sup> The results contributing to Groupe BPCE differ from those published by Natixis. The results are presented pro forma to account for the transfer of BPCE Assurances to Natixis and the Q1-13 basis of comparison is presented pro forma to reflect the buyback (and subsequent cancellation) by the Banque Populaire banks and the Caisses d'Épargne of the Cooperative Investment Certificates (CIC's) held by Natixis. Results excluding +€72m of non-recurring items in Wholesale Banking revenues in Q1-13 (mainly transition to IFRS 13 rules)

The **ROE after tax of the core business lines** of Natixis stands at 12%, up 2 percentage points compared with the 1<sup>st</sup> quarter of 2013.

(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](http://www.natixis.com)).

### 3.5 Equity interests<sup>17</sup>

*Equity Interests chiefly concern the activities pursued by Coface and Nexity.*

In the 1<sup>st</sup> quarter of 2014, the net banking income of the Equity interests division amounted to 387 million euros, down 2.5% compared with the 1<sup>st</sup> quarter of 2013. Income before tax remains stable at 56 million euros.

- **Coface**

In the 1<sup>st</sup> quarter of 2014, insurance turnover rose 2% compared with the 4<sup>th</sup> quarter of 2013. If the impact of foreign exchange fluctuations and changes in the scope of consolidation are excluded, insurance turnover amounted to 364 million euros, up 3% compared with the 1<sup>st</sup> quarter of 2013.

Risks are kept under close management:

- The loss ratio has declined by almost 3 percentage points year-on-year to stand at 52.3% in the 1<sup>st</sup> quarter of 2014.
- The cost ratio improved substantially to reach 25% in the 1<sup>st</sup> quarter of 2014 thanks to the positive impact of strict cost control and the absence of non-recurring items.
- The combined ratio improved sharply to reach 77.3%: it stood at 81.3% in the 1<sup>st</sup> quarter of 2013 and at 82.5% in the 4<sup>th</sup> quarter of last year.

The stock market flotation of Coface is being prepared with a meeting with financial analysts scheduled for May 7, 2014.

- **Nexity**

Reservations for new housing units in France were up 9% in volume and 8% in value in the 1<sup>st</sup> quarter of 2014 compared with the same period in 2013.

The backlog of orders represented a total of 3.3 billion euros at March 31, 2014, at the same level as at the end of 2013, the equivalent of 18 months of development activity.

Revenues amounted to 505 million euros in the 1<sup>st</sup> quarter of 2014, down 14% compared with the 1<sup>st</sup> quarter of 2013, penalized by the poor performance of the commercial real estate activity.

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<sup>17</sup> The "Equity Interest" division includes investments in Coface, Nexity, and Volksbank Romania in addition to the Private Equity activities of Natixis.

**Notes on methodology**

The Q1-13 financial results are presented pro forma to account for the operation completed on August 6, 2013 whereby the Banque Populaire banks and Caisses d'Épargne bought back and subsequently cancelled the cooperative investment certificates (CICs) held by Natixis.

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 & Insurance division, is now attributed to Natixis' Investment Solutions division.

As of Q2-13, regulatory capital is allocated to Groupe BPCE business lines on the basis of 9% of their Basel 3 average risk-weighted assets.

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

**About Groupe BPCE**

Groupe BPCE, the 2<sup>nd</sup>-largest banking group in France, includes two independent and complementary commercial banking networks: the network of 19 Banque Populaire banks and the network of 17 Caisses d'Épargne. It also works through Crédit Foncier de France 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, 115,000 employees and more than 8.8 million cooperative shareholders.

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