



## Press Release

Paris, July 31, 2014

**Groupe BPCE: strong 1st half of 2014 with net income attributable to equity holders of the parent of €1.7 billion<sup>1</sup>, up 10.4% compared with the same period in 2013**

- **Robust commercial performance by the core business lines**

- ✓ **Banque Populaire and Caisse d'Épargne networks**

- **9.6%** year-on-year growth in on-balance sheet savings<sup>2</sup> and good performance in life insurance
- **5.6%** year-on-year growth in loan outstandings

- ✓ **Core business lines of Natixis**

- Wholesale Banking: **8.3%** rise in H1-2014 revenues
- Investment Solutions: record-breaking net inflows of **€17 billion** in asset management and **15.9%** revenue increase in H1-2014
- Specialized Financial Services: 1.7% growth in revenues in the first six months of 2014, in line with the performance of the Commercial Banking & Insurance division

- **Robust, recurring results**

- ✓ Core business revenues of **€5.5 billion** in Q2-2014, up **2.9%** vs. Q2-2013 and €11 billion in H1-2014, up 3.2% vs. H1-2013
- ✓ Moderate cost of risk: 33 basis points in Q2-2014, down 3 basis points vs. Q2-2013
- ✓ Net income attributable to equity holders of the parent <sup>Erreur ! Signet non défini.</sup> of **€828 million** in Q2-2014, up 5.0% vs. Q2-2013, and of **€1.7 billion** in H1-2014, up 10.4% vs. H1-2013

- **Continued strengthening of capital adequacy in Q2-2014**

- ✓ Common Equity Tier-1 ratio<sup>3</sup>: **11.1%**, i.e. **+20 basis points** compared with 31/03/2014
- ✓ Total capital adequacy ratio<sup>3;4</sup>: **14.5%**, i.e. **+70 basis points** compared with 31/03/2014
- ✓ Leverage ratio<sup>5</sup> > 4%

- **Enhanced liquidity situation**

- ✓ 2014 MLT funding plan already complete
- ✓ Short-term liquidity LCR ratio > **100%**<sup>6</sup> as at June 30, 2014

The Q2-13 and H1-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis and the Q1-13 comparison base is presented pro forma of the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Épargne of the Cooperative Investment Certificates (CICs) held by Natixis.

<sup>1</sup> Excluding revaluation of BPCE's own debt for the Group's results

<sup>2</sup> Excluding centralized savings products

<sup>3</sup> Estimate at June 30, 2014 – CRR/CRD 4, without transitional measures and after restating for deferred tax assets

<sup>4</sup> Including Tier-2 issues in July

<sup>5</sup> Estimate on June 30, 2014 based on Groupe BPCE's interpretation of the draft regulation that is expected to incorporate in CRR most of the recommendations formulated by the Basel Committee in January 2014.

<sup>6</sup> According to Groupe BPCE's interpretation of the most recently published Basel 3 standards

## Initial results of the implementation of the new strategic plan (2014 – 2017)

- **2014-2017 strategic plan: “Growing differently”**
  - ✓ **Revenue and cost synergies**
    - Rollout of measures as at June 30, 2014 overall ahead of the linearized 2017 target: €127 million in addition revenues between the Banque Populaire banks, the Caisses d’Epargne and Natixis (target: €870 million); €110 million in cost synergies (target: €900 million)
  - ✓ **Insurance**
    - Agreement between CNP Assurance and Groupe BPCE on the implementation of a partnership renewed for a period of 7 years, as of January 1, 2016
  - ✓ **Savings**
    - Annual growth in private banking assets under management: +6.1%, in line with the goals expressed in the strategic plan
  - ✓ **Digital**
    - Pursuit of the digital enterprise program. Launch of *Dilizy* and *Izly* to facilitate local retail payments
- **Other highlights of the quarter**
  - ✓ Closure of GAPC
  - ✓ Disposal of non-strategic assets
    - Listing of almost 59% of the capital of Coface at end-June 2014, with no impact on income
  - ✓ Merger between two Banque Populaire banks
    - Plan to merge the Banque Populaire Alsace and the Banque Populaire Lorraine Champagne approved by their respective governing bodies; completion planned for November 2014

On July 31, 2014, the Supervisory Board of BPCE convened a meeting chaired by Stève Gentili to examine the Group’s financial statements for the 2<sup>nd</sup> quarter and 1<sup>st</sup> half of 2014.

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

*“The Group’s results for this quarter and for the first six months of 2014 are robust: we boast commercial dynamism in all our strategic businesses, we have kept tight control over expenses and cost of risk, and grown our profitability. Net income attributable to equity holders of the parent has increased by 10.4% over the half-year period to €1.7 billion. This has strengthened our capital adequacy as well as our liquidity position.*”

*All the major projects defined in our strategic plan “Growing differently” (2014-2017) have been launched. Decisive progress was achieved in a number of these projects during the last quarter. I am particularly pleased that we have concluded a national partnership with the CNOUS student support organization (which will further support our digital ambitions in local retail banking), the successful listing of Coface, and the conclusion of an agreement in principle with CNP which puts our partnership on a new footing for 2016-2022.”*

## 1. CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 2<sup>ND</sup> QUARTER AND 1<sup>ST</sup> HALF OF 2014<sup>7</sup>

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Groupe BPCE boasts a strong income base, posting net income attributable to equity holders of the parent (excluding the revaluation of own debt) of **€828 million** in the 2<sup>nd</sup> quarter of 2014 and of **€1.7 billion** in the first six months of the year. The Group's core businesses boast robust recurring results: €1.5 billion in the 2<sup>nd</sup> quarter of 2014, after €1.6 billion in the 1<sup>st</sup> quarter of the year.

The Group has substantially reinforced its capital adequacy and liquidity with a Common Equity Tier-1 ratio<sup>3</sup> of 11.1%, up 20 basis points, and a total capital adequacy ratio of 14.5%<sup>3;4</sup> at June 30, 2014 and a 2014 medium-long term funding plan for €30 billion that has already been completed.

Groupe BPCE again confirms its role in actively financing the French economy with a 5.6% year-on-year increase in its customer loan outstandings (Banque Populaire and Caisse d'Épargne retail networks).

### **The entire Groupe BPCE is pursuing the implementation of the 2014-2017 strategic plan: "Growing differently."**

All the major projects defined in this plan have been launched and the initial achievements are in line with the predetermined targets. Additional revenue for a total of €127 million generated between the Banque Populaire banks, the Caisses d'Épargne and Natixis had been recorded at June 30, 2014 to an ultimate target of €870 million by 2017. All the Group's major businesses are helping to realize these synergies with (notably) Insurance, whose 45% contribution to these synergies reflects the significant progress made over the first half of the year, and Consumer finance, which accounted for 37%.

With regard to cost synergies, savings of €110 million were realized as at June 30, 2014 for a target of €900 million by 2017. The principal sources of savings are related to information systems and the modification of processes and organization.

This strategic plan has defined three key areas of action: creating leading banks for one-to-one and online relations, defining the Group as a major player in savings to finance its customers, and becoming a fully-fledged bancassurer.

- **In the first area**, innovation provided to their customers by the Banque Populaire banks and Caisses d'Épargne has led to the development of a new offer, *Dilizy*. This 'digital cash register' service designed for professionals, enables them to use a payments system in a mobile environment via a smartphone. *Izly* – an electronic wallet developed by the Group – was chosen by the CNOUS student support organization as the new payment solution provided to students for their on-campus payments using their student ID card (multi-service card) or mobile phone.

The development of digital banking is being pursued by the retail banking network with 35% of the Banque Populaire and Caisse d'Épargne branches rolling out in-branch electronic signature systems. At June 30, 2014, 57.5% of the banks' offering could be signed electronically in a branch, up from 50% at the end of December 2013 for a target of more than 80% when the strategic plan comes to an end. What is more, at June 30, 2014, 56% of the customers of both retail banking networks had signed up for online banking services

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<sup>7</sup> The Q2-13 and H1-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis and the Q1-13 comparison base is presented pro forma of the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Épargne of the Cooperative Investment Certificates (CICs) held by Natixis. Excluding revaluation of BPCE's own debt for the Group's results.

against 52% one year previously. The aim is to have more than 80% of customers subscribed to online banking services by 2017.

- The **second key** area of the plan “defining our Group as a major player in savings to finance our customers” has led, in particular, to the launch of new ‘private banking’ spaces by the Banque Populaire banks and Caisses d’Epargne, combining local service and expertise for their provincial customers. At June 30, 2014, both networks boasted 679,500 customers receiving private banking and wealth management services, up from 646,000 at June 30, 2013 in addition to outstandings of €159.4 billion against €150.1 billion at June 30, 2013.
- The **third key** area is insurance. In life insurance, the new *Grand Public Horizéo* contract in the Banque Populaire network is putting up a strong performance with a portfolio of 35,000 contracts at the end of June 2014; this is also the case for discretionary management contracts, representing more than €1 billion of assets under management; with 40% unit-linked.  
In non-life, provident and health insurance, the number of contracts stood at 4,252,000 at June 30, 2014, up from 3,872,000 at June 30, 2013, with a turnover of €706.3 million in the first half of 2014, up from €651.3 millions in the first half of 2013, for a target of €1.5 billion in 2017.

### 1.1 Consolidated results for the 2<sup>nd</sup> quarter of 2014<sup>8</sup>

The **net banking income** of Groupe BPCE reached €6,015 million, up 4.3% compared with the second quarter of 2013; the net banking income of the core businesses rose 2.9% to €5,529 million.

The Group’s **operating expenses** came to €4,108 million, up 2.1% compared with the 2<sup>nd</sup> quarter of 2013. The **operating expenses of the core business lines** increased by 1.9% to reach €3,632 million. The **cost/income ratio** stands at 68.3% for the Group as a whole, down 1.5 percentage point compared with the 2<sup>nd</sup> quarter of 2013. The ratio comes to 65.7% for the core businesses, down by a 0.7 percentage point compared with the 2<sup>nd</sup> quarter of 2013.

**Gross operating income** is equal to €1,907 million, up 9.4% compared with the 2<sup>nd</sup> quarter of 2013. The contribution of the Group’s core businesses stands at €1,896 million, up 4.9% compared with the 2<sup>nd</sup> quarter of 2013.

The **cost of risk** stands at €491 million, down 8.0% compared with the 2<sup>nd</sup> quarter of 2013. For the core business lines, this item has declined by 12.9%, to €454 million.

Groupe BPCE enjoys a moderate risk profile of 33 basis points<sup>9</sup>, down 3 basis points compared with the 2<sup>nd</sup> quarter of 2013.

The non-performing loans/total loans ratio stood at 3.7% at June 30, 2014; this ratio was 3.9% at December 31, 2013. The cover rate for impaired loan outstandings stood at 78.7%<sup>10</sup> at June 30, 2014, up 0.5 point compared with December 31, 2013.

The cost of risk of the Group’s core business lines comes to 32 basis points, down 5 basis points compared with the 2<sup>nd</sup> quarter of 2013.

For the Group’s Commercial Banking & Insurance activities, the cost of risk stood at 30 basis points in the 2<sup>nd</sup> quarter of 2014, down 6 basis points compared with the 2<sup>nd</sup> quarter of 2013, a

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<sup>8</sup> The Q2-13 and H1-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis and the Q1-13 comparison base is presented pro forma of the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d’Epargne of the Cooperative Investment Certificates (CICs) held by Natixis. Excluding revaluation of BPCE’s own debt for the Group’s results.

<sup>9</sup> Cost of risk expressed in annualized bp on gross customer outstandings at the beginning of the period.

<sup>10</sup> Cover rate, including guarantees related to impaired outstandings.

period characterized by a strengthening of collective provisions and a number of significant dossiers.

The cost of risk of the core business lines of Natixis came to 43 basis points in the first half of 2014, down from 53 basis points in the first half of 2013. The cost of risk has improved notably in the Wholesale Banking and Specialized Financial Services divisions.

**Income before tax** has risen 11.5% to reach €1,455 million in the 2<sup>nd</sup> quarter of 2014. The income before tax of the core business has grown by 11.3% to €1,509 million in the 2<sup>nd</sup> quarter of 2014.

**Net income attributable to equity holders of the parent** (excluding revaluation of own debt) has risen by 5.0% and now stands at **€828 million**.

**Net income attributable to equity holders of the parent** has increased by 4.1% to €801 million. The **net income attributable to equity holders of the parent of the core business lines** enjoyed growth of 2.9% and stood at €856 million in the 2<sup>nd</sup> quarter of 2014.

The **ROE** of the core business lines stands at 10%, up 1 point.

## 1.2 Consolidated results for the 1<sup>st</sup> half of 2014<sup>11; 12</sup>

The **net banking income**<sup>12</sup> of Groupe BPCE reached €11,868 million in the 1<sup>st</sup> half of the year, up 3.6% compared with the same period in 2013; the core businesses saw growth of 3.2% to €11,005 million.

The Group's **operating expenses** amount to €8,085 million, up 1.5% compared with the first half of 2013. The **operating expenses of the core business lines** have increased by 1.9% to reach €7,206 million. The **cost/income ratio** stands at 68.1% for the Group (down 1.4 points compared with the first six months of 2013). It comes to 65.5% for the core business lines (down 0.8 point compared with premier half of 2013).

**Gross operating income**<sup>12</sup> is equal to €3,783 million, up 8.4% compared with the first half of 2013. The contribution of the Group's core businesses stands at €3,800 million, up 5.6% compared with the same period in 2013.

The **cost of risk** stands at €925 million, down 9.2% compared with the first half of 2013. For the core business lines, this item has declined by 11.3%, to €864 million.

**Income before tax**<sup>12</sup> is up 12.8% and stands at €2,956 million in the first half of 2014. The income before tax posted by the core business lines rose by 11.7% to reach €3,061 million in the first half of 2014.

**Net income attributable to equity holders of the parent** (excluding revaluation of own debt) has risen by 10.4% to **€1,695 million**.

**Net income attributable to equity holders of the parent** is up by 10.2% to reach €1,664 million. The **net income of the core business lines** rose by 6.8% to reach €1,761 million in the first half of 2014.

The **ROE** of the core business lines stands at 10%, up 1 point.

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<sup>11</sup> The Q2-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis and the Q1-13 comparison base is presented pro forma of the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Épargne of the Cooperative Investment Certificates (CICs) held by Natixis.

<sup>12</sup> Excluding revaluation of BPCE's own debt for the Group's results.

## **2. CAPITAL ADEQUACY AND LIQUIDITY<sup>13</sup>: SIGNIFICANT STRENGTHENING OF CAPITAL ADEQUACY IN THE 2<sup>nd</sup> QUARTER OF 2014**

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### **2.1 Enhanced capital adequacy**

The capital adequacy of Groupe BPCE improved substantially in the 2<sup>nd</sup> quarter of 2014, with a Common Equity Tier-1 ratio under Basel 3<sup>14</sup> of 11.1% at June 30, 2014, up 30 basis points compared with March 31, 2014.

The Group has a total capital adequacy ratio<sup>14;15</sup> of 14.5%, up 70 basis points compared with March 31, 2014.

The Group presented a leverage ratio under Basel 3<sup>15</sup> > 4% at June 30, 2014.

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

Liquidity reserves cover 137% short-term funding outstandings and amounted to €165 billion at the end of June 2014, including €113 billion in available assets eligible for central bank refinancing and €52 billion in liquid assets placed with central banks.

The customer loan-to-deposit ratio of Groupe BPCE<sup>16</sup> stood at 125% at June 30, 2014.

The short-term liquidity ratio LCR was greater than 100%<sup>17</sup> at June 30, 2014.

### **2.3 Medium-/long-term funding: the 2014 issuance program is already complete and is helping the Group achieve the LCR target in excess of 100% six months ahead of target**

Groupe BPCE has demonstrated its ability to raise substantial funds thanks to an enhanced diversification in its investor base.

The Group's ability to access major debt markets has enabled it to raise medium-/long-term resources for a total of €30.3 billion as at July 18, 2014 for a 2014 program based on €30 billion.

The average maturity at issue is equal to 6.9 years, and the average rate is mid-swap +54 basis points.

At July 18, 2014, 75% of the funding consisted of unsecured bond issues, with the remaining 25% comprised of covered bond issues.

Groupe BPCE is continuing to diversify its investor base with regard to unsecured public issues raised in the institutional market. Issues denominated in currencies other than the euro accounted for 49% of the total, against 30% in 2013, and within these issues in currencies other than the euro, 34% were raised in US dollars, 7% in pounds sterling, and 4% in Japanese yen.

At July 18, 2014, €26.8 billion had been raised in BPCE's medium-/long-term funding pool, equal to 107% of the €25 billion funding plan.

At the same date, €3.5 billion had been raised in the CFF funding pool, equal to 70% of the €5 billion funding plan.

Groupe BPCE is also developing complementary refinancing options such as the public securitization operation whereby home loans are removed from the consolidated accounts for a total of almost €1 billion, completed by Crédit Foncier in May 2014.

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<sup>13</sup> Retained earnings taking account of the projected distribution of dividends

<sup>14</sup> Estimate at June 30, 2014 – CRR/CRD 4, without transitional measures and after restating for deferred tax assets

<sup>15</sup> Including the Tier-2 issue in July 2014

<sup>16</sup> Excluding SCF (Compagnie de Financement Foncier, the Group's société de crédit foncier, a French legal covered bonds issuer).

<sup>17</sup> According to Groupe BPCE's interpretation of the most recently published Basel 3 standards

**CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 2<sup>ND</sup> QUARTER OF 2014**

<i>in €m</i>	<b>Q2-14</b>	<b>Q2-14 / Q2-13PF % CHANGE</b>	<b>CORE BUSINESS LINES ** Q2-14</b>	<b>Q2-14/ Q2-13PF % CHANGE</b>
Net banking income*	6,015	+4.3%	5,529	+2.9%
Operating expenses	- 4,108	+2.1%	- 3,632	+1.9%
<b>Gross operating income*</b> <b>Cost/income ratio</b>	<b>1,907</b> <b>68.3%</b>	<b>+9.4%</b> <b>- 1.5 pt</b>	<b>1,896</b> <b>65.7%</b>	<b>+4.9%</b> <b>- 0.7 pt</b>
Cost of risk	- 491	- 8.0%	- 454	- 12.9%
<b>Income before tax*</b>	<b>1,455</b>	<b>+11.5%</b>	<b>1,509</b>	<b>+11.3%</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>828</b> -27	<b>+5.0%</b> <b>+36.3%</b>	-	-
<b>Net income attributable to equity holders of the parent</b>	<b>801</b>	<b>+4.1%</b>	<b>856</b>	<b>+2.9%</b>
<b>ROE</b>	<b>6.1%</b>	<b>- 0.3 pt</b>	<b>10%</b>	<b>+1pt</b>

\* Excluding revaluation of BPCE's own debt for the Group's results.

\*\* The core business lines are Commercial Banking & Insurance (with, in particular, the Banque Populaire banks and Caisse d'Épargne retail networks in addition to Crédit Foncier, Banque Palatine and BPCE International et Outre-mer) and the Wholesale Banking, Investment Solution, and Specialized Financial Services divisions of Natixis.

The Q2-13 results are presented pro forma to account for the transfer of BPCE Assurances to Natixis and the Q1-13 comparison base is presented pro forma of the buyback (and subsequent cancellation) by the Banque Populaire banks and Caisses d'Épargne of the Cooperative Investment Certificates (CICs) held by Natixis.

**CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE FIRST HALF OF 2014**

<i>in €m</i>	<b>H1-14</b>	<b>H1-14 / H1-13PF % CHANGE</b>	<b>CORE BUSINESS LINES** H1-14</b>	<b>H1-14/ H1-13PF % CHANGE</b>
Net banking income*	11,868	+3.6%	11,005	+3.2%
Operating expenses	- 8,085	+1.5%	- 7,206	+1.9%
<b>Gross operating income*</b> <b>Cost/income ratio</b>	<b>3,783</b> <b>68.1%</b>	<b>+8.4%</b> <b>- 1.4 pt</b>	<b>3,800</b> <b>65.5%</b>	<b>+5.6%</b> <b>- 0.8 pt</b>
Cost of risk	- 925	- 9.2%	- 864	- 11.3%
<b>Income before tax*</b>	<b>2,956</b>	<b>+12.8%</b>	<b>3,061</b>	<b>+11.7%</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>1,695</b> -31	<b>+10.4%</b> +18.5%	-	-
<b>Net income attributable to equity holders of the parent</b>	<b>1,664</b>	<b>+10.2%</b>	<b>1,761</b>	<b>+6.8%</b>
<b>ROE</b>	<b>6.4%</b>	<b>+0.1 pt</b>	<b>10%</b>	<b>+1pt</b>

\* Excluding revaluation of BPCE's own debt for the Group's results.

\*\* The core business lines are Commercial Banking & Insurance (with, in particular, the Banque Populaire banks and Caisse d'Épargne retail networks in addition to Crédit Foncier, Banque Palatine and BPCE International et Outre-mer) and the Wholesale Banking, Investment Solution, and Specialized Financial Services divisions of Natixis.

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### 3. RESULTS<sup>18</sup> OF THE CORE BUSINESSES: STRONG COMMERCIAL MOMENTUM IN ALL BUSINESS LINES

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#### 3.1 Commercial Banking & Insurance

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

The Banque Populaire banks and the Caisses d'Épargne maintained their strong commercial momentum in the first half of 2014. Insurance, a key growth driver identified as such in the Group's strategic plan for 2014-2017, has enjoyed growth in all related areas (life, non-life, health and provident insurance), thereby confirming the trend observed in the first quarter of 2014.

The commercial activities of the Banque Populaire and Caisse d'Épargne retail networks was dynamic in the 2<sup>nd</sup> quarter of 2014 with +9.6% growth in on-balance sheet deposits and savings (excluding centralized savings products) and a +5.6% increase in loan outstandings. Although real-estate loans experienced a significant decline compared with an exceptionally strong first six months in 2013, consumer finances stood up well in the past quarter.

Digital and online banking are key to the future growth of the retail banking networks. The first six months of 2014 were marked by the launch of new offerings aimed at improving customer experience.

The leading bank for new business creation, Banque Populaire is going even further in its support for entrepreneurs with *StartMyStory*<sup>®</sup>, an innovative tool designed to help design the business plan. For its professional and corporate customers, Banque Populaire provides a new factoring solution *CREANCEssentiel*, and a mobile application enabling users to keep track of their factoring accounts everywhere and at all times.

The No.1 bank for young people with more than 7 million customers, the Caisse d'Épargne is pursuing an innovative, peer-led approach aimed at 12 to 25-year-olds and offering new solutions for students, apprentices and young people working on fixed and temporary contracts. In line with the preferences of this generation, the savings bank is also launching the first 'young' application open to customers and non-customers alike. The Caisse d'Épargne has also redesigned its mobile application – the first banking app in France downloaded more than 3 million times – to allow users to customize their favorite features and enjoy rapid access without authentication.

#### Financial results<sup>18</sup> of the Commercial Banking & Insurance business line for the 1<sup>st</sup> half of 2014

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The **revenues** generated by the Commercial Banking & Insurance business line stood at €7,532 million in the first half of 2014, equal to growth of 2.3% compared with first six months of 2013 (excluding changes in provisions for home purchase savings schemes). The net interest margin improved substantially, driven by growth in outstandings while the significant impact on commissions of regulatory measures (decline in 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** came to €2,563 million, up 4.6% compared with the first half of 2013.

The **cost/income ratio** stands at 66.0%, down 0.9 point year-on-year.

The **cost of risk**, which came to €719 million over the 6-month period, is down 8.2%.

The **contribution of the Commercial Banking & Insurance core business line to the Group's income before tax** came to €1,960 million in the first half of 2014 (48% of which from the Caisses d'Épargne, 40% from the Banque Populaire banks and 12% from Insurance and Other Networks). This contribution has increased by 10.3% compared with first six months of 2013.

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<sup>18</sup> The Q2-13 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 Caisses d'Épargne of the Cooperative Investment Certificates (CICs) held by Natixis.

### 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 Banque Populaire is pursuing its strategy of increasing its delivery of banking services to the effect that, in the 2<sup>nd</sup> quarter of 2014, the number of active individual customers using banking facilities and insurance rose by 6% while the number of professional customers (banking in both a private and professional capacity) rose by 2.8% compared with the same period in 2013.

- **Deposits & savings**

Total deposits & savings (excluding centralized savings products) amounted to €205 billion at the end of June 2014, up 5.5% year-on-year. On-balance sheet deposits & savings (excluding centralized savings products) rose by a buoyant 7.7% driven, in particular, by growth in demand deposits (+8.6%) and term deposit accounts (+10.7%). At the same time, financial savings deposits remained stable, maintained by life funds, which grew by 3.2%.

- **Customer loan outstandings**

Customer loan outstandings came to €168 billion at the end of June 2014, equal to year-on-year growth of 3.9%. Real-estate loan outstandings enjoyed growth of 6.4%, but new loan production proved to be sluggish compared with a particularly dynamic first half of 2013. The momentum developed by consumer finance is continuing, with new loan production up 11.4% in the first six months of 2014. Lastly, despite the lackluster economic environment, the production of new equipment loans stood up well compared with the first half of 2013.

- **Bancassurance**

The portfolio of provident, non-life and health insurance contracts has increased by 7.2%.

- **Financial results for the first half of 2014**

**Net banking income** rose 3.3% in the first half of the year, to reach €3,243 million (excluding changes in provisions for home purchase savings schemes).

The net interest margin for the first half of 2014 is up by 6.2%<sup>19</sup>. Commissions have increased by only 0.7% owing to the cap on agency commissions and less compensation received for early loan redemption.

**Operating expenses**, which amounted to €2,124 million, have increased by a marginal 0.5%.

**Gross operating income** stands at €1,115 million, up 7.8%.

The **cost/income ratio** comes to 65.6%, translating a 1.6-point improvement.

The **cost of risk**, which stands at €343 million in the first half of 2014, is down 4.5%.

In the first half of 2014, the Banque Populaire retail network contributed €790 million to the **income before tax of Groupe BPCE**, up by 15.2%.

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<sup>19</sup> Excluding changes in provisions for home purchase savings schemes

### 3.1.2 Caisse d'Épargne

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

- **Customer base**

In the second quarter of 2014, the Caisses d'Épargne pursued their strategy of encouraging their customers to extend their use of banking services and facilities. The number of individual customers using their services grew by 3.1% while the number of active professional customers rose by 5.5%.

- **Deposits & savings**

Deposits & savings (excluding centralized savings products) came to €307 billion at June 30, 2014, up 7.4% year-on-year driven in particular by strong growth in on-balance sheet savings (+11.1% excluding centralized savings products). The prevailing low short-term interest rates penalize passbook savings accounts (-4.0%) at the expense of longer-term savings products such as home purchase savings schemes (+9.2%) and life insurance (+3.3%), for which gross inflows have increased by 35.4%. Term deposit accounts have also enjoyed strong growth (+32.5%), particularly in specialized markets.

- **Customer loan outstandings**

Customer loan outstandings stood at €206 billion at the end of June, equal to year-on-year growth of 7.1%. Real-estate loan outstandings continued to enjoy strong growth (+8.5%) despite a decline in new loan production in the first half of 2014 compared with the same period in 2013. Equipment loans stood up well with 2.0% growth in outstandings despite the context of weaker demand. With respect to consumer finance, outstandings have risen (+3.2%), buoyed up by stable new loan production.

- **Bancassurance**

The portfolio of provident, non-life and health insurance contracts has increased by 11.4%.

- **Financial results for the first half of 2014**

**Net banking income** came to €3,532 million in the first half of the year (excluding changes in provisions for home purchase savings schemes), translating growth of 1.2%.

The net interest margin continues to progress (+5.9%). Commissions, which have fallen by 4.3%, driven down by the decline in commissions paid on regulated savings products, the cap imposed on agency commissions and the reduction in compensation for early loan redemption.

**Operating expenses** remain stable at €2,322 million.

**Gross operating income** stands at €1,211 million, up 1.4%.

The **cost/income ratio** is down 0.3 percentage point and now stands at 65.7%.

The **cost of risk** comes to €276 million, up by 2.1%.

In the first half of 2014, the Caisse d'Épargne retail network contributed €935 million to the **income before tax** of Groupe BPCE, up by 1.1%.

### 3.1.3 Insurance and Other Networks (BPCE IOM, Banque Palatine and Real-estate Financing)

- **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 2<sup>nd</sup> quarter of 2014, equal to growth of 25%, and stood at €4.9 billion in the first half of 2014, up 38%, driven by strong growth in private banking products which accounted for 58% of new inflows in the first six months of the year.

Gross inflows in unit-linked sales accounts for 15% of first half 2014 revenues, up 3 percentage points above the first half of 2013.

In the first half of 2014, the Insurance activity contributed €103 million to the **income before tax** of Groupe BPCE, up by 4.0%.

- **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 deposits & savings of BPCE IOM had risen 3.9%, to €8.1 billion, at the end of June 2014. This growth was driven by on-balance sheet deposits & savings (+4.2%) and financial savings (+2.0%).

Loan outstandings at the end of June 2014 remain stable at €8.8 billion. In the individual customer segment, real-estate loan outstandings and personal loans have increased by 5.6% and 4.2% respectively. In the corporate customer segment, equipment loan outstandings have lost some of their momentum (-3.2%) while short-term credit facilities remain stable.

In the first half of 2014, the BPCE IOM contributed €70 million to the **income before tax** of Groupe BPCE.

- **Banque Palatine**

At the end of June 2014, the deposits & savings of Banque Palatine stood at €16.5 billion, up 5.0% from one year to the next. Demand deposits increased by 16.5%, reflecting strong momentum in the corporate market. Financial savings are up 2.4% year-on-year, buoyed up by a sharp increase in deposits (securities, mutual funds, and life insurance) for private banking customers

Loan outstandings stand at €6.9 billion, up 4.4% year-on-year. The positive performance of new real-estate loans (+17.4%) has made it possible to stabilize loan outstandings granted to private customers. In the corporate market, the growth of medium-/long-term loans reached 10.1%, buoyed up by strong demand.

In the first half of 2014, Banque Palatine contributed €43 million to the **income before tax** of Groupe BPCE, representing growth of 88.4% compared with the same period in 2013.

- **Real-estate Financing**

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

In the 2<sup>nd</sup> quarter of 2014, aggregate new loan production stood at €2.4 billion, stable compared with the 2<sup>nd</sup> quarter of 2013. New loan production in the individual customer segment came to €1.6 billion, a stable result in a depressed residential market. With respect to financing provided for real-estate investors and public facilities, new loan production rose to €0.8 billion in the 2<sup>nd</sup> quarter of 2014 up from €0.5 billion in the first quarter of 2014.

Aggregate loan production for the first half of 2014 comes to €4.4 billion, down 14% compared with first half of 2013.

Loan outstandings<sup>20</sup> granted by the core businesses stood at €84 billion at June 30, 2014 versus €82 billion at the end of June 2013.

Within the framework of Groupe BPCE's "Growing differently" strategic plan, Compagnie de Financement Foncier, a wholly-owned subsidiary of Crédit Foncier, is now pursuing a part of its refinancing activities in favor of the Group's other institutions. Since the plan was first launched, long-term loans for more than €2.5 billion granted by the Banque Populaire banks and the Caisses d'Épargne were funded by Compagnie de Financement Foncier on June 30, 2014.

In the first half of 2014, the **net banking income** of the Real-estate Financing division stood at €355 million, up by 3.8% compared with first half of 2013.

**Operating expenses** in the first half of 2014 rose by 2.8%, to €273 million.

The **cost of risk** came to €64 million, down 2.2% compared with the first half of 2013.

In the first half of 2014, Real-estate Financing division contributed €20 million to the **income before tax** of Groupe BPCE, equal to growth of 39.2%.

### **3.2 Wholesale Banking, Investment Solutions and Specialized Financial Services (business lines included within Natixis)<sup>21;22</sup>**

The **net banking income**<sup>23</sup> of the core business lines of Natixis (Wholesale Banking, Investment Solutions, and Specialized Financial Services) stands at €1,822 million for the second quarter of 2014, reflecting growth of 12.8%.

In the Wholesale Banking<sup>23</sup> division, revenues followed a positive trajectory (+17.0%), reflecting net revenue growth driven by the capital market businesses and international activities.

The Investment Solutions division reports fine results (revenues up by 13.8%), reflecting the positive momentum enjoyed by all the business lines.

The revenues of the Specialized Financial Services division (+1.8%) include buoyant growth in the specialized financing segment.

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<sup>20</sup> Outstandings under management

<sup>21</sup> The figures specifying the contribution to Groupe BPCE are different from those published by Natixis

<sup>22</sup> Q2-13 and H1-13 results presented pro forma to account for the transfer of BPCE Assurances to Natixis Assurances and the buyback (and subsequent cancellation) by the Banque Populaire banks and the Caisses d'Épargne of the Cooperative Investment Certificates (CICs) held by Natixis

<sup>23</sup> Figures presented do not include exceptional items: first application of IFRS 13 (+€72m in H1-13) and related changes in methodology (-€37m in Q2-14/H1-14)

Revenue synergies generated with the Banque Populaire and Caisse d'Épargne retail networks stand at €60 million in the first quarter of 2014, ahead of the linearized target.

**Operating expenses** have increased by 5.9% to reach €1,135 million.

The **cost/income ratio** declined by 4.0 points in the 2<sup>nd</sup> quarter of 2014 and now stands at 62.3%.

The **cost of risk** has declined substantially (-18.0%); it stood at €76 million in the 2<sup>nd</sup> quarter of 2014.

The core businesses of Natixis contributed €611 million to the **income before tax** of Groupe BPCE, up 34% compared with the 2<sup>nd</sup> quarter of 2013.

The **ROE after tax of the core business lines** of Natixis stands at 13%, equal to an increase of 4 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](http://www.natixis.com)).*

### 3.5 Equity interests

*Equity Interests chiefly concern the activities pursued by Coface and Nexity.<sup>24</sup>*

In the 2<sup>nd</sup> quarter of 2014, the net banking income of the Equity interest division amounted to €20 million, down 4.9% compared with the 2<sup>nd</sup> quarter of 2013.

Income before tax is €74 million.

- **Coface**

In the 2<sup>nd</sup> quarter of 2014, insurance turnover rose by 1% compared with the same period in 2013 and by almost 2% in the first half of 2014.

Risk management remains under tight control:

- ✓ The loss ratio<sup>25</sup> is down more than 6 points year-on-year to stand at 50.9% in the first half of 2014,
- ✓ The cost ratio<sup>25</sup> stood at 26.9% in the first half of 2014,
- ✓ The combined ratio<sup>25</sup> has improved sharply to 77.8%; it stood at 84.6% in the first half of 2013.

Almost 59% of Coface capital has been successfully listed. The company's financial performance for the first half of the year is in line with the guidance given during the IPO preparation.

- **Nexity**

Reservations for net housing units increased marginally in the first half of 2014.

The backlog of orders is equal to €3.3 billion; this total includes €2.9 billion of residential real estate, representing 19 months of development activity.

The half-yearly revenues declined to €1.11 billion in the first half of 2014 from €1.27 billion in the same period in 2013 with, notably, the decrease in revenues posted by the Commercial real estate division.

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<sup>24</sup> The 'Equity interests' division includes investments in Nexity and Volksbank Romania in addition to the equity interests of Natixis (including Coface and Private Equity activities)

<sup>25</sup> Credit insurance ratios net of reinsurance. Pro forma realized on the loss ratio: participation in profit sharing is charged to premiums (turnover) and no longer included in claims expenses; pro forma realized on the cost ratio: the "value-added contribution" (CVAE) is removed from insurance management expenses and charged to taxation.

**Notes on methodology**

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

The segment information has been updated as of Q2-14. The Commercial Banking & Insurance division now includes 3 sub-divisions: the Banque Populaire banks, the Caisses d'Épargne, and the 'Insurance and Other networks' sub-division, which chiefly includes the Banque Palatine, BPCE IOM, and Crédit Foncier subsidiaries and the Group's minority interest in CNP Assurances. The 'Workout Portfolio Management' sub-division has been grouped together with the Corporate center division.

The Q2-13 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.

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 corporate & investment 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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