



Press Release

Paris, February 10, 2016

4TH QUARTER AND FULL-YEAR 2015 RESULTS¹ OF GROUPE BPCE

Solid results showing clear progress in 2015: published net income attributable to equity holders of the parent up 11.6% to €3.2bn

CORE BUSINESS LINES² PERFORM WELL DESPITE THE UNCERTAIN ECONOMIC ENVIRONMENT

Banque Populaire and Caisse d'Épargne retail banking networks

- Deposits & savings up **3.9%** year-on-year to reach **€628bn** as at Dec. 31, 2015 (+€28bn in on-balance sheet deposits & savings, excluding centralized savings products, equal to growth of +8.4%)
- Loan outstandings up **4.2%** year-on-year, to **€397bn** (+€16bn) as at Dec. 31, 2015

Insurance³

- Strong sales momentum in life insurance with gross new inflows up 10% compared with 2014 and an increase in the proportion of unit-linked contracts (17.8% vs 15.1% in 2014)
- Buoyant growth in portfolios of non-life insurance contracts: +11% vs. end-2014

Core business lines of Natixis

- Investment Solutions: record-breaking year for asset management with net inflows of **€33bn** in 2015, after €28bn in 2014
- Wholesale Banking: growth in the principal franchises driven by international activities and by the *originate-to-distribute* model; launch of exclusive negotiations with a view to acquiring a majority equity interest in Peter J.Solomon (an investment banking advisory firm specializing in mergers & acquisitions in the US)
- Specialized Financial Services: product/service offering rolled out in the retail banking networks with new production in personal loans up 17% and the amount of home loans granted to individual customers covered by guarantees up 72%

THE GROUP ACHIEVED A ROBUST FINANCIAL PERFORMANCE⁴ IN 2015

- Revenues up 4.5%, rising to **€23.8bn**; increased revenues posted by all core business lines
- Cost/income ratio down 0.7pt to **67.7%**
- Cost of risk stable at a moderate level at **29bps** in 2015
- Sharp growth in income before tax: +9.7% year-on-year, rising to **€6.3bn**

AN EXTREMELY ROBUST BALANCE SHEET, DEMONSTRATING THE GROUP'S ADAPTABILITY

- Common Equity Tier-1⁵ ratio (CET1): **13.2%** as at Dec. 31, 2015 (+**120bps** vs. Dec. 31, 2014)
- Total capital ratio⁵ equal to **17.0%** (+**140bps** vs. Dec. 31, 2014)

¹ Q4 and full-year 2014 figures are presented pro forma (cf. the note on methodology at the end of this press release); unless specified to the contrary, all changes are vs. Dec. 31, 2014

² Core business lines: Commercial Banking & Insurance, Investment Solutions, Wholesale Banking, and Specialized Financial Services

³ Entities included in the scope: CNP Assurances, Natixis Assurances, Prépar Vie (gross new inflows and funds of the BP and CE networks)

⁴ Excluding non-economic and exceptional items

⁵ Estimate at Dec. 31, 2015 – CRR/CRD 4 without transitional measures after restating to account for deferred tax assets on tax loss carryforwards

On February 10, 2016, the Supervisory Board of Groupe BPCE convened a meeting chaired by Pierre Valentin to examine the Group's financial statements for the full year and 4th quarter of 2015.

François Pérol, Chairman of the Management Board of Groupe BPCE, said the following: *"The Group enhanced its overall performance last year once again in what continues to be a tight business environment. Published net income for full-year 2015 stands at 3.2 billion euros, up by more than 11% thanks, in particular, to the fine commercial performance of the Banque Populaire and Caisse d'Epargne retail banking networks in addition to that of all the core business lines of Natixis, both in France and overseas. These solid, improved results, combined with an increasingly robust balance sheet, enable Groupe BPCE to enjoy greater strategic leeway. This is particularly important when the Group must speed up the pace of its digital transformation in an environment where extremely low interest rates will continue to depress our net interest margin, requiring us to pay even greater attention to tight cost control."*

1. CONSOLIDATED RESULTS⁶ OF GROUPE BPCE FOR FULL-YEAR AND THE FOURTH QUARTER OF 2015

Despite a background of economic uncertainty, Groupe BPCE performed well throughout 2015, buoyed up by the activities of its core business lines. Consolidated revenues⁷ enjoyed 4.5% year-on-year growth to reach a total of 23,824 million euros. Revenues posted by the core business lines rose by 5.4% year-on-year (+3.1% at constant exchange rates) to reach a total of 23,249 million euros.

In 2015, the cost/income ratio⁷ improved by 0.7 percentage points to stand at 67.7% for the Group and by 0.9 points, to 65.0% for the core business lines.

When expressed as a proportion of customer loan outstandings, the Group's cost of risk remained at the moderate level of 29 basis points in 2015. The cost of risk of the core business lines declined by 2 basis points versus 2014, falling from 31 to 29 basis points.

Income before tax⁷ rose by a significant 9.7% in 2015 to 6,257 million euros. Income before tax of the core business lines enjoyed 11.6% growth to 6 731 million euros.

Groupe BPCE is continuing to strengthen its balance sheet with a Common Equity Tier-1 (CET1) ratio of 13.2%⁸ at December 31, 2015, up 120 basis points compared with December 31, 2014. The total capital ratio stands at 17.0%⁸, up 140 basis points compared with December 31, 2014 in line with the 18%⁹ target fixed for early 2019 in order to comply with the TLAC.

1.1 Consolidated results⁶ for 2015: sharp growth in Groupe BPCE's financial results in 2015 with published net income attributable to equity holders of the parent of 3.2 billion euros, up 11.6%

The **net banking income**⁷ of Groupe BPCE stands at 23,824 million euros, up 4.5% compared with full-year 2014. The core business lines contributed 23,249 million euros, up 5.4% compared with 2014 as a whole (3.1% at constant exchange rates).

The Group's **operating expenses**⁷ amounted to 16,140 million euros, up 3.5% year-on-year. The operating expenses of the core business lines, which stand at 15,120 million euros, have increased by 3.9%.

⁶ Q4 and full-year 2014 figures are presented pro forma (cf. the note on methodology included at the end of this press release); unless specified to the contrary, all changes are vs. Dec. 31, 2014

⁷ Excluding non-economic and exceptional items

⁸ Estimate at Dec. 31, 2015 - CRR/CRD 4 without transitional measures after restating to account for deferred tax assets on tax loss carryforwards

⁹ CRR/CRD 4 without transitional measures; taking account of the estimated impact of the application of IFRS 9 at January 1, 2018

The cost/income ratio⁷ for full-year 2015 shows a 0.7-point improvement and now stands at 67.7%. That of the core business lines improved by 0.9 points, to reach 65%.

Gross operating income⁷ stands at 7,683 million euros, up 6.8% compared with full-year 2014. The contribution of the core business lines is equal to 8,129 million euros, up 8.2% year-on-year.

The **cost of risk**⁷ is down by 4.4% compared with full-year 2014 to reach 1,698 million euros, equal to 29 basis points¹⁰. At 1,656 million euros, the cost of risk of the core business lines has declined by 4.5% and is equal to 29 basis points.

Income before tax⁷ enjoyed 9.7% year-on-year growth to reach a total of 6,257 million euros for 2015 as a whole. For the core business lines, income before tax stands at 6,731 million euros, up 11.6% on a year-on-year basis.

Net income attributable to equity holders of the parent⁷ has risen by 0.9% to 3,335 million euros. That of the core business lines enjoyed 7.8% growth to reach 3,763 million euros. Their progress lags behind that of income before tax owing to the increase in taxation following tax adjustments and the non-deductibility of statutory contributions (Systemic Risk Tax).

After accounting for non-economic and exceptional items, **published net income attributable to equity holders of the parent** for full-year 2015 boasts growth of 11.6% compared with 2014 as a whole, and now stands at 3,242 million euros. That of the core business lines is up by 9.5% to a total of 3,763 million euros.

The Group's **ROE** stands at 6.0%, down a 0.2 percentage point compared with 2014. This metric is equal to 10% for the core business lines, reflecting 1-point growth year-on-year.

1.2 Consolidated results⁶ for the 4th quarter of 2015: published net income stands at 626 million euros, up 10.7% in the space of one year

In the 4th quarter of 2015, the **net banking income**⁷ of Groupe BPCE came to 5,936 million euros, up 4.2% compared with the 4th quarter of 2014. The contribution of the core business lines to net banking income stood at 5,755 million euros, up 3.8% compared with the same period in 2014 (+2.2% at constant exchange rates).

The Group's **operating expenses**⁷ amounted to 4,222 million euros, up 4.5% on a year-on-year basis. The operating expenses of the core business lines, which came to a total of 3,942 million euros, increased by 4.5% (+3.1% at constant exchange rates).

Gross operating income⁷ stands at 1,714 million euros, up 3.6% compared with the 4th quarter of 2014. The contribution of the core business lines reached 1,813 million euros, up 2.4% year-on-year.

The **cost of risk**⁷, which rose by 1.5% to 28 basis points¹⁰ in the 4th quarter of 2015, reached a total of 445 million euros. For the core business lines, this item came to 463 million euros, down 4.7% and equal to 32 basis points.

Income before tax⁷ rose 5.8% year-on-year to stand at 1,332 million euros in the 4th quarter of 2015. For the core business lines, income before tax amounted to 1,418 million euros, up 5.8% compared with the same period in 2014.

When restated to account for the impact of the IFRIC 21 standard and exceptional and non-economic items, **net income attributable to equity holders of the parent** suffered a 14.4% decline to 580 million euros. That of the core business lines fell by 4.1% to 699 million euros. The **cost/income ratio** fell by 0.1 point to reach 72.2% for the Group as a whole. This metric stands at 69.5% for the core business lines, up by 0.3 points compared with the 4th quarter of 2014. The

¹⁰ Cost of risk expressed in annualized basis points on gross customer outstandings at the beginning of the period

Group's **ROE** is equal to 4.1%, down 0.4 points. It stands at 7% for the core business lines, down one percentage point compared with the 4th quarter of 2014.

After accounting for non-economic and exceptional items, and restating to account for the IFRIC 21 impact, **published net income attributable to equity holders of the parent** enjoyed 10.7% growth in the 4th quarter of 2015, to 626 million euros. That of the core business lines rose by 1.3% to reach 741 million euros for the 4th quarter of 2015.

2015 CONSOLIDATED RESULTS OF GROUPE BPCE

In millions of euros	2015	2015/ 2014 pf % change	Core business lines 2015	2015/ 2014 pf % change
Net banking income*	23,824	+4.5%	23,249	+5.4%
Operating expenses*	-16,140	+3.5%	-15,120	+3.9%
Gross operating income*	7,683	+6.8%	8,129	+8.2%
Cost/income ratio*	67.7%	- 0.7 pt	65.0%	-0.9 pt
Cost of risk*	-1,698	-4.4%	-1,656	-4.5%
Income before tax*	6,257	+9.7%	6,731	+11.6%
Net income attributable to equity holders of the parent*	3,335	+0.9%	3,763	+7.8%
Impact on net income of non-economic and exceptional items	- 93			
Published net income attributable to equity holders of the parent	3,242	+11.6%	3,763	+9.5%
ROE	6.0%	-0.2 pt	10.0%	+1.0 pt

2014 figures presented pro forma, cf. the note on methodology included at the end of this press release

The core business lines are Commercial Banking and Insurance (with the Banque Populaire and Caisse d'Épargne retail networks in addition to Crédit Foncier, Banque Palatine and BPCE International), and the Investment Solutions, Wholesale Banking, and Specialized Financial Services divisions (Natixis).

* Excluding non-economic and exceptional items

CONSOLIDATED RESULTS OF GROUPE BPCE FOR THE 4TH QUARTER OF 2015

In millions of euros	Q4-15	Q4-15/ Q4-14 pf % change	Core business lines Q4-15	Q4-15/ Q4-14 pf % change
Net banking income *	5,936	+4.2%	5,755	+3.8%
Operating expenses *	-4,222	+4.5%	-3,942	+4.5%
Gross operating income *	1,714	+3.6%	1,813	+2.4%
Cost of risk *	-445	+1.5%	-463	-4.7%
Income before tax *	1,332	+5.8%	1,418	+5.8%
Net income attributable to equity holders of the parent *	625	-13.2%	741	-3.7%
Restatement for the impact of IFRIC 21	-45		-42	
Net income attributable to equity holders of the parent**	580	-14.4%	699	-4.1%
Cost/income ratio**	72.2%	-0.1 pt	69.5%	+0.3 pt
ROE**	4.1%	-0.4 pt	7%	-1 pt
Impact on net income of non-economic and exceptional items	1			
Reintegration of the impact of IFRIC 21	45		42	
Published net income	626	+10.7%	741	+1.3%

Q4-14 figures presented pro forma, cf. the note on methodology included at the end of this press release

The core business lines are Commercial Banking and Insurance (with the Banque Populaire and Caisse d'Épargne retail networks in addition to Crédit Foncier, Banque Palatine and BPCE International), and the Investment Solutions, Wholesale Banking, and Specialized Financial Services divisions (Natixis).

* Excluding non-economic and exceptional items

** Excluding non-economic and exceptional items and after restating to account for IFRIC 21 impact

2. CONTINUED STRENGTHENING OF THE BALANCE SHEET IN THE 4TH QUARTER OF 2015

2.1 Substantial increase in the total capital ratio, in line with the early 2019 target of 18%¹¹ making it possible to comply with the TLAC

Groupe BPCE enjoys a high level of total capital ratio¹², estimated at 17.0%¹³ at December 31, 2015, up 140 basis points compared with December 31, 2014. This strengthening of the capital ratio can chiefly be explained by the increase in the *Common Equity Tier-1* (or CET1) ratio by 120 basis points during the period and, to a lesser extent, by the 20 basis-point increase in Tier-2 capital net of the reduction of the additional Tier-1 capital (AT1).

Total capital increased by 5.2 billion euros in the course of 2015, rising from 61.2 billion euros at December 31, 2014 to an estimated 66.4 billion euros at December 31, 2015. In line with the Group's priorities regarding its regulatory capital, growth in total capital is largely related to the 4.3 billion-euro increase in CET1 capital, which rose from 47.3 billion euros at December 31, 2014 to 51.6 billion euros at December 31, 2015. During the same period, AT1 capital was reduced by 2.2 billion euros following the exercise of call options on former hybrid Tier-1 issues. This capital was refinanced by Tier-2 issues for a similar amount. Tier-2 capital increased overall by 3.1 billion euros if account is taken of the Tier-2 issues for a total of 3.2 billion euros completed in 2015.

The capital adequacy of Groupe BPCE continued to improve in the 4th quarter of 2015 with a CET1 ratio¹² estimated at 13.2% at December 31, 2015, up 120 basis points compared with December 31, 2014 (12.0%). This increase in the CET1 ratio is chiefly due to retained earnings¹⁴, which has had an impact of 73 basis points since December 31, 2014 (including 14 basis points since September 30, 2015). Groupe BPCE is able to retain a high percentage of its earnings on a recurring basis with a view to creating a significant CET1 buffer. During 2015 as a whole, reserves¹⁵ increased by 3.4 billion euros, rising from 27.1 billion euros at December 31, 2014 to an estimated 30.5 billion euros at December 31, 2015.

Risk-weighted assets remain tightly managed. Their aggregate total was reduced in 2015, falling from 393 billion euros at December 31, 2014 to 391 billion euros at December 31, 2015.

At December 31, 2015, the leverage ratio¹⁶ (under Basel 3) stood at 5.0% against 4.5% at December 31, 2014.

2.2 Liquidity reserves largely covering short-term fundings

Liquidity reserves¹⁷ cover 138% of aggregate short-term funding outstandings and medium/long-term and subordinated debt maturing in one year or less. Liquidity reserves were equal to 161 billion euros at December 31, 2015 (against 172 billion euros at December 31, 2014), including 115 billion euros of available assets eligible for central bank funding (111 billion euros at December 31, 2014) and 46 billion euros in cash placed with central banks (61 billion euros at December 31, 2014).

The customer loan/deposit ratio¹⁸ of Groupe BPCE continues to improve and stood at 119%¹⁷ at December 31, 2015 against 121% one year earlier.

¹¹ CRR/CRD 4 without transitional measures; taking account of the estimated impact of the application of IFRS 9 at January 1, 2018

¹² CRR/CRD 4 without transitional measures after restating to account for deferred tax assets on tax loss carryforwards

¹³ The estimated ratio is 16.7% with the deduction of all deferred tax assets

¹⁴ Retained earnings, taking account of the projected distribution of dividends

¹⁵ Reserves net of prudential restatements

¹⁶ Estimate at Dec. 31, 2015 according to the rules of the Delegated Act published by the European Commission on October 10, 2014 – without CRR/CRD 4 transitional measures after restating to account for deferred tax assets on tax loss carryforwards; the estimated leverage ratio remains 5.0% with the deduction of all deferred tax assets; cf. note on methodology at the end of this press release; N.B. the adjustment of the basis used to compute the leverage ratio with respect to savings products centralized with the Caisse des Dépôts et Consignations is subject to authorization from the European Central Bank

¹⁷ Figures as at Dec. 31, 2015 take account of a deliberate over-centralization of regulated funds committed at end-2015 but effective at the very beginning of 2016

¹⁸ Excluding SCF (Compagnie de Financement Foncier, the Group's *société de crédit foncier* – a French legal covered bonds issuer)

The liquidity coverage ratio (LCR) was in excess of 110%¹⁹ at December 31, 2015.

2.3 108% of the 2015 medium/long-term wholesale funding plan was completed by December 31, 2015

Groupe BPCE's ability to access major debt markets allowed it to raise medium-/long-term (MLT) resources for an aggregate total of 27.1 billion euros at December 31, 2015, equal to 108% of the 2015 funding plan for 25 billion euros. Average maturity at issue stands at 5.2 years and the average interest rate is equal to mid-swap +18bps. At December 31, 2015, 55% of the MLT funding of Groupe BPCE had been completed in the form of public bond issues (45% in the form of private placements).

The structure of 2015 MLT funding is in line with the Group's objectives. At December 31, 2015, 68% of the MLT funding program had been completed in the form of unsecured bond issues, representing an aggregate total of 18.4 billion euros. More specifically, a total of 15.8 billion euros was placed in the form of senior debt and 2.6 billion euros in the form of Tier-2 securities (if account is taken of the Tier-2 bond issues distribution via our retail banking networks in 2015, aggregate Tier-2 issues are equal to 3.2 billion euros).

Covered bond issues accounted for 32% of MLT funding, or 8.7 billion euros.

Groupe BPCE continues to raise substantial funds thanks to a greater diversification of its investor base. As a result, 44% of the unsecured bonds issued in the institutional market were placed in currencies other than the euro (notably 18% in USD and 15% in JPY).

The aim of the projected 2016 MLT funding plan is to raise a total of 24 billion euros. Unsecured bond issues should represent 16-18 billion euros (or between 67 and 75% of the total plan), including 13-17 billion euros in the form of senior debt and 1-3 billion euros in Tier-2 debt (excluding Tier-2 bond issues sold through the retail banking networks). Covered bond issues should amount to between 6 and 8 billion euros (or 25-33% of the plan).

At February 2, 2016, 6.8 billion euros had already been raised, representing 28% of the projected funding plan (70% in the form of unsecured issues, 30% in the form of covered bonds).

¹⁹ Based on Groupe BPCE's understanding of the latest Basel 3 standards available

3. RESULTS²⁰ OF THE BUSINESS LINES: GOOD COMMERCIAL PERFORMANCE OF THE CORE BUSINESS LINES

3.1 Commercial Banking & Insurance: customer dynamics mitigates the impact of the decline in rates on customer net interest margin

The Commercial Banking & Insurance business line groups together the activities pursued by the Banque Populaire and Caisse d'Épargne retail banking networks, and those of the Other Networks division comprised of the subsidiaries of BPCE International, Banque Palatine, Crédit Foncier and the minority interest in CNP Assurances.

The Banque Populaire banks and Caisses d'Épargne put up a solid commercial performance throughout 2015. Aggregate customer deposits & savings stood at 628 billion euros at December 31, 2015, up 23 billion euros year-on-year. This growth was chiefly driven by an increase in on-balance sheet savings (+4.8% year-on-year, equal to an increase of 20 billion euros), driven notably by strong growth in demand deposits and the attractiveness of regulated home savings plans. Off-balance sheet deposits & savings increased by 4 billion euros in 2015, buoyed up by the strong momentum enjoyed by life insurance, whose funds rose by 3.5% over the year.

Loan outstandings stood at 397 billion euros at December 31, 2015, representing 4.2% growth year-on-year, or an increase of 16 billion euros, driven by extremely buoyant growth in home loans and consumer finance, and by the continuing recovery in lending to corporate customers, a segment that enjoyed 19% growth in new loan production during the 12-month period. As such, Groupe BPCE confirms its active role in financing the French economy.

Nominated the "2015 Bank of the Year in France"²¹ by *The Banker* magazine in recognition for its economic and sales performance, its financial strength and achievements in terms of innovation, Groupe BPCE is actively pursuing the digital transformation of its customer relationship model. Two-thirds of all customers have taken out subscriptions for its online banking services and 50% of connections are made using the mobile apps made available to its clientele. In the retail banking segment, remote sales have increased by 67% thanks, in particular, to the drive to simplify the customer pathway and to digitize processes. The use of electronic signatures is available for the greater part of our product range and in all the different channels offered by the two banking networks: 2.5 million contracts have already been signed electronically.

Banque Populaire is continuing to offer its customers a range of increasingly more innovative services. The "Connect Innovation" innovation-based mutual fund set up by Seventure Partners, a Natixis subsidiary, has transformed relations between investors, the management team and the entrepreneurs behind the new businesses with the creation of an interactive dimension: investors can give their opinion about the short-listed companies, keep up with the news about the companies in the portfolio, and discuss with the senior managers of the investee companies at meetings and other events. In addition, in order to enhance the customer experience, Banque Populaire has equipped its branches with 14,000 iPad devices.

The Caisse d'Épargne has launched *NéoBusiness*, an ecosystem designed to meet the specific needs of start-ups and innovative companies by providing them with dedicated customer advisors, business incubator-style spaces as well as an online collaborative platform dedicated to innovative projects (www.neo-cluster.fr). For individual customers, the *Livrets À Connecter* electronic piggybank rolled out at the end of the year, got off to an excellent start with 1,000 children's savings accounts opened in just 10 days.

In October 2015, Groupe BPCE, working through its S-Money subsidiary, finalized the acquisition of the LePotCommun.fr start-up company, a major player in online pools of money in France. The aim of this merger is to make this new entity the front-ranking specialist in community payments both in France and Europe.

²⁰ Q4-14 and 2014 figures are presented pro forma (cf. the note on methodology included at the end of this press release), unless specified to the contrary, all changes are vs. Dec. 31, 2014

²¹ The "Banker Award" was presented to Groupe BPCE on December 3, 2015

Financial results²⁰ of the Commercial Banking & Insurance business line for full-year 2015 and the 4th quarter of 2015

The **revenues** generated by the Commercial Banking & Insurance business line for full-year 2015 came to 15,414 million euros (excluding changes in provisions for home purchase savings plans), equal to growth of 2.6% compared with full-year 2014. Revenues stood at 3,680 million euros (excluding changes in provisions for home purchase savings plans) in the 4th quarter of 2015, representing a 0.8% decline compared with the corresponding period in 2014. In an environment characterized by low interest rates, the net interest margin remains under pressure while commissions progress, buoyed up by the continued high level of loan renegotiations and early redemption fees in addition to growth in commissions earned on payments processing.

Operating expenses remain under tight management and stand at 10,035 million euros for 2015 as a whole, stable compared with full-year 2014 (+0.4%). They amounted to 2,583 million euros in the 4th quarter of 2015, virtually unchanged compared with the same period in 2014 (+0.3%).

The **cost/income ratio** showed a 1.2-point improvement compared with full-year 2014 and currently stands at 65.3%.

Gross operating income came to 5,336 million euros for 2015 as a whole, up 5.7% year-on-year. This financial metric then declined in the 4th quarter of 2015 by 5.8%, to 1,090 million euros.

The **cost of risk**, which stood at 1,403 million euros for full-year 2015, has improved with a 5.0% reduction. Equal to 397 million euros in the 4th quarter of 2015, it has been trimmed by 5.0% compared with the same period in 2014.

The **contribution of the Commercial Banking & Insurance business line to the Group's income before tax** stands at 4,143 million euros for 2015 as a whole, up 9.4% compared with full-year 2014. The Caisses d'Épargne accounted for 46% of this result, the Banque Populaire banks contributed 39% and the Other networks contributed 15%. Income before tax for the 4th quarter of 2015 came to 742 million euros, representing a decline of 5.7%. Restated to account for the impact of IFRIC 21, it stands at 699 million euros, down 4.8% compared with the same period in 2014.

The **ROE** rose 1 percentage point to 9% for full-year 2015.

3.1.1 Banque Populaire: growth in all business lines in 2015

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 is pursuing its development strategy aimed at priority customer categories, leading to a 1.4% year-on-year increase in the number of principal active customers using banking services (+47,000 clients) and to 7.3% year-on-year growth in the number of its individual customers using banking services and insurance products (+77,000 customers).

- **Deposits & savings**

Customer deposits & savings recorded strong growth of 12 billion euros year-on-year, rising to an aggregate total of 229 billion euros at December 31, 2015. On-balance sheet deposits & savings came to 162 billion euros, equal to growth of 7.5% on a rolling 12-month basis driven by demand deposits (+13.4%) and home purchase savings plans (+9.5%). At the same time, life funds enjoyed year-on-year growth of 4.1%.

- **Loan outstandings**

Customer loan outstandings stood at 173 billion euros at end-December 2015, recording growth of 3.1% year-on-year. Home loan outstandings, which rose 5.4% on a year-on-year basis, were buoyed up by new loan production for a total of 21.1 billion euros in the course of 2015. The production of new consumer loans was extremely dynamic, rising 16% year-on-year compared with the corresponding period in 2014. The production of new equipment loans during the period confirms the recovery first noted at the end of 2014 with growth of 14% in 2015, triggering renewed growth in this segment (+1.0%).

- **Insurance**

The portfolio of P&C, provident and health insurance contracts continued to grow, with a year-on-year increase of 8.7% in P&C insurance cover and 7.7% growth in provident and health insurance contracts.

- **Financial results**

Net banking income for full-year 2015 came to 6,520 million euros (excluding changes in provisions for home purchase savings plans), up 2.4% versus 2014. This change is notably the result of a 6.8% decline in the net interest margin on customer operations (excluding changes in provisions for home purchase savings plans) and 5.9% growth in commissions. Net banking income for the 4th quarter 2015 stands at 1,543 million euros (excluding changes in provisions for home purchase savings plans), equal to a decline of 1.4% compared with the 4th quarter of 2014.

Operating expenses for full-year 2015, which came to 4,284 million euros, remain stable compared with 2014. In the 4th quarter of 2015, they amounted to 1,091 million euros, representing a 2.1% reduction compared with the same period in 2014.

The 2015 **cost/income ratio** shows a 1.5-point improvement compared with 2014 to reach 65.8%.

Gross operating income for full-year 2015 is equal to 2,222 million euros, up 7.2% compared with full-year 2014. It came to 452 million euros in the 4th quarter of 2015, up 0.6% compared with the corresponding period in 2014.

The **cost of risk** in full-year 2015, equal to 624 million euros, has been reduced by a significant 11.7% compared with 2014. Amounting to 179 million euros in the 4th quarter of 2015, it is 17.3% lower than in the 4th quarter of 2014.

Income before tax for full-year 2015 enjoyed 16.3% year-on-year growth to reach a total of 1,631 million euros. It came to 276 million euros in the 4th quarter of 2015, representing an increase of 14.2% compared with the same period in 2014. When restated to account for the impact of IFRIC 21, income before tax for the 4th quarter 2015 come to 259 million euros, representing a 17.0% increase compared with the 4th quarter of 2014.

3.1.2 Caisse d'Épargne: the strategy of expanding banking services and products has led to growth in deposits, loans and the insurance portfolio

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

- **Customer base**

The strategy of increasing the delivery of banking services to individual customers of the Caisse d'Épargne network was pursued throughout 2015 and led to 1.9% growth in the number of principal active customers using banking services, i.e. an additional 95,000 customers. In the professional and corporate customer segments, the strategy of winning new customers led to 3.7% growth in the number of active customers (+9,000 customers).

- **Deposits & savings**

Aggregate deposits & savings rose by 11 billion euros year-on-year compared with December 31, 2014, to reach 399 billion euros at December 31, 2015. Aggregate on-balance sheet deposits & savings stand at 270 billion euros, up 3.2% compared with December 31, 2014. Demand deposits enjoyed growth of 14.6%, home purchase savings plans rose by 10.7%, term accounts increased by 10.9% while passbook savings accounts suffered a decline of 4.0%. At the same time, life funds enjoyed 3.3% year-on-year growth.

- **Loan outstandings**

Customer loan outstandings amounted to 225 billion euros at December 31, 2015, up 5.0% compared with December 31, 2014. Home loans, which rose by 5.7%, benefited from dynamic new loan production of 29.4 billion euros recorded during the year. Consumer finance enjoyed 17% growth in new loan production in 2015 compared with 2014. The recovery in equipment loans was confirmed with new production of loans granted to corporates up 19% in 2015, leading to a 3.6% increase in aggregate outstandings.

- **Insurance**

The Caisse d'Épargne retail banking network has maintained strong growth in its insurance activities, leading to 12.9% growth in its portfolio of P&C contracts and growth of 11.7% in the provident and health segment.

- **Financial results**

Net banking income for full-year 2015 stands at 7,320 million euros (excluding changes in provisions for home purchase savings plans), up 1.1% compared with full-year 2014. This change is the result of a 5.0% decline in the net interest margin on customer operations (excluding changes in provisions for home purchase savings plans) and 6.5% growth in commissions. Net banking income for the 4th quarter of 2015 amounts to 1,757 million euros (excluding changes in provisions for home purchase savings plans), representing a 2.1% decline compared with the 4th quarter of 2014.

Operating expenses, which amount to 4,809 million euros for full-year 2015, have increased by a marginal 1.0% compared with 2014. In the 4th quarter of 2015, operating expenses stood at 1,247 million euros, up 2.0% compared with the same period in 2014.

The **cost/income ratio** has deteriorated by a margin 0.5 point to stand at 66.0% for 2015 as a whole.

Gross operating income for full-year 2015 is equal to 2,482 million euros, down 1.1% compared with 2014. It came to 504 million euros in the 4th quarter of 2015, down 15.6% compared with the corresponding period in 2014.

The **cost of risk**, which came to 569 million euros for 2015 as a whole, is 3.2% lower than in 2014. Standing at 149 million euros in the 4th quarter of 2015, it has declined by 6.0% compared with the 4th quarter of 2014.

Income before tax for full-year 2015 is equal to 1,914 million euros, virtually unchanged compared with 2014 (-0.3%). It came to 359 million euros in the 4th quarter of 2015, representing a decline of 18.0% compared with the 4th quarter of 2014. When restated to account for the impact of IFRIC 21, income before tax in the 4th quarter of 2015 comes to 341 million euros, representing an 18.2% decline compared with the same period in 2014.

3.1.3 Other networks

The contribution of the **Other networks** sub-division to the income before tax of Groupe BPCE stands at 598 million euros for 2015 as a whole, up 29.0% compared with 2014. In the 4th quarter of 2015, it stands at 99 million when restated to account for the impact of IFRIC 21, equal to an increase of 2.6%.

- **Real estate Financing**

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

Crédit Foncier enjoyed dynamic commercial activities throughout 2015 and remains the No.1 lender to low-income households²².

Aggregate new loan production came to 10.4 billion euros for full-year 2015, of which more than 8 billion euros in the individual customer segment, representing 15% growth compared with full-year 2014. This new loan production went hand-in-hand with an improvement in margins.

For 2015 as a whole, the **net banking income** of the Real estate Financing division rose by 4.3% year-on-year, restated to account for exceptional items, including the CVA/DVA impact and the transfer to BPCE, in September 2014, of the RMBS portfolio. Net banking income in the 4th quarter of 2015 came to 194 million euros, up 1.3% compared with the 4th quarter of 2014.

Operating expenses, which amounted to 515 million euros for 2015 as a whole, have declined by 5.7% compared with 2014, taking advantage, in particular, of the combined decline in payroll costs and IT expenses. Operating expenses came to 128 million euros in the 4th quarter of the year, down 2.2% versus the same period in 2014. The pooling of the IT resources of Crédit Foncier with those of the Caisses d'Épargne was completed on November 15, 2015, in full compliance with the deadlines and budget fixed in 2012.

The **cost/income ratio**²³ has improved by 12.4 points compared with 2014 and now stands at 58.8%.

The **cost of risk, restated to reflect the transfer of HETA Asset Resolution AG securities (allocated to the Corporate Center)**, stands at 134 million euros for full-year 2015, up 21.6% versus 2014, against a backdrop of economic stress for low-income households. It stands at 45 million euros for the quarter.

Income before tax, restated to reflect the transfer of **HETA Asset Resolution AG securities (allocated to the Corporate Center)**, comes to 230 million euros for full-year 2015. **When restated to account for the impact of IFRIC 21, income before tax** is equal to 15 million euros in the 4th quarter of 2015.

²² With a market share of 36% for State-subsidized home loans (*prêt à l'accession sociale*); SGFGAS figures as at Dec. 15, 2015

²³ If the bi-curve and CVA/DVA impact is excluded, the cost/income ratio would stand at 63.2%, down 7.4 percentage points versus 2014

- **CNP and Others**

The principal entity comprising the 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'Épargne came to 9.8 billion euros in full-year 2015, equal to 10.3% growth year-on-year. 60% of this growth can be attributed to the private banking activity, up from 57% in 2014. The proportion of unit-linked contracts reflects the good commercial momentum enjoyed by the Caisses d'Épargne (17% of gross new inflows as at December 31, 2015 versus 14.9% at December 31, 2014). Gross life insurance premium inflows reached 2.5 billion euros in the 4th quarter of 2015, up 31.4% compared with the 4th quarter of 2014.

- **BPCE International²⁴**

BPCE International represents all the international subsidiaries of Groupe BPCE, with the exception of Natixis.

The customer deposits & savings of BPCE International enjoyed 3.8% year-on-year growth, rising to 5.3 billion euros at December 31, 2015. This growth was driven by a 4.2% increase in on-balance sheet deposits & savings (excluding demand deposits, and by 4.8% growth in demand deposits while off-balance sheet savings experienced a year-on-year decline of 3.2%.

Customer loan outstandings, which stood at 6.0 billion euros at end-December 2015, suffered a 4.7% decline compared with end-2014. In the individual customer segment, home loan outstandings rose by 8.4% while consumer finance was up 2.8%. In the corporate customer segment, medium-/long-term loan outstandings are down by 13.0%, reflecting the impact of the transfer of a loan portfolio for a total of 481 million euros to the Caisse d'Épargne Provence-Alpes-Corse.

- **Banque Palatine**

At December 31, 2015, the customer deposits & savings²⁵ of Banque Palatine enjoyed growth of 5.5% driven by on-balance sheet fund inflows to reach a total of 17.8 billion euros. The corporate customer segment rose 6.5% reflecting the dynamism of new fund inflows through the sharp increase in outstanding demand deposits. In the private banking customer segment, outstandings rose by 2.4%, buoyed up by growth in on-balance sheet deposits & savings (+2.8%) and the increase in off-balance sheet deposits & savings (+2.2%).

The capture of new customers was also buoyant in both market segments with 3.3% growth among "core target" corporates (generating annual net sales in excess of 15 million euros) and an increase of 25.5% among private banking customers (individuals investing more than 50,000 euros when first opening an account).

Customer loan outstandings rose 7.4% to reach 8.3 billion euros at December 31, 2015. Reflecting intense activity in loan distribution, outstanding loans granted to corporate customers saw an 8.6% increase during the year. In the private banking customer segment, the dynamism of new home loan production led to an increase in outstandings in this segment of 2.2%.

²⁴ 2014 figures presented pro forma to account for the transfer in Q3-15 of the entire equity interests held by BPCE International in Banque de la Réunion, Banque des Antilles Françaises and Banque de Saint-Pierre-et-Miquelon to the Caisse d'Épargne Provence-Alpes-Corse (CEPAC)

²⁵ Outstandings at end-December 2015 for loan outstandings, and average outstandings in December 2015 for deposits & savings

3.2 Core business lines de Natixis^{26,27} (Investment Solutions, Wholesale Banking and Specialized Financial Services): enhanced profitability in 2015 chiefly driven by Asset Management

The **net banking income** of the core business lines of Natixis (Investment Solutions, Wholesale Banking, and Specialized Financial Services) came to 7,878 million euros at December 31, 2015, equal to growth of 12.4%. In the 4th quarter of 2015 it stood at 2,082 million euros, up 15.0% compared with the 4th quarter of 2014.

The **operating expenses** of the core business lines of Natixis amounted to 5,085 million euros at December 31, 2015, up 11.7% on a year-on-year basis. They rose 13.6% in the 4th quarter of 2015 compared with the corresponding period in 2014 to reach a total of 1,359 million euros.

The **gross operating income** of the core business lines of Natixis came to 2,793 million euros at December 31, 2015, up 13.6% year-on-year. It stood at 723 million euros for the last quarter of 2015, representing year-on-year growth of 17.7%.

The **cost of risk** of the core business lines of Natixis has declined marginally (-1.5%) to stand at 253 million euros at December 31, 2015. In the 4th quarter of 2015, it came to 66 million euros, down 2.9%.

The **income before tax** of the core business lines of Natixis enjoyed year-on-year growth of 15.3% to reach 2,588 million euros at December 31, 2015. If the results are restated to account for the impact of IFRIC 21, income before tax stood at 659 million euros for the 4th quarter of 2015, up 22.8% compared with the corresponding period in 2014.

- The **Investment Solutions division** posted **income before tax** equal to 1,164 million euros at December 31, 2015, up 40.6% compared with December 31, 2014. The Investment Solutions division accounted for 45% of the **income before tax** of the core business lines.
- In the **Wholesale Banking division**, **income before tax** stood at 1,023 million euros at December 31, 2015, down by 1.9%. The Wholesale Banking division accounted for 40% of the **income before tax** of the core business lines.
- The **income before tax of the Specialized Financial Services (SFS) division** boasts 7.4% year-on-year growth to stand at 401 million euros at December 31, 2015. The Specialized Financial Services division accounted for 40% of the **income before tax** of the core business lines.

Restated to account for the impact of IFRIC 21, the **cost/income ratio** of the core business lines of Natixis came to 64.5% at December 31, 2015, representing a decline of 0.3 of a percentage point. In the 4th quarter of 2015, it stood at 66.1%, down by 0.9 point.

Restated to account for the impact of IFRIC 21, the **ROE** came to 12% at December 31, 2015 and has increased by 1 percentage point from one year to the next. It stood at 12% in the 4th quarter of 2015, reflecting a 1 percentage point increase compared with the 4th quarter of 2014.

(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).

²⁶ The figures given for the contribution to Groupe BPCE are different from those published by Natixis

²⁷ 2014 and Q4-14 figures are presented pro forma (cf. note on methodology) and, more particularly, the 2014 figures have been restated to account for changes in methodology related to the application of IFRS13 (-€37m in net banking income) and the initial impact of FVA in Q4-14 (-€82m)

3.3 Equity interests

The Equity Interests division includes the Group's stake in Natixis (including Coface and the Private Equity activities).

In 2015, the net banking income of the Equity interests division (excluding non-economic and exceptional items) came to 827 million euros, down 0.4% compared with 2014. During the 4th quarter, net banking income stood at 190 million euros, down 2.8% on a year-on-year basis. Income before tax (excluding non-economic and exceptional items) stood at 141 million euros in full-year 2015, up 6.2% year-on-year. It amounted to 14 million euros in the 4th quarter of 2015 after restating to account for the IFRIC 21 impact.

- **Coface: gradual improvement in the loss ratio since the 2nd quarter of 2015**

The Board of Directors of Coface has appointed Xavier Durand to the position of Chief Executive Officer and has entrusted him with the key mission of enhancing the company's sales momentum and implementing the structural changes needed to continue improving the entity's operational efficiency.

Despite the difficult economic environment, the credit insurance specialist is pursuing its commercial development. Turnover, which came to 1,490 million euros for full-year 2015, enjoyed 3% growth compared with full-year 2014. During the same period, Coface trimmed its operating expenses by 1%.

Coface is increasing its combined ratio (net of reinsurance) which has risen from 79.7% in 2014 to 83.1% in 2015.

In the 4th quarter of last year, the loss ratio, which stood at 52.6%, shows an improvement of almost one percentage point compared with the 3rd quarter of 2015 (53.5%) despite what remains a challenging situation of certain emerging countries.

For further details about the financial results for the 4th quarter and full-year 2015, please consult the Investors/Results section of the corporate website www.bpce.fr

Notes on methodology

Presentation of pro forma 2014 quarterly and full-year results

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'Épargne, and the Other networks sub-division (formerly "Insurance and Other networks") that chiefly comprises the Banque Palatine, BPCE International, 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.

On September 18, 2015, BPCE International transferred to the Caisse d'Épargne Provence-Alpes-Corse the equity interests it held in Banque de la Réunion, Banque des Antilles Françaises and Banque de Saint-Pierre-et-Miquelon. The results generated by these entities have been attributed retroactively to the Caisse d'Épargne sub-division as of January 1st, 2014. This operation has no impact on the Commercial Banking & Insurance division as a whole.

Following the sale of part of the capital and voting rights of Nexity, the Group's residual interest in this company was accounted for by the equity method at December 31, 2014. At June 30, 2015, the Group's equity interest in Nexity was removed from the scope of consolidation as additional equity divestments had been completed in Q2-15.

Furthermore, the application of IFRS 10 and IFRS 11 has led to changes in the scope of consolidation of the Crédit Coopératif group.

The fact that IFRIC 21 has been applied retroactively from January 1st, 2014 means that taxes and levies imposed by a public authority must be recognized as an expense as of Q1 when the obligating event occurs in Q1 (previously, these taxes and levies were generally recognized throughout the year).

As of Q1-15, regulatory capital is allocated to Groupe BPCE business lines on the basis of 10% of their Basel 3 average risk-weighted assets (up from the 9% used previously).

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

Exceptional items

The figures and comments contained in this presentation are based on the income statements of Groupe BPCE and its business lines restated to reflect the exceptional accounting items listed on slide 6 of the presentation of the full-year results. A reconciliation of the restated income statement with the income statement published by Groupe BPCE is provided in an annex to this document.

Leverage ratio

The leverage ratio is calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014, without transitional measures, after restating to account for deferred tax assets on tax loss carryforwards. Securities financing operations carried out with clearing houses are offset on the basis of the criteria set forth in IAS 32, without consideration of maturity and currency criteria. No account is taken of savings products centralized in the Caisse des Dépôts et Consignations in the total leverage exposure.

About Groupe BPCE

Groupe BPCE, the 2nd-largest banking group in France, includes two independent and complementary cooperative commercial banking networks: the network of 18 Banque Populaire banks and the network of 17 Caisses d'Épargne. 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 35 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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