REGISTRATION DOCUMENT AND FULL-YEAR FINANCIAL REPORT

2018

GROUPE BPCE

Contents

Items contained in the Annual Financial Report are flagged in the Table of Contents with the following icon AFR

TRANSPARENCE LABEL BRONZE This certification recognizes the most transparent Registration Documents according to the criteria of the Annual Transparency Ranking.

2018 Registration Document and Annual Financial Report

The English version of this report is a free translation from the original which was prepared in French. All possible care hasbeen taken to ensure that the translation is an accurate presentation of the original. However, in matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

Only the French version of the registration document has been submitted to the AMF. It is therefore the only version that is binding in law.

The original document was filed with the Autorité des Marchés Financiers (AMF – French Securities Regulator) on April 2, 2019, in accordance with Article 212-13 of the AMF's General Regulations. It may be used in support of a financial transaction only if supplemented by a Transaction Note that has received approval from the AMF. This document was prepared by the issuer and its signatories are responsible for its contents.

This document includes all elements of the annual financial report specified by Section I of Article L. 451-1-2 of the Code monétaire et financier and Article 222-3 of the AMF's General Regulations. A table allowing cross-referencing between the documents specified in Article 222-3 of the AMF's General Regulations and the corresponding sections of this document is provided on pages 731 and 732.

Copies of this registration document may be obtained free of charge from BPCE, 50, avenue Pierre Mendès-France 75013 Paris.

1 PRESENTATION OF GROUPE BPCE

1.1 Groupe BPCE: committed to serving its customers and the economy

Groupe BPCE conducts all banking and insurance businesses through its two main cooperative networks – the Banque Populaire banks and the Caisses d'Epargne – and their subsidiaries.

Groupe BPCE, the second largest banking group in France[1] with its two leading brands, Banque Populaire and Caisse d'Epargne, has established extensive regional roots. Its 105,000 employees serve 30 million customers, including 9 million cooperative shareholders. The Group's companies adapt their banking and insurance business as closely as possible to the needs of individuals and local areas.

Groupe BPCE offers its customers a full range of products and services, including deposits and savings, placement, payment, financing, insurance and investment solutions.

In keeping with its cooperative structure, the Group builds long-term relationships with its customers and helps them achieve their goals, and as such finances more than 20%[2] of the French economy.

Groupe BPCE's product and service offer is expanded by its subsidiaries, both in France and internationally.

Natixis' Asset & Wealth Management division develops investment solutions tailored to different customer bases, drawing on global asset management expertise. Its activities meet the savings, investment, risk management and advisory needs of retail and institutional clients.

The Corporate & Investment Banking division advises and serves corporates, institutional investors, insurance companies, banks and public sector entities. It offers them a diversified range of solutions, both on the capital markets and in terms of financing and transaction banking services.

The Corporate & Investment Banking division operates in all major financial centers *via* three international platforms: North & South America, Asia-Pacific and EMEA (Europe, Middle East, Africa).

KEY FIGURES - GROUPE BPCE

9 million cooperative shareholders

30 million customers

105,000 employees

> 20% of loans to the French economy[2]

(1) *Market share: 21.5% of on-balance sheet customer deposits & savings and 21.1% of customer loans (source: Banque de France Q3 2018 – all non-financial customers combined).*
(2) *21.1% market share in loan outstandings, all non-financial sector customers combined (source: Banque de France Q3 2018).*

1.2 History

2024

Groupe BPCE is the first premium partner of the Paris 2024 Olympic and Paralympic Games

2018

Several restructuring operations initiated:

- Plans to incorporate Crédit Foncier's activities and teas into the Group;
- Plan for Natixis to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE, scheduled to take place by the end of Q1 2019.

2018 also saw the completion of the merger between Caisse d'Epargne d'Alsace and Caisse d'Epargne Lorraine Champagne-Ardenne, giving rise to Caisse d'Epargne Grand Est Europe.

2017

Groupe BPCE launches "TEC 2020", the strategic plan for 2018-2020: a combination of Digital Transformation in order to seize opportunities created by the ongoing technological revolution, Engagement toward the Group's customers, employees and cooperative shareholders, and Growth in all its core businesses.

Ongoing mergers between regional banks:

- Caisse d'Epargne Hauts de France established from the merger of Caisse d'Epargne Picardie and Caisse d'Epargne Nord France Europe;
- Banque Populaire Grand Ouest established from the merger of Banque Populaire Atlantique and Banque Populaire de l'Ouest.

2016

Two regional bank mergers completed:

- Banque Populaire Méditerranée established by the merger of Banque Populaire Côte d'Azur, Banque Populaire Provençale et Corse and Banque Chaix;
- Banque Populaire Auvergne Rhône Alpes established from the merger of Banque Populaire des Alpes, Banque Populaire Loire et Lyonnais and Banque Populaire du Massif Central.

2015

Groupe BPCE calls on Natixis Assurances to design and manage all savings and pension funds distributed by the Caisse d'Epargne network as of January 1, 2016.

2014

Groupe BPCE and CNP Assurances sign a memorandum of understanding laying down the terms of implementation of the renewed partnership as from January 1, 2016.

2013

The strategic plan for 2014-2017, "Another way to grow", focuses on development and transformation, centered on the goal of constantly striving to better meet the expectations and needs of customers, while affirming Groupe BPCE's difference as a cooperative banking structure.

2010

The first strategic plan for 2010-2013, "Together", mobilizes all our entities to become the preferred bank of the French people and their businesses.

2009: Groupe BPCE established from the combination of Groupe Banque Populaire and Groupe Caisse d'Epargne.

2006

Groupe Banque Populaire and Groupe Caisse d'Epargne take the first step towards a business combination, with the creation of their jointly-owned subsidiary, Natixis.

BANQUE POPULAIRE

1998

The acquisition of Natexis provides Groupe Banque Populaire with a publicly listed vehicle.

1962

The Banque Populaire banks open their services to individual customers.

1917

The Banque Populaire banks rapidly become major players in their regional economies, serving craftsmen, small retailers and SMEs.

1878

The first Banque Populaire bank is established in Angers, by and for entrepreneurs, the goal being to pool funds to fund their own development plans.

CAISSE D'EPARGNE

2004

By purchasing Ixis, the Group branches out into investment banking.

1999

The Caisses d'Epargne become cooperative banks.

1983

The Caisses d'Epargne qualify as non-profit credit institutions.

1895

The Caisses d'Epargne conduct operations of general public interest.

1835

The Caisses d'Epargne are recognized as "private institutions of public utility".

1818

The first Caisse d'Epargne is founded in Paris to promote, collect and manage general public savings.

1.3 Organization of Groupe BPCE

Overview

The Banque Populaire banks and the Caisses d'Epargne are owned by **9 million cooperative shareholders.** This **highly stable shareholding structure** is imbued with a strong cooperative spirit.

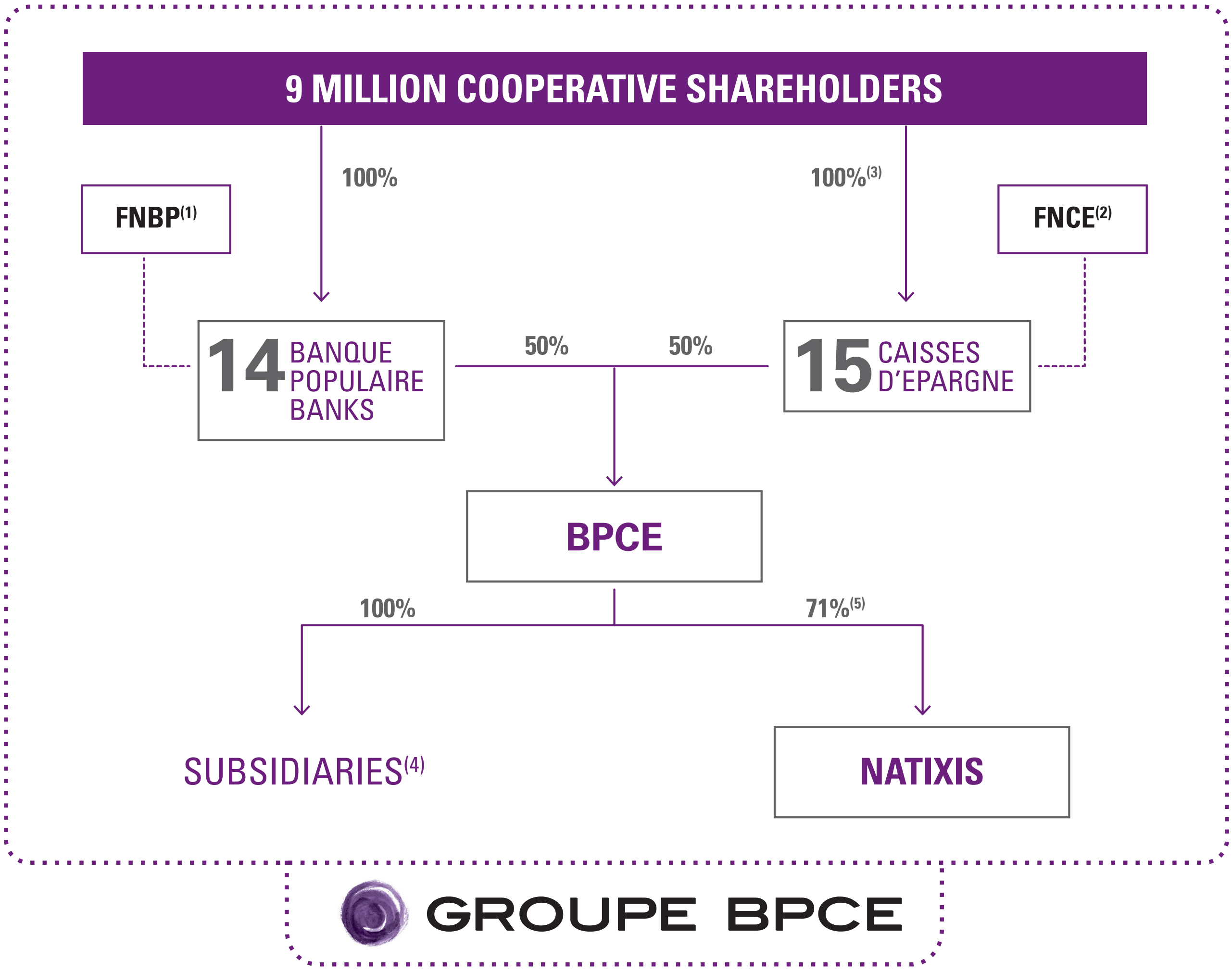
BPCE SA group, the central institution of Groupe BPCE, is wholly-owned by the **14 Banque Populaire banks and 15 Caisses d'Epargne.** It defines the policies and strategic objectives of the Group and coordinates the sales policies of each network.

The Banque Populaire banks and Caisses d'Epargne are banks in their own right. They **collect deposits and savings, distribute loans** and define their priorities.

Important members of their regional economies sit on the Boards of Directors of the Banque Populaire banks and on the Steering and Supervisory Boards of the Caisses d'Epargne. Their resources are first and foremost allocated to meet the needs of local areas and regional customers.

Drawing on their cooperative shareholding structure, the regional banks are able to develop their own regional corporate strategies and define joint strategies at Group level.

GROUPE BPCE ORGANIZATION CHART AT DECEMBER 31, 2018



(1) Fédération Nationale des Banques Populaires
(2) Fédération Nationale des Caisses d'Epargne
(3) Indirectly through Local Savings Companies
(4) Banque Palatine, Crédit Foncier, BPCE International
(5) Free float: 29%

Three-pillar structure

TWO BPCE SA GROUP COOPERATIVE SHAREHOLDER NETWORKS

Under the cooperative banking model, cooperative shareholding customers are the focal point of the Group's governance.

The Banque Populaire banks and Caisses d'Epargne are credit institutions wholly-owned by their cooperative shareholders (*via* LSCs – Local Savings Companies – for the Caisses d'Epargne).

Cooperative shareholding customers – both individuals and legal entities – **play an active part in the life, ambitions and development of their bank.**

Being a cooperative shareholder means owning a cooperative share (not quoted on the stock exchange), representing a portion of the share capital in a Banque Populaire bank or an LSC for the Caisses d'Epargne, and playing a role in the bank's operation by taking part in Annual General Shareholders' Meetings and voting to approve the financial statements and resolutions, validating management decisions and electing Directors. Voting rights are exercised in accordance with the cooperative principle of "1 person = 1 vote", no matter how many cooperative shares are held.

Each institution is governed by a Board of Directors for the Banque Populaire banks, or a Steering and Supervisory Board and a Management Board for the Caisses d'Epargne.

See Chapter 3 – Corporate governance.

BPCE SA GROUP: THE CENTRAL INSTITUTION DEDICATED TO ACHIEVING THE GROUP'S AMBITIONS

BPCE SA group is responsible for the Group's strategy, coordination and organization.

The main duties of the central institution, as defined by the act of June 18, 2009, are:

- coordinating business policies;
- representing the Group and its networks, and negotiating national/international agreements on their behalf;
- representing the Group and its networks as an employer;
- taking all necessary measures to ensure the Group's liquidity and solvency, risk management and internal control.

All credit institutions affiliated with the central institution are covered by a guarantee and solidarity mechanism.

The scope of affiliated entities is mainly comprised of the Banque Populaire and Caisse d'Epargne networks and Natixis.

See Chapter 7 – Legal information.

SPECIALIZED SUBSIDIARIES

Natixis boasts several areas of expertise, which are organized into four main business divisions: Asset & Wealth Management, Corporate & Investment Banking, Insurance and Specialized Financial Services. It serves its own customer base of corporates, financial institutions and institutional investors, as well as the individual, professional and SME customers of both Groupe BPCE networks and its subsidiaries, covering 38 countries.

As a bank for corporate and wealth management customers, **Banque Palatine** helps its customers achieve their personal and professional ambitions alike. Currently 10% of French corporations generating revenue of more than €30 million are Banque Palatine customers.

Balanced governance

The company directors of the Banque Populaire banks, Chairmen of the Boards of Directors and Chief Executive Officers of the Caisses d'Epargne, Chairmen of the Supervisory Board and the Management Board, all actively take part in the governance and development of Groupe BPCE.

Through their contributions to the various decision-making bodies, they are able to harmonize their actions and participate in the major decisions and strategic objectives that bind all entities of the Group.

The BPCE SA group Supervisory Board has 19 members: 7 members of the Banque Populaire banks, 7 members of the Caisses d'Epargne, 3 independent members and 2 employee representatives. The Supervisory Board includes six Non-Voting Directors.

The BPCE SA group Management Board has 5 members, appointed by the Supervisory Board.

The Supervisory Board's role is to continuously oversee the management decisions taken by the Management Board. It exercises its authority over both the opportunity and legality of Management Board initiatives. Cooperative shareholders are represented by the Chairmen of the Boards of Directors for the Banque Populaire banks and by the Chairmen of the Steering and Supervisory Boards for the Caisses d'Epargne.

Five **specialized committees** lay the groundwork for the deliberations and decisions of the Supervisory Board (Audit Committee, Risk Committee, Appointment Committee, Compensation Committee, Cooperative and CSR Committee). They are equally comprised of companies directors of the Banque Populaire and Caisse d'Epargne networks.

APPOINTMENT OF A NEW MANAGEMENT BOARD

The Supervisory Board appointed Laurent Mignon as Chairman of the Management Board of BPCE, replacing François Pérol as from June 1, 2018. The new Management Board, appointed by the Supervisory Board on October 4, 2018, consists of:

- Laurent Mignon, Chairman of the Management Board;
- Christine Fabresse, member of the Management Board, Head of Retail Banking and Insurance;
- Catherine Halberstadt, member of the Management Board, Head of Human Resources;
- Nicolas Namias, member of the Management Board, Chief Financial Officer;
- François Riahi, member of the Management Board, Chief Executive Officer of Natixis.

See Chapter 3 – Corporate governance.

KEY FIGURES – GOVERNANCE

12 Supervisory Board meetings in 2018

41% Gender parity on the Supervisory Board

91.9% Overall participation rate

1.4 TEC 2020: a strategic plan focused on digital transformation, commitment and growth

TEC 2020, the strategic plan for the 2018-2020 period, focuses on a combination of DIGITAL TRANSFORMATION aimed at seizing opportunities created by the ongoing technological revolution, COMMITMENT to the Group's customers, employees and cooperative shareholders, and GROWTH in all core businesses.

ACCELERATING OUR DIGITAL TRANSFORMATION

The Group plans to ramp up its digital transformation within the organizational structure established in early 2017.

The goal is to attain the highest customer satisfaction scores by raising the Group's digital NPS on par with pure players by 2020. This will be achieved by:

- developing our joint brand interfaces in a bid to provide customers with an experience of the highest standard;
- investing massively in data analytics, in order to customize our offers, measure certain risks more precisely, enhance our CRM tools and build artificial intelligence tools;
- improving the agility of our information system by tapping into Cloud resources;
- further optimizing our operating model through function-based operations, shared platforms (loan management, Group middle offices, etc.), digitization and robotization;

Digital transformation investments will be increased to €600 million per year by 2020.

STRONG COMMITMENTS TO OUR CUSTOMERS, STAFF AND COOPERATIVE SHAREHOLDERS

Customers

More expertise and solutions for our customers:

- in retail banking, a commitment of availability, advice and excellence, with 50% more specialized advisors, implementation of broader solutions in response to new customer expectations and preferences, and a continuous focus on customer satisfaction;
- in Asset Management, a range of innovative, bespoke and active investment strategies and solutions, a dedicated sales force, digital tools and an expanded presence in the Asia-Pacific region;
- in Corporate & Investment Banking, unrivaled expertise in four key sectors (Energy and Natural Resources, Infrastructure, Aviation, Real Estate and Hospitality) and more extensive customer relations.

Employees

A strong employer promise:

- to improve employability through training and internal mobility, and by providing all employees with digital tools;
- to develop the Group's image as an employer in order to attract and retain top talent;
- to continue our efforts to promote diversity among executives and company directors.

Cooperative shareholders

A responsible group, productively engaged in society:

- contributing to the regions and local ecosystems;
- committed to green growth and CSR;
- providing products and services to vulnerable customers.

AMBITIOUS GROWTH TARGETS IN ALL BUSINESS LINES

Retail Banking and Insurance

- For the **Banque Populaire banks,** developing the civil service market, consolidating our position as the leading bank for SMEs and maintaining a presence alongside company directors.
- For the **Caisses d'Epargne,** consolidating our position as the preferred bank for individual customers, and particularly those with the potential to become wealth management clients, and continuing our efforts to gain new professional and corporate customers, while maintaining leadership on the institutional market.
- Crédit Foncier: further integrating the bank's activities within the Group.
- Banque Palatine: providing an offering of high-end services focusing on dual banking relationships with company directors.
- Digitizing specialized financial services, boosting synergies with the banking networks and becoming a pure player in payments (Natixis).
- Consolidating our position as a top tier **insurer** in France (notably as one of the Top 5 in personal insurance) and integrating the entire non-life insurance value chain.

Asset Management

- Confirming our position as a world leader in active investment strategies in terms of size, profitability and capacity for innovation.
- Developing alternative strategies and solutions.
- Expanding global distribution capacities.

Corporate & Investment Banking

- Being recognized as a bank for innovative solutions and strengthening our Originate-to-Distribute model, primarily by expanding our client base of insurers and investment funds.
- Becoming the go-to bank in four key sectors: Energy and Natural Resources, Infrastructure, Aviation, Real Estate & Hospitality.

This growth will be achieved in strict compliance with the Group's financial fundamentals, *i.e.* keeping the **CET1 ratio above 15.5%** and the **TLAC ratio above 21.5%** (excluding senior preferred debt) as from early 2019 by **issuing €4 billion to €5 billion** in senior non preferred debt per year, while keeping **cost of risk on outstandings between 20 bp and 30 bp.** Groupe BPCE has set an **NBI target of more than €25 billion** by the end of 2020. The **target cost/income ratio is approximately 64% for Retail Banking and Insurance, 68% for Asset & Wealth Management,** and **60% for Corporate & Investment Banking.**

To reach these targets, the Group will rely on additional revenue synergies between Natixis, the Banque Populaire banks and the Caisse d'Epargne (over €750 million) and a cost-cutting program set to unlock €1 billion in savings on a full-year basis by 2020.

ADDITIONAL STRATEGIC OPERATIONS FOR THE DEVELOPMENT OF THE BUSINESS LINES

In retail banking:

- redeployment of Crédit Foncier activities and expertise across the Group;
- incorporation of Natixis specialized financial services in BPCE SA group;
- partnership with Auchan Holding, with BPCE planning to purchase a 50.1% stake in Oney Bank, a leading European player in consumer finance and payment activities.

In Asset Management:

- expanded expertise in the private debt market, with the acquisition of MV Credit by Natixis Investment Managers.

In Corporate & Investment Banking:

- ongoing development of the multi-boutique model in M&A Advisory, with investments in Fenchurch Advisory Partners (United Kingdom), Vermilion Partners (China) and Clipperton (France).

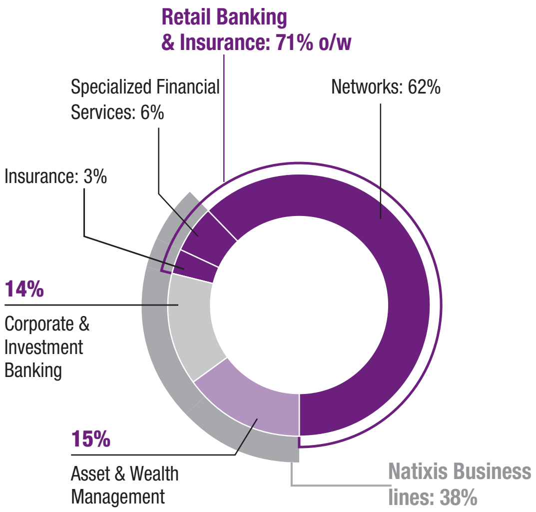
1.5 Performance of Groupe BPCE – Key figures 2018

Recurring, diversified revenue base

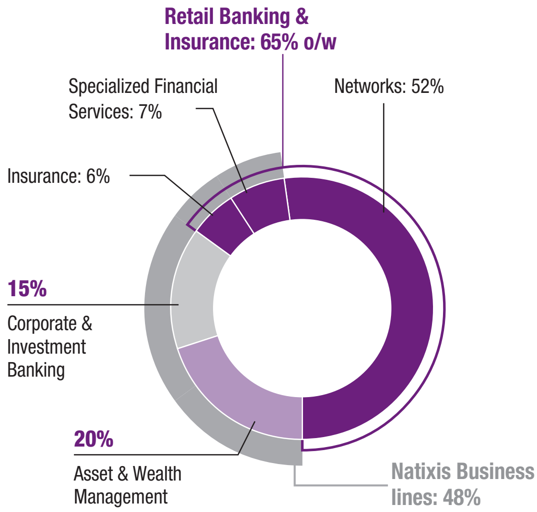
GROUPE BPCE – SUMMARY INCOME STATEMENT

in millions of euros	2018	2017	2016
Net banking income	**24,001**	**23,720**	**24,158**
Gross operating income	**6,314**	**6,621**	**7,485**
Cost/income ratio	73.7%	72.1%	69.0%
Cost of risk	1,299	1,384	1,423
Income before tax	**5,297**	**5,516**	**6,370**
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,026**	**3,024**	**3,988**

BUSINESS LINE CONTRIBUTION TO GROUPE BPCE NBI[1] IN 2018 *(AS A %)*



BUSINESS LINE CONTRIBUTION TO GROUPE BPCE INCOME BEFORE TAX[1] IN 2018 *(AS A %)*



(1) Excluding the Corporate center.

GROUPE BPCE – ACTIVITY

in billions of euros	12/31/2018	12/31/2017	12/31/2016
Balance sheet total	1,273.9	1,259.9	1,235.2
Customer loans (gross loan outstandings)	671.9[1]	704.9	679.2

(1) *IFRS 9 in effect since January 1, 2018.*

High level of solvency

GROUPE BPCE – FINANCIAL STRUCTURE AND LIQUIDITY RESERVES

in billions of euros	12/31/2018	12/31/2017	12/31/2016
Equity attributable to equity holders of the parent	66.2	64.0	61.5
Common Equity Tier 1 capital	62.2	59.0	55.3
Tier 1 capital	62.5	59.5	56.6
Total regulatory capital	76.9	74.0	72.3
Liquidity reserve	204	214	230

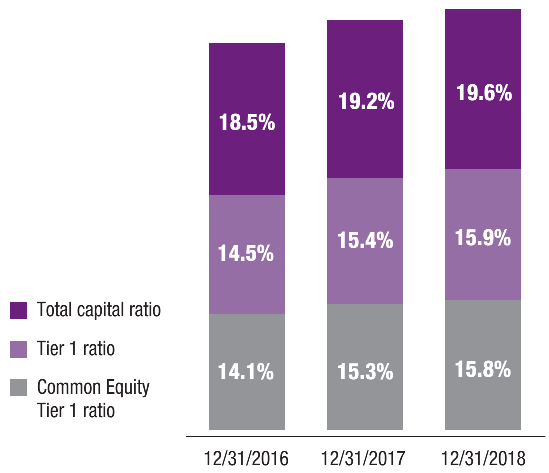
Under Basel III, taking into account CRR/CRD IV phase-in measures.

CREDIT RATINGS AT DECEMBER 31, 2018

The following ratings concern BPCE and also apply to Groupe BPCE.

	Fitch Ratings	Moody's	R&I	Standard & Poor's
Long-term rating	A+	A1	A	A+
Short-term rating	F1	P-1	–	A-1
Outlook	Stable	Stable	Positive	Stable

GROUPE BPCE – CAPITAL RATIOS



Under Basel III, taking into account CRR/CRD IV phase-in measures.

BPCE SA group indicators

SUMMARY INCOME STATEMENT

in millions of euros	2018	2017	2016
Net banking income	10,800	10,499	10,781
Gross operating income	2,005	2,358	3,076
Income before tax	1,856	2,126	2,823
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**685**	**845**	**1,664**

FINANCIAL STRUCTURE

in billions of euros	12/31/2018	12/31/2017	12/31/2016
Equity attributable to equity holders of the parent	19.6	18.9	20.2
Tier 1 capital	19.0	18.5	19.4
Tier 1 ratio	10.9%	10.3%	10.2%
Total capital ratio	19.1%	18.4%	18.4%

Under Basel III, taking into account CRR/CRD IV phase-in measures.

Sustainable development central to the Group's activities

A LEADING BANK IN GREEN, RESPONSIBLE GROWTH

€8.7bn

in energy transition loans(1)

€72.5bn

in responsible deposits and savings(2)

N°1

in personal and professional microloans in France
14,700 microloans issued totaling **€112m**

A RESPONSIBLE EMPLOYER

No.14

in the top 100 most attractive French companies

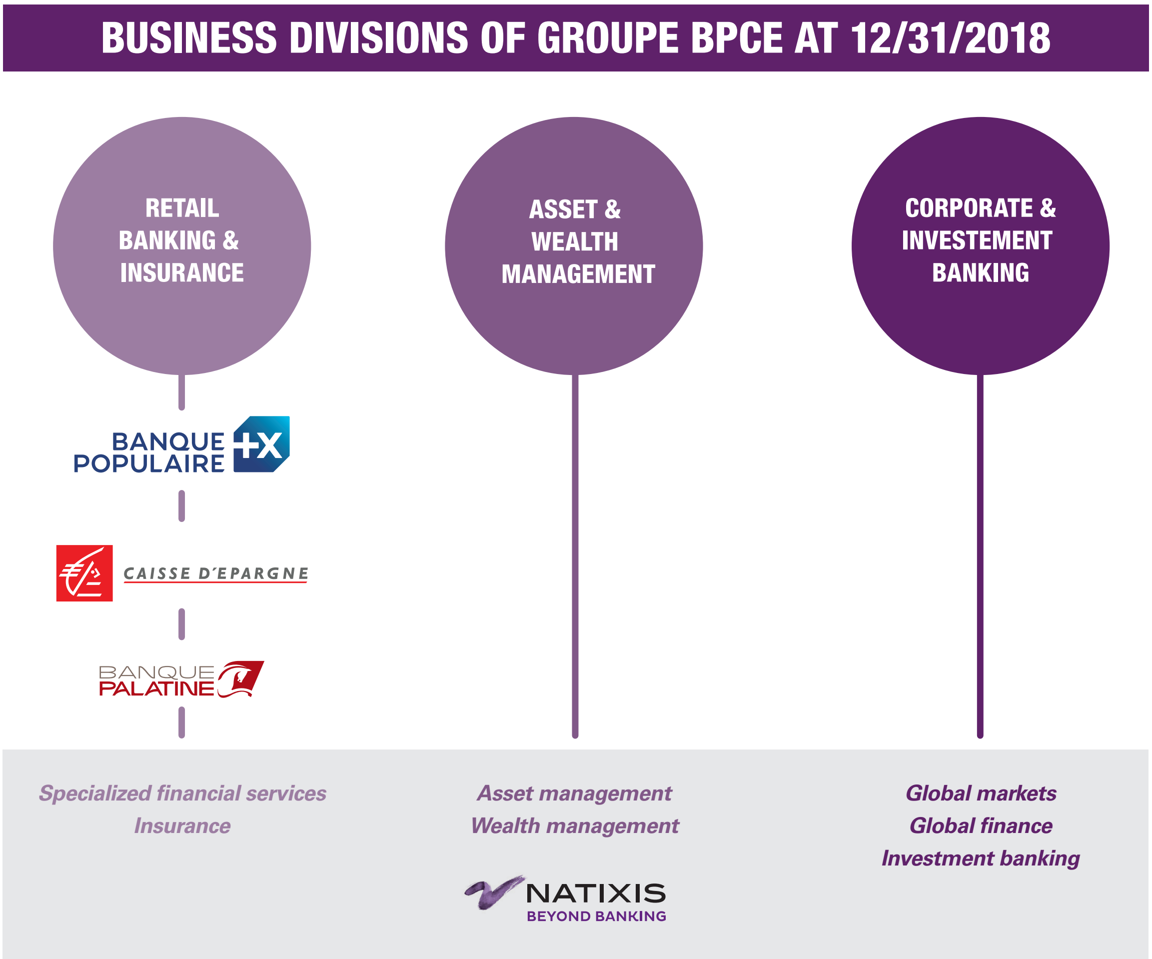
42.9%

of Group managers are women

(1) Renewable energy outstandings + building energy renovation loans and environmentally friendly equipment loans for professional customers and SMEs + green car loans.
(2) €69.1 billion in SRI deposits and savings + €3.4 billion in CODEVAIR on-balance sheet deposits and savings (CODEVair is Crédit Coopératif's regional passbook savings account and SRI passbook savings account).

1.6 Groupe BPCE's business lines

The economic and regulatory environment in which Groupe BPCE conducts its business is described in Chapters 2, 4 and 6 of the registration document.



1.6.1 Retail Banking and Insurance

KEY FIGURES

No.1 (1)
bank
for SMEs

No.2 (2)
bank for
individual customers

No.2 (3)
bank for professional customers
and individual entrepreneurs

26.3% (4)
home loan
market share

€564bn
in loan outstandings

€705bn (5)
in deposits
and savings

(1) 51% (No. 1) in terms of total penetration rate (source: 2017 Kantar-TNS survey)
(2) Market share: 22.6% in household deposits/savings and 26.3% in home loans (Banque de France, Q3-2018). Total penetration rate of 30.1% (No. 2) among individual customers (SOFIA TNS-SOFRES survey, April 2018)
(3) 41% (No. 2) penetration rate among professional customers and individual entrepreneurs (2017-2018 Pépites CSA survey)
(4) Banque de France, Q3-2018 – Quarterly SURFI report – Home loan outstandings
(5) On- and off-balance sheet deposits and savings

Banque Populaire banks

Cooperative banks founded in 1878 by and for entrepreneurs, the Banque Populaire banks serve enterprising customers on the path to success. As the No. 4 banking network(1) in France with 12 regional Banque Populaire banks and two national affiliated banks (CASDEN Banque Populaire and Crédit Coopératif), together they hold the leading position among small and medium-sized enterprises(2) and are No. 2 among craftsmen and small retailers(3).

KEY FIGURES

14 Banque Populaire banks

4.4 million cooperative shareholders

9.3 million customers

30,807 employees

€265.7bn in deposits and savings

€209bn in loan outstandings

€6.4bn in net banking income

In 2018

- The Banque Populaire banks consolidated their sales momentum, furthered their digital transformation and built up even closer relations with their customers.
- With their new brand territory and new tagline ("success is in you"), now more than ever they are positioned as partners for enterprising customers on the path to personal or professional success.
- Loan outstandings rose 6% and deposits and savings 2%.

Individual customers

93,300 new customers chose Banque Populaire as their primary bank in 2018, a year-on-year increase of +2.5%.

In 2018, the Banque Populaire banks launched the *Pack Famille* (Family Pack), the first banking products and services package in France targeting families interested in effectively managing their daily budget, and rolled out a comprehensive mobile payment offer with *Samsung Pay*, *Paylib* and *Apple Pay*.

In partnership with PEPITE France, the No. 1 national network for student entrepreneurs, they created Pépite Factory, a non-profit that provides legal and financial assistance to students creating start-ups.

The new secure identification solution, *Sécur'Pass,* launched on the Banque Populaire mobile app, helps customers save time and complete their transactions independently anywhere, anytime.

In yet another digital step forward, customers can take out consumer loans and home loans online. New lending activity also remained strong in 2018, with loan outstandings up +8.1% for both categories.

Provident and health insurance policies also enjoyed robust momentum, climbing +2%.

The *Entretien Epargne Conseil* service has proved to be a widespread success. All advisors have been trained in this new approach to financial savings, aimed at providing customers with optimal allocation proposals suited to their investor profile and objectives.

€27.5bn in new loans

€159.1bn in deposits and savings, +3.5%

175,000 new provident and health insurance policies

€130.4bn in loan outstandings, +8.1%

327,000 new non-life insurance policies

CASDEN Banque Populaire

A cooperative bank serving all public-sector workers, CASDEN Banque Populaire has the ambition of becoming the primary bank of one in four civil servants. To reach this goal, it has adopted a unique model – the Points system – and is relying on the loyalty-driven strategy that secured its success with the personnel in the National Education system.

In 2018, the bank rolled out a new brand territory highlighting the value of civil service personnel and their commitment to serving the community, entered into several partnerships with public-sector organizations, set up over 2,200 public-sector meetings at public-sector institutions and launched a new, highly attractive sponsorship offer ("Reco CADSEN"). Together, these initiatives earned CASDEN Banque Populaire 117,000 new cooperative shareholders.

In October 2018, CASDEN simplified the Points system: there is now just one type of point awarded – the CASDEN Point – giving cooperative shareholders access to the lowest rates. Home loans can now be obtained online, and new services were added to the CASDEN mobile app. In terms of Group synergies, CASDEN, the Banque Populaire banks and Natixis Financement joined forces to ramp up origination of CASDEN consumer loans (set to begin in late 2019).

1.8 million cooperative shareholders at December 31, 2018

(1) Internal analysis based on 2017 data
(2) 2017 Kantar TNS survey
(3) 2017-2018 CSA Pépites survey

Private Banking

Private Banking enjoyed robust momentum in 2018, increasing the number of clients by 5.7% (i.e. over 21,500) and assets under management by +4.9%. Wealthy clients, shareholding company directors and discretionary portfolio management made the biggest contribution to this improvement.

Drawing on solid expertise in financial engineering and wealth management for CEOs and shareholding company directors, Private Banking provides a tailored offer for this client base. A multimedia campaign, also aimed at establishing the Banque Populaire Private Banking brand, promoted this offer for the first time.

A new investment advisory service was launched for wealthy clients with high structuring requirements due to the complexity of their wealth and tax situation.

Financial savings deposits by Private Banking clients of the Banque Populaire banks totaled nearly €77 billion. Gross life insurance inflows amounted to €2.4 billion, with nearly 36% consisting of unit-linked assets.

398,000 clients, +5.7%

€77bn in AuM, +4.9%

Professional customers

Over 1 million professionals are customers of the Banque Populaire banks, which have developed a business partner approach combining financing, services, digital solutions, insurance and employee savings plans with the aim of providing daily support for all their business endeavors.

A partnership was entered into with the APCMA (Permanent Assembly for the national network of Chambers of Trade and Small Businesses) in 2018, resulting in a new small business support mechanism called the *Pacte Artisan,* with a budget of €1 billion for medium and long-term loans.

The Banque Populaire banks also set up a partnership with IFEC, the leading trade union for accountants, with the goal of synergizing their expertise and developing a program to exchange best practices in order to better meet the needs of farmers.

Named Best Bank (1st Place) by *Le Monde du Chiffre* for the second year in a row, Banque Populaire is still the No. 1 bank recommended by franchisors according to the 15th annual franchising survey conducted with the French Franchising Federation.

- Financing

Under the European Commission's "COSME–FEIS" program, the Banque Populaire banks and SOCOMAs[1] were backed by the European Investment Fund (EIF) to the tune of €1 billion for 2017-2018. As a result, they were able to finance the creation, development and acquisition of businesses with loans either calling for no provision of personal collateral at all or for reduced collateral. Thanks to the EIF's counter-guarantee programs, the Banque Populaire banks and SOCOMAs have already issued loans totaling some €5 billion to over 129,000 French VSEs.

New medium and long-term loans were up 1.6% to €8.2 billion, driven by the success of the *Pro digital* loan, a single-rate loan requiring neither collateral nor supporting documents that can be taken out very easily online by eligible pre-approved customers.

- New services

New innovative offers included *Fid Pro,* designed to help professional customers expand their business by turning their debit card into a loyalty card. This turnkey digital solution is a tool for rewarding loyalty and conducting targeted marketing campaigns by sending out offers tailored to the customer's profile by e-mail or text.

Banque Populaire also launched a new website, *instaletliberal.fr,* providing advisory and other services to help self-employed professionals get started.

- Insurance

Banque Populaire hit the 130,000 professional customers mark with its retirement and provident insurance solutions, designed with Natixis Assurancess to protect professional customers as well as their employees and families.

1.1 million professional customers

495,000 craftsmen and small retailers

155,300 self-employed professionals

65,300 farmers

€49.4bn in loan outstandings, +5.2%

Crédit Maritime

Crédit Maritime has been a leading creditor in the fishing and fish farming industries since 1906. Now part of the Banque Populaire banks located along the coast, Crédit Maritime serves all the "blue" segments of the maritime economy.

(1) SOCOMA (Sociétés de caution mutuelle artisanales) are Mutual Guarantee Companies for the small business sector, having Banque Populaire as an exclusive partner.

Corporate and institutional customers

The Banque Populaire network is the leading bank for SMEs[1]. It further consolidated its positions in the SME segment this year through robust sales initiatives, with the number of active corporate customers up 3.9%. By acting locally, Banque Populaire has become one of the leading providers of equipment loans, with outstandings up 9.3% to €22.4 billion in 2018.

Every day, the Banque Populaire network offers solutions designed to assist CEOs, particularly in terms of cash flow and payment management.

- Innovation

A third counter-guarantee agreement was signed with the European Investment Fund under the European *InnovFin* program to fund plans aimed at improving the innovation and competitiveness of SMEs. The budget earmarked for the Banque Populaire banks, EIF's leading partner for such guarantee programs, is €500 million. Thanks to the EIF, the *Innov&Plus* medium-term loan serves to finance innovation at below-market rates, with amounts ranging from €25,000 to €7.5 million over terms of two to ten years, including a possible two-year deferral.

Start-ups and innovative companies can also count on Next Innov, a top pro-innovation banking network with more than 70 certified business centers, over 100 specially trained advisors and multiple regional partnerships. 2018 initiatives included: a partnership with Bpifrance to pool their expertise in favor of innovative companies; a partnership with Estimeo, which specializes in rating start-ups; the creation of 1,000 m^2 of collaborative workspace for innovative entrepreneurs at the heart of the Saclay plateau called "Terrasse Discovery +X", with a one-stop-shop for business support and guidance; and the first Banque Populaire start-up award ("Next Step" award).

- Internationalization

The highly comprehensive *Next International* program provides daily support to businesses through a team of around 60 business managers specializing in international trade and Connector, an alliance of 15 banks covering 45 countries.

Next International also facilitates the establishment and development of businesses abroad, in partnership with Pramex International, the leading French consultant to SMEs and ISEs looking to establish international operations and deals, and the top manager of SME foreign subsidiaries.

- Financial engineering

No. 3 in capital transactions and M&A advisory services for VSEs, SMEs and ISEs[2], the Banque Populaire banks have built up a nationwide financial engineering organization. Eighty employees advise companies and provide them with business disposal-transmission, structured financing and private equity solutions.

The Banque Populaire Financial Engineering brand expanded its presence among CEOs and expert clients with a separate financial engineering website, a highly consulted opportunity base, communication campaigns and targeted partnerships.

126,500 corporate customers

246,800 associations and institutional customers

No. 1 bank for SMEs, 41% are customers[1]

€22.4bn in MLT loans, +9.3%

Crédit Coopératif

Crédit Coopératif, the leading bank for the social & solidarity-based economy and engaged citizens, firmly believes in a different way of banking. Its new media campaign, *"Le pouvoir de nous"*, speaks to the power of banks and customers working together for a more humanitarian economy.

In 2018, Crédit Coopératif migrated to Caisse d'Epargne's information system, which allowed it to launch new services and applications. It teamed up with Natixis Financement to develop consumer loans and launched an attractive financing offer for clean cars to be used in company car fleets. It set up a fund with Caisse des Dépôts and Ircantec[3] to invest in citizen-sponsored renewable energy projects.

As the leader in solidarity-based savings and financial products, led by the *Agir* range, Crédit Coopératif distributed total donations of €2.6 million to associations in 2018. It entered into partnerships with Doctors Without Borders, which was issued the *Agir* card, and with Groupe Action Logement, a leading player in social and intermediate housing, to help it expand in the home loan market.

The *Ecofi Enjeux Futurs* fund, managed by its subsidiary Ecofi Investissements, was twice honored this year: ranked second by *Gestion de Fortune* in the Global SRI Equities category and receiving the Performance Award from *Pyramides de la Gestion de patrimoine* in the International Equities category.

Crédit Coopératif launched the first Request for Projects at the end of the year for Envolée, an incubator for grassroots social inclusion, established in Saint-Denis (Ile-de-France). The call went out to entrepreneurs interested in serving the greater good through innovation.

101,200 cooperative shareholders

444,000 customers

€2.6m in donations, raised from solidarity-based products, distributed to 53 associations

(1) 2017 Kantar TNS survey
(2) 2017 Fusacq ranking published in February 2018
(3) Institution in charge of supplementary pensions for non-permanent staff working for State local authorities

Caisses d'Epargne

The Caisses d'Epargne have been innovating since they were founded in 1818, always with the goal of serving all customers equally, while reconciling individual interests and the greater good.

The 15 Caisses d'Epargne are cooperative banks, forming the No. 2 banking network in France.

They support their customers in all their endeavors and are a major partner to public and private-sector players in regional economic and social development: corporates, local authorities, social and solidarity-based economy, social housing and the hospital sector.

KEY FIGURES

15 Caisses d'Epargne

4.6 million cooperative shareholders

19.2 million customers

35,001 employees

€418.4bn in deposits and savings

€270.3bn in loan outstandings

€7bn in net banking income

In 2018

- A major regional bank was established from the merger of Caisse d'Epargne d'Alsace and Caisse d'Epargne Lorraine Champagne-Ardenne: Caisse d'Epargne Grand Est Europe, serving 1.7 million customers, including 436,000 cooperative shareholders.
- Caisse d'Epargne stepped up its digital transformation efforts and celebrated its 200-year anniversary with a series of local initiatives promoting its commitment to serving its customers ("Vous être utile").
- Loan outstandings rose 6.2% and deposits and savings 1.4%.

Individual customers

More than 60,000 individual customers chose Caisse d'Epargne as their primary bank in 2018, thanks in part to its ever-expanding digital offer.

Ranked in the Top 3 preferred mobile banking apps by internet users[(1)], Caisse d'Epargne launched *Enjoy* in 2018, a full-mobile digital banking offer including an account and debit card for €2 a month, plus access to financing, savings and insurance solutions under the guidance of an *Enjoy* advisor.

Now more user-friendly and complete, the mobile app allows customers to manage their debit card by activating features such as online/remote payment and card blocking. *Samsung Pay* was also added to the *Paylib* and *Apple Pay* mobile wallet services. The *Sécur'Pass* secure identification service simplifies wire transfers and instantly authorizes SEPA credit transfers.

Additional digital advances in 2018 included the launch of the dynamic-encryption card (which automatically changes the 3-digit card verification code every 45 minutes for greater security), a new consumer loan simulator, online car leasing with "lease-to-own" option, and online applications for home loans and payment protection insurance.

Caisse d'Epargne also conducted an awareness-raising campaign, including a TV commercial reminding the public that it grants the same lending conditions to everyone, including students and apprentices. It also launched a new, highly flexible motorcycle/scooter insurance offer designed to fit the budgets of young adults.

€157.2 bn in loan outstandings, +6.9%

€338.7bn in deposits and savings, +2%

€11.1bn in life insurance inflows

A portfolio of 5 million non-life insurance policies

Private Banking

Caisse d'Epargne Private Banking has developed a range of products and solutions tailored to the diverse profiles and objectives of private banking clients. It offers access to a broad and diversified range of investments, notably through Natixis Investment Managers, providing Caisse d'Epargne customers with access to the expertise of 26 asset management companies all around the world.

Caisse d'Epargne welcomed over 9,500 new wealth management clients in 2018 while further expanding its specialized teams: 1,800 in-branch wealth management advisors, 800 private banking CRMs, 100 private bankers working exclusively with the wealthiest clients, 50 wealth management engineers and around 20 portfolio managers handing portfolio management mandates.

A new service was rolled out, *Entretien Épargne Personnalisé*, including an in-depth wealth management review with an expert advisor, and Caisse d'Epargne offered *smart advisor MoneyPitch* to all private banking clients. *MoneyPitch* aggregates all of a client's financial data (savings and deposits, loans, investments, pensions, provident insurance, transmission of wealth, taxes, etc.) and provides tailored investment advice. Its publisher, Harvest, was named Best Software Publisher by *Gestion de Fortune* for the eighth year running in 2018.

Caisse d'Epargne also stepped up its communication initiatives, holding webconferences on current events in wealth management and taxes. During its bicentennial celebrations, the bank published a special edition of *Vision Patrimoine* magazine exploring what the future holds for the wealth management industry.

No. 2 in France[(2)]

1.2 million wealth management clients, +1.9%

440,000 private banking clients, +2.3%

€122bn in assets under management, +2.5%

(1) Net Observer survey, Harris interactive, spring 2018
(2) Xerfi/Precepta survey, June 2017

Professional customers

After a record-setting 2017, Caisse d'Epargne generated new investment loans totaling €3.4 billion (including leases), an increase of +8.5% driven by the launch of the *Digital pro* loan. Eligible customers can apply for and obtain the *Digital pro* loan online, without supporting documents or collateral.

The EPS fleet was expanded by 13%, fueled by *BoostFid,* a new customer loyalty solution packaged with the payment terminal. By turning the debit card into a loyalty card, *BoostFid* allows retailers to reward customer loyalty and facilitates the organization of targeted marketing campaigns.

Another new service: *Facturea ProZen,* a simplified *à la carte* factoring solution, with no commitments in terms of length of contract or factored receivables.

Operating leases for professional vehicles and employee savings contracts can now be obtained fully online. Over 5,500 employee savings contracts were taken out in 2018.

Always determined to encourage entrepreneurs, Caisse d'Epargne expanded its partnerships with certified accountants and support networks, and confirmed its staunch support of female entrepreneurs with its new program *#FemmesDeTalent.* Thirty special officers were appointed at the regional Caisses d'Epargne to provide active support to networks dedicated to aiding women in business, such as *Les Premières, Action'elles, Génération startuppeuses* and *Force Femmes,* with the goal of issuing 1,000 *Prêts décollage pro* interest-free loans to female entrepreneurs by 2020.

375,200 professional customers, +3%

€12bn in MLT loans, +8.2%

5,500 employee savings contracts

9,330 new PRO non-life insurance policies

Corporate customers

The Caisses d'Epargne serve more than 28,000 corporate customers. An additional 4,440 joined the bank in 2018, which saw new short-term loans climb 29% and new MLT loans 24%.

A counter-guarantee agreement was signed with the European Investment Fund under the European *InnovFin* program. The €200 million budget reserved for the Caisses d'Epargne will be used to better serve SMEs under the *Neo Business* program for innovative companies. Just a year and a half after it was launched, *Neo Business* already had 50 Innovation CRMs and had entered into over 100 regional and national partnerships.

A new digital services platform accessible from transaction website *CEnet* makes it easier for customers to sign up for and manage a selection of services offered to corporates by Group entities.

International services were also expanded: the yuan was added to the offer, and corporates can use the Connector network to manage international payment processing flows.

Finally, Caisse d'Epargne initiated an innovative system for measuring customer satisfaction and interacting with corporate customers: customers are asked, by e-mail or text, to complete a questionnaire and offer suggestions after each appointment with their advisor.

28,200 corporate customers

€6.5bn in MLT loans, +24%

€115bn in payment processing flows, +11.6%

Financial Engineering

Private equity investments, disposals, acquisitions, business transmissions, mergers, structured financing: the Caisses d'Epargne provide these services and more on a daily basis to public and private-sector entities nationwide.

The bank invests in private equity through 17 regional structures and a national fund, Caisse d'Epargne Développement. It has established partnerships with advisory firms with the aim of providing better support to company directors. The Caisses d'Epargne are adept at helping their corporate customers at key points in the development of their business, which sets them apart from their competitors.

The Caisses d'Epargne cover the various segments of the structured financing market: syndicated corporate loans, LBOs, acquisition financing, renewable energy financing, public-private partnerships and asset financing. With 160 arrangement mandates totaling nearly €3 billion in arranged debt (o/w 29% in renewable energy and 34% in LBOs and acquisition financing), the Caisses d'Epargne are major players in regional structured financing.

Real estate professionals

The Caisses d'Epargne offer financing and guarantees for all types of projects. They also work alongside regional real estate developers to invest capital through special-purpose entities.

In 2018, they participated in major industry trade fairs and events and, despite a slightly less supportive environment, managed to sharply increase their new lending activity. Short-term loan outstandings grew 35.8% to over €2.9 billion, while MLT outstandings rose 11.5% to €6 billion.

€4bn in new short-term loans, +25%

€1.8bn in new MLT loans, -1%

Social and solidarity-based economy (SSE)

The social and solidarity-based economy enjoys strong demand, driven by the aging of the population, the regional energy transition and the sharing economy. The social entrepreneur segment is attracting a new generation of talented individuals, often proposing highly innovative projects. Caisse d'Epargne has boosted its market share of loans in this segment over the last 18 months, and has strengthened its ties with these movements and with incubators for social/environmental impact companies in a bid to provide them with more support.

In 2018, Caisse d'Epargne entered into a partnership with *La Ruche*, a network of social innovation incubators, focusing its support on programs such as *Les Ambitieuses*, dedicated to accelerating the development of "Tech for Good" companies run by women.

In conjunction with subsidiary E-cotiz, Caisse d'Epargne launched full-digital solution *Espace Asso*, which simplifies the management of associations and athletic clubs: memberships, event sign-ups, membership fees, participation fees and donations paid online by members.

19,000 corporate and institutional customers

No. 1 in SSE financing, with 19.37% market share[1]

€766m in new MLT loans

Protected persons

Caisse d'Epargne offers extensive support to persons under legal guardianship or supervision and dependent adults living at home. Nearly half of all protected persons in France have chosen Caisse d'Epargne for their banking needs. 150 specialized advisors are on-hand to assist family representatives and legal guardians.

Dedicated to helping protected persons achieve banking independence, Caisse d'Epargne offers a variety of solutions including the secure withdrawal card, *Nomea*. Its expertise in this field is widely recognized; as a result, it actively participates in the national effort to establish new rules promoting the independence of vulnerable adults.

No. 1 bank for persons under legal guardianship/supervision and dependent adults living at home[2]

317,000 customers

€8.8bn in managed deposits and savings

Public sector

Caisse d'Epargne is a major partner of local authorities and public healthcare institutions, providing them with a comprehensive range of solutions (everyday banking, cash management, bridging loans, financing). It receives funds from the European Investment Bank to finance projects supported by Europe at subsidized rates, and relies on Natixis to provide payment, leasing, financial engineering and public-private partnership solutions.

In 2018, the strict financial oversight and poor visibility of local authorities – pending an overhaul of local tax legislation – adversely impacted investment loans in the segment. Meanwhile, competition grew even more heated. New loans amounted to €2.7 billion.

Caisse d'Epargne develops advisory and financial engineering services, and helps local authorities with their digital transformation by offering services that simplify their management, and is strengthening its ties with small and medium-sized local authorities.

The new *Rénov Patrimoine* loan is geared toward projects aimed at refurbishing the heritage assets of small towns and villages. Passengers can simply use a contactless debit card to pay for the tram in Dijon, a brand-new initiative in France launched in conjunction with Dijon Métropole. Caisse d'Epargne arranged the financing, under a public delegation contract, of the new wastewater treatment company serving the seven townships *(communes)* in the Bassin de Thau. It is also financing the new public hospital in Limoges. It is the bank funding the renovation of the Grand Palais in Paris, in preparation for the 2024 Olympic and Paralympic Games.

With €48.3bn in loan outstandings, Caisse d'Epargne ranks No. 1 in public sector financing.

Social housing and semi-public entities

As longstanding partners of social housing organizations, having established relations with 88.7% of social housing operators[3], the Caisses d'Epargne are well-versed in meeting the needs of this segment, from everyday banking to financing and investment solutions.

In 2018, the reduction of solidarity-based rent (associated with the cut in personalized housing aid) affected credit flows and origination of MLT loans.

Caisse d'Epargne is also the No. 2 private-sector operator in the social housing market along with Groupe Habitat en Région. It comprises the majority of major social housing companies (Erilia, SIA Habitat, Logirem, Un Toit Pour Tous, Axentia), in addition to more locally-based companies managing a total of 164,000 homes.

(1) Banque de France, Scope: ISBLM (non-profit institutions providing non-retail services to households), Q3 2018
(2) French Ministry of Justice, December 2017
(3) Internal analysis, 2018

The Habitat en Région network hosts additional operators with a total of 33 members: social housing companies, intermediate housing operators, semi-public real estate companies. Together, they house approximately 570,000 people in 268,000 homes.

The ELAN Act imposed a minimum size restriction on lessors, facilitated the establishment of HLM (modest-income housing) groups based on the mutualist model, and encouraged sales of HLMs under the low-income home ownership program. Habitat en Région is eager to take part in this movement, with the goal of bringing multiple HLMs on board its network by 2021.

As of 2018, there are more than 1,300 Local Public-Sector Enterprises in France, thanks to the expansion of the environmental, network, tourism, culture and leisure sectors.

Caisse d'Epargne is the primary bank for 62% of Local Public-Sector Enterprises[1], investing alongside local authorities in renewable energy, water and waste treatment, transportation, digital infrastructures and major tourism projects.

€1.9bn in new loans

€10.2bn in loan outstandings

€2.6bn in inflows

(1) *Fédération des EPL, 2017*

Banque Palatine

Banque Palatine has been a private banking institution and the preferred bank of ISEs[1] and their Management for more than 230 years, developing relationships rooted in advisory services with the aim of providing bespoke, high value-added solutions.

KEY FIGURES

More than 12,000 corporate customers

63,500 private banking customers

1,232 employees

48 branches

€16.3bn in deposits and savings

€9.1bn in loan outstandings

€4.3bn in assets under management

In 2018

- Banque Palatine launched its new strategic plan, *Envol 2018-2020,* at a convention attended by all 1,232 employees. The plan identified five strategic objectives: accelerating development and adapting the distribution model, improving operational efficiency, capitalizing on human resources and targeting excellence, furthering the Bank's engagement in society, and developing intragroup synergies.

Its goals for 2020 are to expand its range of high-end ISE and private banking services, and to onboard more company directors by establishing a strategic dialog encouraging more customers to choose Banque Palatine for both their personal and professional banking needs.

At the same time, it plans to continue its modernization and digital transformation initiatives in an effort to improve the relationship banking experience. To that end, the migration to the Banque Populaire information system will enhance efficiency and pave the way for the development of more digital services.

Banque Palatine also plans to invest even more in human resources, with a focus on upskilling for greater customer satisfaction.

- The Bank underscored its engagement in society by launching "Fondation Palatine des ETI, Mécènes ensemble", a program included in the strategic plan established in partnership with *Mouvement des entreprises de taille intermédiaire* (METI), and placed under the aegis of Fondation Entreprendre, calling on ISEs and their managing executives to pool their resources in favor of social inclusion initiatives. In doing so, Banque Palatine aims to cultivate a spirit of cooperation with its customers in service of the greater good.
- Banque Palatine launched a campaign to increase its appeal as an employer and attract talented people to further its strategy. It also forged ahead with its digital transformation to modernize the working environment for its employees while continuing to improve the quality of life at work. The Bank entered into a Strategic Workforce Planning agreement aimed at providing personalized support to employees for job and career changes, promotions and internal/external transfers.

CORPORATE CUSTOMERS AND SPECIALIZED BUSINESS LINES

Banque Palatine enjoyed strong sales momentum with corporate customers and in its specialized business lines in 2018, gaining over 300[2] new core target customers.

It significantly expanded its loan syndication and arrangement services for ISEs under its asset light strategy. It also rounded out its offer with arrangement and co-financing deals ranging from €6 million to €15 million, and partnered with Bpifrance to support the digital transformation of SMEs and ISEs with a range of support and financing solutions.

Banque Palatine also served as a partner of TheCamp program in Aix-en-Provence, organized by METI, bringing executive managers together to co-build the digital transformation guide for ISEs, submitted to the government authorities in early 2019.

PRIVATE BANKING CLIENTS

The private banking client base grew 9%[2] in 2018. A new private banking segmentation (100-100) was initiated in a bid to attract high-end clients, one of the key objectives of the *Envol 2018-2020* strategic plan. Its core target segment consists of clients with at least €100,000 in assets or more than €100,000 in net income per household.

Rolled out in November 2018 in partnership with Harvest, the O2S tool fully digitized the investment advisory process for Banque Palatine clients.

Palatine was the first bank to launch a prepaid multi-currency MasterCard, *Palatine First*, developed with fintech PayTop.

(1) Intermediate-Sized Enterprises
(2) Vs. 12/31/2017

1.6.2 Natixis

Natixis

Natixis is the international Corporate & Investment Banking, asset management, insurance and financial services arm of Groupe BPCE. It steadfastly serves its own customer base of corporates, financial institutions and institutional investors all around the world, as well as the individual, professional and SME customers of both Groupe BPCE networks.

KEY FIGURES

Over 18,000 employees

Listed on Euronext Paris CAC Next 20

Established in 38 countries

€9.6bn in net banking income, +2%

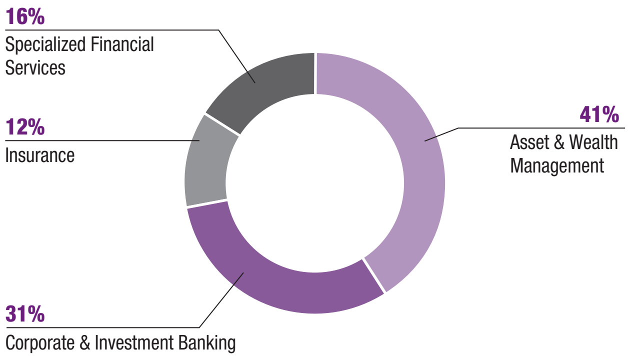
€8.9bn in business line NBI, +1%

€1.6bn in net income attributable to equity holders of the parent, -6%

In 2018

- This year, Natixis implemented *New Dimension*, its new strategic plan for the 2018-2020 period. The plan is based on three priorities (three "Ds"): deepening the transformation of the business model successfully launched under the previous plan (Deepen), ramping up the digital transformation (Digitalize), and setting itself apart from the competition (Differentiate) to become a leading bank in the sectors and fields in which the Natixis teams have developed strong, widely recognized expertise. It is also rooted in the acceleration of synergies between the Natixis business lines and the Groupe BPCE networks. With a Basel III CET1 ratio of 10.8%[(1)] at December 31, 2018, Natixis boasts a solid balance sheet that it can draw on to achieve its development targets.
- Natixis expanded its expertise by making acquisitions in the M&A advisory, asset management and payments sectors. Confirming its commitment to the climate, it created the first Green Weighting Factor to align its financing activities with the Paris Agreement goals. This innovative mechanism is used to positively or negatively adjust risk-weighted assets according to their impact on the climate.
- The Factoring, Sureties & Guarantees, Leasing, Consumer Finance and Securities Services business lines are being sold to BPCE SA for a total of €2.7 billion. With this deal, Natixis should be able to ramp up the development of its less capital-intensive business model and invest up to €2.5 billion predominantly in asset management activities by 2020.

BUSINESS LINE CONTRIBUTION TO 2018 INCOME BEFORE TAX



(1) 11.1% pro forma

ASSET & WEALTH MANAGEMENT

Natixis Investment Managers, one of the largest asset managers worldwide, remains the primary driver of the Asset & Wealth Management division at Natixis.

Asset Management

As a global multi-affiliate asset management business, Natixis Investment Managers includes more than 20 specialized Investment Managers in the US, Europe and Asia. Natixis Investment Managers' brand platform, based on the Active Thinking[SM] concept, embodies its commitment to a highly active, conviction-led investment style and its stewardship for a long-term investing approach.

Natixis Investment Managers' multi-affiliate structure encompasses a portfolio of more than 20 independent active asset managers providing a distinctive, alpha-generating and diversified suite of investment strategies across traditional and specialized equity, fixed income and alternative asset classes, with the support of a federation of shared services. The company supports the growth of each affiliate through its global distribution platform, offers financial backing for innovation and global oversight to ensure the consistency of operational risk management. Natixis Investment Managers covers over 20 countries with its main support functions operating from Boston, London and Paris.

Its global distribution platform serves two major customer segments: institutional investors (public and private pension funds, insurers and banks, sovereign funds and central banks, etc.) and distribution/retail (investment platforms, financial advisors, funds of funds and private banking).

For Natixis Investment Managers, 2018 was another year of strong financial performance, from both revenue and profitability standpoints. It was also a year of deep transformation and active development to expand the company's distribution capabilities, reinforce its product range and improve performance and operational efficiency.

- Natixis Investment Managers strengthened its distribution capabilities with the reinforcement of its international distribution platform which covers Europe, the Middle East, Latin America and Asia-Pacific, and the creation of Dynamic Solutions, which brings together the firm's expertise in developing customized client investment solutions into a single offering of solutions capabilities within its multi-affiliate organization.
- The Group enhanced its product range *via* two acquisitions and by incorporating a team with deep thematic expertise. MV Credit, a high-quality pan-European private credit specialist founded in 2000 with offices in Luxembourg and London joined the Group in June 2018. Natixis Investment Managers strengthened its global equity offering by acquiring a minority stake in US-based WCM Investment Management and by launching a highly active, conviction-driven range of thematic strategies including safety, water, robotics and artificial intelligence. In addition, Natixis Investment Managers strengthened its offering in real asset private debt through a co-investment vehicle set up between its affiliate Ostrum Asset Management and Natixis' Corporate & Investment Banking arm, thereby increasing synergies within Natixis.
- The company completed the roll out of its multi-affiliate model in Europe with the creation of a European centralized fund business platform, while Ostrum Asset Management, Mirova, Seeyond, H20 and Dorval Asset Management became stand-alone affiliates. Ostrum Asset Management -rebranded early in 2018- renewed its focus on its long-standing fixed-income experience, its focused equity capabilities and its renowned insurance expertise.
- Natixis Investment Managers continued to improve its revenue and operational efficiencies through the combination of two US-based affiliates: McDonnell Investment Management and Loomis Sayles; this will provide McDonnell's clients with access to Loomis Sayles' expansive investing, research and operational capabilities and Loomis Sayles with extensive municipal bond investment capabilities. Euro-PE, Caspian Private Equity and Eagle Asia, three existing private equity affiliates were brought together to create Flexstone Partners, which provide investors with a single point of access to private equity advisory services and a wide range of global private equity solutions.
- In 2018, Natixis Investment Managers strongly enhanced its brand visibility through sponsorships and by taking part in high-level thought leadership groups, hence fostering its distinctive approach towards active investing. In November, the first Natixis Investment Managers Summit featured five former heads of state or government among a roster of 70 leading experts and unconventional thinkers from around the world discussing themes underlying "The New Geopolitical World Order".

Natixis Investment Managers will continue to cement its position as a fully active player in the asset management industry, anchored by mature, market-leading businesses in the US and France, but growing its presence across Europe and in other critical regions, including Asia-Pacific, the Middle East and Latin America. Building on its current leading market position and its differentiating multi-affiliate business model, Natixis Investment Managers will further enhance the reach of its distribution network, continue to diversify its line-up of affiliate investment offerings, simplify its global operating model, and expand its global footprint and capabilities.

Natixis Investment Managers ranks 16th globally by assets under management[(1)].

(1) Cerulli Associates: Global Markets 2018 report based on assets under management at December 31, 2017

Wealth Management

The Wealth Management division serves two types of clients: the wealth management customers of BPCE's retail banking networks along with business from Natixis (Group sourcing), and secondly direct clients (major private investors, business owners and their families). It provides to its clients a wide range of expertise based on private equity, structured products and real estate solutions offered in close cooperation with several Natixis entities. In addition, Natixis Wealth Management has developed its own expertise in wealth engineering, credit facilities and corporate advisory. Natixis Wealth Management also relies on its wholly-owned asset management subsidiary, Vega Investment Managers – which covers collective investment management, separately managed mandates, advisory and fund selection – and on all Natixis Investment Managers affiliates to provide various products and services to its clientele. New accounts and new life insurance policies are now opened digitally *via* the Fronting Digital system. This system simplifies the process for new business relationships, while also ensuring greater security and reliability for transactions. Meanwhile, time saved on formalities means that staff can devote more time to advising and serving clients.

At the end of 2017, Natixis decided to reposition its business by focusing on the High Net Worth Individuals segment (HNWI), while also simplifying its business model, stepping up its digital transformation and better leveraging expertise within the Group. This led notably to a change in brand, from Banque Privée 1818 to Natixis Wealth Management, effective for its entire covering France, Luxembourg and Belgium.

In 2018, Natixis Wealth Management sold its Sélection 1818 platform, which addresses independent wealth management advisors and no longer fitted within the strategy of the business. In addition, consistent with its repositioning on the HNWI segment, it announced the acquisition of asset management and investment consulting company Massena Partners, with a clientele solely focused on the HNWI segment, and signed a partnership with Essling Capital to bolster its private equity and real estate club deal offering.

In 2018, Natixis Wealth Management recorded net inflows of €2.2 billion, taking total assets under management up 3% to €26 billion[1].

CORPORATE & INVESTMENT BANKING

Corporate & Investment Banking serves corporates, institutional investors, financial sponsors, public sector entities and the Groupe BPCE networks.

It advises them and offers a diversified range of capital markets, financing, trade finance and cash management solutions. Its objective is to develop a strategic dialog with each of its clients over the long term and to maintain a close working relationship with them through a strong regional and international presence. It capitalizes on the technical expertise of its teams to design innovative solutions tailored to their strategy.

In 2018, Corporate & Investment Banking further developed its strategy consultant services and solution-driven approach for its clients, while also consolidating its status as a leading bank in four strategic sectors: Energy and Natural Resources, Infrastructure, Aviation, Real Estate & Hospitality.

It also confirmed its position as a key player in green, sustainable finance, particularly in renewable energy financing, SRI research, green bonds and climate equity investment solutions.

Synergies with the Group banking networks were expanded in financial engineering, loan syndication, fixed income and foreign exchange products, and dedicated investment solutions.

Most innovative investment bank for climate change and sustainability in 2018.

M&A Advisory

Natixis made strategic investments in Fenchurch Advisory Partners (United Kingdom), Vermilion Partners (China) and Clipperton (France), all leaders in their respective market segments: financial services, M&A advisory services in China and technologies.

In Europe, Natixis and Natixis Partners advised the Chinese consortium comprising Fosun and Sanyuan on the acquisition of Groupe St Hubert.

(1) *Excluding Sélection 1818*

Investment Banking

Natixis further enhanced its strategic dialog with clients by delivering the best possible combination of solutions to meet their financing needs. It financed a number of major deals, assisting in particular Groupe Rocher with the acquisition of the US firm Arbonne International.

Business was very strong in the four strategic sectors where Natixis offers a range of expertise to its clients, combining investment banking and M&A advisory solutions.

Deals carried out in 2018 included serving as an advisor and arranger for investment fund Cinven on the disposal of Ufinet fiber optics networks in Spain and Latin America, and Energean Israel on the development of the Karish offshore gas field in the Mediterranean.

Natixis also maintained its commitment to promoting the energy transition by financing several renewable infrastructures, such as the Cerro Dominador solar farm in Chile, the first solar power plant in Latin America to combine photovoltaic energy and solar concentrating power.

In the Real Estate and Hospitality sector, the loan granted to fund the development of the Duo towers in Paris was awarded Europe's first green certification for a commercial real estate loan ("Climate Bond Certified" by the Climate Bonds Initiative").

Capital Markets

Natixis expanded its growth on the capital markets by developing a range of innovative bespoke solutions, such as OAT 2039 Green Repack, the first green structured note on the market, or Magenta Climat et Transition Energétique, a vehicle for investing in pro-climate stocks.

The equity research and brokerage teams were transferred to ODDO BHF to establish the No. 1 broker in France[1]. The move was part of the long-term partnership between Natixis and ODDO BHF, in the interest of ensuring continuity of equity research and brokerage services to Natixis and Groupe BPCE clients.

No. 4 in Fixed Income research and No. 1 in Credit research in seven categories: Consumer Products & Retail, Corporate Hybrid Bonds, Covered Bonds & Pfandbriefe, Green Bonds/ESG, Credit Strategy, Supranational & Agencies, and Securitization & ABS[2]

Trade Finance

Natixis stepped up its efforts to digitize the Cash Management and Trade Finance business lines with *"my tracked transfer"*, a new international transfer tracking service, and *we.trade*, an open-account trade finance platform for corporates.

In commodities financing, Natixis teamed up with 14 banks and industry players to establish a new fintech, Komgo, a blockchain platform designed to facilitate the exchange of trade data and documents between commodity houses and banks.

INSURANCE

Natixis Assurances designs and manages a comprehensive range of personal insurance products (life insurance, savings, transmission of assets, pensions, death benefits, dependency insurance, payment protection insurance) and non-life insurance products (automotive, multi-risk home, supplementary health insurance, personal accident insurance, multimedia device insurance, legal protection, non-banking insurance, remote surveillance, professional insurance) for the Groupe BPCE networks and their customers.

Its ambition is to consolidate its position as a top-tier insurer in France by setting itself apart from the competition through a high-quality customer experience and operational excellence. To that end, insurance platforms serving both the Banque Populaire and Caisse d'Epargne networks (one for personal insurance, the other for non-life insurance) will be up and running by 2020.

Its strategy is paying off in today's evolving bancassurance landscape: Natixis Assurances has made the most progress on the French domestic market and now ranks in the Top 10 insurers and Top 5 bancassureurs.

(1) Extel 2018
(2) Euromoney Fixed Income Survey 2018

In 2018, the Banque Populaire and Caisse d'Epargne auto insurance policies, Banque Populaire multi-risk home and legal protection policies, and *Quintessa, Millevie Premium* and *Mille Vie Infinie* life insurance policies were all awarded "Label d'Excellence" certification by *Les Dossiers de l'Epargne*[(1)].

Committed as ever to combating global warming, Natixis Assurances aligned its investment policy with the Paris Agreement climate goals in 2018. Nearly 10% of its investments each year will be made in green assets, with a target of 10% of AuM by 2030.

These initiatives are in line with Natixis Assurances' ongoing efforts to promote sustainable development for more than two years now.

It also decided to exclude investments in issuers that do not observe the ESG criteria set out in its strategy.

Underlying insurance NBI improved 8% to €790 million in 2018.

No. 3 bancassureur in France[(2)]

95% of customers satisfied with claim settlement

Non-life insurance

The *#INNOVE2020* transformation program was launched with the aim of setting up the non-life insurance platform for Banque Populaire and Caisse d'Epargne individual and professional customers by 2020.

Natixis Assurances was the first French insurer to offer instant claim settlement, based on the "instant payment by credit transfer" service launched in 2018 by Natixis Payments.

A new *à la carte* motorcycle/scooter insurance offer was rolled out in the Caisse d'Epargne network, with a choice of two scooter insurance policies (CYCLO) and three motorcycle insurance policies (MOTO) for a total of five different customer profiles.

Non-life insurance revenue climbed 7% to €1.5 billion in 2018.

Personal insurance

At the end of Project *Move#2018*, the new joint Caisse d'Epargne/Banque Populaire CRM platform ("CERC") became operational.

In order to serve customers as quickly as possible, CRMs have a smart helper to assist them with document searches.

Personal insurance revenue was up 1% in 2018. Unit-linked vehicles made up 44% of net inflows and 33% of gross inflows (direct business). Assets under management came to €60.1 billion (o/w €14 billion in unit-linked assets).

SPECIALIZED FINANCIAL SERVICES

The Specialized Financial Services division ramped up synergies with the Banque Populaire and Caisse d'Epargne networks and furthered a strategy of innovation and digital transformation aimed at improving operational efficiency and customer satisfaction. Its ambition: to become a full-digital enterprise by 2020. To that end, it launched an initiative called *Spark2020 to* overhaul the customer experience in 2018.

Specialized Financial Services saw NBI growth of 6% this year, fueled by payments (+16%). Financial services revenue picked up 2%, driven by employee savings. Specialized financing revenues rose 4% on the back of leasing and sureties & guarantees.

Employee Savings

Natixis Interépargne is a top-tier player in employee savings and pensions in France (company savings plans, collective pension plans, with more than 73,000 corporate customers, nearly 3 million employee savings accounts[(3)] and €32 billion in assets under management and custody[(3)].

At the cutting edge of innovation, Natixis Interépargne has founded its approach on client feedback and continuous improvement. In 2018, it rolled out its digital offer to corporates and implemented educational solutions to help employees understand the financial markets and prepare for retirement.

(1) Website
(2) Based on 2017 revenue, Argus de l'Assurance 2018
(3) Internal analysis, 2018

Financial Services

EuroTitres is the No. 1 custodian for retail and private banking institutions in France, with 25% market share[1]. It provides custody services for Groupe BPCE institutions and other banks, holding some 3.1 million securities accounts, and manages transactions carried out by their individual customers: stock market orders, fund subscriptions, dividend payments, portfolio statements, etc. In 2018, EuroTitres updated its online trading site for Banque Populaire and Caisse d'Epargne customers, optimized for all screens.

No. 1 in employee savings account administration in France[2]

No. 1 custody service provider for retail and private banking institutions in France[1]

Specialized Financing

Natixis Financement develops comprehensive revolving and personal loan solutions for the Groupe BPCE networks.

The *Phenix* program was launched in 2018 with the aim of completely overhauling the revolving loan range and providing an all-new customer experience – from application to management – spanning all distribution channels.

A debt restructuring mechanism, designed to reprofile customer debt in response to any changes in their financial position, was also made available to the Groupe BPCE networks.

New loans: €12.1bn, +7%

Loan outstandings: €24.6bn

Natixis Lease provides a comprehensive range of leasing solutions: non-real estate and real estate leases, operating leases (with or without lease-to-buy option), IT leases and renewable energy financing solutions with Natixis Energeco.

Natixis Lease consolidated Bati Lease in 2018. Together, Natixis Lease and its subsidiaries have amassed some 133,000 leases for a total of €13.1 billion in lease outstandings.

Natixis Lease also welcomed two new non-real estate leasing brokers (Banque Populaire du Nord and Crédit Coopératif) and launched a new non-real estate leasing activity in Belgium.

Natixis Energeco financed the first floating solar plant in France. In the operating lease market, Natixis Car Lease added two new premium services to its professional customers range.

MyCarLease won the top award at the 2018 G20 Strategy & Management Summit ("Marketing and Innovation"), organized by Leaders League: "Best User Experience (UX)".

Natixis Factor develops factoring solutions for companies of all sizes, covering their entire growth process (set-up, development, acquisitions, international expansion, etc.).

Factored receivables were up 11% to almost €59 billion in 2018.

In 2018, Natixis Factor launched ProZen, a simple, commitment-free offer for professional customers, along with Libertys for SMEs. It also made a new version of its information and management websites available to potential and existing customers, with more content and simplified transaction processing.

Since 2017, Natixis Factor has been the only factoring company to receive certification for its range of customer services from Bureau Véritas. This certification was renewed in 2018, testifying to the untarnished quality of the services provided by Natixis Factor. Its Net Promoter Score improved 6 points to +13.

Compagnie Européenne de Garanties et Cautions (CEGC), the only multi-market guarantor in France, offers a broad range of sureties and financial guarantees. In 2018, CEGC guaranteed home loans totaling €30 billion and provided €7.9 billion in guarantees to real estate managers (+11%).

Business with Caisse d'Epargne and Banque Populaire customers was up +10% and +27%, respectively, in 2018. Banque Populaire retail customers can now take out guarantees for their mortgages online.

Natixis Coficiné finances the full range of audio-visual professions (from production through distribution) and operates both in France and worldwide. New loans totaled more than €520 million and loan outstandings €925 million in 2018.

More than half of 2018 César-nominated films and nearly one-third of nominated and award-winning films at major European festivals were financed by Natixis Coficiné and its Film Industry Financing companies (SOFICA) in 2018.

No. 1 in real estate leasing in France[1]

No. 2 in home loan guarantees in France[1]

No. 3 in consumer finance[1] and factoring in France[1]

No. 1 in film and audio-visual financing in Europe[1]

(1) Internal analysis
(2) 27.9% market share, AFG at June 30, 2018

Natixis Payments

Natixis Payments is a payment services provider backed by Groupe BPCE. It offers all public and private economic stakeholders in Europe a full range of payment solutions and services. Through its various entities (especially Natixis Payment Solutions for payment processing solutions, Dalenys and S-money), it is active along the entire value chain, including issuance, acquisition, online payments, e-wallets, prepaid cards and everything in between.

Its adaptive, secure products and services draw on more than 30 years of experience in the payments industry and the innovative ability of fintechs that Natixis Payments has created, acquired or selected as partners. The division is divided into three business units: Merchant Solutions, Prepaid & Managed Solutions and Services & Processing.

In 2018, Payments generated revenues of €389 million, up +16%, thanks in part to changes in group structure (consolidation of Dalenys and Comiteo).

Natixis Payments has led the way with a series of firsts on the French market: the launch of *Samsung Pay* mobile payments along with *PayLib* and *Apple Pay*; being the first company to offer Instant Payment, which completes account-to-account payments in 10 seconds; the rollout of contactless ticketing (*i.e.* the use of contactless payment cards as tickets) in Dijon's tram system.

It signed a partnership agreement with fintech Transferwise that will make it possible for individual customers of the Banque Populaire banks and Caisses d'Epargne to use their mobile banking app to transfer money to more than 60 countries at the best possible exchange rate. This was a first for Europe.

Natixis Payments now offers QR code solutions allowing Chinese tourists to pay for purchases in France using their WeChat Pay and AliPay e-wallets, without needing to use a specific payment terminal.

It significantly expanded its Benefits range by acquiring Comitéo, a software platform aimed at works councils and employees; becoming the sole shareholder of Titres Cadeaux, a joint venture co-founded with La Banque Postale in 2006; and developing its fintech Pot Commun's B2B business.

Major brands such as SNCF and Casino have chosen Natixis Payments.

In the interest of developing its Personal Mobility Assistant, SNCF Group teamed up with Natixis Payments to offer a single payment solution used by customers to keep informed, make reservations, pay for tickets and validate travel plans in a secure setting all with one app.

Similarly, Natixis Payments and Casino group signed an agreement to jointly develop an e-wallet for Cdiscount and integrate Dalenys as one of Cdiscount's payment service provider partners. Starting in early 2019, Cdiscount customers will be able to use an e-wallet for a seamless, enhanced purchasing experience.

Finally, Natixis Payments adopted Nexo's international payment acceptance standards. These free, universally applicable standards make it possible for Natixis to quickly design new services, such as in-flight mobile payment for airlines.

20% of the Payments market in France[1]

No. 1 issuer of Visa debit cards in continental Europe

22 million managed cards

7.6 billion mass transactions

€1.2bn in service vouchers issued

(1) Internal analysis

1.7 Calendar

May 9, 2019	After market close – Publication of first-quarter 2019 results
May 24, 2019	BPCE Annual General Shareholders' Meeting
August 1, 2019	After market close – Publication of second-quarter and first-half 2019 results
November 7, 2019	After market close – Publication of third-quarter 2019 results

Calendar subject to change

1.8 Contacts

www.bpce.fr "Investor relations" section

Roland Charbonnel,

Head of Group Funding and Investor Relations

2 NON-FINANCIAL PERFORMANCE REPORT

2.1 Sustainable development built on our cooperative identity

2.1.1 A business model that creates lasting value and has confirmed its solidity

This section describes how we create sustainable value, the features of our business model, the environment in which Groupe BPCE operates and the resources we use.

OUR MAIN ACTIVITIES

Groupe BPCE conducts all banking and insurance businesses through its two main cooperative networks – Banque Populaire and Caisse d'Epargne – and their subsidiaries.

It is the second largest banking group in France and has a strong local presence. Its 105,000 employees serve 30 million customers, including 9 million cooperative shareholders. Our companies adapt their banking and insurance business as closely as possible to the needs of individuals and regions.

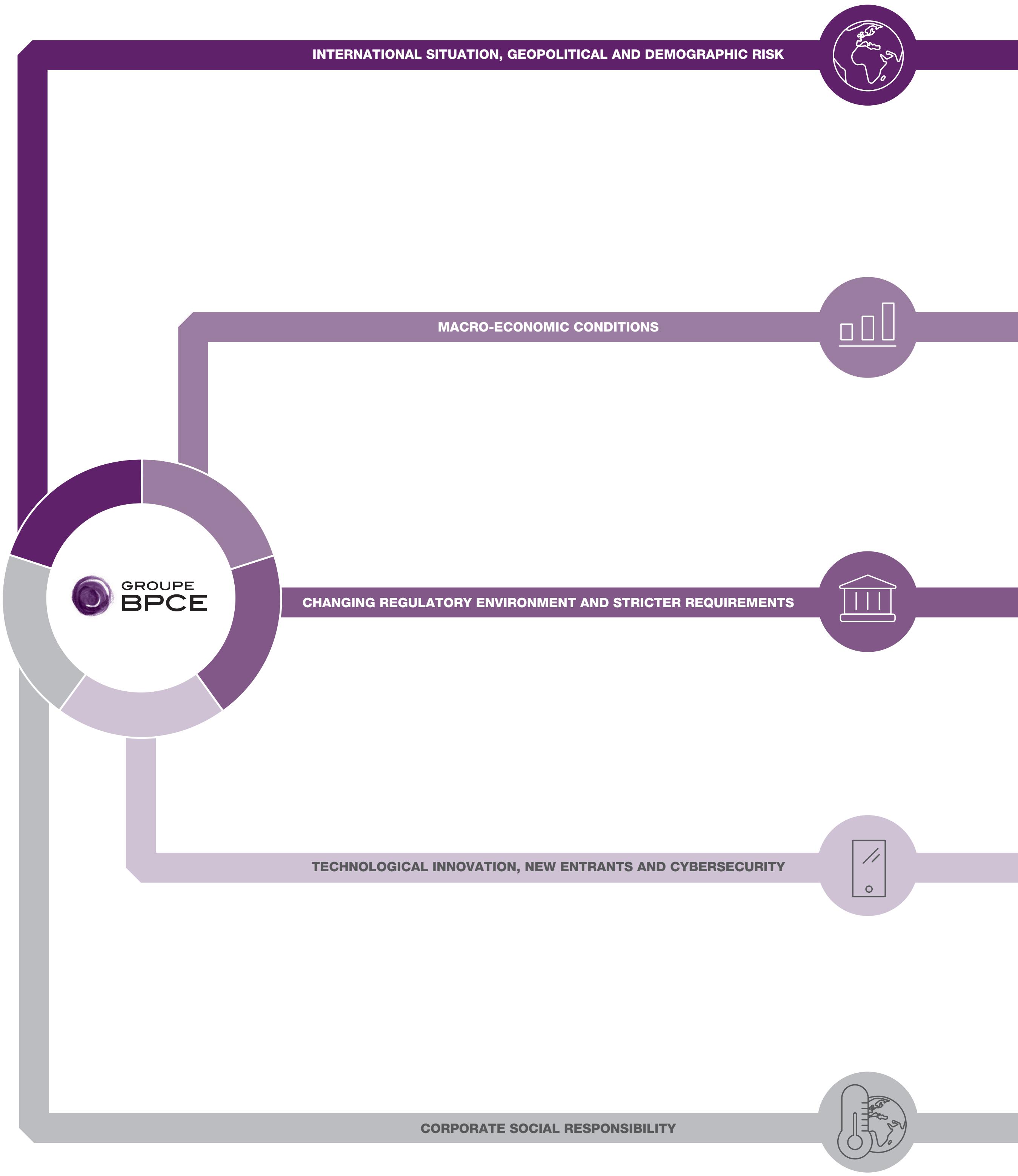
With 14 Banque Populaire banks, 15 Caisses d'Epargne, Natixis and Banque Palatine, Groupe BPCE offers its customers a full range of products and services, including deposits and savings, investment, cash management, payment instruments, financing and insurance solutions. In keeping with its cooperative structure, the Group builds long-term relationships with its customers and helps them achieve their goals, and as such finances more than 20% of the French economy[1].

For more information, please see Chapter 1 of this document.

MAIN CHALLENGES IN OUR BUSINESS ENVIRONMENT

Groupe BPCE's ability to serve its customers and create value is significantly influenced by the environment in which it operates: a global economy facing considerable challenges – particularly on the environmental front – sweeping changes in society, as well as changing and increasingly strict regulations in Europe.

(1) 21.1% market share in loan outstandings, all non-financial sector customers combined (source: Banque de France, Q3 2018).


INTERNATIONAL SITUATION, GEOPOLITICAL AND DEMOGRAPHIC RISK
MACRO-ECONOMIC CONDITIONS
GROUPE BPCE
CHANGING REGULATORY ENVIRONMENT AND STRICTER REQUIREMENTS
TECHNOLOGICAL INNOVATION, NEW ENTRANTS AND CYBERSECURITY
CORPORATE SOCIAL RESPONSIBILITY

MAIN CHALLENGES	OUR STRENGTHS
• US stance on multilateral trade agreements and protectionist measures against major economic powers, during a slowdown in global economic growth • In Europe, Brexit and the combination of security and immigration concerns bringing risks to bear on the stability of the EU and the euro • Political instability and/or budget imbalances in certain regions, particularly in France and Italy • Populist governments taking over in some European countries ; tension on sovereigns	• A decentralized and united cooperative group with strong brands operating directly in the regions • A dynamic, diversified group that has shown it is capable of adapting and transforming • Consistently robust financial strength, ensuring the Group's financial stability • A conservative risk policy with a moderate risk profile
• Net slowdown in euro zone GDP growth • Persistently moderate inflation • Central bank monetary policies as accommodative as ever (especially ECB policy) • Ultra-low interest rate environment: risk weighing on retail banking activities, especially in France	• Diversifying Group revenues and developing growth drivers: expanding the bancassurance model, becoming a pure player in payments • Developing business lines that are less dependent on interest rates and fees • Building revenue synergies between business lines and exploring new growth drivers

• Increase in the number and complexity of regulations in all areas:
  • Banking regulations (structural reforms: French Banking Act, deposit guarantee fund, etc.) and prudential regulations (CRR/CRD, BRRD, TLAC, finalization of Basel III, etc.)
  • Compliance and Security
  • Customer and investor protection (MiFID, GDPR, Sapin 2 Act, etc.)
  • CSR, sustainable finance
• Uncertainty about future developments
• Unfair competition: regional differences, unregulated players
	• Proactive measures allowing us to achieve regulatory solvency and liquidity targets ahead of schedule
	• A policy of maintaining high capital adequacy recognized by the rating agencies, allowing us to develop our business lines on favorable terms while offering our stakeholders a high level of protection, as confirmed by ESG rating agencies
	• A Code of Conduct and Ethics further strengthening the bonds of trust between Groupe BPCE and its customers

• Emergence of fintechs, technological innovation (blockchain, AI, chatbots, etc.) • Technological developments linked to growing data usage and sharing • Increasing digitization of the economy and changing customer practices and needs (real time, fast response, simplicity, transparency, etc.) • Rapid pace of technological change, creating big expectations in terms of cybersecurity and data protection • New operating models (automation, digitization)	• Accelerating the digital transformation by creating leading digital services to enhance customer satisfaction (user friendliness, simplicity, personalization) • Data centric companies to provide more personalized customer services: we have huge quantities of data at our disposal, teaching us what our customers really want • Cooperation with fintechs: support, investment, partnerships • Enhancing operational efficiency: customer self-service, process optimization and simplification, integrated business platforms and pooled functions
• Energy transition • Inclusion of vulnerable persons amid growing insecurity • Increase and greater intensity in climate disasters	• Steering deposits and savings towards a more responsible economy • Establishing transparent sector policies and incorporating ESG criteria into lending, financing and investment decisions • Helping customers address climate risk and gear up for the energy transition • Developing brokerage of green or social bonds • Reducing the Group's carbon footprint • Supporting vulnerable customers

OUR BUSINESS MODEL

The **strength of our model** derives from:

- our cooperative, decentralized structure, with 29 regional banks serving their cooperative shareholders and customers at a local level;
- well-known brands (Banque Populaire, Caisse d'Epargne, Crédit Coopératif, CASDEN, Banque Palatine, Natixis) making Groupe BPCE the second largest banking group in France, with leading positions on its main markets in France and international ambitions in certain Asset Management and Corporate & Investment Banking activities;
- our full-service banking model, with a diversified business portfolio led by retail banking in France that has proved resilient and capable of gaining market share while maintaining a moderate risk appetite.

Groupe BPCE draws on different resources to conduct its businesses:

- **human resources,** involving the recruitment and management of our teams and our ability to attract, develop and retain talent, the relationships we maintain with our customers and cooperative shareholders and more generally with all our stakeholders;
- **financial resources:**
  - the Group's own funds, consisting of retained earnings and inflows from the cooperative shares issued by the Banque Populaire banks and the Caisses d'Epargne,
  - deposits and savings inflows,
  - market funding,
  - for our subsidiary Natixis, own funds arising from the share capital provided by shareholders.

  The Group's policy of maintaining a high level of capital adequacy and the quality of its fundamentals – reflected in its top-tier financial ratings – allow it to develop its business activities on favorable terms.

OUR STRENGTHS

Our model

COOPERATIVE and DECENTRALIZED
Each bank is wholly-owned by its cooperative shareholders

No. 2 FRENCH BANKING GROUP
14 Banque Populaire banks
15 Caisses d'Epargne

FULL-SERVICE BANKING
Retail Banking and Insurance
Asset & Wealth Management
Corporate & Investment Banking

Human resources

9 million
cooperative shareholders

30 million
customers

105,000
employees, o/w 90% in France

Financial resources

€77bn
CET1 ratio

€27.5bn
MLT market funding in 2018

HIGH LONG-TERM RATING
FitchRatings A+
R&I A
Moody's A1
Standard&Poor's A+

OUR AMBITIONS

Our ambitions TEC2020

DIGITAL TRANSFORMATION
Seizing opportunities from the technological revolution

COMMITMENTS
To our customers, employees and cooperative shareholders

GROWTH
Ambitious targets for all our business lines

Our activity

€672bn
in loan outstandings

€705bn
in deposits and savings

€802bn
in assets under management

€60bn
in life insurance assets under management by Natixis

OUR IMPACTS

Customers

No. 2
bank for individual customers

BP+9 and CE+8
change in NPS (in pbs)

26.3%
market share in home loans

€8.7bn
in energy transition loan outstandings

€72bn
in responsible deposits and savings

Local regions

>20%
of the French economy funded by Groupe BPCE

No. 1
creditor of the social economy

No. 1
bank for SMEs

38 countries
Natixis international presence

Employees

65%
of employees are motivated

5,623
new hires with permanent contracts

96%
of employees have received professional training

42.9%
of our managers are women

WHAT SETS US APART

Our cooperative structure

Our goal is to actively contribute to the development of the regions in which we operate, alongside our customers, our cooperative shareholders, our employees and all our stakeholders. We are a cooperative group owned by our 9 million cooperative shareholder customers who hold all the shares in the Banque Populaire banks and the Caisses d'Epargne. They live and work in the areas where we operate.

Our cooperative structure shapes our approach to our businesses. Throughout our history of serving the economy and society, we have taken a different approach to how we do business over the long term and in our local regions. We want to help build a sound, positive environment for our cooperative shareholders and our customers for both the present and the future. We serve all types of customers and are deeply committed to the communities where we have developed extensive roots. We work with local stakeholders to strengthen ecosystems and improve quality of life in local regions. We strive to increase the positive impact of our activities on our regions' economic and human development.

This is the foundation of the Groupe BPCE 2018-2020 CSR strategy presented in Chapter 2.2.3.

The Banque Populaire and Caisse d'Epargne networks each have a federation that protects its identity and values and defends its interests. The federations organize discussions, hear ideas and provide representation, producing positions shared by all Group entities. They support the network's CSR strategy, cooperative shareholder relations, training for directors, and governance, while promoting initiatives in local communities.

Our large regional footprint

Through its dense network of branches and its different brands, Groupe BPCE finances more than 20% of the French economy. It has a strong nationwide footprint with its 29 regional banks. With the loans it grants to local authorities, locally established corporate customers and individual customers, Groupe BPCE is a leading fund provider in its areas of operation. We understand and know our local customers better, meaning we can pick up on signals and respond proactively, offering products and services tailored to local needs.

Our strong positioning in banking inclusion and entrepreneurship

Groupe BPCE has adopted major initiatives to foster banking inclusion and serve protected adults, in particular *via* the Caisse d'Epargne network. In addition, it has worked alongside entrepreneurs for over one hundred years, mainly *via* the Banque Populaire network.

2.1.2 A strong cooperative identity

The 14 Banque Populaire banks and the 15 Caisses d'Epargne fully own the central institution, BPCE SA group, which coordinates and organizes their common strategy. Accordingly, the national strategic decisions of Groupe BPCE are made in keeping with their regional requirements.

The Group's cooperative governance structure is described in Chapter 3 of the registration document.

BANQUE POPULAIRE BANKS

The 4.44 million cooperative shareholders are the foundation of the Banque Populaire banks' cooperative structure. They own the share capital, vote at Annual General Shareholders' Meetings and directly elect the directors who will represent them at Board of Directors meetings. In 2018, over 570,000 cooperative shareholders voted, *i.e.* an average turnout rate of 16% for the network.

In addition to Annual General Shareholders' Meetings, cooperative shareholders are regularly invited to in-branch meetings and special events where they can talk with company managers and directors about the latest news affecting their bank. At some banks, they issue awards to local solidarity-based projects they wish to see supported. Cooperative shareholders also have the opportunity to join shareholder clubs (strategic guidelines, budgets for associations, etc.) and help support recipients of microloans through organizations such as "Grand Ouest Coopération". They enjoy access to special information channels to keep up to date with news about their banks, including dedicated newsletters and magazines and interactive websites.

In 2018, the Banque Populaire network had 225 directors (and 17 non-voting directors) whose experience and diversity enrich discussions at Board of Directors' meetings in the interests of all customers and cooperative shareholders. They are value creators (CEOs, researchers, lecturers, etc.) who, through their roles, are involved in driving economic and social development within their regions. The role of the Fédération Nationale des Banques Populaires includes overseeing the individual and collective skills and expertise of Board members. In 2018, in addition to furthering their understanding of the bank's businesses, it offered them training on topics such as the history of the Banque Populaire network, the Banque Populaire cooperative banking model, governance (the role and responsibilities of directors), the director's stance (personal development: active participation in Board of Directors' meetings/challenging ideas), risk management (particularly the prevention of fraud and corruption), the opportunities presented by CSR, and how to integrate it into the corporate strategy. Finally, to meet the regulatory requirements calling for an annual assessment of the performance of the Board of Directors, the Federation also established an online self-assessment questionnaire available to all institutions in the Banque Populaire network.

Since 2014, the Fédération Nationale des Banques Populaires has used a new online tool to manage the training program for Banque Populaire directors: the *Académie des Administrateurs,* or Directors' Academy. This solution meets several goals:

- offering a view of the entire training catalog provided by the Federation;
- allowing directors to sign up for training modules online and to access their transcripts;
- facilitating access to training through e-learning modules and videos;
- measuring director satisfaction and the relevance of issues addressed at training seminars, to ensure that the Federation is in tune with the directors' expectations and needs.

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDER BASE

Banque Populaire banks	At 12/31/2018	At 12/31/2017	At 12/31/2016	Change 2017-2018
Number of cooperative shareholders *(in millions)*	4.44	4.30	4.14	3%
Percentage of cooperative shareholder customers *(as a %)*	33%(1)	33%	34%	0%
Average amount of shares held per cooperative shareholder *(in euros)*(2)	2,235	2,167	2,087	3%
Customer satisfaction rate (percentage of very satisfied customers – percentage of dissatisfied customers)(3)	18	13.6	N/A	+4 points

(1) Figure calculated based on "total number of cooperative shareholders" divided by "total number of customers" (excluding BRED, Crédit Coopératif and CASDEN).
(2) Figure calculated based on "total number of customers" and "share capital excluding cooperative investment certificates and cooperative shares held by the carrying SAS".
(3) Data from the BP & CE individual customer satisfaction surveys coordinated by the Group Customer Research division (excluding Crédit Coopératif and CASDEN).

COOPERATIVE INDICATORS: GOVERNANCE AND DIRECTOR TRAINING

Banque Populaire banks	2018	2017	2016	Change 2017-2018
Governance bodies				
Number of members of Boards of Directors	225	242	250	(7%)
Director attendance rate at Board of Directors meetings *(as a %)*	83%	83%	82%	-
Percentage of Board members who are women *(as a %)*	44%	42%	34%	5%
Percentage of Board Chairmen and Vice-Chairmen who are women *(as a %)*	19%	15.5%	11%	22.5%
Director training				
Boards of Directors: percentage of members who took at least one training course over the year *(as a %)*	83%	58%	39%	43%
Boards of Directors: average number of training hours per person(1)	11.6	5.6	3.85	107%

(1) 2018 data including Audit Committee training courses.

The Banque Populaire banks shine the spotlight on their difference as a cooperative banking structure

The *Université des Administrateurs Banque Populaire* (Banque Populaire Directors' Conference) is a flagship event in terms of cooperative relations, bringing together all the network's directors and senior managers every two years. In 2018, the conference focused on the governance strengths of cooperative banks and on how a cooperative approach can be a major advantage in today's changing world.

In 2018, the Banque Populaire banks organized the *Faites de la Coopération* event for the second year running. This week-long event was created as a way to raise awareness and promote discussions centered on the Banque Populaire cooperative banking model, taking place during Social and Solidarity-Based Economy month in November. A number of initiatives were organized both locally by the Banque Populaire banks and nationally by the FNBP, including the launch of the idea-sharing platform, "Le Wok, Lab Coopératif Banque Populaire", which focused its first campaign on the cooperative banking model, a round table discussion on "Cooperatives and performance" in partnership with the "Management and Governance of Financial Cooperatives" research chair at IAE Paris, and a discussion workshop for directors and researchers at the Burgundy School of Business. The Fondation Banque Populaire was also heavily involved in the 2018 "Faites de la Coopération" event.

Since 2011, the Banque Populaire banks have used a specialized tool to keep their cooperative shareholders abreast of their initiatives in the areas of societal and cooperative responsibility. Inspired by the ISO 26000 CSR standard, the CSR & Cooperative Dividend identifies and measures the value in euros of the initiatives taken by each bank for the Banque Populaire network's main stakeholders: its cooperative shareholders and directors, employees, customers and civil society. Its aim is to measure the "cooperative edge" offered by the Banque Populaire banks. These data are included in Groupe BPCE's open data system.

CAISSES D'EPARGNE

At the end of 2018, the Caisses d'Epargne had 4.63 million cooperative shareholders, the majority of them individual customers. Cooperative shareholders are represented by 226 Local Savings Companies (LSCs), which form an intermediate layer that helps strengthen each bank's local roots and relationships, and provide the shareholders with a forum to express their views.

In 2018, the Caisses d'Epargne continued their efforts to get their cooperative shareholders more involved in the life of their bank. The cooperative shareholders are key stakeholders in the Caisses d'Epargne, which provide them with dedicated information and communication channels including in-branch information points, a dedicated website (www.societaires.caisse-epargne.fr), newsletters and conferences hosted by Caisse d'Epargne experts.

These various channels provide cooperative shareholders with regular updates on what's happening at their Caisse d'Epargne, as well as and regional and national news in general. Some Caisses d'Epargne consult their cooperative shareholders and organize shareholder events such as exclusive meetings. The 15 Caisses d'Epargne also have a Cooperative Shareholders Club offering membership perks.

The Caisses d'Epargne also provide support to the cooperative shareholder representatives, LSC directors and Steering and Supervisory Board members. Training is a top priority to ensure that cooperative shareholder representatives fulfill the duties of their office and contribute actively to the governance of the Caisses d'Epargne. The training offer covers a broad range of topics:

- the director training program focuses on learning about the identity and history of the Caisses d'Epargne, CSR, the Group's business lines and digital developments, while also acquiring a strong foundation of general banking culture;
- for members of Boards of Directors and Supervisory Boards, initial regulatory training tackles the five areas established by Decree: governance, regulation, risks and internal control, strategy, and finance;
- for the specialized committees, nationwide training courses are offered to members of the Risk, Audit, Appointments, and Remuneration Committees.

Three new topics were featured in 2018: cybersecurity, financial security (including AML-TF) and customer protection.

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDER BASE

Caisses d'Epargne	At 12/31/2018	At 12/31/2017	At 12/31/2016	Change 2017-2018
Number of cooperative shareholders *(in millions)*	4.63	4.76	4.84	(3%)
Percentage of cooperative shareholder customers *(as a %)*	25%(1)	24%	23%	4%
Average amount of shares held per cooperative shareholder *(in euros)*(2)	3,050	2,873	2,654	6%
Customer satisfaction rate (percentage of very satisfied customers – percentage of dissatisfied customers)(3)	10	2.8	N/A	+7 points

(1) Natural persons only (customers and cooperative shareholders). Figure calculated based on "total number of cooperative shareholders" divided by "total number of customers".
(2) Figures calculated based on "total number of customers" and "outstanding cooperative shares"; natural persons only.
(3) Data from the BP & CE individual customer satisfaction survey coordinated by the Group Customer Research division.

COOPERATIVE INDICATORS: GOVERNANCE AND DIRECTOR TRAINING

Caisses d'Epargne	2018	2017	2016	Change 2017-2018
Governance bodies				
Number of members of Steering and Supervisory Boards	303	307	307	(1%)
Director attendance rate at Steering and Supervisory Board Meetings *(as a %)*	93%	93%	94%	0%
Percentage of Steering and Supervisory Board members who are women *(as a %)*	45%	44%	39%	2%
Percentage of Steering and Supervisory Board Chairmen or Vice-Chairmen who are women *(as a %)*	29%	27%	20%	7%
Director training				
Steering and Supervisory Boards: percentage of members who took at least one training course over the year *(as a %)*	87%	81%	96%	7%
Steering and Supervisory Boards: average number of training hours per person	9.3	10	8	(7%)

CSR Guidelines

In 2017, the Fédération Nationale des Caisses d'Epargne began preparations to establish the CSR and cooperative guidelines for 2018-2020, by gathering feedback from stakeholders, analyzing stakes and challenges, and collectively building four key ambitions:

- local footprint: being a key contributor to the transformation of the regions and the local economy;
- active cooperation: encouraging employees and cooperative shareholders to become "cooperative players";
- societal innovation: anticipating the needs of society in order to build progressive solutions;
- global performance: furthering the continuous improvement of CSR policies and their incorporation in all business lines for greater impact.

These four ambitions, broken down into 11 objectives, set a common framework in which each Caisse d'Epargne, operating as a fully-fledged cooperative bank, defines its own CSR strategy designed to meet the needs and expectations of the stakeholders. The existence of this shared framework facilitates the exchange of best practices and achievement of common goals, while respecting the cooperative structure of the Caisses d'Epargne. In 2018, the Fédération Nationale and the Caisses d'Epargne began to implement these guidelines and drafted an oversight dashboard.

COOPERATIVE REVIEW

The French act of September 10, 1947 on the status of cooperatives establishes the principle of a cooperative review every five years. This obligation, which was previously applied to farming cooperatives, was extended to all cooperative companies in all business sectors by the French act of July 31, 2014 on the social and solidarity-based economy. The review is performed by an independent auditor, responsible for verifying that the structure and operation of both networks observe cooperative principles and rules. The cooperative review is a positive initiative for cooperative governance. To assist the Banque Populaire banks and the Caisses d'Epargne with this new process, the Fédération Nationale des Banques Populaires and the Fédération Nationale des Caisses d'Epargne published a practical guide containing comprehensive information about the cooperative review. In 2018, all the Banque Populaire banks and the Caisses d'Epargne appointed a cooperative auditor.

2.2 A CSR strategy aimed at incorporating sustainable development in our business lines and decision-making processes

2.2.1 Identifying our priorities: analysis of ESG risks and opportunities to build a relevant, ambitious CSR strategy

The Group drew on work completed in 2017 for the TEC 2020 strategic plan and an analysis of the main ESG (Environmental, Social and Governance) risks carried out in 2018 to identify its most strategic CSR issues.

The ESG analysis used the risk assessment methodology followed by the Group Risk, Compliance and Permanent Control division to define:

- 21 CSR risks broken down into three types: governance, products and services, and internal operations. These risks were identified in accordance with regulations, financial center practices, rating agency assessment criteria, and CSR and reporting standards (*e.g.* the Task Force on Climate-Related Financial Disclosures). Each risk was clearly defined;
- a method for ranking CSR risks by frequency and severity;
- a method for assessing the corresponding Risk Management Systems.

The ranking of CSR risks was based on interviews with internal experts and tests carried out in four pilot regional banks (BRED Banque Populaire, Banque Populaire Alsace Lorraine Champagne, Caisse d'Epargne Loire-Centre, and Caisse d'Epargne Ile-de-France), BPCE and Natixis.

The analysis found that Groupe BPCE is exposed to thirteen major risks. These risks are either covered by specific commitments in the TEC 2020 strategic plan or addressed in the business line action plans described in this document.

* *Energy and ecological transition*
** *Issue related to Natixis*

2.2.2 Our key performance indicators

The major CSR risks identified by the Group are covered by commitments, action plans and key performance indicators used to measure how well they are managed and apply improvements if necessary.

Major risk	Risk/exposure management system	Key performance indicator
1. Business ethics, transparency and compliance with the law	See Chapter 2.4.3, "Promoting a compliance culture: the Group's code of conduct and ethics"	[Qualitative information]: a code of ethics drawn up and distributed to employees, oversight and governance
2. Data security and confidentiality	See Chapter 2.4.3, "General Data Protection Regulation (GDPR) systems"	General Data Protection Regulation (GDPR) systems
3. Lasting customer relations	See Chapter 2.4.3, "Customer satisfaction and quality policy"	Annual customer NPS (Net Promoter Score) and trends
4. Financing for the energy transition, green and blue growth and solidarity-based growth	See Chapter 2.3.2, "New green financing products sold by the Banque Populaire banks and the Caisses d'Epargne" See Chapter 2.3.1, "Steering deposits and savings towards a more responsible economy"	Outstanding loans to finance the energy and ecological transition[(1)] (in euros and trend) Responsible deposits and savings (in euros and trend)[(2)]
5. Working conditions	See Chapter 2.5.1, "Quantitative human resources indicators for Groupe BPCE"	Turnover rate (% and change)
6. Employability and job transformation	See Chapter 2.5.1, "Quantitative human resources indicators for Groupe BPCE"	Number of hours of training per FTE (in hours per FTE)
7. Integration of ESG criteria in lending/investment decisions	See Chapter 2.3.3, "Integration of ESG criteria in retail banking sector lending policies"	Percentage of sector lending policies including CSR criteria (as a %)
8. Funding of regional economies	See Chapter 2.3.2, "Financing the French economy and local regions"	Amount and change in loan outstandings for the regional banks (Banque Populaire banks and Caisses d'Epargne)
9. Regional footprint	See Chapter 2.4, "Financing the economy: local roots – a key asset"	Percentage of local suppliers (as a %)
10. Accessibility of products and services & inclusive finance	See Chapter 2.3.2, "Supporting financially vulnerable customers"	Number of customers with products for vulnerable customers (number and trend)
11. Customer protection and transparency of the range of products and services	See Chapter 2.4.3, "Governance and supervision of products and CSR analysis of new products and services" section	Solutions applied in terms of customer protection and transparency of the range of products and services
12. Diversity among employees	See Chapter 2.5.1, "Promoting gender equality and diversity" section	Percentage of women in management roles (as a %)
13. Involvement in the governance of investment targets	See Chapter 2.3.1, "ESG/SRI expertise serving the sustainable development cause"	[Qualitative information] Voting and engagement policy (scope: Mirova/Natixis and ECOFI (Crédit Coopératif))

(1) *Renewable energy (structured project financing + 100% renewable energy corporate financing + green construction (= Eco PTZ + PREVair/Ecureuil Crédit DD + PROVair loans) + low carbon transport (AUTOVair + Ecureuil Auto DD loans)).*

(2) *Outstanding savings in SRI + CODEVair (Banque Populaire banks) + Compte Sur Livret Régional (Caisses d'Epargne) + SRI range (Crédit Coopératif) accounts.*

2.2.3 Our commitments

OUR VISION AND AMBITIONS

By placing CSR at the center of its TEC 2020 strategy, Groupe BPCE reaffirmed its determination to be a responsible *bancassureur* in its operations and business relations, and to embrace its role as the No. 2 creditor of the French national[(1)] and regional economy.

Our cooperative banking model sets the unique tone for our CSR commitments:

- a different relationship with the regions: regional roots, close relations, solidarity, shared destiny;
- a relationship tailored to key life milestones: supporting customers over time with an intergenerational vision.

This vision is reflected in four strategic priorities:

- being the cooperative banking and insurance group with the greatest commitment to its customers and the regions;
- being a leading bank in green, responsible growth;
- consolidating our cooperative and CSR commitments in our internal practices;

(1) *21.1% market share on loan outstandings, all non-financial sector customers (source: Banque de France – Q3 2017).*

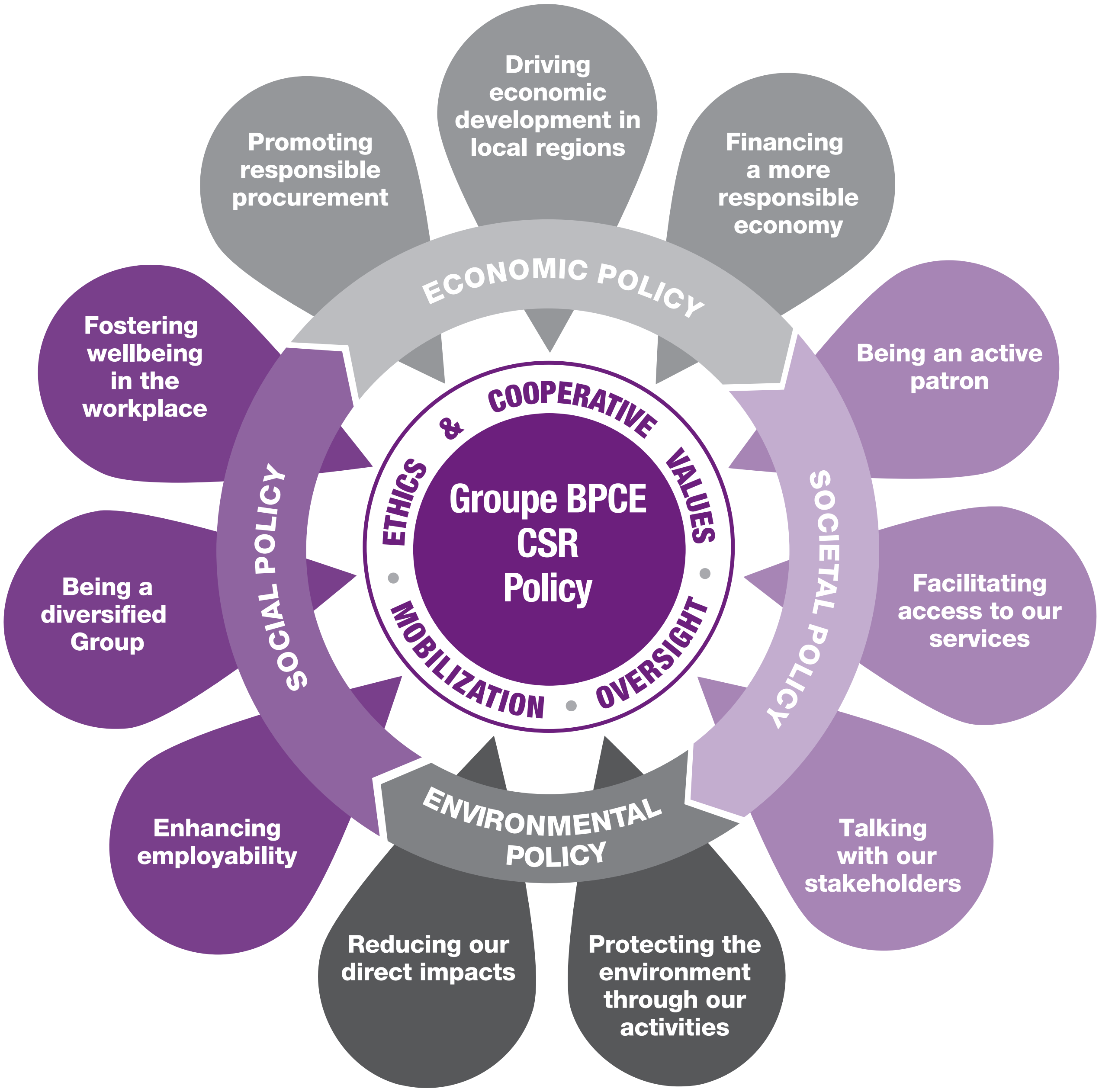
- leading by example in our stakeholder relations.

Our goals, initiatives and monitoring indicators for 2018-2020

The 2018-2020 CSR strategy, validated by the Management Board and presented to the Group Steering and Supervisory Board, is designed to be:

- consistent with the strategy of each brand and the initiatives of the Group entities;
- comprehensive, based on the four pillars of CSR: economy, society, environment and labor relations;
- deeply rooted in our cooperative banking DNA;
- focused on shared values, actions and ambitions.

From a practical standpoint, this strategy is rolled out through four commitments (economic, societal, environmental and social) and two cross-disciplinary approaches (coordination and oversight) that confirm our determination to take "a different approach to CSR."



OVERSIGHT OF GROUPE BPCE'S CSR STRATEGY

CSR goals and oversight indicators were set in the bank's new strategic plan, TEC 2020.

Regular reviews (at least twice a year) on CSR initiatives are performed by the Group Cooperative and CSR Committee and presented to the Groupe Steering and Supervisory Board.

Quantitative oversight

Project	Monitoring indicator	2016	2017	2018	2020 targets
Economic engagement					
Funding a more responsible economy	Responsible savings, including SRI[(1)] *(in billions of euros)*	24.8	27	72.5[(2)]	35
	Group institutions with Responsible Supplier Relations and Procurement certification *(number)*	7	7	9	14
	Procurement RFPs incorporating a CSR component[(3)] *(as a %)*	NS	NS	34%	80
Developing responsible procurement	Supplier payment deadline *(days)*	28	30	31	28
Societal engagement					
	Origination of microloans with support for individual customers *(in millions of euros)*	19	19	20	Consolidating Groupe BPCE's market leadership
Promoting access to Groupe BPCE services	Origination of microloans and other solidarity-based loans for professional customers *(in millions of euros)*	513.9	484.3	515.7	Consolidating Groupe BPCE's market leadership
Environmental engagement					
Reducing our direct environmental impacts	Carbon review (in metric tons of CO_2 equivalent) – Scope 1, 2 and 3 – excl. data centers	675,516	686,773	673,193	(10%)
Promoting the environment in our business lines	Funding of the energy transition[(4)] *(in billions of euros)*	7	8.2	8.7[(5)]	10
Social engagement					
Attracting and retaining top talent	Employees recommending the Group as an employer *(as a %)*	62 (2014)	65	N/A[(6)]	70%
Changes in Groupe BPCE's reputation	Featuring among the Top 20 in the Potential Park "Top Employers" ranking	24.8th	36th	14th	Top 20
	Women in management roles *(as a %)*	41.7	42.3	42.9	45%
Promoting gender equality	Female company directors *(as a %)*	N/A	20.4	26.1	30%
Developing employability	Number of cumulative training hours over 3 years *(in millions of hours)*	N/A	8	2.3	10
Promoting mobility	Launch of Mobiliway website	N/A	16%	39%	100%
Enabling employees to drive change	Percentage of employees who feel they can drive change	N/A	40	N/A[(7)]	50%
Digitized HR services	Use of electronic signatures in employment contracts *(as a %)*	N/A	42	81	80%
ISO 26000 assessment					
Oversight	Number of Group entities audited by an external auditor based on ISO 26000	6	7	7	12
Group-specific indicators					
	MSCI	AA (2015)	AA (2016)	AA	Maintain
	OEKOM (Germany)	C-/Not prime (2015)	C/Prime (2016)	C/Prime	Maintain
	Sustainalytics	NS	61/100	65/100	Maintain
ESG rating	Vigeo-Eiris (France-United Kingdom)	54/100	55/100	57/100	Maintain

(1) See note on methodology.

(2) €69.11 billion in SRI deposits and savings + €3.37 billion in CODEVair responsible on-balance sheet deposits and savings, regional passbook savings accounts and the SRI range offered by Crédit Coopératif.

(3) RFPs, use of companies working with people with disabilities, total cost of ownership approach, use of SMEs/VSEs or startups, integration of a CSR rating in the overall rating.

(4) Renewable energy loan outstandings + building energy renovation loans and environmentally friendly equipment loans for professional customers and SMEs + green car loans.

(5) At 06/30/2018.

(6) Data not available until Q1 2019.

(7) Data not available until Q1 2019.

Qualitative oversight

In addition to tracking several existing projects from a quantitative standpoint, the Group has undertaken to complete the following projects by 2020 under the TEC 2020 strategic plan in conjunction with the federations:

- measuring the impact of Groupe BPCE institutions on the economic landscape of their regions, while developing accurate teaching tools and programs;
- incorporating ESG criteria into risk policies and publishing sector policies on Group activities;
- structuring mechanisms dedicated to:
  - skills sponsorship,
  - action plans targeting vulnerable customers,
  - dialog with stakeholders,
  - ethics, principally by defining behavioral values and standards and publishing a code of conduct;
- mobilizing company directors and employees: incorporating CSR indicators in the company director dashboard, analyzing opportunities to include CSR criteria in the pay system, and continuing to offer training sessions on CSR and cooperation;
- Group communication and visibility on CSR: establishing an internal and external communication plan focused on CSR, and extensively incorporating CSR in financial communications. CSR data will also continue to be included in the Group's open data system (https://bpce.opendatasoft.com/pages/home/).

Our achievements in 2018

Strategic projects	2018 achievements
1. Measuring and promoting the local socio-economic footprint	– drafting of customizable flowcharts: money flows (savings/loans), value breakdown (regional approach) for publication in the Banque Populaire and Caisses d'Epargne annual reports; – measurement of the socio-economic impact of Groupe BPCE's purchases and reporting to the procurement and CSR departments with details by FTE and the wealth contributed to the French economy.
2. Responsible savings	– simplification and extension of the range of responsible investment products by Mirova and Ostrum Asset Management (Natixis); – presentation of projects for the renovation and extension of the responsible investment range to the Group Cooperative and CSR Committee in December 2018: real estate professionals, financing for renewable energy sources, public sector and professionals market.
3. Developing responsible procurement	– launch of the Campus e-learning training program on purchasing from companies working with disabled persons for the Procurement and HR departments (disability officers) and review of participation rates; – renewal of the Responsible Supplier Relations and Procurement certification for three years for BPCE SA group, Banque Populaire Grand Ouest, Caisse d'Epargne Bretagne Pays de Loire and Caisse d'Epargne Grand Est Europe, in cooperation with BPCE Procurement. To date, nine Group companies have been certified; – reporting of results of the assessment of the socio-economic footprint of Groupe BPCE's purchases and communication to the Procurement and CSR departments; – development of the CSR risk mapping tool, presentation of the action plan to the Procurement and CSR departments, launch of the co-construction of the training module by the responsible procurement working group, survey of supplier payment deadlines in Group companies.
4. Inclusive finance	– building of Caisses d'Epargne and Banque Populaire action plans for vulnerable customers and rollout across the networks with the goal of increasing take-up of solutions for vulnerable customers (OCF range) by 30% between 2017 and 2019; – signing of a new agreement with France Active (a non-profit organization supporting business creation) covering microloans for individual and professional customers; – *Finances & Pédagogie* money management courses for the general public.
5. Reducing direct environmental impacts	– construction of a climate performance oversight matrix for Group entities including the corresponding best practices; – approval of an action plan for reducing our emissions in procurement, transport and responsible digital practices; – contribution to Net Zero, an industry-wide carbon neutral initiative aimed at establishing a methodology for companies seeking to achieve a challenging, credible, and harmonized net zero carbon footprint.
6. Drafting a green growth strategy	– financing for renewable energy projects: developing biogas, updating the risk policy on other renewable energy sources; – integration of ESG criteria in all retail banking sector lending policies; publication by Natixis of its CSR policy for the defense, oil and gas sectors; – support for the sustainable food industry: creation of a dedicated fund; support for farmers and wine producers by the Banque Populaire network: development of the direct-to-customer offer, drought management plans, etc. – application of the Green Weighting Factor, an internal capital allocation model that adapts the expected return on different financing solutions depending on their impact on the environment and climate change by using a favorable or adverse adjustment to weighted assets; – issue of the first local economic development bond, in the form of a senior preferred bond totaling €1.25 billion.
7. Sustainability reporting and ratings	– rollout of a tool box to assist with the drafting of the non-financial performance report for all Group entities and proposal of a standard mapping of stakeholders; – ongoing work to improve the accuracy of IT reporting packages; – finalization of a Q&A book on key CSR topics.
8. Raising awareness of reporting and CSR	– adaptation of the strategic plan with the Banque Populaire and Caisses d'Epargne federations (*Faites de la Coopération* event, training for directors, etc.); – support for the networks with training in CSR, the carbon review and reporting.
9. Communication and CSR	– design of a communication system centered on the CSR strategy, primarily through a name and visual identity reflecting the Group's CSR engagement: *Fair(e) autrement* (a different approach to CSR); – participation in work done by the ORSE (Corporate Social Responsibility Observatory) and the Global Compact.

Strategic projects	2018 achievements
10. Adopting an innovative policy to encourage well-being, health and exercise in the workplace and employee diversity and employability;	– review of working conditions agreements at the Banque Populaire banks; – sports activity review at BPCE; – annual review of disability agreement follow-up; – working group set up to establish action to increase the number of women in management and senior management positions; – signing of a groupwide Strategic Workforce Planning agreement and launch of Mobiliway.
11. Ethics	– finalization of the Groupe BPCE code of conduct and Ethics, approved by the Supervisory Board.
12. ISO 26000 certification process	– selection of providers and presentation to the entire Group CSR function.

STRUCTURE AND GOVERNANCE REFLECTING THE GROUP'S COOPERATIVE BANKING MODEL AND RAISING THE BAR ON CSR

A separate BPCE function is responsible for overseeing the Group's CSR commitments, in conjunction with the Fédération Nationale des Banques Populaires and the Fédération Nationale des Caisses d'Epargne, which coordinate CSR policy within their respective networks.

The Group's Sustainable Development division reports to the Corporate Secretary's Office of BPCE's Retail Banking and Insurance division. Its goals are to:

- drive and oversee the Group's CSR policy and support all institutions in implementing this policy;
- serve as a source of foresight, expertise, and innovation in order to advance sustainable growth;
- coordinate the implementation of special regulations and propose adaptations in governance.

To this end, it is divided into four functions:

Green, responsible growth	Responsible business	Sustainable development watch, coordination and communication	Forward-looking CSR
– Definition of the green growth strategy (processes, benchmark, action plan); – Development of expertise designed to serve the networks, development of solidarity-based savings and finance; – Contribution to inclusive finance mechanisms.	– Coordination of CSR reporting and the Group/institution carbon review; – Oversight and monitoring of the Group CSR approach; – Dialog with ESG rating agencies and investors.	– Organization and oversight of the projects undertaken by the division and function meetings; – Regulatory, economic and technical watch; – Communication and organization of Sustainable Development function events.	– Development of the forward-looking expertise and research approach to issues relating to the green economy and CSR, particularly in the economic and technological fields.

To take action, the Sustainable Development division relies on a CSR function whose responsibilities are divided between the Group's central institution, regional banks and subsidiaries (particularly Natixis). Each company in the Group has an appointed CSR officer tasked with adapting the Group's commitments to the specific features of the company's region, operations and objectives.

The CSR function has the following structures:

- bodies that exchange information and coordinate and share skills:
  - a twice-yearly national responsible business conference attended by all of the Group's sustainable development officers. The conference focuses on improving CSR reporting and making plans to improve internal CSR and low-carbon practices; a national conference on the roll-out of ESG performance reporting in the Group was also held in 2018 to help the institutions complete this process,
  - a green, responsible growth conference aimed at centralizing technical and sales expertise around the new economic models arising with sustainable development. An annual plenary meeting (125 participants on average) has been held since 2014;
- steering and oversight bodies:

Body	Roles
Groupe BPCE Supervisory Board Cooperative and CSR Committee	Validates CSR projects, rules on major strategic CSR guidelines. The committee met twice in 2018.
CSR function (network of CSR managers and their business line counterparts)	Rolls out initiatives based on their specific priorities and involves all Group employees in the field.
Cooperative Shareholder & CSR Committee of the Fédération Nationale des Banques Populaires and CSR Committee of the Fédération Nationale des Caisses d'Epargne	Approve national CSR guidelines and assist with their local implementation
Local CSR Committees of Group institutions	Monitor and coordinate local implementation of the CSR policy

- training initiatives on sustainable development issues:
  - in 2018, two training sessions on "The Basics of CSR" were provided to the business lines,
  - two training courses on CSR reporting (organization and tools) and two on the carbon review tool were provided, and three CSR reporting telephone hotlines were made available in 2018.

The Group's Sustainable Development division also works to educate the various divisions about CSR and interacts regularly with them, either during their own seminars (Risk function, Distribution function, Procurement function, Logistics function, Fédération Nationale des Banques Populaires, Fédération Nationale des Caisses d'Epargne, etc.) or at special events (such as Sustainable Development Week or Solidarity-Based Finance Week).

Lastly, the Group set up an Intranet site for the sustainable development officers in 2015, and in 2017 two communication groups were created on our in-house social network: one on green, responsible growth with 552 members and the other on CSR with 368 members among the Group institutions.

Strengthening CSR governance at Natixis

Since 2017, Natixis' CSR policy has been managed by a dedicated department reporting to the Natixis Corporate Secretary, who is a member of the Natixis Senior Management Committee.

The CSR team, with 8 permanent employees, joined the CSR function which has been in place at Natixis since 2004. It works with the aid of a network of officers and in coordination with the BPCE Sustainable Development division.

Representatives from Natixis' business lines (Corporate & Investment Banking, Investment Solutions, Insurance, Specialized Financial Services) take part in business forums to develop CSR in the business lines, while the officers working in the Corporate departments (Real Estate and Logistics department, Human Resources, Compliance, etc.) are involved in projects to incorporate sustainable development into the company's day-to-day operations.

In addition, CSR governance is organized in each business line, with, for example, the creation of a Green Hub at Corporate & Investment Banking. This operational hub comprises experts who help issuers and investors all around the world by offering them solutions and expertise in green, sustainable financing. This expertise is applied to all asset classes: loan structuring and origination and investment solutions, in partnership with the business lines, which have designated Green Captains, and in coordination with the CSR department.

At Asset Management, CSR officers have been active for several years (for example at Ostrum Asset Management, Natixis Assurances, and AEW Europe). Other business lines in the Specialized Financial Services division (Natixis Lease, Natixis Interépargne) and the Insurance division (BPCE Assurances) have also adopted a CSR policy since 2017 and have appointed CSR managers responsible for drafting a CSR roadmap for their activity.

Improvements recognized by the ESG rating agencies

Keenly aware of the major role played by ESG rating agencies and investors, Groupe BPCE makes every effort to meet the requests of these agencies and maintain a dialog with them. This is one of the CSR commitments set out in the strategic plan.

The following table shows the most recent assessments of the top ESG rating agencies.

Agency	Current rating	Rating (year of last rating)	Rating (previous year)
OEKOM	C – Prime (2018)	C – Prime (2016)	C – Not prime (2015)
MSCI	AA (2018)	AA (2016)	AA (2015)
SUSTAINALYTICS	65/100 – Average performer (2018)	61/100 – Average performer (2016)	N/A
VIGEO EIRIS	57/100 – Robust (2018)	55/100 – Robust (2016)	Vigeo: 54/100 (2014)

A regular audit of CSR reporting and processes

CSR has been an integral part of the multi-year audit plans since 2016. The Internal Audit teams of each Group institution regularly perform an audit of CSR governance, CSR reporting and coordination of the CSR approach. Audit standards were addressed during a joint project by the CSR teams and the Group Inspection Générale division and are regularly updated in line with regulatory changes.

PUBLIC COMMITMENTS MADE UNDER EXACTING STANDARDS

United Nations Global Compact (Advanced level)

Groupe BPCE renewed its adherence to the Global Compact in 2018 and to the ten associated principles covering human rights, international labor standards, environmental protection and anti-corruption. It obtained the Advanced level, which is the highest level of differentiation attributed by the Global Compact, reflecting its determination to continue incorporating these principles in its strategy, corporate culture and the conduct of its businesses.

Principles for Responsible Investment (PRI)

The Principles for Responsible Investment (PRI) are designed to help institutional investors incorporate environmental, social and corporate governance (including anti-corruption) considerations in their investment decisions and practices, and thereby to improve beneficiaries' return on investment over the long term. Natixis signed the PRI in 2010 and since then a number of Natixis Investment Managers companies have also signed up (AEW, AEW Europe, DNCA, Euro PE, Loomis, Mirova, Ostrum AM, Naxicap, Ossiam, Seventure, representing €626 billion in assets under management (AuM), accounting for 74% of Natixis IM's total AuM).

Equator Principles

By signing the Equator Principles in December 2010, Natixis acknowledged the importance of evaluating the environmental and social risks and impacts of the projects it finances using a methodology accepted by many financial institutions to encourage its customers to manage, minimize, and remedy the impacts they cause as best they can.

Natixis' areas of activity that are eligible for the Equator Principles mainly concern infrastructure, energy (oil and gas), electricity and renewable energy, and mining and metals all over the world.

UNEP FI: Natixis

At the end of 2018, Natixis announced its membership of the UNEP-FI Principles for Responsible Banking, becoming one of the first financial institutions besides the 28 founding members to formally commit to aligning its strategy with the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.

Corporate Diversity Charter

Groupe BPCE adopted the Corporate Diversity Charter in November 2010, demonstrating its determination to become a model employer. The Group enacts this commitment through special initiatives, such as the July 2010 implementation of the responsible procurement and disabilities policy ("PHARE") and the June 2012 creation of the women's network "Les Essenti'Elles" aimed at promoting a positive image of women and furthering their access to top positions.

Businesses and Neighborhoods Charter

Groupe BPCE was the only cooperative banking group to join this project on its launch by the French Ministry for Urban Affairs in 2013. It signed a framework agreement, to which eight Banque Populaire banks and Caisses d'Epargne have adhered either *via* a regional agreement or specific initiatives. By adhering to this charter, companies undertake to support the economic, social, and cultural development of neighborhoods identified as priorities in urban policy in areas such as social inclusion and entry into employment, public services and economic development (for Groupe BPCE, this includes support for entrepreneurship). The original objectives were amended in 2018 with the Ministry prioritizing efforts to encourage hundreds of companies (often SMEs) to adhere to regional charters initiated by Prefects.

Responsible Supplier Relations Charter

Groupe BPCE has been a signatory of the Responsible Supplier Relations Charter since 2010. This charter was designed to incentivize businesses to adopt responsible practices in dealing with their suppliers. The goal is to change relations between customers and suppliers in order to build a lasting, balanced relationship between them based on mutual trust, with the aim of supporting the French economy by giving precedence to partner-based strategies, dialog, and the expertise of procurement professionals[1].

Work-Life Balance Charter

In 2017, the company directors of the Banque Populaire banks, the Caisses d'Epargne and BPCE SA group all signed the Work-Life Balance Charter. Natixis had already signed the charter in 2015. This charter acknowledges the fundamental importance of striking a balance between a career and a home life, thus ensuring better quality of life in the workplace and a better performance for the company. By signing this charter, Groupe BPCE companies have undertaken to support and promote constructive behavior in the organization of work and relations between managers and employees.

Cancer@work Charter

Fourteen Groupe BPCE companies have signed the Cancer@work Charter, underscoring their commitment to implement concrete initiatives to promote the integration and continued employment of people directly or indirectly affected by cancer or another chronic illness. It also demonstrates the determination of Group companies to mobilize their strengths and come together in the fight against cancer.

(1) https://back.bpce-achats.fr/storage/documents/9YMh2ecdXFSrAUhMOp4SKfZWh64bfInkxPnW5izi.pdf

Development of CSR assessment tools in the Banque Populaire and Caisse d'Epargne networks

The Banque Populaire network measures its commitment to its stakeholders (cooperative shareholders, directors, employees, customers and civil society) using the CSR & Cooperative Dividend. All the banks' societal and cooperative responsibility initiatives are therefore monitored. Banque Populaire Atlantique (now Banque Populaire Grand Ouest), Banque Populaire Alsace Lorraine Champagne and Banque Populaire Rives de Paris have implemented a global CSR management approach, and their performance in this area is assessed by an external auditor. They have held LUCIE certification since 2012, 2015 and 2016 respectively. Banque Populaire Alsace Lorraine Champagne has been AFAQ 26000-certified since 2014 (this certification became the "Engagé RSE" [CSR Committed] certification in 2018).

The Caisses d'Epargne also increasingly call on external assessments of their initiatives and the quality of their CSR approach. In 2014, a CSR self-assessment tool was made available to the Caisses d'Epargne by their federation to help deploy action plans in accordance with the ISO 26000 CSR standard. 8 Caisses d'Epargne have completed a self-assessment of their policy. In 2018, Caisse d'Epargne Aquitaine Poitou-Charentes obtained LUCIE certification, following the Vigeo 26000 certification it secured in 2016. As of the end of 2018, two Caisses d'Epargne held LUCIE certification, as Caisse d'Epargne Rhône Alpes obtained this certification 2017. At the same time, several Caisses d'Epargne have undertaken certification initiatives in favor of the environment (ISO 14001 and ISO 50001 in particular), gender equality, diversity and responsible supplier relations.

Helping to build new international financial standards

Since 2009, international climate change negotiations and European and French policies on the energy transition have relied heavily on the role played by banks and investors to channel financing into initiatives to preserve the climate.

New international standards are being prepared to structure and unify financing for green growth, manage the financial risk inherent in climate change and provide a transparent framework for communication.

BPCE is actively involved in sector initiatives in France, Europe and internationally. It contributes the expertise and know-how of Group companies that are highly involved in low-carbon activities from both a financial and banking perspective, to ensure that regional banks and markets have their role to play in future financing mechanisms:

- at an international level, BPCE is very active in international standards (ISO) work on environmental finance. It defends the compatibility of financial standards models with those specific to local banks – in particular cooperative banks – and their customers. At the end of 2018, BPCE was asked to chair of the AFNOR group of finance, environment, climate and economy experts and to coordinate the future ISO 14100 environmental finance standard with China. This initiative is part of the bilateral agreements signed between France and China at the fifth High Level Economic and Financial Dialog (HED) at the end of 2017;
- at the European level, Natixis has joined the Technical Expert Group on Sustainable Finance (TEG) to build an action plan to finance sustainable growth in Europe. BPCE lobbied for a representative of the European Association of Cooperative Banks (EACB) to join the TEG to provide bank financing expertise;
- BPCE also takes part in specific working groups set up by European banking organizations to contribute to the TEG's work. These include the European Savings and Retail Banking Group (ESBG), the EACB, the European Banking Federation (EBF) and the French Banking Federation (FBF);
- at a national level, BPCE presented its climate change risk management approach to the ACPR (French prudential supervisory authority). This is a requirement of Article 173 of the French Energy Transition for Green Growth Act of August 17, 2015 and complies with a G20 request;
- the Chief Executive Officer of Mirova (Natixis), Philippe Zaouati, was named Chairman of Finance for Tomorrow, a financial center initiative in Paris to promote the French financial sector's expertise in sustainable finance.

Active contribution to the Sustainable Development Goals (SDGs)

Adopted in 2015 by the 193 Member States of the United Nations at the Sustainable Development Summit in New York, the SDGs form the 2030 Agenda for Sustainable Development, a set of 17 global targets aimed at combating inequality, exclusion and injustice, fighting climate change, protecting biodiversity and ending extreme poverty.

Deeply aware of its role in achieving these goals, Groupe BPCE conducted a detailed analysis to identify its contribution to the SDGs. To this end, the Group:

- comparatively analyzed its CSR policy with the SDGs;
- established a sector benchmark and analyzed stakeholder expectations (particularly investors and rating agencies) regarding the SDGs.

The following table presents this contribution to each SDG.

ECONOMIC ENGAGEMENT

SERVING REGIONAL ECONOMIC DEVELOPMENT

For BPCE, regional economic development requires initiatives that foster social and professional inclusion, in particular support for entrepreneurs, impacting SDG 1 and contributing to SDGs 2, 8, and 9.

FUNDING A MORE RESPONSIBLE ECONOMY

Funding a more responsible economy impacts several areas by providing financing and investment in different sectors and contributing to SDGs 2, 4, 7, 8, 11, 12, 13, 14 and 16.

DEVELOPING RESPONSIBLE PROCUREMENT

Responsible procurement impacts SDG 12 in particular. For BPCE, this is reflected in the responsible procurement approach, AgiR, which was introduced in 2012, as well as in the procurement performance plan and our supplier relations.

SOCIETAL ENGAGEMENT

BEING AN ACTIVE PATRON

The patronage policy contributes to SDGs 1, 2, 3, 8, 10, and 17 via partnerships with various structures.

FACILITATING ACCESS TO BPCE'S SERVICES

BPCE's initiatives to facilitate access to banking services while meeting customers' needs contribute to SDGs 1, 8, 10, and 11.

TALKING WITH OUR STAKEHOLDERS

Dialogue with our stakeholders has fostered a policy of partnerships that meets SDG 17 and encouraged initiatives to combat climate change (SDG 13).

ENVIRONMENT ENGAGEMENT

PRESERVING THE ENVIRONMENT THROUGH OUR ACTIVITIES

The measures taken by the Group's business lines to preserve the environment contribute to SDGs 8, 12, and 13.

REDUCING OUR DIRECT IMPACTS

Reducing our impacts with measures to save energy and resources contributes to SDGs 7, 8, 9, 12, and 15.

SOCIAL ENGAGEMENT

ENHANCING THE VALUE OF OUR EMPLOYEES

Our training programs (SDG 4) ensure lasting employment and increased performance in the workplace, which corresponds to SGD 8.

BEING A DIVERSIFIED GROUP

The Group's initiatives in favor of gender equality and the inclusion of disabled persons contribute to SDGs 5, 8, and 10, which promote equality.

FOSTERING WELL-BEING IN THE WORKPLACE

The measures and agreements that improve working conditions contribute to SDGs 4, 8, and 16.

The Group's actions have a positive impact on 16 of the 17 SDGs through its internal management, sponsorship activities, and especially its financing activities (financing in the social, non-profit, renewable energy, agriculture, education, healthcare and microfinance sectors, etc.).

To foster understanding and promote the SDGs, awareness initiatives were organized internally (posters showing the SDGs, reference to the SDGs during European Sustainable Development Week, educational video produced by Natixis[1].

(1) *https://www.natixis.com/natixis/jcms/rpaz5_67386/en/european-sustainable-development-week-natixis-is-ready-for-the-2018-event*

2.2.4 Constant dialog with our stakeholders

Stakeholder dialog is a cornerstone of Groupe BPCE's CSR approach and is one of the objectives of its 2018-2020 strategic plan.

Extensive preparatory work was carried out in 2018 to identify the major challenges facing society, stakeholders and their expectations, to ensure they would be incorporated in Groupe BPCE's CSR priorities and policy. The Group's key stakeholders, and the associated stakeholder dialog processes, were mapped out as shown below.

Customers

Corporate customers
Institutional customers
Individual customers

- 107 institutional and business partnerships
- Checks performed to ensure that ethics and compliance rules are observed in sales policies, procedures and processes
- Measurement of customer satisfaction/ achievement of targets
- Dedicated offers and structure for vulnerable customers
- Complaints management and mediation

Cooperative shareholders

Banque Populaire customers
Caisse d'Epargne customers

- Cooperative shareholding
- AGMs, meetings and newsletters
- Customer satisfaction survey
- Coordination by the *Fédération Nationale des Banques Populaires* and *the Fédération Nationale des Caisses d'Epargne*

Directors

LSCs
Boards of Directors of the Banque Populaire banks
Supervisory Boards of the Caisses d'Epargne
Supervisory Board of BPCE SA
Specialized committees

- Training by the Federations
- Participation in Board of Directors, Supervisory Board and committee meetings

Employees

Employees of the Group and its subsidiaries
Employee representatives and labor unions

- Special committees
- Internal communications
- "Diapason" employee survey
- Women's support networks, talent management
- Strategic objectives

Suppliers and sub-contractors

Companies
Service providers
Companies working with disabled persons

- Consultations and RFPs
- Responsible Supplier Relations Charter
- CSR clauses in contracts
- Annual convention presenting awards and satisfaction surveys

Non-profits and NGOs

Environmental protection and human rights associations

- Interaction via contributions to surveys
- Regular dialog
- Employee volunteer work
- Skills sponsorship

Institutions, federations, regulators

Financial regulation authorities, French Banking Federation, French Banking Association, ORSE (Corporate Social Responsibility Observatory), Global Compact, ESBG, EACB, etc.

- Regular meetings
- Members of the CCSF (Financial Sector Consultative Committee), OFE (Observatory for Corporate Financing), OIB (Banking Inclusion Observatory)
- Transmission of information and documents
- Contribution to FBF (French Banking Federation) projects

Rating agencies, investors and independent third parties

Financial rating agencies
ESG rating agencies
Statutory Auditors

- Transmission of information and documents for ratings/audits
- Regular dialog
- Green/Social/Sustainable bonds
- ESG roadshows

Academic and research sector

Business schools and universities
Research institution (e.g. I4CE)

- Relations with business schools and universities
- Employment of interns and students on work-study contracts
- Contribution to research and working groups

In addition to this analysis, the Group communicates with its stakeholders on a daily basis:

- individual and professional customers of all BPCE retail entities are free to submit complaints; their satisfaction is also frequently measured, spontaneously at the branch level every week and consistently on a quarterly basis to monitor satisfaction in all segments and at all points of contact; special survey tools (both spontaneous and scheduled) are also developed on certain markets (business customers, private banking, etc.) (for more details, see Chapter 2.4.3);
- dialog with cooperative shareholders is coordinated by the Fédération Nationale des Banques Populaires and the Fédération Nationale des Caisses d'Epargne; their satisfaction is also measured using a special survey;
- dialog with staff and employee representatives, as described in the social pillar of this document (Diapason survey, employee representative bodies, periodic topical surveys, etc.);

- a satisfaction survey is carried out on a sample of suppliers at the annual suppliers' convention. This event also gives the Group an opportunity to explain its priorities and issue awards, in particular for CSR performance;
- *via* the Banque Populaire and Caisse d'Epargne Development divisions, Groupe BPCE coordinates a policy of dynamic partnerships with several associations, representative federations and trade unions representing the various regional economic players (local officials, CEOs, real estate professionals, stakeholders in the social and solidarity-based economy, the medical-social and healthcare sectors, social housing managers, self-employed professionals, craftsmen, small retailers, franchisors, entrepreneurs, farmers, etc.). A total of 116 partnerships had been established by both brands at end-2018, covering business, institutional relations and communication. Regular contact is maintained in a close relationship with each partner;
- Groupe BPCE contributes to the work of the Financial Sector Consultative Committee (CCSF), whose purpose is to examine issues that come up in relations between financial institutions and their customers, and to issue opinions or recommendations on appropriate measures in this area. The CCSF is a joint committee made up of members representing financial institutions and consumers, as well as members of Parliament, qualified experts and representatives of financial sector companies and employees, and serves as a unique forum for dialog;
- Groupe BPCE takes part in financial center relations and working groups, such as the FBF (French Banking Federation), the AFB (French Banking Association) and the ORSE (Corporate Social Responsibility Observatory);
- finally, BPCE maintains a regular dialog with ESG rating agencies during the rating process and with investors.

2.3 A range of services to meet the challenges facing our customers

Groupe BPCE is working to adopt a global approach in conjunction with its business lines, aimed at turning them into differentiation and performance drivers. The Group is best at meeting its CSR priorities when conducting its banking and insurance activities. In accordance with its strategy, it has set goals to:

- increase the distribution of its solidarity-based savings and investment offer to its customers;
- meet the financing needs of customers with projects generating significantly positive environmental or social impacts;
- manage the risks and opportunities associated with the energy, climate and ecological transitions.

Building on the work done in 2017, the Group set an ambitious and structure-building target for each of these goals: over the 2018-2020 period, increasing responsible deposits and savings by 50%, topping €10 billion in outstanding loans for green growth, and issuing two green and social bonds for proprietary purposes each year.

The Group focused on prioritizing these goals in 2018 and launched several initiatives to work towards achieving them.

2.3.1 Steering deposits and savings towards a more responsible economy

The range of responsible products was overhauled and promoted to make it easier for customers to identify the right solutions for their objectives, risk appetite and the value they place on societal impacts. Training and communication initiatives will be carried out to complete this strategy.

Groupe BPCE already offers a broad range of products designed to steer deposits and savings towards a more responsible economy.

BANK DEPOSITS AND SAVINGS INVESTED IN THE REGIONS

The Banque Populaire banks and the Caisses d'Epargne take local deposits and channel them into local projects. Funding allocation decisions are based on local needs and each institution's in-depth knowledge of the region, including its potential and areas for improvement. Passbook savings account deposits and regular deposits are used to fund regional development, funneling money right back into the community. Mindful of the growing importance customers place on transparency and traceability, Groupe BPCE is working to better identify the impacts of these deposits and savings.

GROUPE BPCE: THE LEADER IN SOLIDARITY-BASED SAVINGS

According to the Finansol 2018 survey, Groupe BPCE is the leader in solidarity-based savings in France, ranking No. 1 in terms of inflows and management. Each year, this survey identifies and certifies all savings vehicles that finance projects with a major social, solidarity or environmental impact. At December 31, 2017, Groupe BPCE managed nearly 37.9% of total solidarity-based savings (€4.38 billion out of €11.5 billion). Through its different business lines, it draws on complementary areas of expertise that qualify it to operate along each link of the chain: collection of deposits and savings (Banque Populaire banks, Caisses d'Epargne, Crédit Coopératif, Natixis Interépargne), asset management (Mirova, Ecofi Investissements), funding of social support networks and project sponsors such as Adie, Initiative France and France Active.

BPCE hosts a conference during FINANSOL Week 2018

On November 8, 2018, BPCE hosted a conference during Finansol's annual solidarity-based finance week to show its employees and partners the diversity of business models in the social and solidarity-based economy. In testimonials by three company directors on "How our solidarity-based companies bring regional cohesion to life", participants got a glimpse of the real local impact these companies have in three sectors: sports and leisure, fair trade, and digital data sharing.

Groupe BPCE's contribution to solidarity-based savings

CODEVair is an example of a Finansol-certified product distributed by the Banque Populaire banks, aimed at encouraging customers to put their savings into the energy transition. Launched in 1999 by Banque Populaire d'Alsace, CODEVair is distributed by nine institutions, including Crédit Coopératif. Total deposits of €1.43 billion are used to finance energy-efficient homes and cars with little or no greenhouse gas emissions, among other projects. As of December 31, 2018, 13,000 projects had been financed, totaling €321 million.

Since 2004, the Caisses d'Epargne have also developed a regional passbook savings account highlighting the local use of deposited funds and the impact of funded projects: the *Compte sur Livret Régional* (CSLR), distributed by 14 institutions. Each Caisse d'Epargne decides whether to use the funds to finance digital development, healthcare or employment. CSLR holders (68,715 customers, €1.02 billion) are able to obtain information on the actual implementation of local projects financed with their deposits.

Crédit Coopératif has been the leader in solidarity-based products in France for nearly twenty years. It developed the AGIR range, which includes a charity debit card and six passbook savings accounts. Through AGIR passbooks, Crédit Coopératif customers can show their solidarity with an association of their choice by sharing some or all of the interest accrued on their account. The flagship product is the Livret AGIR, which donates 50% of the accrued interest to one of the 25 beneficiary associations approved by the bank. In 2018, over €2.6 million in donations were made *via* Crédit Coopératif solidarity-based products and Ecofi Investissements solidarity-based investment funds. Two passbook savings accounts (REV3 and *Coopération pour ma région*) also allow investors to put their deposits to work funding the social and solidarity-based economy in the region of their choice (or exclusively in the Hauts de France region for REV3).

Through these products, Crédit Coopératif is meeting growing demand among loyal customers for transparent information on how their money is used, by providing them with traceability on the use of their passbook savings account deposits.

Responsible passbook savings accounts (outstandings in millions of euros)	2018		2017		2016		Change 2017-2018	
	Number	Outstandings	Number	Outstandings	Number	Outstandings	Number	Outstandings
LDD sustainable development passbook savings account	304,616	1,269	312,664	1,268	281,648*	1,047*	(2.5%)	0%
CODEVair passbook savings account	8,871	687	6,918	411	4,807	224	28%	67%
Regional passbook savings account	12,422	422	10,599	309	14,279	1,861	17%	37%
Crédit Coopératif solidarity-based passbook savings accounts	71,156	769	67,538	662	N/A	N/A	5%	16%

* Rectified data.

ESG/SRI EXPERTISE SERVING THE SUSTAINABLE DEVELOPMENT CAUSE

Groupe BPCE is a longstanding leader in SRI, a field where it boasts extensive expertise. It is able to offer a highly diversified SRI range to all customer segments and has set an ambitious goal of increasing responsible deposits and savings by 50% by 2020 in accordance with its strategic plan.

SRI and solidarity-based investments

Ostrum Asset Management – a responsible asset manager

Ostrum Asset Management (Ostrum AM) has been committed to sustainability and Socially Responsible Investment (SRI) for over 30 years[1], and in recent years it has gone a step further by making responsible investments the main component of its CSR strategy. Ostrum AM undertakes to factor all ESG criteria into its investment decisions in accordance with the recommendations of leading international standards such as the United Nations Principles for Responsible Investment (PRI), of which it has been a signatory since 2008. Its fund managers apply this approach to all asset classes and to use their influence to promote the emergence of a responsible economic and financial system. This responsible asset management approach derives from a far-reaching analysis performed over several years. It is based on four main commitments and specific climate initiatives implemented daily by the investment teams. Ostrum AM firmly believes that relevant and ambitious responsible investment strategies generate performance over the long term and deliver added value to its clients through a four-step process:

- Understand:
  - the investment teams select the best sources of ESG data and contact each company's Management team directly to produce integrated financial and ESG research.
- Manage:
  - exclusion policies apply to all investment universes. They target the controversial weapons sector, coal producers, issuers with controversial ESG practices and more recently tobacco producers and manufacturers,
  - Ostrum AM systematically incorporates ESG in its analysis. It believes ESG factors have a major impact on a company's risk profile and the sustainability of its growth. For this reason, its investment teams optimize the integration of ESG criteria in each investment process,
  - Ostrum AM offers SRI and "ESG-intensive" strategies. Its investment strategies are tailored to each client's ESG philosophy. From improving ESG quality to reducing a portfolio's carbon footprint, Ostrum AM is ready and able to accommodate each client's responsible investment approach;
- Act:
  - Ostrum AM works regularly with the companies in which it invests through its voting policy and engagement,
  - Ostrum AM uses its influence wisely with constructive dialog. Its goal is to encourage companies to better incorporate environmental, social and governance issues in their strategic planning;
- Build:
  - Ostrum AM actively participates in initiatives to build and promote responsible investment. It is involved in around ten industry groups where it works with its peers to co-build responsible investing standards.

2018 marked the tenth anniversary of Ostrum AM's signing of the United Nations Principles for Responsible Investment (PRI). The quality and ambition of its responsible investment approach were once again recognized and commended with excellent ratings across the board.

Voting policy

As a third-party asset manager, Ostrum AM believes that it has a responsibility and duty of care to its unitholders to monitor changes in the value of their investments and to exercise the voting rights attached to portfolio securities. Ostrum AM exercises its voting rights solely in its unitholders' interests. It made a conscious decision to apply high standards in terms of corporate governance. Its voting policy promotes i) transparency, accuracy and relevance in financial and ESG disclosures, ii) competent, independent governance bodies subject to checks and balances, iii) defense of minority shareholders' rights, iv) linking executive pay linked to the company's operating performance and v) observation of ethical and CSR principles. In 2018, Ostrum AM voted at 1,702 Annual General Shareholders' Meetings and on a total of 23,338 resolutions. It voted against 18% of the resolutions submitted by Management and abstained in 1% of

(1) Natixis Impact Nord Sud Développement – Ostrum Asset Management's first solidarity-based investment fund – was created in 1985. A full range of SRI and solidarity-based investment funds has since been developed.

cases. It supported 320 shareholder resolutions (62% of resolutions submitted). Ostrum AM votes on 100% of its holdings, except on markets that suspend trading[1], where it applies a ratio of 80%.

Mirova: a subsidiary specializing in responsible investment

Mirova is the asset management affiliate of Natixis Investment Managers specializing in sustainable investment. Through its conviction strategies, Mirova's goal is to combine long-term value creation with sustainable development.

Mirova manages €10 billion spanning five asset classes: listed equities, fixed income, infrastructure financing, natural capital, and solidarity-based investment.

Prevention of climate change is a major issue, one that is largely reflected in Mirova's strategies. The company provides individual and professional clients alike with strategies that invest their funds in projects offering solutions to climate change problems. This ambition is met through its various offers: development of environment-driven equity strategies, low carbon strategies, investment in renewable energy infrastructure projects in Europe, and support for the development of green bonds. Mirova's fourth renewable energy infrastructure fund, Mirova-Eurofideme 4, closed its first deal in 2018, giving institutional investors the opportunity to invest in energy transition infrastructures. The fund finances the construction of new renewable energy production and storage capacity in Europe, as well as e-mobility development projects.

Mirova has developed carbon footprint measurement tools, employed in particular to monitor the carbon impact of its strategies. In addition, it systematically incorporates climate-related issues in its engagement policy and supports transparency initiatives such as certifications. In doing so, Mirova is able to carefully manage the carbon footprint of its investment strategies, and as a result reduced the footprint of its consolidated equity portfolio from 3.5°C in 2015 to 1.7°C in May 2018. It therefore observes the 2°C target set by the international community in all asset classes.

In 2017, Mirova created a new range of products specializing in biodiversity conservation and natural capital, and also began developing innovative investment solutions aimed at mitigating and adapting to climate change while protecting local regions, biodiversity, soil and marine resources – the Althelia fund range. Althelia Sustainable Ocean Fund, a new investment fund dedicated to financing projects and innovative companies in the marine and coastal sector, closed its first deal in autumn 2018.

Social and governance criteria are also central to Mirova's investor approach. The company offers pro-employment equity strategies, invests in the social bond market and includes social and governance criteria in the investment filters applied to all asset classes.

Mirova and its employees promote sustainable finance by participating in various financial center bodies, including Finance for Tomorrow, the European Commission's Technical Expert Group, and UNEP-FI's Positive Impact Finance initiative.

Going above and beyond

Because Groupe BPCE wants to go even further in terms of responsibility, Mirova has a 10-person responsible investment team that forms the backbone of the company and contributes to all activities. The team has four main jobs. The first is to teach investors about the complex and changing issues facing our society and the major transitions that lie ahead, which it does by performing extensive sector analyses or as dictated by current events, subsequently publishing its findings. The second is to aid in the investment process by providing sustainable development assessments of potential issuers in all asset classes. The third is to help institutional investors and asset managers exercise their voting rights and establish engagement initiatives, with the aim of making them active shareholders and working to improve practices. Finally, the responsible investment research team demonstrates the impact of Mirova's strategies by providing clients with transparent and comprehensive ESG assessments of their investments.

A strict voting policy

In accordance with its responsible investor philosophy, Mirova bases its voting policy on a long-term vision of each company's business. We believe that to deliver sustainable growth, a company must conduct its activities with the long-term interests of its stakeholders in mind. Its growth should not be achieved to the detriment of society or the environment. The value a company creates must be fairly distributed among the stakeholders contributing to its development: investors, company directors, employees and the local authorities that provide infrastructure and keep the region attractive. As a result, Mirova's voting policy encourages the development of a sustainable shareholder structure, establishment of governance bodies that represent all stakeholders fairly and resolutely CSR considerations, a dividend policy that fosters sustainable growth and is fair for all stakeholders, and high-quality financial and ESG disclosures with audited reports that factor in sustainable development issues. These principles form the engagement priorities that Mirova applies in its dialog with issuers. In 2018, Mirova voted at 203 Shareholder Meetings and on a total of 3,186 resolutions. It voted against 20% of the resolutions submitted by management and abstained in 10% of cases. It supported 42 shareholder resolutions (69% of resolutions submitted). Mirova votes on 100% of its holdings, except on markets that suspend trading[2], where it applies a ratio of 80%.

(1) Markets that suspend trading prevent the sale of shares for several days before or after the Annual General Shareholders' Meeting (Switzerland, Norway and sometimes Germany).
(2) Markets that suspend trading prevent the sale of shares for several days before or after the Annual General Meeting. This applies in Switzerland and Norway and to some German shares.

Asset manager DNCA, a subsidiary of Natixis Investment Managers, is switching to SRI

After signing the UNPRI in 2017, DNCA refocused on SRI in 2018, intending to develop its product range and expertise in this key investment segment. It started by converting three existing funds, representing nearly €500 million in assets under management, to SRI funds.

The responsible investment funds in the DNCA Finance range aim to select responsible, sustainable investments. This involves incorporating ESG analysis when building the investment universe and in the stock picking process. DNCA believes that ESG analysis complements traditional financial analysis. By looking at financial statements differently, with a long-term approach, ESG analysis provides a framework for anticipating external risks (new regulations, disruptive technologies, etc.) and internal risks alike (industrial accidents, strikes, etc.), and for identifying long-term growth drivers. The goal is to enhance our fundamental knowledge of companies so we can choose the best stocks for our portfolios.

All DNCA Finance analysts and fund managers have access to ESG research and in-house software tool ABA. Important information is systematically circulated by e-mail and at Investment Committee Meetings (*e.g.* major controversies, major changes in governance, industrial accidents, etc.). For DNCA, SRI is an investment approach that does more than simply incorporate ESG criteria when analyzing companies.

DNCA places great importance on building proprietary models, with a constant aim of delivering tangible added value to the investment selection process. For example, DNCA Finance's ESG analysis model assigns an ESG rating to each potential investment, and each of the model's inputs are fully controlled by DNCA. Most of the data used for our ratings derives from information provided by companies. Dialog with Management and on-site visits give us a fuller picture of the company's business and operations, making them invaluable sources of added value.

The model comprises four independent, complementary analyses:

- Corporate Social Responsibility;
- sustainable transition;
- controversies;
- engagement.

The aim is to produce a detailed analysis offering real added value alongside traditional financial analysis. This analysis is performed internally by DNCA's Finance teams and mostly draws on data provided by companies.

DNCA's ambition is to offer a distinctive, innovative approach that adapts as new considerations arise. To this end, the responsible investor policy draws a distinction between Corporate Social Responsibility (CSR) and the sustainable economic transition. This policy derives from an in-depth analysis of economic and social trends as well as its renowned expertise in SRI.

Asset manager Seeyond, a subsidiary of Natixis Investment Managers, applies ESG criteria to equity investments

Seeyond implements active quantitative strategies aimed at optimizing the risk-reward ratio. The investment team relies on Mirova's ESG research expertise to incorporate ESG criteria into its equity investment policy. One of its equity funds already incorporates ESG criteria by allocating investments based on issuers' ESG risks and excluding the riskiest issuers. This fund totals €653 million, or 8% of Seeyond's total assets under management.

Ecofi: assets for the future

Ecofi Investissements is a Crédit Coopératif subsidiary that applies an SRI filter to its investment funds based on environmental, social and governance (ESG) criteria. The SRI investment universe includes 4,500 analyzed securities from around the world.

Ecofi Investissements applies the following two-step SRI investment process:

- an assessment of an issuer's ESG performance using data provided by the ESG ratings agency Vigeo Eiris (*e.g.* greenhouse gas emissions policy, frequency and severity of workplace accidents, percentage of women in management bodies). We enhance this assessment with "Touche ECOFI" indicators, which overweight quantitative results – to compare the company's announced policy with their actions – and criteria that reflect our values (balance of powers, responsible relations with customers and suppliers, fiscal responsibility and diversity/equal opportunities);
- an assessment of ESG controversies involving the issuer. This second filter excludes or reduces investments in companies involved in significant incidents (pollution, corruption, money laundering, violation of human rights, etc.).

Ecofi Investissements also excludes issuers whose registered office is located in a tax haven and sovereign issues from tax havens from all its investments. Since June 1, 2011, Ecofi Investissements has also undertaken to exclude companies involved in the production or sale of cluster bombs and anti-personnel mines from all its investments.

Its SRI policy is rounded out by a strict voting and dialog policy that was updated in 2018. As of the end of 2018, Ecofi Investissements had voted in 354 Shareholder Meetings and on 5,232 resolutions. It voted against 52% of resolutions proposed by management. Ecofi Investissements supported 92 resolutions submitted by minority shareholders.

In 2018, it maintained dialog with seven companies on several topics including the energy transition, respect for human rights in the supply chain, corruption and product safety. Ecofi Investissements participated in twelve collective dialog initiatives coordinated by international responsible financing networks such as the Principles for Responsible Investment (PRI), the Carbon Disclosure Project (CDP) and Shareholders for Change (SFC) in 2018. It also took part in five investor dialog initiatives with institutions.

In 2018, Ecofi Investissements finalized the overhaul of its SRI process for companies and governments, which was effective from the start of January 2019. The new process, which will be applied to all of Ecofi Investissements' assets under management[1], follows three principles: exclusion of tax havens and sector exclusions (gambling, tobacco production, coal extraction and coal energy production), stock-picking based on ESG performance and management of controversial companies.

Ecofi Investissements also offers a full range of solidarity-based products, open-ended "90/10" funds, multi-company and dedicated company investment funds, and funds with thematic strategies applied to the solidarity-based allocation. With assets under management totaling €386 million, Ecofi Investissements now one of the leaders on the solidarity-based investment market by the number of solidarity-based companies financed. At December 31, 2018 it had financed 77 solidarity-based companies, for a total of €40.5 million.

Four CAC 40-listed companies use Ecofi Investissements for their solidarity-based and SRI employee savings plans: Schneider Electric, Orange, AXA and Renault.

Banque Palatine's SRI approach

By incorporating ESG criteria in the analysis and investment choices of three SRI-certified thematic funds (Palatine Or Bleu, Palatine Actions Défensives Euro, Palatine Entreprises Familiales ISR), Banque Palatine is better able to identify the risks and opportunities associated with a given company, but also to combat global warming (management of climate-related risks and funding of the green economy). Since 2017, all three funds have held the new government-recognized SRI certification, replacing the certification created by Novethic, which they had held since 2009. SRI equity investments are set to rise to account for around 10% of total assets under management invested in equities by the end of 2020.

ASSETS UNDER MANAGEMENT IN OPEN-ENDED AND DEDICATED SRI/RESPONSIBLE AND SOLIDARITY-BASED FUNDS AND EMPLOYEE SAVINGS PLANS[1]

Indicator (in billions of euros)	2018	2017	2016	Change 2017-2018
Ostrum AM	54.1	10.5	10.6	415%[2]
Mirova	10	9	6.6	11%
Ecofi Investissements	3.9	5.7	5.6	(31%)
Banque Palatine	0.07	0.03	0.03	120%
DNCA	0.5[3]	N/A	N/A	N/A
Seeyond	0.65[3]	N/A	N/A	N/A
TOTAL ASSETS UNDER MANAGEMENT IN OPEN-ENDED AND DEDICATED SRI AND SOLIDARITY-BASED FUNDS AND EMPLOYEE SAVINGS PLANS	**69.22**	**25.23**	**22.83**	**174%**

(1) *For more details, see note on methodology under "Societal indicators".*

(2) *Ostrum AM's insurance clients are much more SRI-oriented in their investment processes, setting out investment rules (sector exclusion policies, minimum ratings, benchmarks). These assets are now recorded as SRI assets under management, which explains the sharp increase in these assets in 2017-2018. Also, the Ostrum Trésorerie fund was converted to an SRI fund (new prospectus filed with the AMF, fund certification process in progress).*

(3) *Year of inception.*

ASSETS UNDER MANAGEMENT IN SRI/RESPONSIBLE AND SOLIDARITY-BASED FUNDS AS A SHARE OF TOTAL ASSETS UNDER MANAGEMENT

Indicator (as a %)	2018	2017	2016	Change 2017-2018
Ostrum AM	21%	5.6%	4.95%	275%
Mirova	100%	100%	100%	0%
Ecofi Investissements	57.9%	64.9%	66.5%	(11%)
Banque Palatine	2.1%	0.7%	0.7%	202%
DNCA	2.2%[1]	N/A	N/A	N/A
Seeyond	8%[1]	N/A	N/A	N/A

(1) *Year of inception.*

(1) *Excluding mandates, dedicated funds, delegated management funds, indexed funds, specialized professional funds (FPS) and SME funds.*

SOLIDARITY-BASED FUNDS

Indicator (AuM in millions of euros)	2018	2017	2016	Change 2017-2018
Natixis 90/10 funds[(1)]	N/A[(2)]	2716.9	2335.8	N/A
Mirova 90/10 funds[(1)]	526	N/A[(3)]	N/A[(3)]	N/A
NIMI 90/10 funds[(1)]	2474	N/A[(3)]	N/A[(3)]	N/A
Ecofi Investissements 90/10 funds[(1)]	386.8	307.5	255.2	26%
TOTAL ASSETS UNDER MANAGEMENT IN 90/10 FUNDS	**3,386.8**	**3,024.4**	**2,591.0**	**12%**
Mirova funds invested in solidarity-based companies[(4)]	183.4	165.8	145.5	11%
Ecofi Investissements funds invested in solidarity-based companies[(5)]	40.5	34.5	33.2	17%
TOTAL FUNDS INVESTED IN SOLIDARITY-BASED COMPANIES BY NATIXIS AND ECOFI	**223.9**	**200.3**	**178.8**	**12%**

(1) *90/10 funds combine SRI management of listed securities and management of unlisted solidarity-based securities.*
(2) *See "Mirova and NIMI 90/10 funds" line.*
(3) *See "Natixis 90/10 funds" line.*
(4) *The amount of funds invested corresponds only to Mirova Solidaire (formerly Natixis Solidaire), a fund dedicated to solidarity-based investments, and does not include assets under management in the solidarity-based allocation of the Insertion Emplois Dynamique 90/10 fund.*
(5) *Direct investments in solidarity-based companies.*

Responsible products sold by the Banque Populaire banks and the Caisses d'Epargne

Responsible solidarity-based employee savings plans

The Banque Populaire banks and the Caisses d'Epargne propose a range of SRI and/or solidarity-based employee savings solutions *via* Natixis Interépargne (NIE), which is now a leader in employee savings. NIE was a pioneer in responsible and solidarity-based employee savings, and was the first to offer its clients open-ended responsible and solidarity-based company investment funds.

Natixis Interépargne is fully committed to the sustainable development path, ranking No. 1 in terms of solidarity-based employee savings inflows, with over €1.5 billion in AuM representing nearly 20% of the solidarity-based employee savings market. In addition, the total amount of assets in custody with Natixis Interépargne that are invested in responsible and/or solidarity-based assets was close to €7 billion as of June 30, 2018, in a market estimated at over €20 billion[(1)]. NIE's savings inflows have combined with Mirova's portfolio management expertise to fund sustainable and solidarity-based projects. Projects such as these are developed by financing companies that strictly observe ESG criteria, or by allocating resources to entities in the Social and Solidarity-based Economy.

Natixis Interépargne's SRI expertise is fully on display in the Cap ISR and Impact ISR ranges, which together accounted for over €4 billion in AuM in September 2018. These two product ranges invest essentially in funds managed by Mirova, offering customers a viable and sustainable alternative to traditional financial investments.

Indicator (AuM in millions of euros)	2018	2017	2016	Change 2017-2018
AuM in SRI and/or solidarity-based employee savings funds – Banque Populaire network	1,750.8	1,719.2	1,619.4	2%
AuM in SRI and/or solidarity-based employee savings funds – Caisse d'Epargne network	262.2	232.6	197	13%
TOTAL SRI AND/OR SOLIDARITY-BASED EMPLOYEE SAVINGS FUNDS SOLD BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE	**2,012.8**	**1,951.8**	**1,816.4**	**3%**

SRI and solidarity-based funds

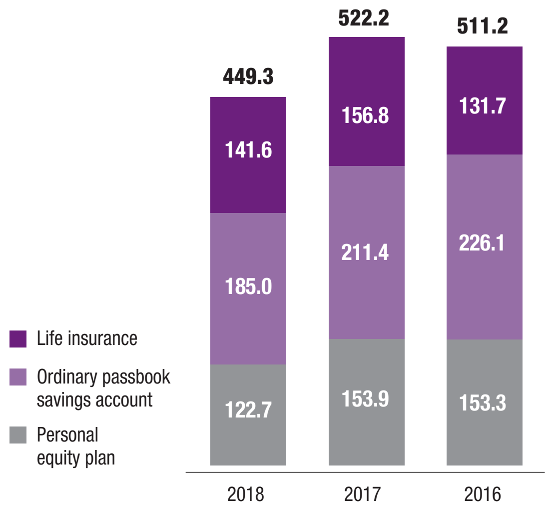
The Banque Populaire banks and the Caisses d'Epargne offer a range of Socially Responsible Investment (SRI) products in order to meet the needs of customers who are concerned about the impact of their investment decisions and who want to give meaning to their savings. This range includes the line of responsible investments managed by Mirova – a Natixis Investment Managers affiliate specialized in SRI – as well as funds management by Ostrum AM, DNCA and Ecofi, which distribute thematic and solidarity-based SRI funds. The Finansol, TEEC and SRI certifications awarded to some of these funds are a sign of their quality.

The Banque Populaire banks and the Caisses d'Epargne sold €1.4 billion in SRI and solidarity-based funds to their customers in 2018 (up 6% *vs.* 2017).

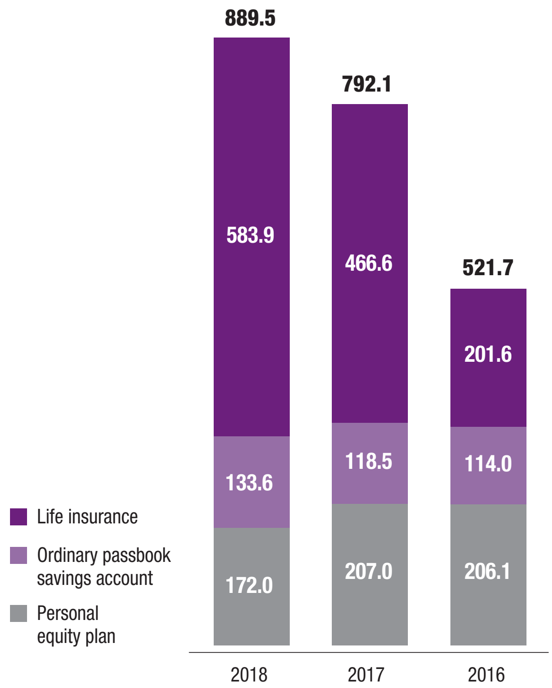
Indicator (AuM in millions of euros)	2018	2017	2016	Change 2017-2018
SRI funds sold – Banque Populaire network	449.3	522.2	511.2	(14%)
SRI funds sold – Caisse d'Epargne network	889.5	792.1	521.7	12%
TOTAL SRI FUNDS SOLD BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE	**1,388.8**	**1,314.3**	**1,032.9**	**6%**

(1) *Source AFG at June 30, 2018.*

CHANGE IN NEW SRI FUNDS SOLD BY THE BANQUE POPULAIRE BANKS *(IN MILLIONS OF EUROS)*



CHANGE IN NEW SRI FUNDS SOLD BY THE CAISSES D'EPARGNE *(IN MILLIONS OF EUROS)*



DIGITAL SOLUTIONS SERVING INNOVATION AND SOLIDARITY

The crowdfunding movement fits in perfectly with Groupe BPCE's approach to achieving greener, more responsible, transparent and solidarity-based finance. Some Groupe BPCE entities have decided to develop special solutions to this end, either single-handedly or in partnership.

Proximea

Proximea is an equity crowdfunding platform created and wholly-owned by Banque Populaire Grand Ouest. Since May 2015, it has been conducting fund-raising campaigns for innovative companies and real estate developers across western France.

Its business is to convince investors to invest in the capital of young companies to provide them with resources to get their strategy up and running. It starts with the launch of a communication campaign aimed at building the company's reputation and attracting investors. Proximea's three-person staff tap into the entity's very deep regional roots to draw investors in closer to the real economy while benefiting their local community.

Success stories include the €600,000 raised from 53 investors for Vannes startup company Tiwal and €1 million for a wind farm project located in Chemillé (Maine-et-Loire). In three and a half years, Proximea has raised almost €12 million from around 800 investors for 18 different projects.

Wiseed

Crédit Coopératif has a longstanding history in innovative and alternative finance, investing in the crowdfunding movement as a vector for developing new digital investment models. Crédit Coopératif takes advantage of opportunities arising on the Internet and builds on the momentum of new digital players. One such player is equity structure WiSEED, with which the bank formed a strong partnership to promote innovative offers in the energy, ecological and solidarity transition field. It also supports Financement Participatif France, an association that represents and promotes crowdfunding platforms.

Created in 2008 and boasting over 114,700 members, WiSEED(1) organized the financing, to the tune of €141 million, of 337 projects with a material impact on society, the environment and job creation in the fields of cooperative healthcare, the ecological transition, digital advancement, industry, real estate and renewable energy production *via* a wide range of financial solutions with a presentation of the projects and their impacts.

Espace Asso & Espace Dons

In keeping with its values of social and solidarity-based innovation and its leadership in financing members of the social and solidarity economy, in 2015 the Caisse d'Epargne network launched www.espacedons.com, an online platform where donations can be made to non-profits, foundations and endowment funds. Over and above crowdfunding solutions, some projects that meet the network's engagement priorities in each region may benefit from a top-up donation under the local Caisse d'Epargne's corporate patronage program.

(1) WiSEED has been authorized by the ACPR (French Prudential Supervisory and Resolution Authority for the banking and insurance sector) to operate as an Investment Service Provider under number CIB 11783.

In 2018, the Espace ASSO range of digital services was launched to round out this offer. This solution, developed by the fintech E-Cotiz, allows non-profits to digitalize their membership registrations, donations, and any sales or ticketing inflows. As well as making their cash collection process more secure, Espace ASSO facilitates their day-to-day management, enables them to optimize their cash management, save time, and simplifies their relationship with their members. With this range of services, the Caisse d'Epargne network is helping its customers from the social and solidarity-based economy with the digital transition.

In November 2018, 350 non-profits presenting 520 projects were listed on Espace Dons. Nearly 160 non-profits are currently establishing Espace ASSO contracts.

https://www.espaceasso.caisse-epargne.fr/

https://www.espacedons.com/

Kocoriko

When Banque Populaire Auvergne Rhône Alpes created this platform in 2015, it wanted to reaffirm its strong regional connection by offering a financing tool for alternative projects. In the spirit of sharing and community, Kocoriko embraces initiatives generating a regional, economic, cultural, innovative or solidarity-based impact. General-interest projects published on the platform receive support from the Banque Populaire Auvergne Rhône Alpes endowment fund, which doubles the amount of donations collected within the limit of €1,500 per project. Through this original initiative, the bank proudly displays its cooperative and regional values while making use of an innovative digital communication tool.

In three years, Kocoriko has helped nearly 300 projects and raised €750,000 in donations from 23,000 donors.

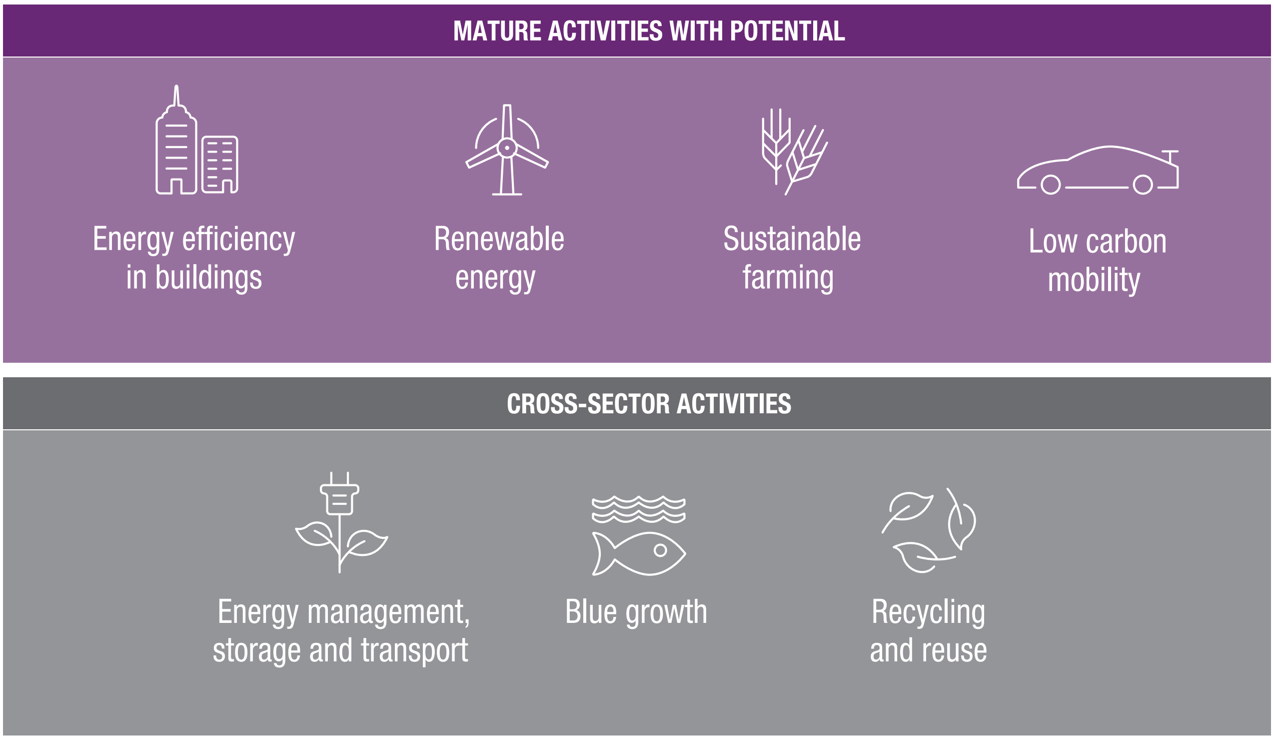
2.3.2 Financing for the energy, ecological and social transition: offers tailored to our customers' needs

BPCE conducted a study to identify the segments of green growth market and quantify their potential. This study gave the bank a better understanding of the expectations of players in these segments and their growth models, thus allowing it to build the most appropriate solutions. The Group found that:

- all sectors of the conventional economy have entered a continuous improvement cycle in a bid to adapt to the constraints and opportunities of green, responsible growth, which also has the potential to usher in major innovations;
- green growth segments have been developing for over 20 years, and their development has kicked into higher gear in recent years. These segments share:
  - a high percentage of non-relocatable jobs,
  - strong integration in the local economic fabric, including a large number of VSEs, SMEs and ISEs,
  - a high level of technological and investment demand,
  - considerable development prospects, often exceeding those of traditional sectors.

Work was carried out in 2018 to set priorities among the different segments. Traditional segments in the energy and ecological transition were compared with the ambitions and goals of the different markets on which the Banque Populaire banks and the Caisses d'Epargne operate (individual customers, professional customers, businesses, etc.) to identify areas of convergence and the corresponding economic and environmental challenges. This analysis led to the choice of four main segments and three transverse segments on which the Group will focus its efforts. An action plan is being prepared for each of these priority segments and each customer market.

GREEN GROWTH SEGMENTS



Groupe BPCE has a long-standing presence in financing green growth and it already offers several green growth solutions.

HELPING HOUSEHOLDS AND SMES TRANSFORM THEIR WAY OF LIFE

A comprehensive offer for thermal home renovation

Since its creation in 2009, Groupe BPCE has been a major player in France for the distribution of "Eco PTZ" interest-free eco loans, with a market share of 23.5%, a shade above its natural weight. At December 31, 2018, 67,448 Eco PTZ loans totaling €552 million made it possible for our customers to perform energy efficiency renovations in their homes. As an active contributor to the SGFGAS *(Société de Gestion des Financements et de la Garantie de l'Accession Sociale à la Propriété)* Eco PTZ Committee, Groupe BPCE put forward multiple proposals to improve product distribution and efficiency. In particular, the Group is the only bank to distribute the Eco PTZ loan for commonhold properties, *via* Crédit Foncier.

Preceding the Eco PTZ loan was the sustainable development passbook savings account launched in 2006, which obligated banks to allocate 10% of the deposits collected to thermal home renovation projects, within the meaning of the "CITE" (energy transition tax credit) list. In that instance as well, Group BPCE was ahead of the curve with the PREVair loans launched by the Banque Populaire banks in 1989, which met similar objectives.

The Groupe BPCE networks distribute loans using funds from the sustainable development passbook savings account offered by the Banque Populaire banks (PREVair) and the Caisses d'Epargne (Ecureuil Crédit DD). Loan outstandings stood at €169 million at December 31, 2018, serving to fund 26,992 projects.

Green mobility for Groupe BPCE customers

The Groupe BPCE networks have created special products to encourage their customers to adopt mobility solutions generating little to no carbon emissions. Banque Populaire's AUTOVair loan and Caisse d'Epargne's Ecureuil Auto DD loan can be used to buy hybrid and electric vehicles, including electric bicycles, at preferential rates. As of December 31, 2018, 17,925 vehicles had been financed, totaling €127 million.

Guiding craftsmen and SMEs on the path to sustainable development: a question of competitiveness

In its loyal commitment to the SME and craftsmen market, Banque Populaire offers a special financing tool to aid them in their ecological transformation. This facility is used to improve the energy efficiency of buildings, manufacturing equipment (engines, etc.) or, for example, to optimize cold storage facilities. Beneficiaries can also address waste management problems, polluting discharges, or adopt renewable energy solutions. At December 31, 2018, 1,131 such projects had been implemented for a total of €142 million.

Banque Populaire Grand Ouest's CSR strategy for SMEs

Banque Populaire Grand Ouest has factored CSR aspects into its strategy for many years. CSR is an integral part of its new 2018-2020 business plan, Let's GO. For example, the bank has integrated CSR in its relationships with small businesses and since 2016 it has decided to issue preferential rate loans to customers seeking to adopt a sustainable development approach.

This idea to create a specific offering came into being in 2013, when Banque Populaire Grand Ouest teamed up with other banking institutions to find out more about the CSR approaches adopted by SMEs, under the aegis of the French Banking Federation. Banque Populaire Grand Ouest's business customer advisors were trained to administer a questionnaire designed to determine whether or not a company has established a CSR policy. The goal was to survey 70% of SMEs generating revenue of more than €3 million that were customers of the banks on the panel. Banque Populaire Grand Ouest used the results to develop an offer to help SMEs implement a CSR policy:

- loans of up to €20,000 for SME customers wishing to conduct an audit of their CSR performance with a view to qualifying for the "CSR company" status defined by the bank;
- loans of up to €7.5 million, backed by Bpifrance Financement, to implement the company's CSR action plan.

To round out this offer, for many years Banque Populaire Grand Ouest has supported SMEs seeking to invest to reduce their energy consumption or develop their use of renewable energy sources. It provides this support *via* the PROVAIR offering and through a dedicated structure, Grand Ouest Environnement.

Crédit Coopératif helps organizations and businesses reduce their environmental impact

In liaison with the European Investment Bank (EIB), the European Commission and the European Union's LIFE program, Crédit Coopératif has designed a solution to issue loans exceeding usual risk limits to finance energy efficiency projects. The bank that serves the social and solidarity-based economy benefits from technical expertise provided by specialized consultants to support its customers' projects. The agreement also allows Crédit Coopératif to offer subsidized interest rates thanks to a guarantee mechanism. The loans are available to SMEs, non-profits, Local Public-Sector Entities, and Intermediate-Sized Enterprises (ISEs), enabling them to finance improvements in terms of heat or electricity consumption in existing buildings or the installation of production facilities or industrial processes.

NEW GREEN FINANCING PRODUCTS SOLD BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE

The decline in demand for regulated bank loans to finance thermal renovations in homes is due to two main factors – first, the low interest rate environment, which is encouraging customers to use standard bank loans to finance these renovations, and second, the regulatory framework, which is often unsuited to the needs of this market. This regulatory framework is due to be reviewed in 2019 and 2020.

	2018		2017		2016	
	Number	Outstandings	Number	Outstandings	Number	Outstandings
Regulated green loans ***(outstandings in euros)***						
PREVair (loans backed by LDD deposits)	156	1,943,890	187	1,779,992	382	4,000,493
Ecureuil Crédit DD (loans backed by LDD deposits)	3,141	32,052,160	3,429	33,404,530	4,545	44,638,043
Eco-PTZ (interest-free eco-loans)	4,333	62,339,050	5,380	78,555,542	5,347	79,008,160
TOTAL REGULATED GREEN LOANS	**7,630**	**96,335,100**	**8,996**	**113,740,064**	**10,274**	**127,646,696**

	2018		2017		2016	
	Number	Outstandings	Number	Outstandings	Number	Outstandings
Unregulated green loans ***(outstandings in euros)***						
PREVair (loan backed by CODEVair deposits)	86	519,440	189	1,559,607	117	1,913,206
PREVair Auto (car loan)	2,100	28,284,350	2,064	26,627,937	1,903	23,866,031
Ecureuil Auto DD (car loan)	3,203	34,922,610	3,258	33,850,886	4,332	44,422,785
PROVair	62	8,961,010	68	7,740,646	62	5,218,016
TOTAL UNREGULATED GREEN LOANS	**5,451**	**72,687,410**	**5,579**	**69,779,076**	**6,414**	**75,420,037**
TOTAL GREEN LOANS (REGULATED + UNREGULATED)	**13,081**	**169,022,510**	**14,575**	**183,519,140**	**16,688**	**203,066,734**

Going above and beyond

In addition to special financing products, Groupe BPCE also provides retail customers with mechanisms for green growth. Several Banque Populaire banks and Caisses d'Epargne have launched platforms to promote thermal home renovation by aligning local government climate policies with offers put in place by banking institutions, notably as part of the BPCE-KfW-ELENA program.

Review of the BPCE-KfW-ELENA pilot scheme

The program launched by the European Commission in partnership with the German bank KfW and Groupe BPCE in 2012 came to an end in 2018. Three Banque Populaire banks, two Caisses d'Epargne and their six partner local authorities developed the program aimed at organizing energy transition financing in the regions. A number of qualitative and quantitative conclusions can now be drawn on the program's successes and areas for improvement. At December 31, 2018, €1.4 million in subsidies had been allocated to partner local authorities. Households received €3.9 million in loans from participating Banque Populaire banks and Caisses d'Epargne, representing a total final investment of €62.7 million and generating energy savings of 152 GWh. The initiative supported 1,610 energy efficiency projects. These results testify to the utility of the program and confirm that a bank's full involvement is a key success factor. Underscoring this success, other local authorities have called on the Banque Populaire banks and Caisses d'Epargne to extend the program, and initiatives are under way to take it further into the future beyond 2019.

MAKING MAJOR ENERGY TRANSITION PROJECTS A REALITY

Financing the French economy and local regions

In 2018, Groupe BPCE's total loan outstandings (*via* the Banque Populaire and Caisse d'Epargne networks) amounted to €444.6 billion, up 6.5% in relation to 2017. This makes Groupe BPCE the second largest banking group in France[1].

Financing local public stakeholders and the social and solidarity-based economy

The Banque Populaire banks and the Caisse d'Epargne are major sources of funding for local authorities, social housing operators and structures in the social and solidarity-based economy.

Groupe BPCE is the leading private-sector lender to the social economy[2]: non-profits, foundations, mutual insurers, social entrepreneurs and cooperative groups. Of the Banque Populaire banks, Crédit Coopératif makes a particularly substantial contribution to the field.

Meanwhile, the Caisse d'Epargne network is:

- the No. 2 private-sector operator in the social housing sector. And, *via* the Habitat en Région network which manages 244,000 housing units, it is an operator and a committed partner involved in the governance of one out of three organizations in France (public housing offices, social housing companies, cooperatives, non-profits, etc.);
- a major creditor of the public sector: the Caisse d'Epargne network is a major partner of local authorities and public healthcare institutions, accounting for nearly one-third of their loan outstandings.

FINANCING FOR THE REGIONAL PUBLIC SECTOR, SOCIAL HOUSING AND THE SOCIAL ECONOMY BY GROUPE BPCE[3]

Indicators *(in thousands of euros)*	2018	2017	2016	Change 2017-2018
Total annual new regional public sector loans	4,066,066	4,938,171	5,279,814	(18%)
Total annual new social housing loans	3,056,821	3,016,036	2,655,554	1%
Total annual new social economy loans	1,745,615	1,949,753	1,481,284	(10%)

Financing the transition in the agri-food segment

Among all the challenges of the energy and ecological transition, those facing the agricultural and agri-food segments are probably the most significant. As well as playing a major role in the economy, agriculture is key to an effective carbon policy and has a major ecological impact (water, biodiversity). It is also one of the main contributors to preserving the economy of local regions and protecting the environment. The agri-food industry, with its processing and distribution activities, also has a vital role to play in changing consumer habits.

For Groupe BPCE, the number two bank in farming and wine production, supporting its clients through the ecological transition is a major objective.

In 2018, the Banque Populaire network included sustainable financing and support for direct local sales in its agriculture strategic plan for 2018-2023. The direct-to-customer offer was rolled out across the network to help farmers and wine producers develop their direct sales, which foster social relationships in rural areas, in particular through employment, consumer well-being and health and the reduced environmental impact. The Banque Populaire network also encourages recognition of variations in the economic environment, health considerations, and weather patterns by incorporating the notion of a resilience threshold in the loan

(1) Market share: 21.5% of customer deposits & savings and 21.1% of customer loans (Source: Banque de France Q3 2018)
(2) APRI CE loan market share 19.77% (source: Banque de France at June 2018) and rising for the last 18 months
(3) Rectified data

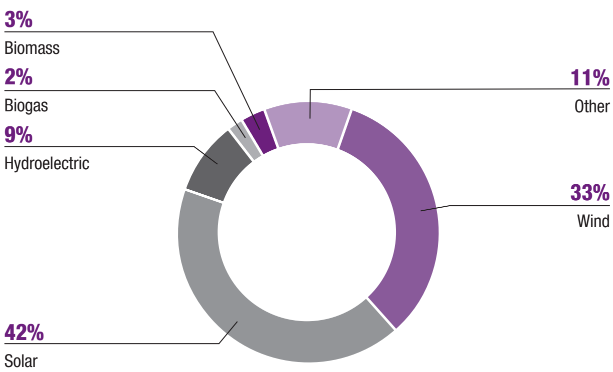
approval process. It also helps farmers and wine producers adapt to climate risk by implementing a drought management plan.

Financing the development of renewable energy sources: a central mission of the energy transition movement

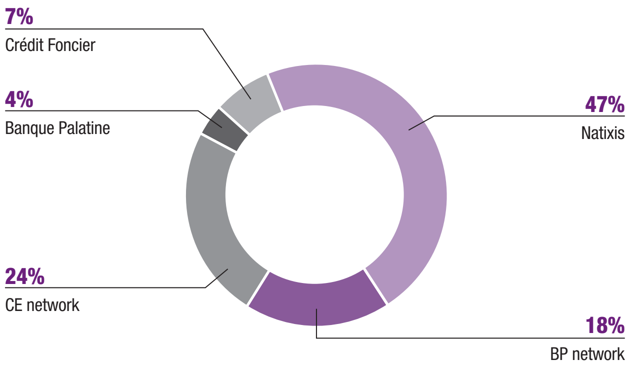
Groupe BPCE is a French leader in renewable energy financing. The Banque Populaire and Caisse d'Epargne networks rely on the expertise of several specialized subsidiaries such as Grand Ouest Environnement, Hypéria Finance and Natixis Energéco, which develop solutions tailored to the needs of this fast-changing market.

Groupe BPCE's renewable energy loan outstandings amounted to €7.5 billion at June 30, 2018, and are focused on solar power (42%) and wind power (33%), predominantly in France (63%).

OUTSTANDING LOANS BY TYPE OF RENEWABLE ENERGY



OUTSTANDING LOANS BY CONTRIBUTOR



In addition to mature renewable energy sources, the Group aims to meet customer needs on more recent projects like biogas. Active market monitoring allows the Group to anticipate innovative developments, for example the potential offered by hydrogen.

Natixis supports the development of renewable energy around the world through its local offices, particularly in Europe, the Middle East, Australia, and North and South America. Financing activity was very robust in 2018, especially in the fast-growing offshore wind power sector and in the Middle East, where Natixis has secured a position as a top-tier creditor supporting renewable energy projects.

Natixis is the world's number five Mandated Lead Arranger in renewable energy financing and is the leading arranger in the Middle East and North Africa region[1]. It came number three in the MENA (Middle East and North Africa) region in rankings produced by the benchmark magazine IJ Global.

In the Corporate & Investment Banking division, the Real Assets team financed 22 new deals in 2018 for a total of €1.8 billion and a total installed capacity of 7,152 MW:

- 12 wind farms with a total capacity of 4,475 MW;
- 10 PV or thermal solar facilities with a total capacity of 2,677 MW.

Renewable energy accounted for 71% of total financing granted by CIB in the electricity production sector in 2018.

Financing for one of the most powerful turbines in operation

In August 2018, Natixis played a key role in financing the Triton Knoll offshore wind farm in the east of the United Kingdom. This infrastructure was developed by Inogy and offers total installed capacity of 860 MW. Construction will take two years and the wind farm will produce electricity for 15 years. The 90 wind turbines are Vestas V164, with record nominal power output of 8 MW and a rotor diameter of 164 meters. The deal was three times oversubscribed due to the project's large production capacity and an agreed price of £74.75/MWh over 15 years.

Energéco: a subsidiary dedicated to renewable energy since 2000

Energéco is a long-standing benchmark player in renewable energy financing in mainland France and the overseas territories.

In 2018, Energéco financed new deals for a total arranged amount of €352 million. The projects are located in France and will add total installed capacity of 232 MW to the following sectors:

- wind power: 105 MW;
- solar power: 110 MW;
- biomass: 5 MW;
- hydroelectric: 12 MW.

As an example, Natixis Energéco and Mirova inaugurated the Coquelicot wind farm, which boasts 19 turbines each with a capacity of 2.3 MW. This wind farm will produce 80,000 MWh/year, equivalent to the electricity consumption (excluding heating) of 32,200 homes. Mirova is the majority shareholder in this wind farm. Natixis Energéco arranged the financing and syndication with the Caisse d'Epargne Hauts de France and Caisse d'Epargne Bretagne Pays de Loire.

(1) IJ Global Infrastructure Renewables 2018 ranking

Caisse d'Epargne network: financial engineering expertise put to use for renewable energy

All the Caisses d'Epargne offer financial engineering solutions. Its dense regional coverage means all aspects of financial engineering can be handled locally, for example private equity (investments by the Caisses d'Epargne in the capital of companies in their area), advisory (sale and transfer of businesses) and structured financing solutions (arrangement, syndication and deal management), in particular for renewable energy project financing.

In structured financing, the Caisses d'Epargne cover different market segments: syndicated corporate loans, LBO/acquisition financing, asset financing (rolling stock, ships, long-term real estate, etc.) and project and infrastructure financing (renewable energy, public-private partnerships, etc.). With a total of €2 billion in debt arranged, 30% of which for renewable energy projects, the Caisses d'Epargne are a major player in the energy transition. They are present across the whole of France and are able to handle financing or refinancing requests of all sizes and all types (solar, wind, hydroelectric, biomass, geothermal energy, etc.), either as individual projects or portfolios of several projects.

Examples of their flagship achievements in 2018 include:

- Caisse d'Epargne Provence Alpes Corse arranged financing for Albioma group covering a portfolio of photovoltaic power projects in the Indian Ocean and issued credit facilities totaling €110 million to enable the group to finance new projects in this region over the next 18 months;
- Caisse d'Epargne Loire-Centre arranged, financed and served as agent for the construction and operation of the Beauce Gâtinais Biogaz biogas power plant in Pithiviers, which directly supplies the GRDF electricity grid. Engie Biogaz is one of the main sponsors of this deal which was shared with Crédit Coopératif;
- Caisse d'Epargne Midi-Pyrénées, Caisse d'Epargne d'Auvergne et du Limousin, Caisse d'Epargne Loire Drôme Ardèche and Natixis arranged and financed the development by REDEN SOLAR of a portfolio of 12 solar power plants mostly installed on the roofs of horticultural greenhouses, with a total capacity of 16.7 MW. Total financing amounted to €21 million;
- Hélia Conseil, a joint venture between Caisse d'Epargne Aquitaine Poitou-Charentes and Caisse d'Epargne Bretagne Pays de Loire, provided €6 million in financing to Avento for 36 rooftop solar power plants installed on new or renovated farm buildings in the northern Aquitaine area.

Grand Ouest Environnement: renewable energy at the heart of regional development

The purpose of the Grand Ouest Environnement financial engineering entity (at Banque Populaire Grand Ouest) is to meet the needs of customers and the network of branches for oversight and expertise on all projects in the energy and environmental fields. The ambition is to create a profitable business generating consolidated NBI in excess of €1 million.

There are currently four employees working with the Credit division and with Grand Ouest Syndication to manage deals totaling over €4 million in debt. Total outstandings come to more than €150 million, mostly in solar PV power, but increasingly in the biogas sector as well. The structure has financed over 350 projects, including more than 250 deals in solar PV power.

Crédit Coopératif, a long-standing player in financing renewable energy

Crédit Coopératif has financed renewable energy projects across France for 13 years. It is mainly active in the solar and photovoltaic segments and hydroelectricity production, and has more recently extended its expertise to biogas and heating networks.

Examples of its achievements in 2018 include:

- Crédit Coopératif structured and financed €10.6 million in senior debt for the Aqua Bella project planned by Akuo, the leading independent renewable energy producer in France. The Aqua Bella project, which is located in Aiguebelle near Chambéry (Savoie), is a 2.2 MW hydroelectric power plant on the river Arc, which aims to produce nearly 15 GWh/year, equivalent to the annual electricity consumption of around 5,000 homes;
- Crédit Coopératif has worked with TENERGIE group – an independent operator that is now France's fifth largest solar electricity producer – since its creation. In 2018, Crédit Coopératif contributed €9 million to the €61 million co-financing deal arranged by UNIFERGIE for a greenfield portfolio of 52 solar power plants offering total capacity of 32.2 MW. It was also involved in financing €10 million as part of a syndicate with Caisse d'Epargne Provence Alpes Corse for a major refinancing deal for 113 solar power plants which totaled €175 million.

PROVIDING ACCESS TO BANKING SERVICES FOR ALL

In its new strategic plan, TEC 2020, Groupe BPCE has pledged to stepping up its inclusive finance policy, with a shared objective "to commit to our customers and regions". This promise incorporates a broad, diverse vision of the themes it encompasses: customers facing financial hardship, preventing excessive debt, personal and professional microloans with support, and more generally any action that facilitates access to banking services for all our customers, including protected adults, disabled customers and those who experience difficulties (managing a budget, using digital tools, etc.).

Helping financially vulnerable customers

In 2018, Groupe BPCE continued implementing the AFECEI Charter for banking inclusion and the prevention of over-indebtedness in its banking networks. This charter applies to individuals holding a current account or receiving financial services provided by the Group's entities, but not acting for professional reasons. For example, the Group has created an early-warning scoring system to identify customers exposed to a risk of over-indebtedness. Once identified, these customers are contacted to set up a diagnostic review of their financial situation and offer potential solutions.

For customers experiencing financial hardship, the Banque Populaire banks and the Caisses d'Epargne have set up an action plan to ramp up distribution of the specific range of services for vulnerable customers. This range includes ten basic banking services for €3 per month and a cap on fees for payment incidents. In 2018, 6,184 additional customer advisors received training to better understand this offer.

The Banque Populaire banks and the Caisses d'Epargne aim to distribute 30% more services for vulnerable customers at the end of 2019 than at the end of 2017 (gross new subscriptions).

At end-December 2018,

- the number of customers holding these products was up by 14% in relation to December 2017;
- over 2018, 27,140 new products were distributed.

These indicators are monitored on a monthly basis and are reported to the Group's senior management.

In addition, as part of the commitments undertaken by the French Banking Federation in September and December 2018, from the start of 2019, the Banque Populaire banks and the Caisses d'Epargne will:

- limit payment incident fees to €25 per month for customers facing financial difficulties;
- limit payment incident fees to €16.50 per month for customers receiving services for vulnerable customers.

BANKING OFFER FOR VULNERABLE CUSTOMERS

Indicator (number of customers)	2018	2017	2016	Change 2017-2018
Basic banking services (new)	9,189(2)	9,432(1)	11,049(1)	(2.6%)
Basic banking services (existing)	41,932(2)	39,878(1)	43,103(1)	5%
Services for vulnerable customers (new)	27,140(2)	25,094(1)	26,022(1)	8%
Services for vulnerable customers (existing)	109,540(2)	96,059(1)	82,410(1)	14%

(1) Including subsidiaries Banque de Nouvelle-Calédonie and Banque de Tahiti but excluding Crédit Coopératif

(2) Excluding Crédit Coopératif

Reaching out to protected persons

In France, 762,000 people, including 747,000 adults, receive legal or social protection under a ruling by a guardianship judge. The extent of the measures that apply depends on the individual's degree of autonomy. They concern banks for the management of protected persons' bank accounts in conjunction with their legal representative. 57% of protected persons are customers of Groupe BPCE, which is an historical player in this area. The fifteen Caisses d'Epargne are market leaders on this customer segment[1], with 330,000 customers, representing a penetration rate of 43% and a market share of 51%. On the ground, 150 experts serve protected persons across the country. The Caisses d'Epargne meet the specific requirements of these customers, offering:

- secure cash withdrawal cards to foster banking independence and cards for legal representatives;
- and, for the legal representative, secure online services offering an extended range of services such as the possibility of adjusting the payment limit on the protected person's card.

To facilitate their everyday transactions, the Caisses d'Epargne publishes practical guides for representatives and legal guardians and a quarterly newsletter covering topics relating to vulnerable individuals.

Crédit Coopératif offers legal guardians products and management solutions adapted to protected adults. With its software Astel, which it has co-designed with professionals over more than 30 years, it has become a vital player in this sector. Crédit Coopératif maintains a relationship of trust with legal guardians and guardians' associations and it has further extended its ethics and compliance standards by establishing a clear distinction between the services offered to guardians and those available to adults. Only products and services that are in the protected adult's interests are proposed. A charter has been prepared to better serve these customers. At the same time, to better support and facilitate the independence of protected adults in their daily lives, several projects have been set up covering new approaches to digital payment solutions.

As of the end of 2018, Crédit Coopératif managed 132,000 accounts for adults in liaison with guardians' associations and private asset managers.

BRED managed accounts for 4,000 protected adult customers under professional guardianship and guardians' associations.

Promoting the development of personal and professional microloans, in partnership with support networks

Working with support networks

In 2018, Groupe BPCE was once again the leading creditor of the three principal microloan support agencies[2] with €535 million in disbursed or refinanced loans issued to 21,129 beneficiaries. These loans qualify as solidarity-based loans because their approval is not based on standard scoring criteria, particularly for project sponsors that are out of work or cannot put up personal collateral. To secure the funding for their project, they have access to start-up loans requiring no personal guarantee, government backing and personalized support offered by a solidarity-based finance provider, in partnership with a Groupe BPCE credit institution which grants refinancing facilities or top-up loans. A breakdown of these loans is provided below.

(1) Ministry of Justice and BDR review, October 2018

(2) Initiative France, France Active and ADIE

SUMMARY OF MICROLOANS[1] WITH SUPPORT ISSUED BY GROUPE BPCE

Type of loan (in euros)	New loans in 2018		New loans in 2017		New loans in 2016		Change 2017-2018	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Personal banking microloans	5,361	14,965,587	5,790	15,251,697	5,554	14,259,435	(7%)	(2%)
Personal non-banking microloans	1,507	5,004,572	1,273	3,860,942	1,708	4,728,101	18%	30%
Secured professional banking microloans, o/w guaranteed by France Active	2,407	71,749,351	1,984	65,141,491	2,141	63,420,429	21%	10%
Professional non-banking microloans	5,487	20,267,971	4,664	17,056,621	5,233	18,445,997	18%	19%
GROUPE BPCE TOTAL (INCL. CAISSES D'EPARGNE, BANQUE POPULAIRE BANKS, CRÉDIT COOPÉRATIF)	**14,762**	**111,987,481**	**13,711**	**101,310,751**	**14,636**	**100,853,962**	**8%**	**11%**

The microloan business of the Banque Populaire banks and the Caisses d'Epargne has ranked Groupe BPCE as the leading French bank in terms of microloans with support, recording 14,762 microloans for a total of €112 million. In the secured personal microloan segment, the Group held 33% market share at end-2018 (source: 2017 social cohesion fund report). In the broader segment, including other professional solidarity-based loans with support, it held one-third of the market, *i.e.* 14,261 loans in a stable customer base of roughly 40,000 borrowers (financial center survey – France Stratégie 2014). The Group confirmed its leadership in 2018, issuing €535.7 million in financing to 21,129 borrowers.

GROUPE BPCE NACRE TOP-UP LOANS[2]

Issuing network (in euros)	New loans in 2018		New loans in 2017		New loans in 2016		Change 2017-2018	
	Number	Payments	Number	Payments	Number	Payments	Number	Payments
GROUPE BPCE TOTAL[1]	**1,109**	**40,018,577**	**1,611**	**56,646,749**	**2,819**	**95,835,873**	**(31%)**	**(29%)**

(1) *Including the Caisses d'Epargne, the Banque Populaire banks and Crédit Coopératif*

In 2018, Groupe BPCE granted €40 million in top-up loans to entrepreneurs benefiting from the "NACRE" scheme (*Nouvel Accompagnement à la Création et à la Reprise d'Entreprise* – new support mechanisms for business creation). The steep drop compared to 2017 reflected a change in structure with the regionalization of public aid, but the Group consolidated its market share at 35.7% of the total amount of issued loans. It bolstered its position as the No. 1 banking partner of platforms run by Initiative France, which estimates[3] that it distributed more than €383 million in top-up loans to supplement start-up loans in 2018.

TOP-UPS FOR START-UP LOANS PROVIDED BY INITIATIVE FRANCE (ESTIMATE AT JANUARY 30, 2018)

Issuing network (in euros)	New loans in 2018		New loans in 2017		New loans in 2016		Change 2017-2018	
	Number	Payments	Number	Payments	Number	Payments	Number	Payments
GROUPE BPCE TOTAL[1]	**5,268**	**383,697,072**	**5,015[2]**	**366,266,977[2]**	**5,123**	**336,187,854**	**5%**	**5%**

(1) *Including the Caisses d'Epargne, the Banque Populaire banks and Crédit Coopératif*
(2) *The estimated 2017 figures published in the 2016 registration document have been updated with the actual 2017 figures.*

(1) *Microloans: loans issued to borrowers in vulnerable situations covered by a guarantee and supported by a public interest organization. Caps on funds issued as established by the Lagarde Act of July 1, 2010.*
(2) *France Active - Fafi*
(3) *Data provided by Initiative France based on the information reported by 227 network platforms. The survey is available from late December to mid-February, and the data collected pertain to the full year (from January 1 to December 31, 2018).*

An exemplary partnership with France Active

On December 21, 2018, BPCE signed a partnership agreement with the solidarity-based finance provider France Active that will benefit both the Banque Populaire banks and the Caisses d'Epargne. Based on existing relationships between the two networks, this agreement harmonizes the terms of cooperation with France Active, which is also present across the country with its regional associations. It updates the terms of granting guarantees to back loans granted by the banks to finance eligible projects: entrepreneurs excluded from the labor market, women entrepreneurs, those active in priority neighborhoods, entities in the social and solidarity-based economy with a project having a major social impact in their local area. BPCE undertakes to steer eligible customers towards France Active for support and to increase the listing of the guarantee in its information systems.

Banque Populaire initiatives

The Banque Populaire banks have established close ties with networks that encourage business creation and economic organizations throughout the French regions, including ADIE (French association for the right to economic initiative), Initiative France, France Active, Réseau Entreprendre, BGE (formerly Boutiques de Gestion), etc. In line with their position, the Banque Populaire banks primarily direct their microfinance initiatives towards professional microloans.

This year, with 28% of refinancing facilities granted to 5,595 beneficiaries, the Banque Populaire banks consolidated their position as Adie's No. 1 microloan refinancing institution. The Banque Populaire banks also topped up start-up loans requiring no personal guarantees for young people set up by ADIE and with the Federation they co-financed the "I am an entrepreneur" (formerly CréaJeunes) program, and other initiatives for ADIE's young beneficiaries. The Banque Populaire banks and their federation are also partners of Microloan Week. Additionally, the Banque Populaire banks and ADIE co-founded the "Créadie Jeune Banque Populaire" award, given out in the local regions and at a national level to young people developing entrepreneurial projects. At the end of 2018, Adie and the Banque Populaire banks renewed their three-year framework agreement in order to cement it over the long time. The FNBP, represented by its Chief Executive Officer, is a member of ADIE's Board of Directors.

In 2018, the Banque Populaire banks granted €265 million in top-ups for start-up loans requiring no personal guarantees under the Initiative France program, and most of these banks have set up agreements with incubator France Active, generating €38.3 million in secured loans.

Crédit Coopératif is one of the top players in the personal microloan segment through its strong commitment to support networks (ADIE, the French Red Cross, Secours Catholique, Missions Locales, etc.) and a partnership between its subsidiary BTP Banque with Pro-BTP (a social protection agency for construction workers) to enable apprentices in the construction sector to buy a vehicle.

Caisse d'Epargne initiatives

In 2018, the Caisses d'Epargne consolidated their rank as the No. 1 bank for personal microloans[(1)] while also holding on to their leading position in the professional microloan segment. They are the only banks that offer support services adapted to the needs of microloan borrowers, *via* the Parcours Confiance association and the Créa-Sol microfinance institution. A total of 70 advisors are dedicated to this activity across France, alongside over 600 partners providing support for borrowers.

In 2018, 4,615 personal microloans and 1,311 professional microloans were issued by the Caisses d'Epargne, alongside 466 microloans *via* Créa-Sol. The Caisses d'Epargne play an active role in microloan development. At the national level, they are represented on the Steering and Supervisory Board of the *Fonds de cohésion sociale* (social cohesion fund).

In 2018, the Caisses d'Epargne further rolled out the *Mobilize véhicule neuf* vehicle leasing solution (with option to buy) financed *via* their microloans, in partnership with Renault and the *Entreprise et Pauvreté* action tank, to enable persons in financial difficulty to lease a new vehicle at a cost suited to their budget. The Caisses d'Epargne and their Federation won an Overall Performance award for this project at the 2018 CSR Awards Night.

The Caisses d'Epargne also rolled out a new cash management microloan with the support of the social cohesion fund, to allow individual customers to repay overdue loans and move on with their lives. Finally, the Caisses d'Epargne maintained their international commitments through their involvement in the European Microfinance Network (EMN), the European Savings Bank Group (ESBG) and Paris Europlace, which has set up a microfinance group.

Playing a pivotal role in financial education

Banque Populaire initiatives

The Banque Populaire banks have invested in banking education, and some branches offer support to vulnerable customers. The bank's employees or external partners provide training sessions to small groups of customers on topics such as budget management, using banking services and debt. Some banks also offer innovative budget education solutions in the form of guides, games, videos or interactive modules that are available for free on the bank's website or the website reserved for the bank's cooperative shareholders. These solutions are used as educational material and allow customers to better manage their budget while improving their overall understanding of the banking industry. *Via* their Federation they are also members of the Finances & Pédagogie association.

Caisse d'Epargne initiatives

Since its creation in 1957, Finances & Pédagogie has been supported by the Caisses d'Epargne. Through this partnership, 22 regional employees implemented a teaching program in 2018 covering all types of money management topics. This financial education project is mainly devoted to teaching young people and preparing them to seek employment, informing people in economically and financially unstable situations, and training social aid professionals. It is also open to non-profit volunteers and employees in the public or private sector.

(1) Source: Fonds de cohésion sociale (social cohesion fund)

In a period of major societal change, the objective is not only to provide support on recurrent topics involving money (managing a budget, relations with the bank, knowing how to talk about money, planning for life events, etc.) but also to meet new challenges requiring particular knowledge: digital money, sustainable development, professional retraining, setting up a business, etc.

In 2018, 3,014 sessions were held with about 45,681 trainees. They included:

- 16,500 young people from schools and vocational centers;
- 25,000 people receiving assistance from entities in the social and solidarity-based economy or other social organizations;
- over 500 social workers and volunteers, mainly from the social services divisions of associations, mentorship organizations, and local governments.

All of these actions are concrete responses to current priorities of banking inclusion and the prevention of over-indebtedness. The initiatives take the form of workshops/training sessions that combine theoretical learning and practical experience.

- 54% involved budgeting and money issues in everyday life;
- 19% involved banking and payment instruments;
- and 11% involved issues related to credit, microloans and excessive debt.

The association, which celebrated its 60th anniversary in 2017, is recognized as a pivotal figure of financial education in France. It is a member of the Operational Committee for National Financial Education Strategy run by the Banque de France. Its educational materials are available on the Finances & Pédagogie website and are also published on the national portal, *Mes questions d'argent* (My questions about money). It is also accredited by the French Ministry of Education. Its key teaching materials are validated and incorporated in the educational library of the INC (French National Consumer Institute). The association aims to be a player on the ground, where its partners request its help, at key times in individuals' personal and professional lives, fully contributing to economic citizenship.

Finances et Pédagogie works closely with over a thousand different public, private and non-profit partners all around the country.

Promoting access to banking services for persons with disabilities

The Banque Populaire banks and the Caisses d'Epargne have taken various steps to facilitate access to banking services for persons with disabilities:

- they provide visually-impaired customers with free account statements in Braille and some are issued specially-designed guides and checkbooks. They also endeavor to make their services accessible by installing ATMs with Braille and voice guidance features as well as specially-designed online tools. In 2018, the networks provided special training focused on serving disabled customers (sign language, serving persons with disabilities, etc.). They directly encouraged the employment of persons with disabilities by raising awareness, advising local companies and offering practice job interviews to job-seekers with disabilities;
- the act of October 7, 2016 for a digital republic required all companies to provide a customer service line accessible to deaf and hearing-impaired customers to ensure that their needs are met and they are given the same level of service as their other customers. In keeping with its Disability policy, Groupe BPCE decided to get ahead of legal requirements and make all of the Group's commercial telephone lines accessible. To do this, it negotiated a national agreement with a translation platform covering the entire Group. Under the agreement, a videophone interpreting service will be set up between bank employees and deaf or hearing-impaired customers for all disability-accessible Groupe BPCE commercial contact points (CRCs – Customer Relations Centers, branches and e-branches). This means three people are involved in the conversation: the advisor, the interpreter and the customer;
- BPCE Assurances has established an accessibility system for customers who are deaf or hearing-impaired. Policyholders can now directly access contract management, assistance, and claim and compensation services *via* the website of their Caisse d'Epargne. In addition, emergency assistance by text message is provided 24/7 in the event of a claim or vehicle breakdown. This tool allows customers who are deaf or hearing-impaired to get in touch with an insurance representative using instant transcription or remote video interpreting services. This allows them to make contact independently, without the need for a third party, as is often the case;
- several banks also have customer advisors trained in sign language. Furthermore, they have developed products specifically designed for persons with disabilities, for example to help them purchase equipment and adapt their home to meet their needs.

BRANCH ACCESSIBILITY

Indicator	2018	2017	2016	Change 2017-2018
Number of accessible branches (2005 Disability Act)	6,474	5,024	4,706	29%
Percentage of accessible branches (2005 Disability Act) (as a %)	87%	63%	59%	38%

2.3.3 Helping customers address climate risk and gear up for the energy transition

Groupe BPCE has launched several different initiatives to identify and manage climate and energy transition risks.

GIVING THE GREEN LIGHT TO GREEN PROJECTS

The BPCE Assurances product range for individual customers contains features specifically designed to meet the new needs of its policyholders.

The Home Insurance range includes coverage of equipment such as domestic wind mills, solar panels or solar-powered water heaters, energy control cabinets, storage batteries and rainwater collection tanks. Policyholders also receive assistance and advice on how to generate energy savings.

The Vehicle Insurance range offers preferential rates to policyholders whose vehicles travel under 8,000 km per year. Savings of up to 30% are offered to electric vehicle owners. Finally, in the interest of providing day-to-day support to its customers, BPCE Assurances offers eco-driving courses.

Combating climate change: Natixis Assurances follows the 2°C climate scenario

Natixis Assurances designs and manages a full range of insurance products that are sold in the Banque Populaire and Caisse d'Epargne networks. It is actively working to fight climate change with tangible action and is aligning its investment policy with the goal of limiting the global temperature rise to 2°C, as set by the Paris Climate Agreement. Each year, Natixis Assurances will devote nearly 10% of its investments to green assets, with a target of 10% of its total investments being in green assets by 2030.

With this policy, it intends to encourage and give priority to companies that contribute to the energy and ecological transition. The commitment made by Natixis Assurances covers all its investment portfolios (excluding unit-linked policies). Its policy complements Natixis Assurances' decision to exclude issuers that do not observe the ESG criteria set out in its strategy from its investments.

PREVENTING AND MANAGING CLIMATE RISK

Groupe BPCE has made commitments to prevent and manage climate risk in its 2018-2020 strategic plan.

Accordingly:

- the Group made climate risk management one of the ambitions of the "financing a responsible economy" project;
- climate risk and green finance were the subject of:
  - a day-long seminar for the Risk and Compliance functions in 2017, attended by renowned experts in this matter, including: ACPR, Banque de France, members of the European Commission's High Level Expert Group on Sustainable Finance and Finance for Tomorrow (Paris Europlace),
  - a conference for the Risk, Compliance and Finance functions in 2018, to set out the Group's analysis and accomplishments for the current year.

Impact of the Group's business activity and the use of products and services on climate change

In 2016, Groupe BPCE performed a gap analysis to identify and weight its direct and indirect impacts on climate change and to ensure it takes appropriate action to mitigate this impact:

- mapping out its main goods and services that have a positive or negative impact on greenhouse gas emissions and therefore on climate change;
- taking inventory of initiatives already implemented and that need to be implemented.

This analysis was performed by an external organization and covered five main products and services and six activities (their weighting based on their impact on climate change is shown in parentheses, ranging from a limited impact (*) to a strong impact (***)):

- products and services:
  - distribution of financial products to retail customers (**),
  - project financing (***),
  - real estate project financing (***),
  - insurance (*),
  - funding, investment and asset management (**);
- activities:
  - energy consumption (***),
  - real estate portfolio (**),
  - property, plant and equipment (IT equipment and vehicles) (*),
  - business travel (**),
  - use of suppliers and sub-contractors (*),
  - waste management (*).

The analysis did not show any major shortcomings in high-impact products, services and activities that would call into question Groupe BPCE's existing priorities and initiatives.

Integration of climate change in stress tests

The Group took part in an industry-wide project to prepare scenarios for climate change stress tests overseen by the French Treasury and the ACPR (French prudential supervisory authority for the banking and insurance sector), further to paragraph 5 of Article 173 of the French Act of August 17, 2015 on the energy transition for green growth. This project provided the opportunity to review the Group's exposure to business sectors incurring climate change risk from two different perspectives: physical risk and transition risk. The Group's work on physical risks uncovered that French banks have a low degree of exposure to geographic regions with high vulnerability to climate change. The Group is continuing the analysis of its local exposure. A more detailed mapping is performed for the non-financial performance report, allowing it to better understand the level of risk incurred and adapt its risk policies accordingly.

Mandatory disclosures for institutional investors on their management of climate change risks

Relevant Groupe BPCE institutions disclose this information in their own publications, two of which are presented below.

Mirova: innovative measurement of a portfolio's carbon footprint

Mirova has developed a method to assess a portfolio's coherence with climate scenarios using:

- a database on carbon emissions generated and avoided during the product life cycle at the corporate level. This database was developed after several years of collaboration between Mirova and Carbone 4[1];
- the climate scenarios produced by the IPCC (Intergovernmental Panel on Climate Change): the IPCC now offers several global emissions scenarios resulting in different consequences in terms of temperature increase by 2100 relative to preindustrial averages (+2°C, +4°C, +6°C);
- global energy investment projections produced by the IEA (International Energy Agency), which provides data on annual investors by sub-sector as well as projections on investment amounts in the 2°C and 4°C scenarios.

By combining these three sources, the main limitations of existing approaches can be eliminated, giving an easy-to-interpret outcome by offering an assessment of the portfolio under review in terms of degrees Celsius.

Based on the methodology used, all assets can be assessed by taking into account the direct activities of the company and its suppliers as well as the use of its products. The aim is not only to assess the risks but also the opportunities associated with the energy transition by providing a measurement of emissions avoided (alongside emissions generated) by the company's activities, relative to a benchmark scenario. At the portfolio level, the aggregation of emissions generated and avoided is examined to produce an adequacy level in relation to the climate scenarios established by international institutions such as the IPCC or the IEA.

APPLICATION OF THE CARBON METHODOLOGY TO A SELECTION OF INDICES[2]

	+3.7°C	+4°C	+4.7°C	+5.5°C	+4.4°C
	S&P 500	MSCI World	MSCI Europe	CAC 40	Barclay Euro Aggregate Corporates

Generated ($tCO^2/€m$)	98.3	146.5	216	272.5	184.3
Avoided ($tCO^2/€m$)	-11.4	-14.9	-16	-16.2	-13.7

The results of this methodology raise an interesting point. While European initiatives tend to be more advanced in terms of awareness and transparency of sustainable development issues than those of their North American peers, the carbon performance of the corresponding index does not necessarily follow this trend. The S&P 500, for example, has a much lower carbon footprint than the MSCI Europe or the CAC 40. This difference is largely attributable to the predominance of the technology sector on the S&P 500, which ends up "diluting" the intensity of generated emissions.

From a more global standpoint, we can observe that none of the indices reviewed satisfy the 2°C scenario, despite it being the only one capable – by international consensus – of avoiding the most serious consequences of climate change. This observation underscores the need to propose solutions leading to massive capital reallocation and supporting the energy transition.

(1) See Mirova's publication entitled "Estimating Portfolio Coherence with Climate Scenario".
(2) 2017 data.

Launch of carbon neutral strategies

Mirova believes that players with a large carbon footprint incur a risk of underperformance over the long term that is poorly captured by the market, while players offering low carbon solutions have outperformance potential that is also not acknowledged by the market.

Based on this conviction, Mirova developed and launched a range of carbon neutral strategies in 2018. The purpose of these strategies is to build a carbon neutral portfolio that will capture market inefficiencies while limiting market risks by seeking to limit tracking error and sector bias, subject to the carbon neutral constraint.

Its carbon neutral strategies therefore aim to offer a low carbon investment solution that generates financial performance on the listed equities market in a given region to investors seeking to contribute to financing a low carbon economy.

Mirova has developed a metric to measure the impact on employment

Mirova's Insertion Emplois Dynamique fund, which was launched in 1994, was one of the first solidarity-based "90/10" funds dedicated to job creation in France. At the end of 2014, Mirova made the ambitious choice to change the fund's strategy to focus it entirely on job creation in France. Since the change, not only does the solidarity allocation (10% of assets) finance structures with a positive social impact across the country in conjunction with France Active, but also the equity allocation (90% of assets) invests in listed companies driving job creation in France over 3 years, based on analysis performed by Mirova.

To measure the impact on job creation in France, Mirova designed a proprietary methodology to examine in detail the investments made in the fund's listed and unlisted allocations. The analysis detects companies' job creation dynamic upstream and allows the fund to support this dynamic with its investments. For listed companies, the fund manager and Mirova's ESG analysts carry out targeted research into companies' offices and forthcoming investments and hold discussions with issuers to assess the prospect of job creation over the next three years.

The report demonstrates that the employee headcount in the listed companies in which the fund invests increased by an average of 10% over the review period (December 2014 – December 2017), while it was stable for CAC 40 companies overall. The portfolio's ESG profile also improved over this period, and its carbon impact declined sharply, with the climate scenario implied by its investments (expected temperature rise) estimated at +1.5°C in June 2018, compared with +4.4°C at the end of 2014. From a financial point of view, between December 2014 and September 2018 the fund achieved a net gain of +26.6%, with net inflows totaling €220 million. The *Insertion Emplois Dynamique* fund currently has €576 million in assets under management. The fund is exposed to a risk of capital loss, equity risk, discretionary management risk, currency, interest rate and credit risks, counterparty risk, liquidity risk and price risk.

Ostrum Asset Management: engagement for the climate

Ostrum Asset Management has launched a number of initiatives ranging from measuring the carbon footprint of its portfolios to steering investors towards sectors working to develop solutions to climate change. These initiatives are founded on four major pillars:

- to understand and incorporate climate issues: systematically integrate the climate in direct talks with the management of the companies in which it invests;
- to reduce exposure to carbon intensive sectors through its investment policy for the coal sector;
- to offer our clients tailored products and services: Ostrum Asset Management has developed investment solutions that incorporate climate issues and also offers reporting on its portfolios' carbon footprint;
- Ostrum Asset Management uses the Carbon Impact Analytics[(1)] method co-developed by Mirova and Carbone 4 to calculate the carbon footprint of portfolios. This innovative approach covers emissions generated within the company's entire scope of responsibility, as well as avoided emissions and the overall contribution to climate change prevention. Furthermore, Ostrum Asset Management has published a carbon report in the annual report of its main funds since December 31, 2016, in accordance with the requirements of the French Energy Transition Act;
- to engage in dialog and lobbying and support investor statements to encourage issuers and politicians to take climate issues on board.

INTEGRATION OF ESG CRITERIA IN PRIVATE EQUITY ACTIVITIES

Through its six asset management companies, Natixis provides a comprehensive range of products and services across the private equity business worldwide. Three of these companies specialize in direct investment in unlisted companies: Naxicap Partners, Alliance Entreprendre (growth capital and business transfers in France and Europe) and Seventure Partners (venture capital in France). Three companies offer advisory and investment management services: Euro-Private Equity in Europe, Caspian Private Equity in the United States and Eagle Asia Management in Asia.

Since 2015, Euro Private Equity and Naxicap Partners have been signatories of the Principles for Responsible Investment (PRI). In addition to the PRI, Naxicap Partners made a commitment to the IC20 (2020 Climate Initiative) to contribute to the COP21 goal of limiting global warming to two degrees. This involves taking climate change into account over the entire investment period and measuring the portfolio's direct and indirect carbon footprint by 2020 for companies having a material impact on the climate.

Euro Private Equity has established a responsible investment policy outlining its commitments as an asset management company, including its due diligence, post-investment and reporting commitments. It works in partnership with Mirova, Natixis Investment Managers' responsible investment subsidiary, to help incorporate ESG criteria in its investment policy. For Euro Private Equity, Mirova played an advisory role in the drafting of its ESG charter and development of an analysis chart to assess the ESG engagement of portfolio managers subject to review.

Naxicap Partners has implemented an ambitious ESG integration policy and formalized an ESG charter, including criteria for excluding certain industries and activities. It put together a four-person ESG team: a Head of ESG focused exclusively on this function was hired, two members of the Investor Relations team devote part of their time to ESG, and one member of the Management Board coordinates the team's activity.

(1) To learn more about this methodology: http://www.mirova.com/Content/Files/Mirova/Recherche/EstimatingPortfolioCoherenceWithClimateScenarios.

Naxicap Partners' formalized ESG policy details the steps that must be followed in the investment process. These steps are strictly monitored by the Middle Office, including: the obligation to conduct a pre-investment ESG and climate analysis, the performance of an ESG audit by external specialists, the inclusion of an ESG clause in the shareholders' agreement, the preparation of an action plan discussed by the Supervisory Boards of companies in the portfolio, and an ESG vendor audit when the investment is sold. Each company's ESG performance is monitored, based in particular on annual data collection on specific indicators in a specially-designed application. An ESG report published once a year, available online, summarizes and analyses the data, while highlighting interesting initiatives and areas for improvement.

INCORPORATING ENVIRONMENTAL AND SOCIAL (E&S) CRITERIA IN FINANCING AND INVESTMENT ACTIVITIES

Integration of climate risk in the Group's credit risk policy and enhancement of CSR principles

A counterparty's climate risk will be taken into account in the loan approval analysis, based on the Group's recommendations in each sector:

- direct physical risks, the consequences of storms, drought, fire, rising sea levels, etc.:
  - agriculture, agri-food, construction, transport, hotels and catering, forestry, real estate (including individual customers), energy and wholesale trade;
- transition risks arising from regulatory reform or technological progress accompanying the transition to a low carbon economy:
  - energy generation and transformation sectors,
  - sectors with high greenhouse gas emissions whose activity could be restricted by stricter regulations (construction, manufacturing sector).

At Group level, the inclusion of CSR clauses in credit risk policies is considered at each annual review (see below).

These efforts expand on the risk analysis centered around the corporate duty of due diligence, the Sapin 2 Act and the non-financial performance report. The non-financial performance report was prepared with several departments from the Risk, Compliance and Permanent Control division. Climate risk is identified in "Exposure to the physical risks of climate change", "Financing for the energy transition, green and blue growth" and in "Integration of ESG criteria in lending/investment decisions" (see Chapter 2.2.1).

Integration of ESG criteria in retail banking sector lending policies

After including CSR and climate risk in the Group's general credit policy, Groupe BPCE reiterated its commitment by incorporating ESG aspects in its sector risk policies with specific ESG criteria for each sector.

The major CSR impacts of each ESG component (environment, social and governance) were identified and measured for each sector, with three risk levels – low/medium/high – and recommendations and focal points were established. For the environment pillar, climate risk is systematically measured from two different perspectives:

- physical risk: extreme climate events and gradual temperature change;
- transition risk: air, water and land pollution, CO_2 regulations.

Observance of national or international standards, agreements or quality certification is also presented by sector, to provide the lending functions with best practices for each sector.

As of the end of 2018, all the Group's sector lending policies incorporated CSR criteria.

These policies are approved by the Group Risk and Compliance Committee and by the Group Credit and Counterparty Risk Committee, both of which are chaired by the Group Chairman of the Management Board.

The incorporation of ESG criteria in these sector policies will gradually allow counterparties' transition risk to be assessed. The process has common features for all sectors, but performance indicators are specific to each sector.

The Group's sector policies incorporating ESG criteria aim to assess counterparties' involvement in climate change and to identify criteria for measuring their performance in this area.

Retail banking financing solutions requiring approval by the head of the entity

Some controversial activities must be approved by the banks' local directors, namely casinos, professional sports clubs, and discotheques.

Measurement and monitoring of E&S risks and management systems by Corporate & Investment Banking (Natixis)

The new ESR department at Natixis ensures environment and social (E&S) risks are taken into account in its financing and investment activities. A risk monitoring team has therefore been assigned to track CSR policies in sensitive sectors, determine which business sectors to exclude from such policies, assess the quality of assessment and monitoring of E&S risks in transactions, and analyze the reputational risk incurred by the parties involved.

Implementation of CSR policies in sensitive sectors

CSR policies have been drawn up and included in the risk policies applied by the business lines working with the most sensitive sectors.

These policies cover the following sectors:

Coal

On October 15, 2015, Natixis undertook to stop financing coal-fired power plants and thermal coal mining around the world. Natixis will also no longer provide general-purpose corporate financing to companies for which coal-fired power plants or thermal coal mines account for over 50% of their activity.

This commitment was set out in a sector policy published on Natixis' website at the following address: https://www.natixis.com/natixis/upload/docs/application/pdf/2016-07/160708_coal_policy_en.pdf. It also applies to investments made by Ostrum AM, covering all directly managed portfolios, and to Natixis Assurances, covering all general-purpose funds. Both Natixis Asset Management and Natixis Assurances have stopped investing in industrial companies deriving 50% or more of their business from coal-fired power plants and/or thermal coal mining.

It should be noted that the amount of Natixis' exposure to coal industry financing has fallen steadily since the undertaking made in October 2015. At the end of 2018, financing of thermal coal mines amounted to zero and was residual in coal-fired power plants.

Defense

Since March 2009, Natixis has excluded the financing, investment and offer of services to companies involved in manufacturing, storing or trading anti-personnel mines and cluster bombs.

Publication of the defense sector policy

The commitment made by Natixis in March 2009 was extended to include a Defense sector policy published in June 2018. This policy, which is available for consultation on the Natixis website, extends the scope of arms excluded by the Group and sets specific criteria for conducting transactions, notably with respect to arms exporting and importing countries.

The policy also applies to investment operations undertaken by Natixis, Ostrum AM, and Natixis Assurances.

https://www.natixis.com/natixis/jcms/rpaz5_68332/en/policy-applicable-to-the-defense-industry

Tobacco

In December 2017, Natixis committed to discontinuing all financing of, or investment in, tobacco producers, wholesalers, and traders as well as tobacco product manufacturers. This exclusion has deepened the bank's commitment to fighting cancer, as patron of the Gustave Roussy foundation since 2011.

Publication of the tobacco sector policy

Further to its announcement in December 2017, in May 2018 Natixis published a detailed sector policy for the tobacco sector. This policy applies to the financing, investment and service activities provided by Natixis, Ostrum AM and Natixis Assurances.

For more information please see:
https://www.natixis.com/natixis/jcms/lpaz5_67146/en/tobacco-policy

Oil and gas

In December 2017, Natixis committed to stop providing financing for the exploration and production of oil sands and oil in the Arctic region.

Publication of the oil and gas sector policy

Natixis published its oil and gas sector policy in November 2018, setting out the conditions underlying Natixis' commitment, namely:

- to discontinue the financing of projects involving the exploration, production, transportation and storage of extra-heavy oil and oil derived from oil sands, and related export terminal;
- to no longer provide general purpose corporate financing for, and no longer invest in[1], any company of which the aforementioned activities (see above) account for 30% or more of total operations;
- to discontinue financing for onshore or offshore oil exploration and production projects in the Arctic.

For more information please see:
https://www.natixis.com/natixis/upload/docs/application/pdf/2018-11/natixis_esr_sector_policy__oil__gas.pdf

This commitment to protect the Arctic upholds the position already adopted by Ostrum AM and Mirova, which since 2016 have headed a group of investors having signed a declaration calling for the Arctic region to be protected against oil exploration activities, and for the adherence to national commitments to combat climate change in this particularly hydrocarbon-rich area of the world.

Other industries

Natixis has internal CSR policies for the nuclear, mining & metals, and palm oil sectors. These apply to financing operations and cover the following issues:

- nuclear: compliance with the strictest international security rules (IAEA, etc.), reliability of technologies, demonstration by the host country and the operator of their capacity to control and operate their nuclear industry, based on specific criteria;
- mining & metals: compliance with international mining industry standards as well as the E&S criteria established by the IFC (World Bank);
- palm oil: traceability and compliance with best practices and applicable standards.

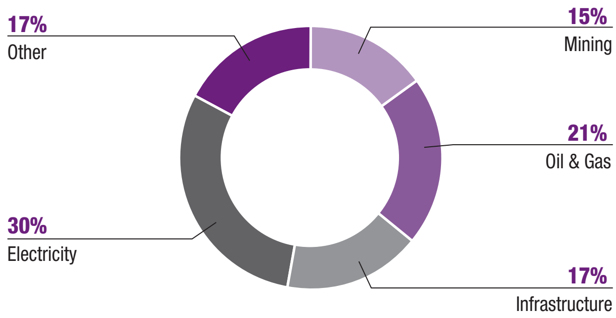
Overview of financing transactions over the last three years

Managing environmental and social risks across Natixis' financing business lines involves analyzing clients and transactions to ensure they comply with its CSR policies and exclusion commitments, analyzing transactions according to the Equator Principles or other evaluation methods, and analyzing controversial issues that its clients may run into.

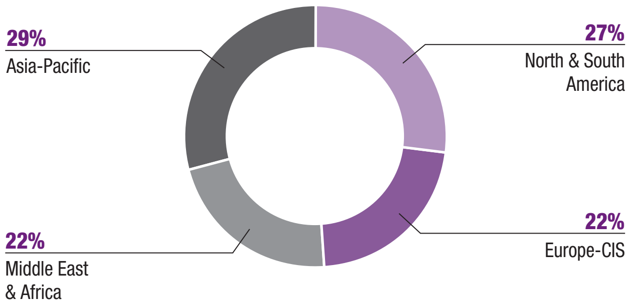
(1) This applies to all Natixis Assurances investments.

Over the last three years, 305 such transactions have been managed in this way, with the following sector breakdown:

BREAKDOWN OF PROJECTS CONSIDERED BY SECTOR (NUMBER) - SINCE 2016[1]



BREAKDOWN OF PROJECTS CONSIDERED BY GEOGRAPHICAL REGION (NUMBER) - SINCE 2016



Equator Principles

As a signatory of the Equator Principles since December 2010, Natixis applies an industry-wide methodology recognized by 94 member banks and financial institutions, aimed at evaluating the E&S risks of the projects it finances and assessing the quality of the management systems used by its customers to manage, minimize, and remedy the impacts they cause as best they can.

This methodology is applied to the financing of investments associated with new projects or with extensions of existing projects, mainly (for Natixis) in the infrastructure, energy (oil and gas), electricity and renewable energy, mining and metals sectors around the world.

An organizational structure has been set up to involve both the business lines and the ESR department in assessing and managing transactions. The process includes an assessment of the quality of existing E&S documentation prepared by the client (or client advisory services, if such documentation has not yet been drafted), the measurement and classification of the potential E&S impacts and risks, and, where necessary, the consultation of external specialists. It also provides for the drafting of an action plan for impact mitigation and correction measures, which is included in the financial documentation. Compliance with the action plan is monitored over the life of the financing facility.

A summary of key issues used to assess a project is part of Natixis' credit approval process.

Details of the analysis and decision-making process, the resources used and full information on transactions audited in this way are available in the annual Equator Principles report (published before July 31 each year and available on the Natixis website).

Website: https://www.natixis.com/natixis/upload/docs/application/pdf/2018-07/natixis_2017_ep_reporting_2018-07-27_18-18-4_105.pdf

Assessments performed beyond the scope of the Equator Principles

Mindful of the great diversity of client transactions and financing solutions, Natixis ensures the same level of due diligence on the underlying E&S risks of certain types of transactions outside the scope of the Equator Principles. Such transactions include acquisition financing transactions not associated with an investment program, financing that is, by nature, for multiple purposes, transactions involving portfolios of assets too large for a dedicated assessment, or certain kinds of assets.

In each of these cases, the quality of the governance and management of the E&S risks inherent to the industry in question are assessed on the basis of current international best practices and standards, and the services of external consultants are called upon if necessary.

Analysis of reputational risk associated with interested parties

For all the financing transactions referred to above, and also when deemed necessary for any other transaction, an analysis is performed to determine whether the borrowing company, its operator or main shareholder has a history of poor management in its operations, from an environmental, social or health and safety standpoint.

In the interest of establishing lasting relations with its customers, the objective is to raise awareness among the business lines – before a credit decision is made – of all the situations that can give rise to reputational risk, and where necessary to consider appropriate measures.

A strengthened client assessment system

In respect of French law on the corporate duty of due diligence, Natixis is working on an additional tool for assessing the quality of its clients' environmental and social risk management. The system, which is currently being devised, will be used to assess clients of the Corporate & Investment Banking business when they first make contact with the bank and, subsequently, on a regular basis, at a frequency determined on the basis of the nature and degree of E&S risks at hand. The assessment process will gradually be applied to the division's portfolio of existing clients, taking into account the schedule for periodic renewals of financing authorizations.

The screening process will involve two levels of assessment:

- the first level, covering most of the bank's clients, will involve assessing 15 different types of E&S risks relating to the client's governance, social/societal and environmental issues and its supply chain. A dedicated client assessment grid will be applied to each of the ten business sectors best representing the bank's commitments, taking into account the characteristics of the client's business activity and the locations of its facilities. The results of the first assessment will be cross-referenced with those of a systematic controversy check, as facilitated by an external data provider;

(1) *Including special ships and offshore platforms*

- the second level of assessment, focusing on clients identified as being the most sensitive to risk, will involve an in-depth, qualitative analysis of the latter's E&S governance. This generally requires making direct contact with the client in order to specify the systems required for identifying and mitigating the main E&S risks.

This client assessment process is to be built into the bank's existing systems for establishing new client relationships and granting loans, involving the business lines, as well as the Compliance, Risks and ESR departments. The process is to be implemented following a test phase in 2020.

ANTICIPATING OPPORTUNITIES IN A RESILIENT ECONOMY

An ambitious green and social bond policy

After issuing its first green bond in December 2015 to finance renewable energy projects, Groupe BPCE doubled down on its green bond activity with two additional issues in 2017. In June 2017, BPCE sold the first JPY-denominated social bond on the Japanese market. This inaugural issue totaling JPY 58.1 billion (approximately €470 million) is intended to refinance loans granted to the customers of Groupe BPCE's Banque Populaire banks and regional Caisses d'Epargne in the education, healthcare and social sectors. In July, the Group issued a healthcare bond *via* a private placement with life insurance company Nippon Life, a Japanese leader in the field of socially responsible investment, aimed at refinancing loans granted in the healthcare sector. The private placement totaled $50 million (roughly €44 million) with a 10-year maturity. The healthcare bond received an award[1] on September 7, 2017.

Drawing on these three success stories, Groupe BPCE fully intends to move forward with its sustainable bond strategy on different markets, having set a goal of issuing two green or social bonds per year from now to 2020.

This led to the publication of a green and social bond issuance framework in 2018: https://www.groupebpce.fr/fr/Investisseur/Dette/Cadre-d-emission-des-obligations-vertes-ou-sociales and the launch of a project to identify the Group's green assets.

In line with the 2018-2020 strategic plan, Groupe BPCE met its aim of issuing two green or social bonds per year in 2018, even exceeding its goal with three issues.

After completing a human development social bond issue in yen and a healthcare issue in US dollars in 2017, Groupe BPCE issued the following bonds in 2018:

- a human development samurai bond for JPY 26 billion in senior preferred and senior non-preferred securities (January 2018);
- a human development samurai bond for JPY 106 billion in senior non-preferred securities (July 2018);
- a local development bond for JPY 1.25 billion in senior preferred securities (September 2018).

The local economic development format of this issue observes a new framework for selecting assets established in 2018 and published on the BPCE website.

The loans selected are intended for small businesses (with revenues equal to or less than €3 million) or non-profit organizations (with an annual budget equal to or less than €3 million) with the aim of maintaining employment in underprivileged areas and revitalizing their economic activity.

The areas are selected based on strict criteria:

- poverty levels (the top one-third postcode areas with the highest poverty rates in mainland France);
- or unemployment rate (area with an unemployment rate among the highest one third of areas in mainland France);
- and the business creation rate (regions with a business creation rate below the median of all French regions).

Groupe BPCE also published a general framework for sustainable development bonds on July 20, 2018, which was subject to a second party opinion published by ESG rating agency Vigeo Eiris on July 26, 2018.

This framework reflects Groupe BPCE's commitment to promoting social and environmental development initiatives and describes the three types of bonds that finance sustainable development.

- 1 Green bonds: environmental protection;
- 2A Social bonds – Human development: economic systems, infrastructure and services that foster human development and that benefit underprivileged persons (key areas: education, healthcare, social development, social housing and activities provided by local authorities);
- 2B Social bonds – Local Economic Development: development of economically or socially deprived regions by financing SMEs, local authorities and non-profit organizations.

Application of the Green Weighting Factor at Natixis

Natixis announced the Green Weighting Factor (GWF) at Climate Finance Day in Paris in December 2017 and has been gradually rolling it out since January 2018 to align its financing activities with the goals of the Paris Agreement on climate change.

The GWF is an internal capital allocation model that encourages financing solutions with the most positive impact on the environment and climate change while anticipating changes in regulations. It adapts the expected return on different financing solutions depending on their impact on the environment and climate change by using a favorable or adverse adjustment to weighted assets (*i.e.* the amount of capital required depending on the risk). The model awards a color rating, thereby encouraging green businesses and penalizing those with a brown rating.

The GWF methodology is open and scalable and it will incorporate the criteria included in the EU classification system on what can be considered an environmentally sustainable economic activity – the so-called taxonomy – as progress is made by the European Commission's group of experts. It will gradually apply to all of Natixis' new corporate financing, asset financing and project financing activities around the world. The Green Weighting Factor applies to the sectors to which the bank has the biggest exposure, in particular transport, infrastructure, real estate, energy, and commodities trading. Natixis has set criteria for each sector to classify each financing project in terms of its environmental and climate impact. The model provides a view of its exposure to climate transition risks arising from a rapid loss in value of assets that cause the most pollution.

(1) http://www.mtn-i.com/latest-news-asia-pacific/2017-award-winners

Participation in the FBF's Green Supporting Factor project

Groupe BPCE actively contributed to the FBF's work on the Green Supporting Factor (GSF), aimed at promoting the funding of the energy transition by reducing capital requirements on green assets and using the freed-up capital to finance new projects. GSF-eligible counterparties include all economic operators financed through either retail banking or corporate and investment banking institutions.

Launch of a fund to protect the oceans

To meet the challenges arising from the depletion of marine resources, in particular in the oceans, which are threatened by over-fishing, climate change and rising pollution, in 2018, Mirova launched the Althelia Sustainable Ocean Fund, which aims to raise over $100 million to finance companies that have a sustainable business model and that seek to mitigate their impact.

Launch of a renewable energy investment fund, EUROFIDEME 4

Mirova launched its fourth renewable energy infrastructure fund in 2018. Because there is considerable need for investments in infrastructure to produce renewable energy as well as to store it and develop e-mobility solutions in order to meet ambitious European greenhouse gas emission targets, the fund has extended its scope to incorporate these activities. It aims to raise €500 million.

2.4 Sustainable and responsible value creation

2.4.1 Contribution to regional economic development

FINANCING THE ECONOMY: LOCAL ROOTS – A KEY ASSET

The 14 Banque Populaire banks and 15 Caisses d'Epargne embody Groupe BPCE's close ties with the regional economy, sharing the values of social cohesion and support for local employment:

- in 2018, outstanding loans issued by the Banque Populaire banks and the Caisses d'Epargne amounted to €444.6 billion, making them leading creditors of the French economy and local regions;
- Groupe BPCE is set to once again be the No. 1 bank issuing personal microloans with support[(1)] to individual customers in 2018, with 6,868 loans totaling €20 million (end 2017: 33.03% market share by volume according to the *fonds de cohésion social*). The Group is also still the No. 1 bank for professional microloans[(1)] (over one-third market share at end-2018); detailed information on this activity is provided in Chapter 2.3.2;
- in 2018, donations by the Banque Populaire banks and Caisses d'Epargne to general interest projects in local areas amounted to €42.8 million (*versus* €31 million in 2017):
  - €11.5 million was earmarked by the Banque Populaire banks for three uses: patronage by the Banque Populaire banks in their local regions, either directly or *via* their regional foundations, the Banque Populaire Corporate Foundation, and the charity fund of the Fédération Nationale des Banques Populaires,
  - €31.3 million was earmarked by the Caisses d'Epargne for three uses: Caisse d'Epargne regional patronage initiatives (directly or *via* regional foundations), the Caisse d'Epargne network endowment fund and Fondation Belem;
- 87% of the Group's suppliers[(2)] are SMEs[(3)], 39% of purchases[(4)] are made from SMEs and 29% from ISEs[(5)]. Groupe BPCE companies give preference to local suppliers: 69% of suppliers have a local presence in their respective regions[(6)]. These companies contribute to local employment and economic development through their sub-contracting chain;
- although historically located in the cities, the Banque Populaire banks and the Caisses d'Epargne also play a role in the development of rural areas: 391 branches are located in rural areas[(7)];
- *via* their branches, the Banque Populaire banks and the Caisses d'Epargne are also present respectively in 13% and 19% of priority neighborhoods as identified by urban policy[(8)], with 415 branches;
- the policy applied to establishing branches in the regions is aligned with the new customer relationship model: digital channels and multimedia platforms are being ramped up, calling for the branches to be more specialized by customer segment, with advisors maintaining their role in managing the customer relationship. In terms of accessibility, the goals of the Banco 2020 plan stipulate that the distance from the point of sale to the furthest customer may not exceed 10 minutes in an urban setting or 20 minutes in a rural setting.

FINANCING LOCAL PUBLIC STAKEHOLDERS AND THE SOCIAL AND SOLIDARITY-BASED ECONOMY

The Banque Populaire banks and the Caisse d'Epargne are major sources of funding for local authorities, social housing operators and structures in the social and solidarity-based economy.

Detailed information on these initiatives is provided in Chapter 2.3.2.

RESPONSIBLE PROCUREMENT POLICY: THE AGIR PROJECT

CSR is one of the priorities of the 2020 procurement strategic plan followed by BPCE Procurement and the procurement function. The Group has set the following targets for 2020:

- increasing the number of Group companies with Responsible Supplier Relations and Procurement certification from 7 to 14;
- raising the percentage of requests for proposals (RFPs) observing standardized procurement processes that include CSR criteria to 80%;
- paying suppliers in 28 days, on average.

Incorporating CSR into the procurement policy

In September 2012, BPCE Procurement launched "Agir ensemble pour des achats responsables" (Working Together for Responsible Procurement). This responsible procurement approach *(AgiR)* is part of an overall goal to achieve comprehensive, sustainable performance involving Group companies and suppliers. The approach builds on the commitments made by Groupe BPCE when it signed the Responsible Supplier Relations Charter in December 2010.

(1) Fonds de cohésion sociale (social cohesion fund)/Caisse des Dépôts.
(2) From the sample of 30,074 suppliers with a SIREN number and approved by INSEE; this amount represents 85% of total purchases – Scope: Group total including BRED.
(3) Definition of small and medium-sized enterprises: companies with fewer than 250 employees and revenues below €50m.
(4) From the sample of purchases taken from the Codex 2017 database on suppliers with a SIREN number and approved by INSEE; this amount represents 85% of total purchases.
(5) Definition of intermediate-sized enterprises: companies with 250 to 5,000 employees and revenues greater than or equal to €50m and less than €1,500m.
(6) Average calculated based on entity reports according to the Group's regional breakdown.
(7) Definition: INSEE, French "communes" that do not fall under definitions of urban units, i.e. "communes" without zones of continuous development inhabited by 2,000 residents and "communes" in which less than half of the population resides in a continuous development zone. Calculated based on 2009 census.
(8) Neighborhoods identified as being a priority in urban policy are defined by French law number 2014-73 of February 21, 2014 on urban planning and cohesion. The areas concerned are determined using the single criteria of population revenue; 1,300 such neighborhoods have been identified. The list is established in ministerial orders 2014-1750 and 2014-1751 of December 30, 2014, for mainland France and the overseas territories respectively. The boundaries of each area can be viewed at geoportail.gouv.fr.

In Phase 1, Group companies were evaluated for their level of responsible procurement and the Group's CSR risks and opportunities were identified by procurement category. A panel of suppliers was also surveyed and asked to adopt a stance on Corporate Social Responsibility.

Based on this preliminary diagnostic phase, a responsible procurement policy was developed by a working group formed by the Real Estate & Services, Sustainable Development and Human Resources divisions of Groupe BPCE and the Advisory and Member Services, Real Estate Procurement & General Resources and Legal Services departments of BPCE Procurement.

Engaging stakeholders with the responsible procurement policy

This policy defines the Group's responsible procurement approach and the commitments of the procurement function, business divisions and suppliers of Groupe BPCE. It was ratified in April 2013 after ordinary consultation of the companies affiliated with BPCE Procurement.

BPCE Procurement released this policy to its entire procurement function and business lines within the Group. National suppliers used by BPCE Procurement were informed of Groupe BPCE's expectations in terms of CSR commitments and performance.

Since 2018, the responsible procurement charter, a joint initiative by BPCE Procurement on behalf of Groupe BPCE and leading French banks and insurers, has been one of the reference documents included in the tender documentation sent to suppliers. The aim is to involve suppliers in the application of diligence measures in this area.

Applying the responsible procurement policy in daily procurement activities

The CSR roadmap and the action plan produced by the "developing responsible procurement" project implemented under the Groupe BPCE CSR policy, set out three priority objectives: optimizing the environmental and social impact of purchases, contributing to the economic and social development of the regions, and promoting best business practices. A responsible procurement working group run by BPCE Procurement and comprising procurement and CSR representatives discusses these three objectives and implements the action plan.

The Group's procurement managers are instructed to apply and circulate this policy within their companies and among their supplier panels with respect to the following areas:

- in the Groupe BPCE procurement policy: developing responsible procurement is one of the three priorities of the Group's procurement policy;
- in the procurement process: the responsible procurement policy has been adapted and included in the different tools used in the procurement process, including the RFP documentation, the specifications, supplier CSR questionnaire, the bid selection chart and the oversight of CSR indicators during the bidding process;
- in supplier relations: the responsible procurement working group considered how to find a simple, quantifiable way of measuring suppliers' CSR performance. Procurement teams can include a voluntary CSR performance assessment questionnaire for suppliers and their products in order to identify CSR risks and opportunities in the tender process and incorporate this performance in their overall assessment.

PROCUREMENT POLICY

Indicator	2018	2017	2016	Change 2017-2018
Purchases incorporating a CSR component *(as a %)*(1)	34%	N/A	N/A	N/A
Control of dependency on suppliers *(as a %)*(2)	83%	85%	87%	(2%)
Average supplier payment term *(number of days)*(3)	31(4)	30(4)	28	5%

(1) Number of procurements in the Harmoni procurement information system factoring in at least one CSR criterion identified in the benefits form/Total number of RFPs completed in the Harmoni procurement information system and generating a benefits form excluding RFPs in the technical assistance process. For 2018, the scope covers procurement files organized by BPCE Procurement. The CSR criteria are: invitations to tender, use of companies working with people with disabilities, total cost of ownership approach, use of SMEs/VSEs or startups, integration of a CSR rating in the overall rating. They are complemented by the CSR commitments included in model tender documentation for Groupe BPCE and BPCE Procurement since January 2018.

(2) Amount of purchases made from Group suppliers having a dependency rate below 30%/Amount of purchases made from Group suppliers. Sample of Group suppliers making up 77% of the procurement amount.

(3) Average payment term, as from the invoice date.

(4) Sample of 41 entities in 2018 (48 in 2017), the decline in this number is due to mergers.

Integration of the responsible procurement policy in the strategy for each procurement category

Sector-specific methodology summaries were developed with the aim of defining the responsible procurement strategy for procurement sub-categories and sharing this strategy with the entire procurement function and relevant divisions. These summaries provide ample information on each sub-category: the main CSR issues, "AgiR" priorities, statements of needs, total cost of ownership calculation variables for the full life cycle of the product or service, CSR performance monitoring indicators, proposals to incorporate CSR issues in procurement, the market's CSR maturity level, and feedback from both within and outside the Group.

Promoting a lasting, balanced relationship with suppliers

In 2018, two Groupe BPCE companies were awarded Responsible Supplier Relations and Procurement certification in cooperation with BPCE Procurement: Caisse d'Epargne Aquitaine Poitou-Charentes and Caisse d'Epargne Rhône Alpes. The companies certified in 2015, Banque Populaire Grand Ouest, Caisse d'Epargne Bretagne Pays de Loire, Caisse d'Epargne Grand Est Europe and BPCE renewed their certification for three years.

As part of the process of continued improvements, the companies certified in 2016, Banque Populaire Rives de Paris, Caisse d'Epargne Ile-de-France and Caisse d'Epargne Midi-Pyrénées received a positive assessment on their second review.

In line with the Responsible Supplier Relations Charter and the responsible procurement standard ISO 20400, the Responsible Supplier Relations and Procurement certification is awarded by the company mediator (under the auspices of the French Ministry for the Economy) and the CNA (French association of purchasing managers). It aims to single out French companies that have established lasting, balanced relations with their suppliers.

The certification is awarded for a period of three years and an annual audit is performed to verify that best practices in responsible supplier relations (respect for supplier interests, integration of environmental and social criteria in procurement procedures, quality of supplier relations, etc.) are constantly applied by the entities that received the certification.

The certification, which has now been awarded to nine Groupe BPCE companies, reflects the responsible procurement strategy coordinated by BPCE Procurement and the integration of CSR at the center of the procurement function and in relations with suppliers.

Measuring the socio-economic impact of purchases

The socio-economic footprint of purchases was measured using the Local Footprint® model, which reproduces the economic behavior of suppliers in 380 sectors of activity using the latest national and international statistics. It takes into account the indirect impact of the entire supplier chain (from level 1 to level n), and the impacts arising from the salaries and taxes paid by all suppliers and which fund consumer and government spending.

This measurement demonstrates the positive impact of Groupe BPCE's procurement across France in terms of employment and value creation covering expenditure of €3.5 billion[(1)], supporting 98,702 FTE jobs and generating €5 billion in wealth for the French economy.

Raising awareness of responsible procurement

Since 2013, 16 analysis and training/action workshops on procurement-related CSR issues have been set up and coordinated by procurement and CSR experts. These initiatives have helped raise awareness of new CSR issues among BPCE Procurement purchasers and representatives of the business divisions.

Since 2015, a targeted information program (morning procurement meetings, program for new hires) has been in place to present all the tools for applying responsible procurement to a wide audience (procurement function, business lines, disability officers, and CSR managers).

Due diligence action plan

The initiatives implemented in accordance with parent company and client company due diligence requirements are detailed in section 2.4.3 of this chapter.

Outlook

The Group aims to continue to apply the action plan provided for in the CSR pillar of the 2020 procurement strategic plan, in line with the "Developing responsible procurement" priority set out in the CSR section of the Group strategic plan. Appropriation of the responsible procurement policy will continue with the dissemination of best practices, the implementation of the supplier CSR assessment shared by procurement and CSR managers, and the awarding of the Responsible Supplier Relations and Procurement certification to new Group companies.

SUB-CONTRACTING POLICY

Sub-contracting and compliance with the International Labor Organization's fundamental conventions

In accordance with the responsible procurement policy, the Group's suppliers are required to comply with current CSR rules and regulations and to encourage their own suppliers and sub-contractors to do the same. These commitments are includes in the responsible procurement charter, which is one of the reference documents included in the RFP documentation.

Disability and responsible procurement policy ("PHARE")

Since July 2010, the procurement function has contributed to Groupe BPCE's societal responsibility goals by implementing the disability and responsible procurement policy ("PHARE"). Supported by the Procurement and Human Resources functions, this policy contributes to the professional and social inclusion of persons with disabilities by sub-contracting some operations to companies working with disabled persons.

In 2018, Groupe BPCE bolstered this commitment by spending €13.1 million including tax[(2)] on companies employing persons with disabilities, representing a more than five-fold increase since the policy was launched. Purchases by Groupe BPCE from companies working with disabled persons contributed to the professional inclusion of persons with disabilities, equivalent to 444 Full-Time Equivalent (FTE) positions. To develop purchasers' expertise and independence when purchasing from companies working with people with disabilities, an e-learning training course was made available to the procurement function and the Group's disability officers.

(1) Expenditure calculated in the procurement function application, Codex (2017 data restated). The mapping of Codex expenses consolidates external spending by Groupe BPCE companies using the Group's procurement segmentation.

(2) Estimates

Cooperation with this sector has expanded and diversified, while initiatives already in place are still going strong. Groupe BPCE works with over 300 suppliers in this sector, purchasing traditional services such as landscaping and WEEE[(1)] management, as well as services related to its banking operations such as the cleaning and recycling of ATMs, outgoing client calls and check video-encoding. New services are being introduced throughout the Group, such as the management of medical check-ups, the scanning of HR files and the use of remanufactured printer ink cartridges.

The responsible purchasing and disabilities policy, which advocates working with stakeholders in the social and solidarity-based economy, is an integral part of a more global responsible procurement approach.

With this approach, the Group has undertaken to continue expanding its cooperation with EAs *(entreprises adaptées)*, which are companies offering disability-friendly work environments, and with ESATs *(établissement et service d'aide par le travail)*, which are establishments offering employment to disabled persons with special needs and unable to work in an ordinary setting, thus increasing the Group's indirect employment of such individuals.

The PHARE symposium aims to facilitate meetings between companies working with disabled persons and Group companies in order to encourage them to work more often with EAs and ESATs. This annual event, sponsored by the Human Resources and Procurement functions, also provides the opportunity to share best practices and thus facilitate the implementation of new initiatives.

Since 2016, the symposium has applied a new regional format in order to facilitate meetings between EAs/ESATs and the Group's companies in local regions. In 2018, the fourth symposium held in Ile-de-France involved thirteen Group entities. These symposiums provided the opportunity to share the Group's CSR commitments with staff and suppliers and to raise participants' awareness of responsible procurement. The theme was innovation, giving Groupe BPCE employees and invited partners the opportunity to learn about new activities offered by companies in the social and solidarity-based economy and start-ups in the region. Groupe BPCE strives both nationally and locally to expand sustainable, diversified and innovative procurement initiatives.

PURCHASES FROM COMPANIES WORKING WITH DISABLED PERSONS

Indicator	2018	2017	2016	Change 2017-2018
Number of full-time equivalent positions in companies working with disabled persons (2018 estimate)	444	523[(1)]	547	(15%)
Purchases from companies working with disabled persons (2018 estimate) (in thousands of incl. tax)	13,164	15,314[(1)]	15,770	(14%)

(1) *Data rectified with final figures.*

2.4.2 Active sponsorship in the French regions

SPONSORSHIP ACTIVITIES BY THE BANQUE POPULAIRE BANKS

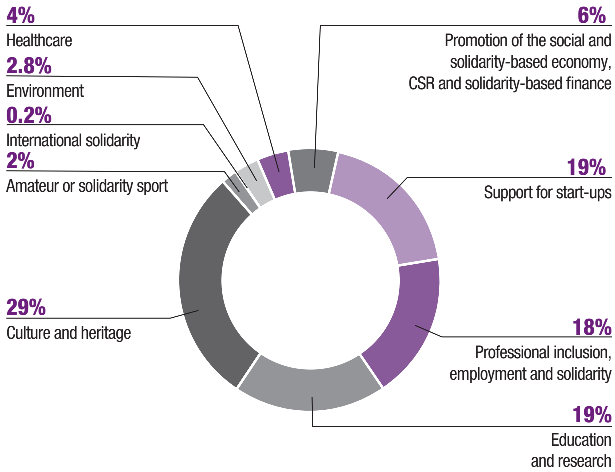
Local patronage and partnerships

The Banque Populaire banks are involved in initiatives in support of civil society in various areas. They are highly involved in supporting business creation (through microloans in particular), integration and solidarity, and actively support education and research. In order to take effective action in the local public interest and to structure their patronage, eight Banque Populaire banks have their own foundation and/or endowment fund.

Action taken by Crédit Coopératif and its foundation is mainly focused on supporting and promoting the social and solidarity-based economy, while the CASDEN Banque Populaire banks naturally focus on education and research.

In 2018, patronage activities by the Banque Populaire network represented nearly €11.5 million.

DONATION AMOUNTS BY CATEGORY



(1) *Waste Electrical and Electronic Equipment*

National partnerships

In line with the Banque Populaire network's local initiatives, the FNBP maintains a patronage and partnership policy whose priorities for action are microfinance, education, and professional inclusion. The FNBP has created a donation fund to finance projects eligible for patronage as part of the patronage and partnerships policy it carries out for the Banque Populaire banks. The main partners involved in 2018 were ADIE, which finances and supports micro-entrepreneurs, and *Entreprendre pour Apprendre* (Learn Through Business), which aims to develop the entrepreneurial spirit among 8-25 year olds. In 2015, the FNBP stepped up its support for research with the creation of a "Management and Governance of Financial Cooperatives" research chair in partnership with the FNCE, BPCE and the IAE Paris graduate business school, and since 2017 by financing research projects on the cooperative banking model in partnership with the Burgundy School of Business. It is also a partner of the annual thesis contest organized by Institut Universitaire Varenne (an association that promotes the sharing of knowledge) in the "Private law on economic activities and financial cooperatives" category. The FNBP federation is a member of the European Microfinance Network (EMN) and Finances & Pédagogie.

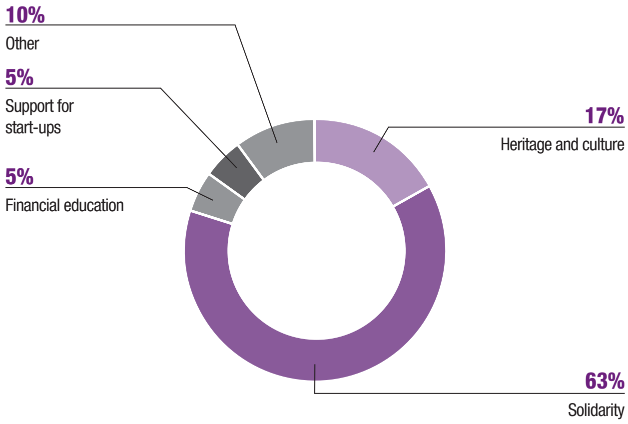
Banque Populaire Corporate Foundation

The Banque Populaire Corporate Foundation is the patronage vehicle of the 14 Banque Populaire banks. As part of the Fédération Nationale des Banques Populaires (FNBP), its purpose is to help bold, talented and creative musicians, persons with disabilities and artists. Expert panels select candidates in the three categories and refer the winners to the Foundation's Board of Directors, which decides on how to allocate the financial support. The Board of Directors is composed of Chairmen, Chief Executive Officers and directors of Banque Populaire banks, an employee representative and panel Chairmen. The Foundation demonstrates its long-term commitment by supporting its winning candidates for between one and three years. For 26 years, these actions have illustrated the values that embody the history and strength of the Banque Populaire banks: solidarity, the entrepreneurial spirit and encouraging innovation. In 2018, the Banque Populaire Corporate Foundation supported 35 winning candidates in music (young instrumentalists and composers), 35 winners from the persons with disabilities category and 26 winners from the artists category.

SPONSORSHIP ACTIVITIES BY THE CAISSES D'EPARGNE

A commitment to philanthropic activity lies at the heart of the history, identity and values of the Caisses d'Epargne. As a result of this historic commitment, the Caisses d'Epargne are among the leading patrons in France. In 2018, patronage activities totaled €31.3 million and 1,131 predominantly solidarity-based local projects were financed.

DONATION AMOUNTS BY CATEGORY



Local patronage and partnerships

In line with its identity as a cooperative bank with strong local ties, each of the Caisses d'Epargne draws up its own philanthropic strategy according to local needs. To implement this strategy, the Caisses d'Epargne can either operate directly or *via* dedicated regional structures.

The Caisses d'Epargne share a commitment to following a structured and local approach, focusing on initiatives that have a significant social impact. They are supported by a network of 15 philanthropy managers, who build a common approach through the sharing of tools and best practices. This is illustrated by the partnership with Le Rameau, an advisory and research laboratory, with which the Caisses d'Epargne and their Federation carried out an in-depth analysis of alliances between companies and associations with the goal of developing innovative solutions to local requirements.

National foundations

In addition to initiatives decided upon regionally, the Caisses d'Epargne also support the Caisse d'Epargne network endowment fund, and the Fondation Belem.

The Caisse d'Epargne network endowment fund promotes and supports public interest initiatives aimed at fighting exclusion and financial hardship as well as initiatives and programs providing humanitarian assistance. Its purpose has been extended beyond the Caisses d'Epargne to include support for local solidarity projects, such as the Cap'Jeunes program organized by France Active. This project provides funding and support to help disadvantaged young people create a business. Since the launch of this partnership in 2016, nearly €278,500 have been awarded to the Cap'Jeunes program, benefiting 103 young entrepreneurs.

The Caisse d'Epargne network endowment fund also supports Finances & Pédagogie (www.finances-pedagogie.fr). Thanks to the support received from the Caisses d'Epargne over the past 60 years, Finances & Pédagogie is able to organize educational programs on money matters across the country.

Fondation Belem was set up by the Caisses d'Epargne in March 1980 following the purchase of the Belem three-master, to enable the ship to continue sailing (www.fondationbelem.com). Recognized as being in the general public interest, its purpose is to promote France's maritime history and to keep the last-remaining major 19th-century French sailing ship among the nation's cultural assets. The ship has been listed as a historic monument since 1984. In 2018, Belem spent seven months sailing in the Atlantic, the English Channel, the North Sea, and the Mediterranean, hosting 1,000 experienced sailors and novices over 116 days at sea, and 44,000 visitors during 36 days open to the public. In 2018 the ship took part in three major events: Ostend at Anchor, the Tall Ships Regatta from Liverpool to Dublin, and Bordeaux Fête le Fleuve, in June.

The Caisses d'Epargne also support athletics (basketball, handball and skiing: espritbasket.fr, esprithandball.fr and espritglisse.fr) through patronage and sponsorship activities.

SPONSORSHIP ACTIVITIES BY NATIXIS

Cancer research

Natixis has been a supporter of Fondation Gustave Roussy's cancer research since 2011. After its support of three teams researching the personalization of cancer treatment, Natixis renewed its commitment in 2016 by awarding a research grant to teams working in three cutting-edge fields of cancer research: immunotherapy, precision medicine and DNA repair.

Gustave Roussy, the leading cancer treatment center in Europe, has always strongly associated care with fundamental and clinical research, earning it world-renowned expertise in therapeutic innovation in cancer research.

In 2018, Natixis organized several events to raise awareness and funds in support of Gustave Roussy. It supported international breast cancer awareness month, Pink October, by taking part in the Odyssea race, and took part in initiatives to raise awareness of men's health issues in November, with internal events for employees.

2.4.3 Respecting business ethics in all Group business lines

PROMOTING A COMPLIANCE CULTURE: THE GROUP'S CODE OF CONDUCT AND ETHICS

Groupe BPCE published a code of conduct and ethics in 2018, in accordance with its strategic plan. This code was approved by the Executive Management Committee and the Supervisory Board's Cooperative and CSR Committee.

The code of conduct is:

- rooted in international values and standards;
- practical, with clear illustrative examples;
- divided into three parts: a message from Executive Management and principles of conduct, a business line approachfor the definition of case studies (customer perspective, employer responsibility, societal responsibility), and validation and implementation across all Group institutions.

In view of its specific activities, Natixis also published a code of conduct in early 2018 – a master document setting out the main guidelines to be followed by employees in their relations with Natixis' stakeholders: its clients, teams and shareholders, as well as society at large.

https://www.natixis.com/natixis/jcms/rpaz5_65439/fr/code-de-conduite

Guiding principles

The code of conduct and ethics was produced thanks to teamwork across the Group. It sets out the principles that guide employees in their work for the company, the economy and society and the rules of conduct that apply in their daily work.

OUR GUIDING PRINCIPLES

Customer and cooperative shareholder interests

- Fostering openness and a relationship of trust
- Ensuring fair treatment of customers
- Protecting the interests of customers and cooperative shareholders
- Communicating transparently

Employer and employee responsibility

- Promoting exemplary behavior, high standards and understanding
- Encouraging respect for employees and their career development
- Acting ethically in all situations
- Ensuring Groupe BPCE's long-term future

Social responsibility

- Contributing to a responsible market economy
- Being an inclusive banking group that is open to all
- Acting effectively to protect the environment and facilitate the energy transition to a low carbon economy
- Instilling respect for human rights in all our activities

These rules of conduct are illustrated with real-life situations that any stakeholder may encounter, including employees, managers, directors and other parties. When contradictory influences are at play, it is important that employees have clear rules to help them make the right decision.

The code of conduct and internal policies and procedures provide clear instructions on how to behave, but they cannot provide a solution for all situations. Members of staff must exercise their judgment to make the right decision, drawing on the principles set out in the code of conduct.

Employees who are not sure that what they are about to do complies with the Code of Conduct should ask the following questions:

WHISTLEBLOWING

Groupe BPCE employees can use the internal whistle-blowing procedures in place in all Group entities to report breaches of the rules before they become serious risks.

The Group protects whistleblowers. Under no circumstances may they be subject to any disciplinary action or legal proceeding, provided they have acted impartially and in good faith.

Rollout of the code of conduct

Once published, all employees will receive training on the code, an ethical governance system will be established, ethics will be incorporated in HR processes, and the code will be aligned with internal procedures.

RESPONSIBLE COMPLIANCE APPROACH

In accordance with internal control measures and the Group's risk, compliance and permanent control charter, Groupe BPCE's Risk, Compliance and Permanent Control division has set up several controls under its financial security and ethics and compliance frameworks.

Prevention of money laundering and fraud

In accordance with regulations on the organization of internal control at credit institutions and investment companies, the banks have methods for detecting unusual transactions that are specific to their risk classification. These can be used, if needed, to conduct closer analysis and to submit the required reports to Tracfin (French financial intelligence agency) as promptly as possible. The Group's risk classification system takes into account "high-risk" countries (listed by the FATF, the OECD Global Forum on Transparency and Exchange of Information for tax purposes, Transparency International, the Directorate General of the French Treasury responsible for areas controlled by terrorist organizations, etc.).

With respect to compliance with restrictive measures related to international sanctions, Group institutions are kept informed by BPCE's Group Financial Security division and equipped with screening tools that generate alerts on customers (asset freezes on certain individuals or entities) and international flows (asset freezes and countries subject to European and/or US embargoes).

TRAINING

Indicator	2018	2017	2016
Percentage of employees trained in their entity's anti-money laundering policies and procedures[(1)] (based on entity reports)	79%	90%	88%[(2)]

(1) Number of employees (on permanent, fixed-term, or work-study contracts) who have received anti-money laundering training in the last two years.
(2) Percentage calculated based on two years of training activity and for the average number of permanent full-time staff. Excluding BPCE SA group and CFF.

Prevention of corruption

Corruption, which is defined as an act in which a person offers or grants an undue reward to another person in exchange for an act falling within that person's remit, is a fraudulent and unethical behavior subject to severe criminal and administrative sanctions.

Groupe BPCE denounces corruption in all forms and in all circumstances. Accordingly, it is a signatory of the United Nations Global Compact, whose tenth principle states that "Businesses should work against corruption in all its forms, including extortion and bribery."

Anti-corruption measures

The Group strives to prevent corruption in order to guarantee the financial security of its activities, including in particular:

- by taking measures against money laundering and terrorist financing, measures against fraud, monitoring politically exposed persons, and complying with embargoes (see Chapter 3 of the registration document for more details);
- ensuring that employees observe professional rules of compliance and ethics by applying policies governing conflicts of interest, exchanges of gifts, benefits and invitations, confidentiality and professional secrecy. Disciplinary sanctions have been defined for any failure to respect professional rules governing the activities conducted by Group companies;
- exercising due diligence when making contributions to political campaigns or to government agents, donations, patronage and sponsorship, and lobbying;
- supervising relations with intermediaries and business introducers *via* groupwide standardized contracts describing the reciprocal services and obligations and contractually establishing compensation terms;
- mapping out exposure to corruption risks through Group activities;
- providing regulatory training on the rules of ethics in the industry and against corruption (e-learning course).

A whistleblowing system is available to employees and included in the internal rules. Employees have a procedure in place for implementing the whistleblowing system.

The Group has also defined standards and procedures governing KYC and due diligence procedures used for customer classification and supervision purposes. In the interest of organizing the internal control system, whistleblowing/detection tools and permanent control plans serve to bolster the security of this system.

BPCE also has accounting policies and procedures in place in line with professional standards. The purpose of the Group's internal control system for accounting information is to check the conditions in which such information is assessed, recorded, stored and made available, in particular by verifying the existence of the audit trail, within the meaning of the Ministerial Order of November 3, 2014 on internal control. This control system is part of the fraud, corruption and influence-peddling prevention and detection plan.

From a more general standpoint, these systems are formalized and detailed in the umbrella charter governing the organization of Group internal control and the Risk, Compliance and Permanent Control Charter. Parent company affiliates and all BPCE subsidiaries have adopted these charters.

BPCE Procurement and Natixis are working to establish common rules for assessing the Group's suppliers in terms of anti-corruption rules.

Pursuant to the requirements of Article 17 of the French act of December 9, 2016 on Transparency, prevention of corruption and economic modernization (Sapin 2 Act), Natixis has also reviewed its anti-corruption policy, which is available on its website.

https://www.natixis.com/natixis/upload/docs/application/pdf/2018-06/politique_anti-corruption_natixis.pdf

Parent company and client company due diligence obligations

As a French company with over 5,000 employees, Groupe BPCE is subject to the act of March 27, 2017 on the duty of due diligence of parent companies and client companies. This act requires the Group to prepare a due diligence action plan containing measures capable of identifying and preventing risks of violating human rights and fundamental freedoms, the environment, and occupational health and safety, associated with the activities conducted by BPCE as well as its subsidiaries, sub-contractors and suppliers.

The plan notably includes a risk mapping, risk assessment and mitigation measures and a whistleblowing system.

The Group sees this new regulatory obligation as an opportunity to reiterate and continuously improve its existing due diligence plan. It strengthens the environmental and social risk management framework implemented by the Group on a voluntary basis.

Oversight and governance of the due diligence action plan

In view of the issues covered by the due diligence action plan (human rights, health and safety and the environment), its scope (the company's own activities and the practices of its suppliers and sub-contractors) and the processes required, a number of divisions were involved in drafting the due diligence action plan.

Mindful of the importance of these obligations, BPCE created a working group comprising experts from several divisions such as Sustainable Development, Risks, Compliance and Permanent Control, Human Resources, Procurement, and Legal, alongside representatives of Natixis, a BPCE subsidiary also subject to the law on the corporate duty of due diligence.

Tasked with identifying the main risks liable to arise in the course of conducting its activities, the working group selected the following two risk approaches:

- an approach tailored to the activities and operations of BPCE and its subsidiaries;
- an approach specific to the procurement function, developed during the update of procurement processes as a whole.

Accordingly, in light of these identified risks, and with an obligation to provide resources, reasonable due diligence measures intended to prevent the risk of a serious violation of human rights and fundamental freedoms, or of health, safety or the environment, were identified and/or enhanced.

The overall implementation of the due diligence policy will be coordinated by the divisions involved in the working group and placed under the responsibility of the relevant operating divisions. The due diligence plan will be adapted over time as new issues and risks are identified.

Due Diligence policy: review of risks and analysis of systems in place to manage these risks

To prepare its due diligence plan, the Group reviewed its existing policies and their suitability in terms of the existing assessment tools and risk management approach, across the scope covered by the law.

The following scope was considered in terms of the risks incurred by the Group's activities:

- its members of staff;
- its business activities.

With regard to the Declaration of Human Rights of 1789, the Environment Charter or, more broadly, international law, a risk review was performed in terms of the following issues:

- issues involving human rights and fundamental freedoms, in particular discrimination, inequality, the right to privacy and family life, right to protest, freedom of association, and freedom of opinion;
- issues involving personal health and safety: health-related risk, failure to observe legal working conditions, forced labor, child labor, violation of worker safety and unequal access to healthcare;
- issues relating to the environment: risk of pollution (water, sea, soil), adverse impacts on the fight against global warming or biodiversity, waste management.

As a signatory of the Global Compact (advanced level obtained for the second time in 2018), Groupe BPCE has undertaken to uphold the ten associated principles covering human rights, international labor standards, environmental protection and anti-corruption.

For the management of its employees, Groupe BPCE is aware that its first scope of responsibility lies in-house and to this end, it has a responsible staff management policy.

For the risks incurred by its members of staff – most of whom work in France – the most relevant areas requiring attention in terms of the activities performed by BPCE and its subsidiaries were deemed to be:

- preventing discrimination and promoting equal opportunities for men and women (see Chapter 2.5.1, "Promoting gender equality and diversity" section, and Chapter 2.2.3, "Public commitments made under exacting standards" section);
- promoting equal opportunities for visible minorities (see Chapter 2.5.1, "Equal opportunities" section);
- preventing discrimination against persons with disabilities (see Chapter 2.5.1, "Promoting gender equality and diversity" section, and Chapter 2.2.3, "Public commitments made under exacting standards" section);
- facilitating social dialog and the freedom of association (see Chapter 2.5.1, "Organization of labor dialog at the Groupe BPCE level", and "Freedom of association and the right to collective bargaining" sections);
- health and safety in the workplace (see Chapter 2.5.1, "Occupational health and safety", and "Occupational health and safety conditions" sections);
- non-compliance with legal working conditions (see Chapter 2.5.1, "Workplace accidents" section);
- equal access to law and healthcare (see Chapter 2.5.1, "Occupational health and safety" section and Chapter 2.2.3, "Public commitments made under exacting standards" section).

These topics are covered by the risk analysis performed for the non-financial performance report:

- employability and transformation of jobs;
- diversity among employees;
- working conditions.

These issues are already strictly monitored under existing legislation in France, in particular the Labor Code. Specific commitments or voluntary measures have been implemented for some of these topics, as described in the chapters referred to.

As a responsible company, BPCE ensures it applies ethical business practices by fostering a compliance culture among all members of staff through the Groupe BPCE code of conduct and Ethics. This is rounded out by a responsible compliance approach implemented by Financial Security and Compliance: anti-money laundering, anti-fraud and anti-corruption measures (see Chapter 2.4.3, "Prevention of money laundering and fraud" section). This risk is reported in the non-financial performance report in the chapter entitled "Respecting business ethics in all Group business lines".

Regarding the risks relating to discrimination against its customers arising with the distribution of financial products and services, the following topics were identified:

- preventing discrimination and promoting equal opportunities for men and women (see Chapter 2.3.2, "Promoting the development of personal and professional microloans, in partnership with support networks" section);
- promoting equal opportunities for visible minorities (see Chapter 2.3.1, "Helping households and SMEs transform their way of life" section, Chapter 2.3.2, "Financing for the energy, ecological and social transition: offers tailored to our customers' needs" section, and Chapter 2.2.3, "Public commitments made under exacting standards" section).

These topics are covered by the risk analysis performed for the non-financial performance report:

- financial inclusion;
- financing the real economy and society's needs;
- more generally, *via* the risks relating to sustainable customer relations and customer protection and the transparency of the product offer.

Customers' right to privacy, data protection and cybersecurity are also points identified in respect of the due diligence action plan. This matter is covered in the non-financial performance report under "data security". Measures have been taken to mitigate this risk in the Group information systems security policy (PSSI-G), which sets out the Group's security requirements (see Chapter 2.4.3, "Data protection and cybersecurity" section). More generally, as part of its business as a banker, ESG criteria are gradually being incorporated into the Group's risk policies. A paragraph on climate risk and strengthening CSR principles was added to the Group's credit risk policy in 2018. A new paragraph on the ESG risk assessment has also been added to round out sector policies (agri-food, automotive, construction and public works, communications and media, transport, etc.). The non-financial performance report covers this risk under "ESG risks" (see Chapter 2.3.3, "Integration of ESG criteria in retail banking sector lending policies" section).

In its financing activities, for several years now, Groupe BPCE and Natixis have addressed the human rights and environmental risks incurred by some of its financing activities, most notably by applying the Equator Principles for project financing and policies applied to sensitive sectors (see Chapter 2.3.3, "Measurement and monitoring of E&S risks and management systems by Corporate & Investment Banking" section).

In 2018, a new paragraph on the assessment of ESG risks was added to the Group credit risk policy (see Chapter 2.3.3, "Integration of ESG criteria in retail banking sector lending policies" section).

To round out this due diligence, in 2018, Natixis began working on a way to measure its clients' ESG risks at the onboarding stage. This project seeks to build an environment and social risk analysis solution for sectors of activity identified as being particularly at risk. The tool is based on questionnaires specific to each sector and gradually rolled out to existing and new customers.

Risk mapping specific to the procurement function

In accordance with the French Due Diligence Act, and in a bid to adopt a concerted approach in the bancassurance business, BPCE Procurement (for Groupe BPCE) and three other banking groups decided to map out their CSR risks by procurement category. The CSR risk map and the corresponding due diligence plan were presented to the procurement and CSR functions in the last quarter of 2018. The map identifies risks of serious violations of human rights and fundamental freedoms, personal health and safety, and the environment, and prioritizes the necessary actions in each category. It also incorporates the risk associated with the country in which the majority of the added value on each product or service is generated.

For high-risk and very high-risk procurement categories exceeding a given threshold, the suppliers involved in RFPs organized by BPCE Procurement are assessed for their CSR performance. They are required to complete a questionnaire specific to their category and to provide details of the actions taken to mitigate risks and prevent major violations of human rights and fundamental freedoms, personal health and safety and the environment. BPCE Procurement assesses these actions and determines a CSR rating, which is included in the supplier's overall rating. Depending on the results, an improvement plan can be established with the winning supplier, subject to review at the six-month point.

Procurement managers at Groupe BPCE entities may apply this due diligence system on a voluntary basis, teaming up with the CSR manager to prepare a joint procurement-CSR action plan. BPCE Procurement has provided training to familiarize the procurement and CSR functions with the new tools (risk mapping, CSR assessment, implementation of appropriate risk prevention or mitigation plans).

Furthermore, an indicator will be defined to monitor the percentage of Requests for Proposals (RFPs) including a CSR assessment of bidding suppliers. The indicator will be calculated using the number of RFPs that include a CSR rating in the overall supplier rating out of the total number of RFPs targeted in the due diligence action plan. Another indicator will be used to keep track of the percentage of RFPs significantly incorporating CSR criteria in the assessment of a supplier's overall performance.

Whistleblowing

Groupe BPCE has a whistleblowing framework in place setting out the applicable procedure at all Group entities, as provided for in the act of December 9, 2016 (*i.e.* the Sapin 2 Act) and the Ministerial Order of November 3, 2014 on internal control of banking sector companies. The current whistleblowing procedure applies to all internal employees, as well as to external and interim staff, who may use the procedure should they become aware of any crime, offence, major legal offence, threat or major breach of general interest or any conduct or situation that breaches the code of conduct. Groupe BPCE entities protect whistleblowers. Under no circumstances may they be subject to any disciplinary action or legal proceeding, provided they have acted impartially and in good faith.

The current whistleblowing procedure will be supplemented by the effective implementation of the obligations arising from the French Due Diligence Act in the first half of 2019.

Combating tax evasion

Groupe BPCE conducts most of its activities in France, in accordance with a regional cooperative business model. Through its subsidiary Natixis, the Group serves multinational enterprises and has thus established commercial operations all around the world. Its presence in different jurisdictions is justified for such commercial reasons and not for the purpose of enjoying any specific tax advantages.

Groupe BPCE transfer pricing policy

Groupe BPCE's transfer pricing policy observes OECD recommendations and does not give rise to indirect profit shifting.

The general underlying goal is for profits to be taxed where the value is created, in line with OECD transfer pricing guidelines and with local tax rules.

Groupe BPCE applies the arm's length principle to ensure that the parties to intragroup transactions are paid the amount they would normally receive on the open market, that transfer pricing methods are applied consistently and that transactions are performed responsibly and transparently.

Groupe BPCE prepares transfer pricing documentation for its intragroup transactions to comply with local transfer pricing documentation requirements in the countries where its entities are located.

Transfer pricing tax compliance

French legislation requires the completion of several specific tax returns and disclosures on transfer pricing.

In December 2018, Groupe BPCE adhered to the new Country-by-Country (CbC) report, including data taken at December 31, 2017. This new report was created in accordance with Action 13 of the OECD's Base Erosion and Profit Shifting (BEPS) action plan – a coordinated international approach to combat tax evasion by multinational enterprises. The French General Tax Code requires the arm's length principle be applied to intragroup transactions.

Groupe BPCE entities are subject to regular tax audits during which the authorities review the compliance of its transfer pricing policy.

Financial institutions are also subject to specific annual reporting requirements (under the European CRD IV Directive), calling for an itemized disclosure of corporate tax paid in all countries of operation. This report is included in Groupe BPCE's annual registration document.

No commercial presence in non-cooperative states or territories

Groupe BPCE does not conduct any business in non-cooperative countries and territories and has no registered offices in these countries.

The French tax authorities publish a list of non-cooperative states or territories pursuant to Article 238 0 A of the General Tax Code. The latest list includes the following countries: Botswana, Brunei, Guatemala, Marshall Islands, Nauru, Nioué, Panama.

RESPONSIBLE MARKETING AND CUSTOMER PROTECTION

Governance and supervision of products and CSR analysis of new products and services

When Groupe BPCE was founded in September 2010, it established an approval procedure for new banking and financial products and services aimed at customers of both networks. This procedure primarily aims to ensure that the risks associated with sales of products and services to customers are adequately managed. It does so by ensuring that all relevant regulatory requirements, in particular those intended to protect customer interests and personal data, are factored in to the design, promotional documents and terms of sale of each product while still meeting customer requirements. The importance of protecting customer interests and data has grown with the development of digital services and applications in the banking and financial sector (in particular pursuant to the General Data Protection Regulation, which took effect on May 25, 2018).

The procedure draws on BPCE's various areas of expertise (including in particular legal, finance, risk, information systems, compliance, taxation, security). Contributions from experts in these areas are presented to the Review and Validation Committee for New Groupe BPCE Products (CEVANOP), and all aspects of each new product or service (or updates, as applicable) must be approved before it can be brought to market.

This procedure is implemented by the central institution for both networks. In addition, each network defines its own new product/service procedure, aimed at ensuring that the Group product and service range is properly integrated in the operating methods of the network institutions, and that products sold to customers meet their requirements while keeping risks under control. This requires appropriate training for advisors and CRMs alike. A similar procedure also applies to the sales process (particularly the remote selling process) and to the materials used to promote products and services to the Group's customers on a regular basis.

The Compliance function coordinates the approval of national sales challenges, ensures that conflicts of interest are managed properly and guarantees that customer interests always come first.

Compliance is careful to ensure that sales procedures, processes and policies guarantee that compliance and ethics rules are observed at all times for all customer segments, and in particular that customers are given suitable advice with respect to their situation and their needs.

The Group has not implemented a systematic CSR labeling scheme covering all of its banking products. Products with major CSR implications, environmental products and social and solidarity-based products belong to a separate range to make them easily identifiable for customers, including Mirova's range of investment funds and SME finance funds, particularly for innovative SMEs (FIPs – local investment funds, FCPIs – innovation investment funds, see Chapter 6.2.1 "Responsible investment").

Transparency of the product offer

The Group places great importance on keeping customers properly informed through branch displays and contractual, pre-contractual and commercial documents. Group institutions have been provided with a compliance guide listing all their associated obligations. In addition, the product governance procedure ensures that all commercial documents are validated beforehand by the Compliance and/or Legal division. To ensure that all employees fully understand the importance of preventing these risks, they are specially trained in banking law (customer protection: banker's duty to advise, protection against over-indebtedness, etc.), the right to hold an account, and vulnerable customers.

Customer protection

The Group's reputation and the trust of its customers are strengthened when the products and services it sells comply with regulations and the information it supplies is reliable. To maintain this trust, the Compliance division makes customer protection a top priority.

To that end, Group employees regularly receive training on customer protection issues to maintain the required level of customer service quality. These training sessions are aimed first and foremost at promoting awareness of compliance and customer protection among new hires and/or sales team employees. Additionally, ethics and compliance training, entitled "Fundamentals of professional ethics", has been set up for all Group employees.

The new Markets in Financial Instruments Directive (MiFID II) and PRIIPS (Packaged Retail Investment and Insurance-based Products) Regulation, both of which are subject to careful consideration by Groupe BPCE, are specifically designed to strengthen market transparency, contracts between manufacturers and distributors, and investor protection. They have an impact on the Group in its role as a distributor of financial instruments by enhancing the quality of the customer experience in terms of financial savings and insurance products (Insurance Distribution Directive, or IDD):

- adjustments to customer and KYC data collection (customer profile, characteristics of customer plans in terms of objectives, risks and investment horizons), but also an updated questionnaire on customers' financial investment knowledge and experience to ensure that suitable advisory services are provided;
- daptation of offers associated with the financial services and products sold;
- formalization of customer advice (suitability report) and the customer's acceptance of said advice (issuance of customer alerts where necessary);
- arrangement of relationships between manufacturers and distributors in order to meet the new applicable regulatory requirements;
- inclusion of provisions related to the transparency of fees and charges according to required granularity;
- production of value-added reports for customers and recording of conversations for customer relations and advisory purposes;
- disclosure of transaction reports to regulators and the market, best-execution and best-selection requirements;
- participation in the development of employee training and the change management program related to these new provisions.

Compliance of investment services and insurance

Within the scope of investment services, BPCE has adapted its sales procedures governing financial savings products to incorporate the impacts of the Markets in Financial Instruments Directive and Regulation (MiFID II), the Insurance Distribution Directive (IDD) and the Packaged Retail Investment and Insurance-based Products Regulation (PRIIPs). Some sales processes are transitional, with ongoing IT developments and a remediation plan aimed at securing these processes.

Accordingly, specific governance and supervision of products covered by MiFID II has resulted in the establishment of:

- a committee in charge of validating model securities portfolios, meeting semi-annually since the third quarter of 2018 to monitor the performance of risk asset allocations, perform a macroeconomic review, and prepare an allocation analysis and outlook;
- a product Governance and Supervision Committee, working alongside manufacturers, from the first quarter of 2019: exchanging information between manufacturers and distributors, and overseeing distribution strategy, product changes and investor protection.

With the transposition of the Market Abuse Directive and Regulation, the Group began using a market abuse alert analysis and reporting tool covering the Banque Populaire banks, the Caisses d'Epargne and their subsidiaries. A virtual assistant is being rolled out to help staff members analyze alerts reported by the Group's information systems.

The Group's market abuse memorandum has been updated and compliance staff are given special training to enhance their due diligence in the analysis of market abuse alerts.

Lastly, the SRAB KPI measurement methods (regarding the separation of banking activities) recommended by the AMF and ACPR were implemented throughout the Group.

Customer satisfaction and quality policy

The Satisfaction 2020 program was launched in 2018, aiming to make each Group institution the preferred bank of customers in its local area

In 2017, the Group rolled out customer survey solutions to help the brands – from the branch to the head office – effectively boost customer satisfaction on all markets.

For example, customers are spontaneously contacted once a year to give their opinion on their overall experience with their bank and also each time they have a meeting with their customer advisor.

In 2018, a total of 24 million customers were surveyed, providing a snapshot of customer satisfaction in real time and the opportunity to make improvements to customers' mobile experience or their experience in their branch or with their advisor. All members of staff can now access a mobile phone app that shows customer satisfaction levels in real time.

Another big step forward was taken in the Satisfaction 2020 plan in 2018 with the implementation of two major transformation programs allowing each Group entity to challenge the leading players in their local areas:

- the first program, targeting individual and professional customers, is focused on "keeping things simple, maintaining a close relationship with the customers and offering the benefit of the bank's expertise";
- the second program, targeting corporate customers, is focused on "being responsive and proactive".

These programs are intended to enhance performance in terms of everyday banking experience and at key times in the customer's life.

They clearly reflect customer satisfaction drivers and provide each entity with needed to implement them successfully.

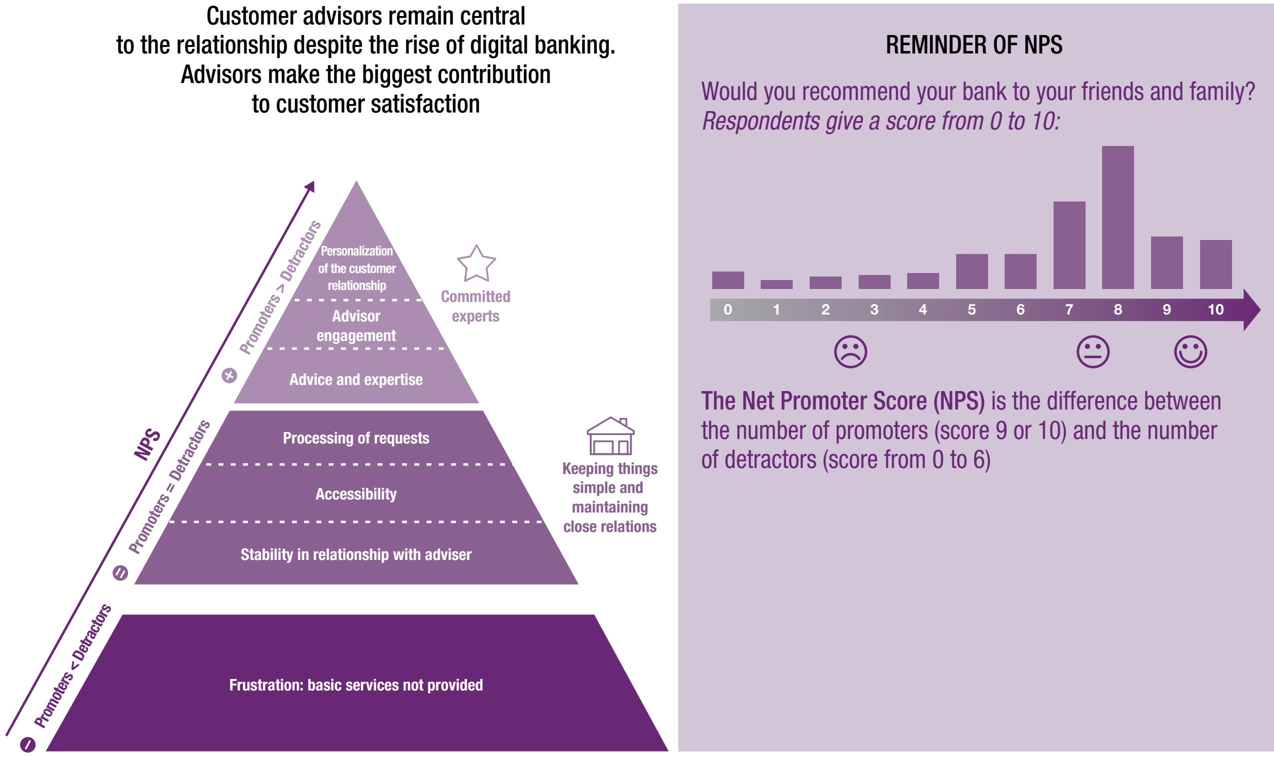
Tapping into its collective intelligence, rooted in cooperative and regional experience, the Group was able to identify and share best practices with all entities.

These programs were very well received and, from their first year of operation increased our NPS on the individual customers market (the first to benefit from them) by 8 points for the Banque Populaire banks and by 9 points for the Caisses d'Epargne.

In late 2018 and through 2019, the Group is entering a new phase in the program with the roll-out of the "relationship banking attitudes" component aimed at fostering customer recommendations. The aim is to deliver reliable, solid, responsive services on a daily basis.

	At 12/31/2018	A 12/31/2017	Change 2017-2018
Net Promoter Score - Banque Populaire banks	(10)	(19)	9 points
Net Promoter Score - Caisse d'Epargne	(17)	(25)	8 points

Components of the Net Promoter Score (NPS)[(1)]



Complaint management

Complaints are handled at three successive levels: the branch or business center in charge of the relationship, the Customer Relations department and finally the independent mediator, who can be brought in free of charge if the dispute persists. The mediator has multiple resources available and a special website where mediation requests may be submitted online.

Customers are informed of the complaint management procedure, and the information needed to contact the three management levels, on the Group's institutional websites, and in the price guides and general terms and conditions.

All Groupe BPCE entities have a department that handles customer complaints. The procedure for discussing or transferring complaints between the Customer Relations departments of Group institutions, and those of the subsidiaries, is organized to ensure that each complaint is addressed as quickly as possible.

The complaint management procedure is closely monitored in terms of the reasons for the complaint, the products and services involved, and handling times. A report is then periodically submitted to Groupe BPCE bank directors, Internal Control departments and all sales structures.

60% of complaints are addressed in less than 10 days. The average processing time in 2017 was 16 days[(2)].

Employees review complaints in an effort to detect any problems, failings or improper practices and thus define corrective actions for implementation with the relevant divisions.

This continuous improvement process is also aided by customer comments shared through satisfaction surveys and observed through an Internet watch.

Additionally, to meet regulatory requirements in terms of alternative resolution of consumer disputes, in 2017 the Banque Populaire network established a consumer mediation procedure backed by its national federation. The aim of this new service is to seek an out-of-court solution to disputes between banks in the Banque Populaire network and their non-professional customers.

(1) Sources: Customer Satisfaction division, based on SAE satisfaction surveys – TILT customer expectation surveys
(2) ACPR figure, recorded in June of the following year.

DATA PROTECTION AND CYBERSECURITY

Organization

The Group Security division (DS-G) establishes and adapts Group IT System Security policies. It continuously monitors information system security, and performs an associated technical and regulatory watch, at the consolidated level. It also initiates and coordinates Group projects aimed at reducing risks within its remit.

DS-G represents Groupe BPCE in its relations with banking industry bodies and public authorities.

As a contributor to the permanent control system, the Group Head of Security reports to the Compliance, Security and Operational Risks division. Within the central institution, the Group ISS division also works regularly with the Group's Inspection Générale division.

Groupe BPCE has established a groupwide Information System Security function, which comprises the Head of Group IT System Security (RSSI-G), who coordinates the function, and the Heads of IT System Security for all Group entities.

The Heads of IT System Security for parent company affiliates, direct subsidiaries and EIGs work under the functional authority of the RSSI-G. This authority is exercised through coordinated actions:

- the RSSI-G is notified of the appointment of any Heads of IT System Security;
- the Group's IT system security policy is adopted by the entities, each of which must provide the Group Head of IT System Security with a details on how the policy will be applied, prior to approval by Executive Management and presentation to the Board of Directors or the Management Board;
- a report on the institutions' compliance with the Group's IT system security policy, permanent controls, risk level, primary incidents and actions is submitted to the Group Head of IT System Security.

Activities in 2018

The Group's IT system security policy (PSSI-G) incorporates the Group's security requirements. It is comprised of an IT System Security framework associated with the Group's Risk, Compliance and Permanent Control Charter, 391 rules divided into 19 categories and three organizational instruction documents[1]. It is revised annually for continuous improvement purposes. The 2018 revision incorporated the results of an assessment of the compliance and criticality level of each rule in the PSSI-G, conducted over the course of the year with all institutions, as well as the change in the Group's organizational structure and governance.

Moreover, the Group ISS permanent control framework was overhauled and will be rolled out to all companies in 2019.

Oversight of ISS governance and risks was enhanced in 2018, mainly by incorporating new features in the Group's Archer platform (mapping of ISS risks):

- management of the PSSI-G for oversight and coordination purposes:
  - identification by each institution of the PSSI-G rules applicable to its scope of operation,
  - assessment by each institution of its compliance with applicable PSSI-G rules,
  - feedback by each institution on exemptions to the applicable rules, for which a compliance breach was observed;
- management of ISS action plans;
- classification of IS assets.

General Data Protection Regulation (GDPR) systems

Under the program aimed at bringing the Group into compliance with the requirements of the General Data Protection Regulation (GDPR), a GDPR project support system was established, including digital projects, conducted in accordance with an agile development cycle:

Organization

- appointment of a Data Protection Officer (DPO) at all entities;
- implementation of a personal data protection process;
- appointment of Business division data processing officers in the Group's entities to liaise with the DPO;
- training for all Group DPOs;
- preparation and application of a data protection awareness course for all Group employees.

Resources

- implementation of a groupwide GDPR program comprising 12 projects covering different issues: legal/regulatory aspects, compliance, IT, human resources, processes, sub-contracting;
- mapping of personal data processing;
- creation of a shared center of expertise to support personal data protection projects: risk analysis, identification of risk mitigation and protection measures, etc.;
- capitalization on existing ISS and anti-cybercrime resources:
  - the Group's IT system security policy (PSSI-G), incorporating the Group's security requirements,
  - defense-in-depth strategy, in particular with the definition and implementation of best practices for secure application development,
  - information leakage identification systems,
  - VIGIE (collective cybersecurity vigilance system),
  - the Group Computer Emergency Response Team (CERT).

Controls

- permanent controls conducted by all Group entities to ensure that PSSI-G rules are actually observed;

(1) Operating procedures of the Groupe BPCE IT System Security department, ISS permanent control, classification of sensitive IS assets.

- specification of a groupwide GDPR permanent control database, used to verify that the Group's personal data protection requirements are applied.

Anti-cybercrime mechanisms

As a result of its digital transformation, the Group's information systems are becoming increasingly open to the outside (cloud computing, big data, etc.) and many of its processes are gradually going digital. Employees and customers are also increasingly using the Internet and interconnected technologies such as tablets, smartphones and mobile applications.

Consequently, the Group's assets are constantly more exposed to cyber threats. The targets of these attacks are much broader than the information systems alone. They aim to exploit the potential vulnerabilities and weaknesses of customers, employees, business processes, information systems and security mechanisms at Group buildings and datacenters.

In 2016, the ECB carried out a cybersecurity audit of Groupe BPCE, covering governance of risks, cybersecurity and information technology, with a special focus on online banking security for the Banque Populaire banks and Caisses d'Epargne. Recommendations were made to Groupe BPCE in summer 2017.

A number of initiatives aimed at enhancing anti-cybercrime mechanisms were continued in 2018.

Enhanced user authorization checks

In conjunction with Natixis, the Group strengthened the user authorization review procedure (launched in 2015) for cross-business information systems (Natixis and BPCE). The number of information system applications included in the scope of the review was increased to 58 in 2018.

Enhanced detection of unusual IT flows and events (cyberattack detection):

- a 24/7 Group Security Operation Center (SOC) was created, including a Level 1 supervisor;
- Groupe BPCE's CERT (Computer Emergency Response Team) works with the InterCERT-FR community run by ANSSI;
- the Group is working to strengthen its presence in the European CERT community;
- in early 2019, the VIGIE community (Groupe BPCE's collective due diligence system) will be expanded to include the Banque Populaire banks and the Caisses d'Epargne, in order to improve communications and oversight on their private information systems.

Cybersecurity awareness

In addition to maintaining the groupwide ISS awareness program, 2018 saw the development of a new employee ISS training/awareness-raising plan to be implemented in 2019 and the Group's participation in "European Cyber Security Month".

Within BPCE's scope of operations, the massive user authorization review defined in 2010 was continued. As of 2018, 194 applications have now been included in the scope of review of user rights and authorization management procedures, 165[1] of which were reviewed in 2018. Not only are applications reviewed, but also user rights to IT resources (distribution lists, shared mailboxes, shared files, etc.).

Moreover, new employee awareness-raising campaigns were launched:

- GDPR awareness;
- phishing test and phishing awareness-raising campaign;
- participation in new employee acclimation meetings.

(1) Some identified applications are inactive (11), some have no users (6), some are duplicates (5), some are simply technical building blocks (3) and others are at the planning stage.

2.5 Responsible internal practices

Groupe BPCE is aware that its responsibility begins in-house, and it factors environmental and social criteria into its everyday operations with a three-pronged approach:

- responsible, committed employee management practices;
- mitigation of the Group's direct environmental impact;
- promotion of Corporate Social Responsibility among Group suppliers: this approach is explained in detail in Chapter 6.3.

2.5.1 Employees: helping to build and develop the Group

COMMITMENTS TO EMPLOYEES: THE HR CORNERSTONE OF THE TEC 2020 STRATEGIC PLAN

The new strategic plan, TEC 2020, reaffirms Groupe BPCE's commitments towards its employees in its HR actions and policies.

TEC 2020 sets new objectives to meet the Group's development ambitions and challenges, and defines the corresponding transformations for all business lines.

2018, Year 1 of the TEC 2020 plan, represented continuity in the principles that guide the Group's actions and commitments towards its employees. It also saw the launch of the first initiatives designed to meet our objectives for 2020.

The HR commitments set out in the TEC 2020 plan center on two key areas:

- a strong employer promise: to develop employability, enable employees to drive change, simplify the employee experience and promote diversity;
- attract and retain the best talent: develop the Group's employer image, review recruitment methods and facilitate mobility.

Whether in response to the HR objectives set out in TEC 2020 or in support of other actions, the HR policy defined at the Group level benefits from fundamentals shared by all of its companies, relying on proven HR practices and structures, namely:

- innovative solutions for those working to improve HR performance;
- an HR function that co-builds solutions with the business lines;
- social solidarity organized among all Group companies;
- forward-looking management of senior staff with the Group's future development in mind;
- an efficient HR management control system aimed at overseeing and monitoring HR policies (particularly governing employment), using shared tools;
- internal communication to support this strategy in all HR areas.

All Groupe BPCE companies are committed to a responsible human resources development policy, which:

- respects people in all of their diversity;
- is firmly committed to valuing employee skills and promoting career development;
- ensures that new employees are successfully acclimated and all employees are given opportunities to develop their skills.

A strong employer promise

Developing employability

Given the rapid, far-reaching changes sweeping all our business activities, it is important to mobilize resources and systems to foster upskilling among members of staff, supporting them as they go through career changes and thereby increasing their employability.

Creating the bank of the future with today's employees, fostering the transformation of our businesses and building an environment that encourages career development… these ambitions can only be met with a high quality training policy.

Employee training:

Professional training initiatives in 2018 were directly tied to the 2018-2020 strategic plan. They are the first step in measures designed to accelerate the bank's transformation. These initiatives are primarily aimed at employees whose jobs are directly impacted by the transformation plan, while maximizing the employability of all members of staff.

Accordingly, the training courses provided in 2018 targeted advisory, specialized advisory and management staff because of their close professional ties to our distribution model, new customer segmentations and goal of improving the relationship banking model for even greater customer satisfaction.

In keeping with our employer promise to increase training hours by 25%, in order to maximize employability, Groupe BPCE's training policy focused on three main areas in 2018:

- upskilling to facilitate the bank's transformation;
- using appropriate teaching methods and formats;

- and supporting managerial changes.

Upskilling to facilitate the bank's transformation:

B'digit rolled out groupwide

An individual quiz was included directly in B'digit, the mobile learning solution intended to develop employees' digital skills. The personalized training course recommends fun training "assignments", each lasting around ten minutes, divided into two main categories:

- basic digital skills: a general introduction to the main changes in consumption and communication methods;
- online banking: learning about the Group's online banking features, understanding how they work, and knowing how to talk about them to different audiences (*e.g.* Banxo, Cyber). The goal is for all Groupe BPCE employees to have digital training so they can understand the major transformations affecting our environment and the new rules they imply.

B'digit allows employees to continuously develop their skills, keeping pace with innovations and new digital applications developed by BPCE.

Appropriation of omni-channel relationships

To bolster its omni-channel distribution policy, BPCE and eight Group companies created a training program entitled "Pass Omnicanal".

This program addresses how advisors need to change their approach in a "phygital" market impacted by technological transformation, new customer preferences and the emergence of new digital environments.

It follows the service-minded approach and helps advisors adapt to each customer segment and the corresponding levels of customer relations.

In November 2018, 21 companies took part in the Pass Omnicanal pilot scheme, which will be rolled out groupwide in early 2019.

Specialized advisors

The Group's relationship banking model will require 50% more specialized advisors by 2020. The career paths that currently allow access to positions as Professional CRMs, Private Banking CRMs, Corporate CRMs and Market CRMs have been updated with the double goal of enhancing expertise and facilitating the rollout of these positions in all local regions.

- after completing the Professional CRM training course provided by branch entities, employees can choose to complete a Pro CRM Bachelor's degree with the *Centre de Formation de la Profession Bancaire* (notably *via* their CPF personal training budget allowance);
- Paris Dauphine University now offers part of its Financial Advisors degree as an e-learning course, with equivalent opportunities in the regions;
- the new Corporate CRM training course provides cross-disciplinary skills in different specialized markets.

At the same time, to facilitate the professional development of specialized advisors, the Group's training offer added new content to enhance business and interpersonal skills, focusing on customer acquisition and retention, and to improve expertise in the agricultural, self-employed professionals and private banking sectors.

Service-minded approach

As social media become omnipresent and customers become increasingly connected, they expect a faster, higher-quality response from our advisors. More than ever, customers expect to see a human approach throughout their entire digital experience.

Over and above service quality, which is essential, customer satisfaction increasingly depends on the added value provided by the advisor.

The HR Lab has mapped out expected behaviors and put together an advisor pack, currently being tested at selected companies.

In addition, for Private Banking, an "Excellence in customer relations" training program has been rolled out.

Constantly adapting to new regulatory requirements

The Group's companies have made considerable investments to comply with new regulatory requirements. A training optimization project was launched in this area in early 2018. By better organizing and combining content common to multiple regulatory obligations, training time was reduced by nearly 20%.

- training in the new Markets in Financial Instruments Directive (MiFID II), adapted to the different customer markets, was rolled out in January 2018. This training program was rounded out by a skills assessment and adaptation system **(DEAC),** which identifies areas where employees need more training and focuses the content on the skills they need to enhance before they can sell financial instruments;
- the new sales interface, *L'Épargne Active* (LEA), allows advisors to recommend a tailored investment allocation to each customer, in accordance with MiFID II requirements. A large-scale training program was organized for the roll-out of this new system;
- as of January 1, 2017, pursuant to the French act on Housing Access and Renovated Urban Planning (ALUR), real estate service providers must complete at least 14 hours of training per year (or 42 hours over the past three years);
- the 7 hours of mandatory annual training required by the Mortgage Credit Directive (MCD) were completely overhauled in 2018 and a second course was added;
- The Risk, Compliance and Permanent Control functions produced a new serious game, **Risk Pursuit** to enhance risk management and control culture among all members of staff in a fast, fun format;
- the new General Data Protection Regulation **(GDPR)** strengthens some of the key principles of the existing Data Protection Act *(Loi informatique et des libertés)* and creates new rights in terms of personal data protection. An e-learning training module was provided for all members of staff, comprising a video and quiz on each topic;
- the "Fundamentals of professional ethics" training course added two new modules focused on bribery risk as defined in the Sapin 2 Act.

Using appropriate teaching methods and formats

Given the extent of the Group's training efforts and the various new learning methods out there, we need to constantly modernize our teaching methods and formats, and find new ways to motivate participants.

New formats were added to the training offer in 2018, focusing on:

- fun ways of learning (Risk Pursuit, GDPR, etc.);
- modular content tailored to employee requirements (B'digit, DEAC, etc.);
- certification programs, which formally recognize skills acquisition and improve employability (Financial Advisors degree, Pro CRM Bachelor's degree, etc.).

Supporting managerial changes

Rapidly increasing technological advances, new organizational structures, and the transformation of our companies mean it is necessary to rethink many of our activities, working methods, collaborative processes and managerial practices. Accordingly, management – the keystone of these transformations – has been given extra support by the Group's companies.

Mobilization of teams and change management

Given the nature of the transformations affecting our banking model, it is essential to review the management model in detail. In 2018, many Group companies initiated or continued significant training efforts to establish a more collaborative approach to management, fostering service-driven employee engagement, and promoting the behavior expected of employees in their relations with customers.

Managerial agility

Many Group companies organize co-development workshops and reverse mentoring initiatives to help managers adapt in today's constantly changing environment.

Promoting different attitudes and behavior: the service-minded approach

Customer service is central to our business. Customers are the focus of all our efforts, and meeting their needs is a long-term performance driver. Our priority is to satisfy our customers, and developing a service-minded approach is a means to that end.

In the TEC 2020 strategic plan, the Group makes two promises to its customers: to keep things simple and maintain a close relationship, and to offer the benefit of the bank's expertise. We help our employees develop a service-minded attitude and use appropriate gestures, words and actions.

Enabling employees to drive change

Another part of our strong employer promise is to enable employees to drive change.

This requires support from managers, who must listen and provide direction. It also involves developing collaborative working methods, made possible with the launch of the groupwide social network, Yammer, and through other initiatives taken by Group companies in this area.

Two major assessment and monitoring systems were set up to gauge the impact and perception of these initiatives:

Measuring satisfaction at key stages of an employee's career

- The TEC 2020 strategic plan places particular emphasis on the quality of the employee experience as well as the customer experience. Employee satisfaction is monitored at key stages in their careers (recruitment, mobility, promotion to management level, etc.).
- At each key stage, employees receive a short questionnaire. Their feedback is anonymized and used to develop concrete operational action plans. The insight it provides into employees' everyday lives at work helps with the continual improvement of HR processes.

Employer survey

To measure employee satisfaction, an internal opinion survey ("Diapason") was sent to 76,000 staff members from 35 Group companies in 2018. The survey covered the following topics: the digital revolution, new business lines, management, working conditions, human resources management, etc. As in the 2016 survey, employees had the opportunity to freely, individually, and directly express their opinions and expectations in terms of their careers and their support for the Group's strategy.

HR Lab

An HR Lab was set up following the decision set out in the TEC 2020 strategic plan. The goal is to use our collective intelligence to co-build HR solutions for the Group.

The idea is to draw on Agile methods to build cross-disciplinary solutions and move away from the function-based approach towards an internal client-based approach.

The HR Lab started with an HR Hackathon that brought together forty employees from different backgrounds assisted by coaches to upgrade the HR function's operating methods and develop a service-minded approach.

This pilot scheme led to the construction of a system to enhance service-minded attitudes in order to boost customer satisfaction and recommendations.

Enhancing and simplifying the employee experience

Under the TEC 2020 plan we will pursue our efforts to simplify and digitize our HR processes and develop collaborative working tools.

Digitization of HR processes

The Group's HR IT team continued to develop and roll out digitized HR services throughout the year.

Digital solutions were implemented to facilitate employees' everyday lives, for example some companies introduced electronic pay slips, which were widely appreciated (over 80% of employees opted for this new format), a new responsive training platform with new experiences was made available to employees, managers and trainers, and a digital individual employee pay & benefits review was produced and rolled out.

Job applicants also enjoyed an improved experience with a new environment available *via* the Group's recruitment platform and job websites.

Nearly 70% of employees and applicants had signed employment contracts or amendments electronically at the end of 2018.

Promoting gender equality and diversity

Groupe BPCE places great importance on gender equality, having reaffirmed its objectives and commitment to improve in this area in its new TEC 2020 strategic plan.

In line with previous gender equality initiatives, the Group intends to develop gender equality among company directors and executives.

Increasing the number of female company directors

This ambition involves stepping up efforts to identify and support women with the potential to hold senior management positions.

To that end, more will need to be done to identify, monitor and develop potential candidates – and particularly female candidates – based on the following principles:

- female employees identified during Individual Potential Reviews are interviewed by the Company Directors Management team;
- three individual meetings are proposed under the Group's Talent and AMP programs, and they give rise to individual career plans;
- for each senior management vacancy, the Company Directors Management team proposes one or more female candidates.

Increasing the number of female executives

Groupe BPCE has been committed to gender equality ever since it was founded in 2009. At end-2018, over 56% of all Group employees were women. The number of women executives has always been an important indicator for the Group. The percentage of women executives increased from 36.2% in 2010 to 42.9% at the end of 2018. This sharp rise (+6.7 basis points) is not enough, however, to achieve the goal set in the previous strategic plan (*i.e.* 45%).

The Group HR department is working with all Group companies to promote gender equality policies. It provides staff, middle management and senior management teams with tools to raise awareness.

The *Réussir sa carrière au féminin* (achieving success in your career as a woman) training program for women executives, set up in 2014, has the following goals:

- to pinpoint key success factors and any aspects that can hinder successful careers;
- to develop leadership skills by increasing women's visibility and impact;
- to clarify women's aspirations, develop a motivating career plan and provide the means to achieve it.

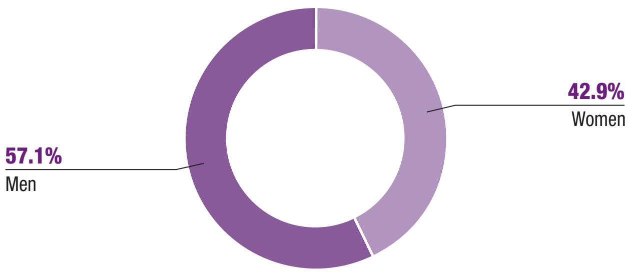
This program is currently being reviewed to adjust its goals and ensure that the process required to access the program is properly followed (HR interview, interview with direct supervisor, women with senior management potential).

At the same time, the Group HR department is helping companies complete the intermediate audit for their professional gender equality certification (18 months after first being certified). To date, seven companies have had their professional gender equality certification confirmed and twenty others will be audited in late 2018 or 2019.

The Group HR department also coordinates a network of forty gender equality officers, providing them with awareness-raising materials for distribution at Group companies (awareness of stereotypes, gender equality, etc.) and promoting best practices applied in different companies.

A new gender equality guide is being drafted and will be distributed in the first quarter of 2019.

PERCENTAGE OF WOMEN EXECUTIVES



The percentage of women executives is rising steadily. It increased from 42.1% in 2017 to 42.9% at year-end 2018.

DIVERSITY POLICY

True to its cooperative values, Groupe BPCE is a full-service bank that is open to all and accessible to customers on a local level.

Each of its companies must therefore ensure it acts fairly, reducing inequalities and developing an environment that respects the differences arising from each individual's social identity (age, gender, origin, ethnic group, etc.), without prejudice.

The Group has set targets and taken concrete steps to promote diversity ever since it was founded.

The Group Human Resources division has had a Head of Diversity since 2015.

Groupe BPCE has pursued its objectives in four priority areas: intergenerational diversity, gender equality, employment of persons with disabilities, and equal opportunities.

Under Article 61 of the French Equality and Citizenship Act, anti-discrimination training/awareness-raising was provided to hiring professionals in all companies with more than 50 employees. To date, over 200 hiring professionals have completed this training, which will be repeated every five years. Training courses are already scheduled for the first quarter of 2019. A specific module for "Hiring managers" will be offered to Group companies on request in 2019.

This training course addresses three issues: legal aspects, external image and skills.

INTERGENERATIONAL DIVERSITY

Under the 2018-2020 Strategic Workforce Planning agreement, the Group is committed to recruiting young people and retaining older staff.

To achieve this goal, it has undertaken initiatives in various areas:

- working conditions: reorganization of duties, reduced working hours or commute time, occupational health issues, etc., are considered and implemented as appropriate;
- career development: all employees over the age of 45 can request an interview with human resources to discuss the next stage in their career, a skills assessment, etc.;

- skills development: the number of employees over the age of 55 who received training is at least equal to their share of the total headcount when the agreement was signed (18.1%), while employees over 45 are given priority access to professional training schemes;
- end-of-career adjustments: in some cases, employees over 58 can request a career review, receive guidance on preparing for retirement or opt for part-time hours or end-of-career leave. Other provisions are in place to facilitate the transition between employment and retirement for employees over the age of 58 whose jobs are likely to undergo major changes or call for significant skills adjustments (payment for outstanding periods of employment required to be eligible for retirement, increase in retirement bonuses, etc.).

OBJECTIVES FOR GENDER EQUALITY IN THE WORKPLACE:

In addition to agreements and action plans, with women representing over 56% of its permanent staff, Groupe BPCE is now aiming for a more equitable gender balance among the various business lines and levels of management.

In 2016 and 2017, 33 Groupe BPCE companies undertook a diversity certification process and 32 had obtained this certification by the last quarter of 2017. In 2018, 7 companies were successful in the intermediate audit performed 18 months after the certification is awarded. These intermediate audits will continue throughout 2019.

To bolster the agreements and action plans at each Group company, two gender equality agreements were signed in June 2018 – one for the Banque Populaire banks and one for the Caisses d'Epargne. These agreements establish a framework for companies in both networks. They provide support for the networks in their internal negotiations and allow for concrete action to foster gender equality, in particular:

- provisions covering maternity leave, paternity leave and parenting, with an undertaking to maintain employee pay during paternity leave (11 days);
- a provision for professional training, with the goal of achieving a rate of 50% of women in the Group's management programs by the end of 2020;
- an undertaking to provide documentation to all managers and staff addressing gender stereotypes and respect for personal integrity (moral and sexual harassment).

To accelerate progress in terms of gender equality at all levels in the main business lines, undertakings have been made and action taken in the following areas: recruitment, training, promotions, pay, the work-life balance and awareness raising. Women's networks also help enhance professional equality.

In 2017, 24 Groupe BPCE companies took part for the third time in the Financi'Elles survey measuring the sentiment of male and female executives concerning diversity and professional equality. From January 23 to February 10, 2017, nearly 100,000 managers from six banking groups took part in the survey, conducted in conjunction with Institut CSA.

For Groupe BPCE, the response rate was 32% (6,041 out of 19,028 executives) at the final date of the survey, i.e. 8.4 points above the overall sector rate. The results were presented at a conference organized by Financi'Elles in June 2017.

Recruitment

Each company tries to review at least one application from each gender in the final recruitment phase. Recruitment processes are based entirely on skills (contracts with recruitment firms stipulate this requirement).

Creation of women's networks

Created in 2012, the Groupe BPCE women's network ("*Les Elles de BPCE*, or The Women of BPCE) currently has a membership of over 400 women and 29 local networks, subsequent to mergers of Group companies. In line with the HR policy promoting gender equality, these networks are valuable forums for discussion and mutual assistance.

The creation of the *Les Elles de BPCE* blog in 2016 brought the networks together in a shared platform, while promoting the network's actions and sharing internal and external expertise. More than 20,000 visits have been logged since the blog was created.

In 2017, the Group continued the mentoring sessions organized by *Les Elles de BPCE*, at which women can meet with a representative of the Group Executive Management Committee and speak with the Company Directors Management team. The training program and data collection on female employees holding directorships were also continued. In 2018, this training program was supplemented by a wage negotiation webinar. In view of the success of the first two sessions, the webinar will be offered again in 2019.

In October 2018, the network invited all its members to a one-day seminar held at the Centre Beaubourg's Forum des Images in Paris. The seminar was attended by the Group's company directors and provided an opportunity to review the key initiatives organized by the Les Elles de BPCE network, to discuss women in IT and digital careers and to talk about gender equality in society and women in cinema, in the presence of actress and film director Tonie Marshall.

A STRONG COMMITMENT TO PERSONS WITH DISABILITIES

In 2018, Groupe BPCE continued to support the employment of persons with disabilities in accordance with the agreements signed with the Banque Populaire and Caisse d'Epargne employee representative networks, which were renewed for the 2017-2019 period. It is the leading bank in terms of its overall rate of employment of persons with disabilities.

Groupe BPCE notably developed initiatives designed to encourage direct and indirect employment:

- sourcing initiatives to help companies with their recruitment (participation in the TalentHandicap and Handi2days job fairs). In October, the Group was also present on social media such as Talentéo and handicap.fr;
- involving all the business functions in the organization of three regional PHARE (responsible procurement and disabilities) symposiums aimed at identifying and selecting regional service providers capable of meeting company requirements. A fourth symposium was held in Ile-de-France on June 6, 2018. A directory of EAs (companies offering disability-friendly work environments) promoting the professional integration of disabled persons, and ESATs (establishments offering employment to disabled persons with special needs and unable to work in an ordinary setting)

specialized in these business functions was prepared for the event and distributed to the Group's companies;

- the Group also entered into a partnership in 2017 with the UPTIH (trade union for independent workers with disabilities), and another with TIH-Business, a platform that matches independent workers with disabilities and companies created by the UPTIH to allow its members to find clients and develop their business. This partnership is helping to increase the indirect employment rate while promoting the selection of independent workers with disabilities.

The Group will also be closely monitoring the legal and regulatory changes related to the Employment of Disabled Workers Obligation under the Pénicaud Act (promoting the freedom to choose one's future career).

EQUAL OPPORTUNITIES

Groupe BPCE has worked with the Nos Quartiers ont des Talents (Our Neighborhoods Have Talent) association since 2010 to promote the employment of young graduates under the age of 30 who come from priority neighborhoods or disadvantaged social backgrounds and who have at least four years' higher education. The Group takes various initiatives in this area: sitting on the association's Board of Directors, gradually rolling out mentorship programs at regional companies, and holding internal events to encourage new mentors to get involved, etc.

Since 2011, a total of 384 sponsors have mentored 1,251 young people, with more than 544 having signed a permanent or fixed-term employment contract of more than 6 months.

Following the "Equal opportunities for all at French companies" meeting held at the Elysée Palace on July 17, 2018, Groupe BPCE decided to take part in the nationwide plan to support disadvantaged neighborhoods and in the PaQte agreement between the government and corporations. As a result, four priority initiatives will be rolled out in the coming months:

- raising awareness of working life among young people through internships and school presentations by employees;
- facilitating access to apprenticeships to allow young people from disadvantaged neighborhoods to enter employment and to diversify the Group's talent pool;
- promoting non-discriminatory hiring methods;
- developing purchases from suppliers located in neighborhoods identified as priority areas in urban policy.

Making our Group attractive to applicants: a strong employer promise

Groupe BPCE is now a model employer not only in the banking sector but also among all French companies. Although the volume of permanent-contract hires has fallen over the past three years, Groupe BPCE recruited over 5,600 people under permanent contracts in 2018, playing an important role in offering jobs to young graduates from different backgrounds (business schools, universities, apprentice training centers, elite universities, etc.). Including employees hired under fixed-term contracts (8,430), over 14,000 people signed an employment contract with the Group in 2018.

To enhance our positioning as a model employer and to achieve the ambitions of the TEC 2020 plan, our priorities are to boost our employer image, review our hiring methods and step up our efforts to facilitate internal promotions.

Developing the Group's employer image

In its TEC 2020 plan, Groupe BPCE has undertaken to develop the Group's employer image in a bid to attract and retain talented individuals. Due to its multi-brand identity and the fact that the Groupe BPCE brand is not a trading name, the Group suffers from poor external brand awareness in relation to its peers.

To address this issue, the Group began working in Q4 2018 to establish an employer brand platform that complements and is consistent with the existing brands. The objective of the Groupe BPCE employer brand will be to create a strong, structured, unique positioning likely to:

- attract priority targets;
- inspire employee engagement and retain the best talent by better meeting changing expectations and attitudes to work (employee/applicant experience).

New and improved hiring methods

Optimizing sourcing

In response to changing applicant tendencies and the impact of digital developments on sourcing activities, Groupe BPCE is implementing hiring practices drawing heavily from marketing methods, (*i.e.* adapting the methods to the target audience). In addition to posting vacancies at https://recrutement.bpce.fr/and on job boards, we also use other sourcing methods to increase visibility among applicants and involve other players besides recruitment managers in the hiring process. The following initiatives have been established:

- in the fourth quarter of 2017, we began to completely overhaul the job website, https://recrutement.bpce.fr/with the aim of making it more user-friendly, clearer for applicants and easier to navigate. The information provided about our business lines, HR processes and commitments is now more detailed, and videos and tutorials are given prime position;
- an ambassadors program has been set up to showcase members of staff explaining their role and introducing their company. The ambassadors talk to applicants directly, without HR involvement, and answer questions about their jobs, working for the company, career paths, etc.;
- maintaining our presence on social media (LinkedIn, Twitter, Facebook, Snapchat, etc.);
- launch of a referral system allowing employees to recommend friends or professional connections. An employee referred to the company is a committed employee;
- introduction of job vacancy sponsoring in 2018. Some of our job offers fail to attract enough applicants because of a lack of visibility or because certain skills are in high demand. Sponsoring puts the spotlight on these offers. It was tested for the first time to recruit students on work-study contracts, and increased the number of applicants for each position;
- launch of inbound recruitment. Just like inbound marketing, inbound recruitment aims to generate quality leads. The lead in this case is the applicant and the branding is the employer brand. Inbound recruitment is effective because it reaches passive applicants, *i.e.* individuals who are not necessarily looking to be recruited. Today's customers do a lot of research before buying a product. They compare products, read opinions and consult blogs either from home or directly in store on their smartphone. The same trend applies in the relationship between recruiters and applicants. Potential applicants will look online for information about a potential employer. The information they find on blogs, social media, or web reputation sites will influence their decision whether or not to join a Group company.

These initiatives and their impacts are monitored by a special team using the following indicators: improved visibility of job offers, better-qualified applicants, lower recruitment budget, etc.

A new applicant experience

Just as we are improving the customer experience, we are also enhancing the applicant experience by simplifying and streamlining the information and application process. Technologies arising from the digital transformation have reduced the time taken to submit an application on our website from twenty minutes to three minutes, by exporting profiles from LinkedIn and using resume parsing. Applications can be submitted directly from the applicant's smartphone, tablet or computer. Applicants who wish to provide more information can complete optional fields in addition to the mandatory fields that can be completed in three minutes, so they do still have some flexibility in the application process.

To simplify the process, applicants who so choose may submit a video cover letter.

The recruitment website was redesigned with the applicant in mind: lengthy texts replaced by videos, which are clearer and have a greater impact by showing "real employees" instead of a corporate pitch drafted by HR. There are sections where applicants can submit their resume, prepare for an interview, define their career path, etc. The number of visits and pages viewed on https://recrutement.bpce.fr/is monitored for information purposes.

Groupe BPCE is keeping track of technological developments in hiring, which will:

- provide applicants with information in real time (chatbot);
- ensure diversity among applicants *via* resume matching (automatic matching of the skills required for the position and the skills included in the resume);
- involve employees in promoting our business lines, companies and values (via social media, referrals, videos).

Facilitating internal transfers

Groupe BPCE launched an internal mobility portal in 2017: Mobiliway.

This fun and informative Intranet site displays job vacancies available at Group companies. Members of staff can learn about the reality of different businesses through testimonials and can prepare their applications from start to finish. Mobiliway is being gradually rolled out at all Group companies and will be expanded and improved in response to user feedback.

At the same time, the Group's companies have built on the momentum achieved in inter-company mobility with the signing of the new Strategic Workforce Planning, which incorporates a new set of common rules. These rules facilitate inter-company transfers under the best possible conditions through a simplified hiring process, support measures, mobility programs and coordination meetings between HR directors in the local regions.

The Group HR division is launching concrete initiatives to improve coordination of inter-company mobility by working with the Group's companies, with the aim of providing efficient and operational solutions to meet the needs expressed by Groupe BPCE HR teams. These include new forums for dialog and additional, more frequent regular meetings to foster mobility and define best practices.

In 2017, over 700 inter-company transfers were completed, climbing to 801 in 2018.

In light of the mergers carried out across the Group, transfers between functions were once again high in 2018, totaling 14,600.

HR solutions for our companies and our employees

Over and above the HR priorities set in the TEC 2020 plan, all of Groupe BPCE's HR teams implement HR solutions for employees and managers to serve their needs on a daily basis and meet their current and future challenges.

LABOR RELATIONS

The Group's labor relations were heavily impacted by the signing of the Strategic Workforce Planning (SWP) agreement by all Group companies at the end of 2017.

On December 22, 2017, the Group signed a new agreement with the CFDT, CFE-CGC and UNSA labor unions (representing 100% of employee representatives), reflecting the commitment on the part of Management and labor representatives alike to recognize skills development as a key component of employability, in line with the Group's new strategic plan.

The three-year agreement covers 128 companies and their employees, providing a structured framework in today's fast-changing environment undergoing considerable technological innovation. It has four key pillars:

- development of employee skills to accommodate the Group's transformation;
- individual career management support;
- commitments to maintain a fair balance between older and younger generations;
- enhanced social dialog and career support for employee representatives.

The main commitments set out in the agreement are as follows: the Group will increase training hours by 25% to 10 million training hours over the period covered by the agreement. Employees under 30 must account for 50% of new permanent-contract hires, and 5% of them must have previously held work-study contracts. Employees on work-study contracts must make up 3.5% of the headcount by the end of 2020. 3% of new hires from 2018 to 2020 must be over 45. As part of the commitment to retain older staff, 18% of the Group's headcount must be 55 or older by 2020.

In the interest of fostering negotiations on gender equality at the level of the Banque Populaire and Caisse d'Epargne employee representative networks, the Group included this topic on the agenda for discussion.

For the Banque Populaire banks, the negotiations led to the signing of a gender equality agreement by the CFDT, CFTC, CGT, SNB-CGC and UNSA labor unions (representing 100% of employee representatives) on June 29, 2017. For the Caisses d'Epargne, a gender equality agreement was signed on June 25, 2018 by the CFDT, FO and CGC unions (representing 48% of employee representatives).

In line with the objectives set in the TEC 2020 strategic plan, the signatories to these agreement reaffirmed their joint commitment to working to promote gender equality across the Banque Populaire and Caisse d'Epargne networks. By firmly stating their commitments in this area, they wish to respect and develop equal opportunities and equality between men and women.

All parties acknowledge that employee diversity at all levels of the Group fosters a complementary, balanced approach and delivers economic performance.

These agreements establish a reference framework for companies in the two networks. They provide support for the networks in their internal negotiations and allow for concrete action to promote gender equality.

Organization of social dialog at the Groupe BPCE level

Dialog with employee representatives at the Groupe BPCE level is conducted through two bodies:

- the Group Committee, a forum for information, discussion and dialog, which met twice in 2018. The topics addressed included the economic situation and the financial and social audit of the Group's financial statements, prepared in advance by the economic and employment/training committees;
- the Strategic Planning Committee, provided for by the SWP agreement of December 22, 2017, which met three times in 2018. Key items on the agenda included the presentation of strategic labor issues and concerns for Groupe BPCE.

Collective bargaining agreements

Most of the collective bargaining agreements are the result of negotiations conducted locally with the Group's companies. The agreements signed in 2018 covered gender equality, mandatory annual negotiations and specific provisions on employee absence.

OCCUPATIONAL HEALTH AND SAFETY

Improving quality of life in the workplace

All Group companies have systems in place to address psychosocial risks.

These systems address voluntary treatment of psychosocial risks (PSR): measuring risks (questionnaires, surveys), identifying vulnerable populations (monitoring and alert system), raising awareness among managers, and helping any employees struggling with problems (counseling and psychological support group).

Groupe BPCE promotes a workplace quality of life policy to move beyond simple risk prevention and foster long-term employee engagement.

In 2018, the Group's companies continued and expanded their efforts to improve quality of life in the workplace, arising from the agreements signed in 2016, focusing in particular the work-life balance, the right to disconnect after hours, telecommuting and transformations caused by digital solutions.

The aim of the Group's approach to quality of life in the workplace is to strengthen the appeal of the Group's businesses and increase the engagement, professional motivation and loyalty of all employees, while also reducing stress at work and lowering absenteeism.

Groupe BPCE's Human Resources division works with all Group companies to constantly improve the quality of working conditions by coordinating and sharing best practices, particularly *via* the network of occupational quality-of-life officers and implementation of measures to help people cope with change.

As of 2018, 14 Groupe BPCE companies had signed the Cancer@work Charter, underscoring their commitment to implement concrete initiatives to promote the integration and continued employment of people directly or indirectly affected by cancer or another chronic illness.

Two guides are available within the Group to answer any questions employees and managers might have when dealing with cancer or a chronic illness. Another guide was published in 2018 for employees caring for sick relatives.

Occupational health and safety conditions

At Groupe BPCE Group, policies and budgets relating to health and safety conditions fall within the remit of each of the entities and the CHSCTs (Health, Safety and Working Conditions Committees) established with employee representatives.

In addition to investing in specific programs to improve occupational health and safety, Group companies also implement more traditional monitoring and prevention programs.

The average number of meetings with CHSCTs has been significant in recent years, demonstrating the desire to build a lasting, constructive social dialog with the help of these committees.

Workplace accidents

Although consolidated 2018 data are not yet available, the average number of workplace and commuting accidents increased slightly in 2017.

Given the nature of the Group's businesses and the fact that the majority of the accidents take place during commutes, the Group has not established specific mechanisms for monitoring the average rate of severity.

However, all Group companies have a CHSCT that oversees occupational health, safety and working conditions, which is primarily responsible for protecting the health and safety of employees. Each of these committees oversees the improvement of safety and workplace conditions as well as compliance with applicable legal and regulatory provisions.

ABSENTEEISM

The most recent evaluation of overall absenteeism (including p maternity/paternity leave, illness, family events and other reasons) is close to 7%.

Absenteeism is higher among women than men, mainly due to maternity leave. This difference has a considerable impact on the Group, as it employs more women than men.

The Group is not able to differentiate absences related specifically to occupational illness, which are very rare in the banking sector.

Absenteeism is a real concern for the Group and its companies. To better identify absenteeism and more accurately distinguish its causes in order to take more targeted action, the Group provides its companies with a structured system for identifying, analyzing, taking action and preventing absenteeism. Solutions to analyze and measure absenteeism are also available.

EMPLOYMENT AND HR OPERATIONS

Digitization and urbanization: key concerns of the Group HR information system teams

The Group's HR IT solutions continue to evolve, with a dual objective of making HR teams more efficient and offering applicants and employees a simple, innovative experience.

When hiring, Group companies use an application that reduces the amount of data applicants need to input. Selected applicants use an Onboarding solution that facilitates their acclimation by communicating with them before they start working for the Group. They can sign their employment contract electronically. HR teams track the process using tools that significantly cut down on routine administrative tasks.

Data quality is one of the main concerns of the HR IT teams which, governed by all Group companies, prioritize their work based on regulatory deadlines and performance enhancements.

Work on the HubRH solution, which transfers documents and data between HR information systems, is ongoing and documents signed in Docusign (*e.g.* administrative documents sent by future employees *via* the OnBoarding application) are automatically sent to Virtu@lis (employee administrative record storage solution). At the end of the year, a project was initiated to staff with a single groupwide HR ID.

The Group had to keep a close watch on regulations governing payroll solutions, with additional changes made to clarify pay slips, government measures aimed at boosting purchasing power implemented and technical preparations launched for the application of withholding tax and the merger of the AGIRC/ARCO pension schemes starting in January 2019.

A support scheme was organized in the last quarter of 2018 to prepare employees for the introduction of withholding tax. In addition to providing training for HR payroll experts, issuing notices to employees, organizing webinars for non-payroll HR teams and an e-learning course for employees, the Group HR IT team also created a chatbot for all Group companies that answers questions in natural language. The chatbot was co-developed with an AI software publisher and an HR consulting firm.

Career Observatory

Because it operates under a system of multiple labor agreements and professional networks, Groupe BPCE has instituted a method of predictive employment analysis based on reliable, consistent criteria for the Banque Populaire and Caisse d'Epargne networks and in close cooperation with the French trade associations for banking (AFB) and insurance.

To this end, as a complement to the quantitative reports, a qualitative study was carried out in 2018 under the auspices of the National Labor Relations Commission (CPNE) for the Banque Populaire and Caisse d'Epargne professional networks. The topic of review in 2018, jointly selected by the OPMQCs (Forward-Looking Careers, Skills and Qualifications Observatories) of the BP and CE branches, was: "The outlook and issues facing remote customer relations activities: possible changes ahead and how to provide HR support."

At the same time, the Group Career Observatory (instituted by the Group's Strategic Workforce Planning agreement, signed in 2011 and renewed for the second time in 2018) identified and analyzed professions subject to substantial changes in the number of staff and/or skills required. This information has helped steer employment policies in a forward-thinking direction by seeking to specifically prioritize whichever forms of assistance are deemed necessary, while sharing and encouraging discussion with management and labor representatives regarding the future of our business lines, skills and qualifications.

INTERNATIONAL LABOR ORGANIZATION

Groupe BPCE pursues growth in accordance with fundamental human and social rights wherever it does business.

Freedom of association and the right to collective bargaining

Each entity monitors compliance with rules on freedom of association and working conditions in respect of its international activities.

Elimination of forced labor and abolition of child labor

In accordance with the Group's adherence to the Global Compact, each entity abstains from using forced or compulsory labor or child labor, within the meaning of ILO conventions, even if local laws authorize such practices.

Elimination of discrimination in employment

In its procurement policy, Groupe BPCE refers to its sustainable development policy, its adherence to the Global Compact and its commitments and to founding texts such as the Universal Declaration of Human Rights and the international conventions of the International Labor Organization.

Suppliers undertake to respect these agreements in their countries of operation by signing contracts containing specific clauses to that end.

One of the commitments of the Global Compact concerns respect for Human Rights.

QUANTITATIVE HUMAN RESOURCES INDICATORS FOR GROUPE BPCE

Employment

Total Group headcount

Groupe BPCE's total headcount at December 31, 2018 was 105,458 employees, 90% of whom work in France.

The Banque Populaire banks accounted for 29% of the Group headcount, while the Caisse d'Epargne banks accounted for 33%.

The total headcount fell 0.9% compared with 2017.

Total headcount	2018	2017	2016	Change
Banque Populaire banks	30,807	31,404	31,582	(1.9%)
Caisses d'Epargne	35,001	36,112	36,102	(3.1%)
Subsidiaries and other banks	8,172	8,487	9,972	(3.7%)
Natixis	23,539	22,790	22,905	3.3%
Real estate	1,879	1,811	1,898	3.8%
Central institution	1,619	1,559	1,552	3.8%
IT and other operations	4,441	4,300	4,166	3.3%
GROUP TOTAL	**105,458**	**106,463**	**108,177**	**(0.9%)**

Permanent and fixed-term staff at December 31 (excl. those on work-study contracts).

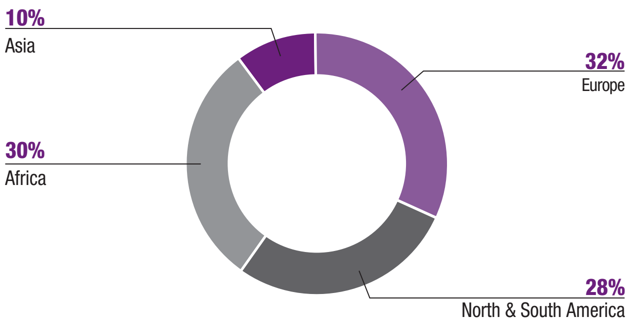
Geographic breakdown of headcount

11% of Groupe BPCE staff are located outside France.

EMPLOYES OUTSIDE FRANCE

	Natixis	Other subsidiaries	Real estate	Total	
	Number	Number	Number	Number	%
Europe	3,510	321	142	3,973	33%
North & South America	3,345	0	0	3,345	28%
Africa	1,326	2,180	0	3,506	29%
Asia	1,205	57	0	1,262	10%
GROUP TOTAL	**9,386**	**2,558**	**142**	**12,086**	**100%**

Permanent and fixed-term staff at December 31 (excl. those on work-study contracts).



Scope of HR data

The scope reviewed below covers 90% of Groupe BPCE's total headcount in France.

It includes the Banque Populaire banks, the Caisses d'Epargne, Banque de Savoie, Banque Dupuy, de Parseval, Banque Marze, the Caisses du Crédit Maritime, the subsidiaries of Crédit Coopératif, SBE, PRIAM, the i-BP, IT-CE and BPCE IT organizations, BPCE International, as well as the BPCE SA group central institution and Natixis SA, Natixis Lease, Natixis Factor, Natixis Interépargne, Banque Privée 1818, Natixis Financement, Natixis Payment Solutions (see Chapter 2.6.2).

Breakdown of headcount by contract, category and gender

	2018		2017		2016	
Permanent + fixed-term staff	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff incl. work-study contracts	78,021	93.0%	79,527	93.1%	80,832	93.2%
Fixed-term staff incl. work-study contracts	5,908	7.0%	5,877	6.9%	5,930	6.8%
TOTAL	**83,929**	**100%**	**85,404**	**100%**	**86,762**	**100%**

Permanent and fixed-term staff at December 31

	2018		2017		2016	
Non-management/management staff	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, non-management	42,640	54.7%	44,681	56.2%	46,715	57.8%
Permanent staff, management	35,381	45.3%	34,846	43.8%	34,117	42.2%
TOTAL	**78,021**	**100%**	**79,527**	**100%**	**80,832**	**100%**

Permanent staff incl. work-study contracts at December 31

	2018		2017		2016	
Headcount by gender	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, women	44,081	56.5%	44,680	56.2%	45,184	55.9%
Permanent staff, men	33,940	43.5%	34,847	43.8%	35,648	44.1%
TOTAL	**78,021**	**100%**	**79,527**	**100%**	**80,832**	**100%**

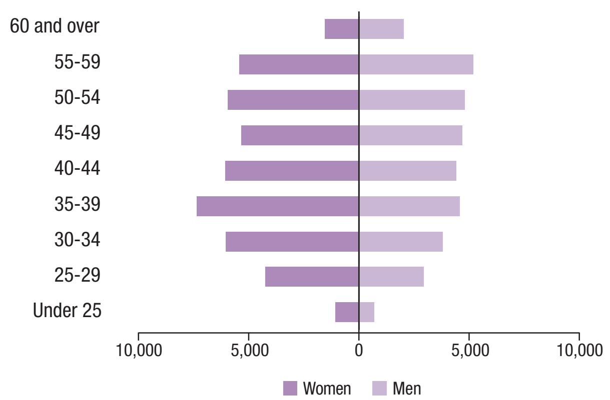
Permanent staff incl. work-study contracts at December 31

93% of staff hold permanent contracts. Women remain a majority, representing 56% of staff on permanent contracts. The proportion of managers is over 45%, a figure that is steadily increasing each year.

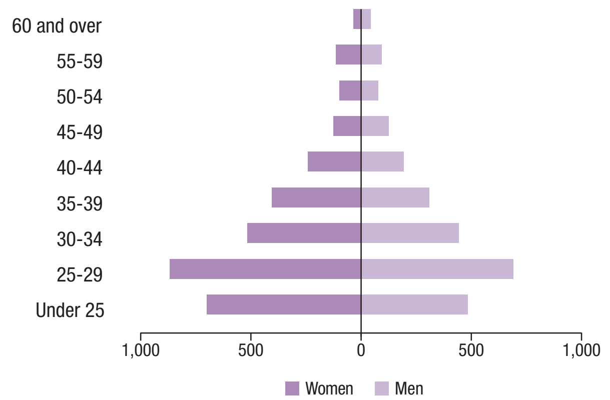
Headcount and recruitment by age group

Under-35s make up 25% of permanent staff. This helps balance the overall age pyramid by paving the way for the gradual replacement of employees 55 and older (18% of permanent staff) who are due to retire over the next few years.

2018 AGE PYRAMID: STAFF (PERMANENT CONTRACTS)



2018 AGE PYRAMID: HIRES (PERMANENT CONTRACTS)



Breakdown of hires by contract, category and gender

	2018		2017		2016	
Permanent + fixed-term hires	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff incl. work-study contracts	5,623	40.0%	4,669	33.7%	4,860	33.0%
Fixed-term staff incl. work-study contracts	8,430	60.0%	9,201	66.3%	9,182	67.0%
TOTAL	**14,053**	**100%**	**13,870**	**100%**	**14,042**	**100%**

Permanent and fixed-term staff at December 31

	2018		2017		2016	
Non-management/management hires	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, non-management	3,681	65.5%	3,185	68.2%	3,348	68.9%
Permanent staff, management	1,942	34.5%	1,484	31.8%	1,512	31.1%
TOTAL	**5,623**	**100%**	**4,669**	**100%**	**4,860**	**100%**

Permanent staff incl. work-study contracts at December 31

	2018		2017		2016	
Hires by gender	**Number**	**%**	**Number**	**%**	**Number**	**%**
Women	3,133	55.7%	2,525	54.1%	2,704	55.6%
Men	2,490	44.3%	2,144	45.6%	2,156	44.4%
TOTAL	**5,623**	**100%**	**4,669**	**100%**	**4,860**	**100%**

Permanent staff incl. work-study contracts at December 31

Departures of permanent-contract employees by reason and gender

Employee resignations in 2018 represented 38% of all departures of permanent-contract employees. This figure was up 5 points compared with 2017. 2% of permanent staff took their retirement in 2018.

	2018				2017		2016	
	Women	**Men**	**Total**		**Total**		**Total**	
Departures, permanent staff	**Number**	**Number**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Resignation	1,140	933	2,073	37.7%	1,819	33.1%	1,516	27.6%
Dismissal	449	433	882	16.0%	662	12.0%	612	11.1%
Transfer	310	325	635	11.6%	547	10.0%	594	10.8%
Retirement	766	929	1,695	30.8%	1,630	29.7%	1,592	29.0%
Mutually-agreed termination	336	250	586	10.7%	511	9.3%	429	7.8%
Departure during a trial period	232	220	452	8.2%	425	7.7%	353	6.4%
Other reasons	340	278	618	11.2%	691	12.6%	401	7.3%
TOTAL	**3,573**	**3,368**	**6,941**	**100%**	**6,285**	**100%**	**5,497**	**100%**

Permanent staff incl. work-study contracts

	2018	2017	2016
Departure rate (as a %)	**8.6%**	**7.7%**	**6.9%**

Permanent staff excluding work-study contracts

Remuneration

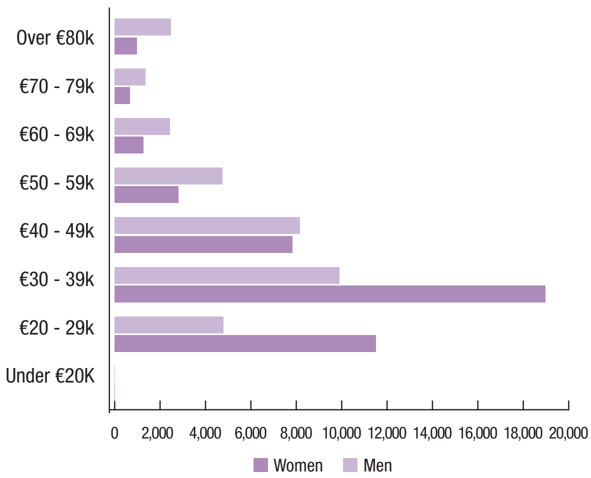
Every year, each Group company analyzes and revises individual pay levels in keeping with performance targets shared with the employees.

MEDIAN BASE SALARY OF PERMANENT STAFF BY GENDER AND CATEGORY

	Median				
Median base salary	2018	2017	2016	Change	Ratio Men/Women
Women	34,878	34,453	34,100	1.2%	
Women, non-management	31,364	31,100	30,874	0.8%	
Women, management	46,457	46,183	45,949	0.6%	
Men	42,302	41,988	41,556	0.7%	
Men, non-management	32,000	31,983	31,854	0.1%	
Men, management	51,016	50,903	50,607	0.2%	
Non-management	31,557	31,359	31,170	0.6%	
Management	48,934	48,775	48,566	0.3%	
TOTAL	**37,628**	**37,086**	**36,855**	**1.5%**	**17.5%**

Permanent staff excl. work-study contracts at December 31

BREAKDOWN OF PERMANENT STAFF (EXCL. WORK-STUDY) EMPLOYED AT DECEMBER 31, 2018 BY SALARY BRACKET



Work arrangements, working hours

At Groupe BPCE, working hours are governed by agreements specific to each Group company. The average annual number of hours worked per week ranges between 35 and 39 hours, with compensatory measures such as additional days off awarded to employees.

Generally, employees working on a collectively bargained work schedule may choose to work on a part-time basis.

In 2018, nearly 12% of permanent staff worked part-time, and 90% of those working part-time were women.

PERMANENT STAFF WORKING PART-TIME BY GENDER AND CATEGORY

	2018			2017			2016		
Part-time	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management	6,229	499	6,788	6,397	527	6,924	6,526	526	7,052
Management	2,217	390	2,517	2,097	357	2,454	2,034	326	2,360
TOTAL	**8,356**	**889**	**9,245**	**8,494**	**884**	**9,378**	**8,560**	**852**	**9,412**

Permanent staff incl. work-study contracts at December 31

BREAKDOWN OF PART-TIME PERMANENT STAFF BY WORKING HOURS

	2018			2017			2016		
Part-time	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Less than 50%	272	56	328	254	54	308	275	51	326
50%	338	86	424	343	80	423	348	78	426
Between 50% and 80%	2,463	283	2,746	2,503	285	2,788	2,551	269	2,820
80%	2,323	203	2,526	2,445	208	2,653	2,529	208	2,737
More than 80%	2,960	261	3,221	2,949	257	3,206	2,857	246	3,103
TOTAL	**8,356**	**889**	**9,245**	**8,494**	**884**	**9,378**	**8,560**	**852**	**9,412**

Permanent staff incl. work-study contracts at December 31

Training

The scope reviewed below covers 87% of permanent staff covered by human resources data.

It includes the Banque Populaire banks and the Caisses d'Epargne as well as their IT subsidiaries (i-BP, IT-CE, and BPCE IT) and the central institution (BPCE).

PERMANENT STAFF TRAINING BY GENDER AND CATEGORY

The total number of training hours in 2018 – more than 2,184,100 – is testament to the efforts of all Group companies to train their employees to operate in a demanding and ever-changing banking industry.

In the scope under review, the volume of employees trained was relatively stable against the previous year.

60% of training initiatives are devoted to job skills and maintaining employability on the job market.

	2018			2017			2016		
Employees trained	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-management	27,397	13,290	40,687	27,581	13,855	41,436	26,975	13,974	40,949
Management	11,699	16,286	27,985	10,948	15,637	26,585	10,053	14,624	24,677
TOTAL	**39,096**	**29,576**	**68,672**	**38,529**	**29,492**	**68,021**	**37,028**	**28,598**	**65,626**

Permanent staff incl. work-study contracts at December 31

BREAKDOWN OF TRAINING HOURS BY GENDER AND STATUS

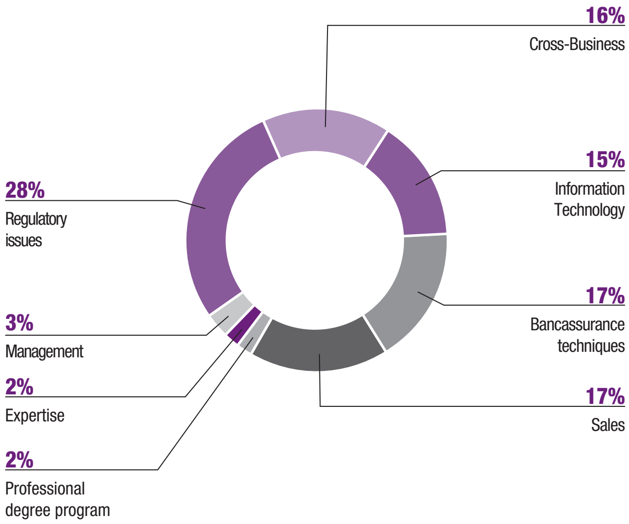
	2018			2017			2016		
Training hours	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-management	881,548	510,453	1,392,001	894,728	524,166	1,418,894	929,593	579,871	1,509,464
Management	338,913	453,282	792,195	322,871	451,023	773,894	317,623	443,364	760,987
TOTAL	**1,220,461**	**963,734**	**2,184,196**	**1,217,599**	**975,189**	**2,192,788**	**1,247,216**	**1,023,235**	**2,270,451**
NUMBER OF HOURS/FTE			**32**			**32**			**33**

Permanent staff incl. work-study contracts at December 31

BREAKDOWN OF PERMANENT STAFF TRAINED BY AREA OF TRAINING

In today's increasingly regulated banking industry, training initiatives focus predominantly on regulatory issues.

Second in line are training courses on bancassurance techniques and technologies.



Absenteeism

The scope reviewed below covers 86% of permanent staff covered by human resources data.

It includes the Banque Populaire banks and the Caisses d'Epargne as well as their IT subsidiaries (i-BP, IT-CE, and BPCE IT) and the central institution (BPCE).

ABSENTEEISM BY GENDER AND CATEGORY

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management	11.7%	4.7%	9.4%	11.5%	4.6%	9.2%	11.6%	4.3%	9.1%
Management	6.4%	2.7%	4.3%	6.4%	2.6%	4.1%	6.5%	2.5%	4.1%
TOTAL	**10.2%**	**3.6%**	**7.4%**	**10.1%**	**3.5%**	**7.3%**	**10.2%**	**3.4%**	**7.2%**

Absenteeism among employees with permanent and fixed-term contracts as per Group human resources data.

ABSENTEEISM DUE TO ILLNESS BY GENDER AND CATEGORY

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management	5.7%	3.4%	4.9%	5.4%	3.3%	4.7%	5.1%	3.1%	4.4%
Management	3.3%	2.0%	2.5%	3.3%	1.9%	2.5%	3.2%	1.8%	2.4%
TOTAL	**5.0%**	**2.6%**	**4.0%**	**4.8%**	**2.6%**	**3.8%**	**4.6%**	**2.4%**	**3.6%**

Absenteeism among employees with permanent and fixed-term contracts as per Group human resources data.

NUMBER OF ABSENCES DUE TO WORKPLACE/COMMUTING ACCIDENTS

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management	606	174	780	537	166	703	487	157	644
Management	194	115	309	133	124	257	109	84	193
TOTAL	**800**	**289**	**1,089**	**670**	**290**	**960**	**596**	**241**	**837**

Absenteeism among employees with permanent and fixed-term contracts due to for workplace/commuting accidents.

2.5.2 Reducing our direct environmental footprint

Reducing the environmental footprint of the Group's own operations is one of the key pillars of the 2018-2020 CSR strategy: the Group has set a goal of achieving a 10% reduction in its carbon emissions by 2020.

To this end, it has established a robust, proven Group environmental reporting system and carried out several campaigns to raise awareness of best practices.

Several awareness-raising sessions were organized for all business lines:

- awareness of CSR, energy and climate issues; two sessions were organized for Group employees in 2018;
- CSR reporting: one session was held to raise employee awareness of the organization of CSR data collection and the use of IT tools for preparing and publishing the CSR report;
- providing training in the tools used to calculate the Group's greenhouse gas emissions. Two training sessions were held for all employees using these tools in their work and for a panel of officers from the Logistics division. Attendees were given a starter kit at the end of each session.

Groupe BPCE, a partner and precursor of the Net Zero Initiative, lays the foundations of a groupwide carbon neutrality framework

In 2018, the Group joined the Net Zero initiative alongside eight French companies, to draft a methodology for companies seeking to achieve a challenging, credible, and harmonized net zero carbon footprint. Carbon neutrality was explicitly mentioned in the Paris Agreement on climate change as an objective to be reached by the end of the century. It corresponds to a balance between greenhouse gas emissions and the volumes absorbed by carbon sinks. The first mission of the initiative was to draft a market-wide methodology for companies seeking to achieve zero net emissions. The framework will be challenging (because it prioritizes reducing emissions at source), robust (because it will be validated by a high-level scientific committee composed of 12 experts) and credible (because it is being co-constructed with companies from a wide range of business sectors).

CLIMATE CHANGE

The Group's target is to cut its greenhouse gas emissions 10% by 2020 from 686,773 to 618,096 metric tons of CO_2 equivalent (tCO_2eq).

To monitor progress on initiatives subject to clear targets, the Group Sustainable Development division has used a special tool since 2013 to review its greenhouse gas (GHG) emission based on a methodology that is compatible with the one used by the ADEME (the French environment and energy management agency), ISO 14064 and the Greenhouse Gas Protocol.

After seven years spent collecting carbon data using a stable benchmark shared by all Group companies, the tool is able to provide:

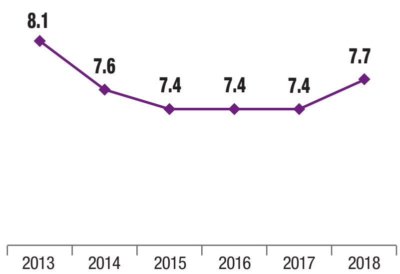
- an estimate of each company's greenhouse gas emissions;
- a map of GHG emissions:
  - by source: energy, procurement of goods and services, business travel, fixed assets, and other,
  - by scope[1]. Indirect emissions caused by the Group's products and services are excluded from the scope of this analysis, but work is being done to change that (see previous chapters on the work undertaken by Mirova and Ostrum AM and, for lending activities, see the sections entitled "Impact of the Group's business activity and the use of products and services on climate change" and "Mandatory disclosures by institutional investors on their management of climate change risks").

The carbon review currently performed by the entities covers 94% of the Group's permanent staff.

Each year, the Group provides stable benchmark indices covering the entire Group and each individual entity, which are used to define local GHG emission reduction plans and drive national initiatives.

Through these efforts, Groupe BPCE has reduced and stabilized its CO_2 emissions, in line with its continuous improvement policy.

EMISSIONS PER EMPLOYEE *(IN TCO_2EQ/FTE)*



(1) *The GHG Protocol divides an entity's (or organization's) GHG emissions into the following scopes: Scope 1 = direct emissions from resources owned or operated by the company. Scope 2 = indirect emissions purchased or acquired electricity, steam, heat and cooling. Scope 3 = all other indirect emissions in the company's value chain.*

RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW (EMISSIONS IN TCO2EQ)

In 2018, total Group emissions amounted to 673,193 tCO_2eq, *i.e.* 7.7 tCO_2eq/FTE, up 2.7% compared with 2017. 31% of these emissions were generated by travel, and 32% by purchases (relatively stable proportions). Energy emissions benefited from a decline in electricity emissions.

Indicator	2018	2017	2016	Change 2017-2018
Direct greenhouse gas emissions – Scope 1 (tCO_2eq)	35,740	35,534	41,050	0%
Indirect greenhouse gas emissions – Scope 2 (tCO_2eq)	24,689	28,469	36,311	(13%)
Indirect greenhouse gas emissions – Scope 3 (tCO_2eq)	612,718	622,753	598,152	(2%)
Greenhouse gas emissions excl. Kyoto	46	17.6	3.5	161%
TOTAL (EXCL. DATA CENTERS)	**673,193**(2)	**686,773**(1)	**675,516**	**(2%)**
TOTAL PER FTE	**7.7**	**7.4**	**7.4**	**2.7%**

(1) *The new entities included in the scope for 2017 (in relation to 2016) are: Banques de Saint-Pierre-et-Miquelon, Banques des Antilles Françaises, Banque de la Réunion (CEPAC subsidiaries).*

(2) *The entities included in the scope for 2017 but not for 2018 are: Banque Malgache de l'Ocean Indien, Banque Tuniso Koweitienne, Banque Commerciale Internationale, BICEC (Cameroon), Banque des Mascareignes, Banque de Nouvelle Caledonie, Banque de Tahiti, which accounted for 1% of carbon emissions in 2017.*

The data centers made up 2% of total Group emissions in 2018.

Indicator	2018	2017	2016	Change 2017-2018
Data center emissions	12,971	14,486	N/A	(20%)
% of Group carbon emissions (recorded in the carbon review) generated by data centers	2%	2%	N/A	0%

A breakdown of the largest sources of GHG emissions in 2018 is provided below.

RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW, EXCLUDING KYOTO, BY SOURCE (EMISSIONS IN TCO2EQ)

2018 GROUPE BPCE CARBON REVIEW

673,193 TCO_2EQ (EXCLUDING KYOTO)

ITEM	2018 (TCO_2EQ)	% OF TOTAL	CHANGE 2017-2018
TRAVEL	**206,175,759**	31%	-5%
Daily work commute[1]	102,601,435	15%	-2%
Business travel[2]	51,790,525	8%	-13%
Customer and visitor travel[3]	51,783,799	8%	-2%
PURCHASES Goods and services purchased	**213,411,300**	32%	6%
FIXED ASSETS Computer equip., buildings, vehicles, ATM	**126,106,024**	19%	-10%
FREIGHT Mail and courier service, cash in transit	**73,975,733**	11%	3%
ENERGY Electricity, natural gas, heating oil, heating network, cooling network	**45,464,676**	7%	-13%
LIQUID REFRIGERANTS AC gas leaks	**6,916,140**	1%	66%
WASTE Non-hazardous and recycled waste, WEEE[3]	**1,143,370**	0.2%	-11%

Best practices for reducing emissions include:

ENERGY CONSUMPTION

The Group's energy consumption amounted to 164 kW/h per m^2 in 2018 *versus* 172 kW/h per m^2 in 2017. This 4% decrease can be attributed to a series of initiatives:

- better energy use management, in particular with the installation of automated controllers in branches: since 2016, the Group's companies have been offered a predictive modeling solution to help them save energy;
- more accurate measurements of our surface area, which increased the number of m^2;
- performance of energy audits on all Groupe BPCE buildings;
- replacement of incandescent light bulbs with LED bulbs and installation of motion detectors in most buildings;
- reduced use of heating oil (-57% between 2017 and 2018) in our networks; this is also due to the absence of BPCE International banks from the 2018 reporting scope;
- large-scale initiatives at the four data centers:
  - at the two Albireo locations: installation of servers in air-conditioned rack cabinets with cold aisle containment to optimize ventilation, ongoing work to improve PUE energy efficiency (operation and configuration of water chillers, pumps or units, and aisle containment). In 2012, average PUE (power usage effectiveness) was 4.63 and currently stands at 1.6. In 2018, the inverters were replaced with Ecogreens and the lighting system with LED bulbs,
  - at the two Antarès locations: recovery of heat generated by computer equipment to heat the datacenter buildings and to resell energy in the form of hot water to the distributor of a

heating network serving the local business district, recovery of heat generated by IT equipment for heating, free cooling refrigeration of IT hardware (in winter), construction in compliance with HQE (energy-efficient building) standards, cold aisle/hot aisle layout, ISO 14001 certification (environmental management system) leading in particular to optimized energy use, water use and diesel engine atmospheric emissions. In 2013, the PUE of both sites was around 2.10 *versus* 1.77 and 2.01 in 2018 (*i.e.* 1.73 for the site);

- employee incentives to limit energy use at the main regional locations: information on environmentally friendly practices, dedicated Intranet site, etc.

ENERGY CONSUMPTION

Indicator	2018	2017	2016	Change 2017-2018
Total energy consumption per m² (kWh/m²)	164	172	180	(5%)
Total final energy consumption (kWh)[1]	575,137,611	547,846,479	547,977,132	5%
o/w data centers (kWh)	12%	12%	N/A	0%
Share of renewable energy in total final energy consumption (kWh)	112,589,467	179,405,225	123,369,266	(37%)

(1) Sum of: (kWh of electricity + kWh HHV of gas/1.11 + liters of heating oil x 9.86 + kWh of steam + kWh of cooling)/total m²

In 2018, Natixis renewed its Paris Action Climat partnership in which it undertakes to contribute to the Sustainable Development Goals (SDGs) that are compatible with the city's Climate Plan

Natixis has identified 10 SDGs to which it already makes a material contribution through its business activities or in its own operations. In addition, the bank has set a target to reduce the energy consumption of its buildings in the Paris region by 30% between 2010 and 2020.

Indicator	2018	2017	2016	Change 2017-2018
Number of buildings with environmental or other certification	42	32	32	31%
Surface area of buildings with environmental or other certification (m²)	175,071	148,688	219,149	18%

Reducing energy consumption from transportation

Based on the carbon reviews conducted by the Group, business travel and commuting are one of the highest sources of total estimated CO_2 emissions (averaging nearly one-third of total emissions each year).

The Group has defined action plans aimed at limiting and reducing emissions generated by business travel and commuting, such as:

- creating and distributing a mobility plan kit for all Group institutions, serving as a toolbox to help them prepare a mobility plan (templates for surveys, action plans, etc.). In addition to this guide, two hotline sessions were organized for the HR, logistics and CSR functions;
- a strict travel policy explained in a best practices guide on business travel. This guide suggests alternatives for travel by train rather than airplane for trips within France, emphasizing the financial savings as well as the lower carbon emissions to allow the companies to adjust their travel policy;
- a comprehensive listing of electric cars in BPCE Procurement's global range for the Group; furthermore, the Group is also furthering its efforts to apply the total cost of ownership approach groupwide (one of the levers of the AgiR responsible procurement policy) to ensure that all economic and environmental criteria are taken into account (especially CO_2 emissions) when selecting company cars; as a result, part of the company car fleet has been gradually replaced with greener vehicles;
- facilities provided to limit travel: conference rooms have been fitted with videoconferencing and teleconferencing equipment;
- a precise, complete annual measurement of emissions generated by business travel for the purpose of monitoring trends by category.

Several initiatives have also been carried out in the regions:

- implementation of carpooling and ride-sharing programs and/or optimized use of the company car fleet;
- provision of telecommuting options, cutting CO_2 emissions generated by the daily commute;
- eco-driving courses for employees recording the highest mileage for work during the year;
- provision of electric bicycles and cars for employees at their workplace, with charging stations;

- allocation of a mileage bonus for employees who cycle to work;
- organization of network events aimed at raising awareness and educating employees: mobility week, mobility challenges, etc.

Indicator	2018	2017	2016	Change 2017-2018
Total fuel consumption for business travel in cars[1] *(in liters)*	12,732,243	14,832,646	13,571,600	(14%)
Average grams of CO_2 per km (as stated by manufacturer) for company cars and fleet cars *(grams of CO_2/km)*	99	100	100	(1%)
Business travel by train *(in km)*	58,800,471	60,335,055	61,384,466	(3%)
Business travel by plane *(in km)*	66,027,131	72,296,066	69,958,952	(9%)

- Sum of indicators: GASOLINE consumption by company and fleet cars + DIESEL consumption by company and fleet cars + business travel in private cars; km-to-liter conversion for the private car indicator with the ratio from the carbon review user guide: 0.08 liter/km.

BPCE SA group and Natixis commit to enhancing travel in Ile-de-France

In line with new regulations, at the start of 2018, Natixis and BPCE SA group published their inter-company transport plan to improve employee travel and air quality in Ile-de-France. The plan covers 26 sites and over 18,000 employees of BPCE SA group, Natixis and several of their subsidiaries.

Concrete action was taken in four main areas in 2018:

- development of infrastructure to encourage bike travel;
- installation of charging stations for electric cars and motorcycles;
- development of telecommuting and remote working;
- launch of a carpooling application.

WASTE REDUCTION AND RECYCLING

Thanks to initiatives aimed at promoting recycling and reuse, the Group's total volume of non-hazardous industrial waste[1] per FTE fell by 12%. 52% of this waste is recycled.

Since 2012, Groupe BPCE has worked to improve the accuracy of waste reporting by its constituent entities. Categories of waste include non-hazardous industrial waste, fluorescent/neon tubes and compact fluorescent bulbs, and waste electrical and electronic equipment. In addition, the entities have undertaken multiple initiatives to recycle different types of waste and certain types of products.

In the WEEE category, a guide was co-drafted by BPCE (CSR, procurement and IT functions) and Ecologic, and distributed to the Groupe BPCE institutions to raise awareness and inform them about existing solutions. The guide was presented to the CSR, Logistics and procurement functions by videoconference. BPCE Procurement currently lists five WEEE service providers and/or networks, all of which are EAs/ESATs and/or professional inclusion companies.

Banking-related waste

The drop in the total volume of waste in 2018 was due to the sharp reduction in WEEE as less electrical equipment was destroyed and removed in the regions. The fall in the number of printer ink cartridges collected in 2018 was due to a change in definition by the service providers concerned.

Indicator	2018	2017	2016	Change 2017-2018
Waste[1] produced per FTE *(in metric tons per FTE)*	0.09	0.13	0.09	(29%)
Recycled ink and toner cartridges *(number)*	82,654	127,716	172,304	(35%)

(1) Non-hazardous industrial waste, fluorescent/neon tubes and compact fluorescent light bulbs, waste electrical and electronic equipment (WEEE).

SUSTAINABLE USE OF RESOURCES

In 2018, paper consumption amounted to 5,755 metric tons, *i.e.* 66 kg/FTE, down 14% compared with 2017 (76.40 kg/FTE). These data cover reams of paper used internally, paper used for customer relations (printouts) and other types of paper (specific printouts, thermal paper used by automated teller machines and in self-service banking, office supplies, marketing materials, large-volume printouts, non-A4 reams, prospectuses, headed paper, envelopes, letterheads, mailings). A clear definition of the products to be reported by the Group's two main suppliers in 2018 clarified the data collected, in particular for the volume of paper other than standard reams.

(1) Non-hazardous industrial waste: paper, boxes, food waste, glass, plastic, metal

PAPER CONSUMPTION

Indicator	2018	2017	2016	Change 2017-2018
Total recycled and/or certified paper* *(kg per FTE)*	51.38	51.17	42.92	0%
Total regular paper*, *i.e.* not recycled and/or certified *(kg per FTE)*	14.62	25.23	51.52	(42%)
Percentage of recycled and/or certified reams of A4 paper	86%	74.5%	48.3%	15%

* *Includes A4 reams purchased during the fiscal year, printouts (predominantly account statements), specific printouts, thermal paper for ATM receipts, office supplies, marketing materials, large-volume documents, reams of paper other than A4, prospectuses, forms, envelopes, headed paper, mailings.*

Paper consumption is reduced by:

- replacing individual printers with shared printers, where users are required to go to the shared printer to confirm the printouts launched from their workstation, thus avoiding unused printouts;
- dematerialization, particularly in customer relations (in-branch electronic signature, remote selling, paperless account statements and general terms and conditions of sale);
- better monitoring of reports submitted by two key suppliers, thus improving data accuracy and completeness;
- a procurement policy encouraging the use of responsible paper (derived from recycling or sustainably managed forests), *i.e.* containing over 50% recycled paper or PEFC-certified (Program for the Endorsement of Forest Certification schemes) or FSC-certified (Forest Stewardship Council) paper.

Management of water consumption

The bank does not have a significant impact on water consumption and wastewater besides personal use in its offices and branches. However, several initiatives are in place to reduce water consumption (raising employee awareness).

Indicator	2018	2017	2016	Change 2017-2018
Total water consumption per FTE *(m^3)*	9	10	10	(9%)

2.6 CSR reporting methodology

This section aims to explain the methodology applied by Groupe BPCE in its CSR reporting.

2.6.1 CSR reporting structure

Sustainable Development indicators based on the Global Reporting Initiative (GRI) guidelines are used to complete the non-financial performance report, in line with the ESG risk analysis performed by the Group in 2018 (see Chapter 2.2.1). The indicator guidelines were also updated to incorporate the 2018 regulatory changes, the expectations of our stakeholders (rating agencies, investors, NGOs, etc.), feedback from sustainable development officers in charge of reporting, and the recommendations of the independent third party for fiscal year 2017.

ENVIRONMENTAL INDICATORS

For fiscal year 2018, the internal environmental indicators were collected from the entities' sustainable development officers in collaboration with their logistics officers *via* the SPIDER data entry tool.

For the carbon review, the Group uses the methodology defined in ISO 14064. Data are collected annually by each entity's sustainable development officers, and are reported in the COGNOS tool, which was rolled out in 2015.

Most of the emissions factors are based on ADEME's emissions factors and are updated annually. In accordance with the general principles of carbon accounting, the integration of emission factors specific to Groupe BPCE is encouraged in the following cases:

- to compensate for a lack of appropriate factors; and
- to replace ADEME's emissions factors (or factors from any other public or semi-public source) when they are not relevant or sufficiently detailed.

Green growth indicators are business indicators (eco-loans) collected from centralized databases for both networks. Indicators on outstanding renewable energy loans are collected from the Group Risk division.

HUMAN RESOURCES INDICATORS

No major changes were made to the human resources indicators so as to ensure stability and to allow for comparison.

Human resources data (excluding training) are extracted from two centralized information systems managed by the Group Employment and HR Operations division, namely the "Services" data center for companies in the Caisse d'Epargne network and the "Perse" info center for all other entities.

The data extracted from the two information systems are verified following a regular control process at Group level according to the human resources indicators defined for the registration document.

Permanent contracts include work-study contracts with an indefinite term. Fixed-term contracts include fixed-term work-study contracts (professionalization contracts and apprenticeships). Employees included in the headcount at December 31 of each year include those departing on that date and those whose contract has been suspended.

New hires data refer to new hires on permanent and fixed-term contracts signed between January 1, and December 31, including work-study contracts (professionalization and apprenticeships).

Departures data include staff on permanent contracts leaving between December 31 of the previous year and December 30 of the current year for the following reasons (broken down quantitatively): dismissal, resignation, departure during a trial period, mutually-agreed termination, transfer within the Group and retirement. The departure rate corresponds to the number of departures among permanent staff in year N divided by the total number of permanent staff at December 31 in year N-1.

Transfers between different Group companies are taken into account in the new hires and departures figures.

Absenteeism figures are calculated at December 31 of year N, based on absences recorded at this date and reported in the HR information system when the data were extracted for the scope under review.

Absenteeism is calculated as per Group human resources data. It corresponds to the ratio between the number of days of absence in year N and the hypothetical number of days worked in the same year.

Indicators related to training are extracted from the new Apogée Formation data center. These data cover all of the training sessions assigned under the plan for a given year and approved by the training departments of the companies within the scope reviewed at the date the data were extracted.

SOCIETAL INDICATORS

Societal indicators are mainly business indicators such as socially responsible investments and loans to local authorities and to social housing operators and the social and solidarity-based economy. Data are extracted from centralized databases. Their accuracy is regularly verified at Group level. Indicators related to patronage, microloans and cooperative identity are provided by the two networks' federations and by the Group's outside partners (ADIE, France Active, Initiative France). Procurement indicators are provided by BPCE Procurement.

There is currently no standard definition of SRI assets under management shared across Groupe BPCE. Accordingly, the amounts reported include different types of investments, which are grouped into three major categories:

- ESG integration – this type of investment involves analyzing ESG performance but fund managers have no formal minimum return constraints. It also applies sector exclusions (*e.g.* coal) and minimum standards requirements (respect for human rights);
- SRI – this consists in formally establishing minimum thresholds to be observed by fund managers based on an ESG ratings scale or specific indicators. To be eligible for an SRI certification, these thresholds must eliminate at least 20% of the investment universe;

- conviction or thematic SRI – this involves selecting the issuers with the best social or environmental performance and/or investing in sectors with a positive ESG impact. To be eligible for the TEEC certification, the assets must contribute to the energy and ecological transition.

The growth in Ostrum AM's SRI assets under management was due to the conversion of certain investment mandates to ESG and/or SRI investments during the year.

BUSINESS MODEL

The Group's business model is described in Chapter 1.1, "A business model that creates lasting value and has confirmed its solidity". It sets out our main activities, the main challenges in our business environment, our business model and what stands us apart from our peers. The business model is updated each year as often as necessary.

SOURCES AND DETAILS OF BUSINESS MODEL DATA (CHAPTER 2.1.1)

Information	References
2nd largest banking group in France	Market share: 21.5% in customer deposits & savings and 21.1% in customer loans (Banque de France, Q3 2018)
No. 2 bank for individual customers	Market share: 22.6% in household deposits/savings and 26.3% in home loans (Banque de France, Q3-2018). Total penetration rate of 30.1% (No. 2) among individual customers (SOFIA TNS-SOFRES survey, April 2018)
Change in Net Promoter Score	2017/2018 change in NPS (expressed in points)
26.3% market share in home loans	(Banque de France, Q3-2018) - Quarterly SURFI reports - home loan outstandings
We fund over 20% of the French economy	21.1% market share in loan outstandings, all non-financial sector customers (Banque de France, Q3 2018)
No. 1 lender to the social economy	CE APRI lending market share: 19.77% (Banque de France, June 2018), rising over 18 months.
No. 1 bank for SMEs	51% (No.1) in terms of total penetration rate (2017 Kantar-TNS survey).
65% of our employees are motivated	This figure reported in the diagram is for 2017. The figure for 2018 will not be available until end-Q1 2019.

Reporting structure

CSR reporting is organized by the Group's Sustainable Development division, which coordinates the necessary work each year (updating the guidelines, indicators and user guides, advising the banks in the drafting of their own CSR annual report, etc.).

Like every year, it worked with the Group's operational divisions (IT, Human Resources, Real Estate & Logistics, Procurement, etc.) and federations (FNBP, FNCE) in order to make better use of centralized databases.

More specifically, for the preparation of the non-financial performance report in 2018, the Group Sustainable Development division worked with the Group Risk division and its regional functions.

Various initiatives were taken in this respect in 2018 in collaboration with all of the stakeholders of the non-financial performance report to facilitate the appropriation of this new process by all Group entities:

- groupwide distribution of a memorandum going over regulations and detailing the reporting process for the businesses;
- organization of two days of seminars for the CSR function:
  - one day presenting the tool box used to implement the non-financial performance report in their entities and the methodology chosen, attended by the four independent third parties working with the Group,
  - a one-day conference for all sustainable development officers from every entity to inform them about the importance of CSR reporting and answer their questions about the data collection process;
- awareness-raising among the Group's business functions about CSR reporting issues through visits by the sustainable development team (national risk mapping meeting, the credit exposure managers club, real estate & logistics conference, national procurement meeting, etc.);
- two carbon review training sessions (beginners and advanced levels), a CSR reporting training session and two sessions on the basics of CSR;
- two conference calls attended by nearly all of the sustainable development officers to provide advice and answer questions about the non-financial performance report and the collection of CSR data.

Reporting topics

The following topics are considered relevant in terms of the bank's indirect impacts: recycling and reuse, efforts to reduce food waste, combat food poverty, improve animal welfare and ensure responsible, fair, sustainable food supplies.

These topic are not addressed in specific paragraphs in this report but are covered by the bank's ESG risk analysis procedures. For its lending business, these topics are covered in sector policies. For investment and asset management activities, they are covered by ESG ratings methodologies for SRI fund management.

Role of methodology tools

Risk analysis matrix

The matrix used to rate the 21 CSR risks provides a rating of gross risks based on their frequency and severity over three years. It also measures the Group's net risk exposure in terms of the risk management systems (processes/quality, resources, controls) used.

User Guides

The user guide, addressed to all contributors to the Group's CSR reporting processes, was updated for 2018. It sets out the following with respect to the Group's registration document (but also for each entity; *i.e.* annual management report or registration document):

- the regulatory environment;
- the timeline;
- the reporting process (scope, rules on extrapolation for incomplete data, consolidation rules and the information control process);
- a glossary.

This guide also relies on a CSR reporting standard that specifies all of the indicators published, their definitions, their units, the corresponding GRI reference, their sources, how they are calculated and collected, and examples of controls to carry out.

A Group carbon review user guide was also updated in 2018. The guide is intended to promote the carbon review system. The purpose of this guide is to:

- present the general principles of the method developed by the Group;
- review the system's history and the most recent changes to the system;
- offer a uniform presentation of the reporting rules for Groupe BPCE's greenhouse gas emissions reviews (reporting period, scope, extrapolation rules, etc.);
- enable departments to establish action plans for carbon reduction while meeting the requirements of Article 75 of the Grenelle 2 Act, which concerns greenhouse gas emissions reviews and the Local Climate-Energy Plan ("PCET") plan.

Reporting period

Published data cover the period from January 1, 2018 to December 31, 2018. Where physical data are not exhaustive for the period, the contributors made approximate calculations to estimate the value of the missing data from average ratios provided by Groupe BPCE (in the user guides) based on FTEs and/or the area covered. The contributors reviewed the estimates used and sent their comments along with the information provided and approved by the Group.

Comparability

For 2018, Groupe BPCE chose only to report figures for a single year for some indicators, namely those that have undergone a major change in definition since 2017 and some that were newly introduced in 2018.

Controls

The "ESG information quality control framework" covers the organization of controls of ESG information in Groupe BPCE, and describes the main policies in place in this area. It applies to all Groupe BPCE entities in the consolidated scope: the central institution, its direct and indirect subsidiaries, all BPCE affiliates and their subsidiaries.

Each entity is responsible for the accuracy of its CSR data. The same applies to Groupe BPCE's operational divisions.

At Group level, all data collected are verified and subject to a careful review of units and data consistency. Contributors are asked for an explanation where figures appear unjustified.

The third level of control is the Internal Audit, which performs checks on entities' CSR reporting as part of its multi-annual audit plan (from 2017).

If any data published in the management report for the previous year prove inaccurate, a correction is made with an accompanying explanation on the bottom of the same page.

2.6.2 Reporting scope for 2018

Groupe BPCE's long-term objective is to meet the regulatory requirement of producing CSR reporting for the statutory scope of consolidation (the same as used for the publication of the Group's consolidated financial statements). The scope established for 2018 was defined as reasonably as possible under the circumstances. This scope varies depending on the type of indicator. The scope will tend to expand every year, with the aim of covering the entire statutory scope of consolidation.

HUMAN RESOURCES INDICATORS – REPORTING SCOPE

In 2018, the reporting scope reviewed for human resources indicators (excluding training and absenteeism) included the following:

- the Banque Populaire banks;
- the Caisses d'Epargne;
- Banque de Savoie, Banque Dupuy, de Parseval, Banque Marze;
- the Caisses du Crédit Maritime;
- the subsidiaries of Crédit Coopératif;
- SBE, PRIAM;
- the i-BP, IT-CE and BPCE-IT organizations;
- BPCE SA group and Natixis SA.

The human resources reporting scope covers 90% of the Group's headcount in France.

With respect to training and absenteeism data, the scope is limited to the Banque Populaire banks, the Caisses d'Epargne, BPCE SA group, and the IT subsidiaries of Groupe BPCE. It represents 87% of permanent staff (incl. work-study contracts) covered by the human resources data.

ENVIRONMENTAL AND SOCIETAL INDICATORS – REPORTING SCOPE

In 2018, the reporting scope covers 94% of Groupe BPCE's permanent headcount.

It includes the following entities (barring specifically-mentioned exceptions):

- the 14 companies of the Banque Populaire network, composed of the Banque Populaire banks and their subsidiaries in France;
- the 15 companies of the Caisse d'Epargne network and their subsidiaries;
- BPCE, BPCE IT, i-BP, IT-CE, Natixis SA and its subsidiaries in France, Banque Palatine and its subsidiaries in France, Crédit Foncier;
- the subsidiaries of BPCE International are no longer included in the 2018 CSR scope, unlike in 2017.

The methodologies and scopes related to BRED Banque Populaire, Crédit Coopératif, and Natixis are outlined in their respective management reports.

DIFFICULTIES AND LIMITATIONS

It is difficult to analyze and interpret the data owing to the large number of information systems in use within Groupe BPCE. The reporting scopes vary according to the type of data (human resources, environmental, societal or business data).

2.7 Report by one of the Statutory Auditors, appointed as independent third-party, on the consolidated non-financial statement published in the Group management report

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2018

To the Shareholders,

In our capacity as Statutory Auditor of BPCE SA group, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non financial statement for the year ended December 31, 2018 (hereinafter the "Statement"), presented in the Group management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code *(Code de commerce).*

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement was prepared by applying the company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the company's website or on request from its headquarters.

Independence and quality control

Our independence is defined by Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors *(Code de déontologie).* In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, *i.e.* the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on:

- the company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of due diligence, anti-corruption and taxation;
- the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this engagement and with ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information).

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

We familiarized ourselves with the Group's business activity, the report on the main social and environmental risks relating to this activity and the impacts thereof with regard to the respect for human rights and the fight against corruption and tax evasion, together with the subsequent policies and their results.

We assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector.

We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, the respect for human rights and the fight against corruption and tax evasion.

We verified that the Statement presents the business model and the main risks relating to the Group's business activity, including, where relevant and proportionate, the risks generated by its business relations, products or services as well as policies, measures and outcomes, including key performance indicators.

We verified that, when relevant to the main risks or policies presented, the Statement presents the information stipulated in section II of Article R. 225-105.

We assessed the process of selecting and validating the main risks.

We inquired as to the existence of internal control and risk management procedures set up by the company.

We assessed the consistency of the results and key performance indicators used with regard to the main risks and policies presented.

We verified that the Statement covers the consolidated scope, *i.e.* all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement.

We assessed the collection process set up by the entity to ensure the completeness and fairness of the Information.

For the key performance indicators and other quantitative outcomes[1] that in our judgment were of most significance, we carried out:

analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;

substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities[2] and covered between 17.4% and 100.0% of the consolidated data for the key performance indicators and outcomes selected for these tests;

We consulted documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that in our judgment were of most significance[3];

We assessed the overall consistency of the Statement in relation to our knowledge of the company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work engaged the skills of eight people between November 2018 and March 2019.

To assist us in conducting our work, we referred to our Corporate Social Responsibility and sustainable development experts. We conducted around ten interviews with people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that cause us to believe that the non financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

One of the Statutory Auditors,

Deloitte & Associés

Sylvie Bourguignon	**Julien Rivals**
Partner, Audit	Partner, Sustainability Services

(1) Percentage of local suppliers (as a %), Amount and change in loan outstanding for the regional banks (Banques Populaires and Caisses d'Epargne), Turnover rate (%), Number of customers with products for vulnerable customers (number), Percentage of sector lending policies including CSR criteria (as a %), Annual customer NPS (net promoter score) and trends, Number of hours of training per FTE (in hours per FTE), Percentage of women in management roles (as a %), Breakdown of headcount by contract, category and gender, Breakdown of hires by contract, Outstanding loans to finance the energy and ecological transition (in euros), Responsible deposits and savings (in euros) and GHG emissions per employee (teqCO2/FTE)

(2) Natixis SA, Banque Populaire Centre Atlantique, Banque Populaire du Nord

(3) General Data Protection Regulation (GDPR) systems, Solutions applied in terms of customer protection and transparency of the range of products and services, Voting and engagement policy (scope: Mirova/Natixis and ECOFI (Crédit Coopératif)), Impact of the Group's business activity and the use of products and services on climate change, A code of ethics drawn up and distributed to employees, oversight and governance

3 REPORT ON CORPORATE GOVERNANCE

3.1 Introduction

Dear Shareholders,

In addition to the management report and in accordance with Article L. 225-68 of the French Commercial Code, this report by the Supervisory Board contains information on:

- the composition of the Supervisory Board and implementation of the principle of balanced representation of women and men;
- the conditions governing the preparation and organization of the Supervisory Board's work during the year ended December 31, 2018; and
- the principles and rules governing the determination of all types of pay and benefits granted to corporate officers.

This report was reviewed by the Remuneration Committee on February 8, 2019, then approved by the Supervisory Board at its meeting of February 12, 2019.

The external Statutory Auditors will issue a specific report, appended to their report on the annual financial statements, attesting to the provision of other information required by law in the report on corporate governance (Article L. 225-235 of the French Commercial Code).

3.2 Corporate Governance Code

In preparing this report, BPCE referred to the Corporate Governance Code for listed companies published in December 2008 and revised in June 2018 by the *Association française des entreprises privées* (AFEP – French Private Companies Association) and the *Mouvement des entreprises de France* (MEDEF – French Business Confederation), hereinafter referred to as the AFEP-MEDEF Code, including the October 2008 recommendations on executive pay, as set out in Article L. 225-68 of the French Commercial Code.

Only certain provisions were not followed, insofar as they are not deemed to apply to BPCE's operating procedures as the central institution of a cooperative group and its equal ownership by the Banque Populaire and Caisse d'Epargne networks, which is reflected in the composition of its board. These provisions were as follows: terms of office and the proportion of independent directors on the Supervisory Board and its committees.

Regarding terms of office, unlike the maximum four-year term recommended in the AFEP-MEDEF Code, the statutory term of office of BPCE Supervisory Board Members is six years, *i.e.,* the maximum permitted by law. The benefit of a four-year term, as presented by the AFEP-MEDEF Code, is that it gives shareholders sufficiently frequent opportunity to provide an opinion on Board Member performance. However, this is unnecessary for BPCE, as its shareholders are limited to Banque Populaire banks and Caisses d'Epargne, which are already amply represented on the Supervisory Board as voting or non-voting members. Accordingly, a shorter term of office would not substantially change the composition of the Supervisory Board.

Concerning the proportion of independent directors on the board and its committees, BPCE does not follow the recommendation of the AFEP-MEDEF Code, under which independent directors must represent half of the members of the boards of companies that are not under control, as defined by Article L. 233-3 of the French Commercial Code. In fact, this recommendation is not compatible with Article L. 512-106 of the French Monetary and Financial Code, which stipulates that the representatives of cooperative shareholders proposed by the Chairmen of the Steering and Supervisory Boards of the Caisses d'Epargne and the Chairmen of the Boards of Directors of the Banque Populaire banks account for a majority of the Supervisory Board of BPCE. In addition to this legal rule, good governance rules result from Groupe BPCE's unique structure: a balance of power must be maintained, as well as balanced representation of the Banque Populaire and Caisse d'Epargne networks. However, this organizational structure does not compromise the quality of the work and discussions of the board, an objective of the AFEP-MEDEF Code recommendation.

Furthermore, BPCE formally adheres to and implements the AFEP-MEDEF Code recommendations on executive pay.

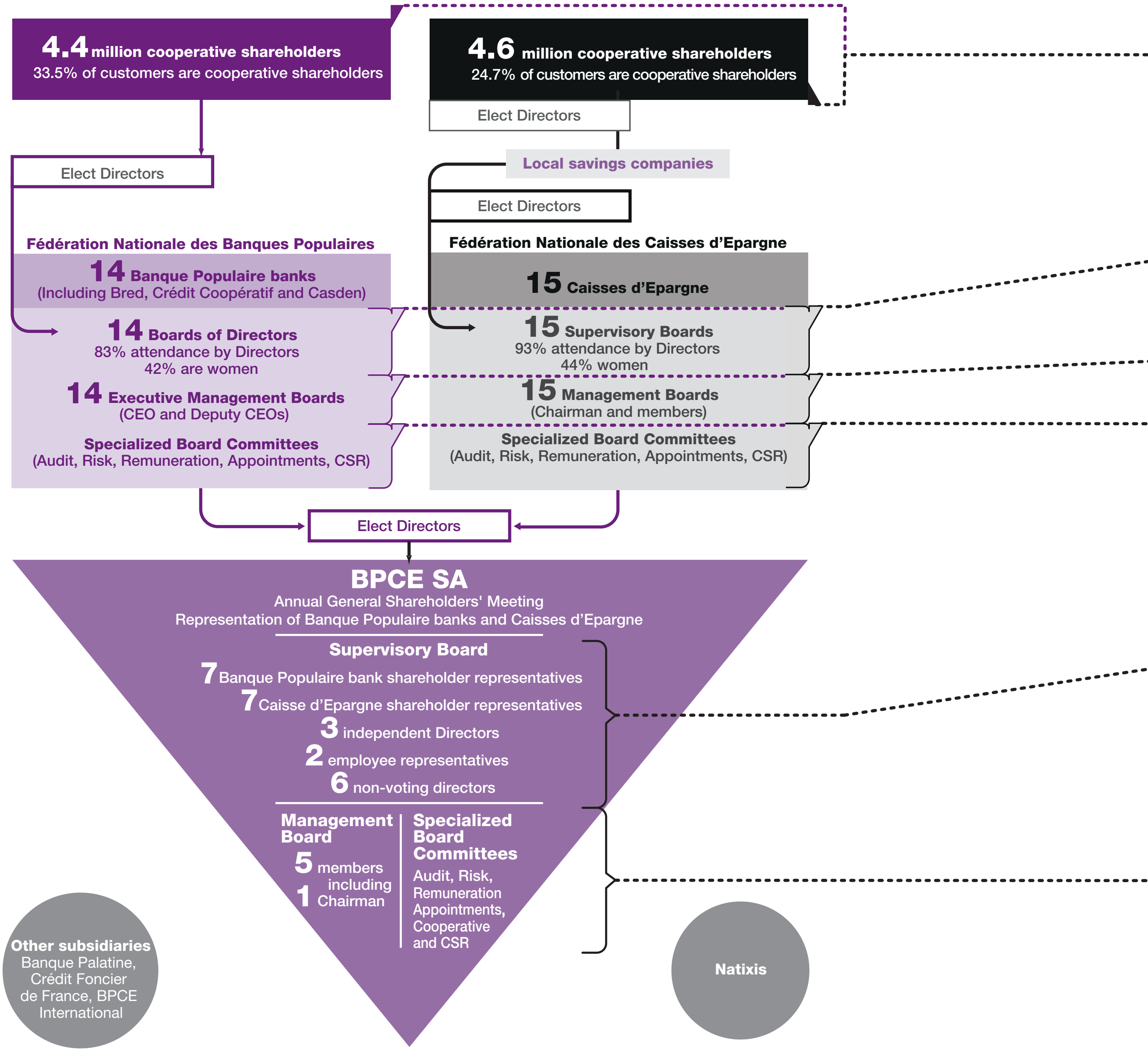
STATEMENT OF COMPLIANCE WITH AFEP-MEDEF CODE RECOMMENDATIONS[(1)]

Responsibilities of the Board of Directors	Recommendations implemented
Board of Directors: governing body	Recommendations implemented
Diversity of governance organizational methods	N/A
Board of Directors and communication with shareholders and markets	Recommendations implemented
Board of Directors and Annual General Shareholders' Meeting	Recommendations implemented
Composition of the Board of Directors: guidelines	Recommendations implemented
Employee and employee shareholder representation	Recommendations implemented
Independent directors	Recommendations partly implemented (not followed regarding proportion of independent directors on the board)
Evaluation of the Board of Directors	Recommendations implemented
Board and Committee Meetings	Recommendations implemented
Directors' access to information	Recommendations implemented
Training for directors	Recommendations implemented
Directors' terms of office	Recommendations partly implemented (not followed regarding the six-year term)
Board Committees: General principles	Recommendations implemented
Audit Committee	Recommendations partly implemented (not followed regarding proportion of independent directors on the committee)
Committee responsible for appointments	Recommendations partly implemented (not followed regarding proportion of independent directors on the committee)
Committee responsible for pay	Recommendations partly implemented (not followed regarding proportion of independent directors on the committee)
Number of terms for company directors and directors	Recommendations implemented
Director ethics and compliance	Recommendations implemented
Director pay	Recommendations implemented
Termination of employment contract for Corporate Office	Recommendations implemented
Shareholding obligation of company directors	N/A
Entering a non-compete agreement with a company director	N/A
Company director pay	Recommendations implemented
Transparency regarding company director pay	Recommendations implemented
Consulting shareholders on individual pay for company directors	Recommendations implemented
Implementation of recommendations	Recommendations implemented

(1) BPCE has implemented the provisions of the AFEP-MEDEF Code, adapting them to its Management Board/Supervisory Board governance model.

3.3 Management and Supervisory Bodies

3.3.1 Groupe BPCE governance structure



Banques Populaires bank figures excluding Bred, Crédit Coop and Casden.

The cooperative shareholders:
- own cooperative shares.

The Boards of Directors of the Banque Populaire banks and Steering and Supervisory Boards of the Caisses d'Epargne:
- represent the cooperative shareholders (via the LSCs for the Caisses d'Epargne);
- ensure that the regions and civil society are adequately represented;
- review the management activities of the Management Boards and Chief Executive Officers.

The Executive Management teams of the Banque Populaire banks and Management Boards of the Caisses d'Epargne:
- attend SSB/Board of Directors meetings, on invitation;
- run the company;
- oversee the budgets.

The Specialized Board Committees:
- make recommendations to the Board and prepare its decisions.

The BPCE SA Supervisory Board:
- approves the policy and strategic guidelines of Groupe BPCE and each of the networks
- verifies and audits the parent company and consolidated financial statements.

The Audit Committee:
- is tasked with monitoring the process for preparing financial information, the statutory audit of the annual and consolidated financial statements by the Statutory Auditors and their independence.

The Risk Committee:
- is tasked with assessing the effectiveness of internal control and risk management systems.

The Appointments Committee:
- makes proposals to the Supervisory Board regarding the choices of Supervisory Board members, non-voting directors and experts from outside the Group, as well as the appointment of the Chairman of the Management Board.

The Remuneration Committee:
- makes proposals to the Board regarding the levels and conditions of pay granted to Management Board members and the Chairman of the Management Board, and the distribution of attendance fees payable to the Board members.

The Cooperative and CSR Committee:
- is in charge of making proposals and recommendations aimed at promoting the cooperative and social values of long-term engagement as well as professional and interpersonal ethics. It also ensures that Group and network activities represent these values, thereby strengthening the cooperative banking model of the Group and each of the networks.

3.3.2 Supervisory Board

The terms of the BPCE Supervisory Board Members were renewed at the Ordinary General Shareholders' Meeting of May 22, 2015 for a period of six years.

In accordance with Article L. 225-79-2 of the French Commercial Code, two employee representative members were appointed on April 28 and 30, 2015 by the two unions that received the most votes in the first round of elections referred to in Articles L. 2122-1 and L. 2122-4 of the French Labor Code, namely Fédération CFDT des banques et assurances and Fédération de la finance et de la banque CFE-CGC.

GUIDELINES

Under Article 21 of the Articles of Association as amended on June 27, 2018, the BPCE Supervisory Board is made up of 10 to 19 members: seven representatives of Category A shareholders (the Caisses d'Epargne et de Prévoyance), seven representatives of Category B shareholders (the Banque Populaire banks), three independent members as defined by the AFEP-MEDEF Code[1] and two members representing employees of BPCE and its direct or indirect subsidiaries that are headquartered in France.

The Supervisory Board includes six Non-Voting Directors acting in an advisory capacity.

Among the Non-Voting Directors, the Chairman of Fédération Nationale des Caisses d'Epargne and the Chairman of Fédération Nationale des Banques Populaires, who cannot be members of the Supervisory Board, are Non-Voting Directors as of right, in accordance with Article 28.1 of BPCE's Articles of Association.

The other four Non-Voting Directors are appointed by the Ordinary General Shareholders' Meeting in accordance with Article 31.9 of BPCE's Articles of Association: two from among the candidates proposed by Category A shareholders and two from among the candidates proposed by Category B shareholders.

The Non-Voting Directors are tasked with ensuring that BPCE fulfills its assigned responsibilities, particularly those set out by law, without interfering in or getting involved with BPCE's management.

In accordance with Article L. 2323-62 of the French Labor Code, the Articles of Association also stipulate the presence of one non-voting representative from the company's Works Council.

The Supervisory Board includes a committee consisting of the Chairman, the Vice-Chairman, a Chairman of the Management Board of a Caisse d'Epargne and a Chief Executive Officer of a Banque Populaire bank. The Supervisory Board Committee serves as a forum for exchange and discussion about important matters before they are presented to the Supervisory Board. It is not a decision-making body.

APPOINTMENT

During the company's life and subject to co-opting, Supervisory Board Members are appointed by the shareholders at the Ordinary General Shareholders' Meeting, as indicated in Article 21 of BPCE's Articles of Association, on a motion by Category A or B shareholders, depending on the category in question.

Independent members are proposed by the Appointments Committee to the Supervisory Board, which asks the Management Board to put their appointment to a vote at the Ordinary General Shareholders' Meeting.

The two members representing employees of BPCE and its subsidiaries are appointed by each of the two unions that received the most votes in the first round of elections referred to in Articles L. 2122-1 and L. 2122-4 of the French Labor Code.

Supervisory Board Members hold office for a term of six years. Their duties end at the close of the Ordinary General Shareholders' Meeting convened to rule on the financial statements for the past fiscal year, held during the year in which their term expires.

The Supervisory Board is partially reappointed every three years, and for the first time since the Annual General Shareholders' Meeting that approved the financial statements for the year ending December 31, 2017.

Solely for the purposes of beginning to stagger Supervisory Board reappointments, the terms of eight members ended early upon the conclusion of the Annual General Shareholders' Meeting that approved the financial statements for the year ending December 31, 2017. That same meeting also appointed the same number of Supervisory Board Members for a period of six years.

The Supervisory Board Members are eligible again under the conditions set out by the Articles of Association, specifically the provisions of Article 21 regarding the completion of a half-term without reaching the mandatory age limit of 70 years. They are automatically deemed to have resigned once they no longer carry out the responsibilities set out in Article 21 of the Articles of Association. Furthermore, no persons may be appointed as members of the Supervisory Board if, from the date of their appointment, they cannot complete at least half of their term before reaching the above-cited age limit.

DIVERSITY POLICY

In accordance with the law and Articles of Association as well as the internal regulations, the Appointments Committee is tasked with making proposals regarding the choice of Group outsiders and Supervisory Board Members suggested to it.

To that end, the Appointments Committee verifies the fitness of Supervisory Board candidates with respect to their integrity, skills, and independence while pursuing a goal of diversity within the Supervisory Board, meaning a situation where the characteristics of the Supervisory Board Members differ to an extent that ensures a variety of viewpoints within the Supervisory Board, given that the cooperative nature of the Group greatly helps to promote diversity.

As such, the Appointments Committee checks the following criteria: education, professional experience, age, balanced geographical representation, representation of different market types, representation of the dominant socio-professional categories of the Group's cooperative shareholder base, and quantitative targets for the representation of the underrepresented gender.

With respect to these criteria, when assessing a candidate for the Supervisory Board, the Appointments Committee strives to maintain or achieve a balance and have a skill set appropriate for the Group's activities and strategic plan, as well as the technical responsibilities assigned to the various Supervisory Board Committees.

(1) A complete description of the shareholder categories is provided in section 7.2.2 "Category A and B shares".

None of these criteria on its own, however, is sufficient to mark the presence or absence of diversity, which is assessed collectively within the Supervisory Board. This is because the Appointments Committee prioritizes the synergy of technical skills, cultural diversity, and diverse experience in order to achieve a set of profiles that enhances the angles of analysis and viewpoints on which the Supervisory Board may rely when conducting its discussions and making its decisions, thereby encouraging good governance.

Finally, the Appointments Committee reports to the Supervisory Board any changes that it recommends making to the composition of the Supervisory Board in order to achieve the goals mentioned in this policy.

GENDER EQUALITY

At December 31, 2018, seven out of the total 19 members of the BPCE Supervisory Board were women (*i.e.* 41.17%). In accordance with Article L. 225-79 of the French Commercial Code, the members representing employees of BPCE and its direct or indirect subsidiaries that are headquartered in France are not included in this calculation. At December 31, 2018, BPCE met the gender representation requirement for members of its Supervisory Board (a minimum of 40% for each gender) and therefore was in compliance with the provisions of Article L. 225-69-1 of the French Commercial Code.

INDEPENDENCE

In keeping with the corporate governance guidelines and best practices set out in the Supervisory Board's internal rules adopted on July 31, 2009 and amended on March 29, 2018, Supervisory Board Members:

- take care to maintain their independence of judgment, decision and action in all circumstances. They avoid being influenced by anything that is contrary to the company's interests, which it is their duty to defend;
- undertake to avoid any conflict that may exist between their moral and material interests and those of the company. They inform the Supervisory Board of any conflict of interest that may affect them. In such cases, they abstain from taking part in any discussions and decisions on the matters concerned.

In addition, the Supervisory Board and each of its committees include elected or co-opted independent members. The definition below is based on the AFEP-MEDEF Code recommendations. However, BPCE does not follow the AFEP-MEDEF Code recommendations concerning the proportion of independent directors on the Supervisory Board and its committees: because of Groupe BPCE's cooperative structure, the proportion of directors representing the Banque Populaire and Caisse d'Epargne networks is larger than the proportion of independent directors as defined in the AFEP-MEDEF Code (three in number).

The criteria stated below are designed to define a member's independent status. The guiding principle is that "members are independent if they have no relations of any sort with the company, its group or its management, which might compromise the free exercise of their judgment."

An independent member must not:

- be an employee or executive corporate officer of the company or Groupe BPCE, or an employee or director of one of the company's shareholders and must not have been so during the previous five years;
- be an executive corporate officer of a company in which the company directly or indirectly holds a directorship or in which a designated employee or an executive corporate officer of the company (either currently or in the last five years) holds a directorship;
- be a customer (or directly or indirectly linked to a customer), supplier, investment banker, or commercial banker, if the business relationship is such that it could compromise the free exercise of the member's judgment;
- have a close family link with an executive or non-executive corporate officer of the company or its group;
- have been an auditor, accountant, or permanent or alternate Statutory Auditor of the company or of any Groupe BPCE companies during the last five years;
- have been a non-executive corporate officer of the company for longer than 12 years; or
- receive or have received any substantial additional pay from the company or Groupe BPCE, excluding attendance fees and including participation in any stock option package or any other performance-based pay package.

The Supervisory Board may find that one or more of its members, although meeting the criteria above, should not be classified as independent given their individual situation or that of the company, with regard to their shareholdings or for any other reason.

Pursuant to Article 3.2 of the internal rules, at its meeting of November 8, 2018, the Appointments Committee reviewed the independent status of Maryse Aulagnon, based on the criteria defined by the Supervisory Board's internal rules. In 2018, the adherence to the defined criteria in order to qualify Kadidja Sinz and Anne-Claude Pont as independent members was examined at the time of their appointment.

MEMBERS

The table below lists the members of the Supervisory Board as at December 31, 2018[(1)].

At its meeting on March 29, 2018, BPCE's Supervisory Board:

- accepted the resignation of Marie-Christine Lombard, member of the Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee, effective at the close of the Supervisory Board's meeting;
- appointed Anne-Claude Pont as member of the Supervisory Board, for the remainder of her predecessor Marie-Christine Lombard's term of office, *i.e.* until the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020.

(1) The biographies of Supervisory Board Members are available in section 3.3.5.

At its meeting on May 17, 2018, BPCE's Supervisory Board:

- appointed Catherine Mallet as member of the Supervisory Board, for the remainder of her predecessor Steve Gentili's term of office, *i.e.* until the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020;
- accepted the resignation of Alain Lacroix as Non-Voting Director on the Supervisory Board, effective March 31, 2018;
- appointed Chairman of the Management Board of CEPAC, Joël Chassard as Non-Voting Director on the Supervisory Board, for the remainder of his predecessor's term of office, *i.e.* until the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020.

Furthermore, in order to begin staggering the reappointments of Supervisory Board Members, the Supervisory Board, at its May 17, 2018 meeting, accepted the resignations of Catherine Amin-Garde, Françoise Lemalle, Didier Patault, Pierre Desvergnes, André Joffre, Yves Gevin, Thierry Cahn, and Maryse Aulagnon as Supervisory Board Members, effective at the adjournment of the Combined General Meeting on May 25, 2018.

Subsequently, the Combined General Meeting of May 25, 2018 appointed:

- on a motion by the Category A shareholders, Catherine Amin-Garde, Françoise Lemalle, and Didier Patault as Supervisory Board Members for a period of six years, expiring at the adjournment of the Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2023;
- on a motion by the Category B shareholders, Thierry Cahn, Pierre Desvergnes, Yves Gevin, and André Joffre as Supervisory Board Members for a period of six years, expiring at the adjournment of the Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2023;
- Maryse Aulagnon as an independent Supervisory Board Member for a period of six years, expiring at the adjournment of the Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2023.

At its meeting on June 19, 2018, BPCE's Supervisory Board:

- accepted the resignation of André Joffre, member of the Supervisory Board, member of the Appointments Committee, and member of the Remuneration Committee, effective at the adjournment of the Supervisory Board's meeting;
- appointed Gérard Bellemon as member of the Supervisory Board, member of the Appointments Committee, and member of the Remuneration Committee, for the remainder of his predecessor's term of office, *i.e.* until the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2023;
- accepted the resignation of Dominique Martinie as non-voting director of BPCE's Supervisory Board, effective June 6, 2018; and then appointed André Joffre as non-voting director of the Supervisory Board for the remainder of his term as Chairman of the Fédération Nationale des Banques Populaires;
- appointed Jean Arondel, Chairman of the Fédération Nationale des Caisses d'Epargne, as Chairman of the Cooperative and CSR Committee for a period of two years *i.e.* until no later than June 30, 2020.

At its meeting on August 2, 2018, BPCE's Supervisory Board:

- accepted the resignation of Marwan Lahoud, independent member of the Supervisory Board, Chairman of the Audit Committee, and member of the Risk Committee, effective at the adjournment of the Supervisory Board Meeting on June 19, 2018;
- appointed Kadidja Sinz as independent member of the Supervisory Board, Chairman of the Audit Committee, and member of the Risk Committee, for the remainder of her predecessor's term of office, *i.e.* until the Annual Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020;
- accepted the resignation of Astrid Boos, member of the Supervisory Board and member of the Appointments and Remuneration Committees, effective June 23, 2018;
- appointed Dominique Goursolle-Nouhaud as member of the Supervisory Board, member of the Appointments Committee, and member of the Remuneration Committee, for the remainder of her predecessor's term of office, *i.e.* until the Annual Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020;
- accepted the resignation of Pierre Desvergnes, member of the Supervisory Board and member of the Appointments and Remuneration Committees, effective June 27, 2018;
- appointed Bernard Dupouy as member of the Supervisory Board, member of the Appointments Committee, and member of the Remuneration Committee, for the remainder of his predecessor's term of office, *i.e.* until the Annual Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2023.

At its meeting on December 20, 2018, BPCE's Supervisory Board:

- accepted the resignation of Stéphanie Paix, member of the Supervisory Board, effective November 12, 2018;
- appointed Alain Denizot as member of the Supervisory Board, for the remainder of his predecessor Stéphanie Paix's term of office, *i.e.* until the Annual Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020;
- accepted the resignation of Alain Condaminas, member of the Supervisory Board, effective December 31, 2018;
- appointed Olivier Klein as member of the Supervisory Board effective January 1, 2019, for the remainder of his predecessor Alain Condaminas' term of office, *i.e.* until the Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020;
- accepted the resignation of Dominique Garnier, Non-Voting Director on the Supervisory Board, effective November 30, 2018;
- appointed Sylvie Garcelon as Non-Voting Director on the Supervisory Board, for the remainder of her predecessor Dominique Garnier's term of office, *i.e.* until the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020.

At December 31, 2018

SB: Supervisory Board

BD: Board of Directors

SSB: Steering and Supervisory Board

Office	Date of appointment/ renewal	Term of office ends in	Business address
Chairman of the Supervisory Board	**05/19/2017**	**2019**	
Michel Grass Chairman of the BD of Banque Populaire Bourgogne Franche-Comté	05/22/2015	2021	Banque Populaire Bourgogne Franche-Comté 5, avenue de Bourgogne – BP 63 21802 Quetigny Cedex
Vice-Chairman of the Supervisory Board	**05/19/2017**	**2019**	
Nicolas Plantrou Chairman of the SSB of Caisse d'Epargne Normandie	05/22/2015	2021	Caisse d'Epargne Normandie 151, rue d'Uelzen – 76230 Bois-Guillaume
Banque Populaire bank representatives			
Gérard Bellemon Chairman of the BD of Banque Populaire Val de France	06/19/2018	2024	Banque Populaire Val de France 9, avenue Newton - 78180 Montigny le Bretonneux
Thierry Cahn Chairman of the BD of Banque Populaire Alsace Lorraine Champagne	05/22/2015 renewed on 05/25/2018	2024	Banque Populaire Alsace Lorraine Champagne 3, rue François-de-Curel – 57000 Metz
Alain Condaminas Chief Executive Officer of Banque Populaire Occitane	12/16/2015	2021	Banque Populaire Occitane 33-43, avenue Georges-Pompidou – 31130 Balma
Bernard Dupouy Chairman of the BD of Banque Populaire Aquitaine Centre Atlantique	08/02/2018	2024	Banque Populaire Aquitaine Centre Atlantique 10, quai des Queyries - 33100 Bordeaux
Yves Gevin Chief Executive Officer of Banque Populaire Rives de Paris	05/22/2015 renewed on 05/25/2018	2024	Banque Populaire Rives de Paris Immeuble Sirius – 76-78, avenue de France - 75204 Paris Cedex 13
Catherine Mallet Chairman of the BD of Banque Populaire Occitane	05/17/2018	2020	Banque Populaire Occitane 33-43, avenue Georges-Pompidou – 31130 Balma
Caisse d'Epargne representatives			
Catherine Amin-Garde Chairman of the SSB of Caisse d'Epargne Loire Drôme Ardèche	05/22/2015 renewed on 05/25/2018	2024	Caisse d'Epargne Loire Drôme Ardèche Espace Fauriel – 17, rue P-et-D-Pontchardier – BP 147 – 42012 Saint-Étienne Cedex 02
Dominique Goursolle-Nouhaud Chairman of the SSB of Caisse d'Epargne Aquitaine Poitou-Charentes	08/02/2018	2021	Caisse d'Epargne Aquitaine Poitou-Charentes 1, parvis Corto-Maltese - 33000 Bordeaux
Françoise Lemalle Chairman of the SSB of Caisse d'Epargne Côte d'Azur	05/22/2015 renewed on 05/25/2018	2024	Caisse d'Epargne Côte d'Azur 455, promenade des Anglais - BP 3297 - 06205 Nice Cedex 03
Alain Denizot Chairman of the Management Board of Caisse d'Epargne Rhône Alpes	12/20/2018	2021	Caisse d'Epargne Rhône Alpes 42, boulevard Eugène-Deruelle - BP 3276, 69494 Lyon Cedex
Didier Patault Chairman of the Management Board of Caisse d'Epargne Ile-de-France	05/22/2015 renewed on 05/25/2018	2024	Caisse d'Epargne Ile-de-France 26, 28, rue Neuve-Tolbiac – 75013 Paris
Pierre Valentin Chairman of the SSB of Caisse d'Epargne Languedoc-Roussillon	05/22/2015	2021	Caisse d'Epargne Languedoc-Roussillon 254, rue Michel-Teule – BP 7330 – 34184 Montpellier Cedex 4
Independent members			
Maryse Aulagnon Chairman of the BD of Affine Group	05/22/2015 renewed on 05/25/2018	2024	Affine 39, rue de Washington – 75008 Paris
Kadidja Sinz Head of Europe - Liberty Specialty Markets	08/02/2018	2021	Liberty Speciality Market 29, rue de Berri - 75008 PARIS
Anne-Claude Pont Chairman and Co-Founder of Wilov	03/29/2018	2021	Wilov 15, rue Linné - 75005 Paris
Members representing employees of BPCE and its subsidiaries			
Vincent Gontier Fédération CFDT des Banques et Assurances	04/28/2015	2021	Natixis 47, quai d'Austerlitz – 75013 Paris
Frédéric Hassaine Fédération de la Finance et de la Banque CFE-CGC	04/30/2015	2021	Natixis 68-76, quai de la Rapée – 75012 Paris
Non-Voting Directors			
Jean Arondel(1) Chairman of Fédération Nationale des Caisses d'Epargne	05/06/2015	2021	Fédération Nationale des Caisses d'Epargne 5, rue Masseran – 75007 Paris
André Joffre(1) Chairman of Fédération Nationale des Banques Populaires	06/19/2018	2021	Fédération Nationale des Banques Populaires 76, avenue de France – 75013 Paris
Pierre Carli Chairman of the Management Board of Caisse d'Epargne de Midi-Pyrénées	05/22/2015	2021	Caisse d'Epargne de Midi-Pyrénées 10, avenue Maxwell – BP 22306 – 31023 Toulouse Cedex 1
Daniel Karyotis Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes	11/08/2016	2021	Banque Populaire Auvergne Rhône Alpes 4, boulevard Eugène-Deruelle – 69003 Lyon
Joël Chassard Chairman of the Management Board of Caisse d'Epargne Provence Alpes Corse	05/17/2018	2021	Caisse d'Epargne Provence Alpes Corse Place Estrangin Pastré - BP 108 - 13254 Marseille cedex 06
Sylvie Garcelon Chief Executive Officer of CASDEN Banque Populaire	12/20/2018	2021	CASDEN Banque Populaire 7 rue Nelson Mandela - 77420 Champs-sur-Marne

(1) *Non-Voting Director as of right*

COMPOSITION OF BOARD COMMITTEES (AT DECEMBER 31, 2018)

Audit Committee

Since August 2, 2018, the Audit Committee has been chaired by Kadidja Sinz, independent member, Europe Director of Liberty Speciality Market.

The committee's other members were chosen for their expertise in accounting, finance and internal control:

- Thierry Cahn, Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Ile-de-France;
- Anne-Claude Pont, independent member, Chairman and co-founder of Wilov;
- Pierre Valentin, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon.

The Chairman and Vice-Chairman of the Supervisory Board are permanent guests of the Audit Committee.

The heads of Group Inspection Générale, Risk Management, Compliance and Permanent Control are invited to the meetings of the Audit Committee as non-voting participants.

The biographies of Audit Committee members are available in section 3.3.5.

Risk Committee

Since March 29, 2018, the Risk Committee has been chaired by Anne-Claude Pont, independent member, Chairman, and co-founder of Wilov.

The other members of the committee were chosen for their knowledge, skills and expertise in corporate strategy and risk management:

- Alain Condaminas, Chief Executive Officer of Banque Populaire Occitane;
- Alain Denizot, Chairman of the Management Board of Caisse d'Epargne Rhône Alpes;
- Françoise Lemalle, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur;
- Kadidja Sinz, independent member, Head of Europe - Liberty Specialty Markets.

The Chairman and Vice-Chairman of the Supervisory Board are permanent guests of the Risk Committee.

The heads of Group Inspection Générale, Risk Management, Compliance and Permanent Control are invited to the meetings of the Risk Committee as non-voting participants.

The biographies of Risk Committee members are available in section 3.3.5.

Appointments Committee

The Appointments Committee has been chaired by Maryse Aulagnon, independent Board Member and Chairman of the Board of Directors of Affine, since May 22, 2015.

The other members of the Appointments Committee were selected on the basis of their expertise and professional experience:

- Catherine Amin-Garde, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche;
- Gérard Bellemon, Chairman of the Board of Directors of Banque Populaire Val de France;
- Bernard Dupouy, Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Dominique Goursolle-Nouhaud, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Ile-de-France.

The Chairman and Vice-Chairman of the Supervisory Board are permanent guests of the Appointments Committee.

When invited by the Chairman of the Appointments Committee, the Head of the Group Human Resources function attends meetings of the Appointments Committee as a non-voting participant.

The biographies of Appointments Committee members are available in section 3.3.5.

Remuneration Committee

The Remuneration Committee has been chaired by Maryse Aulagnon, independent Board Member and Chairman of the Board of Directors of Affine, since May 22, 2015.

The other members of the Remuneration Committee were selected on the basis of their expertise and professional experience:

- Catherine Amin-Garde, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche;
- Gérard Bellemon, Chairman of the Board of Directors of Banque Populaire Val de France;
- Bernard Dupouy, Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Vincent Gontier, employee representative;
- Dominique Goursolle-Nouhaud, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Ile-de-France.

The Chairman and Vice-Chairman of the Supervisory Board are permanent guests of the Remuneration Committee.

When invited by the Chairman of the Appointments Committee, the Head of the Group Human Resources function attends meetings of the Appointments Committee as a non-voting participant.

The biographies of Remuneration Committee members are available in section 3.3.5.

Cooperative and CSR Committee

Since June 19, 2018, the Cooperative and CSR Committee has been chaired by Jean Arondel, Non-Voting Director as of right, Chairman of the Fédération Nationale des Caisses d'Epargne.

The other members of the Cooperative and CSR Committee were selected on the basis of their expertise and professional experience:

- Michel Grass, Chairman of the Supervisory Board of BPCE and Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté;
- André Joffre, Non-Voting Director as of right, Chairman of the Fédération Nationale des Banques Populaires;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Ile-de-France;
- Nicolas Plantrou, Vice-Chairman of the Supervisory Board of BPCE and Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie.

The biographies of Cooperative and CSR Committee members are available in section 3.3.5.

3.3.3 Management Board

GUIDELINES

The Management Board consists of between two and five individuals, who may or may not be selected from among the shareholders.

The age limit for serving on the Management Board is 65. When members reach the age limit, they are deemed to have resigned as of the date of the next meeting of the Supervisory Board, which decides on a replacement.

The Supervisory Board appoints the Chairman of the Management Board, who then provides it with recommendations on the other members to be appointed to the Management Board.

MEMBERS

Management Board Members from January 1, 2018 to May 31, 2018

François Pérol, Chairman of the Management Board
François Riahi, Member of the Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies of BPCE
Catherine Halberstadt, Member of the Management Board in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE
Laurent Roubin, Member of the Management Board in charge of Retail Banking and Insurance
Laurent Mignon, Member of the Management Board, Chief Executive Officer of Natixis

At its meeting on April 26, 2018, the Supervisory Board:

- accepted the resignation of François Pérol as Chairman of the Management Board, effective June 1, 2018;
- decided to appoint Laurent Mignon, BPCE Management Board Member and Chief Executive Officer of Natixis, as Chairman of the Management Board of BPCE, effective June 1, 2018, for the remainder of his term as Management Board Member.

At its meeting on May 17, 2018, BPCE's Supervisory Board:

- accepted the appointment made by the Natixis Board of Directors on April 27, 2018 of François Riahi to the Natixis Executive Management Committee, effective June 1, 2018, replacing Laurent Mignon;
- acknowledged that, effective June 1, 2018, François Riahi would no longer be in charge of Group Finance, Strategy, Legal Affairs, and the Corporate Secretary's Office of the Supervisory Board, but would remain a BPCE Management Board Member as Chief Executive Officer of Natixis based on a scope of responsibilities identical to that of his predecessor;
- appointed for a period expiring at the adjournment of the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2019, Nicolas Namias, Management Board Member in charge of Group Finance, Strategy, Legal Affairs, and Secretary's Office of the Governing Bodies, effective June 1, 2018.

Management Board Members from June 1, 2018 to October 31, 2018

Laurent Mignon, Chairman of the Management Board
Nicolas Namias, member of the Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies of BPCE
Catherine Halberstadt, member of the Management Board in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE
Laurent Roubin, member of the Management Board in charge of Retail Banking and Insurance
François Riahi, member of the Management Board, Chief Executive Officer of Natixis

At its meeting on October 4, 2018, BPCE's Supervisory Board:

- accepted the resignation, effective November 1, 2018, of all Management Board Members, namely Laurent Mignon, Nicolas Namias, Catherine Halberstadt, Laurent Roubin, and François Riahi;
- appointed, effective November 1, 2018 and for a term of four years expiring at the adjournment of the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2022:
  - Laurent Mignon as member and Chairman of the Management Board,
  - Christine Fabresse, member of the Management Board - Head of Retail Banking and Insurance,
  - Catherine Halberstadt, member of the Management Board - Head of Human Resources,
  - Nicolas Namias, member of the Management Board - Chief Financial Officer,
  - François Riahi, member of the Management Board, Chief Executive Officer of Natixis.

Management Board Members since November 1, 2018

Laurent Mignon, Chairman of the Management Board
Catherine Fabresse, member of the Management Board - Head of Retail Banking and Insurance
Catherine Halberstadt, member of the Management Board - Head of Human Resources
Nicolas Namias, member of the Management Board - Chief Financial Officer
François Riahi, member of the Management Board - Chief Executive Officer of Natixis

3.3.4 Executive Management Committee – BPCE governing body

EXECUTIVE MANAGEMENT COMMITTEE MEMBERS (AS OF JANUARY 1, 2019)

Laurent Mignon, Chairman of the Management Board

Christine Fabresse, Member of the Management Board - Head of Retail Banking and Insurance

Catherine Halberstad, Member of the Management Board - Head of Human Resources

Nicolas Namias, Member of the Management Board - Chief Financial Officer

François Riahi, Member of the Management Board - Chief Executive Officer of Natixis

Laurent Bénatar, Chief Information Officer

Jacques Beyssade, Secretary General

Géraud Brac de La Perrière, Chief Risk Officer

Jean-Yves Forel, Head of Retail Banking Europe and Paris 2024 Project

Dominique Garnier, Deputy Chief Executive Officer, Head of SEF : Solutions and Financial Expertise

Yves Tyrode, Chief Digital Officer

Furthermore, Stéphanie Paix, who reports directly to Laurent Mignon, is Deputy Chief Executive Officer in charge of the Inspection Générale division.

GENDER EQUALITY

At January 1, 2019, two out of the total five members of the Management Board were women (*i.e.* 40%), which meets the minimum legal requirement stipulated in the French Commercial Code for members of the Supervisory Board.

Pursuant to the new provisions of the AFEP-MEDEF Code that was amended in June 2018, the Supervisory Board will draw up a diversity policy including gender equality targets that will be applied to all governing bodies.

At January 1, 2019, 36 out of the 151 top 10% of senior management positions were held by women (23.84%).

3.3.5 Directorships and offices held by corporate officers

SUPERVISORY BOARD

For the Banque Populaire network

Michel GRASS
Born 11/12/1957

Michel Grass holds a Master's Degree in Management from Université de Paris 1. He began his career in 1983 as a Clinic Director in the healthcare sector in Sens. From 1987 to 2010, he created and ran a small regional group of private clinics. In 2000, he became a Director at Banque Populaire de Bourgogne and has served as a commercial court judge since 2009.

Mr. Grass has been the Chairman of Banque Populaire Bourgogne Franche-Comté since 2010.

Since May 19, 2017, Michel Grass has been the Chairman of the Supervisory Board of BPCE.

Offices held at December 31, 2018

Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE
Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Chairman of the Supervisory Board (since May 19, 2017) and member of the **Cooperative and CSR Committee of BPCE** (since June 21, 2017) **Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté** **Director:** Natixis* (until May 24, 2017), SA HLM Brennus Habitat** (until June 26, 2017) **Member of the Risk Committee of BPCE (until June 21, 2017)** **Director: Natixis* (until May 24, 2017)**	**Member of the Supervisory Board and the Risk Committee of BPCE** **Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté** **Director:** Natixis*, Natixis Global Asset Management (until September 13, 2016), Banque Palatine (until September 12, 2016), SA HLM Brennus Habitat**	**Member of the Supervisory Board and the Risk Committee of BPCE** **Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté** **Director:** Natixis*, Natixis Global Asset Management, Banque Palatine, SA HLM Brennus Habitat **(since August 5, 2015) **Deputy Mayor** of the City of Sens **Vice-Chairman: FNBP**, Communauté de Communes du Sénonais **Associate Member:** Yonne Chamber of Commerce and Industry	**Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté** **Vice-Chairman:** FNBP, Communauté de Communes du Sénonais **Director:** Natixis*, Natixis Global Asset Management, Banque Palatine **Deputy Mayor** of the City of Sens **Associate Member:** Yonne Chamber of Commerce and Industry **Commercial Court Judge**, Sens **Secretary:** Conference of Banque Populaire Chairmen

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Gérard BELLEMON (since June 19, 2018)
Born 10/01/1954

Age 64, a graduate of the École de Commerce IDRAC, Gérard Bellemon is Chairman of the Board of Directors of Banque Populaire Val de France. He is also Chairman of the SAS Suard Bellemon.

He holds directorships at BPCE VIE and Natixis Investments Managers.

Offices held at December 31, 2018

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE (since June 19, 2018)

Chairman of the Board of Directors: Banque Populaire Val de France,

Director: BPCE Vie, Natixis Assurances, Natixis Investments Managers

Chairman: SAS SOGEBEST, SAS Suard Bellemon

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017
Chairman of the Board of Directors: Banque Populaire Val de France
Director and member of the Audit Committee (since March 28, 2017): BPCE Vie
Director: Natixis Investments Managers, Natixis Assurances (until March 23, 2017)
Chairman: SAS Suard Bellemon, SAS SOGEBEST

2016
Chairman of the Board of Directors: Banque Populaire Val de France
Director: Natixis Investments Managers (since October 20, 2016), Natixis Assurances, Fondation d'Entreprise Banque Populaire (until June 14, 2016)
Chairman: SAS Suard Bellemon, SAS SOGEBEST

2015
Chairman of the Board of Directors: Banque Populaire Val de France
Member of the Supervisory Board: BPCE (until May 22, 2015)
Director: Natixis Assurances
Chairman: SAS Suard Bellemon, SAS SOGEBEST

2014
Chairman of the Board of Directors: Banque Populaire Val de France
Member of the Supervisory Board: BPCE
Chairman: SAS Suard Bellemon, SAS SOGEBEST
Director: Natixis Assurances

Thierry CAHN
Born 09/25/1956

Since 2008, Mr. Cahn has been a member of the Board of Directors of Banque Fédérale des Banques Populaires, Groupe Banque Populaire's central institution, a member of the Board of Directors of Banques Populaires Participations from July 2009 to August 2010 and a member of the BPCE Supervisory Board since July 2009. He is an attorney at the Colmar Court of Appeals and Honorary Chairman of the Confédération Nationale des Avocats (CNA – French National Federation of Attorneys) and a former Chairman of the Bar. He has been a member of the Board of Directors of Natixis since January 2013 and, since 2003, Chairman of the Board of Directors of Banque Populaire d'Alsace, which has since become Banque Populaire Alsace Lorraine Champagne (as of November 27, 2014).

Offices held at December 31, 2018

Member of the Supervisory Board and the Audit Committee: BPCE

Chairman of the Board of Directors: Banque Populaire Alsace Lorraine Champagne

Member of the Board of Directors: Natixis*

Member of the Supervisory Board: Banque BCP Luxembourg (since July 3, 2018).

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017
Member of the Supervisory Board and the Audit Committee: BPCE
Chairman of the Board of Directors: Banque Populaire Alsace Lorraine Champagne
Member of the Board of Directors: Natixis* (since February 9, 2017)

2016
Member of the Supervisory Board and the Audit Committee of BPCE
Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne
Member of the Board of Directors: Natixis*

2015
Member of the Supervisory Board and the Audit Committee of BPCE
Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne
Member of the Board of Directors: Natixis*

2014
Member of the Supervisory Board and Audit and Risk Committee of BPCE
Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne
Member of the Board of Directors: Natixis*

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Alain CONDAMINAS
Born 04/06/1957

Alain Condaminas has a Master's Degree in Economics and a postgraduate degree in Finance and Banking Techniques. He joined Groupe Banque Populaire in 1984. In 1992, he joined Banque Populaire Toulouse-Pyrénées as Head of Origination supervising the Human Resources division and then Chief Operations Officer. In 2001, Alain Condaminas became Chief Executive Officer of Banque Populaire Quercy-Agenais. In 2003, he oversaw a merger with Banque Populaire du Tarn et de l'Aveyron, then a second merger in 2006 with Banque Populaire Toulouse-Pyrénées to create today's Banque Populaire Occitane. He is currently Chief Executive Officer of Banque Populaire Occitane.

Offices held at December 31, 2018

Member of the Supervisory Board and the Risk Committee of BPCE

Chief Executive Officer of Banque Populaire Occitane

Director: Natixis*, Ostrum Asset Management (formerly Natixis Asset Management), Caisse Autonome des Retraites des Banques Populaires (CAR-BP), Institution de Prévoyance des Banques Populaires (IPBP)

Chairman: Fondation d'Entreprise BP Occitane

Permanent Representative of Banque Populaire Occitane, Director: i-BP, BP Développement (since June 19, 2018), IRDI**

Permanent Representative of Banque Populaire Occitane, member of the Supervisory Board: IRDI GESTION**, SOTEL**

Permanent Representative of Banque Populaire Occitane, member of the Investment Committee: Multicroissance

Terms of office expired in 2018

Permanent Representative of Banque Populaire Occitane, Legal Manager: SNC Immocarso (until October 29, 2018)

Offices held at December 31 in previous years

2017

Member of the Supervisory Board and the Risk Committee of BPCE
Chief Executive Officer of Banque Populaire Occitane
Director: Natixis*, Natixis Asset Management, Caisse Autonome des Retraites des Banques Populaires (CAR-BP), Institution de Prévoyance des Banques Populaires (IPBP)
Chairman: Fondation d'Entreprise BP Occitane
Permanent Representative of Banque Populaire Occitane, Director: i-BP, IRDI**
Permanent Representative of Banque Populaire Occitane, member of the Supervisory Board: IRDI GESTION**, SOTEL**
Permanent Representative of Banque Populaire Occitane, member of the Investment Committee: Multicroissance
Permanent Representative of Banque Populaire Occitane, Legal Manager: SNC Immocarso

2016

Member of the Supervisory Board and the Risk Committee of BPCE
Chief Executive Officer of Banque Populaire Occitane
Director: Natixis*, Natixis Asset Management, Caisse Autonome des Retraites des Banques Populaires (CAR-BP) (since June 3, 2016), Institution de Prévoyance des Banques Populaires (IPBP) (since June 3, 2016)
Chairman: Fondation d'Entreprise BP Occitane
Permanent Representative of Banque Populaire Occitane, Director: i-BP, IRDI**, IRDI GESTION**, SOTEL**
Permanent Representative of Banque Populaire Occitane, member of the Investment Committee: Multicroissance
Permanent Representative of Banque Populaire Occitane, Legal Manager: SNC Immocarso

2015

Member of the Supervisory Board and the Risk Committee of BPCE
Chief Executive Officer of Banque Populaire Occitane
Director: Natixis*, Natixis Asset Management
Chairman: Fondation d'Entreprise BP Occitane
Permanent Representative of Banque Populaire Occitane, Director: i-BP, IRDI**, IRDI GESTION**, SOTEL**
Permanent Representative of Banque Populaire Occitane, member of the Investment Committee: Multicroissance
Permanent Representative of Banque Populaire Occitane, Legal Manager: SNC Immocarso
Legal Manager: SCI de l'Hers

2014

Member of the Supervisory Board of BPCE
Chief Executive Officer of Banque Populaire Occitane
Director: Natixis*, Natixis Asset Management
Chairman: Fondation d'Entreprise BP Occitane
Permanent Representative of Banque Populaire Occitane, Director: i-BP, IRDI**, SOTEL**
Permanent Representative of Banque Populaire Occitane, member of the Investment Committee: Multicroissance
Permanent Representative of Banque Populaire Occitane, Legal Manager: SNC Immocarso

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FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Pierre DESVERGNES (until June 27, 2018)
Born 11/23/1950

After studying literature at university, Mr. Desvergnes was appointed as an administrator at the high school in Dammarie-les-Lys (Seine-et-Marne) in 1975. He became an administrative advisor for secondary and higher education in 1982 and was appointed as an accounting officer at Lycée Henri-Moissan high school in Meaux. He was appointed special advisor to Michel Gelly in 1990 and subsequently Vice-Chairman under Christian Hébrard. He was Chairman and Chief Executive Officer and subsequently Chairman of CASDEN Banque Populaire from 2002 to 2018. Currently, he is Honorary Chairman of the Board of Directors of CASDEN Banque Populaire.

He was Vice-Chairman of ESPER until September 2018 and served as a Director of Banque Fédérale des Banques Populaires, Groupe Banque Populaire's central institution, from 2004 to 2009 and of Banques Populaires Participations from 2009 to 2010.

Offices held at December 31, 2018

Honorary Chairman and member of the Board of Directors: CASDEN Banque Populaire
Director: Crédit Foncier, Parnasse MAIF SA, Arts et Vie Association**

Terms of office expired in 2018

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE (until June 27, 2018)
Permanent Representative of CASDEN Banque Populaire, Chairman: SAS Finance **(until September 10, 2018)**
Legal Manager: Inter Promo (until July 5, 2018)

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE **Chairman of the Board of Directors:** CASDEN Banque Populaire, Parnasse Finance (until October 3, 2017) **Director:** Crédit Foncier, Parnasse MAIF SA, Arts et Vie Association**, Bureau de Management Financier (BMF) (until October 20, 2017) **Permanent Representative of CASDEN Banque Populaire, Chairman:** SAS Finance **Legal Manager:** Inter Promo	**Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** **Chairman of the Board of Directors**: CASDEN Banque Populaire, Parnasse Finance **Director:** Crédit Foncier, Bureau de Management Financier (BMF), Parnasse MAIF SA, Arts et Vie Association** **Permanent Representative of CASDEN Banque Populaire, Chairman**: SAS Finance **Legal Manager:** Inter Promo	**Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee** of BPCE **Chairman of the Board of Directors**: CASDEN Banque Populaire (since May 27, 2015) **Chairman of the Board of Directors:** Parnasse Finance **Director:** Crédit Foncier, Bureau de Management Financier (BMF) (formerly Banque Monétaire Financière), Parnasse MAIF SA, Union Mutualiste Retraite (UMR)**, Arts et Vie Association** **Permanent Representative of CASDEN Banque Populaire, Chairman:** SAS Finance **Permanent Representative of CASDEN Banque Populaire, Director**: Parnasse Services Legal Manager: Inter Promo	**Member of the Supervisory Board and the Appointments and Remuneration Committee of BPCE** **Chairman and Chief Executive Officer: CASDEN Banque Populaire** **Chairman of the Board of Directors:** Parnasse Finance **Director:** Crédit Foncier, Banque Monétaire Financière, Parnasse MAIF SA, Union Mutualiste Retraite (UMR)**, Arts et Vie Association** **Permanent Representative of CASDEN Banque Populaire, Chairman:** SAS Finance **Permanent Representative of CASDEN Banque Populaire, Director:** Parnasse Services **Legal Manager:** Inter Promo

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Bernard DUPOUY (since August 2, 2018)
Born 09/19/1955

A graduate of the École Supérieure de Commerce et d'Administration et des Entreprises de Bordeaux, Bernard Dupouy joined the Board of Directors of Banque Populaire du Sud-Ouest (BPSO) in 1996 as a director. He was appointed Secretary in 2006, then Vice-Chairman in 2009. In November 2011, BPSO became Banque Populaire Aquitaine Centre Atlantique (BPACA). At that time, Bernard Dupouy became Deputy Vice-Chairman, then Chairman of the Board of Directors in January 2015.

He also chaired the Board of Directors of Crédit Commercial du Sud-Ouest, a subsidiary of BPSO, from 2008 to 2011. From 2011 to 2015, he was Chairman of its Audit and Risk Committee, as well as a director.

A director of Crédit Maritime Mutuel du Littoral Sud-Ouest from 2012 to 2015, Bernard Dupouy then became permanent representative of BPACA, director of Crédit Maritime, and Chairman, since 2012, of the Audit, Risk, and Accounts Committee until June 4, 2018, when that entity was merged into BPACA.

A well-respected businessman in Aquitaine, Bernard Dupouy is the head of DUPOUY SA, a company involved in overseas territories exports and distribution. He is also a director of the Congrès et Expositions de Bordeaux and of the Union Maritime du Port de Bordeaux.

Offices held at December 31, 2018

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee: BPCE (since August 2, 2018)

Chairman and Chief Executive Officer: DUPOUY SA Group**, DUPOUY SBCC Establishments**

Chairman of the Board of Directors: Banque Populaire Aquitaine Centre Atlantique

Vice-Chairman of the Board of Directors: Fédération Nationale des Banques Populaires

Director: Natixis*, FNBP endowment fund, Congrès et Expositions de Bordeaux, Union Maritime du Port de Bordeaux

Permanent Representative of BPACA, Director: Société Centrale des Caisses de Crédit Maritime Mutuel (since June 5, 2018), Fondation Bordeaux Université, Bordeaux Grands Evènements (secretary)

Legal Manager: SCI Badimmo**

Terms of office expired in 2018

Chairman of the Board of Directors: Madikera Management 2M (until December 14, 2018)

Director: BPCE Vie, Natixis Interépargne (until August 2018)

Permanent Representative of BPACA, Director: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest (until June 2018)

Offices held at December 31 in previous years

2017

Chairman and Chief Executive Officer: DUPOUY SA Group**, DUPOUY SBCC Establishments**
Chairman of the Board of Directors: Banque Populaire Aquitaine Centre Atlantique, Madikera Management 2M
Vice-Chairman: Congrès et Expositions de Bordeaux
Director: Natixis, BPCE Vie, Natixis Interépargne, Fédération Nationale des Banques Populaires, FNBP endowment fund, Union Maritime du Port de Bordeaux
Permanent Representative of BPACA, Director: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest, Fondation Bordeaux Université, Bordeaux Grands Evènements (secretary)
Legal Manager: SCI Badimmo**

2016

Chairman and Chief Executive Officer: DUPOUY SA Group**, DUPOUY SBCC Establishments**
Chairman of the Board of Directors: Banque Populaire Aquitaine Centre Atlantique, Madikera Management 2M
Vice-Chairman: Congrès et Expositions de Bordeaux
Director: Natixis Interépargne, Fédération Nationale des Banques Populaires, FNBP endowment fund, Union Maritime du Port de Bordeaux
Permanent Representative of BPACA, Director: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest, Bordeaux Grands Evènements (secretary)
Legal Manager: SCI Badimmo**

2015

Chairman and Chief Executive Officer: DUPOUY SA Group**, DUPOUY SBCC Establishments**
Chairman of the Board of Directors: Banque Populaire Aquitaine Centre Atlantique
Vice-Chairman: Congrès et Expositions de Bordeaux
Director: Fédération Nationale des Banques Populaires, FNBP endowment fund, Union Maritime du Port de Bordeaux
Permanent Representative of BPACA, Director: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest, Bordeaux Grands Evènements (secretary)
Legal Manager: SCI Badimmo**
Elected member of the CCI of Bordeaux

2014

Chairman and Chief Executive Officer: DUPOUY SA Group**, DUPOUY SBCC Establishments**
Deputy Vice-Chairman of the Board of Directors: Banque Populaire Aquitaine Centre Atlantique
Vice-Chairman: Congrès et Expositions de Bordeaux
Director: Crédit Commercial du Sud-Ouest, Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest, Union Maritime du Port de Bordeaux
Permanent Representative of BPACA, Director: Bordeaux Grands Evènements (secretary)
Elected member of the CCI of Bordeaux
Legal Manager: SCI Badimmo**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Yves GEVIN
Born 09/02/1958

Mr. Gevin earned an engineering degree from the Institut National des Sciences Appliquées (INSA) of Lyon in 1981. He also holds an MBA from EM Lyon Business School (CESMA), awarded in 1982. He joined Groupe Banque Populaire in 1987. He joined Banque Populaire Franche-Comté, Maçonnais et Ain, where he served as Head of Organization and Information Technology and, beginning in 1995, Deputy Chief Executive Officer. In 1998, Mr. Gevin was appointed Chief Executive Officer of Banque Populaire Anjou Vendée. In 2002, he led the merger of Banque Populaire Anjou Vendée and Banque Populaire Bretagne Atlantique, which became Banque Populaire Atlantique. In 2008, he was appointed Chairman of the Management Board of Foncia Group. He has served as Chief Executive Officer of Banque Populaire Rives de Paris since 2012.

Offices held at December 31, 2018

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chief Executive Officer of Banque Populaire Rives de Paris

Chairman of the Board of Directors: TURBO SA – BP Développement (since June 19, 2018)

Chairman of SAS: Rives Croissance

Member of the Supervisory Board: Naxicap Partners

Director: Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d’Entreprise Banque Populaire Rives de Paris, Fondation d’Entreprise Banque Populaire

Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP

Legal Manager: Equinoxe

Terms of office expired in 2018

Permanent Representative of Banque Populaire Rives de Paris, Director: BP Développement (until June 19, 2018)

Offices held at December 31 in previous years

2017

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chief Executive Officer of Banque Populaire Rives de Paris

Chairman of the Board of Directors: TURBO SA

Chairman of SAS: Rives Croissance

Member of the Supervisory Board: Naxicap Partners

Director: Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d’Entreprise Banque Populaire Rives de Paris, Fondation d’Entreprise Banque Populaire

Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP, BP Développement

Legal Manager: Equinoxe

2016

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chief Executive Officer of Banque Populaire Rives de Paris

Chairman of the Board of Directors: TURBO SA

Chairman of SAS: Rives Croissance

Member of the Supervisory Board: Naxicap Partners

Director: Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d’Entreprise Banque Populaire Rives de Paris, Fondation d’Entreprise Banque Populaire (since June 14, 2016)

Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP, BP Développement

Legal Manager: Equinoxe (since July 27, 2016)

2015

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chief Executive Officer of Banque Populaire Rives de Paris

Chairman of the Board of Directors: TURBO SA, Rives Croissance (formerly Sud Participations)

Member of the Supervisory Board: Naxicap Partners

Director: Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d’Entreprise Banque Populaire Rives de Paris

Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP, BP Développement

2014

Non-Voting Director on the Supervisory Board of BPCE

Chief Executive Officer of Banque Populaire Rives de Paris

Chairman and Chief Executive Officer: Sud Participations

Chairman of the Board of Directors: TURBO SA

Member of the Supervisory Board: Naxicap Partners

Director: Compagnie Européenne de Garanties et Cautions (CEGC)

Permanent Representative of Banque Populaire Rives de Paris, Chairman: Sociétariat Banque Populaire Rives de Paris

Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP, BP Développement

Catherine MALLET (since May 17, 2018)
Born 05/29/1969

A graduate of the École Supérieure de Commerce de Toulouse, Catherine Mallet has been a Management Board Member in charge of Finance and Communication for the Actia Group, which specializes in manufacturing electronic components and systems for the automotive, telecommunications, and energy sectors, since 2003. In 2015, she was appointed a director of the Board of the Banque Populaire Occitane, then Chairman of the Board of Directors on May 14, 2018.

Offices held at December 31, 2018

Member of the Supervisory Board of BPCE (since May 17, 2018)

Chairman of the Board of Directors (since May 14, 2018): Banque Populaire Occitane

Management Board Member: Actia Group SA

Director: Banque Populaire Occitane, ACTIA PCs, ACTIA Systems, ACTIA China, ACTIA Italia (since April 24, 2018), ACTIA De Mexico, CIPI ACTIA, ACTIA Corp, ACTIA Inc., ACTIA India, ACTIA Do Brasil, ACTIA UK, ACTIA Polska

Permanent Representative of Action Logement Immobilier (MEDEF), Chairman of the Audit Committee: Promologis SA H.L.M.

Permanent Representative of Action Logement Immobilier (MEDEF): CILEO Développement SA, Ma Nouvelle Ville SA

Committee member: Associations Toulouse Place Financière, Leader 31

Terms of office expired in 2018

Member of the Supervisory Board: Promologis SA H.L.M. (until June 22, 2018)

Offices held at December 31 in previous years

2017

Director: Banque Populaire Occitane, ACTIA PCs, ACTIA Systems, ACTIA China, ACTIA De Mexico, CIPI ACTIA, ACTIA Corp, ACTIA Inc., ACTIA India, ACTIA Do Brasil, ACTIA UK (since August 1, 2017), ACTIA Polska

Management Board Member: Actia Group SA, LP2C SA

Member of the Supervisory Board: Promologis SA H.L.M.

Committee member: Associations Toulouse Place Financière

Permanent Representative of Action Logement Immobilier (MEDEF): CILEO Développement SA, Ma Nouvelle Ville SA

2016

Director: Banque Populaire Occitane, ACTIA PCs, ACTIA Systems, ACTIA China, ACTIA De Mexico (since April 6, 2016), CPI ACTIA (since April 19, 2016), ACTIA Corp (since March 8, 2016), ACTIA Inc. (since March 8, 2016), ACTIA India (since September 29, 2016), ACTIA Do Brasil, ACTIA Polska

Management Board Member: Actia Group SA, LP2C SA

Member of the Supervisory Board: Promologis SA H.L.M.

Permanent Representative of Action Logement Immobilier (MEDEF): Ma Nouvelle Ville SA

2015

Director: Banque Populaire Occitane, ACTIA PCs (since March 17, 2015), ACTIA Systems (since October 30, 2015), ACTIA China (since April 7, 2015), ACTIA Do Brasil, ACTIA Polska

Management Board Member: Actia Group SA, LP2C SA

Member of the Supervisory Board: Promologis SA H.L.M.

Permanent Representative of Action Logement Immobilier (MEDEF): Ma Nouvelle Ville SA

2014

Management Board Member: Actia Group SA, LP2C SA

Member of the Supervisory Board: Promologis SA H.L.M.

Permanent Representative of Action Logement Immobilier (MEDEF): Ma Nouvelle Ville SA

For the Caisse d'Epargne network

Nicolas PLANTROU
Born 12/14/1949

Nicolas Plantrou has a business school degree and a master's degree in private law and has held a wide range of positions over many years. He began his career at auditing firm Price Waterhouse, then managed a law firm specializing in corporate law (registered with the Bar of Rouen) in addition to an audit firm. Through his various positions in local and national entities, he has acquired expertise recognized by the Institut Français des Administrateurs. He is a certified corporate director.

He is currently Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie and Vice-Chairman of the BPCE Supervisory Board.

Offices held at December 31, 2017

Vice-Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie

Chairman of the Board of Directors: SLE Rouen Elbeuf Yvetot

Foundation Chair: Fondation Belem

Vice-Chairman of the Supervisory Board: CHU Charles Nicolle**

Director: Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion), FNCE

Vice-Chairman of the Board of Directors: Fondation FilSeine

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017

Vice-Chairman of the Supervisory Board (since May 19, 2017) and member of the **Cooperative and CSR Committee of BPCE** (since June 21, 2017)

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie

Chairman of the Board of Directors: SLE Rouen Elbeuf Yvetot

Foundation Chair: Fondation Belem

Vice-Chairman of the Supervisory Board: CHU Charles Nicolle**

Director: Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion), FNCE

Vice-Chairman of the Board of Directors: Fondation FilSeine

2016

Member of the Supervisory Board and the Audit Committee of BPCE

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie

Chairman of the Board of Directors: SLE Rouen Elbeuf Yvetot

Foundation Chair: Fondation Belem

Vice-Chairman of the Supervisory Board: CHU Charles Nicolle**

Director: Banque Privée 1818 (until September 12, 2016), Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion), FNCE, Fil Seine

2015

Member of the Supervisory Board and the Audit Committee of BPCE

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie

Chairman of the Board of Directors: SLE Rouen Elbeuf Yvetot

Foundation Chair: Fondation Belem

Vice-Chairman of the Supervisory Board: CHU Charles Nicolle**

Director: Banque Privée 1818, Crédit Foncier, CE Holding Promotion, FNCE, FilSeine

2014

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie

Chairman of the Board of Directors: SLE Rouen Elbeuf Yvetot

Corporate Foundation Chair: Fondation Belem

Vice-Chairman of the Supervisory Board: CHU Charles Nicolle**

Director: FNCE, Banque Privée 1818, Crédit Foncier, Fil Seine

Legal Manager: Cabinet Plantrou – de La Brunière et Associés SELARL**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Catherine AMIN-GARDE
Born 03/08/1955

Ms. Amin-Garde holds advanced degrees in both History and European Studies. She joined Groupe Caisse d'Epargne in 1984.
She is currently Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche.

Offices held at December 31, 2018

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche
Chairman of the Board of Directors: SLE Drôme Provençale Centre, Solidaire à Fond(s) – the Caisse d'Epargne Loire Drôme Ardèche charity fund
Director: FNCE, CE Holding Participations (formerly CE Holding Promotion), Natixis Interépargne

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche** **Chairman of the Board of Directors:** SLE Drôme Provençale Centre, Solidaire à Fond(s) – the Caisse d'Epargne Loire Drôme Ardèche charity fund **Director:** FNCE, CE Holding Participations (formerly CE Holding Promotion), Natixis Interépargne	**Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche** **Chairman of the Board of Directors:** SLE Drôme Provençale Centre, Solidaire à Fond(s) – the Caisse d'Epargne Loire Drôme Ardèche charity fund **Director:** FNCE, CE Holding Participations (formerly CE Holding Promotion), Natixis Interépargne	**Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche** **Chairman of the Board of Directors:** SLE Drôme Provençale Centre **Chairman:** Fondation Loire Drôme Ardèche **Director:** FNCE, CE Holding Promotion, Natixis Interépargne	**Member of the Supervisory Board and the Appointments and Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche** **Chairman of the Board of Directors:** SLE Drôme Provençale Centre **Chairman:** Fondation Loire Drôme Ardèche **Director:** FNCE, CE Holding Promotion, Natixis Interépargne

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Astrid BOOS (until June 23, 2018)
Born 11/14/1953

Ms. Boos has been a chartered accountant since 1988 and is registered as a Statutory Auditor with the Commissaires aux Comptes d'Alsace. She has worked in these capacities at Boos Expertise Comptable et Audit** (BEC) since 1991. As part of her community-oriented volunteer work, she has chaired Maison de Santé Amreso-Bethel in Alsace since 2007.

Offices held at December 31, 2018

Chairman of the Board of Directors: SLE Strasbourg Ouest, Maison de Santé Amreso-Bethel**
Chairman: BOOS Expertise Comptable et Audit (BEC)**
Co-Chairman: Fondation Solidarité Rhénane
Member of the Board of Directors: Natixis Wealth Management (formerly Banque Privée 1818)
Director: Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**

Terms of office expired in 2018

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE (until June 23, 2018)
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace (until June 23, 2018)
Director: FNCE, CE Holding Participations

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors:** SLE Strasbourg Ouest, Maison de Santé Amreso-Bethel** **Chairman:** BOOS Expertise Comptable et Audit (BEC)** **Co-Chairman:** Fondation Solidarité Rhénane, under the aegis of Fondation CE Solidarité** **Member of the Board of Directors:** Natixis Wealth Management (formerly Banque Privée 1818) **Director:** Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**, FNCE, CE Holding Participations (formerly CE Holding Promotion)	**Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors:** SLE Strasbourg Ouest, Maison de Santé Amreso-Bethel** **Chairman of SAS:** BOOS Expertise Comptable et Audit (BEC)** **Co-Chairman:** Fondation Solidarité Rhénane, under the aegis of Fondation CE Solidarité** **Member of the Board of Directors:** Banque Privée 1818 **Director:** Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**, FNCE, CE Holding Participations (formerly CE Holding Promotion)	**Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors:** SLE Strasbourg Ouest, Maison de Santé Amreso-Bethel** **Legal Manager:** BOOS Expertise Comptable et Audit (BEC)** **Co-Chairman:** Fondation Solidarité Rhénane, under the aegis of Fondation CE Solidarité** **Member of the Board of Directors:** Banque Privée 1818 **Director:** Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**, FNCE, CE Holding Promotion	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors:** SLE Strasbourg Ouest, Fondation CE Solidarité, Maison de Santé Amreso-Bethel** **Legal Manager:** BOOS Expertise Comptable et Audit (BEC)** **Co-Chairman:** Fondation Solidarité Rhénane** **Member of the Board of Directors:** Banque Privée 1818 **Director:** Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**, FNCE

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Alain DENIZOT (since December 20, 2018)
Born 10/01/1960

A graduate of Économie Agricole, IAE Paris, and DECS, Alain Denizot began his career at Crédit du Nord, then SG Warburg France, then Société Marseillaise de Crédit. In 1990, he joined Caisse d'Epargne Ile-de-France-Ouest as manager, then director of Financial Management. In 1995, he became a member of its Management Board in charge of the Risk and Finance division, then in 1999 a member of the Management Board in charge of the Network and Development. In 2000, he joined Caisse d'Epargne de Flandre as Chief Executive Officer and Management Board Member in charge of the Network and Banking Development. In 2003, he became CEO of Ecureuil Assurance IARD. He was appointed Chairman of the Management Board of the Caisse d'Epargne Picardie in early 2008. And in 2011 he joined Caisse d'Epargne Nord France Europe, which became Caisse d'Epargne Hauts de France (CEHDF), as Chairman of the Management Board. He was appointed Chairman of the Management Board of Caisse d'Epargne Rhône Alpes (CERA) on November 12, 2018.

Offices held at December 31, 2018

Member of the Supervisory Board, member of the BPCE Risk Committee (since December 20, 2018)

Chairman of the Management Board of Caisse d'Epargne Rhône Alpes (since November 12, 2018)

Chairman of the Board of Directors: Batixia, Banque du Léman (Switzerland – since November 30, 2018)

Director: Natixis Financement, Natixis Factor, Fédération Nationale des Caisses d'Epargne,

Permanent Representative of CERA, Director of: IT-CE (since December 2018), Fondation d'entreprise CERA (since November 30, 2018), GIE BPCE-IT (since December 7, 2018), Erilia (since December 14, 2018)

Permanent Representative of CERA, Legal Manager of: SCI dans la ville (since November 12, 2018), SCI Garibaldi Office (since November 12, 2018), SCI Lafayette Bureaux (since November 12, 2018), SCI Le Ciel (since November 12, 2018), SCI Le Relais (since November 12, 2018)

Chairman of the Le B612 Association (since November 12, 2018)

Terms of office expired in 2018

Chairman of the Management Board of Caisse d'Epargne Hauts de France (until November 11, 2018)

Chairman of the Board of Directors: SIA Habitat (until November 11, 2018), Batixia

Director: Société Immobilière Grand Hainaut (SIGH), SA Euratechnologies** (until November 11, 2018)

Permanent Representative of CEHDF, Director of: Hainaut Immobilier SA, BPCE-IT, Erilia, IT-CE, Finorpa SCR** and Finorpa Financement** (until November 11, 2018)

Offices held at December 31 in previous years

2017

Chairman of the Management Board of Caisse d'Epargne des Hauts de France (formerly CENFE)
Chairman of the Board of Directors: SIA Habitat, Batixia
Director: Société Immobilière Grand Hainaut (SIGH), SA Euratechnologies**, Natixis Factor
Permanent representative of CEHDF, Director of Hainaut Immobilier SA, BPCE-IT, Erilia, IT-CE, Finorpa SCR and Finorpa Financement
Non-Voting Director of CE Holding Participations

2016

Chairman of the Management Board of Caisse d'Epargne des Hauts de France (formerly CENFE)
Chairman of the Board of Directors: SIA Habitat, Batixia
Director: Habitat en Région, Natixis Factor
Permanent Representative of CEHDF, Director of: Hainaut Immobilier SA, BPCE-IT, Erilia, IT-CE, Finorpa SCR and Finorpa Financement
Permanent representative of CENFE, Chairman of Savoirs pour Réussir en Nord Pas de Calais, Immobilière Nord France Europe
Permanent representative of CENFE, member of the Supervisory Board of Finovam**, Finorpa Conseil**, Finorpa Financement**
Permanent representative of Immobilière Nord France Europe, Chaiman of SAS Euroissy Parc
Director and Treasurer of the Caisse d'Epargne Foundation for Social Solidarity
Non-Voting Director of CE Holding Participations.

2015

Chairman of the Management Board of Caisse d'Epargne des Hauts de France (formerly CENFE)
Chairman of the Board of Directors: Batixia
Director: CE Holding Promotion, BPCE, Immobilière Nord France Europe, Natixis Factor
Permanent Representative of CEHDF, Director of: Hainaut Immobilier SA, BPCE-IT, IT-CE, Habitat en Région
Permanent representative of CE Holding Promotion, Director of Habitat en Région Services and Valoénergie
Permanent representative of CENFE, Chairman of Savoirs pour Réussir en Nord Pas de Calais, Immobilière Nord France Europe
Permanent representative of CENFE, member of the Supervisory Board of Finovam**, Finorpa Conseil**, Finorpa Financement**
Permanent representative of Immobilière Nord France Europe, Chaiman of SAS Euroissy Parc
Director and Treasurer of the Caisse d'Epargne Foundation for Social Solidarity
Chairman of Lyderic Invest1*/**

2014

Chairman of the Management Board of Caisse d'Epargne des Hauts de France (formerly CENFE)
Chairman of the Board of Directors: Batixia
Director of: Ecureuil crédit, CE Holding Promotion, BPCE, Immobilière Nord France Europe, Habitat en Région, Natixis Factor
Permanent Representative of CEHDF, Director of: Hainaut Immobilier SA, IT-CE
Permanent representative of CE Holding Promotion, Director of Habitat en Région Services and Valoénergie
Permanent representative of CENFE, Chairman of Savoirs pour Réussir en Nord Pas de Calais
Permanent Representative of CENFE, member of the Supervisory Board of Finovam**
Trustee of Université du Groupe Caisse d'Epargne
Chairman of Lyderic Invest1*/**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Dominique GOURSOLLE-NOUHAUD (since August 2, 2018)
Born 04/22/1952

After earning a degree in accounting and finance, and one from IAE Bordeaux 3 in management and administration, Dominique Goursolle-Nouhaud was head of urban transport in Périgeux and the Gonthier-Nouhaud transportation company for many years. She was also Vice-Chairman of CESER Nouvelle Aquitaine and Chairman of URSSAF Aquitaine until late 2017. She has been CEO and then Chairman of the holding company SAS ESCE, specializing in real estate management and art dealing since 1990.

Dominique Goursolle-Nouhaud has been a member of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes since 2009 and was elected its Chairman on December 20, 2017. Since August 2, 2018, Dominique Goursolle-Nouhaud has been a BPCE Supervisory Board Member and a member of the BPCE Appointments and Remuneration Committees.

Offices held at December 31, 2018

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE (since August 2, 2018)
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes
Member of **the Board of Directors:** Natixis Financement
Chairman of the Board of the local savings company in Dordogne Périgord
Chairman of SAS ESCE, holding company

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charente (since December 20, 2017) **Member of the Board of Directors:** Natixis Financement Chairman of the Board of the local savings company in Dordogne Périgord Chairman of SAS ESCE, holding company Chairman of the Aquitaine regional URSSAF (until December 31, 2017) Vice-Chairman of the Conseil économique et Social d'Aquitaine Vice-Chairman of the Dordogne Chamber of Commerce and MEDEF	**Member of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charente** **Member of the Board of Directors:** Natixis Financement (since December 22, 2016) Chairman of the Board of the local savings company in Dordogne Périgord Chairman of SAS ESCE, holding company Chairman of the Aquitaine regional URSSAF Vice-Chairman of the Conseil économique et Social d'Aquitaine Vice-Chairman of the Dordogne Chamber of Commerce and MEDEF	**Member of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes** Chairman of the Board of the local savings company in Dordogne Périgord Chairman of SAS ESCE, holding company Chairman of the Aquitaine regional URSSAF Vice-Chairman of the Conseil économique et Social d'Aquitaine Vice-Chairman of the Dordogne Chamber of Commerce and MEDEF	**Member of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes** Chairman of the Board of the local savings company in Dordogne Périgord Chairman of SAS ESCE, holding company Chairman of the Aquitaine regional URSSAF Vice-Chairman of the Conseil économique et Social d'Aquitaine Vice-Chairman of the Dordogne Chamber of Commerce and MEDEF

Françoise LEMALLE
Born 01/15/1965

A chartered accountant since 1991 (and the youngest Chartered Accountant in the PACA region that year), Françoise Lemalle registered with the Compagnie des Commissaires aux Comptes in 1993. She runs an accounting and auditing firm of 20 people, located in Mougins. She regularly hosts training sessions for small retailers, craftsmen and self-employed professionals, mostly at management centers.

In 1999, she became a founding director of local savings company SLE de Cannes, before being elected as its Chairman in 2009. She was on the SSB of Caisse d'Epargne Côte d'Azur as a non-voting director, then from 2009 as Chairman of SLE, joining the Audit Committee at that time as well. Françoise Lemalle was appointed Chairman of the SSB on April 23, 2015.

Since 2013, she has also been a director at IMF Créa-Sol** and a member of its Audit Committee.

Offices held at December 31, 2018

Member of the Supervisory Board and the Risk Committee: BPCE
Chairman of the Steering and Supervisory Board: Caisse d'Epargne Côte d'Azur
Chairman of the Board of Directors: SLE CECAZ (SLE Ouest des Alpes-Maritimes)
Chief Executive Officer: LEMALLE ARES-XPERT**
Director: IMF Créa-Sol**, Natixis*, CE Holding Participations (formerly CE Holding Promotion)
Representative of Caisse d'Epargne Côte d'Azur, Director: FNCE
Treasurer: Association Benjamin Delessert

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board and the Risk Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors:** SLE CECAZ (SLE Ouest des Alpes-Maritimes) **Chief Executive Officer:** LEMALLE ARES-XPERT** **Director:** IMF Créa-Sol**, Natixis*, CE Holding Participations (formerly CE Holding Promotion) **Representative of Caisse d'Epargne Côte d'Azur, Director:** FNCE **Treasurer:** Association Benjamin Delessert	**Member of the Supervisory Board and the Risk Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors:** SLE CECAZ (SLE Ouest des Alpes-Maritimes) **Chief Executive Officer:** LEMALLE ARES-XPERT** **Director:** IMF Créa-Sol**, Natixis*, CE Holding Participations (formerly CE Holding Promotion) **Representative of Caisse d'Epargne Côte d'Azur, Director:** FNCE **Treasurer**: Association Benjamin Delessert	**Member of the Supervisory Board and the Risk Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors:** SLE CECAZ (SLE Ouest des Alpes-Maritimes) **Chief Executive Officer:** LEMALLE ARES-XPERT** **Director:** IMF Créa-Sol**, Natixis*, CE Holding Promotion **Representative of Caisse d'Epargne Côte d'Azur, Director:** FNCE **Treasurer**: Association Benjamin Delessert	**Member of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors:** SLE CECAZ (SLE Ouest des Alpes-Maritimes) **Chief Executive Officer:** LEMALLE ARES-XPERT** **Director:** IMF Créa-Sol**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Stéphanie PAIX (until November 12, 2018)
Born 03/16/1965

A graduate of the Institute d'Études Politiques de Paris with a certificate in corporate governance from Sciences Po and the IFA, Ms. Paix has been with Groupe BPCE since 1988.

After working as an Inspector and Head of Inspections at Banque Fédérale des Banques Populaires (1988-1994), she joined Banque Populaire Rives de Paris as regional director and then Head of Origination and General Organization (1994-2002). In 2002, she joined Natexis Banques Populaires, where she was Head of Operations Management and then Head of Cash Management and Operations (2002-2005). In 2006, she became Chief Executive Officer of Natixis Factor, then Chief Executive Officer of Banque Populaire Atlantique (2008-2011).

Stéphanie Paix was Chairman of the Management Board of Caisse d'Epargne Rhône Alpes from December 2011 to November 2018. She was appointed Deputy Chief Executive Officer in charge of Groupe BPCE's Inspection Générale division in late 2018.

Offices held at December 31, 2018

Director: Natixis*, Association Le B612

Member of the Supervisory Board: SAMSE (since September 2018)

Terms of office expired in 2018

Chairman of the Management Board of Caisse d'Epargne Rhône Alpes (until November 12, 2018)

Member of the Supervisory Board and the Risk Committee of BPCE (until November 12, 2018)

Chairman of the Supervisory Board: Rhône Alpes PME Gestion* (until November 12, 2018)

Chairman of the Board of Directors: Banque du Léman (Switzerland), Rhône Alpes Cinéma (until November 12, 2018)

Chairman of the Regional Committee of Banques de Rhône Alpes (until November 12, 2018)

Chairman: MIX-R SAS (until November 12, 2018)

Director: Natixis*, CE Holding Participations (formerly CE Holding Promotion), Association Le B612 (until November 12, 2018)

Representative of Caisse d'Epargne Rhône Alpes, member of the Supervisory Board: IT-CE (until November 12, 2018)

Representative of Caisse d'Epargne Rhône Alpes, Director: GIE BPCE-IT, ERILIA, Fondation d'Entreprise CERA, FNCE, Habitat en Région, le Club du Musée Saint-Pierre, Fondation Entrepreneurs de la Cité, Institut Paul Bocuse Enseignement (until November 12, 2018)

Permanent Representative of Caisse d'Epargne Rhône Alpes, Legal Manager: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI le Relais (until November 12, 2018)

Non-Voting Director of Société des Trois Vallées (until November 12, 2018)

Representative of CE Holding Participations: Habitat en Région Services (until November 12, 2018)

Member of the 4th college of the Conseil Economique Social et Environnemental Régional (since January 1, 2018)

Offices held at December 31 in previous years

2017

Member of the Supervisory Board and the Risk Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Rhône Alpes

Chairman of the Supervisory Board: Rhône Alpes PME Gestion*

Chairman of the Board of Directors: Banque du Léman (Switzerland), Rhône Alpes Cinéma

Chairman of the Regional Committee of Banques de Rhône Alpes (since September 13, 2017)

Director: Natixis*, Siparex Associés** (until December 5, 2017), CE Holding Participations (formerly CE Holding Promotion), Association Le B612

Representative of Caisse d'Epargne Rhône Alpes, member of the Supervisory Board: IT-CE

Representative of Caisse d'Epargne Rhône Alpes, Director: GIE BPCE-IT, ERILIA, Fondation d'Entreprise CERA, FNCE, Habitat en Région, le Club du Musée Saint-Pierre, Fondation Entrepreneurs de la Cité

Permanent Representative of Caisse d'Epargne Rhône Alpes, Legal Manager: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI le Relais

Non-Voting Director of Société des Trois Vallées

Representative of CE Holding Participations: Habitat en Région Services

2016

Member of the Supervisory Board and the Risk Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Rhône Alpes

Chairman of the Supervisory Board: Rhône Alpes PME Gestion*

Chairman of the Board of Directors: Banque du Léman (Switzerland), Rhône Alpes Cinéma

Director: Natixis*, Siparex Associés**, CE Holding Participations (formerly CE Holding Promotion), Association Le B612 (since October 21, 2016)

Representative of Caisse d'Epargne Rhône Alpes, member of the Supervisory Board: IT-CE

Representative of Caisse d'Epargne Rhône Alpes, Director: GIE BPCE-IT, ERILIA, Fondation d'Entreprise CERA, FNCE, Habitat en Région, le Club du Musée Saint-Pierre, Fondation Entrepreneurs de la Cité

Representative of Caisse d'Epargne Rhône Alpes, Treasurer: Fondation Belem

Permanent Representative of Caisse d'Epargne Rhône Alpes, Legal Manager: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI le Relais

Non-Voting Director of Société des Trois Vallées

Representative of CE Holding Participations: Habitat en Région Services

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

2015
Member of the Supervisory Board, the Risk Committee and the Audit Committee of BPCE
Chairman of the Management Board of Caisse d'Epargne Rhône Alpes
Chairman of the Supervisory Board: Rhône Alpes PME Gestion**
Chairman of the Board of Directors: Banque du Léman (Switzerland)
Director: Natixis*, Siparex Associés**, Crédit Foncier, CE Holding Promotion
Representative of Caisse d'Epargne Rhône Alpes, member of the Supervisory Board: IT-CE
Representative of Caisse d'Epargne Rhône Alpes, Director: GIE BPCE-IT, Fondation d'Entreprise CERA, FNCE, Habitat en Région, le Club du Musée Saint-Pierre, Fondation Entrepreneurs de la Cité
Representative of Caisse d'Epargne Rhône Alpes, Treasurer: Fondation Belem
Permanent Representative of Caisse d'Epargne Rhône Alpes, Legal Manager: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI le Relais
Non-Voting Director of Société des Trois Vallées

2014
Chairman of the Management Board of Caisse d'Epargne Rhône Alpes
Chairman: Agence Lucie**
Chairman of the Supervisory Board: Rhône Alpes PME Gestion**
Chairman of the Board of Directors: Banque du Léman (Switzerland)
Director: Natixis*, Siparex Associés**, Crédit Foncier
Representative of Caisse d'Epargne Rhône Alpes, member of the Supervisory Board: IT-CE
Representative of Caisse d'Epargne Rhône Alpes, Director: Compagnie des Alpes**, Fondation d'Entreprise CERA, FNCE, Habitat en Région, le Club du Musée Saint-Pierre, Fondation Entrepreneurs de la Cité
Representative of Caisse d'Epargne Rhône Alpes, Treasurer: Fondation Belem
Permanent Representative of Caisse d'Epargne Rhône Alpes, Legal Manager: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI le Relais
Non-Voting Director of Société des Trois Vallées

3

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Didier PATAULT
Born 02/22/1961

Chairman of the Caisse d'Epargne Ile-de-France Management Board since 2013, Didier Patault is also a member of the BPCE Supervisory Board. A graduate of the École Polytechnique and the École Nationale des Statistiques et de l'Administration Économique (ENSAE), Mr. Patault, after starting at Caisse des Dépôts et Consignations, has spent his career at Groupe BPCE since 1992.

After holding several financial and sales positions at Caisse d'Epargne des Pays du Hainaut (1992-1999), in 1999 he joined Caisse Nationale des Caisses d'Epargne as Head of Financial Activities, then Head of Group Development Strategy in local markets.

In 2000, he was appointed Chairman of the Management Board of Caisse d'Epargne des Pays du Hainaut, then Chairman of the Management Board of Caisse d'Epargne des Pays de la Loire (2004-2008) and Chairman of the Management Board of Caisse d'Epargne Bretagne Pays de Loire (2008-2013). He has been Chairman of the Management Board of Caisse d'Epargne Ile-de-France since 2013.

Offices held at December 31, 2018

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis Coficiné, CE Holding Participations, Natixis Investment Managers

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: FNCE, Fondation de France

Permanent Representative of CEIDF, member of the Supervisory Board: IT-CE

Permanent Representative of CEIDF, Chairman: Bicentenaire Caisse d'Epargne (association)

Legal Representative of CEIDF, Chairman: SAS Immobilière Thoynard Ile-de-France

Terms of office expired in 2018

Permanent Representative of CEIDF, Director: Habitat en Région (association) (until February 6, 2018)

Offices held at December 31 in previous years

2017

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis Coficiné, CE Holding Participations (formerly CE Holding Promotion)

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: Habitat en Région (association), FNCE, Fondation de France

Permanent Representative of CEIDF, member of the Supervisory Board: IT-CE

Permanent Representative of CEIDF, Chairman: Bicentenaire Caisse d'Epargne (association)

Legal Representative of CEIDF, Chairman: SAS Immobilière Thoynard Ile-de-France

2016

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis Coficiné, CE Holding Participations (formerly CE Holding Promotion)

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: Habitat en Région (association), FNCE, Fondation de France

Permanent Representative of CEIDF, member of the Supervisory Board: IT-CE

Permanent Representative of CEIDF, Chairman: Bicentenaire Caisse d'Epargne (association)

Legal Representative of CEIDF, Chairman: SAS Immobilière Thoynard Ile-de-France

2015

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis Coficiné, CE Holding Promotion

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: Habitat en Région (association), Immobilière 3F**, FNCE

Permanent Representative of CEIDF, member of the Supervisory Board: IT-CE

Permanent Representative of CEIDF, Chairman: Bicentenaire Caisse d'Epargne (Association)

2014

Member of the Supervisory Board of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis*, Natixis Coficiné, CE Holding Promotion

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: Habitat en Région (association), Immobilière 3F**, FNCE

Permanent Representative of CEIDF, member of the Supervisory Board: IT-CE

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Pierre VALENTIN
Born 02/06/1953

Mr. Valentin has a degree in private law and a postgraduate degree from the Institut des Assurances d'Aix-Marseille. He is an entrepreneur and began his career at Mutuelle d'Assurances du Bâtiment et des Travaux Publics in Lyon in 1978. In 1979, he set up Société Valentin Immobilier. Pierre Valentin quickly formed a long-standing commitment to the Caisse d'Epargne network. In 1984, he became a consulting advisor to Caisse d'Epargne d'Alès. In 1991, he served as a consulting advisor to Caisse d'Epargne Languedoc-Roussillon. He was appointed Chairman of local savings company Vallée des Gardons in 2000. He has been a member of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon since 2000 and was Chairman of the Audit Committee from 2003 to 2006. In 2006, he became Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon and was re-elected to the position in 2009 and 2015.

Since 2008, Pierre Valentin has been on the Board of Directors of FNCE and has actively participated in the Group's governance. He also served as a director, Chairman of the Audit Committee and Vice-Chairman of the Supervisory Board of Banque Palatine between 2008 and 2013 and then as director of listed company Natixis from 2013 to 2015.

Pierre Valentin, a member of the BPCE Supervisory Board since 2009 and a member of the Audit and Risk Committee from 2013 to 2015, was elected Chairman of the BPCE Supervisory Board from May 22, 2015 to May 19, 2017. He was appointed as a member of the Audit Committee on June 21, 2017.

Offices held at December 31, 2018

Member of the Supervisory Board and the Audit Committee of BPCE

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)

Chairman of the Board of Directors: SLE Vallée des Gardons

Director: CE Holding Participations (formerly CE Holding Promotion), FNCE, Association Maison de Santé Protestante d'Alès**

Legal Manager: SCI Les Trois Cyprès**

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board and the Audit Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)** **Chairman of the Board of Directors:** SLE Vallée des Gardons **Director:** CE Holding Participations (formerly CE Holding Promotion), FNCE, Association Maison de Santé Protestante d'Alès** **Legal Manager:** SCI Les Trois Cyprès**	**Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)** **Chairman of the Board of Directors:** SLE Vallée des Gardons **Director:** CE Holding Participations (formerly CE Holding Promotion), FNCE, Association Maison de Santé Protestante d'Alès** **Legal Manager:** SCI Les Trois Cyprès**	**Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)** **Chairman of the Board of Directors:** SLE Vallée des Gardons **Director:** CE Holding Promotion, FNCE, Association Maison de Santé Protestante d'Alès** **Legal Manager:** SCI Les Trois Cyprès**	**Member of the Supervisory Board and Audit and Risk Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)** **Chairman of the Board of Directors:** SLE Vallée des Gardons **Director:** CE Holding Promotion, FNCE, Natixis, Association Maison de Santé Protestante d'Alès** **Legal Manager:** SCI Les Trois Cyprès**, SCI Les Amandiers**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Employee representatives

Vincent GONTIER
Born 07/29/1954

Vincent Gontier graduated from the HEC business school after working briefly at an acquisitions and disposals firm. He worked for eight years in the Financial Services and Economic Modeling departments at EDF-GDF Group. He subsequently joined Crédit Agricole Group, first as Deputy Head of the fixed income trading desk (bonds, treasuries, forward options) and later as Chief Executive Officer of brokerage firm Bertrand Michel SA. In 1991, he joined Crédit National (which later became Natixis), where he held a series of positions in asset management (Chief Executive Officer of Alfi Gestion, Corporate Secretary of the discretionary asset management subsidiary, Chief Executive Officer of Interépargne) and in capital markets activities (acting Head of Capital Markets Activities, Head of Equity Derivatives). He currently works at Natixis, on the regulatory strategy and quantitative research team.

Offices held at December 31, 2018

Member of the Supervisory Board and the Remuneration Committee of BPCE – Employee representative
Chairman of La Compagnie des Algorithmes SAS (since October 22, 2018)

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board and the Remuneration Committee of BPCE – Employee representative	**Member of the Supervisory Board and the Remuneration Committee of BPCE – Employee representative**	**Member of the Supervisory Board and the Remuneration Committee of BPCE – Employee representative**	None

Frédéric HASSAINE
Born 05/22/1966

Frédéric Hassaine is a graduate of the Toulouse Business School with one postgraduate degree in tax law and another in accounting and finance. He began his career at Arthur Andersen, where he worked as an auditor, then at a law firm as a tax specialist. In 1998, he became a lead auditor at BNP Paribas, where he worked in business engineering. He joined Société Générale in 2001, followed by IXIS CIB (now Natixis) in 2004 to start up and develop the accounting and financial engineering unit for large corporates.

Offices held at December 31, 2018

Member of the Supervisory Board of BPCE – Employee representative

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board of BPCE – Employee representative	**Member of the Supervisory Board – Employee representative**	**Member of the Supervisory Board – Employee representative**	None

Independent members

Maryse AULAGNON
Born 04/19/1949

Ms. Aulagnon is a graduate of the École Nationale d'Administration and the Institut d'Études Politiques and holds a postgraduate degree in Economics. She held various positions within the French Embassy to the United States and the Cabinet of the French Ministries for the Budget and Industry. Subsequent posts have included Head of International Development for CGE Group (now Alcatel) and CEO of Euris.

Since 1990, she has been Chairman and Chief Executive Officer of Affine, a group that she founded. On January 1, 2017, she became Chairman of its Board of Directors. She is also an Honorary Counsel of the French Council of State and a member of the Boards of Directors of Air France-KLM and Veolia Environnement.

Offices held at December 31, 2018

Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member

Chairman and Chief Executive Officer: MAB-Finances**

Director: Air France KLM*/**, Veolia Environnement*/**,

Permanent Representative of Affine R.E.*/, Legal Manager:** Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)

Permanent Representative of Promaffine, Legal Manager: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**

Permanent Representative of ATIT, Trustee: 2/4 Haussmann, Permanent Representative of ATIT, Legal Manager:** Parvis Lille**

Permanent Representative of MAB-Finances, member of the Executive Committee: Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 Collines**

Terms of office expired in 2018

Chairman of the Board of Directors: Affine R.E. (until December 14, 2018)

Chairman of the Board of Directors: Gesfimmo SA** (until December 14, 2018)

Director: Holdaffine (until December 14, 2018)

Permanent Representative of Affine R.E.*/, Non-Executive Chairman:** Banimmo (until November 12, 2018), Promaffine (until November 12, 2018)

Permanent Representative of Affine R.E.*/, Legal Manager:** Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny) (until December 14, 2018)

Permanent Representative of Promaffine, Legal Manager: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic** (until December 14, 2018)

Permanent Representative of ATIT, Trustee: 2/4 Haussmann, Permanent Representative of ATIT, Legal Manager**: Parvis Lille** (until December 14, 2018)

Offices held at December 31 in previous years

2017

Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member

Chairman of the Board of Directors: Affine R.E.*/** (since January 1, 2017), Gesfimmo SA**

Chairman and Chief Executive Officer: MAB-Finances**

Director: Air France KLM*/**, Veolia Environnement*/**, Holdaffine**

Permanent Representative of Affine R.E.*/, Non-Executive Chairman:** Banimmo*/**, Banimmo France*/**, Promaffine**, Urbismart**

Permanent Representative of Affine R.E.*/, Legal Manager:** Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)

Permanent Representative of Promaffine, Legal Manager: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**

Permanent Representative of ATIT, Trustee: 2/4 Haussmann, Permanent Representative of ATIT, Legal Manager:** Parvis Lille**

Permanent Representative of MAB-Finances, member of the Executive Committee: Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 Collines**

2016

Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member

Chairman and Chief Executive Officer: Affine R.E.*/**, Gesfimmo SA**

Chairman and Chief Executive Officer: MAB-Finances** (since June 30, 2016)

Director: Air France KLM*/**, Veolia Environnement*/**, Holdaffine**

Permanent Representative of Affine R.E.*/, Non-Executive Chairman:** Banimmo*/**, Banimmo France*/**, Promaffine**, Urbismart**

Permanent Representative of Affine R.E.*/, Legal Manager:** Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)

Permanent Representative of Promaffine, Legal Manager: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**

Permanent Representative of ATIT, Trustee: 2/4 Haussmann**

Permanent Representative of ATIT, Legal Manager: Parvis Lille**

Permanent Representative of MAB-Finances, member of the Executive Committee: Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 Collines**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

2015
Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member
Chairman and Chief Executive Officer: Affine R.E.*/**
Chairman of the Management Board: MAB-Finances**
Chairman of the Board of Directors: Gesfimmo SA**
Director: Air France KLM*/**, Veolia Environnement*/**, Holdaffine**
Permanent Representative of Affine R.E.*/, Chairman:** Banimmo*/**, Banimmo France*/**, Promaffine**, Urbismart**
Permanent Representative of Affine R.E.*/, Legal Manager:** Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)
Permanent Representative of Promaffine, Legal Manager: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**
Permanent Representative of ATIT, Trustee: 2/4 Haussmann**
Permanent Representative of ATIT, Legal Manager: Parvis Lille**
Permanent Representative of MAB-Finances, member of the Executive Committee: Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 Collines**

2014
Member of the Supervisory Board and member of the Appointments and Remuneration Committee of BPCE – Independent Member
Chairman and Chief Executive Officer: Affine R.E.*/**
Chairman of the Management Board: MAB-Finances**
Chairman of the Board of Directors: Gesfimmo SA**
Director: Air France KLM*/**, Veolia Environnement*/**, Holdaffine**
Member of the Executive Committee: Urbismart**
Permanent Representative of Affine R.E.*/, Chairman:** Banimmo*/**, Capucine Investissements**, Les 7 Collines**, Promaffine**
Permanent Representative of Affine R.E.*/, Legal Manager:** Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)
Permanent Representative of Promaffine, Legal Manager: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**
Permanent Representative of ATIT, Trustee: 2/4 Haussmann**
Permanent Representative of ATIT, Legal Manager: Parvis Lille**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Marwan LAHOUD (until June 19, 2018)
Born 03/06/1966

Mr. Lahoud is a former student of the École Polytechnique and a graduate of the École Nationale Supérieure de l'Aéronautique et de l'Espace. He was Chairman and Chief Executive Officer of MBDA and worked for Aérospatiale during its merger with Matra and on the creation of EADS. At EADS, renamed Airbus Group in 2014, he worked as Senior Vice-Chairman in charge of Mergers and Acquisitions. From June 2007 to February 2017, he was Deputy Chief Executive Officer in charge of Corporate Strategy and Marketing and a member of the Executive Committee of Airbus Group. From May 31, 2017 to January 29, 2018, he was Chairman of the Supervisory Board of IDEMIA (formerly known as OT-Morpho), then Vice-Chairman until November 5, 2018. Since July 2018, he has been a partner at Tikehau Capital.

Offices held at December 31, 2018

Chairman of the Board of Directors: IHES** (Foundation of the Institut des Hautes Études Scientifiques)

Member of the Board of Directors: Aernnova Aerospace Corporation (Spain) (since February 19, 2018)

Director: Eurotradia International**

Terms of office expired in 2018

Member of the Supervisory Board, Chairman of the Audit Committee and member of the Risk Committee of BPCE – Independent Member (until June 19, 2018)

Chairman of the Supervisory Board: IDEMIA (until November 5, 2018)

Member of the Board of Directors: École Polytechnique** (until June 21, 2018)

Member of the Supervisory Board: Assystem Technologies Groupe (until October 30, 2018).

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board, Chairman of the Audit Committee and member of the Risk Committee of BPCE – Independent Member **Chairman of the Supervisory Board:** IDEMIA (since May 31, 2017) **Chairman of the Board of Directors:** IHES** (Foundation of the Institut des Hautes Études Scientifiques) **Member of the Supervisory Board:** Assystem Technologies Groupe (since November 9, 2017). **Member of the Board of Directors:** École Polytechnique** **Director:** Eurotradia International**	**Member of the Supervisory Board, Chairman of the Audit Committee and member of the Risk Committee of BPCE – Independent Member** **Member of the Executive Committee:** Airbus Group*/** **Chairman:** Airbus Group SAS*/** **Chairman:** GIFAS** (Groupement des Industries Françaises Aéronautiques et Spatiales)** **Chairman of the Board of Directors:** IHES** (Foundation of the Institut des Hautes Études Scientifiques) **Member of the Board of Directors:** École Polytechnique** **Director:** Eurotradia International**	**Member of the Supervisory Board, Chairman of the Audit Committee and member of the Risk Committee of BPCE – Independent Member** **Member of the Executive Committee:** Airbus Group*/** **Chairman:** Airbus Group SAS*/** **Chairman:** GIFAS** (Groupement des Industries Françaises Aéronautiques et Spatiales), CIDEF** **Chairman of the Board of Directors:** IHES** (Foundation of the Institut des Hautes Études Scientifiques) **Member of the Board of Directors:** École Polytechnique** **Director:** Eurotradia International**	**Member of the Supervisory Board and Chairman of the Audit and Risk Committee of BPCE – Independent Member** **Member of the Executive Committee:** Airbus Group*/** (formerly EADS*/**) **Chairman:** Airbus Group SAS*/** (formerly EADS France*/**) **Chairman:** GIFAS** (Groupement des Industries Françaises Aéronautiques et Spatiales), CIDEF** **Chairman of the Board of Directors:** IHES** (Foundation of the Institut des Hautes Études Scientifiques) **Member of the Board of Directors:** École Polytechnique** **Director:** Eurotradia International**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Marie-Christine LOMBARD (until March 23, 2018)
Born 12/06/1958

Ms. Lombard is a graduate of Essec. She has held different positions in the banking sector, notably at Chemical Bank and Paribas in New York, Paris and Lyon.

She joined the express freight industry in 1993 as Chief Financial Officer of French company Jet Services. In 1997, she became the company's CEO until it was bought out by TNT in 1999. Appointed Chairman of TNT Express France, she transformed the company into one of TNT Group's top-performing subsidiaries. In 2004, she was appointed Chairman and CEO of the whole of TNT's Express division. Marie-Christine Lombard was appointed Chief Executive Officer of TNT Express when it became an independent listed company in May 2011.

She has been Chief Executive Officer of Geodis since October 24, 2012 and was appointed Chairman of the Management Board on December 17, 2013. She is also Chairman of Lyon Ville de l'Entrepreneuriat, a network that supports the creation, acquisition and transfer of businesses in the Greater Lyon region.

Offices held at December 31, 2018

Chairman of the Management Board: Geodis SA**

Member of the Board of Directors: VINCI**, BMVirolle**, École Polytechnique**

Director and member of the Steering Committee: Union TLF**

Terms of office expired in 2018

Member of the Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee of BPCE – Independent Member (until March 23, 2018)

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee of BPCE – Independent Member **Chairman of the Management Board:** Geodis SA** **Member of the Board of Directors:** VINCI**, BMVirolle**, École Polytechnique** **Director and member of the Steering Committee:** Union TLF**	**Member of the Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee of BPCE – Independent Member** **Chairman of the Management Board:** Geodis SA** **Member of the Board of Directors:** VINCI**, BMVirolle** **Director and member of the Steering Committee:** Union TLF**	**Member of the Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee of BPCE – Independent Member** **Chairman of the Management Board:** Geodis SA** **Member of the Board of Directors:** VINCI**, BMVirolle** **Director and member of the Steering Committee:** Union TLF**	**Member of the Supervisory Board, the Risk Committee and the Audit Committee of BPCE – Independent Member** **Chairman of the Management Board:** Geodis SA** **Member of the Board of Directors:** VINCI**, BMVirolle** **Director and member of the Steering Committee:** Union TLF**

** Listed company*
*.** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Anne-Claude PONT (since March 29, 2018)
Born 05/15/1960

Anne-Claude Pont has nearly 30 years' experience in corporate finance and management. After graduating from ESCP, she started at Crédit Lyonnais in the United States. When she returned to France, she joined Compagnie Bancaire (Groupe Paribas) where she was put in charge of International Cash Management. She continued her career at the German Group HVB, where she became Chief Executive Officer in France, head of Markets, Human Resources, and Information Systems. In 2007 Anne-Claude Pont joined RBS to grow its FI (Financial Institutions) business in France, Belgium, and Luxembourg, as a Managing Director and member of the Executive Committee. Finally, in 2016, she co-founded Wilov, the first 100% smartphone-connected auto insurer, where the price adjusts to daily usage levels ("Pay when you drive").

Anne-Claude Pont is a certified director (Sciences-Po-IFA 2015) and a member of several networks (including IFA, FBA, France Digitale and France Fintech).

In March 2018, she was appointed independent member of the BPCE Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee.

Offices held at December 31, 2018

Member of the Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee of BPCE – Independent Member (since March 29, 2018)

Chairman of Wilov

Terms of office expired in 2018

Member of the Board of Directors, Chairman of the Risk Committee and member of the Audit Committee of Crédit Foncier de France – Independent member (until November 7, 2018)

Vice-Chairman of Femmes Business Angels (until May 24, 2018)

Member of the Strategic Committee of Skippair (until January 16, 2018)

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Board of Directors, Chairman of the Risk Committee and member of the Audit Committee of Crédit Foncier de France – Independent Member **Chairman of Wilov** **Vice-Chairman of Femmes Business Angels** **Member of the Strategic Committee of Skippair** **Member of the Strategic Committee of Totem mobi** (until May 29, 2017)	**Member of the Board of Directors, Chairman of the Risk Committee and member of the Audit Committee of Crédit Foncier de France – Independent Member** **Chairman of Wilov** (since August 19, 2016) **Vice-Chairman of Femmes Business Angels** (since May 31, 2016)	**Member of the Board of Directors, Chairman of the Risk Committee and member of the Audit Committee of Crédit Foncier de France – Independent member** (since February 17, 2015) **Board Member of Femmes Business Angels**	None

Kadidja SINZ (since August 2, 2018)
Born 04/29/1957

Kadidja Sinz holds an advanced degree in private international law and an Executive MBA. She also graduated from the Institut d'Etudes Politiques de Paris in international relations and the Centre des Hautes Etudes en Assurance.

She began her career in the United States in the American company Chubb, specializing in political risks. Later, she joined AIG in France to deploy her skills at the European level before joining ACE, then XL (purchased by AXA) in 2010. In 2016, she joined the American insurer Liberty Mutual, which specializes in corporate risk, as Chief Executive Officer for Europe.

Kadidja Sinz was named an independent member of the BPCE Supervisory Board in August 2018, Chairman of the Audit Committee, and member of the Risk Committee.

Offices held at December 31, 2018

Member of the Supervisory Board, Chairman of the Audit Committee and member of the Risk Committee of BPCE – Independent Member (since August 2, 2018)

Terms of office expired in 2018

Member of the Board of Directors, member of the Audit and Risk Committees of SOGECAP – Independent member (from April 24 to September 6, 2018)

Offices held at December 31 in previous years

2017	2016	2015	2014
None	None	None	None

Non-Voting Directors

Jean ARONDEL
Born 04/12/1950

Offices held at December 31, 2017

Non-Voting Director on the Supervisory Board and member of the Cooperative and CSR Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors of Fédération Nationale des Caisses d'Epargne (FNCE)
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman of the Association pour l'Histoire des CEP
Vice-Chairman: World Savings Banks Institute (WSBI)
Co-Legal Manager: SNC Ecureuil 5 rue Masseran
Director: CE Holding Participations (formerly CE Holding Promotion)
Observer (alternate) at the Annual General Shareholders' Meeting and on the Board of Directors of the European Savings Banks Group (ESBG)
Director: Coface SA*

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016
Non-Voting Director on the Supervisory Board and member of the Cooperative and CSR Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors of Fédération Nationale des Caisses d'Epargne (FNCE)
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman of the Association pour l'Histoire des CEP (since March 7, 2016)
Vice-Chairman: World Savings Banks Institute (WSBI)
Co-Legal Manager: SNC Ecureuil 5 rue Masseran
Director: CE Holding Participations (formerly CE Holding Promotion), Coface SA*
Observer at the Annual General Shareholders' Meeting and on the Board of Directors of the European Savings Banks Group (ESBG)

2015
Non-Voting Director on the Supervisory Board and member of the Cooperative and CSR Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors of Fédération Nationale des Caisses d'Epargne (FNCE)
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman: Fondation Caisse d'Epargne Loire-Centre, Fonds de Dotation du Réseau des Caisses d'Epargne
Vice-Chairman: World Savings Banks Institute (WSBI)
Co-Legal Manager: SNC Ecureuil 5 rue Masseran
Director: CE Holding Promotion, Coface SA*
Observer at the Annual General Shareholders' Meeting and on the Board of Directors of the European Savings Banks Group (ESBG)
Permanent Representative of Caisse d'Epargne Loire-Centre, Director: Natixis Lease

2014
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman: Fondation Caisse d'Epargne Loire-Centre
Permanent Representative of Caisse d'Epargne Loire-Centre, Director: Natixis Lease, FNCE
Director: Coface SA*

2013
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman: Fondation Caisse d'Epargne Loire-Centre
Permanent Representative of Caisse d'Epargne Loire-Centre, Director: Natixis Lease, FNCE, **Director:** Coface SA* (formerly SAS Coface Holding)

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Pierre CARLI
Born 08/21/1955

Offices held at December 31, 2018

Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)
Chairman of the Supervisory Board: Capitole Finance-Tofinso, Midi 2I, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne, Fondation d'Entreprise Espace Ecureuil, Association TOULOUSE 2030 (since March 13, 2018)
Chairman: SOREPAR SAS, Regional Committee (Midi-Pyrénées) of the Fédération Bancaire Française**
Vice-Chairman of the Board of Directors: IRDI,
Director: FNCE, BPCE Achats, Groupe Promo Midi, CE Holding Participations (formerly CE Holding Promotion), Toulouse School of Management**
Member of the Supervisory Board: Ecureuil Service SAS
Permanent Representative of CEMP, member of the Supervisory Board: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT, IRDI GESTION**
Permanent Representative of CEMP, member of the Board of Directors: Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEMECCEL**
Permanent Representative of Midi Foncière: SAINT-EXUPERY MONTAUDRAN**
Permanent Representative of SOREPAR, member of the Board of Directors: SEM OPPIDEA**
Permanent Representative of CEMP, Director: Association Habitat en Région

Terms of office expired in 2018

Chairman of the Board of Directors: Ecureuil Immo (until January 9, 2018)
Vice-Chairman of the Supervisory Board: Promologis (until June 22, 2018)

Offices held at December 31 in previous years

2017
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)
Chairman of the Supervisory Board: Capitole Finance-Tofinso, Midi 2I, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne, Ecureuil Immo, Fondation d'Entreprise Espace Ecureuil
Chairman: SOREPAR SAS, Regional Committee (Midi-Pyrénées) of the Fédération Bancaire Française**
Vice-Chairman of the Board of Directors: IRDI**
Vice-Chairman of the Supervisory Board: PROMOLOGIS**
Director: FNCE, BPCE Achats, Groupe Promo Midi, CE Holding Participations (formerly CE Holding Promotion), Toulouse School of Management** since October 6, 2017
Member of the Supervisory Board: Ecureuil Service SAS
Permanent Representative of CEMP, member of the Supervisory Board: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT, IRDI GESTION**
Permanent Representative of CEMP, member of the Board of Directors: Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEMECCEL**
Permanent Representative of Midi Foncière: SAINT-EXUPERY MONTAUDRAN**
Permanent Representative of SOREPAR, member of the Board of Directors: SEM OPPIDEA**
Permanent Representative of CEMP, Director: Association Habitat en Région

2016
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)
Chairman of the Supervisory Board: Capitole Finance-Tofinso, Midi 2I, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne, Ecureuil Immo, Fondation d'Entreprise Espace Ecureuil
Chairman: SOREPAR SAS, Regional Committee (Midi-Pyrénées) of the Fédération Bancaire Française**
Vice-Chairman of the Board of Directors: IRDI**
Vice-Chairman of the Supervisory Board: PROMOLOGIS**
Director: FNCE, BPCE Achats, Groupe Promo Midi, CE Holding Participations (formerly CE Holding Promotion)
Member of the Supervisory Board: Ecureuil Service SAS
Permanent Representative of CEMP, member of the Supervisory Board: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT, IRDI GESTION**
Permanent Representative of CEMP, member of the Board of Directors: Association EDENIS** (formerly Promo Accueil), Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEMECCEL**
Permanent Representative of Midi Foncière: SAINT-EXUPERY MONTAUDRAN**
Permanent Representative of SOREPAR, member of the Board of Directors: SEM OPPIDEA**
Permanent Representative of CEMP, Director: Association Habitat en Région

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

2015
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)
Chairman of the Supervisory Board: Capitole Finance-Tofinso, Midi 2I, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne, Ecureuil Immo, Fondation d'Entreprise Espace Ecureuil
Chairman: SOREPAR SAS, Regional Committee (Midi-Pyrénées) of the Fédération Bancaire Française**
Vice-Chairman of the Board of Directors: IRDI**
Vice-Chairman of the Supervisory Board: PROMOLOGIS**
Director: FNCE, Midi Capital, BPCE Achats, Groupe Promo Midi, CE Holding Promotion
Member of the Supervisory Board: Ecureuil Service SAS
Member of the Board of Directors: Fondation Caisse d'Epargne pour la Solidarité
Permanent Representative of CEMP, member of the Supervisory Board: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT, IRDI GESTION**
Permanent Representative of CEMP, member of the Board of Directors: Association EDENIS** (formerly Promo Accueil), Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEMECCEL**
Permanent Representative of Midi Foncière: SAINT-EXUPERY MONTAUDRAN**
Permanent Representative of SOREPAR, member of the Board of Directors: SEM OPPIDEA**
Permanent Representative of CEMP, Director: Association Habitat en Région, SEM Tourisme**

2014
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)
Chairman of the Supervisory Board: Capitole Finance-Tofinso, Midi 2I, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne, Ecureuil Immo, Fondation d'Entreprise Espace Ecureuil
Chairman: SOREPAR SAS
Vice-Chairman of the Board of Directors: IRDI**
Vice-Chairman of the Supervisory Board: PROMOLOGIS**
Vice-Chairman: Comité Régional Fédération Bancaire de Midi-Pyrénées**
Director: FNCE, Midi Capital, BPCE Achats, Groupe Promo Midi, CE Holding Promotion
Member of the Supervisory Board: Ecureuil Service SAS
Member of the Board of Directors: Fondation Caisse d'Epargne pour la Solidarité
Permanent Representative of CEMP, member of the Supervisory Board: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT
Permanent Representative of CEMP, member of the Board of Directors: Association EDENIS** (formerly Promo Accueil), Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEMECCEL**
Permanent Representative of Midi Foncière: SAINT-EXUPERY MONTAUDRAN**
Permanent Representative of SOREPAR, member of the Board of Directors: SEM OPPIDEA**
Permanent Representative of CEMP, Director: Association Habitat en Région, SEM Tourisme**

** Listed company*
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FNCE: Fédération Nationale des Caisses d'Epargne
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Joël CHASSARD
Born 01/28/1957

Offices held at December 31, 2018

Chairman of the Management Board of Caisse d'Epargne Provence Alpes Corse – CEPAC (since March 30, 2018)
Non-Voting Director on the Supervisory Board of BPCE (since May 17, 2018)
Chairman of the Board of Directors: Logirem (since April 25, 2018)
Chairman of the Supervisory Board: Sogima (since April 18, 2018)
Vice-Chairman of the Board of Directors: Erilia (since April 27, 2018)
Chairman of the Management Board: CEPAC Investissement et Développement (since March 30, 2018)
Permanent Representative of CEPAC, Director: FNCE, IT-CE (since April 25, 2018)
Director: BPCE Assurances, Natixis Lease, CE Holding Participations (since June 25, 2018)

Terms of office expired in 2018

Chairman of the Management Board of Caisse d'Epargne Normandie (until April 23, 2018)
Chairman: CEN Innovation (until April 23, 2018)
Permanent Representative of Caisse d'Epargne Normandie, Director: FNCE (until April 23, 2018), IT-CE (until April 30, 2018), Erilia (until April 24, 2018), Surassur (until April 23, 2018), Habitat en Région Services (until April 23, 2018); Fonds Caisse d'Epargne Normandie pour l'initiative solidaire (until April 23, 2018).
Non-Voting Director: SEML Zenith Caen (until December 12, 2018)

Offices held at December 31 in previous years

2017
Chairman of the Management Board of Caisse d'Epargne Normandie
Permanent Representative of Caisse d'Epargne Normandie: FNCE, IT-CE, Erilia, Surassur, Habitat en Région Services, Fonds Caisse d'Epargne Normandie pour l'initiative solidaire
Director: BPCE Assurances, Natixis Lease, CE Holding Participations
Chairman: CEN Innovation
Non-Voting Director: SEML Zenith Caen

2016
Chairman of the Management Board of Caisse d'Epargne Normandie
Permanent Representative of Caisse d'Epargne Normandie: FNCE, IT-CE, Erilia, Surassur, Habitat en Région Services, Fonds Caisse d'Epargne Normandie pour l'initiative solidaire
Director: BPCE Assurances, Natixis Lease, CEGC, FNCE, CE Holding Participations
Non-Voting Director: SEML Zenith Caen

2015
Chairman of the Management Board of Caisse d'Epargne Normandie
Permanent Representative of Caisse d'Epargne Normandie: IT-CE, Surassur, Habitat en Région Services
Director: BPCE Assurances, Natixis Lease, CEGC, SAS Ecureuil Vie Développement

2014
Chairman of the Management Board of Caisse d'Epargne Normandie
Permanent Representative of Caisse d'Epargne Normandie: IT-CE, Surassur, Habitat en Région Services
Director: BPCE Assurances, Natixis Lease, CEGC, SAS Ecureuil Vie Développement

Sylvie GARCELON (since December 20, 2018)
Born 04/14/1965

Offices held at December 31, 2018

Non-Voting Director on the Supervisory Board of BPCE (since December 20, 2018)
Chief Executive Officer of CASDEN Banque Populaire
Director: Natixis*, Banque Populaire Corporate Foundation, Fédération Nationale des Banques Populaires, Banque Palatine, CNRS

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Chief Executive Officer of CASDEN Banque Populaire **Director:** Natixis*, Banque Populaire Corporate Foundation, Fédération Nationale des Banques Populaires, Banque Palatine, CNRS	**Chief Executive Officer of CASDEN Banque Populaire** **Director:** Natixis*, Banque Populaire Corporate Foundation, Banque Palatine	**Chief Executive Officer of CASDEN Banque Populaire**	**Chief Executive Officer of Bureau du Management Financier**

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Dominique GARNIER (until November 30, 2018)
Born 06/20/1961

Offices held at December 31, 2018

Director: Natixis Factor

Terms of office expired in 2018

Non-Voting Director on the Supervisory Board of BPCE (until November 30, 2018)

Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique (until November 30, 2018)

Director: Crédit Foncier, Compagnie de Financement Foncier, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux (until November 30, 2018)

Vice-Chairman: Banque Populaire Corporate Foundation (until November 30, 2018)

Member as of right of the Board of Directors, as Chief Executive Officer of BPACA: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest (until November 30, 2018)

Permanent Representative of BPACA, Chairman of the Supervisory Board: Ouest Croissance Gestion (until November 30, 2018)

Permanent Representative of BPACA, Director: GIE BPCE-IT/ALBIAN-IT, i-BP (until November 30, 2018)

Permanent Representative of BPACA, member of the Strategic Steering Board: Ouest Croissance (until November 30, 2018)

Treasurer: Comité Régional des Banques d'Aquitaine de la Fédération Bancaire Française (until November 30, 2018)

Offices held at December 31 in previous years

2017

Non-Voting Director on the Supervisory Board of BPCE (since May 9, 2017)
Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique
Director: Crédit Foncier, Compagnie de Financement Foncier, Natixis Factor, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux
Vice-Chairman: Banque Populaire Corporate Foundation
Member as of right of the Board of Directors, as Chief Executive Officer of BPACA: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest
Permanent Representative of BPACA, Chairman of the Supervisory Board: Ouest Croissance Gestion
Permanent Representative of BPACA, Director: GIE BPCE-IT/ALBIAN-IT, i-BP
Permanent Representative of BPACA, member of the Strategic Steering Board: Ouest Croissance
Treasurer: Comité Régional des Banques d'Aquitaine de la Fédération Bancaire Française

2016

Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique
Director: Crédit Foncier, Compagnie de Financement Foncier, Natixis Factor, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux
Vice-Chairman: Banque Populaire Corporate Foundation
Member as of right of the Board of Directors, as Chief Executive Officer of BPACA: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest
Permanent Representative of BPACA, Chairman of the Supervisory Board: Ouest Croissance Gestion
Permanent Representative of BPACA, Director: GIE BPCE-IT/ALBIAN-IT, i-BP
Permanent Representative of BPACA, member of the Strategic Steering Board: Ouest Croissance
Treasurer: Comité Régional des Banques d'Aquitaine de la Fédération Bancaire Française

2015

Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique
Director: Crédit Foncier, Compagnie de Financement Foncier, Natixis Factor, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux
Member as of right of the Board of Directors, as Chief Executive Officer of BPACA: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest
Permanent Representative of BPACA, Chairman of the Supervisory Board: Ouest Croissance Gestion
Permanent Representative of BPACA, Director: GIE BPCE-IT/ALBIAN-IT, i-BP
Permanent Representative of BPACA, member of the Strategic Steering Board: Ouest Croissance
Treasurer: Comité Régional des Banques d'Aquitaine de la Fédération Bancaire Française

2014

Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique
Director: Crédit Foncier, Compagnie de Financement Foncier, Natixis Factor, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux
Member as of right of the Board of Directors, as Chief Executive Officer of BPACA: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest
Permanent Representative of BPACA, Chairman of the Supervisory Board: Ouest Croissance Gestion
Permanent Representative of BPACA, Vice-Chairman: Crédit Commercial du Sud-Ouest
Permanent Representative of BPACA, Director: i-BP
Permanent Representative of BPACA, member of the Strategic Steering Board: Ouest Croissance
Permanent Representative of Ouest Croissance, Director: BP Développement

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

André JOFFRE
Born 12/31/1953

Offices held at December 31, 2018

Non-Voting Director on the Supervisory Board of BPCE (at June 6, 2018)
Chairman of Fédération Nationale des Banques Populaires (FNBP) (at June 6, 2018)
Chairman of the Board of Directors: Banque Populaire du Sud, Banque Marze
Chairman of the Board of Directors: Banque Dupuy, de Parseval (since May 18, 2018)
Director: Natixis Factor, Tecsol
Legal Manager: Tecsol Presse**
Permanent Representative of Banque Populaire du Sud, Director: Caisse Régionale du Crédit Maritime La Méditerranée

Terms of office expired in 2018

Member of the Supervisory Board, the Appointments Committee, the Remuneration Committee and the Risk Committee of BPCE (until June 6, 2018)
Chairman and Chief Executive Officer: Tecsol** (until June 22, 2018)

Offices held at December 31 in previous years

2017
Member of the Supervisory Board, the Appointments Committee, the Remuneration Committee and the Risk Committee (since June 21, 2017) **of BPCE**
Chairman of the Board of Directors: Banque Populaire du Sud, Banque Marze
Chairman and Chief Executive Officer: Tecsol**
Vice-Chairman of the Board of Directors: Banque Dupuy, de Parseval
Director: Natixis Factor
Legal Manager: Tecsol Presse**
Permanent Representative of Banque Populaire du Sud, Director: Caisse Régionale du Crédit Maritime La Méditerranée

2016
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE
Chairman of the Board of Directors: Banque Populaire du Sud, Banque Marze (since November 25, 2016)
Chairman and Chief Executive Officer: Tecsol**
Vice-Chairman of the Board of Directors: Banque Dupuy, de Parseval,
Director: Natixis Factor, Banque Privée 1818 (until September 12, 2016)
Legal Manager: Tecsol Presse**
Permanent Representative of Banque Populaire du Sud, Director: Caisse Régionale du Crédit Maritime La Méditerranée

2015
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE
Chairman of the Board of Directors: Banque Populaire du Sud
Chairman and Chief Executive Officer: Tecsol**
Vice-Chairman of the Board of Directors: Banque Dupuy, de Parseval, Banque Marze
Director: Banque Privée 1818, Natixis Factor
Legal Manager: Tecsol Presse**
Permanent Representative of Banque Populaire du Sud, Director: Caisse Régionale du Crédit Maritime La Méditerranée

2014
Chairman of the Board of Directors: Banque Populaire du Sud
Chairman and Chief Executive Officer: Tecsol**
Vice-Chairman of the Board of Directors: Banque Dupuy, de Parseval, Banque Marze
Director: Banque Privée 1818, Natixis Factor, FNBP
Permanent Representative of Banque Populaire du Sud, Chairman: SAS Sociétariat
Permanent Representative of Banque Populaire du Sud, Director: Caisse Régionale du Crédit Maritime La Méditerranée
Legal Manager: Tecsol Presse**

** Listed company*
*** Non-group company*
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FNBP: Fédération Nationale des Banques Populaires

Daniel KARYOTIS
Born 02/09/1961

Offices held at December 31, 2018

Non-Voting Director on the Supervisory Board of BPCE
Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes
Chairman of the Board of Directors: Banque de Savoie
Director: COFACE SA*
Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director: i-BP, Pramex International
Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Chairman: Garibaldi Capital Développement, SAS Sociétariat
Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Non-Voting Director: Siparex

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Non-Voting Director on the Supervisory Board of BPCE **Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes** **Chairman of the Board of Directors:** Banque de Savoie (since May 10, 2017) **Director:** COFACE SA* (since February 8, 2017) **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director:** i-BP, Pramex International **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Chairman:** Garibaldi Capital Développement, SAS Sociétariat **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Non-Voting Director:** Siparex	**Non-Voting Director on the Supervisory Board of BPCE** (since November 8, 2016) **Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes** (since December 7, 2016) **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Vice-Chairman:** Banque de Savoie **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director:** i-BP, Compagnie des Alpes*/**, Pramex International	**Member of the Management Board of BPCE, CEO in charge of Finance, Risks and Operations** **Deputy Chief Executive Officer:** CE Holding Promotion **Permanent Representative of BPCE, Director:** Natixis*, Crédit Foncier, CE Holding **Permanent Representative of BPCE, Director:** Natixis*, Crédit Foncier, CE Holding Promotion	**Member of the Management Board of BPCE – Finance, Risks and Operations** **Deputy Chief Executive Officer:** CE Holding Promotion **Member of the Board of Directors:** Nexity* **Permanent Representative of BPCE, Director:** Natixis*, Crédit Foncier, CE Holding Promotion

** Listed company*
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FNBP: Fédération Nationale des Banques Populaires

Alain LACROIX (until March 31, 2018)
Born 03/25/1953

Offices held at December 31, 2017

Director: Bellechasse**
Chairman-elect: CCI PACA**
Member-elect: CCIMP**

Terms of office expired in 2018

Non-Voting Director on the Supervisory Board of BPCE (until March 31, 2018)
Chairman of the Management Board of Caisse d'Epargne CEPAC (formerly Caisse d'Epargne Provence-Alpes-Corse) (until March 31, 2018)
Director: Natixis Investment Managers (formerly Natixis Global Asset Management) (until April 1, 2018), Ostrum Asset Management (formerly Natixis Asset Management (until March 31, 2018), FNCE (until March 31, 2018), CE Holding Participations (formerly CE Holding Promotion) (until March 31, 2018)
Chairman of the Supervisory Board: Sogima (until March 31, 2018)
Chairman of the Board of Directors: Logirem (until March 31, 2018)
Permanent Representative of CEPAC, Chairman: Navire BR1, MJ1** (association) (until March 31, 2018)
Permanent Representative of CEPAC, Vice-Chairman of the Board of Directors: Finances et Conseil Méditerranée (until March 31, 2018)
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement (until March 31, 2018)
Permanent Representative of CEPAC, Full member of the Strategy Committee: Averroès Finance** (until March 31, 2018)
Permanent Representative of CEPAC, member of the Management Board: PRIMAVERIS (until March 31, 2018)
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA, Erilia, IT-CE (until March 31, 2018)
Member of the Management Board: Proxipaca Finance (until March 31, 2018)

Offices held at December 31 in previous years

2017
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne CEPAC (formerly Caisse d'Epargne Provence-Alpes-Corse)
Chairman of the Supervisory Board: Sogima
Chairman of the Board of Directors: Logirem
Member of the Management Board: Proxipaca Finance
Director: Natixis Global Asset Management, Natixis Asset Management, FNCE, CE Holding Participations (formerly CE Holding Promotion), Bellechasse**
Chairman-elect: CCI PACA**
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman: Navire BR1, MJ1** (association)
Permanent Representative of CEPAC, Vice-Chairman of the Board of Directors: Finances et Conseil Méditerranée
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, Full member of the Strategy Committee: Averroès Finance**
Permanent Representative of CEPAC, member of the Management Board: PRIMAVERIS
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA, Erilia, IT-CE
Permanent Representative of CEPAC, Chairman: Club Top 20 Marseille Provence** (until July 7, 2017)
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade (until May 12, 2017)
Permanent Representative of Club Top 20, Member (until July 7, 2017): Marseille Provence Culture 2018**

2016
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne CEPAC (formerly Caisse d'Epargne Provence-Alpes-Corse)
Chairman of the Supervisory Board: Sogima
Chairman of the Board of Directors: Logirem, MJ1** (association)
Member of the Management Board: Proxipaca Finance
Director: Natixis Global Asset Management, Natixis Asset Management, FNCE, Habitat en Région** (association), CE Holding Participations (formerly CE Holding Promotion), Bellechasse**
Chairman-elect: CCI PACA
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade
Permanent Representative of CEPAC, Chairman: Navire BR1, Club Top 20 Marseille Provence
Permanent Representative of CEPAC, Vice-Chairman of the Board of Directors: Finances et Conseil Méditerranée
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, Full member of the Strategy Committee: Averroès Finance**
Permanent Representative of CEPAC, member of the Management Board: PRIMAVERIS
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA, Erilia (since June 3, 2016)

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2015
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Provence-Alpes-Corse (CEPAC)
Chairman of the Supervisory Board: Sogima, Logirem
Member of the Management Board: Proxipaca Finance
Director: Erilia, Erixel, Natixis Global Asset Management, Natixis Asset Management, FNCE, Habitat en Région** (association), CE Holding Promotion
Full member of the Strategy Committee: Averroes**
Member of the Supervisory Board: CE Capital
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade, CEFIM, Banque de la Réunion, Banques des Antilles Françaises, Banque de Saint-Pierre et Miquelon
Permanent Representative of CEPAC, Vice-Chairman of the Board of Directors: Finances et Conseil Méditerranée
Permanent Representative of CEPAC, Chairman: Club Top 20 Marseille Provence
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, member of the Supervisory Board: IT-CE
Permanent Representative of CEPAC, member of the Management Board: PRIMAVERIS
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA
Permanent Representative of Club Top 20, member of the Permanent Assembly: UPE 13**

2014
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Provence-Alpes-Corse (CEPAC)
Chairman of the Supervisory Board: Sogima, Logirem
Member of the Management Board: Proxipaca Finance
Director: Erilia, Erixel, Natixis Global Asset Management, Natixis Asset Management, FNCE, Habitat en Région** (association), CE Holding Promotion
Full member of the Strategy Committee: Averroes**
Member of the Supervisory Board: CE Capital
Member of the Executive Board: UPE 13
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, member of the Supervisory Board: IT-CE
Permanent Representative of CEPAC, member of the Management Board: Primaveris
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA

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Dominique MARTINIE (until June 6, 2018)
Born 12/19/1947

Offices held at December 31, 2018

Honorary Chairman of the Board of Directors of Banque Populaire Auvergne Rhône Alpes
Chairman: BENAC (SAS)
Chairman and Managing Director: Europhta (SAM)
Vice-Chairman: THEA (SAS)
Director: Fondation SIGMA (formerly IFMA, Institut Français de Mécanique Avancée)

Terms of office expired in 2018

Non-Voting Director on the Supervisory Board and Chairman of the Cooperative and CSR Committee of BPCE (until June 6, 2018)
Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP) (until June 6, 2018)
Vice-Chairman: CIBP (Confédération Internationale des Banques Populaires) (until June 6, 2018)
Director: BPCE International (until April 6, 2018), BP Développement (until June 19, 2018)

Offices held at December 31 in previous years

2017
Non-Voting Director on the Supervisory Board and Chairman of the Cooperative and CSR Committee of BPCE
Chairman of the Board of Directors of Banque Populaire Auvergne Rhône Alpes
Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP)
Chairman of the Board of Directors: BCI (CONGO) (until December 31, 2017)
Chairman: BENAC (SAS)
Chairman and Managing Director: Europhta (SAM) (since September 27, 2017)
Vice-Chairman: THEA (SAS), CIBP (Confédération Internationale des Banques Populaires)
Director: BPCE International, BP Développement (SA), Institut Français de Mécanique Avancée
Director: Natixis Assurances (until March 23, 2017)
Director: Europhta (SAM) (since September 27, 2017)

2016
Non-Voting Director on the Supervisory Board and Chairman of the Cooperative and CSR Committee of BPCE
Chairman of the Board of Directors of Banque Populaire Auvergne Rhône Alpes (since December 7, 2016)
Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP)
Chairman of the Board of Directors: BCI (CONGO)
Chairman: BENAC (SAS)
Vice-Chairman: THEA (SAS), CIBP (Confédération Internationale des Banques Populaires)
Director: Natixis Assurances, BPCE International, BP Développement (SA), Institut Français de Mécanique Avancée, Europhta (SAM)

2015
Non-Voting Director on the Supervisory Board and Chairman of the Cooperative and CSR Committee of BPCE
Chairman of the Board of Directors of Banque Populaire du Massif Central
Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP)
Chairman of the Board of Directors: BCI (CONGO)
Chairman: BENAC (SAS)
Vice-Chairman: THEA (SAS), CIBP (Confédération Internationale des Banques Populaires)
Director: Natixis Assurances, BPCE International, BP Développement (SA), Institut Français de Mécanique Avancée, Europhta (SAM), Université d'Auvergne (foundation)

2014
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Board of Directors of Banque Populaire du Massif Central
Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP)
Chairman of the Board of Directors: BCI (CONGO)
Chairman: BENAC (SAS)
Vice-Chairman: THEA (SAS)
Director: Natixis Assurances, BPCE International, BP Développement (SA), Institut Français de Mécanique Avancée, Université d'Auvergne (foundation)

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Management Board

Laurent MIGNON
Born 12/28/1963

A graduate of the HEC business school and Stanford Executive Program, Laurent Mignon worked in several divisions of Banque Indosuez over a period of more than ten years, including positions on the trading floor and in investment banking. In 1996, he joined Schroders in London before moving to AGF in 1997 as Chief Financial Officer, where he was appointed as a member of the Executive Committee in 1998. In 2002, he was successively appointed as Head of Investment, Banque AGF, AGF Asset Management and AGF Immobilier, and in 2003 he was put in charge of the Life Insurance and Financial Services division and of Credit Insurance. In 2006, he was made Chief Executive Officer and Chairman of the Executive Committee. From September 2007 to May 2009, he was a managing partner of Oddo et Cie. From 2009 to May 2018, he was Chief Executive Officer of Natixis. He has been a member of the BPCE Management Board since 2013.

Since June 1, 2018, he has been Chairman of the BPCE Management Board.

Offices held at December 31, 2018

Chairman of the Management Board of BPCE (since June 1, 2018)

Chairman of the Board of Directors: Natixis (since June 1, 2018), Crédit Foncier (since May 17, 2018)

Director: Sopassure (since June 18, 2018), CNP Assurances*/** (since June 1, 2018), Arkema*/**, AROP (Association pour le Rayonnement de l'Opéra de Paris)

Chairman of CE Holding Participations (since June 6, 2018)

Vice-Chairman (from June 1, 2018) **then Chairman** of the Fédération Bancaire Française (since September 1, 2018),

Chairman of the Association Française des Banques and of the Association Française des Établissements de Crédit et des Entreprises d'Investissement (since September 1, 2018)

Terms of office expired in 2018

Chief Executive Officer of Natixis* (until May 31, 2018)

Chairman of the Board of Directors: Natixis Investment Managers (until June 1, 2018), Coface SA* (until June 15, 2018), Natixis Assurances (until June 7, 2018)

Director: Peter J. Solomon Company LLC (until May 30, 2018)

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Management Board of BPCE **Chief Executive Officer of Natixis*** **Chairman of the Board of Directors:** Natixis Investment Managers (formerly Natixis Global Asset Management), Coface SA*, Natixis Assurances **Director:** Peter J. Solomon Company LLC, Arkema*/**, AROP (Association pour le Rayonnement de l'Opéra de Paris)	**Member of the Management Board of BPCE** **Chief Executive Officer of Natixis*** **Chairman of the Board of Directors:** Natixis Investment Managers (formerly Natixis Global Asset Management), Coface SA* **Director:** Lazard Ltd*/**, Arkema*/**, Peter J. Solomon Company LLC, AROP (Association pour le Rayonnement de l'Opéra de Paris)	**Member of the Management Board of BPCE** **Chief Executive Officer of Natixis*** **Chairman of the Board of Directors:** Natixis Global Asset Management, Coface SA* **Director:** Arkema*/**, Lazard Ltd*/**, AROP (Association pour le Rayonnement de l'Opéra de Paris)	**Member of the Management Board of BPCE** **Chief Executive Officer of Natixis*** **Chairman of the Board of Directors:** Natixis Global Asset Management, Coface SA* **Director:** Arkema*/**, Lazard Ltd*/**

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Christine FABRESSE (since November 1, 2018)
Born 05/24/1964

A graduate of Montpellier Business School, Christine Fabresse joined Crédit Lyonnais in 1987, where she served as a sales manager, business center director, international cash management specialist, director of individual and professional markets, then beginning in 2001, in human resources, as an HR development director at Crédit Lyonnais, then in 2003, director of HR policies and mobility at Crédit Agricole SA. In 2006, she joined the Executive Management Committee of LCL as sales director of retail banking. In 2008, she joined the Executive Committee of Caisse Nationale des Caisses d'Epargne (CNCE), leading the Sales Development division. Later, at Groupe BPCE, she became Director of Development at Caisses d'Epargne, and a member of the Executive Committee, in 2011. In June 2013, she was appointed Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon, before being appointed, effective November 1, 2018, a member of the BPCE Management Board, Head of Retail Banking and Insurance.

Offices held at December 31, 2018

Member of the Management Board of BPCE, Head of Retail Banking and Insurance (as of November 1, 2018)

Chairman of the Board of Directors: Banque Palatine (since November 19, 2018)

Director: Crédit Foncier

Permanent Representative of BPCE, Director: Natixis Investment Managers (since November 1, 2018)

Permanent Representative of BPCE Maroc, Director: Banque Centrale Populaire (BCP) (since November 26, 2018)

Terms of office expired in 2018

Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon (until October 31, 2018)

Vice-Chairman of the Board of Directors: Fédération Nationale des Caisses d'Epargne (until October 31, 2018)

Director: Compagnie de Financement Foncier (until October 31, 2018), Bastide Le Confort Médical** (until August 2, 2018)

Permanent representative of CEP Languedoc-Roussillon, director: BPCE-IT (until October 31, 2018), IT-CE (until October 31, 2018), Erilia (until October 31, 2018), Fédération Nationale des Caisses d'Epargne (until October 31, 2018)

Permanent representative of CEP Languedoc-Roussillon, manager: Ecureuil 5 Masseran (until October 31, 2018)

Offices held at December 31 in previous years

2017	2016	2015	2014
Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon **Director:** BPCE-VIE, Crédit Foncier, Compagnie de Financement Foncier, Bastide le Confort Médical** **Permanent representative of CEP Languedoc-Roussillon, director:** BPCE-IT, IT**-CE,** Erilia, Fédération Nationale des Caisses d'Epargne	**Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon** **Director:** Crédit Foncier, Compagnie de Financement Foncier **Permanent representative of CEP Languedoc-Roussillon, director:** BPCE-IT, IT-CE, Erilia, Ellisphère, Fédération Nationale des Caisses d'Epargne	**Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon** **Director:** Crédit Foncier, Compagnie de Financement Foncier **Permanent representative of CEP Languedoc-Roussillon, director:** BPCE-IT, IT-CE, Ellisphère, Fédération Nationale des Caisses d'Epargne	**Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon** **Director:** Nexity, Crédit Foncier, Compagnie de Financement Foncier **Permanent representative of CEP Languedoc-Roussillon, director:** BPCE-IT, IT-CE, Fédération Nationale des Caisses d'Epargne

** Listed company*
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FNBP: Fédération Nationale des Banques Populaires

Catherine HALBERSTADT
Born 10/09/1958

Catherine Halberstadt has a postgraduate degree in Accounting and another in Business, Administration and Finance from the École Supérieure de Commerce de Clermont-Ferrand. In 1982, she joined Banque Populaire du Massif Central, where she was Head of Human Resources, then Chief Financial Officer, Chief Operations Officer and, as of 2000, Deputy Chief Executive Officer. In 2008, Ms. Halberstadt became Chief Executive Officer of Natixis Factor.

From September 1, 2010 to March 25, 2016, Catherine Halberstadt was Chief Executive Officer of Banque Populaire du Massif Central.

Since January 1, 2016, Catherine Halberstadt has served as the BPCE Management Board Member in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE. She was reappointed effective November 1, 2018 as BPCE Management Board Member, Head of Human Resources.

Offices held at December 31, 2018

Member of the Management Board of BPCE, Head of Human Resources

Director: Crédit Foncier, Bpifrance Financement**

Permanent Representative of BPCE, Director: Natixis (since January 1, 2018)

Terms of office expired in 2018

-

Offices held at December 31 in previous years

2017	2016	2015	2014
Member of the Management Board of BPCE in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE **Director:** Crédit Foncier, Bpifrance Financement**	**Member of the Management Board of BPCE in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE** (since January 1, 2016) **Director:** Crédit Foncier, Bpifrance Financement**	**Chief Executive Officer of Banque Populaire du Massif Central** **Director:** Crédit Foncier, Bpifrance Financement** **Permanent Representative of Banque Populaire du Massif Central, Chairman:** SAS Sociétariat BPMC **Permanent Representative of Banque Populaire du Massif Central, Director:** i-BP, Association des Banques Populaires pour la Création d'Entreprise **Permanent Representative of Banque Populaire du Massif Central, Member:** Comité des Banques d'Auvergne	**Member of the Supervisory Board and Audit and Risk Committee of BPCE** **Chief Executive Officer of Banque Populaire du Massif Central** **Director:** Natixis*, Crédit Foncier, Bpifrance Financement** (formerly OSEO) **Permanent Representative of Banque Populaire du Massif Central, Chairman:** SAS Sociétariat BPMC **Permanent Representative of Banque Populaire du Massif Central, Director:** i-BP, Association des Banques Populaires pour la Création d'Entreprise **Permanent Representative of Banque Populaire du Massif Central, Member:** Comité des Banques d'Auvergne

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FNBP: Fédération Nationale des Banques Populaires

Nicolas NAMIAS (since June 1, 2018)
Born 03/25/1976

A former student at the École Nationale d'Administration with degrees from Stanford Graduate School of Business (Executive Program), ESSEC, and the Institut d'Etudes Politiques de Paris, Nicolas Namias began his career in 2004 in the executive management of the Treasury at the Ministry of Economy and Finance. He was first tasked with preparing for the international financial summits of the G8 and G20, before being named alternative Government commissioner to the *Autorité des Marchés Financiers* (AMF). In June 2008, he joined Groupe BPCE in the Finance division, then became director of Steering for Commercial Banking and Insurance. In 2012, he was named technical advisor to the Prime Minister for financing the economy, companies, and international economic affairs.

Nicolas Namias joined Groupe BPCE in 2014 and became Head of Strategic Planning at Natixis, a member of the Executive Committee. to that end, he particularly has been coordinating all outside growth operations carried out by Natixis since 2014. In September 2017, he was appointed Head of Finance and Strategy and member of the Natixis Executive Management Committee.

Since June 2018, Nicolas Namias has been a BPCE Management Board Member in charge of Finance, Strategy, Legal Affairs, and Corporate Secretary's Office of the Supervisory Board. Since November 2018, he has been a BPCE Management Board Member, Chief Financial Officer.

Offices held at December 31, 2018

Member of the Management Board of BPCE, Chief Financial Officer (since June 1, 2018)

Representative of BPCE, Director: Crédit Foncier (since June 1, 2018)

Director: CE Holding Participations (since June 1, 2018), Natixis Coficiné (since November 30, 2018)

Representative of Natixis, Director: IFCIC

Terms of office expired in 2018

Director: Natixis Partners (until July 10, 2018), Natixis Assurances (until June 19, 2018), Natixis Partners Espana (until January 17, 2018),

Representative of Natixis, Director: IFCIC, Natixis Coficiné (from February 7, 2018 to November 29, 2018), Natixis Investment Managers (until September 6, 2018)

Offices held at December 31 in previous years

2017	2016	2015	2014
Director: Natixis Partners, Natixis Assurances, Natixis Partners Espana **Representative of Natixis, Director:** IFCIC, Natixis Investment Managers, Compagnie Française d'Assurance pour le Commerce Extérieur	**Chairman of the Board of Directors:** HCP NA LLC **Director:** Natixis Partners, Natixis Partners Espana **Permanent Representative of Natixis, Director:** IFCIC, Ellisphère	**Chief Executive Officer** of Natixis HCP **Chairman of the Board of Directors:** HCP NA LLC **Director:** Natixis Partners, Natixis Partners Espana **Permanent Representative of Natixis HCP, Director:** Ellisphère	**Chief Executive Officer** of Natixis HCP **Chairman of the Board of Directors:** HCP NA LLC **Director:** Natixis Partners, Natixis Partners Espana **Permanent Representative of Natixis HCP, Director:** Kompass International, Ellisphère

François RIAHI (since January 1, 2018)
Born 04/08/1973

A graduate of the École Centrale de Paris, the Paris IEP, and Stanford, a former ENA student and financial auditor, François Riahi joined Groupe BPCE in March 2009 where he held the position of Deputy Chief Executive Officer in charge of Group strategy, then head of the Asia Pacific platform of Natixis Corporate & Investment Banking.

From 2016 until the end of 2017, François Riahi was a member of Natixis' Executive Management Committee, jointly responsible for Corporate & Investment Banking. Since January 1, 2018, he has been the member of the BPCE Management Board and Chief Executive Officer in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies.

Since June 1, 2018, he has been Chief Executive Officer of Natixis and a BPCE Management Board Member.

Offices held at December 31, 2018

Member of the BPCE Management Board (since January 1, 2018)

Chief Executive Officer of Natixis* (since June 1, 2018)

Chairman of the Board of Directors: Natixis Investment Managers (since June 1, 2018), Natixis Assurances (since June 7, 2018), Coface* (since June 15, 2018), Natixis Payment Solutions (since September 21, 2018)

Director: Peter J. Solomon Company LLC (since May 31, 2018)

Offices expired at December 31, 2018

BPCE Management Board Member in charge of Finance, Strategy, Legal Affairs, and Corporate Secretary's Office of the Supervisory Board (from January 1, 2018 to May 31, 2018)

Chairman of the Supervisory Board: Natixis Pfandbriefbank AG (until February 28, 2018)

Director: Natixis Japan Securities Co Ltd (until January 12, 2018), Natixis North America LLC (until January 15, 2018)

Permanent Representative of BPCE: Crédit Foncier (from January 1, 2018 to May 31, 2018), CE Holding Participations (from January 1, 2018 to May 31, 2018)

Permanent Representative of Natixis: Natixis Coficiné (until February 7, 2018)

Offices held at December 31 in previous years

2017	2016	2015	2014
Chairman of the Supervisory Board: Natixis Pfandbriefbank AG **Permanent Representative of Natixis:** Natixis Assurances, Natixis Coficiné **Director:** Natixis Japan Securities Co Ltd, Natixis North America LLC	**Chairman of the Supervisory Board:** Natixis Pfandbriefbank AG **Director:** Natixis Japan Securities Co Ltd, Natixis North America LLC	**Director:** Natixis Asia Limited, Natixis Australia PTY Ltd, Natixis Japan Securities Co Ltd	**Director:** Natixis Asia Limited, Natixis Australia PTY Ltd, Natixis Japan Securities Co Ltd

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

François PÉROL (until May 31, 2018)
Born 11/06/1963

Mr. Pérol is a graduate of the HEC business school and the Institut d'Études Politiques in Paris and an alumnus of the École Nationale d'Administration. He began his career in 1990 as an Inspector General in the French Finance Ministry (Inspection Générale des Finances). In 1994, he became Deputy Secretary General of France's interministerial committee on industrial restructuring (CIRI). In 1996, he was appointed to the French Treasury as Head of the Financial Markets Office.

From 1999 to 2001, he was Secretary General of the Club de Paris responsible for International Debt Negotiations. He was Deputy Head of Corporate Financing and Development at the Treasury in 2001 and in 2002 was appointed Deputy Head of the cabinet of Francis Mer, Minister for the Economy, Finance and Industry, then Deputy Head of the cabinet of Nicolas Sarkozy, Minister of State and Minister for the Economy, Finance and Industry in 2004.

In 2005, he became a managing partner at Rothschild & Cie.

In May 2007, he was appointed Deputy Secretary General to the President of the French Republic.

From March 2 to July 31, 2009, François Pérol was Chairman of the Management Board of Caisse Nationale des Caisses d'Epargne and Chief Executive Officer of Banque Fédérale des Banques Populaires.

From July 31, 2009 to May 31, 2018, François Pérol was Chairman of the Management Board of Groupe BPCE.

Offices held at December 31, 2018

-

Terms of office expired in 2018

Chairman of the Management Board of BPCE (until May 31, 2018)

Chairman of the Board of Directors: Natixis* (until June 1, 2018), Crédit Foncier (until May 16, 2018)

Chairman of SAS: CE Holding Participations (until May 31, 2018)

Director: CNP Assurances*/** (until June 1, 2018), Sopassure (until June 1, 2018), Natixis* (until June 1, 2018), Crédit Foncier (until May 16, 2018), CE Holding Participations (until June 25, 2018)

Permanent Representative of BPCE, General Partner: SCA Ecufoncier (until April 24, 2018)

Permanent Representative of BPCE Maroc, Director: Banque Centrale Populaire* (until May 31, 2018)

Offices held at December 31 in previous years

2016
Chairman of the BPCE Management Board
Chairman of the Board of Directors: Natixis*, Crédit Foncier
Chairman of SAS: CE Holding Participations (formerly CE Holding Promotion)
Director: CNP Assurances*/**, Sopassure, Natixis*, Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion)
Permanent Representative of BPCE, General Partner: SCA Ecufoncier
Permanent Representative of BPCE Maroc, Director: Banque Centrale Populaire*

2015
Chairman of the BPCE Management Board
Chairman of the Board of Directors: Natixis*, Crédit Foncier
Company Chairman: CE Holding Promotion
Director: CNP Assurances*/**, Sopassure, Natixis*, Crédit Foncier, CE Holding Promotion
Permanent Representative of BPCE, General Partner: SCA Ecufoncier
Permanent Representative of BPCE Maroc, Director: Banque Centrale Populaire*

2014
Chairman of the BPCE Management Board
Chairman of the Board of Directors: Natixis*, Crédit Foncier
Company Chairman: CE Holding Promotion
Association Chairman: Groupement Européen des Caisses d'Epargne, Fédération Bancaire Française** (FBF)
Director: CNP Assurances*/**, Sopassure, Natixis*, Crédit Foncier, CE Holding Promotion
Permanent Representative of BPCE, Chairman: Banque Populaire Création
Permanent Representative of BPCE, General Partner: SCA Ecufoncier
Permanent Representative of BPCE Maroc, Director: Banque Centrale Populaire*

** Listed company*
*** Non-group company*
SLE: Société locale d'épargne (local savings company)
FNCE: Fédération Nationale des Caisses d'Epargne
FNBP: Fédération Nationale des Banques Populaires

Laurent ROUBIN (until October 31, 2018)
Born 11/02/1969

Laurent Roubin is a graduate of the École Centrale Paris school of engineering and the Stanford Executive Program, with a postgraduate degree (DESS) from Université Paris-Dauphine. He began his career at Groupe Compagnie Bancaire in 1992, first at the group's holding company and subsequently in the Risk Management department of Cetelem Spain. In 1996, he joined the Banks and Financial Institutions division at PricewaterhouseCoopers Management Consultants, where he was promoted to director in 2000. In 2002, he was appointed as the member of the Management Board of Caisse d'Epargne du Pas-de-Calais in charge of Finance and Risk. In 2005, he joined Ixis Asset Management and became Chief Operating Officer of Natixis Asset Management. In 2008, he joined Caisse Nationale des Caisses d'Epargne to coordinate the development of the Caisses d'Epargne for large corporate and institutional customer accounts. In 2009, he served as Head of Business Development for the Caisses d'Epargne at BPCE. Since 2011, Mr. Roubin has been Chairman of the Management Board of Caisse d'Epargne Picardie.

From May 2016 until the end of October 2018, Laurent Roubin was the member of the Management Board of BPCE in charge of Retail Banking and Insurance.

Since November 12, 2018, he has been Chairman of the Management Board of Caisse d'Epargne Hauts de France (CEHDF).

Offices held at December 31, 2018

Chairman of the Management Board of the Caisse d'Epargne Hauts de France (since November 12, 2018)

Chairman of the Board of Directors: BPCE International et Outre Mer, SIA Habitat (since November 12, 2018)

Director: BPCE-IT (since November 12, 2018), IT-CE (since November 12, 2018), Fidor Bank AG, Fondation d'Entreprise CEHDF (since November 12, 2018), Permanent representative of CEHDF: Fédération Nationale des Caisses d'Epargne (since November 12, 2018), SIGH, Euratechnologies (since November 12, 2018), Fondation d'Entreprise CEHDF (since November 12, 2018)

Offices expired at December 31, 2018

Member of the Management Board of BPCE in charge of Retail Banking and Insurance (until October 31, 2018)

Chairman of the Board of Directors: Banque Palatine (until November 1, 2018)

Director: Crédit Foncier (until November 1, 2018)

Permanent Representative of BPCE, Non-Voting Director: Erilia

Offices held at December 31 in previous years

2017
Member of the Management Board of BPCE in charge of Commercial Banking and Insurance
Chairman of the Board of Directors: Banque Palatine, BPCE International
Director: Crédit Foncier, SIGH
Permanent Representative of BPCE, Non-Voting Director: Erilia

2016
Member of the Management Board of BPCE in charge of Commercial Banking and Insurance
Chairman of the Board of Directors: Banque Palatine, BPCE International
Director: Crédit Foncier
Permanent Representative of BPCE, Non-Voting Director: Erilia

2015
Chairman of the Management Board of Caisse d'Epargne Picardie
Chairman: Triton, Picardie Foncière, NSAVADE, Picardie Mezzanine
Chairman of the Supervisory Board: CE Capital, Caisse d'Epargne Développement
Member of the Supervisory Board: Palatine Asset Management, SIA Habitat, Seventure Partners, Alliance Entreprendre
Director: Banque Privée 1818, Coface SA*, FNCE
Permanent Representative of Caisse d'Epargne Picardie, member of the Supervisory Board: IT-CE
Permanent Representative of Caisse d'Epargne Picardie, Director: BPCE-IT

2014
Chairman of the Management Board of Caisse d'Epargne Picardie
Chairman: Triton, Picardie Foncière (formerly CEPICINVESTISSEMENT), NSAVADE, CE Capital (formerly GCE Capital)
Chairman of the Supervisory Board: Alliance Entreprendre
Member of the Supervisory Board: Palatine Asset Management, SIA Habitat, Seventure Partners
Director: Banque Privée 1818, Coface SA*, FNCE
Permanent Representative of Caisse d'Epargne Picardie, member of the Supervisory Board: IT-CE

** Listed company*
*** Non-group company*
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3.4 Role and operating rules of governing bodies

3.4.1 Supervisory Board

DUTIES AND POWERS

The Supervisory Board performs the duties attributed to it by law. It carries out all checks and controls it deems appropriate and may request any documents it regards as expedient in fulfilling its mission.

The Supervisory Board:

- receives a report from the Management Board on the company's business activities once every quarter;
- examines and checks the parent company and consolidated financial statements prepared and presented by the Management Board within three months of the end of the accounting period, along with a written report on the position and activities of the company and its subsidiaries during the past year;
- presents to the Ordinary General Shareholders' Meeting a report on corporate governance that particularly states the makeup of the managerial and supervisory bodies, the role and operation of the governing bodies, the diversity policy applied to Supervisory Board Members, the principles and rules for determining pay and benefits of any kind given to corporate officers, and including its observations on the management report of the Management Board as well as on the year's accounts.

In addition to these powers, the Supervisory Board has the authority to:

Own powers

- appoint the Chairman of the Management Board;
- appoint the other members of the Management Board, based on motions by the Chairman of the Management Board;
- set the method and amount of pay received by each Management Board Member;
- grant the status of Chief Executive Officer to one or more members of the Management Board, based on motion by the Chairman of the Management Board and withdraw said status as applicable;
- propose the appointment of the Statutory Auditors at the Annual General Shareholders' Meeting, after they are recommended by the Audit Committee;
- decide to move the registered office to another location within the same *département* or to an adjacent *département,* subject to ratification of the decision by the next Ordinary General Shareholders' Meeting.

Decisions subject to a simple majority vote

The following operations proposed by the Management Board must receive prior authorization from the Supervisory Board, acting by simple majority of its present or represented members:

- approval of the policy and strategic guidelines of Groupe BPCE and each of the networks;
- authorization of any transaction[(1)] exceeding €100 million;
- authorization of any transaction[(2)] proposed by BPCE that is not part of the BPCE strategic plan, regardless of the transaction amount;
- approval of the company's annual budget and definition of the rules for calculating contributions due from affiliated institutions;
- authorization of related-party agreements pursuant to the French Commercial Code;
- approval of Groupe BPCE's internal solidarity mechanisms;
- approval of the national and international agreements involving each of the networks and Groupe BPCE as a whole;
- approval of the general criteria that must be met by the directors of Groupe BPCE's affiliated institutions, including age limits, which may not exceed:
  - 65 for Chief Executive Officers or members of the Management Board, or
  - 70 for Chairmen of Boards of Directors and Steering and Supervisory Boards, bearing in mind that no one may be appointed Chairman of a Board of Directors or a Steering and Supervisory Board if he cannot, on the date of first appointment, complete at least half the term as Chairman before reaching this age limit; however, the age limit remains set at 68 for offices currently held on the date of the Supervisory Board Meeting that approved the age limit set in this section;

(1) Refers to any proposed capital investment or divestment, contribution, merger, spin-off, restructuring, joint venture or partnership by the company or its subsidiaries and the negotiation or signing of any national or international agreements on behalf of the Caisses d'Epargne, the Banque Populaire banks and affiliates and, in each instance, any related or ancillary transactions. This also refers to (i) acquisitions, sales, and taking or disposing of equity interests by the Banque Populaire banks and the Caisses d'Epargne in credit institutions, financial companies, insurance companies, investment service providers, portfolio management or mutual fund management organizations, acquisitions or sales of branches of banks or customer business branches, whether directly or indirectly (ii) taking or disposing of equity interests in industrial or commercial companies by the Banque Populaire banks and the Caisses d'Epargne; and (iii) taking or disposing of equity interests by the Banque Populaire banks and the Caisses d'Epargne in companies, regardless of their form or purpose, whose articles of association or legal form entail undefined liability for the partners (not limited to the amount of their contribution).

(2) Same as above

- authorizations for the directors of affiliated institutions as well as their termination and all other dismissals as set out in Article L. 512-108 of the French Monetary and Financial Code;
- approval of the creation or elimination of a Banque Populaire bank or Caisse d'Epargne, including through the merger of two or more Banque Populaire banks or two or more Caisses d'Epargne;
- examination and approval of the main risk limits relating to Groupe BPCE and each network, as defined by the Management Board; regular examinations and checks on Groupe BPCE's risks, any changes therein and the systems and procedures used to control them; examination of the activity and results achieved by Internal Control and the main conclusions of audits performed by the Group's Inspection Générale division;
- appointment of BPCE's representatives to the Natixis Board of Directors. Representatives from the Caisses d'Epargne and from the Banque Populaire banks will be of identical number and will hold at least the majority of seats together;
- upon recommendation from the Appointments Committee, examination and assessment of the integrity and skills of candidates for the Supervisory Board and the non-voting directors, Chairman, and other members of the Management Board;
- adoption of the board's internal rules.

Decisions subject to a qualified majority vote (13 of 19 members)

The following operations proposed by the Management Board are subject to the prior authorization of the Supervisory Board and a favorable vote from at least thirteen of its nineteen present or represented members:

- any decision to subscribe for or acquire (or any agreement binding the company therein), by any means (including by transfer of assets to the company), securities or rights of any kind whatsoever, be they issued by a company or any other entity and directly or indirectly representing an investment or contribution of more than €1 billion;
- any decision to transfer (or any agreement binding the company therein), by any means, securities or rights of any kind whatsoever held by the company and representing a divestment of more than €1 billion for the company;
- any decision by the company to issue equity securities or shares giving immediate or eventual access to the company's capital, without pre-emptive rights;
- any merger, demerger, spin-off, or related decision involving the company;
- any decision relating to the admission of company shares or shares in any of its main direct or indirect subsidiaries to trading on a regulated market;
- any transaction related or connected to the aforementioned cases;
- any decision to appoint the Chairman or remove the Chairman of the company's Management Board from office;
- any decision to submit to the Annual General Shareholders' Meeting any changes to the Articles of Association with regard to the company that amend the terms of governance;
- any decision to approve the disposal of securities.

INTERNAL RULES

The internal rules of the Supervisory Board, adopted at the Board Meeting of July 31, 2009 and amended at the Board Meeting of March 29, 2018, form the Supervisory Board's Governance Charter, which sets out its internal operating procedures, notably for the purpose of ensuring that governing bodies interact efficiently and operate smoothly.

The internal rules enhance the quality of the work done by Supervisory Board Members, by promoting the application of corporate governance principles and best practices in the interest of ethics and efficiency.

Their purpose is also to supplement the Articles of Association, notably by:

- specifying the procedures for convening Supervisory Board and Supervisory Board Committee Meetings, as well as the rules under which they are to deliberate;
- specifying the general and specific powers of the board under the law, as set out in Articles 27.1 and 27.2 of the company's Articles of Association;
- specifying those instances requiring the board's prior approval for material transactions ("Important Decisions" and "Key Decisions"), as set out in Articles 27.3 and 27.4 of the company's Articles of Association;
- specifying the board's reporting rules;
- specifying the duties of the various committees, for which they serve as the internal rules;
- specifying the professional secrecy and confidentiality obligations binding the members of the Supervisory Board and its committees;
- defining the penalties that apply in the event members of the Supervisory Board or of a committee fail to comply with any of their obligations.

ETHICS AND COMPLIANCE CHARTER

The Supervisory Board of BPCE adopted an Ethics and Compliance Charter for its members at its meeting of June 22, 2016. The Ethics and Compliance Charter is divided into four main chapters that set out good governance principles, in addition to reiterating several laws and regulations.

Chapter 1 covers the Board Members' professionalism, as expressed in different ways:

- the total number of offices held by Supervisory Board Members and their availability (time spent preparing for meetings and reviewing issues);
- competence, *i.e.* consolidation of knowledge and understanding of information that may be used in performing their duties;
- diligence and effectiveness (active participation);
- duty to intervene and raise the alarm, *i.e.* expressing viewpoints and participating in discussions;
- respect for corporate responsibility and good faith.

Chapter 2 covers ethics, as expressed by:

- respect for the law and the company's Articles of Association;
- integrity (lack of a criminal record, incompatibility with certain duties);
- good credit history, which is checked by the Risk Management division of the institution or network in which the member also holds office, under the authority of the BPCE Risk Management division (except for independent members, whose credit history is checked using any rating either internal or external to the company in which they play a primary role);

- benefits (soliciting or accepting direct or indirect benefits is prohibited).

Chapter 3 covers confidentiality:

- banking secrecy and the duty of discretion;
- management of inside information (with the understanding that all members are on the list of permanent insiders);
- reporting of transactions in financial instruments issued by BPCE and Groupe BPCE companies (if the total exceeds €5,000 in one calendar year);
- compliance with blackout periods on financial instruments issued by Groupe BPCE companies.

Chapter 4 covers conflicts of interest:

- independence of judgment;
- incompatibility with the duties performed on their own behalf in other investment banks or investment companies outside Groupe BPCE (unless explicitly approved by the Management Board of BPCE);
- due diligence in business relationships.

ACTIVITIES

In accordance with Article 25.1 of the Articles of Association, the Supervisory Board meets as often as the company's interests, laws and regulations require, and at least once every quarter in order to examine the Management Board's quarterly report. Board Meetings may be convened by its Chairman, its Vice-Chairman or by one half of its members and take place at the registered office or any other location stated in the notice of meeting.

In accordance with Article L. 823-17 of the French Commercial Code, the Statutory Auditors are invited to Board Meetings examining full-year and half-year financial statements.

The BPCE Supervisory Board met twelve times between January 1 and December 31, 2018. In 2018, the average attendance rate for Supervisory Board Members was 91.90%. In addition to issues routinely discussed (quarterly Management Board reports, related-party agreements, approvals of company directors and various items presented for information purposes), the main issues dealt with at Supervisory Board Meetings were as follows:

Governance – Internal operating procedures of the board

- presentation of the Supervisory Board's corporate governance report;
- determination of the variable pay of Management Board Members for 2017 and establishment of fixed pay and the criteria (amount, trigger, qualitative and quantitative criteria) for determining the variable pay of Management Board Members for 2018;
- approval of BPCE's entering into employment contracts with members of the Management Board;
- authorization to propose the amendment of BPCE's Articles of Association to the Annual General Shareholders' Meeting;
- appointment, at its March 29, 2018 meeting, of Anne Claude Pont as Supervisory Board Member, to replace the resigning Marie-Christine Lombard, for the remainder of her predecessor's term until the Annual General Shareholders' Meeting convened to approve the 2020 financial statements;
- acceptance of the resignation of François Pérol from his office as Chairman of the Management Board at the meeting of April 26, 2018;
- designation, at its April 26, 2018 meeting, of Laurent Mignon, BPCE Management Board Member, as Chairman of the BPCE Management Board, replacing François Pérol, effective June 1, 2018 for the remainder of his term as Management Board Member;
- acknowledgment, at its May 17, 2018 meeting, (i) of the appointment of François Riahi by the Natixis Board of Directors on April 27, 2018 to Natixis executive management effective June 1, 2018, replacing Laurent Mignon, and (ii) that François Riahi would no longer be in charge of Group Finance, Strategy, Legal Affairs, and the Corporate Secretary's Office of the Supervisory Board, but would remain a BPCE Management Board Member as Chief Executive Officer of Natixis based on a scope of responsibilities identical to that of his predecessor;
- appointment, at its May 17, 2018 meeting, of Nicolas Namias as BPCE Management Board Member, Chief Executive Officer in charge of Group Finance, Strategy, Legal Affairs, and the Corporate Secretary's Office of the Supervisory Board, replacing François Riahi, effective June 1, 2018 for a period expiring at the end of the Annual General Shareholders' Meeting convened to approve the 2019 financial statements;
- acknowledgment, in order to begin staggering the reappointments of Supervisory Board Members, that the Supervisory Board, at its May 17, 2018 meeting, accepted the resignation of Catherine Amin-Garde, Françoise Lemalle, Didier Patault, Pierre Desvergnes, André Joffre, Yves Gevin, Thierry Cahn, and Maryse Aulagnon as Supervisory Board Members, effective at the adjournment of the Combined General Meeting on May 25, 2018;
- co-opting, at its May 17, 2018 meeting, of Catherine Mallet as a BPCE Supervisory Board Member for the duration of her predecessor Steve Gentili's term, namely until the Ordinary General Shareholders' Meeting convened in 2021 to approve the 2020 financial statements; acknowledgment of the resignation of Alain Lacroix from his duties as non-voting director on the Supervisory Board effective March 31, 2018, and appointment of Joël Chassard, at the Supervisory Board Meeting on May 17, 2018, ratified by the Annual General Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2017, for a period expiring at the Annual General Shareholders' Meeting to approve the 2020 financial statements;
- at its August 2, 2018 meeting: acknowledgment of the resignation of Marwan Lahoud, independent member of the Supervisory Board, Chairman of the Audit Committee and member of the Risk Management Committee, effective at the end of the Supervisory Board Meeting on June 19, 2018, and appointment, as an independent member of the Supervisory Board, Chairman of the Audit Committee, and member of the Risk Management Committee, of Kadidja Sinz, for the remainder of her predecessor's term, *i.e.* until the Ordinary General Shareholders' Meeting approving the financial statements for the year ending December 31, 2020;
- acceptance of the resignation of Astrid Boos, member of the Supervisory Board and member of the Appointments and Remuneration Committees, effective June 23, 2018;
- appointment of Dominique Goursolle-Nouhaud as member of the Supervisory Board, member of the Appointments Committee, and member of the Remuneration Committee, for the remainder of her predecessor's term of office, *i.e.* until the Annual Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020;
- at its August 2, 2018 meeting, appointment of Bernard Dupouy as member of the Supervisory Board, member of the Appointments Committee, and member of the Remuneration Committee, for the remainder of his predecessor Pierre Desvergnes' term of office, *i.e.* until the Annual Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2023;

- acknowledgment, at its October 4, 2018 meeting, of the resignation of all members of the Management Board, effective November 1, 2018, namely Laurent Mignon, Chairman of the Management Board, and Catherine Halberstadt, Nicolas Namias, Laurent Roubin, and François Riahi, members of the BPCE Management Board;
- appointment, effective November 1, for a four-year term expiring at the end of the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2022, of Laurent Mignon as member and Chairman of the Management Board, and Catherine Halberstadt, Nicolas Namias, Catherine Fabresse, and François Riahi as members of the BPCE Management Board;
- acknowledgment, at its December 20, 2018 meeting, of the resignation of Stéphane Paix, a member of the Supervisory Board, effective November 12, 2018;
- co-opting, at its December 20, 2018, of Alain Denizot as a member of the Supervisory Board, for the duration of the term of his predecessor Stéphane Paix, *i.e.* until the Ordinary General Shareholders' Meeting convened in 2021 to approve the 2020 financial statements;
- acknowledgment, at its December 20, 2018 meeting, of the resignation of Alain Condaminas, a member of the Supervisory Board, effective December 31, 2018;
- co-opting, at its December 20, 2018, of Olivier Klein as a member of the Supervisory Board, for the duration of the term of his predecessor Alain Condaminas, *i.e.* until the Ordinary General Shareholders' Meeting convened in 2021 to approve the 2020 financial statements;
- acknowledgment, at its December 20, 2018 meeting, of the resignation of Dominique Garnier, a non-voting director of the Supervisory Board, effective November 30, 2018;
- appointment, at its December 20, 2018 meeting, of Sylvie Garcelon as non-voting director on the Supervisory Board, for the remainder of her predecessor Dominique Garnier's term of office, *i.e.* until the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020;
- review of fixed pay and the criteria for determining variable pay (level, trigger, quantitative and qualitative criteria) for the Chairman of the Management Board as of January 1, 2019;
- approval of the amendment of the Supervisory Board's internal rules;
- approval of the training program for Supervisory Board Members representing employees;
- approval of the 2018/2019 training program for Supervisory Board Members;
- oversight of the Board's self-assessment process based on a questionnaire completed by Supervisory Board Members and Non-Voting Directors, as well as on a number of interviews conducted by the Chairman of the Appointments Committee with randomly selected members of the Supervisory Board;
- adoption of the policy on employment and wage equality;
- approval of the Groupe BPCE code of conduct and ethics;
- follow-up on the Board Member training program;
- review of the dashboard of persons belonging to the "regulated population";
- adoption of the diversity policy applicable to Board Members;
- amendments to the Board's internal rules.

Strategic operations

- authorization of the acquisition by Natixis Investment Managers Participations of 100% of the capital and voting rights of MV Crédit;
- analysis of the acquisition by Natixis Wealth Management of Massena Partners (an independent asset management company focused on serving high net worth clients);
- presentation of a joint, single-source debt offer by Natixis' Corporate & Investment Banking division and Ostrum AM;
- authorization of the project aimed at incorporating Crédit Foncier's activities and teams into the Group;
- authorization of the acquisition by BPCE SA group of Natixis' Factoring, Securities and Guarantees, Leasing, Consumer Finance and Securities Services businesses.

Finance

- presentation of BPCE's annual financial statements for the year ended December 31, 2017;
- presentation of BPCE's 2018 quarterly and half-year financial statements;
- approval of the 2019 budget;
- review of the impact of the implementation of IFRS 9;
- review and follow-up on Groupe BPCE's solvency and liquidity ratios.

Audit – Compliance – Risks

- follow-up on the reports and investigations of the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) and the European Central Bank (ECB);
- risk monitoring: monitoring of consolidated risks, review of the impact of conditions in Europe on the Group, forward-looking risk management approach, monitoring of the Group's market and credit limits, monitoring of risk governance and annual review and reconsideration of Groupe BPCE's risk appetite;
- review of the report on internal control prepared in accordance with Article 258 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies and the report on risk measurement and supervision, prepared in accordance with Article 262 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies: work carried out by the Inspection Générale division, annual compliance report (annual report of the Investment Services Compliance Officer [RCSI], report on the annual check control program, report on credit risks), update on accounting risks;
- examination of the independence and fees of Statutory Auditors;
- approval of the update to Groupe BPCE's Recovery Plan (RP) for 2018;
- follow-up on the ICAAP (Internal Capital Adequacy Assessment Process) for 2018, the methods used within this framework and the results of internal stress tests used to determine figures for 2018;
- follow-up on the Supervisory Review and Evaluation Process (SREP);
- review of the senior management report on the effectiveness of the enhanced compliance mechanism, drawn up by the Management Board (Senior Management) and implemented in accordance with the Volcker rule's specifications;

Depending on the type of matters submitted to the Supervisory Board, discussions were held and decisions made on the basis of the reports presented by the relevant Board Committees.

3.4.2 Specialized committees

The Supervisory Board has instituted five specialized committees in charge of preparing its decisions and making recommendations. Their duties, resources, operating procedures and composition are set out in the Supervisory Board's internal rules.

As far as possible, and depending on applicable circumstances, any discussion by the Supervisory Board that falls within the remit of a committee created by the board is preceded by the referral of the matter to said committee and a decision may only be made after that committee has issued its recommendations or motions.

The purpose of such consultation with committees is not to delegate to them powers that are allocated to the Supervisory Board by law or the Articles of Association, nor is it to reduce or limit the Management Board's powers.

Whenever it is necessary to consult with a committee, the Chairman of that committee receives from the Management Board, within a reasonable time frame (given the circumstances), all of the items and documents that will enable the committee to carry out its work and formulate its opinions, recommendations and motions relating to the Supervisory Board's upcoming agenda.

Committee members are chosen by the Supervisory Board based on a motion made by the Chairman of the board from among its members. Members may be dismissed by the Supervisory Board.

The term of office of committee members coincides with their term of office as Supervisory Board Members. The renewal of both terms of office may take place concomitantly.

Each committee is made up of at least three and at most seven members, except for the Remuneration Committee which contains eight members, including one employee representative as stipulated by Article L. 225-79-2 of the French Commercial Code.

The Supervisory Board may also appoint a person from outside Groupe BPCE or a Non-Voting Director to any of these committees. The Cooperative and CSR Committee includes both Non-Voting Directors as of right among its members.

A Chairman is in charge of organizing the work conducted by each committee. The Chairman of each committee is appointed by the Supervisory Board.

AUDIT COMMITTEE

Duties

The Audit Committee assists the Supervisory Board in verifying and reviewing the financial statements and the Management Board report on the company's business.

The Audit Committee is tasked with overseeing the process for preparing financial information, the statutory audit of the annual and consolidated financial statements by the Statutory Auditors and their independence.

Accordingly, it ensures the quality of information provided to shareholders and, more generally, fulfills the duties set out in the French Commercial Code.

The Audit Committee is also responsible for reviewing the strategic operations undertaken by Groupe BPCE.

The Audit Committee oversees:

The preparation of financial information

In this respect, its duties include:

- reviewing the quarterly, half-year and annual consolidated financial statements of the company and Groupe BPCE, as well as the parent company financial statements, which are presented by the Management Board prior to their review by the Supervisory Board;
- verifying that the information provided is clear;
- reviewing the scope of consolidated companies and supporting evidence thereof;
- assessing the appropriateness of accounting methods adopted in preparing the company's individual financial statements and the consolidated financial statements of the company and Groupe BPCE;
- reviewing the draft of the Supervisory Board Chairman's report on internal control and risk management procedures as regards preparing and processing accounting and financial information;
- reviewing the prudential and accounting impacts of any material acquisition by the company or Groupe BPCE.

The statutory audit of the annual and consolidated financial statements, as well as the Statutory Auditors' independence

In this respect, its duties include:

- ensuring that the "Framework for Statutory Auditor Assignments at Groupe BPCE", approved by BPCE's Supervisory Board on June 27, 2012 and which defines the rules and principles aimed at guaranteeing Statutory Auditor independence in Groupe BPCE companies, is observed and updated;
- ensuring that the Statutory Auditor selection procedure is observed and issuing an opinion on the Statutory Auditors proposed for appointment at the Annual General Shareholders' Meeting;
- in accordance with applicable regulations, authorizing services (other than certification of the financial statements) that are provided by the Group's Statutory Auditors;
- ensuring that the Statutory Auditors are independent, specifically by reviewing fees paid to them by Group companies as well as fees paid to any network to which they might belong and by overseeing, on a quarterly basis, any services that do not fall within the strict framework of the statutory audit;
- reviewing the Statutory Auditors' work schedule, the results of their audits and recommendations, and any follow-up action.

Groupe BPCE strategic operations

The Audit Committee is asked to review and issue a prior opinion on any material internal or external growth operations submitted for the approval of the Supervisory Board, including in particular:

any material equity investments or divestments, contributions, mergers, spin-offs, restructuring operations, joint ventures, strategic deals, alliances or partnerships entered into by BPCE or its subsidiaries;

any material acquisitions or disposals, including acquisitions or disposals of equity interests, carried out by the Banque Populaire banks and the Caisses d'Epargne, specifically reviewing the associated terms and conditions as well as the prudential and accounting impacts.

Activity

The Audit Committee met six times between January 1 and December 31, 2018. The average attendance rate at these meetings was 97.62%.

The main issues that it addressed were as follows:

- presentation of BPCE's annual financial statements for the year ended December 31, 2017 and review of the 2019 Budget;
- presentation of BPCE's 2018 quarterly and half-year financial statements;
- monitoring of the impact of adopting IFRS 9 and the Impairment for credit risk under IFRS 9;
- review and examination of Groupe BPCE's solvency and liquidity ratios;
- oversight of the management of intra-group capital adequacy ratio requirements;
- regular reporting about Crédit Foncier's earnings and monitoring of the project to integrate Crédit Foncier's business into Groupe BPCE;
- regular reporting about the earnings of BPCE International and its subsidiaries and monitoring the project to devolve BPCE International's assets;
- monitoring of the work performed by the Statutory Auditors, reviewing their independence, follow-up on their fees, approving the services carried out by the Statutory Auditors other than certifying financial statements;
- reviewing the strategic operations undertaken by the Group.

RISK COMMITTEE

Duties

The Risk Committee assists the Supervisory Board with respect to BPCE's overall strategy and risk appetite, both current, future and when the Supervisory Board reviews the strategy's implementation. Accordingly, it is tasked with assessing the effectiveness of the internal control and risk management systems and, more generally, fulfills the duties set out in Articles L. 511-92 *et seq.* of the French Monetary and Financial Code and by the Ministerial Order of November 3, 2014 on internal control of banking sector companies.

In this respect, its duties include:

- conducting a regular review of the strategies, policies, procedures, systems, tools and limits referred to in Article 148 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies and the underlying assumptions, and sharing its findings with the Supervisory Board;
- reviewing the total risk exposure of company and Groupe BPCE activities, based on the associated reports;
- advising the Supervisory Board on the company's overall strategy and risk appetite, both current and future;
- assisting the Supervisory Board when it reviews the implementation of this strategy by the members of the Management Board and the Head of Risk Management;
- assisting the Supervisory Board in regularly reviewing the policies established to comply with the provisions of the Ministerial Order of November 3, 2014 on internal control of banking sector companies, assessing the effectiveness of these policies and that of the provisions and procedures implemented for the same purposes as well as any corrective measures undertaken in the event of failures;
- reviewing the annual report(s) on risk measurement and supervision and on the conditions under which internal control is conducted throughout the Group;
- proposing to the board the materiality criteria and thresholds referred to in Article 98 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies, *i.e.* the criteria and thresholds used to identify incidents that must be brought to the board's attention;
- ensuring the independence of Groupe BPCE's Inspection Générale division, which is authorized to request or access all items, systems, or information required for the successful completion of its duties;
- reviewing the annual schedule of the Group's Inspection Générale division;
- ensuring that the findings of audits performed by the ACPR and/or the ECB and the Group's Inspection Générale division, whose summaries regarding the company and Groupe BPCE entities are disclosed to it, are addressed;
- reviewing the follow-up letters sent by the ACPR and/or by the ECB and issuing an opinion on the draft replies to these letters;
- determining, in accordance with its purview, if the prices of products and services (referred to in Books II and III of the French Monetary and Financial Code: financial instruments, savings products, bank transactions, investment services, etc.) offered to customers are compatible with the company's risk strategy and, if not, presenting a corrective action plan to the Supervisory Board;
- determining if incentives provided by the company's pay practices and policy are compatible with the risks incurred by the company, its capital and liquidity and the likelihood that the expected benefits will vest, as well as their staggered vesting over time.

Activity

The Risk Committee met nine times between January 1 and December 31, 2018. The average attendance rate at these meetings was 87.70%.

The main issues that it addressed were as follows:

- follow-up on the reports and investigations of the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) and the European Central Bank (ECB), and on the recommendations made by the Group's Inspection Générale division;
- analysis and follow-up of the Supervisory Board Chairman's report on internal control and risk management;
- review of reports on internal control prepared in accordance with Article 258 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies and on risk measurement and supervision, prepared in accordance with Article 262 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies: work carried out by the Inspection Générale division, annual compliance report (annual report of the Investment Services Compliance Officer [RCSI], report on the annual check control program, report on credit risks), update on accounting risks;

- review of compliance work conducted by the Risk, Compliance and Permanent Control division;
- review of the work of the Inspection Générale division and presentation of the 2019 audit plan;
- review of risk management and measurement work conducted by the Risk, Compliance and Permanent Control division, particularly the review of Group risk supervision mechanisms (supervision of consolidated risks, review of the impact of conditions in Europe on the Group, forward-looking risk management approach, oversight of the Group's market and credit limits);
- analysis of Group risk measurement and quantification systems, and review of their performance;
- review of the ALM risk limit criteria (Article 98 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies);
- review of the anti-money laundering system;
- review of Groupe BPCE's risk governance;
- annual review and reconsideration of Groupe BPCE's risk appetite;
- review of the architecture and tools used to monitor interest rate and liquidity risks;
- review of the results of alternative crisis scenarios and measures taken on liquidity;
- review of Groupe BPCE's overall credit risk policy;
- regular analyses of the various exposures of Crédit Foncier and BPCE International and its subsidiaries;
- analysis of EBA stress testing methods and review of the methods and results of the 2018 internal stress tests carried out to assess BPCE's resilience under certain extreme scenarios, especially the "reverse stress test", which aims to define a scenario based on a specific solvency impact;
- review of the methods and results of the annual ICAAP (Internal Capital Adequacy Assessment Process) process intended to analyze capital adequacy;
- review of the economic viability of the transactions and credit risks of Groupe BPCE's banking institutions, in accordance with Article L. 511-94 of the French Monetary and Financial Code;
- monitoring of internal caps and Group limits (credit risks, market risks, interest rate risks and liquidity risks);
- review of changes made to a resilience threshold related to risk appetite;
- review of the Senior Management Report (SMR) on the effectiveness of the compliance mechanism in accordance with the Volcker rule's specifications;
- review of the Contingency and Business Continuity Plan (CBCP);
- follow-up on the implementation of the BCBS 239 regulatory provisions on data quality, risk data aggregation and risk reporting;
- review of cybersecurity throughout Groupe BPCE;
- update to Groupe BPCE's Recovery Plan (RP);
- follow-up on the impacts of the Basel IV rules;
- review of the progress of projects related to the General Data Protection Regulation;
- renewal of the Group's limit for one year for the Arnault Group;
- follow-up on the EDGAR program.

APPOINTMENTS COMMITTEE

Duties

The Appointments Committee is in charge of submitting motions to the Supervisory Board concerning:

- the choice of members of the Supervisory Board and Non-Voting Directors who come from outside Groupe BPCE. Supervisory Board Members from inside Groupe BPCE are nominated in compliance with the company's Articles of Association and Article L. 512-106 of the French Monetary and Financial Code;
- the appointment of the Chairman of the Management Board.

Furthermore, the Appointments Committee:

- regularly reviews and assesses the integrity and skills of candidates for the Supervisory Board and the non-voting directors, Chairman, and other members of the Management Board;
- assesses the balance and diversity of knowledge, skills and experience individually and collectively held by the members of the Supervisory Board;
- specifies the duties and qualifications required for positions on the Supervisory Board and assesses the amount of time that should be spent on Supervisory Board duties;
- sets a target regarding the balanced representation of men and women on the Supervisory Board and creates a policy to achieve this target;
- writes, submits to the Supervisory Board, and annually reviews a diversity policy applicable to Supervisory Board Members with respect to criteria such as age, gender, or qualifications and professional experience, as well as a description of the goals of that policy, its terms of implementation, and the results achieved during the past year;
- periodically, and at least once a year, assesses:
  - the structure, size, composition and effectiveness of the Supervisory Board with respect to its assigned tasks, and submits all useful recommendations to the board,
  - the knowledge, skills and experience of the members of the Supervisory Board, both individually and collectively, and reports on this assessment to the board;
- periodically reviews the policies of the Supervisory Board governing the selection and appointment of Management Board Members and the Head of Risk Management and makes appropriate recommendations;
- ensures that the Supervisory Board is not dominated by any one person or small group of people under conditions that are detrimental to the company's interests;
- writes and periodically reviews a succession procedure for company directors, which it submits to the Supervisory Board.

Activity

The Appointments Committee met eleven times between January 1 and December 31, 2018. The average attendance rate at these meetings was 84.18%.

The main issues that it addressed were as follows:

- review of the skills and integrity of candidates to be Supervisory and Management Board Members;
- review of the skills and integrity of candidates to be non-voting directors of the Supervisory Board;
- review of the skills, integrity, and independence of candidates to be independent Supervisory Board Members;
- analysis of the succession procedure for the Chairman of the Management Board;
- the Supervisory Board's performance self-assessment, based on a questionnaire completed by Supervisory Board Members and Non-Voting Directors;
- annual review of independent member status on the Supervisory Board;
- review of the diversity policy.

REMUNERATION COMMITTEE

Duties

The Remuneration Committee is in charge of submitting motions to the Supervisory Board concerning:

- the amounts and conditions of pay, compensation and benefits of any kind awarded to members of the company's Management Board, including benefits in kind, provident insurance and pension plans;
- the pay granted to the Chairman of the Supervisory Board and, where applicable, the Vice-Chairman;
- the distribution of attendance fees among members of the Supervisory Board and committees and the total amount of attendance fees submitted for approval at the company's Annual General Shareholders' Meeting.

Furthermore, the Remuneration Committee:

- conducts an annual review:
  - of the principles of the company's pay policy,
  - of the pay, compensation and benefits of any kind granted to corporate officers of the company,
  - of the pay policy for categories of personnel, including Management Board Members, risk takers, persons exercising control duties and any employees who, as a result of their total income, are in the same pay bracket, whose professional activities have a material impact on the company's or Group's risk profile;
- directly controls the pay granted to the Head of Risk Management, referred to in Article L. 511-64 of the French Monetary and Financial Code and, where applicable, the Head of Compliance;
- reports regularly on its work to the Supervisory Board;
- examines the draft of the Supervisory Board's corporate governance report;
- gives its opinion to the Board on the policy for granting stock options or similar securities and on the list of beneficiaries;
- is informed of Groupe BPCE's pay policy, particularly the policy regarding the main company directors of affiliated institutions;
- reviews and issues opinions on the insurance policies taken out by the company covering the liability of company directors;
- gives its opinion to the Board on the section of the annual report covering issues within the remit of the Remuneration Committee.

Activity

The Remuneration Committee met four times between January 1 and December 31, 2018. The average attendance rate at these meetings was 87.88%.

The main issues that it addressed were as follows:

- variable pay of Management Board Members for 2017 and the amounts and conditions of fixed and variable pay for Management Board Members for 2018 (definition of conditions for deferred portions, definition of quantitative and qualitative criteria);
- fixed pay and criteria (amount, trigger, qualitative and quantitative criteria) for determining the variable pay granted to the new Management Board Members for 2018, commitments owed or likely to be owed due to the cessation or change of duties of the new Management Board Members (compensation for involuntary termination, retirement bonus, supplementary pension plan and defined-benefit pension obligations) and other remuneration for new members of the Management Board (unemployment insurance, retention of entitlement to compensation in the event of a temporary inability to work and social security plan benefits);
- review of fixed pay and the criteria for determining variable pay (level, trigger, quantitative and qualitative criteria) for the Chairman of the Management Board as of January 1, 2019;
- pay policy guidelines for persons belonging to the "regulated population" of BPCE and Groupe BPCE credit institutions (review of Group standards on risk takers, identification of BPCE's risk takers for 2017, establishment of a minimum capital threshold that must be met for variable components to be received, establishment of a penalty based on financial position, review of the system of penalties for bad behavior in 2017, review of the pay policy's compliance with SRAB regulations and the Volcker rule);
- review of pay for the BPCE SA group Risk and Compliance functions;
- review of the report on internal control of Groupe BPCE credit institutions regarding the policy and practices governing pay in respect of 2017 granted to members of the executive body and persons whose professional activities have a material impact on the corporate risk profile, pursuant to Article 266 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies.

COOPERATIVE AND CSR COMMITTEE

Duties

The Cooperative and CSR Committee is in charge of submitting motions and recommendations aimed at promoting the cooperative and social values of long-term commitment and professional and interpersonal ethics. It also ensures that Group and network activities represent these values, thereby strengthening the cooperative banking model of the Group and each of the networks.

To this end, the Cooperative and CSR Committee monitors cooperative share sales and dividend practices exercised by the Banque Populaire banks and the Caisses d'Epargne, changes to their share capital and fair distribution among cooperative shareholders.

Activity

The Cooperative and CSR Committee met twice between January 1 and December 31, 2018. The average attendance rate at these meetings was 91.66%.

The main issues that it addressed were as follows:

- status report on cooperative shares activity;
- review of the draft Group code of conduct and ethics;
- review of the challenges in providing services to vulnerable customers.
- review of the CSR assessment and labeling approaches at the Banque Populaire banks and the Caisses d'Epargne;
- review of the European Non-Financial Reporting Directive;
- monitoring of CSR and cooperative actions taken under the Group's 2018-2020 Strategic Plan;
- review of Groupe BPCE's ESG ratings;
- presentation of Group CSR institutional communication;
- updates on the Societal Engagement aspect of the TEC 2020 project;
- review of the roadmap on vulnerable customers;
- review of the territorial impacts of Group Procurement;
- updates on the FNBP and FNCE projects.

3.4.3 Attendance of Supervisory Board and specialized Committee Meetings

Members of the Supervisory Board	Supervisory Board	Specialized committees	Total	Individual attendance rate
	Meetings attended/Number of meetings			
Michel Grass, Chairman of the board	12/12	1/2	13/14	92.86%
Nicolas Plantrou, Vice-Chairman of the board	10/12	2/2	12/14	85.71%
Caisse d'Epargne representatives				
Catherine Amin-Garde	12/12	15/15	27/27	100%
Astrid Boos (until June 23, 2018)	6/6	8/9	14/15	93.33%
Dominique Goursolle-Nouhaut (since August 2, 2018)	4/4	4/4	8/8	100%
Françoise Lemalle	11/12	9/9	20/21	95.23%
Stéphanie Paix (until November 12, 2018)	9/11	6/8	15/19	78.95%
Didier Patault	12/12	20/21	32/33	96.97%
Pierre Valentin	12/12	6/6	18/18	100%
Banque Populaire bank representatives				
Gérard Bellemon (since June 19, 2018)	6/6	4/6	10/12	83.33%
Thierry Cahn	11/12	5/6	16/18	88.88%
Alain Condaminas	12/12	8/9	20/21	95.23%
Pierre Desvergnes (until June 27, 2018)	4/7	4/9	8/16	50%
Bernard Dupouy (since August 2, 2018)	4/4	4/4	8/8	100%
Yves Gevin	12/12	21/21	33/33	100%
André Joffre (until June 19, 2018)	6/6	9/11	15/17	88.23%
Catherine Mallet (since May 17, 2018)	7/7	N/A	7/7	100%
Independent members				
Maryse Aulagnon	9/12	14/15	23/27	88.18%
Marwan Lahoud (until June 19, 2018)	2/6	4/6	6/12	50%
Marie-Christine Lombard (until March 29, 2018)	2/2	N/A	2/2	100%
Anne-Claude Pont (since March 29, 2018)	10/10	12/12	22/22	100%
Kadidja Sinz (since August 2, 2018)	4/4	7/7	11/11	100%
Employee representatives				
Vincent Gontier	11/12	4/4	15/16	93.75%
Frédéric Hassaine	12/12	N/A	12/12	100%
Non-Voting Directors				
Jean Arondel – FNCE	N/A	2/2	2/2	100%
André Joffre – FNBP (since June 19, 2018)	N/A	2/2	2/2	100%
Pierre Carli	N/A	N/A	N/A	N/A
Joël Chassard (since May 17, 2018)	N/A	N/A	N/A	N/A

Members of the Supervisory Board	Supervisory Board	Specialized committees	Total	Individual attendance rate
	Meetings attended/Number of meetings			
Dominique Garnier (until November 30, 2018)	N/A	N/A	N/A	N/A
Daniel Karyotis	N/A	N/A	N/A	N/A
Alain Lacroix (until March 31, 2018)	N/A	N/A	N/A	N/A
Dominique Martinie (until June 6, 2018)	N/A	N/A	N/A	N/A
AVERAGE	**91.90%**	**88.01%**		**91.56%**

3.4.4 Management Board

In accordance with Article 18 of BPCE's Articles of Association, the Management Board has the broadest powers to act under all circumstances in the company's name, within the corporate purpose and subject to decisions requiring prior authorization by the Supervisory Board and the Annual General Shareholders' Meeting, in accordance with the law or the Articles of Association.

In particular, the Management Board:

- performs duties as the company's central institution as specified by law and, where applicable, after receiving prior authorization from the Supervisory Board, as specified by the company's Articles of Association;
- exercises all banking, financial, administrative and technical powers;
- approves the appointment of executive management at the company's main direct and indirect subsidiaries;
- appoints the person or persons tasked with Provisional Management or Control functions for an affiliated institution in the event the Supervisory Board decides to dismiss any persons referred to in Article L. 512-108 of the French Monetary and Financial Code;
- decides, in an emergency, to suspend one or more executive managers of an affiliated institution as a protective measure;
- uses the Group's internal solidarity mechanisms, notably by calling on the guarantee and solidarity funds of the Networks and the Group;
- approves the Articles of Association of affiliated institutions and Local Savings Companies and any changes thereto;
- determines the rules governing the pay granted to executive managers of affiliated institutions, including any contingent pay and benefits granted to such individuals on or after termination of employment;
- authorizes any transaction of less than €100 million;
- issues general internal directives to affiliated institutions, covering the objectives defined in Article L. 511-31 of the French Monetary and Financial Code.

The Management Board is required to comply with the limitations of powers defined in Articles 27.1, 27.2, 27.3 and 27.4 of BPCE's Articles of Association, which set out the duties of the Supervisory Board.

The Chairman of the Management Board represents the company in its dealings with third parties.

On the recommendation of the Chairman of the Management Board, the Supervisory Board may grant the same power of representation to one or more Management Board Members, who shall then bear the title of Chief Executive Officer. The Chairman of the Management Board and the Chief Executive Officer or officers, if any, are authorized to appoint a special representative to deputize them in respect of part of their powers.

With the authorization of the Supervisory Board, the members of the Management Board may, on the recommendation of the Chairman of the Management Board, divide management tasks between them. However, in no event should this division have the effect of removing the Management Board's capacity as a collegial management body.

Once every three months, the Management Board presents a written report to the Supervisory Board on the company's performance. Within three months of the end of each accounting period, the Management Board completes the parent company financial statements and presents them to the Supervisory Board for verification and control. The board also submits the consolidated financial statements within this same period.

3.4.5 Annual General Shareholders' Meetings

The provisions governing the participation of shareholders at the Annual General Shareholders' Meeting (Article 30 of BPCE's Articles of Association) are as follows:

1° Annual General Shareholders' Meetings are called and convened in accordance with regulations in force.

Annual General Shareholders' Meetings take place at the registered office or at any other location specified in the notice of the meeting.

The Ordinary General Shareholders' Meeting called to approve the annual financial statements of the previous fiscal year convenes within five months of the end of the fiscal year.

2° Only Category "A" shareholders, Category "B" shareholders and owners of ordinary shares are entitled to take part in the Annual General Shareholders' Meetings.

Their participation is subject to the registration of the shares in the name of the shareholder by the second business day preceding the Annual General Shareholders' Meeting at twelve midnight, Paris time, in the registered share accounts maintained by the company.

3° Shareholders unable to personally attend the Annual General Shareholders' Meeting may select one of the following three options:

- to grant a proxy to another shareholder or, if the shareholder is a natural person, to the shareholder's spouse; or
- to vote by absentee ballot; or
- to send a power of attorney to the company without designating a representative.

4° Annual General Shareholders' Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice-Chairman. In the absence of both, Annual General Shareholders' Meetings are chaired by a member of the Supervisory Board specially appointed for this purpose by the Supervisory Board. Failing this, the Annual General Shareholders' Meeting elects its own Chairman.

The Annual General Shareholders' Meeting appoints its officers.

The duties of scrutineer are performed by two consenting shareholders representing, themselves or as proxies, the greatest number of shares. The officers of the Annual General Shareholders' Meeting appoint a Secretary who may be selected from outside the shareholders' ranks.

A register of attendance is kept in accordance with regulations in force.

5° The Ordinary General Shareholders' Meeting convened on first notice may validly transact business if the shareholders present or represented own at least one-fifth of the voting shares. The Ordinary General Shareholders' Meeting convened on second notice may validly transact business regardless of the number of shareholders present or represented.

Resolutions of the Ordinary General Shareholders' Meeting are carried by majority vote of the shareholders present or represented, including the shareholders who have voted by absentee ballot.

The Ordinary General Shareholders' Meeting called to approve the financial statements for the past fiscal year is consulted on the components of pay due or granted for the fiscal year ended to the Chairman of the Management Board and to each member of the Management Board.

It is consulted on the overall budget for pay of any kind paid during the fiscal year ended to the company's executive managers and to categories of staff referred to in Article L. 511-71 of the French Monetary and Financial Code, whose professional activities have a material impact on the company or Group risk profile.

The Ordinary General Shareholders' Meeting may, in accordance with Article L. 511-78 of the French Monetary and Financial Code, resolve to raise the variable pay to an amount greater than the fixed pay amount, within the limit of double the fixed pay amount, for the company's executive managers, as well as for categories of staff referred to in Article L. 511-71 of said Code whose professional activities have a material impact on the company or Group risk profile. This resolution is carried by a two-thirds majority of the votes of the shareholders present or represented, including the shareholders having voted by absentee ballot. If at least half the shareholders are not present or represented, the resolution is carried by a three-quarters majority vote.

6° The Extraordinary Shareholders' Meeting convened on first notice may validly transact business only if the shareholders present or represented own at least one-fourth of the voting shares.

The Extraordinary Shareholders' Meeting, convened on second notice, may validly transact business only if the shareholders present or represented own at least one-fifth of the voting shares.

Resolutions of the Extraordinary Shareholders' Meeting are carried by a two-thirds majority of the votes of the shareholders present or represented, including the shareholders who have voted by absentee ballot.

7° Copies or extracts of the minutes of the Annual General Shareholders' Meeting are validly certified by the Chairman of the Supervisory Board, by the Vice-Chairman, a member of the Management Board, or by the Secretary of the Annual General Shareholders' Meeting.

8° Ordinary and Extraordinary Shareholders' Meetings exercise their respective powers in accordance with regulations in force.

3.5 Rules and principles governing the determination of pay and benefits

3.5.1 Pay policy, components of pay, benefits in kind, loans, guarantees and attendance fees received by members of the Supervisory Board of BPCE(1)

At the Combined General Meeting on May 19, 2017, the total amount of attendance fees payable by BPCE was set at €700,000. This pay is detailed in the statement regarding attendance fees and other pay collected by the non-executive directors of BPCE.

At the meeting on May 19, 2017, the Supervisory Board set the pay for the Chairman and Vice-Chairman of the Supervisory Board as well as the terms for distributing the attendance fees among the Supervisory Board Members.

Aside from the Chairman, who receives annual fixed pay, Supervisory Board Members are paid in the form of attendance fees.

Pay awarded to Michel Grass, Chairman of the Supervisory Board since May 19, 2017

- annual fixed pay: €400,000;
- attendance fees: €0.

Attendance fees paid to Supervisory Board Members

Nicolas Plantrou, Vice-Chairman of the Supervisory Board since May 19, 2017:

- fixed annual attendance fees: €80,000;
- attendance fees paid for each meeting attended, up to a limit of nine meetings during the fiscal year: €1,500.

Other members of the Supervisory Board:

- fixed annual attendance fees: €8,200;
- attendance fees paid for each meeting attended, up to a limit of nine meetings during the fiscal year: €1,200.

Additional pay granted to Supervisory Board Members

Marwan Lahoud, Chairman of the Audit Committee until June 19, 2018, and Kadidja Sinz, Chairman of the Audit Committee effective June 19, 2018:

- fixed annual attendance fees: €23,900;
- attendance fees paid for each meeting attended, up to a limit of four meetings during the fiscal year: €2,400.

Other members of the Audit Committee:

- fixed annual attendance fees: €750;
- attendance fees paid for each meeting attended, up to a limit of four meetings during the fiscal year: €875.

Marie-Christine Lombard, Chairman of the Risk Committee until March 29, 2018, and Anne-Claude Pont, Chairman of the Risk Committee effective March 29, 2018:

- fixed annual attendance fees: €23,900;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the fiscal year: €2,400.

Other members of the Risk Committee:

- fixed annual attendance fees: €750;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the fiscal year: €875.

Maryse Aulagnon, Chairman of the Appointments Committee:

- fixed annual attendance fees: €13,100;
- attendance fees paid for each meeting attended, up to a limit of three meetings during the fiscal year: €1,650.

Other members of the Appointments Committee:

- fixed annual attendance fees: €750;
- attendance fees paid for each meeting attended, up to a limit of three meetings during the fiscal year: €600.

Maryse Aulagnon, Chairman of the Remuneration Committee:

- fixed annual attendance fees: €13,100;
- attendance fees paid for each meeting attended, up to a limit of five meetings during the fiscal year: €1,650.

Other members of the Remuneration Committee:

- fixed annual attendance fees: €750;
- attendance fees paid for each meeting attended, up to a limit of five meetings during the fiscal year: €600.

(1) The figures presented in this section are gross amounts.

Dominique Martinie, Chairman of the Cooperative and CSR Committee:

- fixed annual attendance fees: €13,100;
- attendance fees paid for each meeting attended, up to a limit of two meetings during the fiscal year: €1,650.

Other members of the Cooperative and CSR Committee:

- fixed annual attendance fees: €750;
- attendance fees paid for each meeting attended, up to a limit of two meetings during the fiscal year: €600.

Pay granted to Non-Voting Directors

Pursuant to Article 28.3 of the Articles of Association, the Supervisory Board has resolved to compensate non-voting directors by making a deduction from the attendance fees allocated to Supervisory Board Members at the Annual General Shareholders' Meeting.

Non-Voting Directors receive:

- fixed annual attendance fees: €4,000;
- attendance fees paid for each meeting attended, up to a limit of nine meetings during the fiscal year: €600.

Rules for the awarding of attendance fees

The French Finance Act for 2018 changed the methods for assessing attendance fees received on or after January 1, 2018 by directors and members of the Supervisory Boards of French limited liability companies *(sociétés anonymes).*

Attendance fees collected on or after January 1, 2018 are subject to single mandatory withholding tax at the global rate of 30%, consisting of a flat 12.8% of the income tax plus social security contributions at the global rate of 17.2%.

Taxpayers may, if so desired, opt for the progressive income tax scale instead of the flat 12.8% when filing their tax return. This option can be used for the full amount, provided that it applies to all income and gains that fall within the scope of the single flat-rate withholding tax, which are collected or earned during a single year by all members of the tax household.

The following taxation conditions apply:

- withholdings:
  - a non-exempting flat-rate withholding tax, serving as income tax, at a rate of 12.8%. This tax entitles taxpayers to a tax credit that can be applied to the tax calculated for the attendance fee collection year, at either the flat rate or using the progressive scale, as per their choice. Taxpayers may ask to be exempted from this withholding if they provide the attendance fee distributing company with a sworn statement that the baseline tax income thresholds set out by law have been met, no later than November 30 of the year preceding the year in which the attendance fees are paid,
  - social security charges at rates applicable on the date of the levy (17.2% since January 1, 2018, including a CSG [*contribution sociale généralisée* – general social security tax] of 6.8% deductible from taxable income for the year of the payment, if the taxpayer has opted for the progressive scale);
- declaration of attendance fees on the 2042 income tax return and taxation at the flat rate of 12.8% or, optionally, using the progressive income tax scale. The tax credit attributed for the non-exempting flat withholding tax is determined in this way.

Other pay

Other pay consists of total attendance fees received by corporate officers in respect of their duties on the boards of Group companies during the period in question.

Each attendance fee payment relates to the corporate officer's presence at Board Meetings and is calculated on the basis of the total budget set by each company's Annual General Shareholders' Meeting.

STATEMENT OF ATTENDANCE FEES AND OTHER PAY RECEIVED BY BPCE NON-EXECUTIVE DIRECTORS FROM JANUARY 1 TO DECEMBER 31, 2018 (AMF TABLE NO. 3)

	Fiscal year 2017		Fiscal year 2018	
	Amount due[(1)]	Amount paid[(2)]	Amount due[(3)]	Amount paid[(4)]
Michel Grass Chairman of the Supervisory Board				
Annual fixed pay	244,444.42	244,444.42	€400,000.00	€400,000.00
BPCE director attendance fees	€9,768.00	€0	N/A	€9,768.00
Other pay	€13,731.50	€13,731.50	N/A	N/A
Nicolas Plantrou				
Vice-Chairman of the Supervisory Board				
BPCE director attendance fees	€66,719.00	€0	€87,266.66	€153,986.12
Other pay	€13,900.00	€12,900.00	€15,900.00	€11,500
CAISSE D'EPARGNE REPRESENTATIVES				
Catherine Amin-Garde				
BPCE director attendance fees	€24,700.00	€0	€24,700.00	€49,400.00
Other pay	€5,100.00	€5,100.00	€5,100.00	€5,100.00
Astrid Boos				
BPCE director attendance fees	€24,100.00	€0	€15,461.38	€39,561.38
Other pay	€5,700.00	€5,700.00	€7,200.00	€7,200.00
Alain Denizot (since December 20, 2018)				
BPCE director attendance fees	N/A	N/A	N/A	N/A
Other pay	N/A	N/A	€39,300.00	€42,000.00
Dominique Goursolle-Nouhaud (since August 2, 2018)				
BPCE director attendance fees	N/A	N/A	€11,189.51	€11,189.51
Other pay	N/A	N/A	€3,000.00	€3,000.00
Françoise Lemalle				
BPCE director attendance fees	€25,000.00	€0	€25,000.00	€50,000.00
Other pay	€31,479.45	€31,479.45	€33,400	€33,400
Stéphanie Paix				
BPCE director attendance fees	€25,000.00	€0	€23,806.66	€48,806.66
Other pay	€38,906.84	€38,906.84	€33,419.18	€33,419.18
Didier Patault				
BPCE director attendance fees	€30,900.00	€0	€30,900.00	€61,800.00
Other pay	€3,300.00	€2,400.00	€6,000.00	€3,750.00
Pierre Valentin				
BPCE director attendance fees	€16,494.44	€0	€23,250.00	€39,744.44
Other pay	€2,400.00	€2,400.00	€1,800.00	€1,800.00
BANQUE POPULAIRE BANK REPRESENTATIVES				
Gérard Bellemon (since June 19, 2018)				
BPCE director attendance fees	N/A	N/A	€14,146.39	€14,146.39
Other pay	N/A	N/A	€11,400.00	€10,300.00
Thierry Cahn				
BPCE director attendance fees	€22,050.00	€0	€23,250.00	€45,300.00
Other pay	€26,786.30	€26,786.30	€28,000.00	€28,000.00
Alain Condaminas				
BPCE director attendance fees	€25,000.00	€0	€25,000.00	€50,000.00
Other pay	€33,813.69	€30,213.69	€34,800.00	33,600.00
Pierre Desvergnes				
BPCE director attendance fees	€24,700.00	€0	€11,969.16	€36,669.16
Other pay	€7,500.00	€7,500.00	€3,000.00	€7,500
Bernard Dupouy (since August 2, 2018)				
BPCE director attendance fees	N/A	N/A	€11,189.51	€11,189.51

	Fiscal year 2017		Fiscal year 2018	
	Amount due[(1)]	Amount paid[(2)]	Amount due[(3)]	Amount paid[(4)]
Other pay	N/A	N/A	€27,600.00	€27,600.00
Yves Gevin				
BPCE director attendance fees	€30,900.00	€0	€30,900.00	€61,800.00
Other pay	€2,400.00	€0	€3,000.00	€2,400.00
André Joffre (until June 19, 2018)				
BPCE director attendance fees	€28,595.83	€0	€17,732.77	€46,328.61
Other pay	€4,500.00	€0	€2,700.00	€4,500.00
Catherine Mallet (since May 17, 2018)				
BPCE director attendance fees	N/A	N/A	€13,491.93	€13,491.93
Other pay	N/A	N/A	N/A	N/A
INDEPENDENT MEMBERS				
Maryse Aulagnon				
BPCE director attendance fees	€55,550.00	€0	€56,750.00	€112,300.00
Marwan Lahoud (until June 19, 2018)				
BPCE director attendance fees	€57,300.00	€0	€24,371.24	€81,671.24
Marie-Christine Lombard (until March 29, 2018)				
BPCE director attendance fees	€57,950.00	€0	€13,012.50	€70,962.50
Anne-Claude Pont (since March 29, 2018)				
BPCE director attendance fees	N/A	N/A	€53,337.50	€53,337.50
Other pay	N/A	N/A	€35,500.00	€0
Kadidja Sinz (since August 2, 2018)				
BPCE director attendance fees	N/A	N/A	€29,010.88	€29,010.88
EMPLOYEE REPRESENTATIVES				
Vincent Gontier[(5)]				
BPCE director attendance fees	€22,750.00	€0	€22,150.00	€44,900.00
Frédéric Hassaine[(5)]				
BPCE director attendance fees	€19,000.00	€0	€19,000.00	€38,000.00
NON-VOTING DIRECTORS				
Jean Arondel (FNCE)				
BPCE director attendance fees	€11,350.00	€0	€20,002.36	€31,352.36
Other pay	€84,799.58	€84,799.58	€89,546.88	€89,546.88
Pierre Carli				
BPCE director attendance fees	€9,400.00	€0	€9,400.00	€18,800.00
Other compensation [(6)]	€13,800.00	€13,800.00	€1,800.00	€13,800.00
Joël Chassard (since May 17, 2018)				
BPCE director attendance fees	N/A	N/A	€6,683.87	€6,683.87
Other pay	N/A	N/A	€13,100.00	€0
Sylvie Garcelon (since December 20, 2018)				
BPCE director attendance fees	N/A	N/A	N/A	N/A
Other pay	N/A	N/A	€42,000.00	€42,000.00
Dominique Garnier (until November 30, 2018)				
BPCE director attendance fees	€6,756.00	€0	€9,066.67	€15,822.22
Other pay	€27,300.00	€23,250.00	€22,950.00	€4,950.00
André Joffre (since June 19, 2018)				
BPCE director attendance fees	N/A	N/A	€7,320.14	€7,320.14
Other pay	N/A	N/A	€2,700.00	€4,500.00
Daniel Karyotis				
BPCE director attendance fees	€9,400.00	€0	€9,400.00	€18,800.00
Other pay	€17,333.00	€17,333.00	€22,000.00	€22,000.00
Alain Lacroix				
BPCE director attendance fees	€9,400.00	€0	€2,200.00	€11,600.00

	Fiscal year 2017		Fiscal year 2018	
	Amount due[(1)]	Amount paid[(2)]	Amount due[(3)]	Amount paid[(4)]
Other pay	€10,800.00	€1,200.00	€3,000.00	€7,800.00
Dominique Martinie (until June 6, 2018)				
BPCE director attendance fees	€25,800.00	€0	€9,810.00	€35,610.00
Other pay	€7,800	€12,680.93	€4,500	€7,800
TOTAL PAY	**€1,234,377.65**	**€574,625.71**	**€1,573,485.21**	**€2,169,218.56**

(1) Amounts due in respect of 2017: all amounts owed in respect of 2017, regardless of the date of payment.

(2) Amounts paid in 2017: all amounts paid and received in 2017 (due in 2016 and paid in 2017 and due in 2017 and paid in 2017) excluding withholding taxes (amounts actually received by members include withholding taxes).

(3) Amounts due in respect of 2018: all amounts owed in respect of 2018, regardless of the date of payment.

(4) Amounts paid in 2018: all amounts paid and received in 2018 (due in 2017 and paid in 2018 and due in 2018 and paid in 2018) excluding withholding taxes (amounts actually received by members include withholding taxes).

(5) Both employee representatives have waived attendance fees in favor of their unions.

N/A: Not Applicable

(6) The attendance fees for Capitole Finance-Tofinso and Midi Foncière are determined during the General Shareholders' Meeting that approved the previous year's financial statements. The amounts have not yet been declared as of the publication of the BPCE registration document.

3.5.2 Pay and benefits of any kind awarded to Management Board Members for 2018

3.5.2.1 COMPENSATION AND BENEFITS OF ANY KIND AWARDED TO MANAGEMENT BOARD MEMBERS

The pay policy described below was defined by the Supervisory Board on February 13, 2018, based on a motion by the Remuneration Committee.

For BPCE SA group, this policy affects the compensation of all company directors and was voted on during the Annual General Shareholders' Meeting that approved the 2017 financial statements.

With respect to Management Board Members, the items mentioned below were approved by the Annual General Shareholders' Meeting.

The Chairman of the Management Board is paid solely in respect of his corporate office.

Given his duties as Chief Executive Officer of Natixis, the member of the BPCE Management Board who is also CEO of Natixis is paid solely for his corporate office at Natixis. As such, he does not collect any pay from BPCE.

The other members of the Management Board receive an employment contract. The enactment of the employment contract as of June 1, 2018 was authorized and approved by the Supervisory Board on February 13, 2018. Their pay is divided 90%/10% respectively between the employment contract and corporate office. These terms were renewed by the Supervisory Board on October 4, 2018, and the related regulatory agreements will be presented to the Annual General Shareholders' Meeting approving the 2018 financial statements.

The principles and rules for determining their pay and other benefits granted in respect of their office and employment contract are approved by the Supervisory Board based on a motion by the Remuneration Committee.

The pay components mentioned in Article 3.5.2.2 that are subject to a vote at the Annual General Shareholders' Meeting were allocated pursuant to the pay policy approved by the Annual General Shareholders' Meeting in resolutions 17 and 18 on May 25, 2018.

PAY POLICY APPLICABLE TO THE CHAIRMAN OF THE MANAGEMENT BOARD

Pay component	Principles and criteria adopted
Annual fixed pay	In accordance with Article 19 of the BPCE Articles of Association and based on a motion by the Remuneration Committee, the Supervisory Board sets the pay granted to the Chairman of the Management Board, taking into account the unique responsibilities of the Chairman of the Management Board compared to other Board Members This pay primarily reflects the professional experience related to the position held and the responsibilities exercised, and is determined by comparison to market practices. It includes a special increase equal to 20% of his fixed pay in respect of the Article 82 supplemental pension scheme.
Annual variable pay	The variable portion of the Chairman of the Management Board's pay is determined based on target pay equal to 100% of his fixed pay (including the special increase) for the fiscal year, with a maximum of 120%. Variable pay is determined based on the quantitative and qualitative criteria previously validated by the Supervisory Board. It is awarded if the criterion for triggering variable pay is met, pertaining specifically to the Group Basel III Common Equity Tier 1 ratio. For 2018, this level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of December 19, 2017. No variable portion is paid if this criterion is not met[1]. Quantitative criteria account for 60% of variable pay and are defined based on quantitative factors that reflect how well a number of the Group's financial fundamentals are being satisfied. These criteria are defined by the Supervisory Board, and take into account[2]: – net income attributable to equity holders of the parent (30%); – the Group's cost/income ratio (20%); – the Group's net banking income (10%). For each of these criteria, if the target as set by the Supervisory Board is reached, Management Board Members would be entitled to receive the entire fixed percentage. In respect of fiscal year 2018, qualitative criteria account for 40% of variable pay and are determined based on key targets in terms of: – Retail Banking and Insurance; – Human Resources and BPCE SA group Corporate Secretary's Office; – Finance and Strategy; – Supervision – control – governance; – Digital and Information System. Only quantitative criteria can be used to determine outperformance. Between 50% and 70% of variable pay is deferred in equal installments over three years, depending on the variable pay amount. Payment of the deferred portion is contingent upon attaining a standard Return on Equity (ROE) for core Group businesses that is at least equal to 4% during the fiscal year before payment falls due. The deferred portion is indexed to the change in net income attributable to equity holders of the parent[3], assessed as a rolling average over the last three calendar years preceding the allocation year and the payment year. With regard to the terms of payment for variable pay owed to François Pérol: – in respect of fiscal year 2014: deferred for a fraction representing 60% over 2016, 2017, and 2018 (20% each year); – in respect of fiscal year 2015: deferred for a fraction representing 60% over 2017, 2018, and 2019 (20% each year); – in respect of fiscal year 2016: deferred for a fraction representing 60% over 2018, 2019, and 2020 (20% each year); – in respect of fiscal year 2017: deferred for a fraction representing 60% over 2019, 2020, and 2021 (20% each year); – in respect of fiscal year 2018: deferred for a fraction representing 50% to 70% over 2020, 2021, and 2022, depending on the amount of variable pay. Payment of variable pay owed in respect of 2018 will be submitted for an *ex-post* vote of the Annual General Shareholders' Meeting in 2019 called to approve the financial statements for fiscal year 2018.
Multi-year variable pay	The Chairman of the Management Board does not receive any multi-year variable pay.
Exceptional pay	The Chairman of the Management Board does not receive any exceptional pay.
Grants of stock options/preference shares	The Chairman of the Management Board does not receive any stock options or preference shares in respect of his office as Chairman.
Bonus share allocation to employees	The Chairman of the Management Board does not receive any bonus share allocation for their office as Chairman of the Management Board
Attendance fees	The Chairman of the Management Board does not collect attendance fees.
Sign-on bonus	The Chairman of the Management Board does not receive a sign-on bonus.

(1) The total CET1 ratio requirement set by the ECB, including the "Pillar 2 Guidance" component, is not subject to disclosure.
(2) The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not publicly disclosed.
(3) For fiscal years preceding 2016, deferred variable pay was indexed to net income attributable to equity holders of the parent after neutralizing the impact of the revaluation of own debt.

Pay component	Principles and criteria adopted
Involuntary-termination severance pay and retirement bonus	The Chairman of the Management Board, under certain conditions, receives a severance or bonus when his duties cease. The Chairman of the Management Board, under certain conditions, receives involuntary-termination severance pay equal to at least 12 months' pay (fixed and variable portions), and up to 24 months, earned for 12 years' seniority with the Group. Payment is subject to the following conditions: – **Conditions for receiving involuntary-termination severance pay** The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE. It cannot be paid in the event of a departure from the Group at the company director's initiative. Payment of involuntary-termination severance causes former directors to lose any entitlement to the retirement bonus they otherwise may have claimed (it being specified that they do not benefit from a defined-benefit pension plan). For persons re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract. Finally, involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office. – **Determination of involuntary-termination severance pay** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office are taken into account. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (12 months + 1 month per year of seniority with the Group)* Seniority is calculated in years and fractions of a year. The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group. Where at least 50% of the maximum variable component is awarded on average during the last three years of the current term of office (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full. Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the Supervisory Board. Regardless, any compensation paid for termination of an employment contract is deducted from the amount of involuntary-termination severance pay. Upon a decision made by the Supervisory Board, the Chairman of the Management Board may receive a **retirement bonus** equal to no less than six months' and no more than 12 months' salary, provided he has at least 10 years' seniority, without any minimum presence conditions. Payment is subject to the following conditions: – **Conditions for receiving a retirement bonus** Payment of a retirement bonus is subject to the same conditions as those applicable to involuntary-termination severance pay, *i.e.*: – the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and – beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office. The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn. Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Remuneration Committee. Payment of the retirement bonus is exclusive of the payment of any other departure bonus. As such, if involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus. – **Amount of the retirement bonus** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. The amount of the bonus is equal to: *Monthly benchmark pay x (6 + 0.6 A)* where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA group). The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years. Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

<table>
<tr><th>Pay component</th><th>Principles and criteria adopted</th></tr>
<tr><td>Supplementary pension plan</td><td>The Chairman of the Management Board is entitled to:
– the mandatory CGP collective supplementary defined-contribution pension plan for all BPCE employees and by extension applicable to BPCE company directors.
The contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; 70% of this contribution is paid by the company and 30% by the employee;
– the R2E (formerly IPRICAS) mandatory collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors.
The contribution rate is 3.5% of total pensionable pay. This contribution is funded entirely by the company.
Entitlements to both of these plans, which the members of the Management Board may have vested during their previous career as an employee or director of Group companies, are taken into account where applicable.
If the Chairman of the Management Board is not on the Group's supplemental executive pension plan, he is entitled to participate in the pension plan through a group insurance policy under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein.
Pension plan through a group insurance policy under Article 82 of the French General Tax Code
The supplemental executive pension plans in which the Group's executive directors participated were harmonized and closed to new company directors effective July 1, 2014. to enable company directors who did not participate in a Group supplemental executive pension plan to participate in an alternative plan, a proposal was made to increase the company director's fixed pay by 20%, and consequently the basis for variable pay, as the company director agreed to pay this increase in the fixed component into an "Article 82" pension plan (group insurance policy, with no initial tax or employee benefits, paid out on retirement as a lump sum or annuity, taxed as life insurance, but with no possibility of surrender before retirement). At its meeting of February 9, 2017, the Supervisory Board authorized BPCE to purchase this pension plan through a group insurance policy under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" or the "Natixis pension guarantee" pension plan may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. This agreement had no impact on BPCE's 2018 financial statements.</td></tr>
<tr><td>Benefits in kind</td><td>Based on a motion by the Remuneration Committee, the Supervisory Board may resolve to grant an annual housing allowance to the Chairman of the Management Board.</td></tr>
</table>

PAY POLICY APPLICABLE TO THE MEMBERS OF THE MANAGEMENT BOARD

The compensation policy described below applies to Management Board Members, except for the Chairman, whose policy is specified above, and except for the Chief Executive Officer of Natixis, a BPCE Management Board Member compensated solely for his corporate office at Natixis.

Pay component	Principles and criteria adopted
Fixed pay	Based on a motion by the Remuneration Committee, the Supervisory Board sets the pay granted to the members of the Management Board. Fixed pay primarily reflects the professional experience related to the position held and the responsibilities exercised, and is determined by comparison to market practices.
Annual variable pay	For members of the Management Board, the variable portion is determined based on target pay equal to 80% of their fixed pay (including the special increase, if applicable) for the fiscal year, with a maximum of 100%. Variable pay is determined based on the quantitative and qualitative criteria previously validated by the Supervisory Board. It is awarded if the criterion for triggering variable pay is met, specifically pertaining to the Group Basel III Common Equity Tier 1 ratio. This level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of December 19, 2017. No variable portion is paid if this criterion is not met[1]. Quantitative criteria account for 60% of variable pay and are defined based on quantitative factors that reflect how well a number of the Group's financial fundamentals are being satisfied. These criteria are defined by the Supervisory Board, and take into account[2]: – net income attributable to equity holders of the parent (30%), – the Group's cost/income ratio (20%), – the Group's net banking income (10%). For each of these criteria, if the target as set by the Supervisory Board is reached, Management Board Members would be entitled to receive the entire fixed percentage. In respect of fiscal year 2018, qualitative criteria account for 40% of variable pay and are determined based on key targets in terms of: – Retail Banking and Insurance; – Human Resources and BPCE SA group Corporate Secretary's Office; – Finance and Strategy; – Supervision – control – governance; – Digital and Information System. Only quantitative criteria can be used to determine outperformance. Between 50% and 70% of variable pay is deferred in equal installments over three years, depending on the variable pay amount. The deferred portion is indexed to the change in net income attributable to equity holders of the parent[3], assessed as a rolling average over the last three calendar years preceding the allocation year and the payment year. Payment of the deferred portion is contingent upon attaining a standard Return on Equity (ROE) for core Group businesses that is at least equal to 4% during the fiscal year before payment falls due. With regard to the terms of payment for variable pay owed to Catherine Halberstadt and Laurent Roubin: – in respect of fiscal year 2016: deferred for a fraction representing 50% over 2018, 2019, and 2020 (16.66% each year); – in respect of fiscal year 2017: deferred for a fraction representing 50% over 2019, 2020, and 2021 (16.66% each year); – in respect of fiscal year 2018: deferred for a fraction representing 50% over 2020, 2021, and 2022 (16.66% each year); Payment of variable pay owed in respect of 2018 will be submitted for an *ex-post* vote of the Annual General Shareholders' Meeting in 2019 called to approve the financial statements for fiscal year 2018.
Multi-year variable pay	Members of the Management Board do not receive any multi-year variable pay.
Exceptional pay	Members of the Management Board do not receive any exceptional pay.
Grants of stock options/preference shares	Members of the Management Board do not receive any stock options or preference shares.
Grants of bonus shares	Except when related to the nature of the corporate office, members of the Management Board do not receive any bonus shares.
Attendance fees	Members of the Management Board do not collect attendance fees.
Sign-on bonus	Members of the Management Board do not receive a sign-on bonus.

(1) The total CET1 ratio requirement set by the ECB, including the "Pillar 2 Guidance" component, is not subject to disclosure.
(2) The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not publicly disclosed.
(3) For fiscal years preceding 2016, deferred variable pay was indexed to net income attributable to equity holders of the parent after neutralizing the impact of the revaluation of own debt.

Pay component	Principles and criteria adopted
Involuntary-termination severance pay and retirement bonus	Members of the Management Board, under certain conditions, receive a severance or bonus when their duties cease. Members of the Management Board are entitled to **involuntary-termination severance pay** equal to at least 12 months' pay (fixed and variable portions), and up to 24 months, earned for 12 years of seniority with the Group. Payment is subject to the following conditions: – **Conditions for receiving involuntary-termination severance pay** The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE. This severance is not paid if the company director leaves the Group at his own initiative. Persons receiving involuntary-termination severance pay lose any entitlement under the defined-benefit plan, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code, and/or to any retirement bonus they may claim. For persons re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract. Finally, involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office. – **Determination of involuntary-termination severance pay** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office and employment contract are taken into account. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (12 months + 1 month per year of seniority with the Group)* Seniority is calculated in years and fractions of a year. The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group. Where at least 50% of the maximum variable component is awarded on average during the last three years of the current term of office (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full. Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the Supervisory Board. Regardless, any compensation paid for termination of an employment contract is deducted from the amount of involuntary-termination severance pay. Upon a decision made by the Supervisory Board, members of the Management Board may benefit from a **retirement bonus** equal to no less than six months' and no more than 12 months' salary, for 10 years of seniority, without any minimum presence conditions. Payment is subject to the following conditions: – **Conditions for receiving a retirement bonus** Payment of a retirement bonus is subject to the same conditions as those applicable to involuntary-termination severance pay, *i.e.*: – the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and – beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office. The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn. Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Remuneration Committee. If involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus. – **Amount of the retirement bonus** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office and employment contract are taken into account. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (6 + 0.6 A)* where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA group). The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years. Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

Pay component	Principles and criteria adopted
Supplementary pension plan	Members of the Management Board receive: – the mandatory CGP collective supplementary defined-contribution pension plan for all BPCE employees and by extension applicable to BPCE company directors. The contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; 70% of this contribution is paid by the company and 30% by the employee; – the R2E (formerly IPRICAS) mandatory collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors. The contribution rate is 3.5% of total pensionable pay. This contribution is funded entirely by the company. Entitlements to both of these plans, which the members of the Management Board may have vested during their previous career, as an employee or director of Group companies, are taken into account where applicable. Management Board Members were also able to vest entitlements under this plan during their previous careers as Group employees or company directors. Furthermore, there are other supplementary pension plans offered to members of the Management Board, based on their professional career spent with the Group, namely: **Pension plan for company directors of Groupe BPCE:** pension plan governed by Article L. 137-11 of the French Social Security Code. – Until June 30, 2014, Chairmen of Caisse d'Epargne Management Boards, Members of the Management Board of the former CNCE and Chief Executive Officers of Crédit Foncier, Banque Palatine and BPCE International could benefit from a supplementary defined-benefit pension plan entitling them to additional retirement income based on their salary. – Until June 30, 2014, Banque Populaire Chief Executive Officers could benefit from a differential defined-benefit pension plan. Effective July 1, 2014, these two pension plans were harmonized under a single supplementary pension plan, now closed to new members and subject to conditions. – they must end their career with Groupe BPCE. This condition is met when beneficiaries are Group employees on the day before their social security pension is drawn following voluntary retirement; – they must have served in an executive management position for at least the required minimum period (seven years) at the date on which their social security pension is drawn. Beneficiaries who meet the above conditions are entitled to an annuity set at 15% of benchmark pay, *i.e.* their average annual pay earned in the three highest-paid years during the five calendar years before the date on which their social security pension is drawn and capped at four times the annual ceiling for social security annuities. Annual pay refers to the sum of the following types of pay received for the year in question: – fixed pay, excluding benefits in kind or duty-related bonuses; – variable pay – not exceeding 100% of fixed pay – and defined as the total variable amount paid, including the portion that may have been deferred over several years and subject to attendance and performance requirements, in accordance with regulations on variable pay granted by credit institutions. Once drawn, this supplementary pension may be paid to a spouse or former non-remarried spouse, at a rate of 60%. This plan, which is funded entirely by the Group, is covered by two insurance policies taken out with the Quatrem and Allianz insurance companies, with a target obligation coverage rate of 80% of assets and 100% of pension recipients. Expenses paid by the company consist of the 32% contribution on annuities paid by the insurer to the beneficiaries. The pension plan for company directors of Groupe BPCE, which is a supplementary pension plan subject to Article L. 137-11 of the French Social Security Code, is governed by the provisions of section 23.2.6 of the AFEP-MEDEF Code. It complies with the principles governing the capacity of beneficiaries, overall establishment of base pay, seniority conditions, the progressive increase in potential entitlements depending on seniority, the reference period used to calculate benefits and the prevention of artificially inflated pay. This plan complies with the terms set out in Article L. 225-90-1 of the French Commercial Code on the application of performance conditions for the vesting of conditional entitlements and the 3% limit on the annual increase of conditional entitlements. For Catherine Halberstadt, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2018 is €125,183. For Laurent Roubin, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2018 is €121,930. For Christine Fabresse, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2018 is €87,949[1]. Members of the Management Board who are not on the Group's supplemental executive pension plan **are entitled to participate in the pension plan through a group insurance policy** under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. As such, Management Board Members who do not receive a Group supplemental executive pension instead get a special supplement equal to 20% of their fixed pay. **Pension plan through a group insurance policy under Article 82 of the French General Tax Code** The supplemental executive pension plans in which the Group's executive directors participated were harmonized and closed to new company directors effective July 1, 2014. to enable company directors who did not participate in a Group supplemental executive pension plan to participate in an alternative plan, a proposal was made to increase the company director's fixed pay by 20%, and consequently the basis for variable pay, as the company director agreed to pay this increase in the fixed component into an "Article 82" pension plan (group insurance policy, with no initial tax or employee benefits, paid out on retirement as a lump sum or annuity, taxed as life insurance, but with no possibility of surrender before retirement). At its meeting of February 9, 2017, the Supervisory Board authorized BPCE to purchase this pension plan through a group insurance policy under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" or the "Natixis pension guarantee" pension plan may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. This agreement had no impact on BPCE's 2018 financial statements.
Benefits in kind	Based on a motion by the Remuneration Committee, the Supervisory Board may decide to grant an annual housing allowance to members of the Management Board.

(1) As of 12/31/2018, Christine Fabresse had not yet earned the minimum seven years' seniority required by the plan. Christine Fabresse's annuity was estimated without taking the seniority condition into consideration in accordance with Article D. 225-101-1 of the French Commercial Code.

3.5.2.2 INDIVIDUAL COMPENSATION FOR COMPANY DIRECTORS FOR 2018

Pay received by the Chairman and members of the Management Board for fiscal year 2018:

François Pérol, Chairman of the Management Board until May 31, 2018:

- fixed pay: €1,080,000 (including a special supplement in respect of the supplemental pension scheme pursuant to Article 82 of the French General Tax Code);
- variable pay: target at 100%, with a maximum of 120%.

Laurent Mignon, Chairman of the Management Board since June 1, 2018:

- fixed pay: €1,200,000 (including a special supplement in respect of the supplemental pension scheme pursuant to Article 82 of the French General Tax Code);
- variable pay: target at 100%, with a maximum of 120%;

Laurent Mignon, member of the BPCE Management Board and Chief Executive Officer of Natixis until May 31, 2018, did not collect compensation during that period for his duties as a member of the BPCE Management Board. The pay that he received was for his duties as Chief Executive Officer of Natixis.

Catherine Halberstadt:

- fixed pay: €500,000;
- variable pay: target at 80%, with a maximum of 100%;
- annual housing allowance: €40,000.

Laurent Roubin, member of the Management Board until October 31, 2018:

- annual fixed pay: €500,000;
- variable pay: target at 80%, with a maximum of 100%;
- annual housing allowance: €40,000.

François Riahi, member of the Management Board, Chief Executive Officer in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies until May 31, 2018:

- fixed pay: €768,000 (including a special supplement in respect of the supplemental pension scheme pursuant to Article 82 of the French General Tax Code);
- variable pay: target at 80%, with a maximum of 100%.

François Riahi, member of the BPCE Management Board and Chief Executive Officer of Natixis from June 1, 2018, has not been collecting compensation for his duties as a member of the BPCE Management Board since that date. The pay that he has received since June 1, 2018 has been for his duties as Chief Executive Officer of Natixis.

Nicolas Namias, member of the Management Board since June 1, 2018:

- fixed pay: €600,000 (including a special supplement in respect of the supplemental pension scheme pursuant to Article 82 of the French General Tax Code);
- variable pay: target at 80%, with a maximum of 100%;

Catherine Fabresse, member of the Management Board since November 1, 2018:

- annual fixed pay: €500,000;
- variable pay: target at 80%, with a maximum of 100%.

The annual variable pay for 2018 was determined based on quantitative and qualitative criteria that were the same for all Board Members and had previously been submitted to reviews by the Remuneration Committee on February 8 and 13, 2018, then validated by the Supervisory Board on February 13, 2018 and submitted to the Annual General Shareholders' Meeting on May 25, 2018. The performance levels of those criteria, validated by the Supervisory Board on February 12, 2019 after receiving the opinion of the Remuneration Committee on February 8, 2019, are as follows:

- the trigger criterion is adherence to the Group Basel III Common Equity Tier 1 ratio. This level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of December 19, 2017. No variable portion is paid if this criterion is not met. This criterion was verified at December 31, 2018 and had been met;
- the share of quantitative criteria in variable pay is 60%, based on the net income attributable to equity holders of the parent (30%), the Group's cost/income ratio (20%), and the Group's net banking income (10%); the performance level for the quantitative criteria is 68.97%;
- the share of qualitative criteria in variable pay is 40%, related to Retail Banking and Insurance, human resources and the BPCE SA group corporate secretary's office; finance and strategy, monitoring, control and governance, digital and information systems. The performance level of the quantitative criteria is 40%.

The performance level of the criteria taken together is 108.97%.

In accordance with the provisions of French Commercial Code Article L. 225-100 II, the BPCE Annual General Shareholders' Meeting will be consulted in 2019 on the components of pay due or granted in respect of the fiscal year ended to each company director.

In accordance with Article L. 511-73 of the French Monetary and Financial Code, the BPCE Annual General Shareholders' Meeting will be consulted in 2019 on the budget for all types of remuneration paid during the previous fiscal year to members of the Management Board and other BPCE employees whose professional activities have a material impact on the company or Group risk profile.

AMF TABLE 1

Statement of pay, stock options and shares granted to each company director from January 1 to December 31, 2018

		Total pay due in respect of the period (fixed and variable) (Table 2)	Total pay received during the period (fixed and variable) (Table 2)	Value of multi-year variable pay received during the year[(1)]	Value of stock options allocated during the year (Table 4)	Value of performance shares granted during the year (Table 6)
François Pérol	2017	€1,477,300	€1,461,621	€0	€0	€0
Chairman of the Management Board (until May 31, 2018)	2018	€940,365	€1,353,527	€0	€0	€0
Laurent Mignon	2017	€0	€0	€0	€0	€0
Chairman of the Management Board (since June 1, 2018)	2018	€1,462,790	€700,000	€0	€0	€0
Member of the Management Board – Chief Executive Officer of Natixis[(2)] (until May 31, 2018) and Chairman of the Natixis Board of Directors since June 1, 2018	2017	€2,623,242	€2,088,305	€0	€0	€99,305
	2018	€1,028,552	€1,839,335	€0	€0	€47,460
Catherine Halberstadt	2017	€993,680	€713,080	€0	€0	€0
Member of the Management Board – Head of Human Resources	2018	€980,153	€825,011	€0	€0	€0
François Riahi	2017	N/A	N/A	N/A	N/A	N/A
Member of the Management Board – Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies (from January 1 to May 31, 2018)	2018	€602,359	€323,396	€0	€0	€0
Member of the Management Board – Chief Executive Officer of Natixis[(3)] (since June 1, 2018)	2017	N/A	N/A	N/A	N/A	N/A
	2018	€996,245	€1,295,791	€0	€0	€55,372
Nicolas Namias	2017	N/A	N/A	N/A	N/A	N/A
Member of the Management Board – Chief Financial Officer (since June 1, 2018)	2018	€655,346	€350,123	€0	€0	€0
Chief Financial Officer of Natixis[(4)] (from January 1 to May 31, 2018)	2017	N/A	N/A	N/A	N/A	N/A
	2018	€331,253	€371,428	€0	€0	€8,649
Laurent Roubin	2017	€994,904	€651,045	€0	€0	€0
Member of the Management Board – Retail Banking and Insurance (until October 31, 2018)	2018	€845,657	€732,673	€0	€0	€0
Christine Fabresse	2017	N/A	N/A	N/A	N/A	N/A
Member of the Management Board – Head of Retail Banking and Insurance (since November 1, 2018)	2018	€156,822	€84,162	€0	€0	€0

(1) No multi-year variable pay or bonus shares plan was granted during the 2017 and 2018 fiscal years, except for Laurent Mignon, François Riahi, and Nicolas Namias, by Natixis, for their duties at Natixis, respectively as Chief Executive Officer of Natixis from January 1 to May 31, 2018, Chief Executive Officer of Natixis since June 1, 2018, and Chief Financial Officer of Natixis and member of the Natixis Executive Management Committee from January 1 to May 31, 2018.

(2) Laurent Mignon is not paid for his duties as a member of the BPCE Management Board and Chief Executive Officer of Natixis. Laurent Mignon received pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Executive Officer of Natixis, and receives pay from Natixis for his duties as Chairman of the Board of Directors of Natixis.

(3) François Riahi does not receive pay for his duties as BPCE Management Board Member and Chief Executive Officer of Natixis. François Riahi receives pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Executive Officer of Natixis.

(4) Nicolas Namias received pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Financial Officer of Natixis from January 1 to May 31, 2018.

AMF TABLE 2

Summary statement of pay owed and paid to each company director

In the following statements:

The expression "amount due" corresponds to the pay and benefits granted to a corporate officer in respect of their duties during the fiscal year, regardless of the date of payment;

The expression "amount paid" corresponds to the pay and benefits actually paid to a corporate officer in respect of their duties during the fiscal year, regardless of the grant date.

PAY STATEMENT: FRANÇOIS PÉROL

Chairman of the Management Board (until May 31, 2018)	Fiscal year 2017		Fiscal year 2018	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed pay	€550,000	€550,000	€450,000[a]	€450,000[a]
Annual variable pay	€927,300[b]	€911,621[c]	€490,365[d]	€903,527[e]
Multi-year variable pay	€0	€0	€0	€0
Exceptional pay	€0	€0	€0	€0
Benefits in kind (company car, housing and other benefits)	€0	€0	€0	€0
Attendance fees	€0	€0	€0	€0
Other pay	-	-	-	-
TOTAL	**€1,477,300**	**€1,461,621**	**€940,365**	**€1,353,527**

(a) *Furthermore, François Pérol received €39,193 as pay for assisting the Chairman of the Management Board with respect to the CFF project, carried out under an employment contract from June 1 to 30, 2018.*

(b) *Variable pay in respect of 2017, of which €370,920 (40%) paid in 2018 and the balance (60%) deferred over three years in equal shares of €185,460.*

(c) *Amount paid in 2017 for variable pay in respect of 2016 (€278,850), for the deferred portion of variable pay in respect of 2015 (€184,655), for the deferred portion in respect of 2014 (€211,414) and for the deferred portion in respect of 2013 (€236,701).*

(d) *Variable pay in respect of 2018, of which €245,182 (50%) paid in 2019 and the balance (50%) deferred over three years in equal shares of €81,727.*

(e) *Amount paid in 2018 for variable pay in respect of 2017 (€370,920), for the deferred portion of variable pay in respect of 2016 (€138,672), for the deferred portion in respect of 2015 (€183,662) and for the deferred portion in respect of 2014 (€210,273).*

PAY STATEMENT: LAURENT MIGNON

Chairman of the Management Board (since June 1, 2018)	Fiscal year 2017		Fiscal year 2018	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed pay	N/A	N/A	€700,000	€700,000
Annual variable pay	N/A	N/A	€762,790[a]	€0
Multi-year variable pay	N/A	N/A	€0	€0
Exceptional pay	N/A	N/A	€0	€0
Benefits in kind (company car, housing and other benefits)	N/A	N/A	€0	€0
Attendance fees	N/A	N/A	€0	€0
Other pay	N/A	N/A	-	-
TOTAL	**N/A**	**N/A**	**€1,462,790**	**€700,000**
Other compensation for Laurent Mignon for his duties at Natixis[b]	**€2,623,242**	**€2,088,305**	**€1,028,552**	**€1,839,335**

(a) *Variable pay in respect of 2018, of which €228,837 (30%) paid in 2019 and the balance (70%) deferred over three years in equal shares of €177,984.*

(b) *Laurent Mignon received pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Executive Officer of Natixis, and receives pay from Natixis for his duties as Chairman of the Board of Directors of Natixis. The amount paid includes the payment and award of shares relating to the deferred variable pay for previous years. The award of shares relating to the long-term remuneration plans for members of the Natixis Executive Management Committee is presented in AMF table 7. In addition, on May 23, 2018, Laurent Mignon received 11,661 performance shares on a pro rata basis, with a fair value of €47,460, amounting to €80,000 at the grant date, and on May 23, 2017, he received 29,911 performance shares valued at €99,305, amounting to €192,000 at the grant date.*

PAY STATEMENT: CATHERINE HALBERSTADT

Member of the Management Board – Head of Human Resources	Fiscal year 2017		Fiscal year 2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed pay	€500,000	€500,000	€500,103	€500,103*
Annual variable pay	€449,600[a]	€169,000[b]	€435,970[c]	€280,829[d]
Multi-year variable pay	€0	€0	€0	€0
Exceptional pay	€0	€0	€0	€0
Benefits in kind (company car, housing and other benefits)	€44,080(e)	€44,080[e]	€44,080[e]	€44,080[e]
Attendance fees	€0	€0	€0	€0
Other pay	-	-	€N/A[f]	€0
TOTAL	**€993,680**	**€713,080**	**€980,153**	**€825,011**

(a) *Variable pay in respect of 2017, of which €224,800 (50%) paid in 2018 and the balance (50%) deferred over three years in equal shares of €74,933.*
(b) *Amount paid in 2017 for the variable portion due in respect of 2016.*
(c) *Variable pay in respect of 2018, of which €217,985 (50%) paid in 2019 and the balance (50%) deferred over three years in equal shares of €72,662.*
(d) *Amount paid in 2018 for the 2017 variable share, i.e. €224,800, and for the deferred fraction of the 2016 variable share, i.e. €56,029.*
(e) *Housing allowance of €40,000 and "car" allowance of €4,080.*
(f) *Under her employment contract, Catherine Halberstadt benefits from the BPCE SA group incentive scheme. The individual amount granted to Catherine Halberstadt for 2018 is not yet known as of the publication date of the registration document.*
* *The €103 difference compared to the expected amount comes from the calendar calculation method of the 13th month applied to the employment contract portion.*

PAY STATEMENT: FRANÇOIS RIAHI

Member of the Management Board – Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies (from January 1 to May 31, 2018)	Fiscal year 2017		Fiscal year 2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed pay	N/A	N/A	€320,000	€320,000
Annual variable pay	N/A	N/A	€278,963[a]	€0
Multi-year variable pay	N/A	N/A	€0	€0
Exceptional pay	N/A	N/A	€0	€0
Benefits in kind (company car, housing and other benefits)	N/A	N/A	€3,396[b]	€3,396[b]
Attendance fees	N/A	N/A	€0	€0
Other pay	-	-	-	-
TOTAL	**N/A**	**N/A**	**€602,359**	**€323,396**
Other compensation for François Riahi for his duties at Natixis[c]	**N/A**	**N/A**	**€996,245**	**€1,295,791**

(a) *Variable pay in respect of 2018, of which €111,585 (40%) paid in 2019 and the balance (60%) deferred over three years in equal shares of €55,793.*
(b) *€3,396 for a "car" in-kind benefit.*
(c) *François Riahi receives pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Executive Officer of Natixis. The amount paid includes the payment and award of shares relating to the deferred variable pay for previous years. Excluding the collective variable pay (incentive schemes and profit sharing) received by François Riahi in respect of 2017 for his duties as co-head of Corporate & Investment Banking. At the Board of Directors' meeting on August 2, 2018, François Riahi received 13,605 performance shares on a pro rata basis, with a fair value of €55,372, amounting to €93,333 at the grant date.*

PAY STATEMENT: NICOLAS NAMIAS

Member of the Management Board – Chief Financial Officer (since June 1, 2018)	Fiscal year 2017		Fiscal year 2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed pay	N/A	N/A	€350,123	€350,123*
Annual variable pay	N/A	N/A	€305,223[a]	€0
Multi-year variable pay	N/A	N/A	€0	€0
Exceptional pay	N/A	N/A	€0	€0
Benefits in kind (company car, housing and other benefits)	N/A	N/A	€0	€0
Attendance fees	N/A	N/A	€0	€0
Other pay	-	-	€ N/A[c]	€0
TOTAL	**N/A**	**N/A**	**€655,346**	**€350,123**
Other compensation for Nicolas Namias for his duties at Natixis[b]	**N/A**	**N/A**	**€331,253**	**€371,428**

(a) *Variable pay in respect of 2018, of which €152,612 (50%) paid in 2019 and the balance (50%) deferred over three years in equal shares of €50,871.*

(b) *Nicolas Namias received pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Financial Officer of Natixis from January 1 to May 31, 2018. The amount paid includes the payment and award of shares relating to the deferred variable pay for previous years at Natixis. Excluding the collective variable pay (incentive schemes and profit sharing) received by Nicolas Namias in respect of 2017 for his duties as Natixis head of strategy. On May 23, 2018, Nicolas Namias received 2,125 performance shares with a fair value of €8,649, amounting to €14,583 at the grant date.*

(c) *Under his employment contract, Nicolas Namias benefits from the BPCE SA group incentive scheme. The individual amount given to Nicolas Namias for 2018 is not yet known as of the publication date of the registration document.*

* *The €123 difference compared to the expected amount comes from the calendar calculation method of the 13th month applied to the employment contract portion.*

PAY STATEMENT: LAURENT ROUBIN

Member of the Management Board – Retail Banking and Insurance (until October 31, 2018)	Fiscal year 2017		Fiscal year 2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed pay	€500,000	€500,000	€427,687	€427,687*
Annual variable pay	€449,600[a]	€105,740[b]	€372,840[c]	€259,856[d]
Multi-year variable pay	€0	€0	€0	€0
Exceptional pay	€0	€0	€0	€0
Benefits in kind (company car, housing and other benefits)	€45,304[e]	€45,304[e]	€45,130[f]	€45,130[f]
Attendance fees	€0	€0	€0	€0
Other pay	-	-	€N/A[g]	€0
TOTAL	**€994,904**	**€651,044**	**€845,657**	**€732,673**

(a) *Variable pay in respect of 2017, of which €224,800 (50%) paid in 2018 and the balance (50%) deferred over three years in equal shares of €74,933.*

(b) *Amount paid in 2017 for the variable portion due in respect of 2016 (€105,740).*

(c) *Variable pay in respect of 2018, of which €186,420 (50%) paid in 2019 and the balance (50%) deferred over three years in equal shares of €62,140.*

(d) *Amount paid in 2018 for the 2017 variable portion, i.e. €224,800, and for the deferred fraction of the 2016 variable portion, i.e. €35,056.*

(e) *Housing allowance of €40,000 and "car" allowance of €5,304.*

(f) *Including a €36,667 housing allowance, €4,862 for a "car" in-kind benefit, and €3,601 for unused paid leave.*

(g) *Under his employment contract, Laurent Roubin benefits from the BPCE SA group incentive scheme. The individual amount granted to Laurent Roubin for 2018 is not yet known as of the publication date of the registration document.*

* *The €88 difference compared to the expected amount comes from the calendar calculation method of the 13th month applied to the employment contract portion.*

PAY STATEMENT: CHRISTINE FABRESSE

Member of the Management Board – Head of Retail Banking and Insurance (since November 1, 2018)	Fiscal year 2017		Fiscal year 2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed pay	N/A	N/A	€83,349	€83,349*
Annual variable pay	N/A	N/A	€72,660[(a)]	€0
Multi-year variable pay	N/A	N/A	€0	€0
Exceptional pay	N/A	N/A	€0	€0
Benefits in kind (company car, housing and other benefits)	N/A	N/A	€813[(b)]	€813[(b)]
Attendance fees	N/A	N/A	€0	€0
Other pay	-	-	€N/A[(c)]	€0
TOTAL	**N/A**	**N/A**	**€156,822**	**€84,162**

(a) *Variable pay in respect of 2018, of which €36,330 (50%) paid in 2019 and the balance (50%) deferred over three years in equal shares of €12,110.*
(b) *€813 for a "car" in-kind benefit.*
(c) *Under her employment contract, Christine Fabresse benefits from the BPCE SA group incentive scheme. The individual amount given to Christine Fabresse for 2018 is not yet known as of the publication date of the registration document.*
* *The €16 difference compared to the expected amount comes from the calendar calculation method of the 13th month applied to the employment contract portion.*

AMF TABLE 4

STOCK OPTIONS ALLOCATED TO COMPANY DIRECTORS DURING THE 2018 FISCAL YEAR

Name of company director	Grant date	Type of option	Value of options	Number of options granted	Strike price	Exercise period
No stock options were granted during the 2018 fiscal year.						

AMF TABLE 5

STOCK OPTIONS EXERCISED BY COMPANY DIRECTORS DURING THE 2018 FISCAL YEAR

Name of company director	Number and date of the plan	Number of options exercised during the year	Strike price
No stock options were exercised during the 2018 fiscal year.			

AMF TABLE 6

BONUS SHARES GRANTED TO CORPORATE OFFICERS DURING THE 2018 FISCAL YEAR
BONUS SHARES GRANTED BY THE NATIXIS ANNUAL GENERAL SHAREHOLDERS' MEETING DURING THE FISCAL YEAR TO EACH CORPORATE OFFICER BY THE ISSUER AND BY EACH COMPANY IN THE GROUP

Name of corporate officer	Date of plan	Number of shares granted during the fiscal year	Value of shares based on the method used for consolidated financial statements	Vesting date	End of lock-up period[2]	Performance conditions
Laurent Mignon	05/23/2018	11,661[1]	€47,460	05/23/2022	05/23/2022	Yes
	04/13/2018	28,258[3]	€190,012[4]	03/01/2020	10/01/2020	Yes
	04/13/2018	56,517[3]	€380,025[4]	03/01/2021	10/01/2021	Yes
François Riahi[5]	08/02/2018	13,605[1]	€55,372	05/23/2022	05/23/2022	Yes
	04/13/2018	18,525[3]	€124,564	03/01/2020	10/01/2020	Yes
	04/13/2018	37,050[3]	€249,128	03/01/2021	10/01/2021	Yes
Nicolas Namias[6]	05/23/2018	2,125	€8,649	05/23/2022	05/23/2022	Yes
	04/13/2018	3,817[3]	25,667[4]	03/01/2020	10/01/2020	Yes
	04/13/2018	7,634[3]	51,333[4]	03/01/2021	10/01/2021	Yes

(1) Performance shares granted on a pro rata basis to Laurent Mignon and François Riahi for their duties as Chief Executive Officer of Natixis.
(2) 30% of the shares awarded to the Natixis company director at the end of the vesting period must be held until the end of the company director's term of office.
(3) Shares granted under the deferred annual variable pay plan for 2017.
(4) Corresponding to the values at the grant date.
(5) Performance shares granted by Natixis to François Riahi for his duties as Chief Executive Officer of Natixis.
(6) Performance shares granted by Natixis to Nicolas Namias for his duties as Chief Financial Officer of Natixis and member of Natixis' Executive Management Committee.

AMF TABLE 7

BONUS SHARES GRANTED THAT VESTED DURING THE FISCAL YEAR FOR EACH CORPORATE OFFICER

Bonus shares granted that vested for each corporate officer	Number and date of the plan	Number of shares vested during the fiscal year	Vesting conditions
Laurent Mignon[a]	07/31/2014	31,955	[b]
	07/28/2016	28,755	[b]
François Riahi	N/A	0	N/A
Nicolas Namias	07/28/2016	1,671	[b]
TOTAL	**N/A**	**62,381**	**N/A**

No bonus shares granted to François Riahi vested during the 2018 fiscal year.
(a) 30% of the shares awarded must be held until the end of the company director's term of office.
(b) see presentation of the guidelines for corporate officers' pay in section 2.4 of Natixis' registration document.

AMF TABLE 8

PAST GRANTS OF STOCK OPTIONS AND BONUS SHARES DURING THE 2018 FISCAL YEAR

Name of company director	Grant date	Type of option	Number of options granted	Strike price after adjustment	Start of option exercise period	Expiry date
No stock options or bonus shares were granted during the 2018 fiscal year.						

AMF TABLE 9

STOCK OPTIONS EXERCISED BY THE 10 NON-EXECUTIVE DIRECTOR EMPLOYEES WHO EXERCISED THE MOST OPTIONS DURING THE 2018 FISCAL YEAR

Name of non-executive director employee	Number and date of the plan	Number of options granted and exercised during the 2018 fiscal year	Weighted average price
No stock options were granted to or exercised by BPCE employees during the 2018 fiscal year.			

AMF TABLE 10

PAST BONUS SHARE ALLOCATIONS TO COMPANY DIRECTORS

Name of company director	Date of Natixis Annual General Shareholders' Meeting	Date of Natixis Board of Directors meeting	Total number of bonus shares granted	Vesting date	End of holding period	Number of shares	Total number of shares canceled or lapsed	Bonus shares outstanding or lapsed at period end
Laurent Mignon(1)	05/21/2013	11/06/2013	90	03/01/2016	03/01/2018(2)	90	0	90
Laurent Mignon(1)	05/21/2013	07/31/2014	31,955	08/01/2018	08/01/2018(3)	31,955	0	31,955
Laurent Mignon(1)	05/21/2013	02/18/2015	27,321	02/18/2019	02/18/2019(3)	27,321	0	27,321
Laurent Mignon(1)	05/24/2016	07/28/2016	47,463	07/28/2020	07/28/2020(3)	47,463	0	47,463
Laurent Mignon(1)	05/24/2016	07/28/2016	28,755(4)	03/01/2018	10/01/2018(3)	28,755(4)	0	28,755(4)
Laurent Mignon(1)	05/24/2016	07/28/2016	57,510(4)	03/01/2019	10/01/2019(3)	57,510(4)	0	57,510(4)
Laurent Mignon(1)	05/24/2016	04/10/2017	17,947(4)	03/01/2019	10/01/2019(3)	17,947(4)	0	17,947(4)
Laurent Mignon(1)	05/24/2016	04/10/2017	35,894(4)	03/01/2020	10/01/2020(3)	35,894(4)	0	35,894(4)
Laurent Mignon(1)	05/24/2016	05/23/2017	29,911	05/23/2021	05/23/2021(3)	29,911	0	29,911
Laurent Mignon(1)	05/24/2016	04/13/2018	28,258(4)	03/01/2020	10/01/2020(3)	28,258(4)	0	28,258(4)
Laurent Mignon(1)	05/24/2016	04/13/2018	56,517(4)	03/01/2021	10/01/2021(3)	56,517(4)	0	56,517(4)
Laurent Mignon(1)	05/24/2016	05/23/2018	11,661	05/23/2022	05/22/2022(3)	11,661	0	11,661
François Riahi	05/24/2016	04/13/2018	18,525(4)	03/01/2020	10/01/2020(3)	18,525(4)	0	18,525(4)
François Riahi	05/24/2016	04/13/2018	37,050(4)	03/01/2021	10/01/2021(3)	37,050(4)	0	37,050(4)
François Riahi	05/24/2016	08/02/2018	13,605	05/23/2022	05/22/2022(3)	13,605	0	13,605
Nicolas Namias	05/24/2016	04/13/2018	3,817(4)	03/01/2020	10/01/2020(3)	3,817(4)	0	3,817(4)
Nicolas Namias	05/24/2016	04/13/2018	7,634(4)	03/01/2021	10/01/2021(3)	7,634(4)	0	7,634(4)
Nicolas Namias	05/24/2016	05/23/2018	2,125	05/23/2022	05/22/2022(3)	2,125	0	2,125

(1) *Past grants of performance shares by Natixis and by any Natixis Group company to Laurent Mignon for his duties as Chief Executive Officer of Natixis. Only the 90 shares granted in 2013 are not subject to performance conditions.*

(2) *Obligation to hold all vested shares until the end of the term of office.*

(3) *30% of the shares awarded to the Natixis company director at the end of the vesting period must be held until the end of the company director's term of office.*

(4) *Shares granted under the deferred annual variable pay plan for the previous fiscal year.*

AMF TABLE 11

Situation of company directors

Name of company director	Term of office: Start (or reappointment)	Term of office: End	Employment contract	Supplementary pension plan	Compensation or benefits due or potentially due as a result of termination of/change in duties	Compensation related to a non-compete clause
François Pérol Chairman of the Management Board (until May 31, 2018)	11/16/2015	5/31/2018	no	CGP, R2E, Group System for Article 82	yes	no
Laurent Mignon Chairman of the Management Board (since June 1, 2018)	11/01/2018	2023	no	CGP, R2E, Group System for Article 82	yes	no
Catherine Halberstadt Member of the Management Board Head of Human resources	11/01/2018	2023	yes	CGP, R2E, Pension plan for company directors of Groupe BPCE	yes	no
François Riahi Member of the Management Board Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies (until May 31, 2018)	01/01/2018	05/31/2018	no	CGP, R2E, Group System for Article 82	yes	no
Nicolas Namias Member of the Management Board Chief Financial Officer (since June 1, 2018)	11/01/2018	2023	yes	CGP, R2E, Group System for Article 82	yes	no
Laurent Roubin Member of the Management Board Retail Banking and Insurance (until October 31, 2018)	05/17/2016	10/31/2018	yes	CGP, R2E, Pension plan for company directors of Groupe BPCE	yes	no
Catherine Fabresse Member of the Management Board Head of Retail Banking and Insurance (since November 1, 2018)	11/01/2018	2023	Yes	CGP, R2E, Pension plan for company directors of Groupe BPCE	yes	no
Laurent Mignon(1) Member of the Management Board Chief Executive Officer of Natixis (until May 31, 2018)	11/16/2015	05/31/2018	no	Group System for Article 82	no(2)	no(2)
François Riahi(3) Member of the Management Board Chief Executive Officer of Natixis (since June 1, 2018)	11/01/2018	2023	no	Group System for Article 82	no(4)	no(4)

(1) Laurent Mignon does not receive benefits as a member of the BPCE Management Board and Chief Executive Officer of Natixis.

(2) Laurent Mignon, due to his corporate office as Chief Executive Officer of Natixis, received severance and non-compete pay, last subject to changes approved at the Annual General Shareholders' Meeting of Natixis on May 20, 2014 (5th resolution), the renewal of which was authorized by the Board of Directors of Natixis on February 18, 2015. The corresponding commitments were approved at the Annual General Shareholders' Meeting held on May 19, 2015.

(3) François Riahi does not receive benefits as a member of the BPCE Management Board and Chief Executive Officer of Natixis.

(4) François Riahi, due to his corporate office as Chief Executive Officer of Natixis, receives severance and non-compete pay, which was approved at the Annual General Shareholders' Meeting of Natixis on May 23, 2018.

3.5.3 2019 Pay Policy

The pay policy described below was defined by the Supervisory Board on February 12, 2019, based on a motion by the Remuneration Committee.

This policy is subject to a vote at the Annual General Shareholders' Meeting. This policy update will take effect once approved by the Annual General Shareholders' Meeting called to approve the 2018 financial statements.

The Chairman of the Management Board is paid solely in respect of his corporate office.

Given his duties as Chief Executive Officer of Natixis, the member of the BPCE Management Board who is also CEO of Natixis is paid solely for his corporate office at Natixis. As such, he does not collect any pay from BPCE.

The other members of the Management Board receive an employment contract. Their pay is divided 90%/10% respectively between the employment contract and corporate office.

The principles and rules for determining their pay and other benefits granted in respect of their office and employment contract are approved by the Supervisory Board based on a motion by the Remuneration Committee.

The terms of payment for annual variable pay to Management Board Members comply with the applicable regulations, particularly those which govern the pay of persons whose professional activities have a material impact on the corporate risk profile as set out by the European CRD IV Directive of June 26, 2013, its enactment into French law in the French Monetary and Financial Code, by the ordinance of February 20, 2014, and by the decree and order of November 3, 2014 and adapted to BPCE by the Group standards on risk takers.

PAY POLICY APPLICABLE TO THE CHAIRMAN OF THE MANAGEMENT BOARD

Pay component	Principles and criteria adopted
Fixed pay	In accordance with Article 19 of the BPCE Articles of Association and based on a motion by the Remuneration Committee, the Supervisory Board sets the pay granted to the Chairman of the Management Board, taking into account the unique responsibilities of the Chairman of the Management Board compared to other Board Members This pay primarily reflects the professional experience related to the position held and the responsibilities exercised, and is determined by comparison to market practices. Since January 1, 2018, it has included a special increase equal to 20% of his fixed pay in respect of the Article 82 supplemental pension scheme. The fixed pay of the Chairman of the Management Board is periodically revised.
Annual variable pay	For the **Chairman of the Management Board:** the variable portion is determined based on target pay equal to 100% of his fixed pay (including the special increase) for the fiscal year, with a maximum of 120%. Variable pay is determined based on the quantitative and qualitative criteria previously validated by the Supervisory Board. It is awarded if the criterion for triggering variable pay is met, specifically pertaining to the Group Basel III Common Equity Tier 1 ratio. For 2019, this level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of February 14, 2019. No variable portion is paid if this criterion is not met[1]. **Quantitative criteria** account for 60% of variable pay and are defined based on quantitative factors that reflect how well a number of the Group's financial fundamentals are being satisfied. These criteria are defined by the Supervisory Board, and take into account[2]: – net income attributable to equity holders of the parent (30%); – the Group's cost/income ratio (20%); – the Group's net banking income (10%). For each of these criteria, if the target as set by the Supervisory Board is reached, Management Board Members would be entitled to receive the entire fixed percentage. In respect of fiscal year 2019, qualitative criteria account for 40% of variable pay and are determined based on key targets in terms of: – Retail Banking and Insurance; – Specialized Financial Services; – Group Human Resources; – Finance and Strategy; – Supervision – control – governance; – Digital and Information System. Only quantitative criteria can be used to determine outperformance. Between 50% and 70% of variable pay is deferred in equal installments over three years (*i.e.* in 2021, 2022 and 2023 for deferred variable pay awarded in 2019), depending on the variable pay amount[3]. The deferred portion is indexed to the change in net income attributable to equity holders of the parent[4], assessed as a rolling average over the last three calendar years preceding the allocation year and the payment year. Payment of the deferred portion is contingent upon attaining a standard Return on Equity (ROE) for core Group businesses that is at least equal to 4% during the fiscal year before payment falls due. Payment of variable pay owed in respect of 2019 will be submitted for an *ex-post* vote of the Annual General Shareholders' Meeting in 2020 called to approve the financial statements for fiscal year 2019.
Multi-year variable pay	The Chairman of the Management Board does not receive any multi-year variable pay.
Exceptional pay	The Chairman of the Management Board does not receive any exceptional pay.
Grants of stock options/preference shares	The Chairman of the Management Board does not receive any stock options or preference shares.
Grants of bonus shares	The Chairman of the Management Board does not receive any bonus shares.
Attendance fees	The Chairman of the Management Board does not collect attendance fees.
Sign-on bonus	The Chairman of the Management Board does not receive a sign-on bonus.

(1) *The CET1 ratio requirement established by the ECB, including the "Pillar 2 Guidance" component, is not subject to disclosure.*
(2) *The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not publicly disclosed.*
(3) *All of the variable pay allocated by Group companies for the year in question is taken into account when determining the percentage of deferred variable pay. This particularly applies to company directors who may take up new offices during the year.*
(4) *For fiscal years preceding 2016, deferred variable pay was indexed to net income attributable to equity holders of the parent after neutralizing the impact of the revaluation of own debt.*

Pay component	Principles and criteria adopted
Involuntary-termination severance pay and retirement bonus	The Chairman of the Management Board, under certain conditions, receives a severance or bonus when his duties cease. The Chairman of the Management Board, under certain conditions, receives involuntary-termination severance pay equal to at least 12 months' pay (fixed and variable portions), and up to 24 months, earned for 12 years' seniority with the Group. Payment is subject to the following conditions: – **Conditions for receiving involuntary-termination severance pay** The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE. It cannot be paid in the event of a departure from the Group at the company director's initiative. Payment of involuntary-termination severance causes former directors to lose any entitlement to the retirement bonus they otherwise may have claimed (it being specified that they do not benefit from a defined-benefit pension plan). For persons re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract. Finally, involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office. – **Determination of involuntary-termination severance pay** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office are taken into account. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (12 months + 1 month per year of seniority with the Group)* Seniority is calculated in years and fractions of a year. The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group. Where at least 50% of the maximum variable component is awarded on average during the last three years of the current term of office (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full. Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the Supervisory Board. Regardless, any compensation paid for termination of an employment contract is deducted from the amount of involuntary-termination severance pay. Upon a decision made by the Supervisory Board, the Chairman of the Management Board may receive a **retirement bonus** equal to no less than six months' and no more than 12 months' salary, provided he has at least 10 years' seniority, without any minimum presence conditions. Payment is subject to the following conditions: – **Conditions for receiving a retirement bonus** Payment of a retirement bonus is subject to the same conditions as those applicable to involuntary-termination severance pay, *i.e.*: – the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and – beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office. The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn. Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Remuneration Committee. Payment of the retirement bonus is exclusive of the payment of any other departure bonus. As such, if involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus. – **Amount of the retirement bonus** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (6 + 0.6 A)* where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA group). The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years. Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

<table>
<tr><th>Pay component</th><th>Principles and criteria adopted</th></tr>
<tr><td>Supplementary pension plan</td><td>The Chairman of the Management Board is entitled to:
– the mandatory CGP collective supplementary defined-contribution pension plan for all BPCE employees and by extension applicable to BPCE company directors.
The contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; 70% of this contribution is paid by the company and 30% by the employee;
– the mandatory R2E collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors.
The contribution rate is 3.5% of total pensionable pay. This contribution is funded entirely by the company.
Entitlements to both of these plans, which the members of the Management Board may have vested during their previous career as an employee or director of Group companies, are taken into account where applicable.
If the Chairman of the Management Board is not on the Group's supplemental executive pension plan, he is entitled to participate in the pension plan through a group insurance policy under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. On February 8, 2017, the Supervisory Board authorized BPCE to join this "Article 82" insurance plan.
The Chairman of the Management Board participates in this plan. As such, the Chairman's fixed pay includes a 20% special supplement.</td></tr>
<tr><td>Benefits in kind</td><td>Based on a motion by the Remuneration Committee, the Supervisory Board may resolve to grant an annual housing allowance to the Chairman of the Management Board.</td></tr>
</table>

PAY POLICY APPLICABLE TO THE MEMBERS OF THE MANAGEMENT BOARD

Pay component	Principles and criteria adopted
Fixed pay	Based on a motion by the Remuneration Committee, the Supervisory Board sets the pay granted to the members of the Management Board. Fixed pay primarily reflects the professional experience related to the position held and the responsibilities exercised, and is determined by comparison to market practices. The fixed pay of the members of the Management Board is periodically revised.
Annual variable pay	For members of the Management Board, the variable portion is determined based on target pay equal to 80% of their fixed pay (including the special increase, if applicable) for the fiscal year, with a maximum of 100%. Variable pay is determined based on the quantitative and qualitative criteria previously validated by the Supervisory Board. It is awarded if the criterion for triggering variable pay is met, pertaining specifically to the Group Basel III CET1 ratio. This level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of February 14, 2019. No variable portion is paid if this criterion is not met[1]. **Quantitative criteria** account for 60% of variable pay and are defined based on quantitative factors that reflect how well a number of the Group's financial fundamentals are being satisfied. These criteria are defined by the Supervisory Board, and take into account[2]: – net income attributable to equity holders of the parent (30%); – the Group's cost/income ratio (20%); – the Group's net banking income (10%). For each of these criteria, if the target as set by the Supervisory Board is reached, Management Board Members would be entitled to receive the entire fixed percentage. In respect of fiscal year 2019, qualitative criteria account for 40% of variable pay and are determined based on key targets in terms of: – Retail Banking and Insurance; – Specialized Financial Services; – Group Human Resources; – Finance and Strategy; – Supervision – control – governance; – Digital and Information System. Only quantitative criteria can be used to determine outperformance. Between 50% and 70% of variable pay is deferred in equal installments over three years (*i.e.* in 2021, 2022 and 2023 for deferred variable pay awarded in 2019), depending on the variable pay amount[3]. The deferred portion is indexed to the change in net income attributable to equity holders of the parent[4], assessed as a rolling average over the last three calendar years preceding the allocation year and the payment year. Payment of the deferred portion is contingent upon attaining a standard Return on Equity (ROE) for core Group businesses that is at least equal to 4% during the fiscal year before payment falls due. Payment of variable pay owed in respect of 2019 will be submitted for an *ex-post* vote of the Annual General Shareholders' Meeting in 2020 called to approve the financial statements for fiscal year 2019.
Multi-year variable pay	Members of the Management Board do not receive any multi-year variable pay.
Exceptional pay	Members of the Management Board do not receive any exceptional pay.
Grants of stock options/preference shares	Members of the Management Board do not receive any stock options or preference shares.
Grants of bonus shares	Except when related to the nature of the corporate office, members of the Management Board do not receive any bonus shares.
Attendance fees	Members of the Management Board do not collect attendance fees.
Sign-on bonus	Members of the Management Board do not receive a sign-on bonus.

(1) The CET1 ratio requirement established by the ECB, including the "Pillar 2 Guidance" component, is not subject to disclosure.
(2) The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not publicly dislcosed.
(3) All of the variable pay allocated by Group companies for the year in question is taken into account when determining the percentage of variable pay. This particularly applies to company directors who may take up new offices during the year.
(4) For fiscal years preceding 2016, deferred variable pay was indexed to net income attributable to equity holders of the parent after neutralizing the impact of the revaluation of own debt.

Pay component	Principles and criteria adopted
Involuntary-termination severance pay and retirement bonus	Members of the Management Board, under certain conditions, receive a severance or bonus when their duties cease. Members of the Management Board are entitled to **involuntary-termination severance pay** equal to at least 12 months' pay (fixed and variable portions), and up to 24 months, earned for 12 years of seniority with the Group. Payment is subject to the following conditions: – **Conditions for receiving involuntary-termination severance pay** The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE. This severance is not paid if the company director leaves the Group at his own initiative. Persons receiving involuntary-termination severance pay lose any entitlement under the defined-benefit plan, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code, and/or to any retirement bonus they may claim. For persons re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract. Finally, involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office. – **Determination of involuntary-termination severance pay** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office and employment contract are taken into account. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (12 months + 1 month per year of seniority with the Group)* Seniority is calculated in years and fractions of a year. The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group. Where at least 50% of the maximum variable component is awarded on average during the last three years of the current term of office (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full. Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the Supervisory Board. Regardless, any compensation paid for termination of an employment contract is deducted from the amount of involuntary-termination severance pay. Upon a decision made by the Supervisory Board, members of the Management Board may benefit from a **retirement bonus** equal to no less than six months' and no more than 12 months' salary, for 10 years of seniority, without any minimum presence conditions. Payment is subject to the following conditions: – **Conditions for receiving a retirement bonus** Payment of a retirement bonus is subject to the same conditions as those applicable to involuntary-termination severance pay, *i.e.*: – the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and – beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office. The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn. Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Remuneration Committee. If involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus. – **Amount of the retirement bonus** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office and employment contract are taken into account. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (6 + 0.6 A)* where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA group). The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years. Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

Pay component	Principles and criteria adopted
Supplementary pension plan	Members of the Management Board receive: – the mandatory CGP collective supplementary defined-contribution pension plan for all BPCE employees and by extension applicable to BPCE company directors. The contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; 70% of this contribution is paid by the company and 30% by the employee; – the R2E mandatory collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors. The contribution rate is 3.5% of total pensionable pay. This contribution is funded entirely by the company. Entitlements to both of these plans, which the members of the Management Board may have vested during their previous career, as an employee or director of Group companies, are taken into account where applicable. Management Board Members were also able to vest entitlements under this plan during their previous careers as Group employees or company directors. Furthermore, there are other supplementary pension plans offered to members of the Management Board, based on their professional career spent with the Group, namely: **Pension plan for company directors of Groupe BPCE:** pension plan governed by Article L. 137-11 of the French Social Security Code. – Until June 30, 2014, Chairmen of Caisse d'Epargne Management Boards, Members of the Management Board of the former CNCE and Chief Executive Officers of Crédit Foncier, Banque Palatine and BPCE International could benefit from a supplementary defined-benefit pension plan entitling them to additional retirement income based on their salary. – Until June 30, 2014, Banque Populaire Chief Executive Officers could benefit from a differential defined-benefit pension plan. Effective July 1, 2014, these two pension plans were harmonized under a single supplementary pension plan, now closed to new members and subject to conditions. – they must end their career with Groupe BPCE. This condition is met when beneficiaries are Group employees on the day before their social security pension is drawn following voluntary retirement; – they must have served in an executive management position for at least the required minimum period (seven years) at the date on which their social security pension is drawn. Beneficiaries who meet the above conditions are entitled to an annuity set at 15% of benchmark pay, *i.e.* their average annual pay earned in the three highest-paid years during the five calendar years before the date on which their social security pension is drawn and capped at four times the annual ceiling for social security annuities. Annual pay refers to the sum of the following types of pay received for the year in question: – fixed pay, excluding benefits in kind or duty-related bonuses; – variable pay – not exceeding 100% of fixed pay – and defined as the total variable amount paid, including the portion that may have been deferred over several years and subject to attendance and performance requirements, in accordance with regulations on variable pay granted by credit institutions. Once drawn, this supplementary pension may be paid to a spouse or former non-remarried spouse, at a rate of 60%. This plan, which is funded entirely by the Group, is covered by two insurance policies taken out with the Quatrem and Allianz insurance companies, with a target obligation coverage rate of 80% of assets and 100% of pension recipients. Expenses paid by the company consist of the 32% contribution on annuities paid by the insurer to the beneficiaries. The pension plan for company directors of Groupe BPCE, which is a supplementary pension plan subject to Article L. 137-11 of the French Social Security Code, is governed by the provisions of section 23.2.6 of the AFEP-MEDEF Code. It complies with the principles governing the capacity of beneficiaries, overall establishment of base pay, seniority conditions, the progressive increase in potential entitlements depending on seniority, the reference period used to calculate benefits and the prevention of artificially inflated pay. This plan complies with the terms set out in Article L. 225-90-1 of the French Commercial Code on the application of performance conditions for the vesting of conditional entitlements and the 3% limit on the annual increase of conditional entitlements. For the members of the Management Board who benefit from this plan, the annual vesting of conditional entitlements is contingent on Groupe BPCE generating a net profit for the period considered. Members of the Management Board who are not on the Group's supplemental executive pension plan **are entitled to participate in the pension plan through a group insurance policy** under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. As such, the fixed pay of the Management Board Members on that plan includes a 20% special supplement.
Benefits in kind	Based on a motion by the Remuneration Committee, the Supervisory Board may resolve to grant an annual housing allowance to members of the Management Board.

PAY POLICY APPLICABLE TO THE CHAIRMAN AND MEMBERS OF THE SUPERVISORY BOARD

Pay component	Principles and criteria adopted
Attendance fees (fixed pay)	The total distributable sum of BPCE attendance fees is set by the Annual General Shareholders' Meeting, and the Supervisory Board, based on recommendations by the Remuneration Committee, sets the terms for distributing the attendance fees among the Supervisory Board Members. Aside from the Chairman, who receives annual fixed pay, Supervisory Board Members are paid in the form of attendance fees. **Attendance fees paid to Supervisory Board Members** Board Members, except for the Chairman, receive an annual sum. **Additional pay granted to Board Committee Members** Members and Chairmen of the Audit Committee, the Risk Committee, the Remuneration Committee, the Appointments Committee, and the Cooperative and CSR Committee also collect an additional annual amount for attendance fees. **Pay granted to Non-Voting Directors** Pursuant to Article 28.3 of the Articles of Association, the Supervisory Board has resolved to compensate non-voting directors by making a deduction from the attendance fees allocated to Supervisory Board Members at the Annual General Shareholders' Meeting. As such, Non-Voting Directors receive an annual amount.
Attendance fees (variable pay)	**Attendance fees paid to Supervisory Board Members** In addition to an annual sum, the members of the Supervisory Board, except for the Chairman, collect an amount for each meeting they attended, within the limit of nine meetings during the fiscal year. Except for the Vice-Chairman, this supplemental portion of variable pay is greater than the annual sum. **Additional pay granted to Board Committee Members** In addition to an annual sum, the Board Committee Members (including Chairmen) collect an amount for each meeting they attended: – for the Audit Committee, within the limit of four meetings during the fiscal year; – for the Risk Committee, within the limit of six meetings during the fiscal year; – for the Appointments Committee, within the limit of three meetings during the fiscal year; – for the Remuneration Committee, within the limit of five meetings during the fiscal year; – for the Cooperative and CSR Committee, within the limit of two meetings during the fiscal year. For the Committee Chairmen, the annual sum that they collect is greater than the supplemental portion of variable pay, given their unique responsibilities. **Pay granted to Non-Voting Directors** In addition to an annual sum, the non-voting directors collect an amount for each meeting they attended, within the limit of nine meetings during the fiscal year.
Benefits in kind	The Chairman and members of the Supervisory Board and of the Board Committees do not receive benefits in kind.

Pursuant to Article L. 225-82-2 of the French Commercial Code, the principles and criteria for determining, distributing and granting the fixed, variable and non-recurring items constituting the total pay and benefits of any kind that may be granted to members of the Management Committee and the Supervisory Board for the 2019 fiscal year, as compensation for fulfilling their duties, will be covered in resolutions submitted for the approval of the BPCE Annual General Shareholders' Meeting in 2019.

3.5.4 Procedure for enforcing pay policies and practices covered by Articles L. 511-71 to L. 511-88 of the French Monetary and Financial Code

Information on the policies and practices on pay granted to members of the executive body and persons whose professional activities have a material impact on the corporate risk profile will be the subject of a report published on the BPCE website prior to the Annual General Shareholders' Meeting, in accordance with the same terms applicable to the registration document.

3.6 Potential conflicts of interest

3.6.1 Members of the Supervisory Board

INTEGRITY OF MEMBERS

Pursuant to Article L.511-98 of the French Monetary and Financial Code, the integrity and expertise of all newly appointed members are subject to review by the Appointments Committee.

In accordance with the internal rules of BPCE's Supervisory Board, Supervisory Board Members must perform their duties with loyalty and professionalism.

They must not take any initiatives intended to damage the company's interests and they must act in good faith in all circumstances.

Furthermore, all members of the Supervisory Board and its committees, as well as anyone who may be invited to attend their meetings, are bound by an obligation of professional secrecy, as provided for in Article L. 511-33 of the French Monetary and Financial Code and by a duty of discretion regarding their discussions and any confidential information or information presented as confidential by the Chairman of the meeting, as provided for in Article L. 225-92 of the French Commercial Code.

The Chairman of the Board stresses that the proceedings of a meeting are confidential whenever regulations or the interests of the company or Groupe BPCE may require it. The Chairman of each Board Committee does the same.

The Chairman of the Board or one of its committees takes the measures necessary to ensure the confidentiality of discussions. This may require all persons taking part in a meeting to sign a confidentiality agreement.

If a member of the Board or one of its committees fails to comply with an obligation, in particular the obligation of confidentiality, the Chairman of the Supervisory Board refers the matter to the Board in order to issue a warning to said member, independently of any measures taken under the applicable legal, regulatory or statutory provisions. Said member is given advance notice of the penalties being considered, and will be able to present observations to the Supervisory Board.

In addition, Supervisory Board Members:

- undertake to devote the necessary time and attention to their duties;
- attend all meetings of the Supervisory Board and the committees of which they are members, unless this is impossible;
- stay informed about the company's business lines, activities, issues and values;
- endeavor to maintain the level of knowledge they need to fulfill their duties;
- request and make every effort to obtain, in a timely manner, the information deemed necessary to be able to hold informed discussions at Supervisory Board Meetings.

Finally, Supervisory Board Members participate in the training programs set up for them.

CONFLICTS OF INTEREST

To the company's knowledge:

- there are no potential conflicts of interest between the duties of the Supervisory Board Members with regard to the issuer and other private duties or interests. If required, the Supervisory Board's internal rules and the Ethics and Compliance Charter govern the conflicts of interest of any member of the Supervisory Board;
- there is no arrangement or agreement with an individual shareholder, customer, supplier, or other, under which any of the Supervisory Board's members has been selected;
- there are no family ties between the Supervisory Board Members;
- no restriction, other than legal, is accepted by any of the Supervisory Board Members regarding the disposal of their equity interest in the company.

DISCLOSURE OF CONVICTION

To the company's knowledge, to date, no member of BPCE's Supervisory Board has been convicted of fraud in the last five years. to the company's knowledge, to date, no member of BPCE's Supervisory Board has been declared bankrupt or in liquidation, or had assets placed in receivership, in the last five years.

3.6.2 Members of the Management Board

INDEPENDENCE AND INTEGRITY

Pursuant to Article L.511-98 of the French Monetary and Financial Code, the integrity and expertise of all newly appointed members are subject to review by the Appointments Committee.

Members of the Management Board may hold other offices subject to laws and regulations in force. A Management Board Member may not perform duties similar to those of Chief Executive Officer or Deputy Chief Executive Officer at a Caisse d'Epargne or a Banque Populaire bank.

CONFLICTS OF INTEREST

To the company's knowledge:

- there are no conflicts of interest between any duties of Management Board Members with respect to the issuing entity and their private interests or other duties;
- there are no family ties between Management Board Members.

At the filing date of this document, no member of the Management Board was linked to BPCE or any of its subsidiaries by a service agreement offering benefits.

DISCLOSURE OF CONVICTION

To the company's knowledge, to date, no member of the Management Board has, for at least the previous five years, been convicted of fraud, associated with bankruptcies, receiverships or liquidations, convicted of a crime or subject to an official public sanction handed down by statutory or regulatory authorities, or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from participating in the management or conduct of the affairs of any issuer.

4 ACTIVITIES AND FINANCIAL INFORMATION 2018

4.1 Foreword

The financial data for the fiscal year ended December 31, 2018 and the comparative data for 2017 were prepared under IFRS as adopted by the European Union and applicable at that date, therefore excluding some provisions of IAS 39 on hedge accounting.

This management report discusses the results of Groupe BPCE and BPCE SA group, built around the central institution, BPCE, which was established on July 31, 2009 following the merger of Groupe Banque Populaire and Groupe Caisse d'Epargne.

BPCE SA group's results are summarized because the operations and results of the two groups are closely related. The main differences in scope relative to Groupe BPCE concern the exclusion of the contributions of the Banque Populaire banks and the Caisses d'Epargne.

4.2 Significant events of 2018

4.2.1 Economic and financial environment

2018: A PHASE OF SLOWER ECONOMIC ACTIVITY AND UNCERTAINTY BEGINS

2018 marked the beginning of a relatively disparate global economic slowdown and uncertainty over the sustainability of an atypical cycle spanning over 9 years. After peaking in 2017, the cycle took a turn for a slower but more sustainable pace, as inflationary signs – still modest in Europe – made an appearance in advanced countries. Although the US economy was continuously driven by pro-cyclical fiscal and budgetary stimulus measures with inflationary effects, the euro zone found itself in a confirmed slowdown and unable to sustain economic growth above its potential. Emerging economies were similarly fragmented, with China, on the one hand, recording a moderate downturn and other countries such as Brazil, Argentina and Turkey, on the other, revealing structural weaknesses.

Risks were on the rise as the summer got under way, with threats of escalating protectionism between the US and China (and Europe at large with the German auto industry), a federal government shutdown, multiple unknown factors in Europe surrounding the outcome of Brexit and the Italian budget deficit, potentially weaker economic performance in the US and China, etc. Furthermore, in preparation for a renewed embargo against Iran, oil prices climbed non-stop until October 3, topping $85 per barrel. After that point, they suddenly plummeted 39% due to an unexpected overabundance of production by OPEC, Russia and US shale oil, not to mention the US exemption granted on November 5 to eight countries, including China and India, allowing them to continue purchasing Iranian oil. In addition to heightened volatility, the stock markets underwent a major correction starting in October. The CAC 40 ultimately lost 11%, ending the year at 4,731 points.

As a result, fears over stricter-than-expected US monetary tightening for 2019 ended up subsiding. However, the Fed carried out four additional 25-bp rate hikes in 2018, bumping the fed funds rate up to a range of 2.25% to 2.5% in December, while still moving forward with its balance sheet reduction program. Meanwhile, the ECB left its rates unchanged, but did taper its net asset purchases over the year from €30 billion per month through September 2018 to €15 billion per month from October through December. 10-year yields were on the rise until mid-February 2018, with the 10-year OAT peaking at just over 1%, before dropping to unusually low levels towards the end of the year. The US 10-year averaged 2.9% in 2018, *versus* 0.4% in Germany and 0.78% in France. The Euro remained weak against the dollar ($1.14 on December 31), due to the pro-dollar widening of credit spreads on sovereign bonds, the economic growth gap favoring the United States, and the resurgence of political risk in Europe with the Italian budget deficit.

French economic activity (1.5%) came up against supply constraints in 2018, mainly in terms of recruiting qualified staff, in the wake of strong GDP growth (2.3%) in 2017. In the first half, alongside the public transportation strikes, this slowdown can be attributed to the natural aftereffects of last year's performance and the temporarily negative distributional impacts associated with the tax calendar, which weighed substantially on consumption. Consumer purchasing power was briefly weakened by the rise in the CSG (general social security tax) and indirect taxes on energy and tobacco. The partial decline in social security contributions, the remainder of which would come in October, had even less of an offsetting impact on these tax hikes as mounting oil prices sent inflation climbing to around 2% per year. In fact, inflation ended up averaging 1.9% in 2018 *versus* 1% in 2017. Foreign trade also contributed adversely to economic activity, due to a glaring lack of competitiveness and the sharp appreciation of the Euro in 2017. Economic conditions improved somewhat in the second half, driven by the positive contribution of foreign trade, robust business investment in Q3 and measures aimed at reducing social security contributions on wages and the housing tax. The fourth quarter brought additional adverse factors, however, such as the Yellow Vest movement which shaved 0.1 point off GDP. The French unemployment rate ended up falling just 0.4 point to 8.7%, thus underperforming 2017.

4.2.2 Significant events of the fiscal year

The Groupe BPCE Supervisory Board, chaired by Michel Grass, approved the appointment of Laurent Mignon as Chairman of the Management Board after François Pérol stepped down. A new Management Board was appointed for a four-year term, along with several new members of the Executive Management Committee. The Executive Management Committee of Groupe BPCE now comprises:

- Laurent Mignon, Chairman of the BPCE Management Board;
- Laurent Benatar, Chief Information Officer;
- Jacques Beyssade, Secretary General;
- Géraud Brac de La Perrière, Chief Risk Officer;
- Christine Fabresse, Head of Retail Banking and Insurance, Member of the Management Board ;
- Jean-Yves Forel, Head of Retail Banking Europe and Paris 2024 Project;
- Dominique Garnier, Deputy Chief Executive Officer, Head of SEF : Solutions and Financial Expertise;
- Catherine Halberstadt, Head of Human Resources, Member of the Management Board;
- Nicolas Namias, Chief Financial Officer, Member of the Management Board;
- François Riahi, Chief Executive Officer of Natixis, Member of the Management Board;
- Yves Tyrode, Chief Digital Officer.

Against this backdrop, Groupe BPCE continued implementing its strategic plan and launched structure-building projects aimed at strengthening its operating model and improving efficiency:

- Groupe BPCE launched a plan to integrate the activities and teams of Crédit Foncier with the goal of consolidating its leading position in the real estate financing market, thanks in large part to the contribution of Crédit Foncier's skills, expertise and talent, and to the strength of the Banque Populaire and Caisse d'Epargne networks in the regions, with a view to increasing banking penetration among customers. The plan, approved by the employee representative bodies of CFF on October 26, 2018, will be implemented in the first half of 2019 subject to two requirements:
  - first, the Group aims to extend and increase its presence among all customers, particularly low-income, first-time home buyers,
  - second, Crédit Foncier employees will be integrated within other Groupe BPCE companies in a socially responsible manner, in accordance with their respective traditions;
- on September 12, 2018, Natixis and BPCE announced Natixis' plan to sell its Factoring, Sureties & Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE for €2.7 billion. This transaction, if completed, will contribute significantly to the achievement of Natixis and BPCE's strategic plans. In particular, it will allow Natixis to step up the development of its asset-light model and BPCE to strengthen its universal banking model. The sale is scheduled to take place by the end of Q1 2019, subject to the conditions precedent being lifted; specifically, BPCE must complete a capital increase – and the newly issued shares acquired by the Banque Populaire banks and Caisses d'Epargne – and the necessary regulatory approvals must be obtained. During the fourth quarter of 2018, the operational implementation of the plan was prepared and the various stages leading to the completion of the transaction initiated;
- the Group also launched initiatives to develop its presence in international retail banking. It entered into exclusive talks with Moroccan banking group, Banque Centrale Populaire on the sale of the equity interests held by BPCE International in Africa[1]. This deal is in line with the sale of Banque des Mascareignes to Groupe Banque Centrale Populaire, finalized in October 2018.

The Insurance business line, a key component of the Group's strategy, kept the momentum going strong in 2018, generating 9.8% growth in life insurance AuM to €60.1 billion[2]. The non-life insurance portfolio grew by 5% to 5.8 million policies. Earned premiums on the Banque Populaire and Caisse d'Epargne networks climbed 7% to €1.5 billion. Revenue synergies between Natixis and the networks totaled €280 million in 2018, with a final target of €750 million by end-2020. Insurance accounted for 57% of revenue synergies, reflecting the rapid development of the Bancassurance model.

New products and services were launched on both networks:

- the Banque Populaire banks launched the first banking service offer in France for families, combining all everyday banking services and the best in digital services. A dedicated advisor assists the entire family with day-to-day banking matters and with their life goals;
- the Caisses d'Epargne launched a new full-digital mobile banking offer dubbed "Enjoy". Available for €2 a month, customers receive all essential everyday banking services: an account, a debit card, a mobile app and access to the entire Caisse d'Epargne lending, savings and insurance range *via* their Enjoy advisor;
- after launching Apple Pay in 2017, Groupe BPCE was the first to offer the Samsung Pay mobile payment solution to Banque Populaire and Caisse d'Epargne customers with compatible Samsung smartphones;
- the Banque Populaire banks and Caisses d'Epargne launched a simple, digital and personalized turnkey loyalty solution for professional customers (small enterprises, craftsmen, small retailers, farmers and self-employed professionals). The solution allows professionals to use a dedicated platform to offer loyalty incentives tailored to their customers and to create targeted market campaigns to boost sales;
- the Permanent Assembly of Chambers of Trade and Small Businesses and Groupe BPCE launched the "small business agreement" to support and promote small businesses. The agreement contains five commitments, including the provision of €1 billion in medium- and long-term loans to finance small businesses;

(1) in Cameroon (68.5% in Banque Internationale du Cameroun pour l'Épargne et le Crédit), Madagascar (71% in Banque Malgache de l'Océan Indien), Republic of the Congo (100% in Banque Commerciale Internationale) and Tunisia (60% in Banque Tuniso-Koweitienne)

(2) Excluding the reinsurance treaty with CNP.

- for SMEs, Groupe BPCE entered into a new guarantee agreement with the European Investment Fund (EIF), a subsidiary of the European Investment Bank Group, with a budget of €500 million earmarked for the Banque Populaire banks and €200 million for the Caisses d'Epargne.

Groupe BPCE made a commitment to all Banque Populaire, Caisse d'Epargne and Banque Palatine customers not to enact rate hikes (as from January 1, 2019) and to cap fees at €25 per month for customers identified as vulnerable but not receiving the Vulnerable Customer Offer. For customers receiving the Vulnerable Customer Offer, the single cap on incident fees will be lowered to €16.50/month.

Additional regional bank mergers were conducted in 2018. Caisse d'Epargne Grand Est Europe was established from the merger of Caisse d'Epargne d'Alsace and Caisse d'Epargne Lorraine Champagne-Ardenne. With its registered office located in Strasbourg, the new Caisse d'Epargne serves the 10 departments of the Grand Est administrative region. With more than 3,000 employees, 436,000 cooperative shareholders and €2.6 billion in shareholders' equity, Caisse d'Epargne Grand Est Europe supports 1.7 million individual, professional and corporate customers, and contributes to the development of the regional economy. It has administrative sites in Metz, Reims, and Nancy.

Natixis carried on implementing its New Dimension strategic plan aimed at developing high value-added solutions for its customers. Natixis Investment Managers (NIM) strengthened its multi-boutique operating model by:

- signing an agreement to purchase a 24.9% stake in US asset management company WCM Investment Management (WCM) and an exclusive long-term distribution agreement. WCM will maintain its independence in terms of operations and management, investment philosophy and culture, while benefiting from a robust international partnership;
- enhancing the private debt product range, with the acquisition of European credit specialist MV CREDIT, whose investment strategy targets funding for upper mid-cap companies. Like other affiliates, MV Credit will maintain control over its management, while enjoying the benefits of the Natixis Investment Managers international distribution platform.

Natixis Investment Managers further expanded its private equity business with the launch of Flexstone Partners, a world-class private equity specialist combining three NIM subsidiaries (Euro-PE, Caspian Private Equity and Eagle Asia) into a single entity in a bid to offer investors a dynamic and global approach to private equity.

Natixis Asset Management, an affiliate of Natixis Investment Managers, adopted the Ostrum Asset Management brand, refocusing on its longstanding expertise in bond strategies, targeted expertise in equity strategies and comprehensive expertise in insurance strategies.

Natixis Wealth Management completed the first step in its business model simplification process in 2018, now focused on the wealth management segment. Implementing this strategy involved the following initiatives:

- a communication campaign to raise the profile of the new brand;
- the disposal of Sélection 1818;
- the acquisition of Masséna Partners (signing in progress);
- the acquisition of a 40% stake in Véga-IM.

- in line with the goals of the strategic plan, the business lines of the Specialized Financial Services division (excluding Payments) further stepped up their relations with the BPCE networks and began a front-to-back overhaul of the customer experience. Reflecting robust sales momentum, new growth drivers were set up, including:
  - for Natixis Lease and Natixis Financement, a Leasing solution with a lease-to-buy option for individual customers,
  - for Natixis Financement, a debt restructuring offer aimed at internalizing Groupwide solutions used to reprofile customer debt,
  - for Natixis Factor, an easy, commitment-free *à la carte* offer providing professional customers with easier access to factoring solutions.

With Natixis Payments, Groupe BPCE became the first banking group in France to offer instant payment services to its customers. Natixis Assurances was the first insurer in France to provide its customers with an unprecedented and exclusive instant claim settlement service: immediately after filing a claim, the insured party's bank account is credited with the settlement amount. Caisse d'Epargne Ile-de-France and Spanish bank Caixa Banque exchanged an instant payment using the new TIPS (Target Instant Payment Settlement) service officially launched by the European Central Bank (ECB).

Natixis purchased a majority stake (70% in Comitéo in April 2018). The purpose of the deal was to speed up the growth of Natixis in its payment activities, especially in the prepaid field.

TransferWise, Natixis Payments and Groupe BPCE entered into a partnership allowing 15.1 million active individual customers of the Banque Populaire banks and Caisses d'Epargne to transfer money to more than 60 countries at the best exchange rate. The partnership will begin in early 2019 following a pilot phase.

Lastly, Natixis became the sole shareholder of Titres Cadeaux (co-founded with La Banque Postale in 2006) by purchasing the 50% stake held by La Banque Postale, and of Dalenys by acquiring the 46% stake remaining after the takeover bid and squeeze-out.

Natixis expanded its M&A Advisory operations by conducting strategic investments in Fenchurch Advisory Partners (UK), Vermilion Partners (China) and Clipperton (France), rounding out its previous acquisitions of Leonardo & Co France and 360 Corporate (renamed Natixis Partners and Natixis Partners España) in 2015, and of PJ Solomon (New York) in 2016.

The Group stepped up its digitization initiatives to further drive the solid performance of its business lines. The 89C3 ecosystem, initiated in 2017, was expanded and now boasts 40 Digital Champions (whose role is to coordinate the digital transformation at each Group institution), 40 Chief Data Management Officers responsible for data governance at their institutions, six interconnected 89CE centers operating in sync with the institutions and their regional ecosystems, coordinated by dedicated employees.

New digital services were launched throughout the year for Groupe BPCE customers, companies and employees:

- Secur'pass in Everyday Banking, a strong authentication solution for sensitive transactions (addition of beneficiaries, credit transfers, electronic signature);

- new self-care services, such as online appointment scheduling (over 13,000 appointments scheduled per month), management of forgotten passwords/login Ids (averaging 90,000 confidential passwords or login ID deliveries per month), debit card management with consultation of limits, pending transactions and card blocking in the event of loss or theft (over 95,000 cards blocked online in 2018);
- three newly digitized loan applications: home loans (personalized offer), consumer loans (full-digital, omnichannel loan offer, enabling all beneficiaries to define their preferred level of autonomy at each step of the application process), and equipment loans (loans for professional equipment taken out online with a pre-established budget);
- the new Natixis Assurances chatbot, "Anna", cutting the time spent by CRMs researching specific areas of expertise in half (buy-outs, division of property, inheritance, etc.);
- a digital hub for professional and corporate customers ("Services en ligne"): a platform accessible from Banque Populaire and Caisse d'Epargne transaction websites, aggregating and centralizing all available digital services;
- a CRM tool, Digital Briefcase, for employees in charge of Corporate Customer Relations. The digital briefcase centralizes data on a customer's business activity and shares the data with the customer. This allows the CRM to focus on strategic communications and identify ways to cooperate with the customer, and to create cross-selling opportunities;
- collaborative tools further simplified the daily working environment of employees, with the expansion of the B'digit digital acclimation program (32% of employees trained), the roll-out of internal social network Yammer at 90% of Group institutions, and the gradual launch of Microsoft Office 365.

In addition to these achievements, the Group cemented its commitment to French Olympic and Paralympic athletes by becoming the first premium partner of the Paris 2024 Games. In doing so, Groupe BPCE has lent its name to one of the most powerful media events in the world, and the biggest event ever organized in France.

4.3 Groupe BPCE financial data

4.3.1 Groupe BPCE results

Groupe BPCE generated stable net reported income in 2018 of €3 billion, including material non-recurring items associated with the Group transformation plan.

	Groupe BPCE			
			Chg. 2018/2017	
in millions of euros	2018	2017	€m	%
Net banking income	24,001	23,720	281	1.2%
Operating expenses	(17,687)	(17,099)	(588)	3.4%
Gross operating income	**6,314**	**6,621**	**(308)**	**(4.6%)**
Cost/income ratio	73.7%	72.1%	-	1.6 pt
Cost of risk	(1,299)	(1,384)	85	(6.1%)
Share in income of equity-accounted associates	284	276	7	2.7%
Gains or losses on other assets	15	88	(73)	(82.8%)
Change in the value of goodwill	(16)	(85)	68	(80.7%)
Income before tax	**5,297**	**5,516**	**(220)**	**(4.0%)**
Income tax	(1,477)	(1,811)	334	(18.4%)
Non-controlling interests (minority interests)	(793)	(681)	(112)	16.5%
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,026**	**3,024**	**2**	**0.1%**

NET BANKING INCOME

At December 31, 2018, Groupe BPCE's net banking income amounted to €24.0 billion, up 1.2% compared to 2017, on the back of resilient performances by the retail banking networks, coupled with robust growth in the Insurance, Specialized Financial Services and Payments business lines. It also reflected persistently strong momentum in the Corporate & Investment Banking division's Asset Management, Global Finance and M&A business lines.

Retail Banking and Insurance posted a 0.7% rise in net banking income, driven by higher fees and income from other activities.

Retail banking (excluding Natixis) recorded loan outstandings of €564 billion at December 31, 2018, up 4.8% year-on-year. Home loans increased 5.5% year-on-year, equipment loans 7.5% and consumer loans 7.3%. Retail banking continued to contribute actively to the funding of the economy, boasting a high volume of new loans in all segments.

Retail banking deposits and savings came to €705 billion at December 31, 2018, up 1.5% since December 31, 2017. On-balance sheet deposits and savings were driven by ordinary savings accounts (+8.8%).

Net banking income in the Asset & Wealth Management division picked up 9.8% (+12.6% at constant exchange rates) to €3,419 million in 2018, thanks in large part to solid margin rates (excluding incentive fees): 31 bp overall, including 26 bp in Europe and 40 bp in North America. Incentive fees totaled €426 million in 2018 (*i.e.* roughly 13% of annual Asset Management revenues). Meanwhile, wealth management revenues grew 2% year-on-year.

The diversification of the business lines and geographic coverage of the Corporate & Investment Banking division were key contributors to this resilient performance. The solid performances of the Global Finance business lines (led by Real Assets) and the M&A activities partially offset the decline in Global Markets revenues. In 2018, Corporate & Investment Banking generated net banking income of €3,237 million, down 9.6% year-on-year (-8.0% at constant exchange rates). Excluding the impact on equity derivatives in Asia, net banking income was down 2.5% compared with 2017 at constant exchange rates.

OPERATING EXPENSES

Operating expenses totaled -€17.7 billion in 2018 (up 3.4% compared to 2017), including the transformation costs associated with the Group's key strategic deals aimed at simplifying its structure and generating synergies. These costs primarily related to Crédit Foncier, mergers of Group institutions and IT platform migrations. Operating expenses for the Retail Banking and Insurance arm, excluding transformation costs, decreased slightly by 0.2%. The rise operating expenses can be predominantly attributable to the development of activities in the Asset & Wealth Management division and the Corporate center.

The Group's headcount dipped 1.0% year-on-year to 105,448 at December 31, 2018.

Gross operating income came out at €6.3 billion in 2018, down 4.6% compared to 2017. Restated for transformation costs, the cost/income ratio stood at 70.8% in 2018.

INCOME BEFORE TAX

At €1.3 billion, Groupe BPCE's cost of risk decreased 6.1% compared to 2017. Divided by customer loan outstandings, Groupe BPCE's cost of risk in basis points hit a low of 19 bp on average over the year *versus* 20 bp in 2017. At 2.8%, the rate of non-performing loans to gross outstandings was on the decline from 2017. The coverage rate for non-performing loans, including collateral on impaired loan outstandings, came to 74.5% at December 31, 2018 *versus* 71.4% at December 31, 2017. Over full-year 2018, cost of risk was steadily low in retail banking (23 bp for the Banque Populaire network and 15 bp for the Caisse d'Epargne network) and Corporate & Investment Banking (18 bp).

The share in income of associates climbed €7 million, thanks in large part to the improvement in CNP's earnings.

Gains and losses on other assets fell €73 million, primarily due to a 2017 comparison base effect (a capital gain of €84 million was recorded on the disposal of the Parc Avenue building in 2017).

Goodwill declined -€16 million in 2018, reflecting goodwill impairment on Crédit Foncier Immobilier (-€13 million) and Ariès Assurances (-€3 million).

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Groupe BPCE's income tax totaled €1,477 million, down 18.4% compared to 2017, mainly attributable to a 2017 comparison base effect (exceptional corporate tax contribution, impairment of deferred tax assets subsequent to the announcement of an income tax reduction in France over the next few years, and the income tax reduction in 2018 on earnings generated outside France and particularly in the United States).

Net income attributable to equity holders of the parent was stable in 2018 at €3.0 billion.

Groupe BPCE ramped up its transformation in 2018 and delivered another strong earnings performance, rooted in its universal banking model, despite ongoing economic uncertainty and adverse market conditions.

SOLVENCY

Groupe BPCE's CET1 ratio[1] grew stronger in 2018 despite the negative -17 bp impact of the entry into force of IFRS 9: the CET1 ratio was 15.8% at December 31, 2018 *versus* 15.4% at December 31, 2017, an improvement of 40 bp.

This improvement can mainly be attributed to the expansion of CET1 capital (by approximately €3 billion), largely owing to retained earnings (+69 bp since December 31, 2017) and net cooperative share inflows (+34 bp since December 31, 2017).

At 15.8%, Groupe BPCE's phased-in CET1 ratio at December 31, 2018 was significantly higher than the ECB's minimum requirement, as defined during the 2018 Supervisory Review and Evaluation Process (SREP). The phased-in total capital ratio came to 19.6% at December 31, 2018, *i.e.* above the ECB's minimum requirement (13.25%).

TLAC (Total Loss Absorbing Capacity)[2] totaled €88.4 billion at end-December 2018. The pro forma TLAC ratio was 22.5% at end-2018 *versus* 20.8% at December 31, 2017 and a target of 21.5% for early 2019, as defined in the TEC 2020 strategic plan.

The leverage ratio[3] came out at 5.2% at December 31, 2018 *versus* 5.1% at December 31, 2017 (pro forma).

LIQUIDITY

Groupe BPCE's total liquidity reserves amounted to €204 billion at December 31, 2018, including €74 billion in available assets eligible for central bank funding, €62 billion in LCR-eligible assets and €67 billion in liquid assets placed with central banks.

Short-term funding increased from €101 billion at December 31, 2017 to €107 billion at December 31, 2018, stemming from the decrease in liquidity reserves.

At December 31, 2018, Groupe BPCE's total liquidity reserves covered 160% of all short-term funding as well as short-term maturities of MLT debt (*versus* 174% at end-2017).

The Liquidity Coverage Ratio (LCR) was once again above 110% at December 31, 2018.

4.3.2 Groupe BPCE's core businesses

The Group has three core businesses:

Retail Banking and Insurance, which includes:

- the Banque Populaire network, comprised of the 14 Banque Populaire banks and their subsidiaries, Crédit Maritime Mutuel, and the Mutual Guarantee Companies;
- the Caisse d'Epargne network, consisting of the 15 Caisses d'Epargne;
- Specialized Financial Services (SFS), a Natixis business line encompassing specialized financing activities (factoring, leasing, consumer finance, sureties and guarantees), payments and financial services;
- Insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- other networks, which comprise Crédit Foncier group, BPCE International (BPCE I) and Banque Palatine.

Asset & Wealth Management, a Natixis business line consisting of:

- Asset Management, which operates on several international markets, combining expertise in investment management and distribution;

(1) Estimate at 12/31/2018 – CRR/CRD IV fully loaded.
(2) Within the meaning of the Financial Stability Board term sheet of November 9, 2015 on Total Loss Absorbing Capacity.
(3) Under the rules of the Delegated Act published by the European Commission on October 10, 2014.

- Wealth Management, with Natixis Wealth Management, which offers wealth management and financing solutions for large private-sector investors.

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public-sector entities.

The Corporate center, which primarily includes:

- the Group's central institution and holding company;
- Natixis' equity interests in Coface, Natixis Algérie and Natixis Private Equity;
- unlisted investments and cross-business activities;
- items related to goodwill impairment and amortization of valuation differences, which are associated with the Group's equity interest acquisition strategy;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund.

4.3.3 Income statement by sector[(1)]

	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate center		Groupe BPCE	
in millions of euros	**2018**	**2017 pf**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017 pf**	**2018**	**2017**
Net banking income	16,795	16,683	3,419	3,113	3,237	3,581	550	342	24,001	23,720
Operating expenses	(11,772)	(11,494)	(2,264)	(2,178)	(2,193)	(2,194)	(1,458)	(1,233)	(17,687)	(17,099)
Gross operating income	**5,023**	**5,189**	**1,154**	**936**	**1,045**	**1,387**	**(908)**	**(891)**	**6,314**	**6,621**
Cost/income ratio	70.1%	68.9%	66.2%	69.9%	67.7%	61.3%	ns	ns	73.7%	72.1%
Cost of risk	(1,072)	(1,105)	(1)	0	(175)	(115)	(51)	(164)	(1,299)	(1,384)
Share in income of equity-accounted associates	44	49	3	1	12	10	226	216	284	276
Gains or losses on other assets	(40)	(29)	43	13	3	18	9	86	15	88
Change in the value of goodwill							(16)	(85)	(16)	(85)
Income before tax	**3,956**	**4,104**	**1,198**	**950**	**884**	**1,300**	**(742)**	**(838)**	**5,297**	**5,516**
Income tax	(1,289)	(1,334)	(323)	(329)	(235)	(380)	370	232	(1,477)	(1,811)
Non-controlling interests (minority interests)	(170)	(136)	(415)	(276)	(194)	(269)	(14)	1	(793)	(681)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,496**	**2,634**	**460**	**345**	**455**	**651**	**(386)**	**(605)**	**3,026**	**3,024**

Net banking income for the Group's three business divisions improved slightly (+0.3%) compared to 2017, reflecting solid performances by Asset Management coupled with resilient earnings by Retail Banking and Insurance despite the persistently low interest rate environment.

The relative contribution of Group business lines to net banking income was 72% for Retail Banking and Insurance, 14% for Asset & Wealth Management and 14% for Corporate & Investment Banking.

(1) *2017 segment information for Groupe BPCE is stated pro forma of the transfer of Ouest Croissance from the Corporate center to the Banque Populaire network (Retail Banking and Insurance division).*

4.3.4 Retail Banking and Insurance[1]

in millions of euros	Banque Populaire banks		Caisses d'Epargne		Specialized Financial Services		Insurance		Other networks		Retail Banking and Insurance		Change	
	2018	**2017 pf**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017 pf**	**€m**	**%**
Net banking income	6,371	6,294	6,952	7,086	1,472	1,382	790	734	1,211	1,187	16,795	16,683	112	0.7%
Operating expenses	(4,350)	(4,422)	(4,715)	(4,788)	(1,004)	(939)	(448)	(439)	(1,256)	(907)	(11,772)	(11,494)	(278)	2.4%
Gross operating income	**2,021**	**1,873**	**2,237**	**2,298**	**468**	**443**	**342**	**295**	**(45)**	**280**	**5,023**	**5,189**	**(166)**	**(3.2%)**
Cost/income ratio	68.3%	70.2%	67.8%	67.6%	68.2%	67.9%	56.7%	59.8%	ns	76.4%	70.1%	68.9%		1.2 pt
Cost of risk	(479)	(448)	(395)	(365)	(23)	(73)	0	-	(175)	(220)	(1,072)	(1105)	33	(3.0%)
Share in income of equity-accounted associates	29	35	(0)	0	0	-	15	13	1	1	44	49	(5)	(9.4%)
Gains or losses on other assets	(0)	(9)	2	(4)	1	(0)	0	-	(42)	(17)	(40)	(29)	(11)	36.0%
Income before tax	**1,570**	**1,451**	**1,844**	**1,930**	**445**	**371**	**356**	**308**	**(260)**	**44**	**3,956**	**4,104**	**(149)**	**(3.6%)**

The Retail Banking and Insurance division's income before tax fell 3.6% compared to 2017, with the rise in fees and commissions failing to offset the decline in net interest income amid persistently low interest rates. Operating expenses (excluding transformation costs) were down 0.2% compared to 2017. Cost of risk shed 3.0% year-on-year, averaging 18 bp in 2018.

The Banque Populaire and Caisse d'Epargne networks accounted for 86% of the Retail Banking and Insurance division's income before tax in 2018.

BANQUE POPULAIRE BANKS

The Banque Populaire network maintained robust sales activity in a challenging economic environment, drawing on the expansion and continued sales of products and services to its customer base. The Banque Populaire banks posted +2.5% growth in its individual customer base (o/w +3.4% in customers using banking products and services), +3.9% in its corporate customer base and +0.6% in its professional customer base.

On-balance sheet deposits and savings driven by strong sales momentum in a persistently competitive environment: +4.1% (excluding centralized savings)

The Banque Populaire banks recorded relatively robust inflows in what remained a highly competitive economic environment. On-balance sheet deposits and savings (excluding centralized savings) climbed +4.1% to €184.4 billion. Off-balance sheet deposits and savings totaled €70.0 billion at end-2018 (-4.9%), hurt by a -€4.2 billion decline in UCITS (-24.9%) that was not offset by the very slight improvement in life insurance AuM (+€0.8 billion, *i.e.* +1.6%).

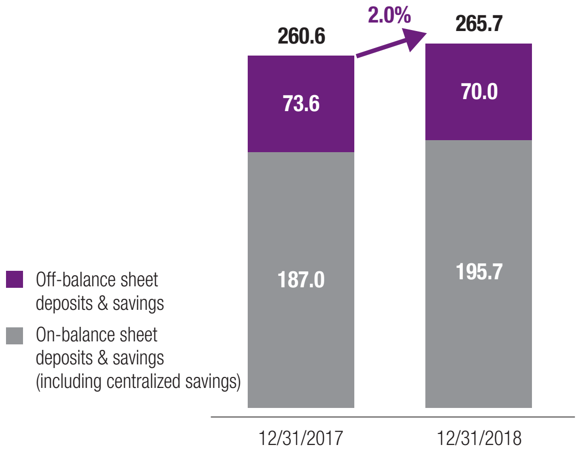
Business was strong on the individual customer market, which posted a +3.5% rise in deposits, but proved sluggish on the professional, corporate and institutional customer segments (-0.2%).

Risk aversion steered individual customer investments more towards on-balance sheet deposits and savings. Growth was driven primarily by demand deposits (+9.4% to €28.1 billion at end-2018) and home savings (+3.0% to €20.9 billion). Passbook savings accounts posted global growth of +5.3%, *i.e.* +€2.6 billion year-on-year, thanks in large part to ordinary passbook savings account deposits, up +5.6% to €24.7 billion in 2018, and Livret A and LDD passbook savings account deposits, up +10.0% and +3.3%, respectively, to €12.5 billion and €8.9 billion at end-2018. Meanwhile, term deposits fell -14.5% to €2.0 billion.

Professional, corporate and institutional customers also made a significant contribution to the increase in on-balance sheet deposits and savings, primarily in terms of demand deposits (+7.6%, *i.e.* +€4.3 billion to €60.6 billion at end-2018), while term deposits held steady (+€200 million to €24.1 billion, *i.e.* +0.8%).

(1) *2017 segment information for Groupe BPCE is stated pro forma of the transfer of Ouest Croissance from the Corporate center to the Banque Populaire network (Retail Banking and Insurance division).*

CUSTOMER DEPOSITS AND SAVINGS
(IN BILLIONS OF EUROS)



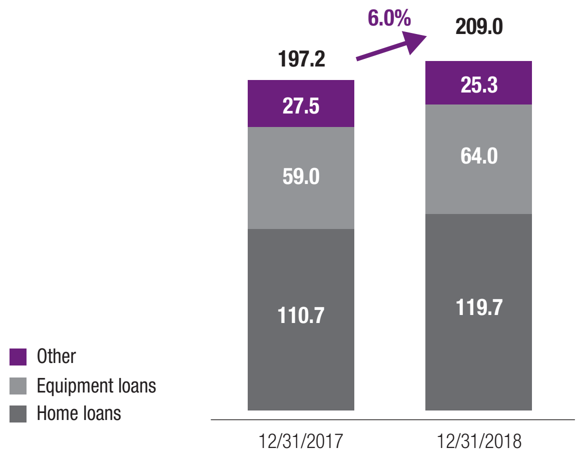
Loan outstandings up +6.0% amid low interest rates

The Banque Populaire banks consolidated their active role in financing the economy, with an annual increase of +6.0% in loan outstandings to €209.0 billion at end-2018.

Loan outstandings in the individual customer market (+8.1% to €130.4 billion) were buoyed by robust growth in home loan outstandings (+8.1% to €119.7 billion), amid low interest rates which triggered demand, but also as a result of renegotiations of existing loans and purchases of loans from competitors. Consumer loans also contributed to the rise in total outstandings, with consumer loan outstandings up +9.1% to €10.2 billion at end-2018.

Loan outstandings in the professional, corporate and institutional customer segments (including leases) posted a more modest improvement than outstandings in the individual customer segment (+2.7%), climbing to almost €78.7 billion by end-2018, fueled by renewed momentum in short-term credit facilities (+5.7%) and equipment loans (including leases), which rose +8.6% to €64.0 billion in 2018.

LOAN OUTSTANDINGS *(IN BILLIONS OF EUROS)*



Financial results

The Banque Populaire network's net banking income totaled €6.4 billion in 2018, a slight pro forma increase compared to 2017 (+1.0% excluding the change in the home savings provision).

Net interest income[(1)] dipped slightly to €3.6 billion, *i.e.* -€15 million year-on-year. Positive volume effects were not strong enough to offset the erosion in the intermediation margin, with the interest rate on loans (particularly home and equipment loans) declining more than the rate on savings.

Fees and commissions picked up slightly (+€18 million, +0.7% compared to 2017 pro forma), driven by all categories. Account management fees posted a small increase (+€4.0 million, +0.4%), as did fees on payment instruments (+€5.7 million, +1.5%), reflecting dynamic banking penetration, the rapid development of contactless payments and a higher number of contracts with small retailers. Fees on off-balance sheet deposits and savings rose considerably (+€34.8 million, +9.0%), thanks in large part to higher life insurance fees (+€36.0 million, +12.1%). Fees on loans were on the decline (-€37.8 million, -7.3%) due to the sharp downturn in prepayment penalty fees (-€61.9 million, -42.8%). Restated for prepayment penalty fees, fees on loans improved much more significantly (+24.1 million, +6.5%), on the back of higher payment protection insurance fees (+€29.5 million, +13.2%) and a 2017 comparison base effect.

Income and expenses from other activities posted an increase of €69 million, attributable in 2018 to capital gains on investment property (+€16 million) and a 2017 comparison base effect (check imaging fine of -€37.9 million and provision reversals of +€6 million).

Net income from insurance activities rose +4.5% to €120 million links to the development of Prépar Vie (BRED life insurance business).

Operating expenses came down -1.6% (+€72 million) to -€4.4 billion, reflecting strong OPEX discipline by the institutions. Restated for transformation costs, they dipped -0.8% year-on-year to -€4.3 billion. Transformation costs were mainly associated with the migration of Crédit Coopératif to the IT-CE platform, the merger-absorption of Banque Populaire Aquitaine Centre Atlantique and Crédit Maritime du Sud-Ouest, and the establishment of Banque Populaire Grand Ouest from the merger of Banque Populaire Atlantique, Banque Populaire Ouest and their subsidiaries.

Gross operating income gained +7.9% to €2.0 billion and the cost/income ratio improved 1.9 point to 68.3% in fiscal year 2018.

Cost of risk climbed +7.0% year-on-year to -€0.5 billion. Divided by loan outstandings, it stood at 23 bp in 2018, on par with 2017.

The Banque Populaire banks contributed €1.6 billion to the Retail Banking and Insurance division's income before tax, up +8.2% relative to 2017 (pro forma).

(1) Fees and commissions on centralized savings products have been restated for the interest margin and included in fee and commission income.

CAISSES D'EPARGNE

The Caisses d'Epargne delivered a strong performance in 2018, issuing total new loans of €53.4 billion to finance the French economy. Their strategy is based on providing additional banking products and services to individual customers and gaining new corporate and professional customers. The number of principal active customers increased by 0.9%, active professional customers by 1.4% and active corporate customers by 6.2% in 2018.

Growth of 1.6% in on-balance sheet deposits & savings (excluding centralized savings)

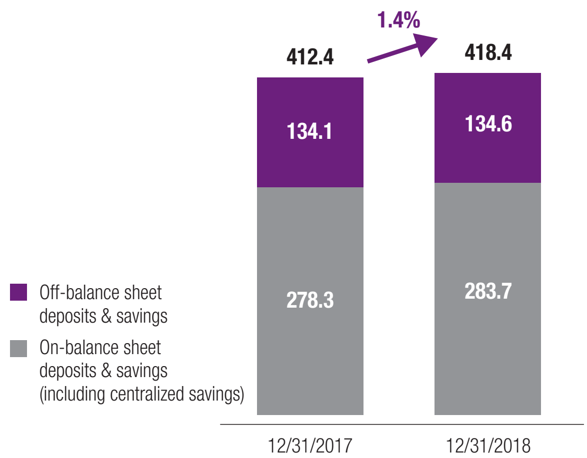
Despite the highly competitive savings market, the Caisses d'Epargne saw their on-balance sheet deposits and savings (excluding centralized savings) climb +1.6% year-on-year (*i.e.* +€3.5 billion) to €227.0 billion.

Growth in on-balance sheet deposits and savings was mainly led by demand deposits (+11.0%, *i.e.* +€7.5 billion). Passbook savings account deposits picked up +1.3% to €124.2 billion, with varying impacts depending on the market. The individual customer market posted net inflows of +€6.5 billion (+6.3%) in 2018, *versus* net outflows of -€4.9 billion for the professional, corporate and institutional customer markets (-24.2%).

In the low interest rate environment of 2018, some products recorded higher AuM, including in particular the Livret Jeune and Livret B passbook savings accounts (+€1.1 billion, *i.e.* +5.6%). Home savings deposits, viewed as less attractive by investors, recorded a smaller gain (+€0.6 billion).

Off-balance sheet deposits and savings rose +0.4% to €134.6 billion, driven by more moderate growth in life insurance products in 2018 (+0.7%, +€0.9 billion).

CUSTOMER DEPOSITS AND SAVINGS
(IN BILLIONS OF EUROS)



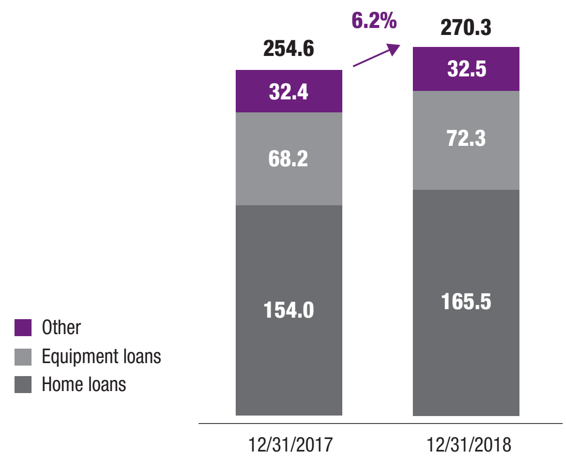
2018: another banner year for lending activity

The Caisse d'Epargne network was as committed as ever to its role in funding the economy and the regions, with robust growth in loan outstandings of +6.2% year-on-year to €270.3 billion.

Individual customer loan outstandings increased +6.9% year-on-year to €157.2 billion, boosted by the appeal of home loans (+6.8%, *i.e.* +€8.9 billion), which enjoyed another strong performance in outstandings in 2018 (€140.0 billion) thanks to the low interest rate environment.

Loans to professional, corporate and institutional customers climbed +5.2% to €113.1 billion, largely consisting of equipment loans (+6.1% to €72.3 billion).

LOAN OUTSTANDINGS *(IN BILLIONS OF EUROS)*



Financial results

The Caisse d'Epargne network generated net banking income of €7.0 billion in 2018, down -1.9% compared to 2017.

Net interest income[(1)] shed -6.5% due to the decline in the intermediation margin, adversely impacted by sustainably low interest rates. The increase in loan volumes was not high enough to fully offset the impact of the lower margin rate.

Fees and commissions were up +1.9% compared to 2017, driven by robust growth in fees on payment instruments (+€20.5 million, +4.8%) stemming from the increase in banking products sold to the customer base and the programs designed to attract high-end customers. Sales of banking products to existing customers also boosted account management fees (+€25.5 million, +3.1%). Fees on off-balance sheet deposits and savings rose +4.8% (+€31.5 million), fueled by life insurance (+6.2%). Fees on loans fell -€24 million (-3.2%), largely due to lower prepayment penalty fees (-€79.3 million, -37.8%), partially offset by higher payment protection insurance fees (+€27.9 million, +7.5%).

(1) Fees and commissions on centralized savings have been restated for net interest income and included in fees and commissions income.

Operating expenses slid -1.5% to -€4.7 billion. Restated for transformation costs, they were down -1.3% compared with 2017 to -€4.6 billion. Transformation costs were associated with the establishment of Caisse d'Epargne Hauts de France from the merger of Caisse d'Epargne Nord-France-Europe and Caisse d'Epargne Picardie, the merger Caisse d'Epargne Lorraine Champagne-Ardenne and Caisse d'Epargne Alsace and, to a lesser extent included the residual costs associated with the consolidation of oversees banks in Caisse d'Epargne Provence-Alpes, and the preliminary costs for Caisse d'Epargne d'Ile-de-France to absorb certain BPCE I banks.

As a result, gross operating income came to €2.2 billion in 2018, down -2.6% compared to 2017, while the cost/income ratio increased slightly by +0.2 pt to 67.8%.

Cost of risk for the Caisses d'Epargne was up +8.3% to -€0.4 billion. Divided by loan outstandings, it stood at 15 bp in December 2018, on par with December 2017.

The Caisses d'Epargne contributed €1.8 billion to the Retail Banking and Insurance division's income before tax in 2018, down -4.5% compared to 2017.

SPECIALIZED FINANCIAL SERVICES (SFS)

Specialized Financing posted solid overall momentum in 2018.

With factoring revenues of €60.8 billion in France, up 11%, Factoring boasted market share of around 19% for Natixis Factor at end-2018.

Leasing developed its business with the Banque Populaire and Caisse d'Epargne networks. New business (half of which in equipment leasing) was up 12% year-on-year.

Consumer Finance achieved record sales with over €12 billion in financing, up 7% over the year, 11% of which for revolving loans and 6% for personal loans.

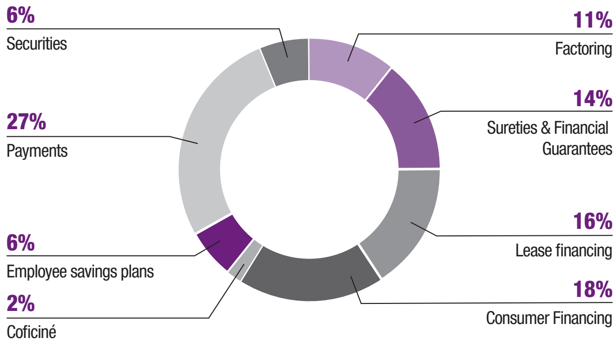
After three outstanding years, Sureties and Guarantees maintained strong business volumes on the loan guarantee market for individual customers despite a decrease in refinancing volumes.

The Financial Services business remained strong.

At €27.6 billion, Employee Savings assets under management continued to increase with annual growth of 6%.

Securities Services continued to expand its range of services for the networks.

BREAKDOWN OF 2018 SFS NBI BY BUSINESS LINE



Net banking income totaled €1,472 million in 2018, up 6%.

Specialized Financing revenues rose 4%, with gains of 10% in Leasing and respectively 3% and 1% year-on-year in Sureties & Guarantees and Factoring. Lastly, Film and Audiovisual Financing also improved over the period with the recognition of an exceptional dividend.

Revenues from Financial Services excluding Payments were up 2%, with net banking income on Employee Savings up 4%.

Payments revenues increased by 16% year-on-year. This growth was driven by the performance of historical businesses (Flows, Electronic Banking and Service Vouchers) and by acquisitions carried out over the last two fiscal years which accelerated business expansion. Accordingly, Merchant Solutions profited from the surge in business volumes generated from the recent acquisitions of Natixis Payment Solutions (Dalenys and PayPlug).

Amounting to €1,004 million at end-2018, SFS expenses were up 7% compared with 2017, a result largely owed to scope changes for the Payments business lines.

Overall, gross operating income rose 6% to €468 million.

Cost of risk was down significantly to €23 million thanks to effective overall risk management and better-quality data impacting IFRS 9 provisions.

Income before tax ended the year at €445 million, up 20%.

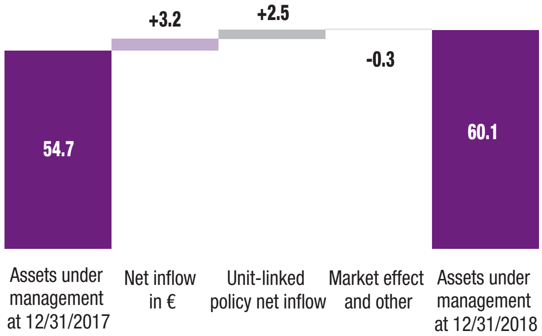
INSURANCE

In terms of business, sales of provident and non-life insurance were particularly buoyant in 2018, and life insurance maintained a strong position.

With €9.6 billion in gross direct business inflows, life insurance inflows increased 1% compared with 2017, keeping the business in a strong position despite a persistently low interest rate environment, higher inflation and the volatility of the financial markets at year-end. The business saw 60% growth in two years with the deployment of the Caisse d'Epargne offer.

Premiums on unit-linked assets totaled €3.2 billion (-4%) and made up 33% of total gross inflows, down 2 points year-on-year but outperforming the market by 5 points at end-December. Inflows invested in the euro fund totaled €6.4 billion, up 3%.

CHANGE IN LIFE INSURANCE ASSETS UNDER MANAGEMENT *(IN BILLIONS OF EUROS)*



Premiums on provident and payment protection insurance (€886 million) continued to increase at a steady pace (+8%). Payment protection insurance maintained a growth rate of 6% without any material impact from the Bourquin amendment.

The non-life insurance portfolio grew by 5% to 5.8 million policies. Earned premiums on the Banque Populaire and Caisse d'Epargne networks gained 7% to €1,482 million. Automotive and multi-risk home insurance saw 9% and 7% growth, respectively.

Net banking income for the Insurance business lines totaled €790 million, up 8% compared with 2017, resulting from:

- 7% growth in life insurance NBI, propelled by growth in assets under management (+10%), driven in turn by the roll-out of the offer on the Caisse d'Epargne network. Despite the persistently low interest rate environment in 2018, lower bond yields were offset through the diversification of investment sources (private placements or the direct funding of the economy);
- 8% growth in provident insurance and payment protection insurance NBI, reflecting the resilience of the business;
- 6% growth in non-life insurance revenues: the claims rate was under control, despite the impact of extreme weather events and exceptionally high major automotive insurance claims. The combined ratio stood at 91.2%, an improvement on 2017.

Operating expenses were up 2% to €448 million. The increase in expenses, below NBI growth (8%), reflected the development of the business as well as the implementation of the New Dimension plan's strategic ambitions: deployment of a new multi-site, multi-brand customer relationship model in personal insurance (Move#2018); ongoing strategic non-life insurance projects (#Innove2020, Purple#Care and #Pop'Timiz) and amortization of assurément#2016 and Impulse.

Gross operating income rose 15.8% to €342 million.

OTHER NETWORKS

Crédit Foncier group

Momentum on the home loan market held strong in 2018, amid heightened competition on lending rates and pressure on ancillary products such as insurance. As a result, Crédit Foncier found itself in an exceptional position stemming from the plan for its activities to be consolidated in the Groupe BPCE entities.

On the heels of a record performance in 2017, the Crédit Foncier teams mobilized their efforts to keep the momentum going across all business segments, resulting in total new loans of €10.7 billion (o/w €7.1 billion in the individual customer segment) *versus* €9.6 billion in 2016 and €11.8 billion in 2017.

Crédit Foncier group posted a 2.7% year-on-year rise in net banking income, thanks to the improvement in net interest income, partially offset by a drop in fees and commissions largely owing to the downturn in prepayments.

Operating expenses came out at €757 million in 2018, up 67.7% compared to 2017, with 2018 including a provision for the restructuring of Crédit Foncier.

Cost of risk amounted to €61 million, down 25.0% compared to 2017, reflecting in particular the improvement in the level of risk associated with generations of loans added to the balance sheet since 2011.

BPCE International and Banque Palatine

BPCE International's gross operating income shed -2.1% year-on-year due to slower business in the Pacific and International divisions. Cost of risk was down -26.9% in connection with the high 2017 comparison base. In 2018, gains or losses on other assets included restructuring impacts and the planned disposal of certain equity interests.

Lastly, Banque Palatine contributed €42 million to the division's income before tax, down 45.3% (-€35 million) relative to 2017. The 3.8% rise in NBI (+€12 million) was not high enough to offset the 22.4% increase in operating expenses (-€45 million), predominantly attributable to IT migration costs (-€35 million).

4.3.5 Asset & Wealth Management

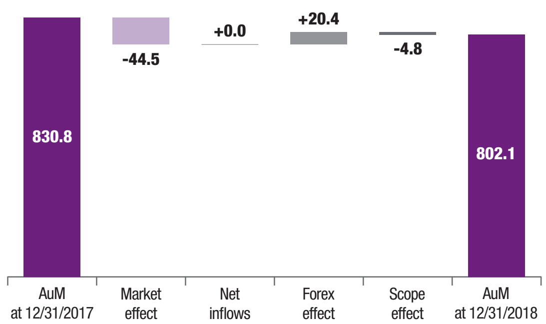
	Asset & Wealth Management			
			Chg. 2018/2017	
in millions of euros	2018	2017	€m	%
Net banking income	3,419	3,113	305	9.8%
Operating expenses	(2,264)	(2,178)	(87)	4.0%
Gross operating income	**1,154**	**936**	**219**	**23.4%**
Cost/income ratio	66.2%	69.9%	-	-3.7 pts
Cost of risk	(1)	0	(2)	ns
Share in income of equity-accounted associates	3	1	2	ns
Gains or losses on other assets	43	13	30	ns
Income before tax	**1,198**	**950**	**248**	**26.2%**

Asset & Wealth Management revenues were up 9.8% over the period to €3,419 million (+12.6% at constant exchange rates). Expenses also rose, but to a lesser degree, by 4.0% (+6.6% at constant exchange rates). Gross operating income jumped 23.4% (+26.5% at constant exchange rates) to €1,154 million.

Asset Management

Assets under management amounted to €802.1 billion at end-December 2018, down 3% at current exchange rates (-6% at constant exchange rates) compared with December 31, 2017. This was due to a highly adverse market effect (-€44.5 billion) and, to a lesser extent, a scope effect[1] of -€4.8 billion, partially offset by a positive forex effect (+€20.4 billion).

YEAR-ON-YEAR CHANGE IN ASSETS UNDER MANAGEMENT
(IN BILLIONS OF EUROS)



The business had zero net inflows over the year, with diverging results:

- net inflows in Europe totaled €10.7 billion on the back of bond products (H2O and DNCA), diversified products (H2O, Ostrum and Vega IM), equity products (Seeyond and Ostrum) and real estate products (AEW Europe), partially offset by outflows from life insurance products (Ostrum);
- net outflows of €10.1 billion were recorded in the US, predominantly in Loomis bond and equity products and Harris diversified products.

At €832.9 billion, average assets under management at December 31, 2018 were up +3.9% compared to 2017 at constant exchange rates. The rate of return on assets under management was up 6.3% to 31.0 points compared with December 31, 2017 at constant exchange rates. At December 31, 2018, AuM can be broken down into predominantly bond products (29.8%), followed by equity products (23.2%) and life insurance (21.6%).

At December 31, 2018, net banking income stood at €3,274 million, up 10% year-on-year (*i.e.* +13% at constant exchange rates), driven by higher fees on assets under management across the geographic areas, thanks to the increase in average assets under management and in the commission rate over the period and the sharp rise in incentive fees charged by European asset management companies.

Expenses stood at €2,114 million, up 4% compared with December 31, 2017 (+7% at constant exchange rates), mainly attributable to the variable payroll costs of asset management companies in the US and in Europe and, to a lesser extent, to fixed payroll costs stemming from the increase in average headcount and pay raises. Excluding internal payroll costs, the increase in expenses was in large part driven by operating costs (mainly communication and advertising costs), consulting fees (implementation of strategic projects) and IT costs.

Wealth Management

In 2018, the Wealth Management business line recorded strong sales despite sensitive market conditions. Net inflows totaled €2.0 billion and were largely driven by wealth management in France and abroad, and to strong momentum in the B2B private banking business brought by the networks.

Assets under management came to €26.1 billion, down 17% year-on-year due to a €5.7 billion scope effect from the disposal of Sélection 1818. Restated for this effect, assets under management improved 1% despite a negative market effect in the second half. Meanwhile, loan outstandings climbed 14% to €2.0 billion.

In 2018, the business line's net banking income was up 2% year-on-year to €144 million. Restated for 2017 non-recurring items linked to the adjustment of the Group's distribution system and the Sélection 1818 scope effect, the decrease would be 3%. This decline is mainly attributable to the absence of incentive fees compared with

(1) 2018 scope effects: acquisition of MV Credit (+€1.7 billion); disposal of Vega IM (-€6.5 billion)

a strong 2017, and to the drop in fees on structured products (inauspicious markets conditions), partially offset by healthy net interest income and, to a lesser extent, fees on assets under management.

Expenses stood at €150 million, up 5% compared with 2017. Restated for the scope effect and non-recurring items related to the disposal of Sélection 1818, the increase would be 4%, mostly on account of the decline in projects recorded on the balance sheet over the period, higher fixed payroll costs (rise in average full-time equivalent), as well as consulting fees in connection with ongoing projects (digital, regulatory, business model review, etc.).

4.3.6 Corporate & Investment Banking (CIB)

	Corporate & Investment Banking			
			Chg. 2018/2017	
in millions of euros	**2018**	**2017**	**€m**	**%**
Net banking income	3,237	3,581	(344)	(9.6%)
Operating expenses	(2,193)	(2,194)	2	(0.1%)
Gross operating income	**1,045**	**1,387**	**(342)**	**(24.7%)**
Cost/income ratio	67.7%	61.3%	-	6.5 pts
Cost of risk	(175)	(115)	(60)	52.0%
Share in income of equity-accounted associates	12	10	1	10.9%
Gains or losses on other assets	3	18	(15)	(84.5%)
Income before tax	**884**	**1,300**	**(416)**	**(32.0%)**

In 2018, Corporate & Investment Banking's net banking income totaled €3,237 million, down 8.0% compared with 2017 at constant exchange rates. It included income of €68 million from the settlement of the legal dispute with Société Wallone du Logement (SWL), reclassified as a non-recurring item in the third-quarter 2018 earnings release. Excluding this item, net banking income was down 10.0% compared with 2017 at constant exchange rates. And excluding the impact on equity derivatives in Asia, net banking income stood at €3,435 million, down 2.5% compared with 2017 at constant exchange rates.

Capital market revenues totaled €1,331 million in 2018, down 29.7% compared with 2017 at constant exchange rates. Excluding the impact on equity derivatives in Asia, revenues were down 15.7% compared with 2017 at constant exchange rates.

Revenues from Fixed Income, Forex, Credit, Commodities and Treasury activities stood at €1,158 million in 2018, down 10.8% on 2017 at constant exchange rates. The following changes were observed in each segment:

- fixed Income and Forex revenues were down 14.1% to €416 million, with Fixed Income falling 28.2% to €265 million. This can be attributed to less dynamic sales, especially in the second half of the year on account of more challenging market conditions, while Forex was up 31.5% to €151 million, thanks to sharp currency fluctuations in the second quarter, in particular as the Italian elections triggered an increase in flow volumes;
- credit revenues were down slightly (-1.1%) compared with 2017 to €286 million. The decline in the management of positions was partially offset by growth in securitization activities, which continued into 2018, up 2.5% on 2017 at constant exchange rates;
- revenues from the Repo business totaled €422 million, down 11.5% compared with 2017 amid more competitive market conditions and consequently tighter margins.

At €170 million, Equity business fell 71.0% compared with 2017 at constant exchange rates. Excluding the impact on equity derivatives in Asia, revenues stood at €437 million, down 26.1% compared with 2017 at constant exchange rates. The discontinuation of the Equity Brokerage business in the US and the UK at the end of 2017, then in France from July 1, 2018 following the transfer of the business to Oddo, pulled down the revenues of the Equity business line to a total amount of €24 million compared with 2017. Excluding the impact on equity derivatives in Asia, the revenues of the Equity Derivatives business were down 24.1% to €427 million. Sales bore the brunt of a more challenging market environment, especially at the end of the year. Revenues were also adversely affected by an increase in provisions for activities in Europe and in the US.

Compared with a record 2017, Acquisition & Strategic Finance revenues were down 9.5% to €151 million, with the Leverage Finance market starting to show signs of tension. Revenues from Syndication on the bond market fell 19.2% to €84 million compared with 2017. The 12.1% increase in revenues generated on the primary bond market was more than offset by unsupportive conditions on the secondary market. This affected the management of sovereign debt positions amid uncertainty in the European environment surrounding the Italian elections.

At €1,411 million, Financing revenues including TTS (Trade & Treasury Solutions, the new name for Global Transaction Banking) gained 8.9% compared with 2017 at constant exchange rates. Real Assets posted total revenues of €294 million, up 26.7% compared with 2017, driven by strong performances in its strategic sectors: Real Estate Finance in the US, with a high volume of securitizations in the first half of the year, and Infrastructure, also very buoyant following a number of major deals. Commodities Trade Finance (Energy & Natural Resources) revenues climbed 8.3% at constant exchange rates to €250 million on a stronger average oil price per barrel than last year, boosting the Trade Finance business. At €699 million in 2018, revenues from the DPM financing portfolio contracted by 1.0% at constant exchange rates due to margin pressure.

Revenues from Investment Banking, including M&A activities, were up 3.9% year-on-year at constant exchange rates to €372 million.

In 2018, Corporate & Investment Banking expenses (€2,193 million) were stable at current exchange rates, up only slightly by 1.0% compared with 2017 at constant exchange rates.

Gross operating income totaled €1,045 million, down 22.4% compared with 2017 at constant exchange rates. The cost/income ratio deteriorated to 67.7% in 2018, up 6.5 points versus 2017.

At €175 million, cost of risk was up 52.0% compared with 2017, including a €71 million impact for the Madoff fraud, reclassified as a non-recurring item in the Q3 2018 earnings release. Excluding this item, the provision for credit losses was €104 million in 2018, down 9.9% compared with 2017.

4.3.7 Corporate center[1]

	Corporate center			
			Chg. 2018/2017 pf	
in millions of euros	**2018**	**2017 pf**	**€m**	**%**
Net banking income	550	342	208	60.8%
Operating expenses	(1,458)	(1,233)	(225)	18.3%
Gross operating income	**(908)**	**(891)**	**(17)**	**1.9%**
Cost of risk	(51)	(164)	113	(69.0%)
Share in income of equity-accounted associates	226	216	10	4.6%
Gains or losses on other assets	9	86	(77)	(89.2%)
Income before tax	**(742)**	**(838)**	**96**	**(11.5%)**

The Corporate center generated income before tax of -€742 million in 2018 *versus* -€838 million in 2017. This figure included the following activities and items in 2018:

- Natixis' equity interests, primarily including Coface, whose revenues were up 2% compared with 2017 to €1.4 billion at current exchange rates (+5% at constant exchange rates). Credit insurance, accounting for 95% of revenues, was up 3% while factoring was down 7%. The loss ratio net of reinsurance was 45.1% *versus* 51.4% in 2017, *i.e.* an improvement of 6.2 points thanks to the efficiency of claims expense management plans and an improved economic climate in first-half 2018. It should also be noted that Natixis Private Equity continued its withdrawal strategy in 2018;
- the contribution of €220 million by CNP Assurances, up 6.3% year-on-year (+€13 million);
- the contribution to the Single Resolution Fund, *i.e.* -€340 million in operating expenses, an increase of -€80 million compared with 2017;
- the impact of asset impairments totaling -€16 million;
- finally, the division included the contributions of the Group's central institution, BPCE SA group, and Natixis' Corporate center, income from private equity activities and from various other investment companies, central resource or support companies, and property management companies.

(1) *2017 segment information for Groupe BPCE is stated pro forma of the transfer of Ouest Croissance from the Corporate center to the Banque Populaire network (Retail Banking and Insurance division).*

4.3.8 Analysis of the Groupe BPCE consolidated balance sheet

Opening balance sheet (January 1, 2018) in accordance with IFRS 9.

in billions of euros	12/31/2018	01/01/2018	Change €bn	Change %
Cash and amounts due from central banks	76.5	94.7	(18.2)	(19.3%)
Financial assets at fair value through profit or loss	200.5	212.5	(12.0)	(5.6%)
Hedging derivatives – Positive FV	8.2	9.8	(1.6)	(16.7%)
Financial assets at fair value through other comprehensive income	40.1	35.4	4.6	13.1%
Financial assets at amortized cost	782.2	750.2	32.0	4.3%
Loans and receivables due from credit institutions	*91.1*	*90.2*	*0.9*	*1.0%*
Loans and receivables due from customers	*659.3*	*626.4*	*32.8*	*5.2%*
Debt securities at amortized cost	*31.8*	*33.5*	*(1.7)*	*(5.1%)*
Revaluation differences on interest rate risk-hedged portfolios	5.5	5.8	(0.3)	(5.5%)
Insurance business investments	110.3	103.2	7.1	6.9%
Current and deferred tax assets and other assets	39.8	36.6	3.3	8.9%
Fixed assets (excluding goodwill)	6.4	6.4	0.0	(0.3%)
Goodwill	4.5	4.3	0.2	4.3%
ASSETS	**1,273.9**	**1,258.9**	**15.1**	**1.2%**
Amounts due to central banks	0.0	0.0	0.0	ns
Financial liabilities at fair value through profit or loss	194.9	206.9	(12.1)	(5.8%)
Hedging derivatives – Negative FV	13.6	14.7	(1.1)	(7.7%)
Financial liabilities at amortized cost (excluding subordinated debt)	832.9	818.5	14.4	1.8%
Amounts due to credit institutions	*85.7*	*84.6*	*1.0*	*1.2%*
Amounts due to customers	*530.3*	*516.7*	*13.6*	*2.6%*
Debt securities	*216.9*	*217.1*	*(0.2)*	*(0.1%)*
Revaluation differences on interest rate risk-hedged portfolios	0.2	0.4	(0.1)	(39.9%)
Current and deferred tax liabilities and other liabilities	35.9	30.9	5.1	16.4%
Liabilities related to insurance policies	98.9	93.7	5.1	5.5%
Provisions	6.6	6.8	(0.2)	(3.3%)
Subordinated debt	17.6	17.4	0.2	1.1%
Shareholders' equity	**73.4**	**69.6**	**3.8**	**5.5%**
Equity attributable to equity holders of the parent	***66.2***	***62.5***	***3.7***	***6.0%***
Non-controlling interests	*7.2*	*7.1*	*0.1*	*1.5%*
LIABILITIES	**1,273.9**	**1,258.9**	**15.1**	**1.2%**

At December 31, 2018, the consolidated balance sheet of Groupe BPCE totaled €1,273.9 billion, up 1.2% compared with January 1, 2018 (accounting balance sheet under IFRS 9). The return on assets stood at 30 bp in 2018.

CHANGES IN SIGNIFICANT ASSET ITEMS

The main asset items are loans and receivables due from customers (51.8% of total assets at December 31, 2018) and credit institutions (7.2%), financial assets at fair value through profit or loss (15.7%), and insurance business investments (8.7%). Taken together, these items account for nearly 83.3% of the Group's assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include assets held for trading, including derivative financial instruments.

Total financial instruments measured at fair value through profit or loss decreased by €12.0 billion compared to January 1, 2018, due to:

- a decline in treasury bills and similar securities (-€4.4 billion);
- a decrease in equities and other equity instruments (-€7.1 billion);
- and, to a lesser extent, a drop in trading derivatives (-€1.1 billion), adversely affected by fixed income and foreign exchange transactions (-€3.9 billion).

Loans and receivables due from credit institutions

Loans and receivables due from credit institutions (net of provisions) amounted to €91.1 billion at December 31, 2018, up by €0.9 billion compared to January 1, 2018. They consisted of current accounts, loans to credit institutions and security deposits. Non-performing loan outstandings and recognized impairments were relatively stable over the period.

Loans and receivables due from customers

Loans and receivables due from customers comprise current accounts with overdrafts, customer loans, repurchase agreements and finance leases. Net outstanding loans and receivables due from customers totaled €659.3 billion, up €32.8 billion year-on-year (+5.2%), thanks in large part to resilient groupwide performances, with special mention going to Retail Banking and Insurance. This performance can be attributed to the Caisses d'Epargne network for +€16.6 billion and the Banque Populaire network for +€11.7 billion. This momentum was mainly propelled by home loans (+€18.9 billion, up 5.7%), but also by equipment loans (+€6.4 billion) and short-term credit facilities (+€5.3 billion). Non-performing loans accounted for 2.8% of gross loan outstandings at December 31, 2018.

Insurance business investments

Insurance business investments are comprised of investments at fair value through profit or loss, including derivative financial instruments, available-for-sale investments, and loans and receivables due from customers. This portfolio totaled €110.3 billion at December 31, 2018 *versus* €103.2 billion at January 1, 2018. The €7.1 billion increase was the result of fast-growing business (+6.9%). Natixis carried 86.7% of outstandings at December 31, 2018. Sales momentum was very strong in Provident and non-life insurance, while life insurance AuM once again enjoyed robust growth.

CHANGES IN SIGNIFICANT LIABILITY AND EQUITY ITEMS

At December 31, 2018, nearly 93.6% of all balance sheet liabilities were comprised of the following:

- amounts due to customers (41.6%) and credit institutions (6.7%);
- debt securities (17.0%);
- financial liabilities at fair value through profit or loss (15.3%);
- liabilities related to insurance policies (7.8%);
- equity attributable to equity holders of the parent (5.2%).

Financial liabilities at fair value through profit or loss

On the liabilities side, this portfolio consists of debt instruments carried at fair value at the reporting date with an offsetting entry in the income statement. At December 31, 2018, these liabilities amounted to €194.9 billion, down by €12.1 billion (-5.8%) over the period, due to the decrease in securities sold short (-€5.5 billion), securities sold under repurchase agreements to credit institutions and for trading purposes to customers (-€8.0 billion) and, to a lesser extent, trading derivatives (-€0.9 billion).

Amounts due to credit institutions

Amounts due to credit institutions consist mainly of borrowings and to a lesser extent current accounts and repurchase agreements. In 2018, they amounted to €85.7 billion, up +€1.0 billion (+1.2%) year-on-year, attributable to the increase in term borrowings (+€5.2 billion), which was partially offset by the decline in amounts due to credit institutions on demand (-€4.2 billion).

Amounts due to customers

Customer deposits mainly comprise current accounts in credit, term accounts, savings accounts and repurchase agreements. This line totaled €530.3 billion at December 31, 2018, an increase of €13.6 billion compared to January 1, 2018 stemming mainly from:

- a sharp rise in current accounts in credit (+€14.4 billion);
- a decline in current accounts and term accounts (-€4.8 billion);
- higher investments in regulated savings accounts (+€5.0 billion), powered by a strong performance in home savings plans (+€1.2 billion) and passbook savings account inflows (+€4.1 billion);
- a stable performance in securities sold under repurchase agreements.

Debt securities

Debt securities predominantly consist of negotiable debt securities and bonds, which stood at €216.9 billion at December 31, 2018. The solidity of Senior Non-Preferred debt (+€7.7 billion) offset the decline in bonds (-€7.0 billion), adversely affected by upward pressure on key rates.

Liabilities related to insurance policies

This line mainly comprises technical liabilities related to insurance policies and financial contracts, which amounted to €98.9 billion at December 31, 2018 (+€5.1 billion).

Shareholders' equity

Equity attributable to equity holders of the parent totaled €66.2 billion at December 31, 2018 versus €62.5 billion at January 1, 2018. This increase resulted from:

- net income for the period: +€3.0 billion;
- the change in capital: +€1.4 billion in respect of issues, net of redemptions, of Banque Populaire and Caisse d'Epargne cooperative shares.

4.4 BPCE SA group financial data

4.4.1 BPCE SA group results

BPCE SA group's net income is calculated after restating the contribution of non-consolidated entities.

In 2018, the transition from Groupe BPCE's net income to BPCE SA group's net income can be broken down as follows:

in millions of euros	2018
Groupe BPCE net income	**3,026**
Entities not consolidated or consolidated under a different method[1]	(2,361)
Other items	20
BPCE SA group net income	**685**

(1) Including the Banque Populaire banks, the Caisses d'Epargne and their consolidated subsidiaries.

BPCE SA group recorded net income attributable to equity holders of the parent of €685 million in 2018, down by €160 million compared to 2017 mainly owing to strategic and group transformation projects launched during the year.

in millions of euros	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate center		BPCE SA group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net banking income	3,471	3,303	3,419	3,113	3,237	3,581	673	501	10,800	10,499
Operating expenses	(2,713)	(2,284)	(2,264)	(2,178)	(2,193)	(2,194)	(1,626)	(1,485)	(8,795)	(8,141)
Gross operating income	**758**	**1,019**	**1,154**	**936**	**1,045**	**1,387**	**(952)**	**(984)**	**2,005**	**2,358**
Cost/income ratio	78.2%	69.1%	66.2%	69.9%	67.7%	61.3%	ns	ns	81.4%	77.5%
Cost of risk	(198)	(292)	(1)	(0)	(175)	(115)	(11)	(104)	(385)	(511)
Share in income of equity-accounted associates	15	14	3	1	12	10	219	216	248	241
Gains or losses on other assets	(40)	(15)	43	13	3	18	(1)	89	4	104
Change in the value of goodwill							(16)	(66)	(16)	(66)
Income before tax	**536**	**725**	**1,198**	**950**	**884**	**1,300**	**(762)**	**(849)**	**1,856**	**2,126**
Income tax	(194)	(231)	(323)	(329)	(235)	(380)	362	329	(389)	(611)
Non-controlling interests (minority interests)	(162)	(130)	(415)	(276)	(194)	(269)	(11)	6	(782)	(670)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**180**	**364**	**460**	**345**	**455**	**651**	**(410)**	**(514)**	**685**	**845**

Retail Banking and Insurance recorded a -€184 million decline in net income attributable to equity holders of the parent relative to 2017, and included a -€307 million impact related to group transformation projects, predominantly borne by Crédit Foncier.

With income of €460 million, the Asset & Wealth Management division posted a 33.6% year-on-year gain, driven by higher fees on assets under management (thanks to the increase in average assets under management) and the rise in the commission rate over the period, plus the increase in incentive fees charged by European asset management companies.

Corporate & Investment Banking earned income of €455 million, down 30.1% year-on-year, adversely affected by challenging market conditions and decreased business, made worse by the impact of the equity derivatives portfolio in Asia.

In addition to the contribution of the Group's central institution, BPCE SA group, and Natixis, the Corporate center's net income attributable to equity holders of the parent included a -€184 million contribution to the Single Resolution Fund.

4.4.2 Analysis of the consolidated balance sheet of BPCE SA group

Opening balance sheet (January 1, 2018) in accordance with IFRS 9.

in billions of euros	12/31/2018	01/01/2018	Change €bn	Change %
Cash and amounts due from central banks	66.7	82.7	(16.1)	(19.4%)
Financial assets at fair value through profit or loss	196.3	208.9	(12.6)	(6.0%)
Hedging derivatives – Positive FV	7.2	8.6	(1.5)	(16.9%)
Financial assets at fair value through other comprehensive income	15.7	15.9	(0.2)	(1.2%)
Financial assets at amortized cost	321.9	310.0	11.9	3.8%
Loans and receivables due from credit institutions	*129.3*	*118.3*	*11.0*	*9.3%*
Loans and receivables due from customers	*177.2*	*175.8*	*1.4*	*0.8%*
Debt securities at amortized cost	*15.5*	*15.9*	*(0.4)*	*(2.7%)*
Revaluation differences on interest rate risk-hedged portfolios	4.7	5.1	(0.4)	(7.5%)
Insurance business investments	103.3	96.1	7.2	7.5%
Current and deferred tax assets and other assets	29.8	26.2	3.5	13.5%
Fixed assets (excluding goodwill)	2.1	2.2	0.0	(1.0%)
Goodwill	3.9	3.7	0.2	4.8%
ASSETS	**751.6**	**759.4**	**(7.9)**	**(1.0%)**
Amounts due to central banks	0.0	0.0	0.0	ns
Financial liabilities at fair value through profit or loss	201.2	213.6	(12.4)	(5.8%)
Hedging derivatives – Negative FV	9.4	10.0	(0.6)	(6.4%)
Financial liabilities at amortized cost (excluding subordinated debt)	375.2	382.1	(6.8)	(1.8%)
Amounts due to credit institutions	*113.8*	*113.4*	*0.4*	*0.4%*
Amounts due to customers	*56.7*	*62.8*	*(6.0)*	*(9.6%)*
Debt securities	*204.7*	*205.9*	*(1.2)*	*(0.6%)*
Revaluation differences on interest rate risk-hedged portfolios	0.2	0.3	(0.1)	(42.4%)
Current and deferred tax liabilities and other liabilities	26.8	21.2	5.6	26.3%
Liabilities related to insurance policies	91.7	86.6	5.1	5.9%
Provisions	3.0	3.0	0.0	1.5%
Subordinated debt	17.4	17.1	0.3	2.0%
Shareholders' equity	**26.7**	**25.7**	**1.0**	**3.9%**
Equity attributable to equity holders of the parent	***19.6***	***18.7***	***0.9***	***4.9%***
Non-controlling interests	*7.0*	*7.0*	*0.1*	*1.3%*
LIABILITIES	**751.6**	**759.4**	**(7.9)**	**(1.0%)**

At December 31, 2018, the consolidated balance sheet of BPCE SA group totaled €751.6 billion, down 1.0% compared with January 1, 2018.

The stability of the balance sheet belied the disparity between the increase in loans and receivables due from credit institutions repayable on demand (+€11.0 billion) and insurance business investments (+€7.2 billion), to the detriment of cash and amounts due from central banks (-€16.1 billion) and financial assets at fair value through profit or loss (-€12.6 billion).

Equity attributable to equity holders of the parent totaled €19.6 billion at December 31, 2018, representing an increase compared to January 1, 2018. The change over the period notably included net income for the year, *i.e.* +€0.7 billion.

4.5 Investments

4.5.1 In 2018

At its meeting of September 12, 2018, the Supervisory Board of BPCE approved Natixis' plan to sell the Factoring, Sureties and Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE for €2.7 billion.

4.5.2 In 2017

BPCE made no material investments (*i.e.* investments of more than €1 billion requiring the approval of the qualified majority of the Supervisory Board) during fiscal year.

4.5.3 In 2016

BPCE made no material investments (*i.e.* investments of more than €1 billion requiring the approval of the qualified majority of the Supervisory Board) during fiscal year.

4.6 Post-balance sheet events

BPCE SA group plans to purchase[1] a majority stake of 50.1% from Auchan Holding

On February 12, 2019, Groupe BPCE announced that it was in exclusive talks with Auchan Holding to purchase its 50.1% stake in Oney Bank SA. The aim of the acquisition is to drive its European expansion in digital retail banking and consumer finance under the Oney brand, and to ramp up the Group's development by incorporating Oney Bank's expertise, particularly in Payments. The employee representative bodies will be informed and consulted on this project. After the consultation, the parties may sign their partnership agreement. The transaction may not be closed until the necessary approvals are obtained from the competent French and European authorities. The deal should have an estimated impact of less than 15 bp on the Group's CET1 ratio.

(1) Subject to the lifting of the conditions precedent and procurement of the necessary regulatory approvals

4.7 Outlook for Groupe BPCE

2019 forecasts: an already faltering French recovery

Risks associated with the economic environment have grown considerably since October 2018, as indicated by the loss of confidence on the financial markets. The global business cycle is now entering a spontaneous consolidation phase, after a 10-year span of modest, non-inflationary recovery. Fears have multiplied and are becoming self-sustaining, be they fears of an economic downturn in the US and especially China, heightened protectionism, the fallout from Brexit or the exacerbation of political risk in Europe (Yellow Vest movement in France, excessive budget deficit in Italy, European elections in spring). Not to mention the uncertainty surrounding oil prices and the fragile state of certain emerging countries.

Global economic activity is expected to grow 3.1% in 2019 *versus* 3.6% in 2018, with GDP growth rates approaching their potential in most economies and particularly the euro zone: this should help ease tensions on supply capacities and, as a result, on wages and prices, thus limiting the rise in interest rates. Furthermore, setting aside the lack of major macroeconomic imbalances on both sides of the Atlantic, there are some supportive factors to be found that could limit the possibility of a recession starting this year: in the wake of tax stimulus measures, public spending should take up the baton in the US, albeit to a lesser extent; monetary easing and public spending stimulus programs in China; purchasing power gains derived from lower oil prices and, for Europe, the past depreciation of the euro boosting competitiveness in the euro zone, etc. That said, the price of the barrel could make its way back to $70 in the first half with OPEC cutting production to 1.2 million barrels per day starting in January.

The Fed, ever mindful of destabilizing the bond markets and targeting a neutral interest rate for the economy, is expected to carry out only one 25 basis point key rate hike instead of three, while potentially continuing to reduce the size of its balance sheet. The ECB is likely to maintain its current balance sheet size by reinvesting maturing bonds, after bringing its asset purchase program to an end on January 1, 2019. It will probably not raise its key rate in 2019 due to the weakness of core inflation. In the absence of any tangible signs of wage acceleration, long rates should climb sluggishly as central banks on both sides of the Atlantic tighten their monetary policies (though moderately), the supply of US securities automatically increases and the ECB's net asset purchases cease. The 10-year OAT is pegged at just over 0.8% for end-2019 *versus* an annual average of 0.78% in 2018. After recently stabilizing, the euro should trend upwards against the dollar, due to the rise in the twin US deficits, the slowdown in US economic activity and fewer-than-initially-expected Fed rate hikes.

France is unlikely to escape the slowdown in global demand this year, despite the pronounced yet fleeting rise in consumer purchasing power stemming from decelerating inflation (reflecting the previous weakness in oil prices) and from Macron measures in response to the Yellow Vest movement with a plan approximately €11 billion centered on high-consumption households. However, the rebound in private-sector consumption is not expected to be strong enough to stop growth from deflating back to its potential of 1.2% *versus* 1.5% in 2018. In particular, the household savings rate is set to top 15.2% *versus* 14.7% in 2018 in what is perceived as a more uncertain environment. The persistently high unemployment rate should only decrease marginally, offering limited support to drive wages higher. Similarly, business investment should be resilient at best, without excessive momentum, although it should get a temporary cash boost of around €20 billion with the CICE (Competitiveness and Employment Tax Credit) becoming a continuous expense reduction, and from attractive financing conditions. Lastly, INSEE has predicted that foreign trade will make a negative contribution to growth in the first half. This downturn in the cycle, in today's tense political and social climate, is liable to impede the enhancement of structural reforms aimed at cleaning up public finances and restoring competitiveness. The budget deficit is once again expected to significantly top the 3% mark in 2019.

Outlook for the Group and its business lines

The Group will continue implementing its TEC 2020 Strategic Plan in 2019, with three priorities:

First, seizing the opportunities presented by the digital transformation to simplify and personalize the bank's products, services and tools, make customers more independent, generate new revenues and gain efficiency;

Second, making commitments:

- to retail banking customers:
  - by offering solutions tailored to new customer preferences and providing support at "key moments" of their lives, with different levels of service,
  - by keeping its promise of availability, advice and excellence, thanks in large part to the adaptation of the omni-channel relationship banking model;
- to Asset & Wealth Management clients:
  - by providing a range of innovative, bespoke and active investment strategies and solutions, particularly through a broadened range of expertise and an expanded presence in the Asia-Pacific region;
- to Corporate & Investment Banking clients:
  - by differentiating the Group over the long term and creating value for customers through the implementation of cross-business expertise in its strongest sectors;
- to cooperative shareholders:
  - by furthering its commitments to society and funding the French economy, in a spirit of responsibility and green growth reflected in the development of responsible savings inflows, the funding of the energy transition, and the reduction of the Group's carbon footprint;
- to employees:
  - by keeping its promise as an employer to develop employability, simplify the employee experience and promote diversity,
  - by attracting and retaining top talents in the industry;

Finally, by setting ambitious growth targets for our business lines:

- Banque Populaire: by developing the affinity model, particularly in the civil service sector;
- Caisse d'Epargne: by serving all customer segments while tailoring the sales approach to their profile;
- Crédit Foncier: by further integrating its activities into the Group;
- Banque Palatine: by developing private banking activities while migrating to a shared IT platform;
- Specialized Financial Services: by boosting market share in all business lines;
- Insurance: by consolidating our position as a top-tier insurer in France;
- Asset & Wealth Management: by confirming our position as a world leader in active investment strategies thanks to our size, profitability and capacity for innovation;
- Corporate & Investment Banking: by becoming a leading bank in four key sectors: Energy and Natural Resources, Infrastructure, Aviation, Real Estate & Hospitality.

The Group will also continue implementing plans aimed at simplifying and invigorating the retail banking business, primarily through BPCE SA group's acquisition of certain Natixis specialized financing business lines. This plan will allow the retail banking arm to offer even more comprehensive solutions to the customers of the Group networks.

In addition, BPCE SA group's plan to purchase[1] Auchan Holding's majority stake of 50.1% in Oney Bank SA, the partner to some 400 brick-and-mortar and online retailers, will afford the Group new prospects for the development of financial services in France and 10 other countries.

Given the events that have occurred or that could occur after the closing of the financial statements at December 31, 20l8, the actions taken by Groupe BPCE in respect of its non-strategic equity investments could result in disposals at a lower value than their valuation in the financial statements as at December 31, 2018.

4

(1) Subject to the lifting of the conditions precedent and procurement of the necessary regulatory approvals.

DEFINITIONS AND NOTES ON METHODOLOGY

Net banking income

Net interest income excluding home savings is calculated on the basis of interest earned on transactions with customers, excluding net interest on centralized savings (Livret A, LDD, LEL) and the change in the home savings provision. Net interest on centralized savings is recorded under fee and commission income.

Operating expenses

Operating expenses are the aggregation of operating expenses as presented in the registration document (Note 4.7 to the Groupe BPCE consolidated financial statements) and "Depreciation, amortization and impairment of property, plant and equipment and intangible assets."

Cost of risk

Cost of risk is expressed in basis points and measures the level of risk by business division, as a percent of the volume of loan outstandings. It is calculated by dividing the net allowance for credit risk over the period by gross customer loan outstandings at the start of the period.

Loan outstandings, customer savings and deposits

The following restatements were carried out for the transition from accounting capital to loan outstandings and customer savings & deposits:

- customer savings and deposits: outstandings exclude debt securities (certificates of deposit and savings bonds);
- loan outstandings: outstandings exclude equivalents of loans and receivables due from customers and other financial activity equivalents.

Solvency

Common Equity Tier 1 is determined in accordance with the applicable CRR/CRD IV rules; non phased-in capital is presented without applying phase-in measures. – Additional Tier 1 capital includes subordinated debt issues which have become ineligible for deferred tax assets, capped at the phase-out rate in force. – The leverage ratio is calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014, without phase-in arrangements. 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. Subsequent to the ruling of the European Court of Justice on July 13, 2018, Groupe BPCE once again applied for ECB approval to exclude centralized regulated savings from the calculation of the ratio's denominator.

Total Loss Absorption Capacity

The amount of liabilities eligible for the TLAC numerator is determined in accordance with our interpretation of the FSB term sheet published on November 9, 2015, "Principles on Loss-Absorbing and Recapitalisation Capacity of G-SIBs in Resolution." This amount comprises the following four items:

- Common Equity Tier 1 capital, in accordance with applicable CRR/CRD IV rules;
- additional Tier 1 capital, in accordance with applicable CRR/CRD IV rules;
- tier 2 capital, in accordance with applicable CRR/CRD IV rules;
- subordinated debt not recognized in the above categories, with a residual maturity of more than 1 year, *i.e.*:
  - the share of AT1 instruments not recognized in capital (*i.e.* taken in phase-out),
  - the share of the prudential discount on Tier 2 instruments with a residual maturity of more than 1 year,
  - the nominal amount of senior non preferred debt with a maturity of more than 1 year. Eligible amounts vary somewhat from the amounts included in the numerator of solvency ratios; these eligible amounts are determined in accordance with the principles of the FSB term sheet of November 9, 2015.

Liquidity

Total liquidity reserves include:

- central bank-eligible assets: ECB-eligible securities not eligible for the LCR, taken for their ECB valuation (after ECB haircut), securities held (securitization and covered bonds) that are available and ECB-eligible, taken for their ECB valuation (after ECB haircut) and private debt available and eligible for central bank funding (ECB and Federal Reserve), net of central bank funding;
- LCR eligible assets comprising the Group's LCR reserve taken for their LCR valuation;
- liquid assets placed with central banks (ECB and the Federal Reserve), net of US MMF (Money Market Funds) deposits, plus fiat money.

Short-term funding comprises funding with an initial maturity of less than or equal to 1 year, and the **short-term maturities of medium-/long-term debt** comprise debt with an initial maturity of more than 1 year maturing within the next 12 months.

The Group's LTD (Loan-to-Deposit) ratio is calculated by dividing the numerator (loans to customers and centralized regulated savings) by the denominator (customer deposits). The scope of the calculation excludes Compagnie de Financement Foncier (the Group's "Société de Crédit Foncier", a French covered bond issuer). These items are taken from the Group's accounting balance sheet after the equity-method recognition of insurance undertakings. The following adjustments were made to customer deposits: – Addition of issues placed by the Banque Populaire and Caisse d'Epargne networks with customers, and certain transactions carried out with counterparties considered equivalent to customer deposits – Removal of short-term deposits by certain financial customers collected by Natixis in its brokerage activities.

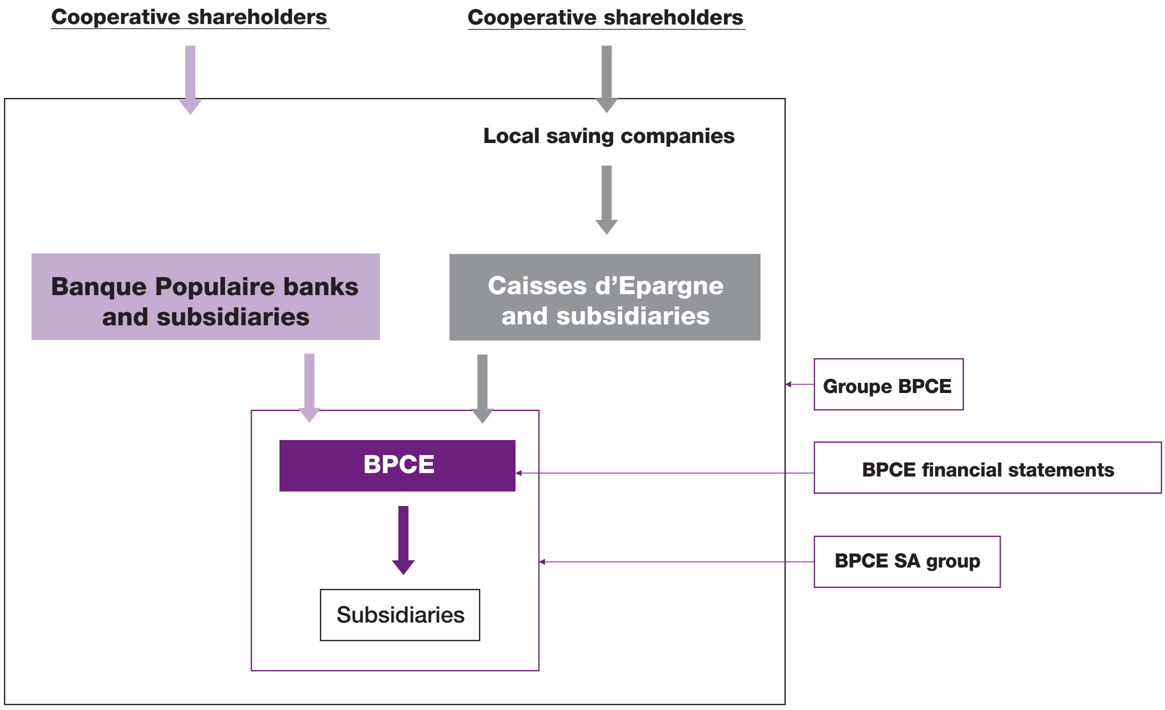
5 FINANCIAL REPORT

Groupe BPCE and BPCE SA group scopes of consolidation

The scopes of consolidation of both groups, organized around the central institution, are presented in the diagram below.

In addition to BPCE SA group, Groupe BPCE includes the Banque Populaire banks, the Caisses d'Epargne and their respective subsidiaries.

BPCE SA group comprises BPCE and its subsidiaries. The main difference in terms of consolidation scope stems from the contributions of the parent companies, which do not contribute to BPCE SA group's net income.



5.1 IFRS Consolidated Financial Statements of Groupe BPCE as at December 31, 2018

5.1.1 Consolidated income statement

in millions of euros	*Notes*	**Fiscal year 2018**
Interest and similar income	*4.1*	23,481
Interest and similar expenses	*4.1*	(14,840)
Commission income	*4.2*	11,691
Commission expenses	*4.2*	(2,123)
Net gains or losses on financial instruments at fair value through profit or loss	*4.3*	2,197
Net gains or losses on financial instruments at fair value through other comprehensive income	*4.4*	139
Net gains or losses arising from the derecognition of financial assets at amortized cost	*4.5*	38
Net income from insurance businesses	*9.2.1*	3,094
Income from other activities	*4.6*	1,328
Expenses from other activities	*4.6*	(1,004)
Net banking income		**24,001**
Operating expenses	*4.7*	(16,783)
Depreciation, amortization and impairment for property, plant and equipment and intangible assets		(904)
Gross operating income		**6,314**
Cost of credit risk	*7.1.2*	(1,299)
Operating income		**5,014**
Share in net income of associates and joint ventures	*12.4.2*	284
Gains or losses on other assets	*4.8*	15
Change in the value of goodwill		(16)
Income before tax		**5,297**
Income tax	*11.1*	(1,477)
Net income		**3,819**
Non-controlling interests	*5.16*	(793)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,026**

INCOME STATEMENT FOR 2017 UNDER IAS 39

in millions of euros	**Fiscal year 2017**
Interest and similar income	25,941
Interest and similar expenses	(15,709)
Commission income	11,588
Commission expenses	(2,137)
Net gains or losses on financial instruments at fair value through profit or loss	3,177
Net gains or losses on available-for-sale financial assets	803
Income from other activities	12,720
Expenses from other activities	(12,663)
Net banking income	**23,720**
Operating expenses	(16,248)
Depreciation, amortization and impairment for property, plant and equipment, and intangible assets	(851)
Gross operating income	**6,621**
Cost of risk	(1,384)
Operating income	**5,237**
Share in net income of associates	276
Gains or losses on other assets	88
Change in the value of goodwill	(85)
Income before tax	**5,516**
Income tax	(1,811)
Net income	**3,705**
Non-controlling interests	(681)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,024**

5.1.2 Comprehensive income

in millions of euros	Fiscal year 2018
Net income	**3,819**
Items recyclable to income	**(380)**
Foreign exchange rate adjustments	166
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	(284)
Revaluation of available-for-sale financial assets of insurance businesses	(301)
Revaluation of derivatives hedging items that can be recycled to income	85
Share of gains and losses of associates recognized directly in other comprehensive income	(275)
Related taxes	229
Items not recyclable to income	**335**
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	126
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	412
Revaluation of equity financial assets recognized at fair value through other comprehensive income	(60)
Share of gains and losses of associates recognized directly in other comprehensive income	(1)
Other items recognized through other comprehensive income on items not recyclable to income	(1)
Related taxes	(142)
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)	**(45)**
COMPREHENSIVE INCOME	**3,774**
Attributable to equity holders of the parent	2,912
Non-controlling interests	862
For information: Items not recyclable to income transferred to retained earnings	***9***

COMPREHENSIVE INCOME FOR 2017 UNDER IAS 39

in millions of euros	**Fiscal year 2017**
Net income	**3,705**
Revaluation differences on defined-benefit pension schemes	50
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	(198)
Income taxes	16
Share of gains and losses of associates recognized directly in other comprehensive income not recyclable to income	(1)
Items not recyclable to income	**(133)**
Foreign exchange rate adjustments	(699)
Change in the value of available-for-sale financial assets	28
Change in the value of hedging derivatives	153
Income taxes	78
Share of gains and losses of associates recognized directly in other comprehensive income recyclable to income	9
Items recyclable to income	**(431)**
Gains and losses recognized directly in other comprehensive income (after tax)	**(564)**
COMPREHENSIVE INCOME	**3,141**
Attributable to equity holders of the parent	2,693
Non-controlling interests	448

5.1.3 Consolidated balance sheet

ASSETS

in millions of euros	*Notes*	**12/31/2018**	**01/01/2018[1]**	**12/31/2017 IAS 39 after IFRS 9 reclassifications[2]**
Cash and amounts due from central banks	*5.1*	76,458	94,697	94,702
Financial assets at fair value through profit or loss	*5.2.1*	200,516	212,496	212,496
Hedging derivatives	*5.3*	8,160	9,793	9,793
Financial assets at fair value through other comprehensive income	*5.4*	40,088	35,446	35,449
Securities at amortized cost	*5.5.1*	31,776	33,495	33,544
Loans and receivables due from credit institutions and similar items at amortized cost	*5.5.2*	91,142	90,222	90,228
Loans and receivables due from customers at amortized cost	*5.5.3*	659,281	626,437	628,049
Revaluation differences on interest rate risk-hedged portfolios		5,480	5,798	5,798
Insurance business investments	*9.1.1*	110,295	103,182	103,182
Current tax assets		873	1,470	1,470
Deferred tax assets	*11.2*	3,174	3,754	3,048
Accrued income and other assets	*5.6*	29,123	26,061	26,061
Non-current assets held for sale	*5.7*	2,639	1,195	1,195
Investments in associates	*12.4.1*	4,033	4,105	4,113
Investment property	*5.8*	783	790	790
Property, plant and equipment	*5.9*	4,419	4,461	4,461
Intangible assets	*5.9*	1,198	1,167	1,167
Goodwill	*3.5*	4,489	4,304	4,304
TOTAL ASSETS		**1,273,926**	**1,258,873**	**1,259,850**

(1) The transition from the balance sheet at December 31, 2017 under IAS 39 to the balance sheet at January 1, 2018 under IFRS 9 is presented in section 5.1.6.

(2) The December 31, 2017 amounts correspond to the published balance sheet after reclassifications with no change in the method for valuing financial assets and liabilities presented in IFRS 9 format (see Note 5.1.6 § 1).

LIABILITIES

in millions of euros	*Notes*	12/31/2018	01/01/2018[1]	12/31/2017 IAS 39 after IFRS 9 reclassifications[2]
Amount due to central banks		9		
Financial liabilities at fair value through profit or loss	*5.2.2*	194,867	206,938	206,938
Hedging derivatives	*5.3*	13,589	14,725	14,725
Debt securities	*5.11*	216,878	217,127	217,127
Amounts due to credit institutions and similar items	*5.10.1*	85,662	84,644	84,644
Amounts due to customers	*5.10.2*	530,323	516,689	516,689
Revaluation differences on interest rate risk-hedged portfolios		221	367	367
Current tax liabilities		262	311	311
Deferred tax liabilities	*11.2*	884	880	645
Accrued expenses and other liabilities	*5.12*	32,701	28,958	28,958
Liabilities associated with non-current assets held for sale	*5.7*	2,096	717	717
Liabilities related to insurance policies	*9.1.2*	98,855	93,728	93,728
Provisions	*5.13*	6,574	6,796	6,388
Subordinated debt	*5.14*	17,598	17,411	17,411
Equity		**73,406**	**69,582**	**71,201**
Equity attributable to equity holders of the parent		**66,194**	**62,476**	**64,028**
Share capital and additional paid-in capital	*5.15.1*	23,513	22,722	22,722
Retained earnings		39,044	39,104	39,907
Gains and losses recognized directly in other comprehensive income		612	650	1,399
Net income for the period		3,026		
Non-controlling interests	*5.16*	7,212	7,106	7,173
TOTAL LIABILITIES AND EQUITY		**1,273,926**	**1,258,873**	**1,259,850**

(1) The transition from the balance sheet at December 31, 2017 under IAS 39 to the balance sheet at January 1, 2018 under IFRS 9 is presented in section 5.1.6.

(2) The December 31, 2017 amounts correspond to the published balance sheet after reclassifications with no change in the method for valuing financial assets and liabilities presented in IFRS 9 format (see Note 5.1.6 § 1).

5.1.4 Statement of changes in equity

	Share capital and additional paid-in capital			
in millions of euros	Share capital[(1)]	Additional paid-in capital[(1)]	Perpetual deeply subordinated notes	Retained earnings
SHAREHOLDERS' EQUITY AT JANUARY 1, 2017	**18,113**	**3,834**	**1,230**	**36,560**
Distribution				(354)
Capital increase[(2)]	775			870
Redemption of deeply subordinated notes[(3)]			(547)	(505)
Interest on deeply subordinated notes				(75)
Impact of acquisitions and disposals on non-controlling interests[(4)]				(226)
Total activity arising from relations with shareholders	**775**		**(273)**	**(290)**
Gains and losses recognized directly in other comprehensive income[(5)]				
Net income for the period				
Comprehensive income				
Other changes[(6)]				(69)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2017	**18,888**	**3,834**	**683**	**36,200**
Allocation of net income for 2017				3,024
New presentation of gains and losses recognized directly in other comprehensive income for the insurance business				
Impact of changes relating to the first-time application of IFRS 9[(7)]				(796)
SHAREHOLDERS' EQUITY AT JANUARY 1, 2018	**18,888**	**3,834**	**683**	**38,428**
Distribution				(358)
Capital increase[(2)]	791			613
Redemption of deeply subordinated notes[(8)]				(36)
Interest on deeply subordinated notes				(65)
Impact of acquisitions and disposals on non-controlling interests[(9)]				(107)
Total activity arising from relations with shareholders	**791**			**47**
Gains and losses recognized directly in other comprehensive income[(10)]				
Net income for the period				
Comprehensive income				
Other changes[(11)]				(114)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	**19,679**	**3,834**	**683**	**38,360**

(1) At December 31, 2018, "Share capital" and "Additional paid-in capital" consisted of the share capital in the Banque Populaire banks and the Caisses d'Epargne (see Note 5.15.1).

(2) Since January 1, 2018, the Banque Populaire banks and the Caisses d'Epargne have carried out capital increases of €791 million (€775 million in 2017), resulting in an increase in "Share capital" and "Additional paid-in capital." The shareholders' equity of the Local Savings Companies is included in "Retained earnings" after the elimination of the Caisses d'Epargne cooperative shares held. The issuance of cooperative shares by the Local Savings Companies since January 1, 2018 resulted in an increase in retained earnings of €615 million.

(3) Redemptions of perpetual deeply subordinated notes in 2017 amounted to:

- *€990 million for BPCE SA group issues; this redemption led to the reversal of the capital gain recorded in equity in the amount of €444 million (see Note 5.15.2);*
- *€276 million for the redemption by Natixis of a perpetual deeply subordinated note issued in 2007, which was fully subscribed for by non-controlling interests. This redemption led to the reversal of the capital gain recorded in equity in the amount of €87 million (€62 million attributable to equity holders of the parent and €25 million attributable to non-controlling interests).*

(4) Including a reduction in retained earnings of €490 million and an increase in the translation difference of €5 million (-€221 million attributable to equity holders of the parent and -€264 million attributable to non-controlling interests) arising from the impact of acquisitions and other movements. This reduction was mainly due to the following:

- *-€292 million (-€80 million attributable to equity holders of the parent and -€212 million attributable to non-controlling interests) for the purchase of 40% of BPCE Assurances from non-controlling interests;*
- *-€122 million (-€87 million attributable to equity holders of the parent and -€35 million attributable to non-controlling interests) for stock options granted to minority shareholders in the Australian company Investor Mutual Limited (IML), in PayPlug and for the results of the public bid for the shares in Dalenys group held by minority shareholders made in December 2017;*
- *-€111 million (-€79 million attributable to equity holders of the parent and -€32 million attributable to non-controlling interests) for the change in the fair value of stock options granted to the minority shareholders of:*
  - *DNCA France (-€45 million attributable to equity holders of the parent and -€18 million attributable to non-controlling interests),*
  - *Ciloger (-€11 million attributable to equity holders of the parent and -€5 million attributable to non-controlling interests),*
  - *Dorval (-€21 million attributable to equity holders of the parent and -€8 million attributable to non-controlling interests),*
  - *Darius (-€5 million attributable to equity holders of the parent and -€2 million attributable to non-controlling interests),*
  - *Lakooz (+€3 million attributable to equity holders of the parent and +€1 million attributable to non-controlling interests);*
- *+€40 million impact on non-controlling interests attributable to the inclusion of Bretagne Participations and Sodero Participations in the consolidation scope.*

Gains and losses recognized directly in other comprehensive income										
Recyclable				Non-recyclable						
Foreign exchange rate adjustments	**Debt financial assets recognized at fair value through other comprehensive income**	**Available-for-sale financial assets of insurance businesses**	**Change in fair value of hedging derivatives**	**Equity financial assets recognized at fair value through other comprehensive income**	**Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss**	**Revaluation (actuarial gains and losses) on defined-benefit plans**	**Net income attributable to equity holders of the parent**	**Total equity attributable to equity holders of the parent**	**Non-controlling interests**	**Total consolidated equity**
603	**1,889**	**///**	**(434)**	**///**	**(58)**	**(275)**		**61,462**	**7,674**	**69,136**
		///		///				(354)	(411)	(765)
		///		///				1,645	29	1,674
		///		///				(1,052)	(301)	(1,353)
		///		///				(75)		(75)
5		///		///				(221)	(264)	(485)
5		**///**		**///**				**(57)**	**(379)**	**(1,003)**
(524)	212	///	73	///	(109)	17		(331)	(233)	(564)
		///		///			3,024	3,024	681	3,705
(524)	**212**	**///**	**73**	**///**	**(109)**	**17**	**3,024**	**2,693**	**448**	**3,141**
								(69)	(4)	(73)
84	**2,101**	**///**	**(361)**	**///**	**(167)**	**(258)**	**3,024**	**64,028**	**7,173**	**71,201**
							(3,024)			
	(1,055)	1,055								
	(769)		59	(46)				(1,552)	(67)	(1,619)
84	**277**	**1,055**	**(302)**	**(46)**	**(167)**	**(258)**		**62,476**	**7,106**	**69,582**
								(358)	(520)	(878)
								1,404	4	1,408
								(36)	(266)	(302)
								(65)		(65)
								(107)	50	(57)
								838	**(732)**	**106**
92	(187)	(310)	40	(46)	214	83		(114)	69	(45)
							3,026	3,026	793	3,819
92	**(187)**	**(310)**	**40**	**(46)**	**214**	**83**	**3,026**	**2,912**	**862**	**3,774**
20				62				(32)	(24)	(56)
196	**90**	**745**	**(262)**	**(30)**	**47**	**(175)**	**3,026**	**66,194**	**7,212**	**73,406**

(5) Including a variation in the translation difference of -€22 million (-€16 million attributable to equity holders of the parent and -€6 million attributable to non-controlling interests) following the reclassification linked to the sale of two Natixis group entities (Caspian 1A and 1B) and the liquidation of Nexgen Financial Holding.

(6) Other changes also include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

(7) The impact of the first-time application of IFRS 9 on the opening balance sheet at January 1, 2018 is presented in detail in Note 5.1.6.

(8) The redemption in 2018 of two perpetual deeply subordinated notes issued by Natixis in 2008 and fully subscribed for by non-controlling interests amounted to -€254 million. These redemptions led to the reversal of the capital gain recorded in other comprehensive income in the amount of -€43 million (-€31 million attributable to equity holders of the parent and -€12 million attributable to non-controlling interests);

(9) Including a reduction in retained earnings of -€57 million (-€107 million attributable to equity holders of the parent and +€50 million attributable to non-controlling interests) arising from the impact of acquisitions and other movements. This reduction was mainly due to the following:

- *the impact of new put options granted to minority shareholders relating to the acquisitions made, for -€49 million (-€35 million attributable to equity holders of the parent and -€14 million attributable to non-controlling interests). These put options concern the M&A business line, with the acquisitions of Vermilion (-€15 million) and Fenchurch (-€27 million), and the payments business line, with the acquisition of Alter CE (-€8 million);*
- *the impact of existing put options granted to minority shareholders at the start of the year, for -€69 million. This impact was partly due to the change in the fair value of these put options for -€64 million (-€56 million attributable to equity holders of the parent and -€18 million attributable to non-controlling interests), generated by the revaluation of financial debt for -€32 million, and for -€31 million by the effects of the unwinding of the discount on this financial debt, and partly due to the transfer of the change in the share of the net minority position of the entities representing these put options, for -€5 million (-€4 million attributable to equity holders of the parent and -€1 million attributable to non-controlling interests);*
- *the impact of changes in the percentage ownership of consolidated entities without a loss of control, for -€6 million (-€4 million attributable to equity holders of the parent and -€2 million attributable to non-controlling interests). This mainly concerned the increase in the percentage of ownership of the consolidated entity Caspian PE (from 55% to 72%), for €3 million, and the fall in the percentage of ownership of the consolidated entity Ossiam (from 83% to 75%), for -€1 million;*
- *the recognition of goodwill from BPCE IE directly in equity, in accordance with the accounting treatment of the acquisitions of jointly-controlled entities, for -€1 million.*

(10) Including a variation in the translation difference of -€57 million (-€40 million attributable to equity holders of the parent and -€17 million attributable to non-controlling interests) following the repayment of $669 million in retained earnings by Natixis' New York branch.

(11) Other changes also include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

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5.1.5 Consolidated cash flow statement

in millions of euros	**Fiscal year 2018**	**Fiscal year 2017**
Income before tax	**5,297**	**5,516**
Net depreciation and amortization of property, plant and equipment, and intangible assets	989	969
Goodwill impairment	10	80
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	6,009	7,699
Share in net income of associates	(175)	(170)
Net cash flows generated by investing activities	(1,299)	(745)
Income/expense from financing activities		87
Other changes	(3,611)	(1,844)
Total non-monetary items included in net income before tax	***1,923***	***6,076***
Net increase or decrease arising from transactions with credit institutions	9,726	8,257
Net increase or decrease arising from transactions with customers	(18,851)	15,069
Net increase or decrease arising from transactions involving financial assets and liabilities	(6,628)	(15,255)
Net increase or decrease arising from transactions involving non-financial assets and liabilities	(6,699)	(6,474)
Income taxes paid	(255)	(1,019)
Net increase (decrease) in assets and liabilities resulting from operating activities	***(22,707)***	***578***
Net cash flows generated by operating activities (A) – Ongoing operations	**(15,616)**	**12,170**
Net cash flows generated by operating activities (A) – Discontinued operations	**129**	
Net increase or decrease related to financial assets and equity investments	2,914	4,870
Net increase or decrease related to investment property	184	133
Net increase or decrease related to property, plant and equipment, and intangible assets	(870)	(793)
Net cash flows generated by investing activities (B) – Ongoing operations	**2,264**	**4,210**
Net cash flows generated by investing activities (B) – Discontinued operations	**(36)**	
Net increase (decrease) arising from transactions with shareholders[1]	168	(357)
Other increases or decreases generated by financing activities[2]	(279)	(1,691)
Net cash flows generated by financing activities (C) – Ongoing operations	**(90)**	**(2,048)**
Net cash flows generated by financing activities (C) – Discontinued operations	**(21)**	
Impact of changes in exchange rates (D) – Ongoing operations	**580**	**(2,201)**
Impact of changes in exchange rates (D) – Discontinued operations	**1**	
Cash flow on assets and liabilities held for sale (E)	**(353)**	
TOTAL NET CASH FLOWS (A+B+C+D+E)	**(13,142)**	**12,131**
Cash and net balance of accounts with central banks	**94,701**	**83,919**
Cash and net balance of accounts with central banks (assets)	94,701	83,919
Net balance of demand transactions with credit institutions	**(6,618)**	**(7,967)**
Current accounts with overdrafts[3]	6,877	8,215
Demand accounts and loans	142	60
Demand accounts in credit	(8,879)	(11,235)
Demand repurchase agreements	(4,758)	(5,007)
Opening cash and cash equivalents	**88,083**	**75,952**
Cash and net balance of accounts with central banks	**76,449**	**94,701**
Cash and net balance of accounts with central banks (assets)[4]	76,458	94,701
Balance of accounts with central banks (liabilities)	(9)	
Net balance of demand transactions with credit institutions	**(1,507)**	**(6,618)**
Current accounts with overdrafts[3]	7,941	6,877
Demand accounts and loans	105	142
Demand accounts in credit	(7,364)	(8,879)
Demand repurchase agreements	(2,189)	(4,758)
Closing cash and cash equivalents	**74,942**	**88,083**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(13,142)**	**12,131**

(1) Cash flows from or to the shareholders mainly include:

- *the redemption of deeply subordinated notes recorded as equity for -€298 million (-€1,353 million in 2017);*
- *interest paid on deeply subordinated notes recorded as equity for -€65 million (-€75 million in 2017);*
- *net changes in share capital and additional paid-in capital of the Banque Populaire banks and Caisses d'Epargne amounting to +€1,404 million (+€1,645 million in 2017);*
- *dividend payouts amounting to -€878 million (-€765 million in 2017).*

(2) Cash flows from financing activities mainly include the impact of redemptions of subordinated notes and loans for –€279 million (-€1,654 million in 2017).
(3) Current accounts with overdrafts do not include Livret A, LDD and LEP savings accounts centralized with the Caisse des Dépôts et Consignations.
(4) Excluding -€4 million in value adjustments to opening cash and cash equivalents.

5.1.6 First-time application of IFRS 9

1. IMPACT OF THE ADOPTION OF IFRS 9 AT JANUARY 1, 2018

Groupe BPCE has applied IFRS 9 on financial instruments, which replaces IAS 39, since January 1, 2018. The options selected are described in Note 2.2 and the accounting principles are detailed in Note 4. The main impacts of first-time application of IFRS 9 on the balance sheet at January 1, 2018 are as follows:

Classification and measurement

Most financial assets that were measured at amortized cost under IAS 39 continue to meet the conditions for measurement at amortized cost under IFRS 9. Similarly, most financial assets measured at fair value under IAS 39 (available-for-sale financial assets and financial assets at fair value through profit or loss) continue to be measured at fair value under IFRS 9.

The main reclassifications are as follows:

- for the retail banking loan book, the impact is limited and primarily concerns:
  - certain instruments that were measured at amortized cost and classified as loans and receivables under IAS 39, but which are recognized at fair value through profit or loss under IFRS 9 because their contractual cash flows do not represent solely payments of principal and interest,
  - structured loans granted to local authorities that were designated at fair value through profit or loss under IAS 39 and are now classified as non-SPPI financial assets under IFRS 9 in "Assets at fair value through profit or loss". As these assets were previously measured at fair value through profit or loss under IAS 39, this reclassification has no impact on the Group's capital;
- for other loan books:
  - repurchase agreements classified as financial assets designated at fair value through profit or loss under IAS 39 and considered part of a trading business model under IFRS 9 are recognized in assets at fair value through profit or loss,
  - repurchase agreements classified as loans and receivables or as liabilities and measured at amortized cost under IAS 39, and considered part of a trading business model under IFRS 9, are now recognized in assets and liabilities at fair value through profit or loss;
- for securities portfolios:
  - under IAS 39, liquidity reserve securities were either carried at amortized cost because they were classified as loans and receivables or held-to-maturity financial assets, or they were measured at fair value because they were classified as available-for-sale securities, depending on their characteristics, how they were managed and whether or not they were hedged against interest rate risk. The breakdown of these debt securities has changed under IFRS 9, with a choice, for each Group entity, between measurement at amortized cost or at fair value through other comprehensive income, depending on whether they are managed with the objective of collecting cash flows or with the objective of collecting cash flows and selling the assets,
  - units of UCITS and private equity investment funds, except for those in the insurance business, qualified as equity instruments and classified as available-for-sale financial assets under IAS 39, are measured at fair value through profit or loss under IFRS 9, as they are considered debt instruments under the IFRS 9 definition, and as their contractual cash flows do not represent solely payments of principal and interest,
  - investments in associates classified as available-for-sale financial assets under IAS 39 are classified at fair value through profit or loss under IFRS 9. Once Groupe BPCE companies have individually made a final decision, these securities are classified at fair value through other comprehensive income not recyclable to income, and securitization fund units measured at amortized cost and classified as loans and receivables under IAS 39 (i) are measured at fair value through profit or loss under IFRS 9 if their contractual cash flows are not solely payments of principal and interest, (ii) are measured at fair value through other comprehensive income if they are managed under a business model with the objective of collecting cash flows and selling the assets and are solely payments of principal and interest, and (iii) continue to be recognized at amortized cost if they are managed under a business model with the objective of collecting cash flows and are solely payments of principal and interest. For first-time application, in addition to an SPPI analysis and a credit risk analysis of securitization fund units, an analysis of the pool of underlying assets was carried out and did not call into question the SPPI nature of the securitization fund units.

Reclassifications between categories of financial assets measured at amortized cost, at fair value through profit or loss or through other comprehensive income have a net impact on Groupe BPCE's consolidated equity owing to the different calculation methods applicable to these assets and to the retrospective application of the standard.

Nevertheless, as these reclassifications are limited or affect assets whose fair value does not vary significantly from their value at amortized cost due notably to the residual maturity of the transactions in question, these reclassifications do not have a material impact on Groupe BPCE's opening equity at January 1, 2018.

Groupe BPCE has moreover decided to apply the option available under recommendation No. 2017-02 of the *Autorité des normes comptables* (ANC – French accounting standards setter) of June 2, 2017 on the format of the consolidated financial statements of banking institutions in accordance with international accounting standards, namely to present the insurance businesses separately on the balance sheet and income statement.

In accordance with this same recommendation, the margin calls and guarantee deposits paid that had been recorded under accrual accounts at December 31, 2017 (€20.7 billion) were reclassified at January 1, 2018 to loans and receivables due from credit institutions or to assets at fair value through profit or loss, depending on their business model. Similarly, the margin calls and guarantee deposits received that had been recorded in accrual accounts at December 31, 2017 (€10.2 billion) were reclassified at January 1, 2018 to amounts due to credit institutions or to liabilities at fair value through profit or loss, depending on their business model.

Impairment

The new IFRS 9 provisioning model leads to an increase in the amount of impairment on loans and securities measured at amortized cost or at fair value through other comprehensive income recyclable to income, as well as impairment recorded on off-balance sheet commitments and on lease receivables, trade receivables and contract assets.

Under IAS 39, there was a separate provisioning model for: (i) instruments measured at amortized cost, (ii) debt instruments measured as "Available-for-sale assets," (iii) equity instruments measured as "Available-for-sale assets," and (iv) instruments recognized at cost. In contrast, under IFRS 9, there is just one provisioning model. This model applies equally to instruments measured at amortized cost and to debt instruments measured at fair value through other comprehensive income recyclable to income. Additionally, under IFRS 9, equity instruments are no longer impaired since they are measured either at fair value through profit or loss or at fair value through other comprehensive income and not recyclable to income.

Under IAS 39, impairment on initial recognition was expressly prohibited. An asset or group of assets could be impaired only if:

- there was objective evidence of impairment resulting from one or more events having occurred since the initial recognition of the asset (*i.e.* loss events); and
- these loss events had an impact on the estimated cash flows of the financial asset.

IFRS 9 now requires that entities recognize impairment at an earlier stage than under IAS 39, *i.e.* from the date of initial recognition of the financial instrument. Accordingly, application of the new IFRS 9 provisioning model leads to an increase in the amount of impairment recorded on loans and securities carried at amortized cost or at fair value through other comprehensive income recyclable to income and on loan or guarantee commitments given (excluding those recognized at fair value through profit or loss) as well as on lease receivables.

The impact of first-time application of IFRS 9 on opening equity related to the implementation of the new impairment model is -€2,078 million before tax (-€1,619 million after tax).

Impairment for credit risk amounted to €14,350 million under IFRS 9, *versus* €12,259 million at December 31, 2017 under IAS 39 and IAS 37.

It includes €1,282 million for financial assets and loan and guarantee commitments classified as Stage 1 (corresponding to a calculation based on 12-month expected losses), €2,090 million classified as Stage 2 (corresponding to a calculation based on lifetime expected losses) and €10,978 million classified as Stage 3, corresponding to non-performing assets and commitments. Impairment on a portfolio basis recorded under IAS 39 was €1,350 million at December 31, 2017.

It related primarily to loans and receivables at amortized cost (€13,427 million) and, to a lesser extent, loan and guarantee commitments (€707 million), securities at amortized cost (€159 million) and debt instruments at fair value through OCI recyclable to income (€57 million).

Reclassifications between categories of financial assets did not have a significant impact on the Group's equity at January 1, 2018. Most financial assets measured at amortized cost under IAS 39 continue to meet the conditions for measurement at amortized cost under IFRS 9. Similarly, most assets measured at fair value under IAS 39 (available-for-sale financial assets and financial assets at fair value through profit or loss) continue to be measured at fair value under IFRS 9.

The following table provides a breakdown of the impacts of the transition from IAS 39 to IFRS 9 related to the reclassifications and to the application of the new provisioning method, by category of financial asset and liability. The general principles for classifying financial instruments under IFRS 9 are presented in Note 2.5.1.

					Impacts of the change			
in millions of euros IAS 39	**Balance sheet under IAS 39 at December 31, 2017**	**Insurance businesses**	**Reclassifications**	**Total after reclassifications**	**Value[1]**	**Value adjustment for credit losses[2]**	**Balance sheet under IFRS 9 at January 1, 2018**	**in millions of euros IFRS 9**
Cash and amounts due from central banks	94,702			94,702		(4)	94,698	Cash and amounts due from central banks
Financial assets at fair value through profit or loss	169,768	(23,923)	66,652	212,497			212,497	Financial assets at fair value through profit or loss
Hedging derivatives	9,809	1	(17)	9,793			9,793	Hedging derivatives – Positive FV
Available-for-sale financial assets	104,669	(51,310)	(53,359)					
			35,449	35,449		(3)	35,446	Financial assets at fair value through other comprehensive income
Loans and receivables due from credit institutions	92,061	(500)	(1,333)	90,228		(6)	90,222	Loans and receivables due from credit institutions
Loans and receivables due from customers	693,128	(10,268)	(54,811)	628,049		(1,612)	626,437	Loans and receivables due from customers
			33,544	33,544		(49)	33,495	Debt securities at amortized cost
Revaluation differences on interest rate risk-hedged portfolios	5,805		(8)	5,797			5,798	Revaluation differences on interest rate risk-hedged portfolios
Held-to-maturity financial assets	7,834	(2,655)	(5,179)					
		103,182		103,182			103,182	Insurance business investments
Current tax assets	1,470			1,470			1,470	Current tax assets
Deferred tax assets	3,081		(32)	3,048		706	3,754	Deferred tax assets
Accrued income and other assets	60,290	(13,313)	(20,905)	26,061			26,061	Accrued income and other assets
Non-current assets held for sale	1,195			1,195			1,195	Non-current assets held for sale
Deferred profit-sharing								Deferred profit-sharing
Investments in associates	4,112			4,113		(8)	4,105	Investments in associates
Investment property	1,994	(1,204)		790			790	Investment property
Property, plant and equipment	4,461			4,461			4,461	Property, plant and equipment
Intangible assets	1,167			1,167			1,167	Intangible assets
Goodwill	4,304			4,304			4,304	Goodwill
TOTAL ASSETS	**1,259,850**			**1,259,850**		**(976)**	**1,258,873**	**TOTAL ASSETS**

in millions of euros IAS 39	Balance sheet under IAS 39 at December 31, 2017	Insurance businesses	Reclassifications	Total after reclassifications	Impacts of the change		Balance sheet under IFRS 9 at January 1, 2018	in millions of euros IFRS 9
					Value[1]	Value adjustment for credit losses[2]		
Financial liabilities at fair value through profit or loss	135,917	(183)	71,203	206,938			206,938	Financial liabilities at fair value through profit or loss
Hedging derivatives	14,725			14,725			14,725	Hedging derivatives
Amounts due to credit institutions	92,145	15	(7,516)	84,644			84,644	Amounts due to credit institutions and similar items
Amounts due to customers	569,879		(53,190)	516,689			516,689	Amounts due to customers
Debt securities	216,957		170	217,127			217,127	Debt securities
Revaluation differences on interest rate risk-hedged portfolios	367			367			367	Revaluation differences on interest rate risk-hedged portfolios
Current tax liabilities	311			311			311	Current tax liabilities
Deferred tax liabilities	687		(42)	645		235	880	Deferred tax liabilities
Accrued expenses and other liabilities	49,431	(9,849)	(10,625)	28,958			28,958	Accrued expenses and other liabilities
Liabilities on assets held for sale	717			717			717	Liabilities associated with non-current assets held for sale and discontinued operations
Technical reserves of insurance companies	83,711	10,016		93,728			93,728	Liabilities related to insurance policies
Provisions	6,392		(4)	6,388		408	6,796	Provisions
Subordinated debt	17,410		1	17,411			17,411	Subordinated debt
Equity	71,201			71,201		(1,619)	69,582	Equity
Equity attributable to equity holders of the parent	64,029			64,028		(1,552)	62,476	Equity attributable to equity holders of the parent
Share capital and additional paid-in capital	22,722			22,722			22,722	Share capital and additional paid-in capital
Retained earnings	39,908			39,907	749	(1,553)	39,104	Retained earnings
Unrealized gains and losses	1,399			1,399	(749)		650	Gains and losses recognized directly in OCI
Net income for the period								Net income for the period
Non-controlling interests	7,172			7,172		(68)	7,106	Non-controlling interests
TOTAL LIABILITIES	**1,259,850**			**1,259,850**		**(976)**	**1,258,873**	**TOTAL LIABILITIES**

(1) This relates to the change in the way the asset is measured. For example, an asset at amortized cost under IAS 39 can be measured at fair value under IFRS 9.
(2) The impact of first-time application of the new impairment model is provided in Note 5.1.6 §3.

2. SUMMARY OF RECLASSIFICATIONS BETWEEN IAS 39 AND IFRS 9 BY CATEGORY

Financial assets

			01/01/2018	
Financial assets under IAS 39	**Classification under IFRS 9**	**Note**	**Carrying amount under IAS 39**	**Carrying amount under IFRS 9**
Financial assets at fair value through profit or loss	**Financial assets at fair value through profit or loss**		**169,768**	
o/w fair value through profit or loss relating to trading activities			**104,664**	
Derivatives	Financial assets at fair value through profit or loss		47,159	46,940
	Insurance business investments			214
Fixed-income securities	Financial assets at fair value through profit or loss		15,100	9,536
	Insurance business investments			5,564
Variable-income securities	Financial assets at fair value through profit or loss		40,467	40,467
	Insurance business investments			
Loans and receivables	Financial assets at fair value through profit or loss	(c)	1,938	1,938
o/w designated at fair value through profit or loss			**65,104**	
Fixed-income securities	Financial assets at fair value through profit or loss	(a)	2,685	600
	Insurance business investments	(l)		2,085
Variable-income securities	Financial assets at fair value through profit or loss	(b)	19,591	5,542
	Insurance business investments	(l)		14,049
Loans or receivables due from credit institutions	Financial assets at fair value through profit or loss	(c)	2	2
Loans or receivables due from customers	Financial assets at fair value through profit or loss	(c)	8,322	6,311
	Insurance business investments	(l)		2,011
Securities received under repurchase agreements	Financial assets at fair value through profit or loss	(d)	34,504	34,504
Hedging derivatives			**9,809**	
	Hedging derivatives		9,809	9,793
	Insurance business investments			
Available-for-sale financial assets			**104,669**	
Fixed-income securities	Financial assets at fair value through profit or loss	(e)		325
	Financial assets at fair value through other comprehensive income	(f)	89,870	32,073
	Insurance business investments	(l)		42,433
	Debt instruments at amortized cost	(f)		15,212
Variable-income securities	Financial assets at fair value through profit or loss	(g)		8,506
	Insurance business investments	(l)		3,637
	Financial assets at fair value through other comprehensive income	(h)	14,761	2,648
Loans and receivables	Financial assets at fair value through other comprehensive income		38	36
	Loans or receivables due from customers at amortized cost			2
Loans and receivables *			**785,189**	
Accounts and loans	Loans or receivables due from credit institutions at amortized cost		70,827	70,418
	Loans or receivables due from customers at amortized cost		601,078	588,851
	Financial assets at fair value through profit or loss	(i)		87
	Insurance business investments	(l)		10,762
Current accounts with overdrafts	Loans or receivables due from credit institutions at amortized cost		6,989	6,989
	Loans or receivables due from customers at amortized cost		11,634	11,634
Fixed-income securities	Debt instruments at amortized cost		13,970	13,115
	Financial assets at fair value through profit or loss	(j)		149
	Insurance business investments	(l)		
	Financial assets at fair value through other comprehensive income	(j)		688
Securities received under repurchase agreements	Loans or receivables due from credit institutions at amortized cost		13,943	7,867
	Loans or receivables due from customers at amortized cost		50,467	9,226
	Financial assets at fair value through profit or loss	(k)		47,317
Finance leases	Loans or receivables due from customers at amortized cost		16,281	16,281

5

			01/01/2018	
Financial assets under IAS 39	**Classification under IFRS 9**	**Note**	**Carrying amount under IAS 39**	**Carrying amount under IFRS 9**
Held-to-maturity financial assets			**7,834**	
Fixed-income securities	Insurance business investments	(l)		2,655
	Debt instruments at amortized cost		7,834	5,168
Accrued income and other assets			**60,290**	
	Accrued income and other assets		60,290	26,061
	Financial assets at fair value through profit or loss			15,518
	Loans or receivables due from credit institutions at amortized cost			4,948
	Loans or receivables due from customers at amortized cost			443
	Insurance business investments	(l)		13,322
Investment property			**1,994**	
	Insurance business investments	(l)		1,204
	Investment property		1,994	790
Cash and amounts due from central banks			**94,702**	**94,698**
Revaluation differences on interest rate risk-hedged portfolios			**5,805**	**5,798**
Current tax assets			**1,470**	**1,470**
Deferred tax assets			**3,081**	**3,754**
Non-current assets held for sale			**1,195**	**1,195**
Investments in associates			**4,112**	**4,105**
Property, plant and equipment			**4,461**	**4,461**
Intangible assets			**1,167**	**1,167**
Goodwill			**4,304**	**4,304**
TOTAL			**1,259,850**	**1,258,873**

* *Impairment on a portfolio basis is recognized as a deduction from assets, like individual impairment, and is therefore included in the carrying amount of the instruments.*
Application of IFRS 9 criteria (Note 2.5) relating to the business models and contractual terms of financial instruments led the Group to make the following modifications to the classification of financial assets compared with IAS 39:

(a) *Fixed-income securities classified as "Financial assets designated at fair value" according to IAS 39 were classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €208 million, as they are managed under a trading business model.*
Fixed-income securities reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 because they failed the SPPI test stood at €474 million.

(b) *Variable-income securities classified as "Financial assets designated at fair value" under IAS 39 and managed under a trading business model were classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €242 million.*

(c) *Loans and receivables classified as "Financial assets designated at fair value" under IAS 39 and managed according to a trading business model were classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €2,421 million.*
Loans and receivables reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 because they failed the SPPI test stood at €3,691 million.

(d) *Securities received under repurchase agreements classified as "Financial assets designated at fair value" under IAS 39, managed under a trading business model, were classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €34,504 million.*

(e) *Debt instruments classified as "Available-for-sale financial assets" under IAS 39 were classified as "Financial assets at fair value through profit or loss" under IFRS 9 in the amount of €325 million because they failed the SPPI test.*

(f) *Debt instruments corresponding mainly to the liquidity reserve securities portfolio, managed under a hold to collect and sell business model, were reclassified in the amount of €32,073 million as "Financial assets at fair value through OCI" under IFRS 9. This reclassification had no impact on opening equity.*
Debt instruments classified as "Available-for-sale financial assets" under IAS 39 and reclassified as assets at amortized cost under IFRS 9 stood at €15,212 million.
This reclassification did not have a material impact on opening equity.

(g) *Unconsolidated UCITS units in the amount of €4,493 million are considered non-SPPI debt instruments under IFRS 9 and are therefore classified as "Financial assets at fair value through profit or loss".*
Other variable-income securities (excluding investments in associates) managed under a trading business model are reclassified as "Financial assets at fair value through profit or loss" under IFRS 9.
Investments in associates reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 stood at €789 million.

(h) *Investments in associates reclassified as "Financial assets at fair value through OCI" (non-recyclable) under IFRS 9 represented €2,098 million.*

(i) *These are loans or receivables classified as "Loans and receivables" under IAS 39 and reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 because they failed the SPPI test for €87 million.*
This reclassification did not have a material impact on equity.

(j) *These are debt instruments classified as "Loans and receivables" under IAS 39 and reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 because they failed the SPPI test for €149 million.*
Debt instruments managed under a hold to collect and sell business model were reclassified in the amount of €688 million as "Financial assets at fair value through OCI" under IFRS 9. This reclassification did not have a material impact on opening equity.

(k) *Securities received under repurchase agreements classified as "Loans and receivables" under IAS 39 and managed under a trading business model are recognized as "Financial assets at fair value through profit or loss" under IFRS 9 for €47,317 million.*

(l) *Reclassification of financial assets of the insurance businesses to "Insurance business investments" in accordance with the ANC recommendation.*

The impacts of the transition related to changes in classification and to the application of the new provisioning method are provided in Note 5.1.6 §1.

Financial liabilities

Financial liabilities under IAS 39	Classification under IFRS 9	Note	01/01/2018 Carrying amount under IAS 39	01/01/2018 Carrying amount under IFRS 9
Financial liabilities at fair value through profit or loss			**135,917**	
o/w fair value through profit or loss relating to trading activities			**74,660**	
Derivatives	Financial liabilities at fair value through profit or loss		47,670	47,487
	Liabilities related to insurance policies			183
Securities	Financial liabilities at fair value through profit or loss		26,948	26,948
Other liabilities	Financial liabilities at fair value through profit or loss		42	42
o/w designated at fair value through profit or loss			**61,257**	
Securities	Financial liabilities at fair value through profit or loss		22,798	22,798
Securities sold under repurchase agreements	Financial liabilities at fair value through profit or loss	(a)	34,965	34,965
Other liabilities	Financial liabilities at fair value through profit or loss		3,494	3,494
Hedging derivatives			**14,725**	
	Hedging derivatives		14,725	14,726
Amounts due to credit institutions and customers			**662,024**	
Deposits and loans	Amounts due to credit institutions		64,385	64,385
	Amounts due to customers		336,273	336,273
Current accounts with credit balances	Amounts due to credit institutions		9,488	9,488
	Amounts due to customers		172,889	172,889
Securities sold under repurchase agreements	Amounts due to credit institutions		18,272	8,890
	Amounts due to customers		60,717	6,934
	Financial liabilities at fair value through profit or loss	(b)		63,165
Accrued expenses and other liabilities			**49,431**	
	Accrued income and other assets		49,431	28,951
	Financial assets at fair value through profit or loss			8,031
	Amounts due to credit institutions			1,881
	Amounts due to customers			593
	Liabilities related to insurance policies			9,849
Technical reserves of insurance companies	**Liabilities related to insurance policies**		**83,711**	**83,711**
Debt securities			**216,957**	**217,127**
Revaluation differences on interest rate risk-hedged portfolios			**367**	**367**
Current tax liabilities			**311**	**311**
Deferred tax liabilities			**687**	**880**
Liabilities on assets held for sale			**717**	**717**
Provisions			**6,392**	**6,796**
Subordinated debt			**17,410**	**17,411**
Total shareholders' equity			**71,201**	**69,582**
TOTAL			**1,259,850**	**1,258,873**

(a) Securities sold under repurchase agreements classified as "Financial liabilities designated at fair value through profit or loss" under IAS 39 and managed under a trading business model are classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €34,965 million.

(b) Securities sold under repurchase agreements classified as "Liabilities at amortized cost" under IAS 39 and managed under a trading business model are classified as "Financial liabilities at fair value through profit or loss" under IFRS 9 for €63,165 million.

3. IMPACTS OF THE CHANGE IN IMPAIRMENT OR PROVISIONS FOR EXPECTED CREDIT LOSSES

This table provides a breakdown of the impacts of the transition from IAS 39 to IFRS 9 related to the application of new rules on the impairment or provisioning of credit risk.

Reconciliation of impairment and provisions *in millions of euros*	**Impairment or provision under IAS 39**	**Reclassifications**	**Impact of IFRS 9**	**Impairment or provision under IFRS 9**
Loans and receivables at amortized cost	11,731	78	1,618	13,427
Debt securities at amortized cost	122	(12)	49	157
Debt securities available for sale/at fair value through OCI recyclable to income	107	(53)	3	57
Balance sheet total	**11,960**	**13**	**1,670**	**13,643**
Provisions for off-balance sheet commitments	299		408	707
TOTAL IMPAIRMENT AND PROVISIONS	**12,259**	**13**	**2,078**	**14,350**

5.1.7 Notes to the financial statements of Groupe BPCE

Note 1 General background

1.1 GROUPE BPCE

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Epargne network, the BPCE central institution and its subsidiaries.

Two banking networks: the Banque Populaire banks and the Caisses d'Epargne

Groupe BPCE is a cooperative group whose shareholders own the two retail banking networks: the 14 Banque Populaire banks and the 15 Caisses d'Epargne. Each of the two networks owns an equal share in BPCE, the Group's central institution.

The Banque Populaire network consists of the Banque Populaire banks and the Mutual Guarantee Companies granting them the exclusive benefit of their guarantees.

The Caisse d'Epargne network consists of the Caisses d'Epargne and the Local Savings Companies (LSCs).

The Banque Populaire banks are wholly-owned by their cooperative shareholders.

The capital of the Caisses d'Epargne is wholly-owned by the LSCs. Local savings companies are cooperative structures with open-ended share capital owned by cooperative shareholders. The LSCs are tasked with coordinating the cooperative shareholder base, in line with the general objectives defined by the individual Caisse d'Epargne with which they are affiliated, and cannot perform banking transactions.

BPCE

BPCE, a central institution as defined by the French Banking Law and a credit institution licensed to operate as a bank, was created pursuant to law No. 2009-715 of June 18, 2009. BPCE was incorporated as a French limited liability company governed by a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the 14 Banque Populaire banks and the 15 Caisses d'Epargne.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banque Populaire banks and the Caisses d'Epargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, organizes depositor protection, approves key appointments of company directors and oversees the smooth functioning of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures between the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It defines the Group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries, including Natixis, a 70.78%-owned listed company, are organized around three core business lines:

- Retail Banking and Insurance includes the Banque Populaire and Caisse d'Epargne networks, the Natixis Specialized Financial Services and Insurance business line and Other networks (Crédit Foncier, Banque Palatine and BPCE International);
- Asset & Wealth Management;
- Corporate & Investment Banking.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to Articles L. 511-31 and L. 512-107-6 of the French Monetary and Financial Code, the guarantee and solidarity mechanism was set up to ensure the liquidity and capital adequacy of the Group and its associates, and to organize financial support within the Banque Populaire and Caisse d'Epargne networks.

BPCE is tasked with taking all measures necessary to guarantee the capital adequacy of the Group and each of the networks, including implementing the appropriate internal financing mechanisms within the Group and establishing a Mutual Guarantee Fund common to both networks, for which it determines the operating rules, the conditions for the provision of financial support to the existing funds of the two networks, as well as the contributions of associates to the fund's initial capital endowment and reconstitution.

BPCE manages the Banque Populaire Network Fund and the Caisse d'Epargne Network Fund and has put in place the Mutual Guarantee Fund.

The **Banque Populaire Network Fund** was formed by a deposit made by the Banque Populaire banks of €450 million that was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The deposit made to the **Caisse d'Epargne Network Fund** by the Caisses d'Epargne of €450 million was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The **Mutual Guarantee Fund** was formed by deposits made by the Banque Populaire banks and the Caisses d'Epargne. These deposits were booked by BPCE in the form of 10-year term accounts which are indefinitely renewable. The amount of the deposits by network was €181 million as of December 31, 2018.

The total amount of deposits made to BPCE in respect of the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may not be less than 0.15% and may not exceed 0.3% of the total risk-weighted assets of the Group.

The booking of deposits in the institutions' individual accounts under the guarantee and solidarity system results in the recording of an item of an equivalent amount under a dedicated capital heading.

The Mutual Guarantee Companies *(sociétés de caution mutuelle)*, whose sole corporate purpose is to guarantee loans issued by Banque Populaire banks, are covered by the liquidity and capital adequacy guarantee of the Banque Populaire banks with which they are jointly licensed in accordance with Article R. 515-1 of the French Monetary and Financial Code.

The liquidity and capital adequacy of the Caisses de Crédit Maritime Mutuel are guaranteed in respect of each individual Caisse, by the Banque Populaire bank which is both the core shareholder and provider of technical and operational support for the Caisse in relation to the partner Banque Populaire bank.

The liquidity and capital adequacy of the Local Savings Companies are secured, firstly, at the level of each individual local savings company by the Caisse d'Epargne of which the local savings company in question is a shareholder.

BPCE's Management Board holds all the requisite powers to mobilize the resources of the various contributors without delay and in accordance with the agreed order, on the basis of prior authorizations given to BPCE by the contributors.

1.3 SIGNIFICANT EVENTS

Project to integrate Crédit Foncier's operations and expertise into Groupe BPCE

Timeline and content

On June 25 and 26, 2018, respectively, the BPCE Supervisory Board and the Crédit Foncier Board of Directors gave their approval, in principle, to start a project to integrate Crédit Foncier's operations and redeploy its expertise throughout Groupe BPCE's entities.

On July 20, 2018, Crédit Foncier's Executive Management team began the information and consultation process with the Works Council as provided for in Articles L. 1233-30 and L. 2223-31 of the French Labor Code, and started negotiations with the labor unions pursuant to regulations.

These negotiations led to the signing of two majority agreements on the implementation of the project on October 26, 2018 – an Occupation and Skills Forecasting (GPEC) agreement and an employment protection plan (PSE). The employment protection plan is subject to administrative approval and was approved by the competent Regional Directorate for Enterprise, Competition Policy, Consumer Affairs, Labor and Employment (DIRECCTE) in December 2018.

After consulting the Works Council, the CFF Board of Directors confirmed the effective implementation of the project at its meeting of November 21, 2018.

The operational part of the integration, which will primarily take effect in the first half of 2019, includes the following:

- new loan production will be redeployed in the Group's entities: Individual customer loans within the Banque Populaire banks and Caisses d'Epargne, Corporate financing shared by the Caisses d'Epargne and Banque Populaire banks for social housing, and Natixis for project and infrastructure financing;
- Socfim, which will become a direct subsidiary of BPCE SA group, will position itself as a global player in corporate real estate financing by combining long-term financing for real estate professionals with financing for developers;
- Crédit Foncier Immobilier will become a direct subsidiary of BPCE SA group;
- the special expertise and the projects initiated by Crédit Foncier will continue on a national level;
- Crédit Foncier will refocus on managing its outstanding loans and on the funding of public sector assets originated by the Group, through Compagnie de Financement Foncier.

On December 20, 2018, Crédit Foncier filed a delisting offer for shares in its subsidiary Locindus. Subject to approval by the *Autorité des Marchés Financiers* (French Financial Markets Authority), the delisting will be completed in the first quarter of 2019.

Human resources provisions are consistent with the aim of the project – the development of Crédit Foncier's activities and the reorganization of its expertise in Groupe BPCE's entities. Accordingly, employees whose positions will become redundant (around 1,400 people) will primarily be transferred to other Group entities, with financial arrangements in place to facilitate external mobility where applicable. The employment protection plan agreement, which provides for redundancy for economic reasons for those concerned, subject to the terms of the Crédit Foncier employment framework (termination benefits aligned with seniority), will therefore only apply in exceptional cases to employees not wishing to take advantage of the more beneficial terms of the GPEC agreement.

The GPEC agreement provides for the following:

- an "advance" voluntary redundancy plan allowing all employees whose positions will become redundant to leave on December 31, 2018 and benefit from various support measures, including financial support (termination benefits, retraining leave, etc.). As of December 31, 2018, 126 employees had volunteered for this option;
- in January 2019, all employees concerned who did not opt for the advance redundancy plan will be offered a similar position, in an equivalent category and the same geographical region in another Groupe BPCE company, with effect from April 1, 2019. Alternatively, after a cooling-off period if necessary, employees who do not wish to accept the proposed reclassification may opt for voluntary redundancy with the same terms as under the advance plan;
- for employees whose position is maintained (around 600 people), various provisions to maintain theirmployability (in particular *via* training) will be available. In addition, if further redundancies prove necessary to adapt the organizational structure and headcount to changes in the activities maintained by Crédit Foncier, the employees concerned will benefit from the same provisions as those set out above.

Accounting impacts at December 31, 2018

In accounting terms, the integration of Crédit Foncier's activities and the transfer of its expertise within Groupe BPCE will not call into question its operation as a going concern within the meaning of IAS 1. This project constitutes a restructuring as per IAS 37. The conditions that justify the recognition of a provision for restructuring costs are met.

This provision will cover expenses arising for internal and external mobility, the expenses arising from the closure of the branch network and compensation for exclusive agents.

The provision recorded for this purpose under operating expenses at December 31, 2018 amounted to €334 million before tax and breaks down as follows:

- human resources costs: €234 million. These essentially comprise termination benefits, the cost of retraining leave and various support measures based on assumptions regarding the choices made by employees between reclassification within Groupe BPCE or voluntary redundancy;
- operational costs: €100 million. These mainly include the costs of the discontinuation of lending activities (lease termination costs, compensation for exclusive agents, the scrapping of branch fixtures and fixed assets).

A conservative valuation of Crédit Foncier Immobilier led to the recognition of impairment on the full amount of the corresponding goodwill at December 31, 2018 (€13 million).

Occurrence of an exceptional risk

In the fourth quarter of 2018, Natixis recognized a decrease in revenues of €259 million in connection with its equity derivatives activities, due to the occurrence of an exceptional risk related to the deterioration of the Asian markets.

It emerged in the fourth quarter that, for certain specific products managed on behalf of clients in Asia, the business model used led to the introduction of a hedging strategy that proved to be inadequate in the market conditions at year-end.

The products involved are indexed to the worst performance of an underlying basket of shares or index and allow investors to receive enhanced periodic coupons in return for a risk of loss of capital at maturity, with the possibility that the product may expire early.

This situation explains the decrease in revenues recognized by Natixis' capital markets activities in the fourth quarter of 2018, amounting to €86 million, plus €173 million of impairment to cover the management of these products.

This decrease in revenues is exceptional and regards an activity whose revenues did not significantly contribute to the medium-term plan. It in no way calls into question the objectives of the strategic plan.

Planned sale by Natixis and acquisition by BPCE SA group of the Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines

On September 12, 2018, Natixis and BPCE announced Natixis' plan to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE SA group for €2.7 billion.

This transaction, if completed, will contribute significantly to the achievement of Natixis and BPCE's strategic plans. In particular, it will allow Natixis to step up the development of its asset-light model and BPCE to strengthen its universal banking model. This is an internal transaction with no impact on the Group's consolidated financial statements.

The sale is scheduled to take place by the end of Q1 2019, subject to the conditions precedent being lifted; in particular, BPCE must complete a capital increase – and the newly issued shares acquired by the Banque Populaire banks and Caisses d'Epargne – and the necessary regulatory approvals must be obtained.

During the fourth quarter of 2018, the operational implementation of the project was prepared and the various stages leading to the completion of the transaction initiated.

Planned disposal of BPCE International's African subsidiaries

On October 16, 2018, BPCE International sold Banque des Mascareignes, a bank based in Mauritius, and its subsidiary in Madagascar, Banque des Mascareignes Madagascar, to the Moroccan cooperative group Banque Centrale Populaire (BCP Maroc). This disposal had no material impact on income for the year.

On December 21, 2018, BPCE International signed an agreement with BCP Maroc for the sale of its other African subsidiaries, Banque Tuniso Koweitienne and its subsidiaries, Banque Commerciale Internationale (BCI) in Congo, BICEC in Cameroon and Banque Malgache de l'Océan Indien in Madagascar. This disposal is subject to the approval of the banks' regulatory authorities.

These entities' assets and liabilities are presented in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" and are detailed in Note 5.7.

1.4 POST-BALANCE SHEET EVENTS

Planned acquisition of an interest in Oney Bank SA

On February 12, 2019, Groupe BPCE announced it was in exclusive negotiations with Auchan Holding for the acquisition of a 50.1% interest in Oney Bank SA to further its European growth in local digital banking and consumer credit under the Oney brand and to ramp up Oney Bank's development with the Group's expertise, in particular in payments.

This transaction is consistent with the Group's strategy of expanding in retail banking in Europe by drawing on its expertise in specialized financial services and in particular payments.

This project remains subject to the usual consultation process and conditions precedent for this type of deal, and in particular the approval of the French and European regulatory authorities. It is scheduled for completion in the second half of 2019.

Note 2 Applicable accounting standards and comparability

2.1 REGULATORY FRAMEWORK

The consolidated financial statements of Groupe BPCE were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable at that date, excluding certain provisions of IAS 39 relating to hedge accounting.

2.2 ACCOUNTING STANDARDS

The standards and interpretations used and detailed in the annual financial statements as at December 31, 2017 were complemented by standards, amendments and interpretations whose application is mandatory for reporting periods starting from January 1, 2018.

New IFRS 9 "Financial Instruments" was adopted by the European Commission on November 22, 2016 and is applicable retrospectively as of January 1, 2018.

IFRS 9 replaces IAS 39 and defines the new rules for classifying and measuring financial assets and liabilities, the new impairment methodology for the credit risk of financial assets, and hedge accounting, except for macro-hedging, which the International Accounting Standards Board (IASB) is currently studying in a separate draft standard.

Groupe BPCE used the option available in IFRS 9 not to apply the provisions of the standard relative to hedge accounting, and to continue to apply IAS 39 as adopted by the European Union for the recognition of these transactions, *i.e.* excluding certain provisions relating to macro-hedging. In view of the limited volume of asset reclassifications, most transactions recognized using hedge accounting under IAS 39 continue to be disclosed in the same way from January 1, 2018. However, IFRS 7 amended by IFRS 9 requires additional information on hedge accounting to be provided in the Notes.

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable as of January 1, 2018. The Financial Conglomerates Directive allows insurance sectors within European financial conglomerates to defer application of IFRS 9 until January 1, 2021 (effective date of the new IFRS 17 "Insurance Contracts") as long as they:

- do not transfer financial instruments between the insurance sector and other sectors of the conglomerate (with the exception of financial instruments designated at fair value through profit or loss for the two sectors affected by the transfer);
- indicate the insurance entities that apply IAS 39;
- disclose specific additional information in the notes to the financial statements.

On November 14, 2018, the IASB decided to delay the implementation of IFRS 17 "Insurance Contracts" by one year to January 1, 2022. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17.

As Groupe BPCE is a financial conglomerate, it elected to apply this provision to its insurance businesses, which continue to be covered by IAS 39. The main entities affected by this measure are CEGC, the insurance subsidiaries of COFACE, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, BPCE Prévoyance, BPCE Assurances, BPCE IARD, Muracef, Surassur, Prépar Vie and Prépar Iard.

In accordance with the Implementing Regulation of November 3, 2017, the Group took the necessary steps to prohibit any transfer of financial instruments between its insurance sector and the rest of the Group that would lead to a derecognition for the transferring entity; this restriction is not, however, required for transfers of financial instruments measured at fair value through profit or loss by the two sectors involved.

Under the option available in IFRS 9, the Group elected not to restate previous fiscal years published as comparative information for its financial statements.

Groupe BPCE holds some fixed-rate loans with symmetrical prepayment clauses in its loan book. In an amendment to IFRS 9 published in October 2017, the IASB stated that negative prepayment compensation is not in itself incompatible with the notion of SPPI. The application of this amendment is mandatory as of January 1, 2019 and early application is possible. The "Prepayment Features with Negative Compensation" amendment was adopted by the European Commission on March 22, 2018. Groupe BPCE applied this amendment early, as of January 1, 2018.

Regulation (EU) 2017/2395 dated December 12, 2017 relating to transitional arrangements for mitigating the impact of the introduction of IFRS 9 on capital and for the large exposures treatment of certain public-sector exposures was published in the Official Journal on December 27, 2017. Groupe BPCE has decided not to opt to neutralize IFRS 9 transitional impacts at the prudential level due to the limited impact when applying the standard.

IFRS 15 "Revenue from contracts with customers" replaces the current standards and interpretations related to the recognition of income. IFRS 15 was adopted by the European Union and published in the Official Journal on October 29, 2016. It has been applicable retrospectively since January 1, 2018. The amendment entitled "Clarifications to IFRS 15", published by the IASB on April 12, 2016, was adopted by the European Commission on October 31, 2017 and is also applicable retrospectively as of January 1, 2018.

Under this standard, recognition of revenue from ordinary activities now reflects the transfer of control of goods and services promised to customers in an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services. IFRS 15 thus introduces a new five-stage general approach for the recognition of income:

- identification of contracts with customers;
- identification of specific performance obligations (or items) to be recognized separately from one another;
- determination of the overall transaction price;
- allocation of transaction price to the various specific performance obligations;
- recognition of revenue when performance obligations are met.

IFRS 15 applies to contracts entered into by an entity with its customers, with the exception of leases (covered by IAS 17), insurance contracts (covered by IFRS 4) and financial instruments (covered by IFRS 9). If specific stipulations relating to revenue or contract costs are given under a different standard, these will first be applied.

The work related to the first-time application of IFRS 15 notably drew on self-assessments carried out by certain pilot institutions and subsidiaries, which were then transposed by all the Group's significant institutions and subsidiaries. This work helped identify the main items concerned, in particular:

- fee and commission income, notably that relating to banking services when this income is not included in the effective interest rate, or that relating to asset management or financial engineering services;
- income from other activities, in particular for services included in leases.

This work also confirmed that the Group is either only slightly or not affected by certain first-time application of IFRS 15 issues such as real estate development, loyalty programs and telephony.

Based on the work performed, the Group did not recognize any material impact related to application of IFRS 15, on either opening equity at January 1, 2018 or on income and expense items in fiscal year 2018.

Under the option available in IFRS 15, the Group elected not to restate previous fiscal years published as comparative information for its financial statements.

The other standards, amendments and interpretations adopted by the European Union did not have a material impact on the Group's financial statements.

New standards published and applicable after 2018

IFRS 16

IFRS 16 "Leases" will replace IAS 17 "Leases" and the interpretations related to the accounting of such contracts. The standard was adopted by the European Commission on October 31, 2017. It will be applicable as of January 1, 2019.

As defined under IFRS 16, leases shall identify an asset and convey the right to use this asset for a period of time. Control is established if the lessee holds the following two rights throughout the period of use:

- the right to obtain almost all of the economic benefits arising from use of the asset;
- the right to decide how the asset is used.

From the lessor's perspective, the impact is expected to be limited, as the provisions will not change substantially in relation to the current IAS 17.

Under the current IAS 17, operating leases are not recognized on the balance sheet, only the corresponding rental income is recorded in income.

In contrast, for lessees, IFRS 16 requires that leases be recorded in the balance sheet such that they convey the right to use the leased asset presented, as the case may be, among property, plant and equipment or investment property, and a lease liability. The lease liability corresponds to the discounted value of lease payments that have not yet been paid. The Group has decided to opt for the exception included in the standard of not modifying the accounting method for short-term leases (less than 12 months) or leases related to low value underlying assets. The right to use the asset will be amortized on a straight-line basis and the lease liability will be calculated on an actuarial basis over the term of the lease.

The expense on the lease debt will thus be included in interest income under net banking income and the amortization expense on the right to use the asset will be recognized in operating expenses.

The Group began to analyze the impact of the application of this new standard following its publication by the IASB at the start of 2016. This work continued in 2018. Structural choices were made in terms of organization and information systems during the first half of the year. In the second half, work focused on the operational implementation, which is currently being finalized ahead of the rollout planned in early 2019.

Regarding Groupe BPCE's activities, the implementation of IFRS 16 will mainly affect real estate assets leased for operational purposes as offices and sales branches. A material impact is therefore expected on "Property, plant & equipment" without modifying in itself the relatively limited contribution of this item to total assets.

For the first-time application of this standard, the Group has chosen the modified retrospective approach. This method involves assessing the amount of lease liabilities based on remaining lease payments using the present value applicable to the remaining term of the contracts. The Group has elected not to recognize leases with a remaining term of less than 12 months on the balance sheet as of January 1, 2019. Right of use will be measured using the amount of lease liabilities determined at that date. At the date of initial recognition of the right of use and the lease liability, no deferred tax will be recognized if the value of the asset equals the value of the liability. Any net temporary differences arising from subsequent changes in the right of use and lease liability will result in recognition of deferred tax.

IFRS 17

IFRS 17 "Insurance Contracts" was published by the IASB on May 18, 2017 and will replace IFRS 4 "Insurance Contracts". Initially applicable on January 1, 2021, with a comparison at January 1, 2020, this standard is only expected to come into force from January 1, 2022. At its meeting on November 14, 2018, the IASB decided to defer its application by a year, as clarifications still need to be given regarding key aspects of the standard. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17.

IFRS 17 establishes the principles of recognition, measurement, presentation and disclosure for the insurance contracts and investment contracts with discretionary profit sharing provisions that fall within its scope.

Liabilities under these contracts, which are currently valued at historical cost, will have to be recognized at present value under IFRS 17. As such, insurance contracts will be valued based on their future cash flows, including a risk margin in order to factor in the uncertainty relating to these cash flows. IFRS 17 also introduces the concept of contractual service margin. This represents the insurer's unearned profit and will be released over time as the services are rendered to the insured. The standard demands a more detailed level of granularity in calculations as it requires estimates by group of contracts.

These accounting changes could modify the profile of insurance income (in particular for life insurance) and also introduce greater volatility in income.

Given the scale of the changes made by IFRS 17, and despite the uncertainties still surrounding the standard, Groupe BPCE's insurance entities have, or will soon have, completed the scoping phase aimed at defining their road maps and the cost of implementation. They set up project structures in 2018 that will allow them, within the various working groups, to understand the standard in all of its aspects, including modeling, the adaptation of systems and organizational structures, the production of financial statements and the transition strategy, financial communication and change management.

IFRIC 23

IAS 12 "Income taxes" gave no particular details on how to account for uncertainties in income taxes, and was clarified by IFRIC 23 "Uncertainty over Income Tax Treatments", which was published in June 2017. This interpretation allows companies to take into consideration uncertainties about their tax position when calculating and recognizing taxes payable and deferred taxes.

The European Commission adopted this interpretation on October 23, 2018 and it applies from January 1, 2019. The Group has begun to consider how it will identify and document uncertainties and fiscal risk, but it is not currently able to anticipate the impact.

2.3 USE OF ESTIMATES AND JUDGMENTS

Preparation of the financial statements requires Management to make estimates and assumptions in certain areas with regard to uncertain future events.

These estimates are based on the judgment of the individuals preparing these financial statements and the information available at the balance sheet date.

Actual future results may differ from these estimates.

With respect to the financial statements for the period ended December 31, 2018 in particular, accounting estimates requiring assumptions were mainly used for the following measurements:

- the fair value of financial instruments determined on the basis of valuation models (Note 10);
- the amount of expected credit losses on financial instruments as well as on loan and guarantee commitments (Note 7.1);

- provisions recorded under liabilities in the balance sheet and more specifically the provision for regulated home savings products (Note 5.15) and provisions for insurance policies (Note 9);
- calculations related to the cost of pensions and future employee benefits (Note 8.2);
- deferred tax assets and liabilities (Note 11);
- goodwill impairment testing (Note 3.5).

Judgment must also be exercised to assess the business model and whether the financial instrument can be categorized as SPPI. The procedures are described in the relevant paragraphs (Note 2.5.1).

Uncertainties related to Brexit

On June 23, 2016, the UK decided to leave the European Union (Brexit) following a referendum. After the triggering of Article 50 of the treaty on European Union on March 29, 2017, the United Kingdom and the 27 other member countries of the European Union gave themselves two years to prepare for the country's effective withdrawal. Complex negotiations are under way to redefine the new economic relations between the United Kingdom and the European Union. The political and economic consequences of Brexit are still uncertain, however, and the uncertainties are increasing as the exit date approaches and the possibility of a hard exit without a withdrawal agreement takes shape.

Given this situation, Groupe BPCE has prepared for the various possible scenarios and is monitoring the progress of the negotiations and their potential consequences, to incorporate them, where necessary, in the assumptions and estimates made when preparing the consolidated financial statements.

Uncertainties related to the application of certain provisions of the BMR

European Regulation (EU) 2016/1011 of June 8, 2016 on the indices used as benchmarks ("the Benchmarks Regulation" or "BMR") introduces a common framework aimed at guaranteeing the accuracy and integrity of the indices used as benchmarks for financial instruments and contracts, or to measure the performance of investment funds within the European Union.

The purpose of the Benchmarks Regulation is to regulate the provision of benchmarks, the provision of data underlying benchmarks, and the use of benchmarks, within the European Union. It provides for a transition period for administrators, who have until January 1, 2020 to be approved or registered. After this date, the use by entities supervised by the EU of benchmarks whose administrators are not approved or registered (or, if they are not located in the EU, are not subject to equivalent or otherwise recognized or approved regulations) will be prohibited.

Under the BMR, the interest rate benchmarks EURIBOR, LIBOR and EONIA have been declared critical, although they may be phased out or their discontinuation may become likely in the future.

Work in the euro zone to propose new indices is not yet complete.

It is therefore difficult at this stage to accurately predict the terms of any future substitution of existing financial instruments and contracts.

In 2018, Groupe BPCE established a project structure tasked with anticipating the impact of the benchmarks' discontinuation in the near future, from a legal, commercial, financial and accounting viewpoint. Regarding this last aspect, particularly close attention is being paid to the issues of fair value, the application of the SPPI criterion, hedging relationships and derecognition.

2.4 PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BALANCE SHEET DATE

As no specific format is required under IFRS, the presentation used by the Group for summarized statements follows Recommendation No. 2017-02 issued by the *Autorité des normes comptables* (ANC – French national accounting standards authority) on June 2, 2017.

The consolidated financial statements are based on the financial statements at December 31, 2018. The Group's consolidated financial statements for the period ended December 31, 2018 were approved by the Management Board on February 5, 2019. They will be presented to the Annual General Shareholders' Meeting on May 24, 2019.

The amounts presented in the financial statements and in the notes are shown in millions of euros, unless otherwise indicated. Rounding may lead to differences between the amounts shown in the financial statements and those referred to in the notes.

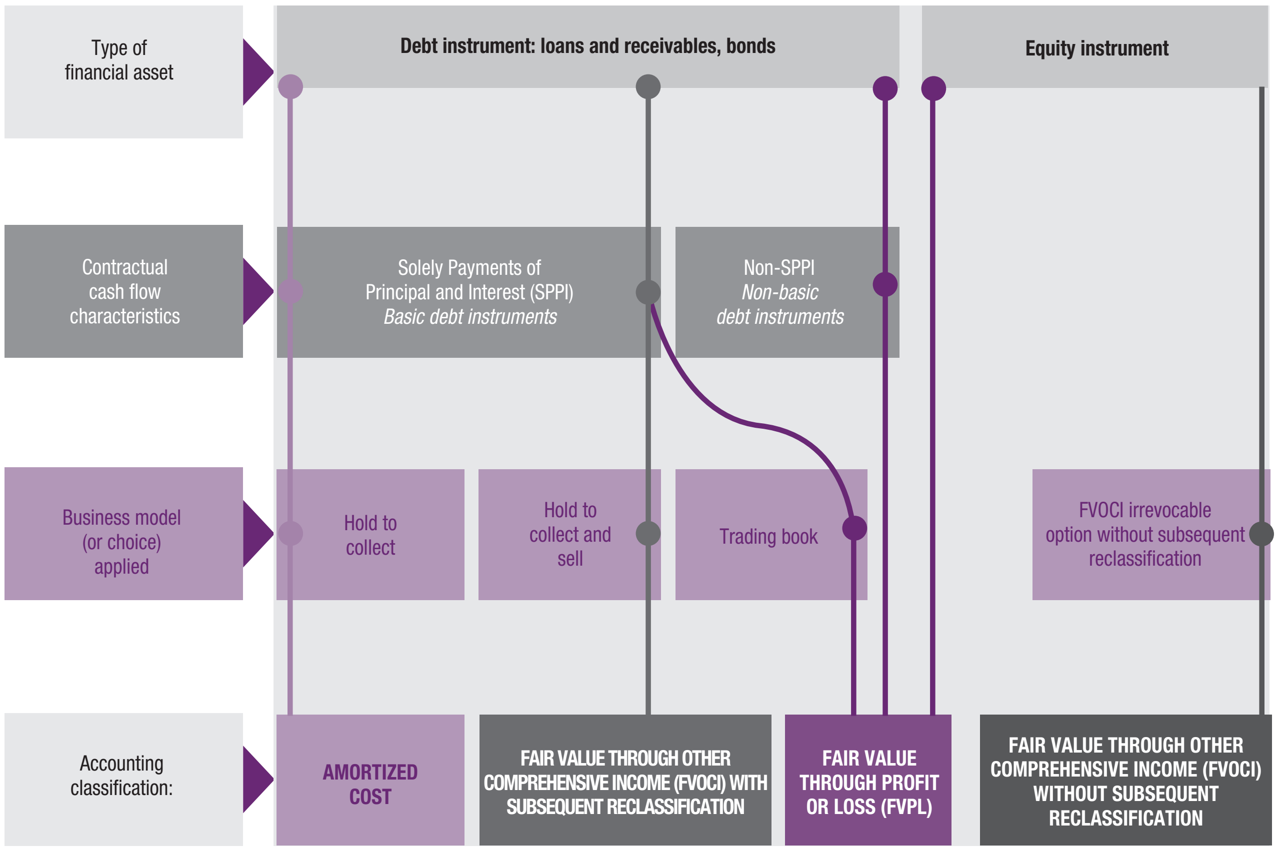
2.5 GENERAL ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

The general accounting principles set out below apply to the main items of the financial statements. Specific accounting principles are presented in the Notes to which they refer.

2.5.1 Classification and measurement of financial assets

IFRS 9 is applicable to Groupe BPCE excluding the insurance subsidiaries, which continue to apply IAS 39.

On initial recognition, financial assets are classified at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, according to the type of instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).



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Business model

The entity's business model represents the way in which it manages its financial assets to produce cash flow. Judgment must be exercised to assess the business model.

The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information.

For example:

- the way in which the performance of financial assets is assessed and presented to the main company directors;
- risks which have an impact on the business model's performance, in particular the way in which these risks are managed;
- the way in which directors are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency of, volume of and reason for sales.

Moreover, the choice of business model must be made at a level which reflects the way in which groups of financial assets are managed collectively with a view to achieving a given economic objective. The business model is therefore not decided on an instrument by instrument basis, but rather at a higher level of aggregation, by portfolio.

The standard uses three business models:

- a business model whose objective is to hold financial assets in order to receive contractual cash flows ("hold to collect model"). This model, under which the concept of "holding" is relatively similar to holding to maturity, remains valid if disposals occur under the following conditions:
  - the disposals are due to an increase in credit risk,
  - the disposals occur just before maturity and at a price that reflects the contractual cash flows that are still owed,
  - other disposals may also be compatible with the "hold to collect" model's objectives if they are infrequent (even if their value is significant) or if their value is insignificant when considered both individually and overall (even if they are frequent).

  For Groupe BPCE, the "hold to collect" model applies to financing activities (excluding the loan syndication activity) carried out by Retail Banking, Corporate & Investment Banking and Specialized Financial Services;
- a mixed business model under which assets are managed with the objective of both receiving contractual cash flows and disposing of financial assets ("hold to collect and sell model").

  Groupe BPCE applies the hold to collect and sell model primarily to the portion of portfolio management activities for securities in the liquidity reserve that is not managed solely under a hold to collect model;
- a model intended for other financial assets, especially those held for trading, for which the collection of contractual cash flows is incidental. This business model applies to the loan syndication activity (for the portion of outstandings to be sold that was identified at the outset) and to the capital market activities carried out primarily by Corporate & Investment Banking.

Types of contractual cash flows: the SPPI (Solely Payments of Principal and Interest) test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due. The SPPI test should be performed for each financial asset on initial recognition.

The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.

The instrument's contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubt as to whether only the time value of money and credit risk are represented must therefore be analyzed. For example:

- events that would change the amount and date of the cash flows.

  Any contractual option that creates risk exposure or cash flow volatility that is not consistent with a basic lending arrangement, such as exposure to fluctuations in the price of stocks or of a market index, or the introduction of leverage, would make it impossible to categorize contractual cash flows as SPPI;
- the applicable interest rate features (for example, consistency between the rate refixing period and the interest calculation period).

  If a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset;
- early redemption and extension conditions.

For the borrower or lender, a contractual option permitting prepayment of financial instruments does not violate the SPPI test for contractual cash flows if the prepayment amount mainly represents the unpaid amounts of principal and interest and, if applicable, a reasonable additional compensation for the early termination of the contract.

If a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset.

Furthermore, although they do not strictly meet the criteria for compensation of the time value of money, certain assets with a regulated rate are classified SPPI if this regulated interest rate provides consideration that corresponds substantially to the passage of time and presents no exposure to a risk that would be inconsistent with a basic lending arrangement. This is the case in particular for financial assets representing the portion of Livret A passbook savings account inflows that is centralized with the CDC's savings fund.

Financial assets that generate SPPI are debt instruments such as fixed-rate loans, variable-rate loans without an interest rate tenor mismatch or that are not linked to a security or to a market index, and fixed-rate or variable-rate debt securities.

Non-SPPI financial assets include UCITS units, convertible bonds and mandatory convertible bonds with a fixed conversion ratio and structured loans to local authorities.

To qualify as SPPI assets, the securities held in a securitization vehicle must meet specific conditions. The contractual terms of the tranche must meet the SPPI criteria. The pool of underlying assets must meet the SPPI conditions. The risk inherent in the tranche must be lower than or equal to the exposure to the underlying assets of the tranche.

A non-recourse loan (*e.g.* infrastructure financing-type project financing) is a loan secured only by physical collateral. If there is no possible recourse to the borrower, the structure of other possible recourses or protection mechanisms for the lender in the event of default must be examined in order to categorize these loans as SPPI assets: acquisition of the underlying asset, collateral provided (security deposits, margin call, etc.), enhancements provided.

Accounting categories

Debt instruments (loans, receivables or debt securities) may be valued at amortized cost, at fair value through other comprehensive income recyclable to income or at fair value through profit and loss.

A debt instrument is valued at amortized cost if it meets the following two conditions:

- the asset is held under a business model where the objective is to collect contractual cash flows; and
- the contractual terms of the financial asset define it as SPPI within the meaning of the standard.

A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:

- the asset is held under a business model where the objective is both to collect contractual cash flows and to sell financial assets; and
- the contractual terms of the financial asset define it as SPPI within the meaning of the standard.

Equity instruments are, by default, recorded at fair value through profit or loss unless they qualify for an irrevocable option for valuation at fair value through other comprehensive income not recyclable to income (provided they are not held for trading purposes and accordingly classified as financial assets at fair value through profit or loss), without subsequently being reclassified through profit or loss. If opting for the latter category, dividends continue to be recognized in income.

All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading purposes, financial assets at fair value through profit or loss and non-SPPI assets. Financial assets may only be designated at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch. This option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Embedded derivatives are no longer recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must now be recognized at fair value through profit or loss when it does not meet the SPPI criteria.

For financial liabilities, the classification and measurement rules set out in IAS 39 are carried forward to IFRS 9 unchanged, with the exception of those applicable to financial liabilities that the entity chooses to record at fair value through profit or loss (fair value option), for which revaluation adjustments related to changes in own credit risk are recorded under gains and losses recognized directly in other comprehensive income, without being subsequently reclassified through profit or loss.

The provisions of IAS 39 on the derecognition of financial assets and liabilities remain unchanged in IFRS 9. The amendment to IFRS 9 of October 12, 2017 clarified the treatment under IFRS 9 of modifications of liabilities recognized at amortized cost, if the modification does not result in derecognition: the profit or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate must be recognized in profit or loss.

2.5.2 Foreign currency transactions

The method used to account for assets and liabilities relating to foreign currency transactions entered into by the Group depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the Group entity on whose balance sheet they are recognized, at the exchange rate prevailing at the balance sheet date. All resulting foreign exchange gains and losses are recognized in income, except in two cases:

- only the portion of the foreign exchange gains and losses calculated based on the amortized cost of financial assets at fair value through other comprehensive income is recognized in income, with any additional gains and losses being recognized in "Gains and losses recognized directly in other comprehensive income";
- foreign exchange gains and losses arising on monetary items designated as cash flow hedges or as part of a net investment in a foreign operation are recognized in "Gains and losses recognized directly in other comprehensive income".

Non-monetary assets carried at historical cost are translated using the exchange rate prevailing at the transaction date. Non-monetary assets carried at fair value are translated using the exchange rate in effect at the date on which the fair value was determined. Foreign exchange gains and losses on non-monetary items are recognized in income if gains and losses relating to the items are recorded in income, and in "Gains and losses recognized directly in other comprehensive income" if gains and losses relating to the items are recorded in "Gains and losses recognized directly in other comprehensive income".

Note 3 Consolidation

3.1 CONSOLIDATING ENTITY

Due to the Group's structure as described in Note 1, Groupe BPCE's consolidating entity includes:

- the Banque Populaire banks, namely the 12 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif;
- the 15 Caisses d'Epargne;
- the Caisses du Crédit Maritime Mutuel de Méditerranée, affiliated with BPCE pursuant to Financial Security Law No. 2003-706 of August 1, 2003;
- the *Sociétés de Caution Mutuelle* (SCM or Mutual Guarantee Companies) collectively affiliated with the Banque Populaire banks to which they are linked;
- the Group's central institution, BPCE.

In addition, the Group comprises:

- the subsidiaries of the Banque Populaire banks;
- the subsidiaries of the Caisses d'Epargne, including CE Holding Participations and its subsidiaries;
- the subsidiaries owned by the central institution, including Natixis, Crédit Foncier, Banque Palatine and BPCE International.

3.2 SCOPE OF CONSOLIDATION – CONSOLIDATION AND VALUATION METHODS

The Group's financial statements include the financial statements of all the entities over which it exercises control or significant influence, whose consolidation had a material impact on the aforementioned financial statements.

The scope of entities consolidated by Groupe BPCE is described in Note 14 – Scope of consolidation.

3.2.1 ENTITIES CONTROLLED BY THE GROUP

The subsidiaries controlled by Groupe BPCE are fully consolidated.

Definition of control

Control exists when the Group has the power to govern an entity's relevant activities, when it is exposed to or is entitled to variable returns due to its links with the entity and has the ability to exercise its power over the entity to influence the amount of returns it obtains.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control exercised. These potential voting rights may result, for example, from share call options traded on the market, debt or equity instruments that are convertible into ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account to calculate the percentage of ownership.

Exclusive control is presumed to exist when the Group holds directly or indirectly either the majority of the subsidiary's voting rights, or at least half of an entity's voting rights and a majority within the management bodies, or is in a position to exercise significant influence.

Specific case of structured entities

Entities described as structured entities are those organized in such a way that voting rights are not a key criterion when determining who has control. This is the case in particular when voting rights only apply to administrative duties and relevant activities are managed through contractual agreements.

A structured entity frequently exhibits some or all of the following characteristics:

(a) well-defined activities;

(b) a specific and well-defined aim, for example: implementing a lease eligible for favorable tax treatment, carrying out research and development, providing an entity with a source of capital or funding, or providing investors with investment options by transferring associated risk and advantages to the structured entity's assets;

(c) insufficient equity for the structured entity to finance its activities without subordinated financial support;

(d) financing through the issue, to investors, of multiple instruments inter-related by contract and which create concentrations of credit risk or other credit ("tranches").

The Group therefore uses, among others, collective investment vehicles within the meaning of the French Monetary and Financial Code and equivalent bodies governed by foreign law as structured entities.

Full consolidation method

The full consolidation of a subsidiary in the Group's consolidated financial statements begins at the date on which the Group takes control and ends on the day on which the Group loses control of this entity.

The portion of interest which is not directly or indirectly attributable to the Group corresponds to a non-controlling interest.

Income and all components of other comprehensive income (gains and losses recognized directly in other comprehensive income) are divided between the Group and non-controlling interests. The comprehensive income of subsidiaries is divided between the Group and non-controlling interests, including when this division results in the allocation of a loss to non-controlling interests.

Changes to the percentage of interest in subsidiaries that do not lead to a change in control are recognized as transactions affecting equity.

The effects of these transactions are recognized in other equity at their after-tax amount and therefore do not impact consolidated income attributable to equity holders of the parent.

Exclusion from the scope of consolidation

Non-material controlled entities are excluded from the scope in accordance with the principle set out in Note 13.4.

Employee pension funds and supplementary health insurance plans are excluded from the scope of consolidation insofar as IFRS 10 does not apply to either post-employment benefit funds or other long-term employee benefit plans to which IAS 19, "Employee Benefits", applies.

Likewise, interests acquired with a view to their subsequent short-term disposal are recorded as available for sale and recognized in accordance with the provisions of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

3.2.2 Investments in Associates and Joint Ventures

Definitions

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control or joint control over those policies. It is presumed to exist if the Group holds, directly or indirectly, 20% or more of the voting rights of an entity.

A joint venture is a partnership in which the parties which exercise joint control over the entity have rights over its net assets.

Joint control is the contractually agreed sharing of control over a company, which exists only when the strategic decisions require the unanimous consent of the parties sharing control.

Equity method

Income, assets and liabilities of investments in associates and joint ventures are accounted for in the Group's consolidated financial statements using the equity method.

An investment in an associate or a joint venture is initially recognized at its acquisition cost and subsequently adjusted for the Group share in the income and other comprehensive income of the associate or joint venture.

The equity method is applied from the date on which the entity becomes an associate or a joint venture. On the acquisition of an associate or a joint venture, the difference between the cost of investment and the Group's share in the net fair value of the entity's identifiable assets and liabilities is recognized in goodwill. When the net fair value of the entity's identifiable assets and liabilities is higher than the cost of investment, the difference is recognized in income.

The share of net income of entities accounted for under the equity method is included in the Group's consolidated income.

When a Group entity carries out a transaction with a Group joint venture or associate, the profit or loss resulting from this transaction is recognized in interests held by third parties in the associate or joint venture.

The net investment in an associate or joint venture is subject to impairment testing if there is objective evidence of impairment arising from one or more events occurring after the initial recognition of the net investment and if the events have an impact on estimated cash flows, provided this impact can be reliably calculated.

In such cases, the total carrying amount of the investment (including goodwill) is subject to impairment testing in accordance with the provisions of IAS 36 "Impairment of Assets".

Exception to the equity method

When the investment is held by a venture capital organization, an investment fund, an investment company with variable share capital or a similar entity such as an insurance asset investment fund, the investor may choose not to recognize the investment using the equity method. In this case, revised IAS 28 "Investments in Associates and Joint Ventures" authorizes the investor to recognize the investment at its fair value (with changes in fair value recognized in income) in accordance with IFRS 9.

These investments are therefore recognized as "Financial assets at fair value through profit or loss".

The Natixis Group's private equity subsidiaries have chosen to measure their investment in this way, considering that this valuation method provides more relevant information.

3.2.3 Investments in joint activities

Definition

A joint activity is a partnership where parties that have joint control over an entity have direct rights over the assets, and obligations for liabilities, of this entity.

Accounting treatment of joint activities

An investment in a joint enterprise is accounted for by integrating all interests held in the joint activity, *i.e.* the entitled share in each asset and liability and item of income. These interests are allocated by nature to the various lines of the consolidated balance sheet, consolidated income statement and the statement of net income and gains and losses recognized directly in other comprehensive income.

3.3 CONSOLIDATION RULES

The consolidated financial statements are prepared using uniform accounting policies for reporting similar transactions in comparable circumstances. Where material, consolidation adjustments are made to ensure the consistency of the measurement methods applied by consolidated entities.

3.3.1 Foreign currency translation

The consolidated financial statements are expressed in euros.

Balance sheet items of foreign subsidiaries and branches whose functional currency is not the euro are translated using the exchange rate in force at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, which is the approximate value of the transaction price if there are no significant fluctuations.

Foreign exchange rate adjustments arise from a difference in:

- net income for the period translated at the average rate and at the closing rate;
- equity (excluding net income for the period) translated at the historic exchange rate and at the year-end rate.

The portion attributable to equity holders of the parent is recorded in equity under "Foreign exchange rate adjustments" and the portion attributable to minority shareholders under "Non-controlling interests".

3.3.2 Elimination of intragroup transactions

The impact of intercompany transactions on the consolidated balance sheet and consolidated income statement is eliminated. Dividends, as well as gains and losses on intercompany asset disposals, are also eliminated. Where appropriate, capital losses from asset disposals resulting in impairment are maintained.

3.3.3 Business combinations

In accordance with revised IFRS 3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements":

- combinations between mutual insurers are included within the scope of IFRS 3;
- costs directly linked to business combinations are recognized in net income for the period;
- contingent considerations payable are included in the acquisition cost at their fair value at the date of acquisition of a controlling interest in an entity, even if they are only potential. Depending on the settlement method, transferred considerations are recognized against:
  - capital and later price revisions will not be booked,
  - or debts and later adjustments are recognized against income (financial debts) or according to the appropriate standards (other debts outside the scope of IFRS 9);
- on an entity's acquisition date, non-controlling interests may be valued:
  - either at fair value (method resulting in the allocation of a share of the goodwill to non-controlling interests),
  - or at the share in the fair value of the identifiable assets and liabilities of the entity acquired (method similar to that applicable to transactions prior to December 31, 2009).

The choice between these two methods must be made for each business combination.

Whatever method is chosen when the acquisition is made, increases in the percentage of interest in an entity already controlled are systematically recognized in capital:

- when an entity is acquired, any share previously held by the Group must be revalued at fair value through profit or loss. Consequently, in the event of a step acquisition, goodwill is determined by referring to the fair value at the acquisition date;
- when the Group loses control of a consolidated company, any share previously held by the Group must be revalued at fair value through profit or loss.

All business combinations that occurred prior to the revisions of IFRS 3 and IAS 27 are accounted for by applying the purchase method, except business combinations involving two or more mutual insurers or entities under joint control, as these transactions were explicitly excluded from the scope of application.

3.3.4 Buyback commitments with the minority shareholders of fully-consolidated subsidiaries

The Group has entered into commitments with minority shareholders of certain fully consolidated Group subsidiaries to buy out their shares. These buyback commitments are optional commitments (sales of put options). The exercise price for these options may be an amount fixed contractually, or may be established according to a calculation formula pre-defined upon the acquisition of the subsidiary's securities taking into account its future activity, or may be set as the fair value of the subsidiary's securities on the day on which the options are exercised.

For accounting purposes, these commitments are treated as follows:

- pursuant to the provisions of IAS 32, the Group recognizes a financial liability with respect to the put options sold to minority shareholders in fully-consolidated entities. This liability is initially recognized at the discounted value of the put option exercise price under "Other liabilities";
- the obligation to record a liability even though the put options are not exercised means, for purposes of consistency, that the same accounting treatment as that for transactions related to non-controlling interests must be applied. As a result, the corresponding entry for this liability is deducted from "Non-controlling interests" underlying the options and the balance is deducted from "Retained earnings, attributable to equity holders of the parent";

- subsequent changes in this liability relating to any change in the estimated exercise price of the options and the carrying amount of "Non-controlling interests" are fully booked as "Retained earnings, attributable to equity holders of the parent";
- in the event of a buyback, the liability is settled by the cash payment related to the acquisition of minority shareholders' stakes in the subsidiary in question. However, on maturity of the commitment, if the buyback does not take place, the liability is written off against non-controlling interests and "Retained earnings, attributable to equity holders of the parent" according to their respective amounts;
- as long as the options have not been exercised, results from non-controlling interests subject to put options are included in the consolidated income statement as "Non-controlling interests".

3.3.5 Consolidated entities' balance sheet date

The entities included in the scope of consolidation close their accounts on December 31.

3.4 CHANGES IN SCOPE OF CONSOLIDATION DURING FISCAL YEAR 2018

The main changes in the scope of consolidation during 2018 are presented below:

Merger within the consolidating entity

Establishment of Caisse d'Epargne Grand Est Europe

On June 23, 2018, the Annual General Shareholders' Meetings of Caisses d'Epargne d'Alsace and Lorraine Champagne-Ardenne ratified the merger agreement between the two Caisses, creating the Caisse d'Epargne Grand Est Europe.

This merger between the two entities of the consolidating entity had no material impact on the Group's consolidated financial statements.

Merger of Banque Populaire Aquitaine Centre Atlantique with Caisse de Crédit Maritime Littoral du Sud-Ouest

The merger of Caisse de Crédit Maritime Littoral du Sud-Ouest and Banque Populaire Aquitaine Centre Atlantique was enacted at the Annual General Shareholders' Meeting on May 29, 2018.

This merger had no material impact on the Group's consolidated financial statements.

Changes in the ownership interest in subsidiaries at December 31, 2018 (with no impact on control)

Change in the Group's ownership interest in Natixis

Following a number of transactions in its own shares, the Group's stake in Natixis stood at 70.78% at December 31, 2018 (*versus* 71.02% at December 31, 2017). The impact of this change on equity attributable to equity holders of the parent was not material.

Acquisitions of a controlling interest by Natixis

Finalization of the acquisition of Fenchurch Advisory Partners by Natixis

Natixis has completed the acquisition of Fenchurch Advisory Partners ("Fenchurch"), a specialist corporate finance advisory firm exclusively focused on the financial services sector.

Natixis owns 51% of the capital of Fenchurch, exercises control over it within the meaning of IFRS 10, and fully consolidates this entity.

This transaction generated goodwill of €37 million as at December 31, 2018, as determined using the partial goodwill method. Natixis also committed to buy out minority shareholders' shares for €28 million.

Acquisition of Vermilion Partners by Natixis

Natixis also completed the acquisition of the Vermilion Partners group, a specialist in cross-border transactions involving China and in advising on both inbound and outbound M&A transactions.

Natixis holds a 51% stake in Vermilion Partners. Natixis exercises control over this group within the meaning of IFRS 10 and fully consolidates it.

This transaction generated goodwill of €11 million as at December 31, 2018, as determined using the partial goodwill method. Natixis also committed to buy out minority shareholders' shares for €15 million.

Acquisition of Alter CE (Comitéo) by Natixis

Furthermore, Natixis completed the acquisition of Alter CE (Comiteo), a company specializing in online services for works councils. Natixis holds a 70% stake in Alter CE, exercises control over it within the meaning of IFRS 10, and fully consolidates this entity.

This transaction generated goodwill of €20 million as at December 31, 2018, as determined using the partial goodwill method. Natixis also holds put options on minority interests in the amount of €9 million.

Acquisition of MV Crédit France by Natixis

Lastly, Natixis completed the acquisition of MV Crédit, a European credit specialist focused on private debt. MV Credit became a new affiliate of Natixis Investment Managers, providing investors with access to a wide range of expertise in private equity, private debt, real estate and infrastructure. Natixis owns 100% of the capital of MV Crédit, exercises control over it within the meaning of IFRS 10, and fully consolidates this entity. This transaction generated goodwill of €123 million as at December 31, 2018.

Other changes in scope

Newly consolidated entities

The following entities were newly consolidated during fiscal year 2018:

FIRST QUARTER OF 2018

- SAS Garibaldi Participations, under Banque Populaire Rhône Alpes;
- SAS Sirra (Société immobilière de la région Rhône Alpes), under Banque Populaire Rhône Alpes;
- SCI Marcel Paul Ecureuil, SCI Noyelles and SCI Lavoisier Ecureuil.

SECOND QUARTER OF 2018

- SCI Loire Centre Montespan, under Caisse d'Epargne Loire-Centre.

THIRD QUARTER OF 2018

- CEPAC Foncière, under Caisse d'Epargne Provence-Alpes-Corse;
- SAS NSAVADE, under Caisse d'Epargne Hauts de France;
- SCI Avenue Willy Brandt under Caisse d'Epargne Hauts de France;
- SA Baltiq under BRED;
- NAXICAP RENDEMENT 2024.

FOURTH QUARTER OF 2018

- BDR Immo 1, under Caisse d'Epargne Bourgogne Franche-Comté.

Deconsolidated entities

LOSSES OF SIGNIFICANT INFLUENCE

- The Group lost significant influence over ACLEDA MFI Myanmar Co., Ltd, following the disposal of part of its equity interest in Q2 2018;
- The Group lost significant influence over DocOne, a printing subsidiary, and its parent company Nefer following the disposal of some of its shares in Q3 2018.

OTHER DECONSOLIDATED ENTITIES IN 2018

- Parnasse Nelson and Codéis.

Mergers and full transfers of assets and liabilities

In the fourth quarter of 2018, BPCE Maroc Immobilier was absorbed by BPCE Maroc in a total transfer of assets and liabilities with retroactive effect from January 1, 2018.

On April 24, 2018, ECUFONCIER was absorbed by BPCE SA group in a total transfer of assets and liabilities.

In the second quarter of 2018, Société Méditerranéenne d'Investissement was absorbed by Banque Populaire de Méditerranée.

3.5 GOODWILL

3.5.1 Value of goodwill

Goodwill related to operations for the financial year is described in respect of Note 3.4 on "Changes in scope of consolidation".

in millions of euros	Fiscal year 2018	Fiscal year 2017
Opening net value	**4,304**	**4,397**
Acquisitions*	190	194
Disposals	(27)	
Impairment	(16)	(85)
Reclassifications and other changes	(28)	
Foreign exchange rate adjustments	66	(202)
CLOSING NET VALUE	**4,489**	**4,304**

* *The main acquisitions during the period that led to the recognition of goodwill by Natixis are as follows: Fenchurch Partners +€37 million and Vermilion Partners +€11 million for Corporate & Investment Banking; Alter CE (Comiteo) +€20 million for Retail Banking and Insurance; MV Crédit +€123 million for Asset & Wealth Management.*

At December 31, 2018, gross goodwill stood at €5,026 million and total impairment came to -€537 million.

Certain goodwill items recognized in the United States give rise to tax amortization over 15 years leading to a difference between the carrying amount of the goodwill and its tax base. This difference in treatment generated a deferred tax liability of €336 million at December 31, 2018, compared with €311 million at December 31, 2017 (see Note 11.2).

Breakdown of goodwill

	Carrying amount	
in millions of euros	31/12/2018	01/01/2018
Regional Banks(1)	633	633
Banque BCP (France)	42	42
Other	8	8
Retail Banking	**683**	**683**
BPCE International(2)	6	27
Fidor AG	82	82
Crédit Foncier		13
Other		3
Other networks	**88**	**125**
Specialized Financial Services	**148**	**132**
Insurance	**39**	**39**
Equity Interests (Coface)	**281**	**281**
Retail Banking and Insurance	**1,239**	**1,260**
Asset and Wealth Management	**3,121**	**2,967**
Corporate and Investment Banking	**129**	**77**
TOTAL GOODWILL	**4,489**	**4,304**

(1) *Regional banks: Banque de Savoie, Banque Dupuy, de Parseval, Banque Marze, goodwill carried by Banque Populaire Aquitaine Centre Atlantique (transfer of CCSO – Pelletier's goodwill to Banque Populaire Aquitaine Centre Atlantique after their merger) and goodwill carried by Banque Populaire Méditerranée (transfer of Banque Chaix's goodwill after their merger).*

(2) *With the application of IFRS 5, goodwill on Banque Malgache de l'Océan Indien is classified as "Non-current assets held for sale" (see Note 5.7).*

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3.5.2 Impairment tests

All items of goodwill are impaired, based on the value in use of the cash-generating units (CGUs) to which they have been allocated. For the Coface CGU, a listed entity since June 2014, which is not one of Natixis' core businesses and which is managed on an asset basis, as in previous years, value in use was supplemented by other approaches using market data including market multiples, stock market prices and brokers' target prices. An average valuation was determined by weighting the different approaches, with the respective weighting of each approach unchanged compared with the previous fiscal year.

At December 31, 2018, as in 2017, the CGUs are the same as the divisions in Natixis' "New Dimension" strategic plan, *i.e.* "Asset & Wealth Management", "Corporate & Investment Banking", "Insurance" and "Specialized Financial Services". At December 31, 2018, the Regional banks CGU was equal to the sum of the CGUs of the following banks: BP Aquitaine Centre Atlantique, Banque Dupuy, de Perseval, Banque Marze, UGT Retail Groupe Banque Populaire Auvergne Rhône Alpes and Banque Populaire Méditerranée.

Key assumptions used to determine recoverable value

Value in use was primarily determined based on the estimated present value of the CGU's future cash flows (*i.e.* the Discounted Cash Flows (DCF) method) under medium-term plans drawn up for the purposes of the Group's budget process.

The following assumptions were used:

	Discount rate	Long-term growth rate
Retail Banking and Insurance		
Regional banks	7.5% - 7.75%	2.0%
Specialized Financial Services	11.2%	2.5%
Insurance	10.2%	2.5%
Equity interests (Coface)	9.3%	2.5%
Asset & Wealth Management	**8.7%**	**2.5%**
Corporate & Investment Banking	**10.6%**	**2.5%**

The discount rates were determined by factoring in the following:

- for the Asset & Wealth Management, Corporate & Investment Banking, Insurance and Specialized Financial Services CGUs, the risk-free interest rate of the Euro-Bund zone, averaged over a depth of 10 years, plus a risk premium calculated according to a representative sample of companies from the CGU;
- for the Coface CGU, the benchmark interest rates used were determined according to a similar method as applied to the other CGUs, using samples of equivalent companies for insurance, services and factoring activities;
- for the Banque Populaire Regional Banks CGU, a risk-free rate (10-year OAT) over a depth of seven years, plus a risk premium calculated based on a sample of listed European banks with a similar banking business, while factoring in the specific characteristics of these institutions.

The impairment tests performed at the level of each CGU led to the recognition of impairment on Crédit Foncier Immobilier (a Crédit Foncier subsidiary) in the amount of -€13 million, and impairment on Ariès Assurances (a Banque Palatine subsidiary) for -€3 million at December 31, 2018.

Sensitivity of recoverable values

A 30 bp increase in discount rates (assumption based on the historical annual variability observed over one year using 2012-2018 historical data) combined with a 50 bp reduction in perpetual growth rates would reduce the value in use of CGUs by:

- -9.7% for the Asset & Wealth Management CGU;
- -5.0% for the Corporate & Investment Banking CGU;
- -7.6% for the Insurance CGU;
- -5.3% for the Specialized Financial Services CGU;
- -4.8% for the Coface CGU;
- -7.2% for the Regional Banks CGU.

These variations would lead to the recognition of additional impairment on the Regional Banks CGU (€3 million).

Similarly, the sensitivity of these CGUs' future cash flows, as forecast in the business plan, to changes in the main assumptions would not significantly affect their recoverable value:

- for Asset & Wealth Management, a 10% decline in the equity markets (a uniform decline across all years) would have a 5% negative impact on the CGU's recoverable value and would not lead to the recognition of impairment;
- for Corporate & Investment Banking, sensitivity to the dollar or to changes in the CAC 40 would have a limited impact on net banking income and would not result in recognition of impairment;
- for Insurance, the main vector of sensitivity for life insurance is interest rates but various steps are being taken to reduce their impact (diversification of investments, reserves, etc.). Accordingly, the impact on the income statement is limited and would not significantly impact the CGU's value.

  For non-life insurance, the main vector of sensitivity is the loss ratio, which is notably measured *via* the combined ratio. Natixis' strategic plan, New Dimension, sets this ratio at below 94%. A one-point deterioration in this ratio each year from 2018 in relation to the assumptions used to value the CGU would lead to a limited fall of 4% in this value, with no impact on impairment;

- for Specialized Financial Services, a one-point increase in the 3-month Euribor applied to the factoring business and the replication of a 2008/2009-type crisis (decline in new business and increase in cost of risk) in the leasing business would have a negative impact of 4% on the CGU's recoverable value and would have no impact in terms of impairment;
- for Coface, the primary sensitivity vector is the loss ratio. The projected level of this ratio is around 45% (net of reinsurance) for 2018. A one-point increase in the loss ratio, relative to the assumptions used for the DCF calculation over all years from 2018, would impact the average multi-criteria value by around 4% and would not lead to the recognition of impairment on the CGU. Furthermore, a valuation at the lowest price in 2018 would lead to a very limited impact on the weighted average valuation for the various methods (less than 1%);
- for the Regional Banks, the sensitivity of future cash flows, as forecast in the business plan, to a 5%-point fall in normative net income combined with an increase in the target prudential ratio of 50 basis points would have a negative impact on the CGU's value of 6.1% and would lead to the recognition of an impairment loss on the CGU of around €2 million.

Note 4 Notes to the income statement

Highlights

Net Banking Income (NBI) includes:

- interest income and expenses;
- fees and commissions;
- net gains or losses on financial instruments at fair value through profit or loss;
- net gains or losses on financial instruments at fair value through other comprehensive income;
- net gains or losses resulting from the derecognition of financial assets at amortized cost;
- net income from insurance businesses;
- income and expenses from other activities.

4.1 INTEREST AND SIMILAR INCOME AND EXPENSES

Accounting principles

Interest income and expenses are recognized in the income statement for all financial instruments measured at amortized cost using the Effective Interest Method, which include interbank and customer items, the portfolio of securities at amortized cost, debt securities and subordinated debt. This item also includes interest receivable on fixed-income securities classified as financial assets at fair value through other comprehensive income and hedging derivatives, it being specified that accrued interest on cash flow hedging derivatives is taken to income in the same manner and period as the accrued interest on the hedged item.

Interest income also consists of interest on non-SPPI debt instruments not held under a trading model as well as interest on the related economic hedges (classified by default as instruments at fair value through profit or loss).

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The effective interest rate calculation takes account of all transaction fees paid or received as well as premiums and discounts. Transaction fees paid or received that are an integral part of the effective interest rate of the contract, such as loan set-up fees and commissions paid to financial partners, are treated as additional interest.

The Group has chosen the following option to account for negative interest:

- when income from a financial asset debt instrument is negative, it is deducted from interest income in the income statement;
- when income on a financial liability debt instrument is positive, it is deducted from interest expenses in the income statement.

	Fiscal year 2018		
in millions of euros	**Income**	**Expense**	**Net**
Loans/borrowings due from credit institutions[1]	1,107	(642)	465
Loans/borrowings due from customers	15,568	(4,577)	10,991
Bonds and other debt securities held/issued	1,049	(4,086)	(3,037)
Subordinated debt		(679)	(679)
Financial assets and liabilities at amortized cost (excluding finance leases)	**17,724**	**(9,984)**	**7,740**
Finance leases	**492**	**(4)**	**488**
Debt securities	547		547
Financial assets at fair value through other comprehensive income	**547**		**547**
TOTAL FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST AND AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME[2]	**18,763**	**(9,988)**	**8,775**
Non standard financial assets not held for trading	**158**		**158**
Hedging derivatives	**4,208**	**(4,623)**	**(415)**
Economic hedging derivatives	**352**	**(229)**	**123**
TOTAL INTEREST INCOME AND EXPENSES	**23,481**	**(14,840)**	**8,641**

(1) *Interest income from loans and receivables with credit institutions consists of €720 million in income (€707 million in 2017) collected on the Livret A, LDD and LEP passbook savings accounts, which are deposited with Caisse des Dépôts et Consignations.*

(2) *Interest income from financial assets with a known credit risk (S3) amounted to €514 million in 2018 including €513 million recognized as financial assets at amortized cost.*

Figures for 2017 under IAS 39

	Fiscal year 2017		
in millions of euros	**Income**	**Expense**	**Net**
Loans and receivables due from customers	17,007	(5,505)	11,502
Loans and receivables due from credit institutions	1,378	(809)	569
Finance leases	495	///	495
Debt securities and subordinated debt	///	(4,420)	(4,420)
Hedging derivatives	4,877	(4,948)	(71)
Available-for-sale financial assets	1,832	///	1,832
Held-to-maturity financial assets	269	///	269
Impaired financial assets	71	///	71
Other interest income and expenses	12	(27)	(15)
TOTAL INTEREST INCOME AND EXPENSES*	**25,941**	**(15,709)**	**10,232**

* *Of which a net margin of €1,451 million in 2017 for insurance activities, for which the related income is now presented as "Net income from insurance activities".*

4.2 FEE AND COMMISSION INCOME AND EXPENSES

Accounting principles

Fees and commissions are recorded based on the type of service rendered and on the method of accounting for the financial instrument to which the service relates.

This line includes mainly fees and commissions receivable or payable on recurring services (payment processing, custody fees, etc.) and occasional services (fund transfers, payment penalties, etc.), fees and commissions receivable or payable on execution of significant transactions, and fees and commissions receivable or payable on trust assets held or managed on behalf of the Group's customers.

However, fees and commissions that form an integral part of the effective yield on a contract are recorded under "Net interest income".

Commissions on services

Commissions on services are analyzed to separately identify their different items (or performance obligations) and to assign the appropriate share of revenues to each item. Each item is then recorded in the income statement by type of service provided, and according to the method used to recognize the associated financial instrument:

- commissions payable or receivable on recurring services are deferred over the period in which the service is provided (payment processing, custody fees, etc.);
- commissions payable or receivable on occasional services are recognized in full in income when the service is provided (fund transfers, payment penalties, etc.);
- commissions payable or receivable on execution of a significant transaction are recognized in full in income on completion of the transaction.

When there is some uncertainty about the amount of a commission (incentive fee in asset management, variable financial engineering commission, etc.), only the amount that the Group is already certain to receive, given the information available at the end of the fiscal year, is recognized.

Fees and commissions that form an integral part of the effective yield on an instrument, such as fees on loan commitments given or loan set-up fees, are recognized and amortized as an adjustment to the effective interest rate over the estimated term of the applicable loan. These fees and commissions are recognized as "Interest income" rather than "Fee and commission income".

Fiduciary and similar fees and commissions are those that result in assets being held or invested on behalf of individual customers, pension schemes or other institutions. Trust-management services mainly cover asset management business and custody services on behalf of third parties.

	Fiscal year 2018			Fiscal year 2017		
in millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Cash and interbank transactions	19	(47)	(28)	22	(57)	(35)
Customer transactions	3,173	(39)	3,134	3,294	(22)	3,272
Financial services	670	(721)	(52)	662	(751)	(89)
Sales of life insurance products	1,237	///	1,237	1,220	///	1,220
Payment services	1,660	(543)	1,116	1,570	(546)	1,024
Securities transactions	216	(181)	35	326	(188)	138
Trust management services*	3,976	(5)	3,971	3,606	(8)	3,598
Financial instruments and off-balance sheet transactions	475	(109)	366	455	(156)	299
Other fee and commission income/(expense)	266	(477)	(212)	433	(409)	24
TOTAL FEE AND COMMISSION INCOME AND EXPENSES	**11,691**	**(2,123)**	**9,568**	**11,588**	**(2,137)**	**9,451**

* *Of which performance fees in the amount of €426 million (of which €420 million for Europe) in 2018, versus €287 million (of which €266 million for Europe) in 2017.*

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4.3 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

This item includes gains and losses (including the related interest) on financial assets and liabilities classified as held for trading or designated at fair value through profit or loss.

"Gains and losses on hedging transactions" include gains and losses arising from the revaluation of derivatives used as fair value hedges, as well as gains and losses from the revaluation of the hedged item in the same manner, the revaluation at fair value of the macro-hedged portfolio and the ineffective portion of cash flow hedges.

in millions of euros	**Fiscal year 2018**
Gains and losses on financial instruments mandatorily recognized at fair value through profit or loss(1)	**676**
Gains and losses on financial instruments designated at fair value through profit or loss	**1,382**
– Gains and losses on financial assets designated at fair value through profit or loss	20
– Gains and losses on financial liabilities designated at fair value through profit or loss	1,362
Gains and losses on hedging transactions(2)	**(175)**
– Ineffective portion of cash flow hedges (CFH)	18
– Ineffective portion of fair value hedges (FVH)	(193)
Changes in fair value of fair value hedges	*181*
Changes in fair value of hedged items	*(374)*
Gains and losses on foreign exchange transactions	**314**
TOTAL NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,197**

(1) *In 2018, "Gains and losses on financial instruments mandatorily recognized at fair value through profit or loss" included:*

- *impairment on the fair value of CDS entered into with monolines: a €40 million reduction in outstanding impairment was recorded in 2018, taking total outstanding impairment at December 31, 2018 to €23 million;*
- *the change in the fair value of derivatives, in the amount of -€30 million, due to the difference in impairment for counterparty risk (Credit Valuation Adjustment – CVA), in the amount of +€30 million due to the consideration of non-performance risk in the valuation of derivative financial liabilities (Debit Valuation Adjustment – DVA), and in the amount of -€32 million due to the inclusion of an adjustment for funding costs (Funding Valuation Ajustment – FVA);*
- *over 2018, a net expense of €86 million was recorded for the portfolio of products in Asia referred to in the key events. The additional reserves set aside for this portfolio amounted to €173 million, at December 31, 2018.*

(2) *"Gains and losses on hedging transactions" consist mainly of gains and losses recorded in the event of over-hedging in interest rate macro-hedging transactions, for -€149 million at December 31, 2018, in light of the partial declassification of hedging relationships or due to the measured ineffectiveness. This over-hedging is caused mainly by the significant renegotiations or prepayments of loans observed in the current low interest rate environment.*

Figures for 2017 under IAS 39

in millions of euros	**Fiscal year 2017**
Gains and losses on financial instruments held for trading*	2,751
Gains and losses on financial instruments designated at fair value through profit or loss	531
Gains and losses on hedging transactions	(187)
– Ineffective portion of fair value hedges	(197)
– Ineffective portion of cash flow hedges	10
Gains and losses on foreign exchange transactions	82
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**3,177**

* *In 2017, "Gains and losses on financial instruments held for trading" included:*

- *impairment taken against the fair value of CDS entered into with monoline insurers (see Note 10), which led to a decrease of €7 million (excluding foreign exchange effect) in cumulative impairment in 2017, bringing cumulative impairment to €63 million at December 31, 2017;*
- *a reversal of the full portfolio-based provision recorded on exposures in respect of CDPCs (Credit Derivative Product Companies) was recorded in 2017 in the amount of €1 million;*
- *the +€95 million change in the fair value of derivatives due to the difference in impairments for counterparty risk (Credit Valuation Adjustment – CVA), in the amount of -€55 million due to the consideration of non-performance risk in the valuation of derivative financial liabilities (Debit Valuation Adjustment – DVA), and in the amount of +€25 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA).*

Day one profit

in millions of euros	Fiscal year 2018	Fiscal year 2017
Day one profit at the start of the year	77	74
Deferred profit on new transactions	104	100
Profit recognized in income during the year	(94)	(97)
DAY ONE PROFIT AT YEAR-END	**87**	**77**

4.4 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Financial assets at fair value through other comprehensive income include:

- SPPI debt instruments managed under a hold to collect and sell business model at fair value through other comprehensive income recyclable to income. If they are sold, changes in fair value are taken to income;
- equity instruments at fair value through other comprehensive income not recyclable to income. In the event of disposal, changes in fair value are not transferred to income but are taken directly to retained earnings. Only dividends affect income when they correspond to a return on investment.

Gains and losses on SPPI debt instruments managed under a hold to collect and sell business model at fair value through other comprehensive income recyclable to income include:

- income and expenses recognized in net interest income;
- net gains or losses on debt financial assets at fair value through other comprehensive income;
- impairment recognized in cost of risk;
- gains and losses recorded directly in other comprehensive income.

in millions of euros	Fiscal year 2018
Net gains or losses on debt securities	20
Net gains or losses on equity instruments (dividends)	119
TOTAL GAINS OR LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**139**

Figures for 2017 under IAS 39

in millions of euros	Fiscal year 2017
Gains or losses on disposal	607
Dividends received	257
Permanent impairment of variable-income securities	(61)
TOTAL NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS*	**803**

* *O/w €334 million for the insurance businesses (€255 million of which attributable to net gains on the disposal of insurance investments).*

4.5 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT AMORTIZED COST

Accounting principles

This item includes net gains or losses on financial assets at amortized cost arising from the derecognition of financial assets at amortized cost (loans and receivables, debt securities) and financial liabilities at amortized cost.

	Fiscal year 2018		
in millions of euros	**Gains**	**Losses**	**Net**
Loans or receivables due from credit institutions	26	(17)	9
Loans or receivables due from customers	32		31
Debt securities	2		1
Gains and losses on financial assets at amortized cost	**59**	**(18)**	**41**
Amounts due to credit institutions		(10)	(10)
Debt securities	9	(3)	6
Gains and losses on financial liabilities at amortized cost	**9**	**(13)**	**(4)**
TOTAL GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT AMORTIZED COST	**69**	**(31)**	**38**

4.6 INCOME AND EXPENSES FROM OTHER ACTIVITIES

Accounting principles

Income and expenses from other activities mainly include:

- income and expenses on investment property (rental income and expense, gains and losses on disposals, depreciation, amortization and impairment);
- income and expenses on operating leases;
- income and expenses on real estate development activities (revenues, purchases used).

	Fiscal year 2018		
in millions of euros	**Income**	**Expense**	**Net**
Income and expenses from real estate activities	6	(1)	5
Income and expenses from leasing transactions	470	(428)	43
Income and expenses from investment property	135	(82)	53
Share of joint ventures	*18*	*(9)*	*9*
Transfers of expenses and income	*11*	*(6)*	*5*
Other operating income and expenses	*500*	*(478)*	*22*
Net additions to/reversals from provisions to other operating income and expenses	*187*		*187*
Other income and expenses	717	(493)	223
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**1,328**	**(1,004)**	**324**

Income and expenses from insurance businesses are presented in Note 9.

Figures for 2017 under IAS 39

	Fiscal year 2017		
in millions of euros	**Income**	**Expense**	**Net**
Income and expenses from insurance activities	11,536	(11,784)	(248)
Income and expenses from real estate activities	2		2
Income and expenses from leasing transactions	346	(339)	7
Income and expenses from investment property	213	(105)	108
Share of joint ventures	*7*	*(7)*	
Transfers of expenses and income	*18*	*(7)*	*11*
Other operating income and expenses	*598*	*(362)*	*236*
Net additions to/reversals from provisions to other operating income and expenses		*(59)*	*(59)*
Other banking income and expenses	623	(435)	188
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**12,720**	**(12,663)**	**57**

4.7 OPERATING EXPENSES

Accounting principles

Operating expenses include mainly payroll costs (wages and salaries net of rebilled amounts), social security charges, and employee benefit expenses such as pension costs. Operating expenses also include the full amount of administrative expenses and external service costs.

Contributions to banking resolution mechanisms

The procedure for financing the deposit and resolution guarantee fund was changed by a Ministerial Order dated October 27, 2015. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund by the Group for deposit, collateral and securities guarantee mechanisms amount to €983 million. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) represent €239 million. Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet total €743 million.

Directive 2014/59/EU (BRRD – Bank Recovery and Resolution Directive), which establishes the framework for the recovery and resolution of banks and investment firms, and European Regulation 806/2014 (SRM Regulation) established the introduction of a resolution fund as of 2015. In 2016, this fund became a Single Resolution Fund (SRF) between the Member States participating in the Single Supervisory Mechanism (SSM). The SRF is a resolution financing mechanism available to the resolution authority (Single Resolution Board), which may use this fund when implementing resolution procedures.

In accordance with Delegated Regulation 2015/63 and Implementing Regulation 2015/81 supplementing BRRD on *ex-ante* contributions to bank resolution financing mechanisms, the Single Resolution Board set the level of contributions to the Single Resolution Fund for 2018. The amount of contributions paid by the Group for the fiscal year totaled €400 million, of which €340 million recognized as an expense and €60 million in cash security deposits recognized as assets on the balance sheet (15% of funds in cash security deposits). The cumulative amount of contributions recognized as assets on the balance sheet totaled €194 million at December 31, 2018.

in millions of euros	**Fiscal year 2018**	**Fiscal year 2017**
Payroll costs	**(10,629)**	**(10,327)**
Taxes other than on income*	(895)	(861)
External services and other operating expenses	(5,258)	(5,060)
Other administrative costs	**(6,154)**	**(5,921)**
TOTAL OPERATING EXPENSES	**(16,783)**	**(16,248)**

* *Taxes other than on income included, in particular, the contribution to the SRF (Single Resolution Fund) for an annual amount of €340 million (versus €273 million in 2017) and the systemic risk tax for an annual amount of €60 million (versus €86 million in 2017).*

The breakdown of payroll costs is provided in Note 8.1.

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4.8 GAINS OR LOSSES ON OTHER ASSETS

Accounting principles

This item includes gains and losses on disposals of property, plant and equipment and intangible assets, as well as gains and losses on disposals of consolidated investments in associates.

in millions of euros	Fiscal year 2018	Fiscal year 2017
Gains or losses on disposals of property, plant and equipment and intangible assets used in operations	13	87
Gains or losses on disposals of consolidated investments	2	1
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**15**	**88**

In 2018, gains or losses on disposals of consolidated investments mostly related to Axeltis and Selection 1818 (+€42 million). This gain was partially offset by the provision recorded for the disposal of BPCE International's African subsidiaries (see Note 1.3).

In 2017, gains or losses on disposals of property, plant and equipment and intangible assets mainly included the €84 million capital gain on the sale of the Parc Avenue building.

Gains or losses on disposals of consolidated investments primarily concerned the disposal by Natixis of Ellisphère and IJCOF (+€22 million), the two Caspian private equity companies (+€10 million) and the liquidation of Nexgen Financial Holding (+€18 million). These gains were offset by the -€37 million provision recorded ahead of the disposal of Banco Primus and Banque des Mascareignes.

Note 5 Notes to the balance sheet

5.1 CASH AND AMOUNTS DUE FROM CENTRAL BANKS

Accounting principles

This item mainly includes cash and assets held with the central bank at amortized cost.

in millions of euros	12/31/2018	01/01/2018
Cash	2,667	2,712
Amount due from central banks	73,791	91,985
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**76,458**	**94,697**

5.2 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

Financial assets and liabilities at fair value through profit or loss comprise instruments held for trading, including derivatives; certain assets and liabilities that the Group chose to recognize at fair value at their date of acquisition or issue using the fair value option available under IFRS 9; and non-SPPI assets.

Date of recognition

Securities are recorded in the balance sheet on the settlement/delivery date.

Temporary transfers of securities are also recorded on the settlement/delivery date.

When such transactions are recorded under "Assets and liabilities at fair value through profit or loss", the commitment is recorded as an interest rate derivative.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, expect in special cases.

5.2.1 Financial assets at fair value through profit or loss

Accounting principles

Financial assets at fair value through profit or loss are:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the near term;
- financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IFRS 9. The qualifying criteria used when applying this option are described above;
- non-SPPI debt instruments;
- equity instruments measured by default at fair value through profit or loss (which are not held for trading purposes).

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, and gains or losses on disposals on these instruments are recognized in "Net gains or losses on financial instruments at fair value through profit or loss", with the exception of non-SPPI debt financial assets whose interest is recorded in "Interest income".

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments contracted by the Group to manage its risk exposure.

Assets designated at fair value through profit or loss

IFRS 9 allows entities to designate financial assets at fair value through profit or loss on initial recognition. However, an entity's decision to do so may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

This option may only be applied to eliminate or significantly reduce an accounting mismatch. Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments contracted by the Group to manage its risk exposure.

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in millions of euros	12/31/2018 – Financial assets mandatorily recognized at fair value through profit or loss – Financial assets considered part of a trading activity	12/31/2018 – Financial assets mandatorily recognized at fair value through profit or loss – Other financial assets mandatorily recognized at fair value through profit or loss[(2)(3)]	12/31/2018 – Financial assets designated at fair value through profit or loss[(1)]	12/31/2018 – Total	01/01/2018 – Financial assets mandatorily recognized at fair value through profit or loss – Financial assets considered part of a trading activity	01/01/2018 – Financial assets mandatorily recognized at fair value through profit or loss – Other financial assets mandatorily recognized at fair value through profit or loss[(2)(3)]	01/01/2018 – Financial assets designated at fair value through profit or loss[(1)]	01/01/2018 – Total
Treasury bills and equivalent	6,518			6,518	10,963		5	10,968
Bonds and other debt securities	9,014	6,790		15,804	9,600	6,091	4	15,695
Debt securities	**15,532**	**6,790**		**22,322**	**20,563**	**6,091**	**9**	**26,663**
Loans to credit institutions excluding repurchase agreements	131	74	2	207	186			186
Customer loans excluding repurchase agreements	3,874	3,509		7,383	4,317	4,045	12	8,374
Repurchase agreements[(4)]	83,115			83,115	81,832			81,832
Loans	**87,121**	**3,583**	**2**	**90,705**	**86,335**	**4,045**	**12**	**90,392**
Equity instruments	**23,877**	**1,836**	**///**	**25,713**	**30,977**	**2,218**	**///**	**33,195**
Trading derivatives[(4)]	**45,867**	**///**	**///**	**45,867**	**46,970**	**///**	**///**	**46,970**
Security deposits paid	**15,909**	**///**	**///**	**15,909**	**15,276**	**///**	**///**	**15,276**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**188,305**	**12,209**	**2**	**200,516**	**200,121**	**12,354**	**21**	**212,496**

(1) *Only in case of an accounting mismatch*

(2) *Consisting of non-SPPI assets that fall outside the scope of a trading activity including units of UCITS and private equity investment funds presented in bonds and other debt securities (€5,360 million at December 31, 2018). Loans to customers include, among others, certain contracts for structured loans to local authorities. This category also includes equity instruments the Group decided not to recognize through other comprehensive income for a total of €1,836 million at December 31, 2018.*

(3) *The criteria for categorizing financial assets at fair value through profit or loss if they do not meet the SPPI criteria used by Groupe BPCE are provided in Note 2.5.1.*

(4) *Furthermore, this information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.18.1).*

5.2.2 Financial liabilities at fair value through profit or loss

Accounting principles

These are financial liabilities held for trading or classified in this category on a voluntary basis at initial recognition using the fair value option available under IFRS 9. The trading book includes liabilities arising from short-selling transactions, repurchase agreements and derivative instruments. The qualifying criteria used when applying this option are described above.

These liabilities are measured at fair value at the date of initial recognition and at each balance sheet date.

Fair-value fluctuations over the period, interest, and gains or losses related to these instruments are booked as "Net gains or losses on financial instruments at fair value through profit or loss," except for fair-value fluctuations attributable to the change in own credit risk for financial liabilities at fair value through profit or loss, which have been booked, since January 1, 2016, in "Revaluation of own credit risk of financial liabilities designated at fair value through profit or loss" within "Gains and losses recognized directly in equity." If the liability is derecognized before its maturity (early redemption, for example), fair value gains or losses attributable to own credit risk are directly transferred to retained earnings.

Financial liabilities designated at fair value through profit or loss

IFRS 9 allows entities to designate financial liabilities at fair value through profit or loss on initial recognition. However, an entity's decision to do so may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

In practice, this option may be applied only under the specific circumstances described below:

Elimination of or significant reduction in an accounting mismatch

Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Harmonization of accounting treatment for performance management and measurement

The option applies for liabilities managed and measured at fair value, provided that such management is based on a formally documented risk management policy or investment strategy, and that internal monitoring also relies on a fair value measurement.

Hybrid financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid (combined) instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied to a financial liability when the embedded derivative substantially modifies the cash flows of the host contract and when the separate recognition of the embedded derivative is not specifically prohibited by IFRS 9 (*e.g.* an early redemption option at cost embedded in a debt instrument). The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

This accounting treatment applies in particular to some structured debt issues containing material embedded derivatives.

Financial liabilities in the trading book include liabilities arising from short-selling transactions, repurchase agreements and derivative instruments.

	12/31/2018			01/01/2018		
in millions of euros	Financial liabilities issued for trading	Financial liabilities designated at fair value	Total	Financial liabilities issued for trading	Financial liabilities designated at fair value	Total
Short sales	21,167	///	21,167	26,644	///	26,644
Trading derivatives*	46,614	///	46,614	47,490	///	47,490
Interbank term accounts and loans		73	73	41	93	134
Customer term accounts and loans	2	125	126	2	11	12
Non-subordinated debt securities	301	24,176	24,476	303	22,690	22,993
Subordinated debt	///	100	100	///	103	103
Repurchase agreements*	90,170	///	90,170	98,140	///	98,140
Guarantee deposits received	7,717	///	7,717	8,031	///	8,031
Other	///	4,423	4,423	///	3,390	3,390
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**165,970**	**28,897**	**194,867**	**180,651**	**26,287**	**206,938**

* *This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.18.2).*

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These liabilities are measured at fair value on the reporting date with changes in value, including coupon, recorded in the "Net gains or losses on financial instruments at fair value through profit or loss" line on the income statement, with the exception of changes in fair value attributable to own credit risk associated with financial liabilities designated at fair value through profit or loss, which are recognized in "Revaluation of own credit risk on financial liabilities recognized at fair value through profit or loss" due to application of IFRS 9.

Conditions for designating financial liabilities at fair value through profit or loss

Financial liabilities are designated at fair value through profit or loss when this choice provides more pertinent information or when the instruments incorporate one or more significant and separable embedded derivatives.

The use of the fair value option is considered to provide more pertinent information in two situations:

- where there is an accounting mismatch between economically linked assets and liabilities. In particular, the fair value option is used when hedge accounting conditions are not met: in such cases, changes in the fair value of the hedged item automatically offset changes in the fair value of the economic hedging derivative;
- where a portfolio of financial liabilities is managed and recognized at fair value as part of a documented liability management policy.

At Group level, financial liabilities designated at fair value through profit or loss are mostly held by Natixis. They mostly comprise issues originated and structured for customers and for which the risks and hedges are managed collectively. These issues include significant embedded derivatives for which changes in value are neutralized by those of the derivative instruments hedging them.

Financial liabilities accounted for under the fair value option, excluding Natixis, also include some structured debt issues and structured deposits containing embedded derivatives (*e.g.* structured medium-term notes and equities for personal savings plans).

in millions of euros	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial liabilities designated at fair value through profit or loss
Interbank term accounts and loans	12		61	73
Customer term accounts and loans			125	125
Non-subordinated debt securities	17,770		6,406	24,176
Subordinated debt			100	100
Other	4,423			4,423
TOTAL	**22,205**		**6,692**	**28,897**

Financial liabilities designated at fair value through profit or loss and credit risk

Financial liabilities designated at fair value through profit or loss for which credit risk must be recognized in other comprehensive income

	12/31/2018			01/01/2018		
in millions of euros	Carrying amount	Contractual amount due at maturity	Difference between the carrying amount and the contractual amount due at maturity	Carrying amount	Contractual amount due at maturity	Difference between the carrying amount and the contractual amount due at maturity
Interbank term accounts and loans	73	64	9	93	78	15
Customer term accounts and loans	125	127	(2)	11	12	(1)
Non-subordinated debt securities*	24,176	26,480	(2,304)	22,690	21,915	775
Subordinated debt	100	101	(1)	103	100	3
Other	4,423	4,421	2	3,390	3,390	
TOTAL	**28,897**	**31,193**	**(2,296)**	**26,287**	**25,495**	**792**

* o/w -€95 million in change in the fair value of financial liabilities designated at fair value through profit or loss attributable to credit risk.

The total amount of changes in fair value reclassified to "Retained earnings" during the period essentially concerns redemptions of debt securities classified as "Financial liabilities designated at fair value through profit or loss" and amounted to -€95 million at December 31, 2018, compared with €314 million at December 31, 2017.

The amount contractually due on loans at maturity includes the outstanding principal amount at the balance sheet date plus accrued interest not yet due. In the case of securities, the redemption value is generally used.

5.2.3 Trading derivatives

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognized on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Trading derivatives are recognized on the balance sheet under "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss". Realized and unrealized gains and losses are taken to income on the "Net gains or losses on financial instruments at fair value through profit or loss" line.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments. Positive or negative fair values represent the replacement value of these instruments. These values may vary significantly depending on changes in market parameters.

	12/31/2018			01/01/2018		
in millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate derivatives	3,061,238	17,212	15,868	3,410,330	18,839	16,719
Equity derivatives	121,055	3,551	3,632	100,249	1,691	2,415
Currency derivatives	749,220	8,353	7,625	849,165	10,108	9,209
Other instruments	46,815	177	408	48,149	351	83
Forward transactions	**3,978,328**	**29,293**	**27,533**	**4,407,893**	**30,989**	**28,426**
Interest rate derivatives	653,033	8,780	10,672	498,463	9,042	11,193
Equity derivatives	158,891	3,158	3,524	130,249	1,884	2,591
Currency derivatives	262,775	3,915	3,982	237,892	4,184	4,220
Other instruments	49,179	310	350	36,659	281	276
Options	**1,123,878**	**16,163**	**18,528**	**903,263**	**15,391**	**18,280**
Credit derivatives	**36,096**	**410**	**554**	**36,975**	**590**	**784**
TOTAL TRADING DERIVATIVES	**5,138,302**	**45,866**	**46,615**	**5,348,131**	**46,970**	**47,490**
o/w organized markets	*767,566*	*2,166*	*2,715*	*785,962*	*1,088*	*2,052*
o/w over-the-counter transactions	*4,370,736*	*43,700*	*43,900*	*4,562,169*	*45,882*	*45,438*

5.3 HEDGING DERIVATIVES

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognized on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Changes in the fair value of derivatives are recognized in income for the period, except for derivatives qualifying as cash flow hedges or as hedges of net investments in foreign operations for accounting purposes.

Derivatives may only be designated as hedges if they meet the criteria set out in IAS 39 at inception and throughout the term of the hedge. These criteria include formal documentation that the hedging relationship between the derivatives and the hedged items is both prospectively and retrospectively effective.

Fair value hedges mainly consist of interest rate swaps that protect fixed-rate financial instruments against changes in fair value attributable to changes in market rates of interest. They transform fixed-rate assets or liabilities into floating-rate instruments. and include mostly hedges of fixed-rate loans, securities, deposits and subordinated debt.

Fair value hedging is also used to manage the overall interest rate risk position.

Cash flow hedges fix or control the variability of cash flows arising from floating-rate instruments. Cash flow hedging is also used to manage the overall interest rate risk position.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments.

The hedging relationship qualifies for hedge accounting if, at the inception of the hedge, there is formal documentation of the hedging relationship identifying the hedging strategy, the type of risk hedged, the designation and characteristics of the hedged item and the hedging instrument. In addition, the effectiveness of the hedge must be demonstrated at inception and subsequently verified.

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Groupe BPCE used the option available in IFRS 9 not to apply the provisions of the standard relative to hedge accounting, and to continue to apply IAS 39 as adopted by the European Union for the recognition of these transactions, *i.e.* excluding certain provisions relating to macro-hedging.

Fair value hedges

Fair value hedges are intended to reduce exposure to changes in the fair value of an asset or liability carried on the balance sheet, or of a firm commitment, in particular the interest rate risk on fixed-rate assets and liabilities.

The gain or loss on the revaluation of hedging instruments attributable to the risk being hedged is recognized in income in the same manner as the gain or loss on the hedged item. The ineffective portion of the hedge, if any, is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss."

Accrued interest on the hedging instrument is taken to income in the same manner as the accrued interest on the hedged item.

Where identified assets or liabilities are hedged, the revaluation of the hedged component is recognized on the same line of the balance sheet as the hedged item.

The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account when calculating the effectiveness of a hedge.

If a hedging relationship ceases (investment decision, failure to fulfill effectiveness criteria, or because the hedged item is sold before maturity), the hedging instrument is transferred to the trading book. The revaluation difference recorded in the balance sheet in respect of the hedged item is amortized over the residual life of the initial hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the revaluation gain or loss is recognized in income for the period.

Cash flow hedges

The purpose of cash flow hedges is to hedge the exposure to the variability of cash flow that is attributable to a particular risk associated with a recognized asset or liability or with a future transaction (hedge of interest rate risk on floating-rate assets or liabilities, hedge of conditions relating to future transactions such as future fixed interest rates, future prices, exchange rates, etc.).

The portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized on a separate line of "Gains and losses recognized directly in equity." The ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss."

Accrued interest on the hedging instrument is taken to income under interest income in the same manner as the accrued interest on the hedged item.

The hedged items are accounted for using the treatment applicable to their specific asset category.

If a hedging relationship ceases (because the hedge no longer meets the effectiveness criteria, the derivative is sold or the hedged item ceases to exist), the cumulative amounts recognized in other comprehensive income are transferred to the income statement as and when the hedged item impacts profit or loss, or immediately if the hedged item ceases to exist.

Specific cases of portfolio hedging (macro-hedging)

Documentation as cash flow hedges

Some Group institutions document their macro-hedging of interest rate risk as cash flow hedges (hedging of portfolios of loans or borrowings).

In this case, the portfolios of assets or liabilities that may be hedged are, for each maturity band:

- floating-rate assets and liabilities; the entity incurs a risk of variability in future cash flows from floating-rate assets or liabilities insofar as future interest rate levels are not known in advance;
- future transactions deemed to be highly probable (forecasts): assuming total outstandings remain constant, the entity is exposed to the risk of variability in future cash flows on future fixed-rate loans insofar as the interest rate at which the loan will be granted is not yet known. Similarly, the Group may be exposed to the risk of variability in future cash flows on the funding that it will need to raise in the market.

Under IAS 39, hedges of an overall net position of fixed rate assets and fixed rate liabilities with similar maturities do not qualify for hedge accounting. The hedged item is therefore deemed to be equivalent to a share of one or more portfolios of identified variable-rate instruments (portion of deposit outstandings or variable-rate loans); the effectiveness of the hedges is measured by creating a mortgage instrument for each maturity band and comparing its changes in fair value from inception to those for the documented hedging derivatives.

The characteristics of this instrument model those of the hedged item. Effectiveness is then assessed by comparing the changes in value of the hypothetical instrument with the actual hedging instrument. This method requires the preparation of a maturity schedule.

The effectiveness of the hedge must be shown prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test calculates the retrospective effectiveness of a hedge initiated at various balance sheet dates.

At each balance sheet date, changes in the fair value of hedging instruments, excluding accrued interest, are compared with those of hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealized gain or loss recognized in other comprehensive income is transferred immediately to income.

When the hedging relationship ceases, if the hedged item is still shown on the balance sheet, or if it is still highly probable, unrealized cumulative gains and losses are recognized in other comprehensive income on a straight-line basis. If the derivative has not been canceled, it is reclassified as a trading derivative, and subsequent changes in its fair value are recognized in income.

Documentation as fair value hedges

Some of the Group's institutions document their macro-hedging of interest rate risk as fair value hedges by applying the carve-out arrangements under IAS 39 as adopted by the European Union.

The version of IAS 39 adopted for use by the European Union does not include certain hedge accounting provisions that appear incompatible with the strategies implemented by European banks to reduce their overall exposure to interest rate risk. In particular, this carve-out allows the Group to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). The Group mainly uses plain vanilla interest rate swaps designated at inception as fair value hedges of fixed-rate deposits or loans.

Macro-hedging derivatives are accounted for in the same manner as derivatives used to hedge the fair value of specific transactions (micro-hedging).

In a macro-hedging relationship, gains and losses on the revaluation of the hedged item are recorded in "Revaluation differences on interest rate risk-hedged portfolios," under balance sheet assets for hedges of a portfolio of financial assets and under balance sheet liabilities for hedges of a portfolio of financial liabilities.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account.

Effectiveness is tested in two ways:

- asset-based testing: for plain vanilla swaps designated as hedging instruments at inception, the Group verifies that no over-hedging exists both prospectively at the date the hedging relationship is designated and retrospectively at each balance sheet date;
- quantitative testing: for other swaps, the change in the fair value of the actual swap must offset the changes in the fair value of a hypothetical instrument that exactly reflects the underlying hedged item. These tests are conducted prospectively at the date the instrument is designated as a hedge and retrospectively at each balance sheet date.

If a hedging relationship ceases, the revaluation adjustment is amortized on a straight-line basis over the remaining term of the initial hedge, if the hedged item has not been derecognized. It is taken directly to income if the hedged item is no longer recorded in the balance sheet. In particular, derivatives used for macro-hedging may be disqualified for hedge accounting purposes when the nominal amount of the hedged items falls below the notional amount of the hedging instruments, for example in the case of the prepayment of loans or the withdrawal of deposits.

Hedges of net investments in foreign operations

A net investment in a foreign operation is the amount of the investment held by the consolidating entity in the net assets of the operation.

The purpose of a hedge of a net investment in a foreign operation is to minimize the foreign exchange effect for a consolidating entity of an investment in an entity whose functional currency is different from the presentation currency of the consolidating entity's financial statements. Net investment hedges are accounted for in the same manner as cash flow hedges.

Unrealized gains and losses initially recognized in other comprehensive income are taken to income when the net investment is sold in full or in part (or when partially sold with loss of control).

Fair value hedges mainly consist of interest rate swaps that protect fixed-rate financial instruments against changes in fair value attributable to changes in market rates of interest. They transform fixed-rate assets or liabilities into floating-rate instruments.

Fair value macro-hedges are used to manage the overall interest rate risk position, in particular to hedge:

- fixed-rate loan portfolios;
- demand deposits;
- PEL home savings deposits;
- the inflation component of Livret A passbook savings accounts.

Fair value micro-hedges are notably used to hedge:

- fixed-rate liabilities;
- fixed-rate liquidity reserve securities and inflation-indexed securities.

Cash flow hedges fix or control the variability of cash flows arising from floating-rate instruments. Cash flow hedging is also used to manage the overall interest rate risk position.

Cash flow hedges are mainly used to:

- hedge floating-rate liabilities;
- hedge the risk of changes in value of future cash flows on liabilities;
- provide macro-hedging of variable-rate assets.

The main causes of ineffective hedging are related to:

- ineffective dual-curve valuations: the value of collateralized derivatives (with margin calls yielding EONIA) is based on the EONIA discount curve, while the value of the hedged component of items covered by fair value hedges is calculated using a Euribor discount curve;
- the time value of options;
- over-hedging for asset-based testing of macro-hedges (notional amounts of hedging derivatives higher than the nominal amount of the hedged items, in particular where prepayments on the hedged items were higher than expected);
- credit value adjustments and debit value adjustments linked to credit risk and own credit risk on derivatives;
- differences in interest rate fixing dates between the hedged item and the hedge.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments.

	12/31/2018			01/01/2018		
in millions of euros	**Notional amount**	**Positive fair value**	**Negative fair value**	**Notional amount**	**Positive fair value***	**Negative fair value**
Interest rate derivatives	469,588	6,799	10,422	650,878	8,499	11,292
Currency derivatives	14,340	582	1,974	11,888	775	2,161
Forward transactions	**483,928**	**7,381**	**12,396**	**662,765**	**9,274**	**13,453**
Interest rate derivatives	4,327	14	15	4,756	18	8
Options	**4,327**	**14**	**15**	**4,756**	**18**	**8**
Fair value hedges	**488,255**	**7,395**	**12,412**	**667,522**	**9,293**	**13,461**
Interest rate derivatives	27,615	156	378	39,238	177	671
Equity derivatives				197		
Currency derivatives	18,641	606	798	7,489	320	593
Forward transactions	**46,256**	**762**	**1,177**	**46,925**	**497**	**1,264**
Interest rate derivatives	97	2	1	121	3	
Options	**97**	**2**	**1**	**121**	**3**	
Cash flow hedges	**46,353**	**764**	**1,178**	**47,046**	**500**	**1,264**
Credit derivatives				**128**		
TOTAL HEDGING INSTRUMENTS	**534,608**	**8,160**	**13,589**	**714,696**	**9,793**	**14,725**

* *An adjustment of -€16 million was recognized in relation to the amount published at December 31, 2017 following a change in calculation method.*

All hedging derivatives are included in "Hedging derivatives" in balance sheet assets and liabilities.

Maturity of the notional amount of hedging derivatives at December 31, 2018

in millions of euros	< 1 year	1 to 5 years	6 to 10 years	> 10 years
Interest rate risk hedging	**81,527**	**206,871**	**114,750**	**98,478**
Cash flow hedges	2,837	9,277	5,923	9,675
Fair value hedges	78,690	197,594	108,827	88,803
Currency risk hedging	**711**	**13,331**	**13,156**	**5,784**
Cash flow hedges	134	6,515	9,541	2,451
Fair value hedges	577	6,816	3,615	3,333
TOTAL	**82,238**	**220,202**	**127,906**	**104,262**

Hedged items

Fair value hedges

	Fair value hedges				
	12/31/2018				
	Interest rate risk hedging			Currency risk hedging	
in millions of euros	Carrying amount	o/w revaluation of the hedged component[(1)]	Hedged component remaining to be recognized[(2)]	Carrying amount	o/w revaluation of the hedged component[(1)]
ASSETS					
Financial assets at fair value through other comprehensive income	**32,800**	**570**		**683**	
Debt securities	32,800	570		675	
Shares and other equity instruments				8	
Financial assets at amortized cost	**205,354**	**7,974**	**372**	**5,486**	**982**
Loans or receivables due from credit institutions	22,857	409		533	
Loans or receivables due from customers	169,503	5,920	22	97	16
Debt securities	12,994	1,645	350	4,856	966
LIABILITIES					
Financial liabilities at amortized cost	**153,118**	**5,281**	**390**	**14,141**	**396**
Amounts due to credit institutions	35,149	771		195	
Amounts due to customers	12,720	(1)			
Debt securities	93,660	4,007	390	9,813	396
Subordinated debt	11,589	504		4,133	
TOTAL	**391,272**	**13,825**	**762**	**20,310**	**1,378**

(1) Excluding accrued interest
(2) Declassification, end of hedging relationship

The ineffective portion of hedging for the period is presented in Note 4.3 "Gains and losses on financial assets and liabilities at fair value through profit or loss" or in Note 4.4 "Gains and losses recognized directly in other comprehensive income" for equity instruments recognized at fair value through other comprehensive income not recyclable to income.

Cash flow hedges

	12/31/2018			
in millions of euros	Fair value of the hedging derivative	o/w effective portion of hedges not due	o/w ineffective portion	Balance of hedges due and remaining to be recognized*
Interest rate risk hedging	(221)	(222)	1	96
Currency risk hedging	(193)	(207)	15	
TOTAL – CASH FLOW HEDGES	**(413)**	**(429)**	**16**	**96**

* *Declassification, end of hedging relationship.*

The ineffective portion of the hedge is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss", see Note 4.3.

The "Cash flow hedges" reserve corresponds to the effective portion of hedges not due and the balance of hedges that are due and remaining to be recognized, before tax, including the portion attributable to non-controlling interests.

Recycling from "Cash flow hedges" to income is included either in net interest income or in income on derecognition of the hedged item in the same way as the line impacted by the hedged item.

Cash flow hedges – Details of other items recognized in other comprehensive income

in millions of euros	01/01/2018	Change in the effective portion	Reclassification of the effective portion in income	Hedged item partially or fully extinguished	12/31/2018
Amount of equity for cash flow hedging	(495)	22	59	6	(408)
TOTAL	**(495)**	**22**	**59**	**6**	**(408)**

5.4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Financial assets at fair value through other comprehensive income are initially recognized at fair value, plus any transaction costs.

Debt instruments measured at fair value through other comprehensive income recyclable to income

On the balance sheet date, these instruments are carried at their fair value and changes in fair value (excluding accrued interest) are recorded under "Gains and losses recognized directly in other comprehensive income recyclable to income" (as the foreign currency assets are monetary assets, changes in the fair value of the foreign currency component affect income). The principles used to determine fair value are described in Note 10.

These instruments are subject to IFRS 9 impairment requirements. Information about credit risk is provided in Note 7.1. If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on debt instruments is recorded under "Interest and similar income" based on the Effective Interest Method. This method is described in Note 5.5 – Assets at amortized cost.

Equity instruments measured at fair value through other comprehensive income not recyclable to income

On the balance sheet date, these instruments are carried at their fair value and changes in fair value are recorded under "Gains and losses recognized directly in other comprehensive income not recyclable to income" (as the foreign currency assets are not monetary assets, changes in the fair value of the foreign currency component do not affect income). The principles used to determine fair value are described in Note 10.

The designation at fair value through other comprehensive income not recyclable to income is an irrevocable option that is applied on an instrument-by-instrument basis only to equity instruments not held for trading purposes. Realized and unrealized losses continue to be recorded in other comprehensive income with no impact on income. These financial assets are not impaired.

In the event of disposal, these changes in fair value are not transferred to income but are taken directly to retained earnings.

Only dividends affect income when they correspond to a return on investment. They are recorded in "Net gains or losses on financial instruments at fair value through other comprehensive income".

in millions of euros	12/31/2018	01/01/2018
Loans and receivables	26	27
Debt securities	37,382	32,890
Shares and other equity securities(1)	2,680	2,529
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**40,088**	**35,446**
o/w impairment for expected credit losses(2)	(67)	(57)
o/w gains and losses recognized directly in other comprehensive income (before tax)(3)	93	368
– *Debt instruments*	*112*	*390*
– *Equity instruments*	*(19)*	*(22)*

(1) Equities and other equity securities include strategic equity interests and certain long-term private equity securities. As these securities are not held for sale, their classification as equity instruments designated at fair value through other comprehensive income is appropriate.

(2) Details are provided in Note 7.1.1.

(3) Including the portion attributable to non-controlling interests (-€15 million in fiscal year 2018, compared with €6 million at January 1, 2018).

Equity instruments designated at fair value through other comprehensive income

Accounting principles

Equity instruments designated at fair value through other comprehensive income can include:

- investments in associates;
- shares and other equity securities.

On initial recognition, equity instruments designated at fair value through other comprehensive income are carried at fair value plus any transaction costs.

On following accounting dates, changes in the fair value of the instrument are recognized in other comprehensive income (OCI).

These changes in fair value that accrue to other comprehensive income will not be reclassified to income in subsequent years (other comprehensive income not recyclable to income).

Only dividends are recorded in income when they fulfill the required conditions.

	12/31/2018				01/01/2018
		Dividends recognized over the per50 iod	Derecognition over the period		
in millions of euros	Fair value	Equity instruments held at the end of the period	Fair value at the disposal date	Total profit or loss at the disposal date	Fair value
Investments in associates	2,167	107	42	(4)	2,098
Shares and other equity securities	513	12	18	(5)	431
TOTAL*	**2,680**	**119**	**60**	**(9)**	**2,529**

* *The total amount of changes in fair value reclassified to "Retained earnings" during the period that was related to disposals was -€9 million for fiscal year 2018.*

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5.5 ASSETS AT AMORTIZED COST

Accounting principles

Assets at amortized cost are SPPI financial assets managed under a hold to collect business model. Most loans originated by the Group are classified in this category. Information about credit risk is provided in Note 7.1.

Financial assets at amortized cost include loans and receivables due from credit institutions and customers as well as securities at amortized cost such as treasury bills and bonds.

Loans and receivables are initially recorded at fair value plus any costs directly related to their issuance, less any proceeds directly attributable to issuance. On subsequent balance sheet dates, they are measured at amortized cost using the Effective Interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the carrying amount of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield on the loan. No internal cost is included in the calculation of amortized cost.

When loans are extended under conditions that are less favorable than market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the nominal value of the loan. The market interest rate is the rate applied by the vast majority of local financial institutions at a given time for instruments and counterparties with similar characteristics.

Loan renegotiations and restructuring

IFRS 9 requires that modified contracts for financial assets that are renegotiated, restructured or adjusted (whether due to financial hardship or not), but not subsequently derecognized, be identified. Any profit or loss must be recognized as income in the event of modification. The gross carrying amount of the financial asset must be recalculated so that it is equal to the present value of renegotiated or amended contractual cash flows at the original effective interest rate. The materiality of the modifications is, however, analyzed on a case by case basis.

The treatment of loans restructured due to financial hardship is identical to IAS 39: a discount is applied to loans restructured (impaired, Stage 3) following a credit loss event as defined by IFRS 9, to reflect the difference between the present value of the contractual cash flows expected at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of credit risk" in the income statement and offset against the corresponding item on the balance sheet.

It is written back to net interest income in the income statement over the life of the loan using an actuarial method. The restructured loan is reclassified as performing (not impaired, Stage 1 or Stage 2) based on expert opinion when no uncertainty remains as to the borrower's capacity to honor the commitment.

When the extent of the restructuring is substantial (for example the conversion of all or part of a loan into equity instruments), the new instruments are booked at fair value and the difference between the carrying amount of the derecognized loan (or part of the loan) and the fair value of the assets received in exchange is taken to income under "Cost of risk". Any impairment previously recorded on the loan is adjusted and fully reversed if the loan is fully converted into a new asset.

Fees and commissions

External costs consist primarily of commissions paid to third parties in connection with the arrangement of loans. They essentially comprise commissions paid to business providers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more probable than improbable that the loan will be drawn down). Commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

Date of recognition

Securities are recorded in the balance sheet on the settlement/delivery date.

Temporary transfers of securities are also recorded on the settlement/delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, expect in special cases.

For repurchase transactions, a loan commitment given is recorded between the transaction date and the settlement/delivery date when such transactions are recorded as "Loans and receivables".

5.5.1 Securities at amortized cost

in millions of euros	12/31/2018	01/01/2018
Treasury bills and equivalent	18,264	24,392
Bonds and other debt securities	13,675	9,261
Impairment for expected credit losses	(163)	(158)
TOTAL SECURITIES AT AMORTIZED COST	**31,776**	**33,495**

The fair value of securities at amortized cost is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.5.2 Loans and receivables due from credit institutions at amortized cost

in millions of euros	12/31/2018	01/01/2018
Current accounts with overdrafts	7,961	7,007
Repurchase agreements	6,458	7,867
Accounts and loans*	72,304	70,406
Other loans or receivables due from credit institutions	31	73
Security deposits paid	4,449	4,948
Impairment for expected credit losses	(60)	(79)
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**91,142**	**90,222**

* *Livret A, LDD and LEP savings accounts centralized with Caisse des Dépôts et Consignations and recorded under "Accounts and loans" amounted to €66,384 million at December 31, 2018 versus €65,006 million at January 1, 2018.*

The fair value of loans and receivables due from banks is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.5.3 Loans and receivables due from customers at amortized cost

in millions of euros	12/31/2018	01/01/2018
Current accounts with overdrafts	**12,881**	**12,555**
Other facilities granted to customers	**649,775**	**618,787**
Loans to financial sector customers	8,016	6,387
Short-term credit facilities	74,027	68,688
Equipment loans	161,710	154,912
Home loans	347,693	328,712
Export loans	3,802	3,417
Repurchase agreements	8,518	9,226
Finance leases	17,539	17,117
Subordinated loans	612	609
Other loans	27,858	29,718
Other loans or receivables due from customers	**8,927**	**8,000**
Security deposits paid	**314**	**443**
Gross loans and receivables due from customers	**671,898**	**639,785**
Impairment for expected credit losses	(12,617)	(13,348)
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**659,281**	**626,437**

The fair value of loans and receivables due from customers is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

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5.6 ACCRUED INCOME AND OTHER ASSETS

in millions of euros	12/31/2018	01/01/2018
Collection accounts	5,503	3,289
Prepaid expenses	375	308
Accrued income	1,126	1,121
Other accruals	3,770	3,478
Accrued income and prepaid expenses	**10,774**	**8,196**
Settlement accounts in debit on securities transactions	365	353
Other debtors	17,984	17,512
Other assets	**18,349**	**17,865**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**29,123**	**26,061**

5.7 NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Accounting principles

Where a decision is made to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately on the balance sheet on the "Non-current assets held for sale" line. Any liabilities associated with these assets are also shown separately on the balance sheet on the "Liabilities associated with non-current assets held for sale" line.

Once classified in this category, non-current assets are no longer depreciated/amortized and are measured at the lowest of their carrying amount or fair value less sales costs. Financial instruments continue to be measured in accordance with IFRS 9.

A non-current asset (or group of assets) is held for sale when its carrying amount is recovered by its sale. The asset (or group of assets) must be immediately available for sale and it must be highly likely that the sale will be completed within the next twelve months.

At December 31, 2018, the assets and liabilities of entities held for sale were presented in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) in two separate lines of the balance sheet, with €2,639 million in non-current assets held for sale and €2,096 million in liabilities associated with non-current assets held for sale.

"Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" relate to the assets and liabilities of BPCE International's African subsidiaries (see Note 1.3) and the assets and liabilities of the subsidiary Banco Primus.

On July 19, 2017, Crédit Foncier signed a sale and purchase agreement setting out the terms of sale of its Portuguese subsidiary Banco Primus. The completion of the sale is subject to the approval of the Portuguese supervisory authorities. The deadline was initially set at March 31, 2018, but has been postponed to April 30, 2019.

Figures relating to the entities held for sale are shown below:

in millions of euros	BPCE International African subsidiaries	Other	12/31/2018
Cash and amounts due from central banks	431		431
Financial assets at fair value through profit or loss	1		1
Financial assets at fair value through other comprehensive income	146		146
Securities at amortized cost	26		26
Loans and receivables due from credit institutions and similar items at amortized cost	39	2	41
Loans and receivables due from customers at amortized cost	1,363	414	1,777
Current tax assets	3	2	5
Deferred tax assets	47	11	58
Accrued income and other assets	44	13	57
Investment property	13		13
Property, plant and equipment	60		60
Intangible assets	4		4
Goodwill	20		20
Non-current assets held for sale	**2,197**	**442**	**2,639**
Debt securities	86		86
Amounts due to credit institutions and similar items	250		250
Amounts due to customers	1,624		1,624
Current tax liabilities		4	4
Deferred tax liabilities	12		12
Accrued expenses and other liabilities	83	1	84
Provisions	30	2	32
Subordinated debt	4		4
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**2,089**	**7**	**2,096**

At January 1, 2018, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" notably included the assets and liabilities of the subsidiary Banco Primus.

Pursuant to IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations", Groupe BPCE:

- reclassified consolidated assets in separate asset items for €457 million and liability items for €19 million;
- adjusted the value of the assets to the lowest of their book value and their fair value less costs relating to the sale, leading to a net expense of -€17 million, recorded under "Gains or losses on other assets".

Other non-current assets and liabilities held for sale mainly concern the Natixis group.

5.8 INVESTMENT PROPERTY

Accounting principles

In accordance with IAS 40, investment property is property held to earn rent or for capital appreciation, or both.

The accounting treatment for investment property is identical to that used for property, plant and equipment for all Group entities except for certain insurance entities, which recognize the property they hold as insurance investments at fair value, with any adjustment to fair value recorded in income. Fair value is calculated using a multi-criteria approach, by capitalizing rent at market rates and through comparisons with market transactions.

The fair value of the Group's investment property is based on regular expert valuations, except in special cases significantly affecting the value of the relevant asset.

Investment property leased under an operating lease may have a residual value that will reduce the depreciable amount of the asset.

Gains or losses on the disposal of investment property are recognized in income on the "Net income or expenses on other activities" line, with the exception of insurance businesses, which are recognized in "Income from insurance businesses".

in millions of euros	12/31/2018			01/01/2018		
	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Property recognized at historical cost	1,365	(582)	783	1,391	(601)	790
TOTAL INVESTMENT PROPERTY			**783**			**790**

Investment property held by the insurance subsidiaries is reported with insurance investments (see Note 9.1.1.1).

5.9 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Accounting principles

This item includes property owned and used in the business, equipment acquired under operating leases, property acquired under finance leases and assets temporarily unlet held under finance leases. Interests in non-trading real estate companies (SCIs) are accounted for as property, plant and equipment.

In accordance with IAS 16 and IAS 38, property, plant and equipment and intangible assets are recognized as assets only if they meet the following conditions:

- it is probable that the company will enjoy future economic benefits associated with the asset;
- the cost of the asset can be measured reliably.

Property, plant and equipment and intangible assets used in operations are initially recognized at cost plus any directly attributable acquisition costs. Software developed internally that fulfills the criteria for recognition as a non-current asset is recognized at its production cost, which includes external charges and the payroll costs of employees directly assigned to the project.

The component-based approach is applied to all buildings.

After initial recognition, property, plant and equipment and intangible assets are measured at cost less any accumulated depreciation, amortization or impairment. The depreciable amount of the asset takes account of its residual value where this is material and can be measured reliably.

Property, plant and equipment and intangible assets are depreciated or amortized in order to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life. Where an asset consists of a number of components that have different uses or economic benefit patterns, each component is recognized separately and depreciated over a period that reflects the useful life of that component.

The depreciation and amortization periods used by the Group are as follows:

- buildings: 20 to 60 years;
- internal fixtures and fittings: 5 to 20 years;
- furniture and special equipment: 4 to 10 years;
- computer equipment: 3 to 5 years;
- software: not more than 5 years.

Other items of property, plant and equipment are depreciated over their estimated useful life, which generally ranges from five to ten years.

Property, plant and equipment and intangible assets are tested for impairment whenever there is any evidence that they may be impaired at the balance sheet date. If this is the case, the revised recoverable amount of the asset is compared to its carrying amount. If the revised recoverable amount of the asset is lower than its carrying amount, an impairment loss is recognized in income.

This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer any evidence of impairment.

The accounting treatment adopted for property, plant and equipment and intangible assets used in operations and financed using lease financing agreements is described in Note 12.2.

Equipment leased under operating leases (group as lessor) is recognized as an asset on the balance sheet under property, plant and equipment.

in millions of euros	12/31/2018 Gross amount	12/31/2018 Accumulated depreciation and impairment	12/31/2018 Net amount	01/01/2018 Gross amount	01/01/2018 Accumulated depreciation and impairment	01/01/2018 Net amount
Property, plant and equipment						
– land and buildings	4,135	(2,142)	1,993	3,961	(2,001)	1,960
– leased real estate	651	(227)	424	579	(211)	368
– equipment, furniture and other property, plant and equipment	7,368	(5,367)	2,001	7,475	(5,342)	2,133
TOTAL PROPERTY, PLANT AND EQUIPMENT	**12,154**	**(7,735)**	**4,419**	**12,015**	**(7,554)**	**4,461**
Intangible assets						
– leasehold rights	389	(222)	166	390	(213)	177
– software	2,949	(2,312)	638	2,757	(2,159)	598
– other intangible assets	718	(324)	394	687	(295)	392
TOTAL INTANGIBLE ASSETS	**4,056**	**(2,857)**	**1,198**	**3,834**	**(2,667)**	**1,167**

5.10 AMOUNTS DUE TO CREDIT INSTITUTIONS AND CUSTOMERS

Accounting principles

These liabilities, which are not classified as financial liabilities at fair value through profit or loss, are carried at amortized cost under "Amounts due to credit institutions" or "Amounts due to customers".

Issues of debt securities (which are not classified as financial liabilities at fair value through profit or loss or through other comprehensive income) are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost at each balance sheet date using the Effective Interest Method.

These instruments are recognized on the balance sheet under "Amounts due to credit institutions", "Amounts due to customers" or "Debt securities".

Securities are recorded in the balance sheet on the settlement/delivery date.

Temporary transfers of securities are also recorded on the settlement/delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, expect in special cases.

For reverse repurchase transactions, a loan commitment received is recorded between the transaction date and the settlement/delivery date when such transactions are recorded as "Loans and receivables".

5.10.1 Amounts due to credit institutions

in millions of euros	12/31/2018	01/01/2018
Demand deposits	7,364	9,490
Repurchase agreements	2,188	4,097
Accrued interest	7	7
Amounts due to credit institutions – repayable on demand	**9,559**	**13,593**
Term deposits and loans	67,947	64,650
Repurchase agreements	6,842	4,795
Accrued interest	(168)	(19)
Amounts due to credit institutions – repayable at agreed maturity dates	**74,621**	**69,426**
Guarantee deposits received	**1,482**	**1,625**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**85,662**	**84,644**

The fair value of amounts due to credit institutions is presented in Note 10.

5.10.2 Amounts due to customers

in millions of euros	12/31/2018	01/01/2018
Current accounts with credit balances	**187,325**	**172,889**
Livret A savings accounts	91,487	89,897
Regulated home savings products	78,661	77,498
Other regulated savings accounts	86,237	84,010
Accrued interest	4	9
Regulated savings accounts	**256,390**	**251,414**
Demand deposits and loans	13,807	15,474
Term accounts and loans	62,104	65,074
Accrued interest	1,783	1,964
Other customer accounts	**77,693**	**82,512**
Other term accounts and similar	6,980	6,934
Repurchase agreements	**6,980**	**6,934**
Other amounts due to customers	**1,913**	**2,347**
Guarantee deposits received	**22**	**593**
TOTAL AMOUNTS DUE TO CUSTOMERS	**530,323**	**516,689**

The fair value of amounts due to customers is presented in Note 10.

5.11 DEBT SECURITIES

Accounting principles

Issues of debt securities not classified as financial liabilities at fair value through profit or loss or through other comprehensive income are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost at each balance sheet date using the Effective Interest Method.

These instruments are recognized on the balance sheet under "Amounts due to credit institutions", "Amounts due to customers" or "Debt securities".

Debt securities are classified based on the nature of the underlying, with the exception of subordinated notes presented under "Subordinated debt".

A new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation has been introduced by French law and is commonly referred to as "senior non-preferred debt". These liabilities have a ranking between the ranking of own funds and other "senior preferred" debt.

in millions of euros	12/31/2018	01/01/2018
Bonds	123,110	129,973
Interbank market instruments and negotiable debt securities	77,434	78,338
Other debt securities that are neither preferred nor subordinated	1,919	1,871
Senior non-preferred debt	12,468	4,856
Total	**214,930**	**215,038**
Accrued interest	1,947	2,089
TOTAL DEBT SECURITIES	**216,878**	**217,127**

The fair value of debt securities is presented in Note 10.

5.12 ACCRUED EXPENSES AND OTHER LIABILITIES

in millions of euros	12/31/2018	01/01/2018
Collection accounts	6,568	4,857
Prepaid income	1,476	1,420
Accounts payable	2,741	2,696
Other accruals	5,113	4,841
Accrued expenses and other liabilities	**15,898**	**13,814**
Settlement accounts in credit on securities transactions	919	751
Other payables	15,884	14,393
Other liabilities	**16,803**	**15,144**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**32,701**	**28,958**

5.13 PROVISIONS

Accounting principles

Provisions other than those relating to employee benefit commitments and similar, regulated home savings products, off-balance sheet commitments, and insurance policies mainly consist of provisions for restructuring, claims and litigation, fines and penalties, and tax risks.

Provisions are liabilities of which the timing or amount is uncertain, but which can be reliably estimated. They correspond to current obligations (legal or implicit), resulting from a past event, and for which an outflow of resources will probably be necessary to settle them.

The amount recognized in provisions is the best estimate of the expense required to extinguish the present commitment at the balance sheet date.

Provisions are discounted when the impact of discounting is material.

Changes in provisions are recognized in the income statement on the line items corresponding to the nature of future expenditure.

Provisions on regulated home savings products

Regulated home savings accounts (*Comptes d'Epargne Logement* – CEL) and regulated home savings plans (*Plans d'Epargne Logement* – PEL) are retail products marketed in France governed by the 1965 law on home savings plans and accounts, and subsequent implementing decrees.

Regulated home savings products generate two types of commitments for the Group:

- a commitment to provide a loan to the customer in the future at a rate set on inception of the contract (for PEL products) or at a rate contingent upon the savings phase (for CEL products);
- a commitment to pay interest on the savings in the future at a rate set on inception of the contract for an indefinite period (for PEL products) or at a rate set on a half-yearly basis according to an indexing formula regulated by law (for CEL products).

Commitments with potentially unfavorable consequences for the Group are measured for each generation of regulated home savings plans and for all regulated home savings accounts.

A provision is recognized for the associated risks by discounting future potential earnings from at-risk outstandings:

- at-risk saving deposit outstandings correspond to the uncertain future level of savings for plans in existence at the date the provision is calculated. This is estimated on a statistical basis for each future period taking account of historical investor behavior patterns, and corresponds to the difference between the probable outstandings and the minimum expected outstandings;
- at-risk loans correspond to the loan outstandings granted but not yet due at the calculation date plus statistically probable loan outstandings based on historical customer behavior patterns as well as earned and future rights relating to regulated home savings accounts and plans.

Earnings for future periods from the savings phase are estimated, for a given generation of contracts, as the difference between the regulated rate offered and the expected interest accruing on a comparable savings product on the market.

Earnings for future periods from the loan phase are estimated as the difference between the fixed rate agreed at inception for PEL contracts or a rate contingent on the savings phase for CEL contracts, and the expected interest rate accruing on home loans in the non-regulated sector.

Where the algebraic sum of the Group's estimated future commitments in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavorable situation for the Group, a provision is recognized, with no offset between the different generations. The commitments are estimated using the Monte Carlo method in order to reflect the uncertainty of future interest rate trends and their impact on customer behavior models and at-risk outstandings.

The provision is recognized under liabilities in the balance sheet and changes are recorded in net interest income and expenses.

in millions of euros	01/01/2018	Increase	Use	Reversals unused	Other changes[1]	12/31/2018
Provisions for employee benefit commitments and similar[2]	2,264	224	(103)	(151)	(144)	2,090
Provisions for restructuring costs[3]	152	349	(63)	(26)	(3)	409
Legal and tax risks[4]	1,712	311	(101)	(239)	19	1,702
Loan and guarantee commitments	707	469	(2)	(537)	17	654
Provisions for regulated home savings products	695	37		(71)		661
Other operating provisions	1,266	260	(148)	(304)	(15)	1,059
TOTAL PROVISIONS	**6,796**	**1,650**	**(417)**	**(1,328)**	**(126)**	**6,575**

(1) *Other changes include revaluation differences on defined-benefit retirement plans (-€101 million before tax), the impact of the reclassification of provisions for the BPCE International entities as liabilities held for sale (-€31 million) and foreign exchange rate adjustments for +€45 million.*

(2) *O/w €1,944 million for post-employment defined-benefit plans and other long-term employee benefits (see Note 8.2.1).*

(3) *At December 31, 2018, provisions for restructuring costs notably included:*
- *€316 million for the integration of Crédit Foncier's activities and the reorganization of its expertise throughout Groupe BPCE;*
- *€15 million for the employment protection plan for BPCE International;*
- *€11 million for the Coface plan (€31 million at December 31, 2017).*

(4) *Provisions for legal and tax risks included €543 million for the net insurance exposure on the Madoff fraud. The provision for Madoff net outstandings totaled €389 million at December 31, 2017.*

5.13.1 Deposits collected for regulated home savings products

in millions of euros	12/31/2018	01/01/2018
Deposits collected for PEL home savings plans		
– plans less than 4 years old	10,020	8,441
– plans more than 4 years but less than 10 years old	52,063	51,926
– plans more than 10 years old	11,085	11,481
Deposits collected for regulated home savings plans (PEL)	**73,168**	**71,848**
Deposits collected for regulated home savings accounts (CEL)	**5,588**	**5,625**
TOTAL DEPOSITS COLLECTED FOR REGULATED HOME SAVINGS PRODUCTS	**78,756**	**77,473**

Changes in amounts listed under tranches of less than four years and tranches of between four and 10 years are due to the aging of PEL bands.

5.13.2 Loans granted on regulated home savings products

in millions of euros	12/31/2018	01/01/2018
Loans granted on regulated home savings plans (PEL)	45	64
Loans granted on regulated home savings accounts (CEL)	175	254
TOTAL LOANS GRANTED ON REGULATED HOME SAVINGS PRODUCTS	**220**	**318**

5.13.3 Provisions for regulated home savings products

in millions of euros	12/31/2018	01/01/2018
Provisions for home savings plans (PEL)		
– plans less than 4 years old	157	147
– plans more than 4 years but less than 10 years old	257	308
– plans more than 10 years old	192	192
Provisions for home savings plans (PEL)	**606**	**647**
Provisions for regulated home savings accounts (CEL)	**58**	**52**
Provisions for home savings plan (PEL) loans	(1)	(1)
Provisions for home savings account (CEL) loans	(2)	(3)
Provisions for home savings loans	**(3)**	**(4)**
TOTAL PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS	**661**	**695**

The change in provisions for regulated home savings products reflects the aging of PEL bands (see Note 5.13.1).

5.14 SUBORDINATED DEBT

Accounting principles

Subordinated debt differs from other debt and bonds in that it will be repaid only after all the senior and unsecured creditors, but before the repayment of participating loans and securities and deeply subordinated notes.

Subordinated debt which the issuer is obliged to repay is classified as debt and initially recognized at fair value less any transaction costs. It is subsequently measured at amortized cost at each balance sheet date using the Effective Interest Method.

in millions of euros	12/31/2018	01/01/2018
Subordinated debt designated at fair value	100	100
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**100**	**100**
Term subordinated debt	16,208	16,115
Perpetual subordinated debt	334	321
Mutual guarantee deposits	192	158
Subordinated debt and similar	**16,734**	**16,594**
Accrued interest	360	328
Revaluation of the hedged component	504	489
SUBORDINATED DEBT AT AMORTIZED COST	**17,598**	**17,411**
TOTAL SUBORDINATED DEBT*	**17,698**	**17,511**

* *Including €672 million for the insurance entities at December 31, 2018, versus €639 million at December 31, 2017.*

The fair value of subordinated debt is presented in Note 10.

Changes in subordinated debt and similar during the year

in millions of euros	01/01/2018	Issuance(1)	Redemption(2)	Other changes(3)	12/31/2018
Subordinated debt designated at fair value	100				100
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**100**				**100**
Term subordinated debt	16,115		(256)	349	16,244
Perpetual subordinated debt	321		(23)	36	298
Mutual guarantee deposits	158			34	192
SUBORDINATED DEBT AT AMORTIZED COST	**16,594**		**(279)**	**419**	**16,734**
SUBORDINATED DEBT AND SIMILAR	**16,694**		**(279)**	**419**	**16,834**

(1) *No new issuance was made in the 2018 fiscal year;*
(2) *Redemptions of subordinated loans and notes were due to the maturing of such borrowings;*
(3) *Other changes mainly included the revaluation of debts subject to hedging, foreign exchange fluctuations and variations in intra-group securities held by Natixis Funding for the purposes of market-making on Natixis' debt on the secondary market.*

Deeply subordinated notes qualifying as equity instruments are presented in Note 5.15.2.

5.15 ORDINARY SHARES AND EQUITY INSTRUMENTS ISSUED

Accounting principles

Financial instruments issued by the Group qualify as debt or equity instruments depending on whether or not the issuer has a contractual obligation to deliver cash or another financial asset to the holder of the instrument, or to exchange the instrument under conditions that are potentially unfavorable to the Group. This obligation must arise from specific contractual terms and conditions, not merely economic constraints.

In addition, when an instrument qualifies as equity:

- its remuneration is treated as a dividend and therefore impacts equity along with the tax relating to this remuneration;
- it cannot be an underlying instrument eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is fixed at its historical value resulting from its conversion to euros at its initial date of transfer to equity.

Finally, when these instruments are issued by a subsidiary, they are included in "Non-controlling interests". When their remuneration is of a cumulative nature, it is charged to "Income attributable to equity holders of the parent" and increases the income of "Non-controlling interests". However, when their remuneration is not of a cumulative nature, it is drawn from retained earnings attributable to equity holders of the parent.

5.15.1 Cooperative shares

Accounting principles

IFRIC 2 "Cooperative shares in cooperative entities and similar instruments" clarifies the provisions of IAS 32. In particular, the contractual right of the holder of a financial instrument (including cooperative shares in cooperative entities) to request redemption does not, in itself, automatically give rise to an obligation for the issuer. Rather, the entity must consider all of the terms and conditions of the financial instrument in determining its classification as a debt or equity.

Based on this interpretation, cooperative shares are classified as equity if the entity has an unconditional right to refuse redemption of the cooperative shares or if local laws, regulations or the entity's bylaws unconditionally prohibit or curtail the redemption of cooperative shares.

Based on the existing provisions of the Group's bylaws relating to minimum capital requirements, cooperative shares issued by the Group are classified as equity.

As the Local Savings Companies (LSCs) are considered to be fully consolidated structured entities, their consolidation impacts retained earnings.

At December 31, 2018, share capital broke down as follows:

- €9,763 million in cooperative shares fully subscribed for by the cooperative shareholders of the Banque Populaire banks (compared with €9,223 million at January 1, 2018);
- €9,916 million in cooperative shares fully subscribed for by the cooperative shareholders of the Caisses d'Epargne (compared with €9,665 million at January 1, 2018).

At December 31, 2018, additional paid-in capital broke down as follows:

- €949 million linked to cooperative shares subscribed for by the cooperative shareholders of the Banque Populaire banks;
- €2,885 million linked to cooperative shares subscribed for by the cooperative shareholders of the Caisses d'Epargne.

5.15.2 Perpetual deeply subordinated notes classified as equity

Issuing entity	Issue date	Currency	Amount (in original currency)	Call date	Interest step-up date[2]	Rate	Nominal (in millions of euros[1]) 12/31/2018	01/01/2018
BPCE	August 6, 2009	EUR	374 million	September 30, 2019	September 30, 2019	12.50%	374	374
BPCE	August 6, 2009	USD	444 million	September 30, 2019	September 30, 2019	12.50%	309	309
TOTAL							**683**	**683**

(1) Nominal amount translated into euros at the exchange rate in force at the date of classification as equity
(2) Interest step-up date or date of transition from fixed to variable rate

Issues of perpetual deeply subordinated notes are recognized in equity due to the discretionary nature of their remuneration.

5.16 NON-CONTROLLING INTERESTS

Information regarding consolidated subsidiaries and structured entities for which the amount of non-controlling interests is significant in terms of total Group equity is shown in the following statement:

in millions of euros		Fiscal year 2018						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage of non-controlling interests	Income attributed during the period to holders of non-controlling interests	Amount of subsidiary's non-controlling interests	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Comprehensive income attributable to equity holders of the parent
Natixis group	**29.22%**	**770**	**6,955**	**502**	**495,495**	**474,300**	**1,577**	**1,870**
o/w Coface*	57.14%	71	1,067	31	7,219	5,413	124	101
o/w H2O*	49.99%	180	187	81	545	171	360	357
Locindus	**25.18%**	**2**	**65**	**2**	**695**	**437**	**10**	**10**
Other entities		**21**	**192**	**16**				
TOTAL AT DECEMBER 31, 2018		**793**	**7,212**	**520**				

* Non-controlling interests in Natixis.

in millions of euros		Fiscal year 2017						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage of non-controlling interests	Income attributed during the period to holders of non-controlling interests	Amount of subsidiary's non-controlling interests	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Comprehensive income attributable to equity holders of the parent
Natixis group	**28.98%**	**684**	**6,896**	**392**	**519,986**	**499,000**	**1,669**	**973**
o/w Coface	58.62%	33	1,082	12	7,360	5,554	83	76
o/w H2O	49.99%	83	89	28	256	78	167	165
Locindus	**25.18%**	**2**	**64**	**2**	**709**	**455**	**8**	**8**
Other entities		**(5)**	**212**	**17**				
TOTAL AT DECEMBER 31, 2017		**681**	**7,172**	**411**				

5.17 CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

Accounting principles

In the event of disposal of equity financial assets recognized in other comprehensive income, changes in fair value are not transferred to income. These items are described as being not recyclable to income.

	Fiscal year 2018		
in millions of euros	**Gross**	**Tax**	**Net**
Foreign exchange rate adjustments	166	///	166
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	(284)	86	(197)
Revaluation of available-for-sale financial assets of insurance businesses	(301)	110	(191)
Revaluation of derivatives hedging items that can be recycled to income	85	(37)	47
Items of the share of gains and losses of associates recognized directly in other comprehensive income	(275)	70	(205)
Items recyclable to income			**(380)**
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	126	(34)	93
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	412	(118)	294
Revaluation of equity financial assets recognized at fair value through other comprehensive income	(60)	9	(51)
Other items recognized through other comprehensive income not recyclable to income	(1)		(1)
Items not recyclable to income			**335**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)			**(45)**
Attributable to equity holders of the parent			(115)
Non-controlling interests			69

	Fiscal year 2017		
in millions of euros	**Gross**	**Tax**	**Net**
Revaluation differences on defined-benefit pension schemes	50	(34)	16
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	(198)	50	(148)
Share of gains and losses of associates recognized directly in other comprehensive income not recyclable to income	///	///	(1)
Items not recyclable to income			**(133)**
Foreign exchange rate adjustments	(699)	///	(699)
Change in the value of available-for-sale financial assets	28	134	162
Change in the value of hedging derivatives	153	(56)	97
Share of gains and losses of associates recognized directly in other comprehensive income recyclable to income	///	///	9
Items recyclable to income			**(431)**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)			**(564)**
Attributable to equity holders of the parent			(331)
Non-controlling interests			(233)

5.18 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting principles

Financial assets and liabilities were offset on the balance sheet in accordance with IAS 32. Under this standard, a financial asset and financial liability are offset and a net balance is recorded in the balance sheet if and only if:

- the Group has the legally enforceable right to offset the recorded amounts;
- it has the intention either to settle the net amount or to simultaneously realize the asset and settle the liability.

Within Groupe BPCE, most offset amounts are the result of repurchase agreements and derivatives transactions largely carried out by Natixis with clearing houses, which fulfilled the requirements of IAS 32:

- for OTC derivatives, this involves the effects of the currency offset between asset valuations and liability valuations of the derivatives;
- for asset switch transactions that have similar nominal amounts and identical maturities and currencies; the Group presents them as a single financial asset or liability;
- for listed derivatives, the positions recorded under the respective asset and liability items for:
  - index options and futures options are offset by maturity and by currency,
  - equity options are offset by ISIN code and maturity date;
- for repurchase agreements, the amount recorded in the balance sheet corresponds to the net value of repurchase and reverse repurchase agreements that:
  - are entered into with the same clearing house,
  - have the same maturity date,
  - involve the same custodian,
  - are denominated in the same currency.

Financial assets and liabilities "Under netting agreements not offset in the balance sheet" comprise transactions under netting agreements or similar agreements, but that do not meet the restrictive netting criteria set by IAS 32. This is particularly the case for derivatives or OTC repurchase agreements subject to master agreements under which the net settlement criteria or realization of a simultaneous settlement of the asset and liability cannot be demonstrated or for which the offsetting right can only be exercised in the event of default, insolvency or bankruptcy by one of the parties to the agreement.

For these instruments, the "Related financial assets and financial instruments received as collateral" and "Related financial liabilities and financial instruments pledged as collateral" columns include in particular:

- for repurchase agreements:
  - loans or borrowings resulting from reverse repurchase agreements with the same counterparty, and securities, pledged or received as collateral (for the fair value of said securities);
  - margin calls in the form of securities (for the fair value of said securities);
- for derivatives, the fair values of the reverse transactions with the same counterparty, as well as the margin calls in the form of securities.

Margin calls received or paid in cash are shown in "Margin calls received (cash collateral)" and "Margin calls paid (cash collateral)".

5.18.1 Financial assets

Financial assets under netting agreements offset in the balance sheet

in millions of euros	12/31/2018			01/01/2018		
	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amount of financial assets recognized in the balance sheet	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amount of financial assets recognized in the balance sheet
Derivatives (trading and hedging)	75,007	20,981	54,026	74,393	17,426	56,967
Repurchase agreements	93,069	9,954	83,115	42,969	8,465	34,504
Financial assets at fair value through profit or loss	**168,076**	**30,935**	**137,141**	**117,362**	**25,891**	**91,471**
Repurchase agreements (loans and receivables portfolio)	**15,677**	**700**	**14,977**	**70,869**	**6,459**	**64,410**
TOTAL	**183,753**	**31,635**	**152,118**	**188,231**	**32,350**	**155,881**

Financial assets under netting agreements not offset in the balance sheet

in millions of euros	12/31/2018				01/01/2018			
	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives (trading and hedging)	54,026	35,384	9,406	9,236	56,967	31,550	6,645	18,772
Repurchase agreements	98,092	95,164		2,928	98,914	92,622	14	6,278
TOTAL	**152,118**	**130,548**	**9,406**	**12,164**	**155,881**	**124,172**	**6,659**	**25,050**

5.18.2 Financial liabilities

Financial liabilities under netting agreements offset in the balance sheet

in millions of euros	12/31/2018			01/01/2018		
	Gross amount of financial liabilities	Gross amount of financial assets offset in the balance sheet	Net amount of financial liabilities recognized in the balance sheet	Gross amount of financial liabilities	Gross amount of financial assets offset in the balance sheet	Net amount of financial liabilities recognized in the balance sheet
Derivatives (trading and hedging)	81,185	20,981	60,204	79,823	17,426	62,396
Repurchase agreements	100,124	9,954	90,170	43,430	8,465	34,965
Financial liabilities at fair value through profit or loss	**181,308**	**30,935**	**150,373**	**123,253**	**25,891**	**97,361**
Repurchase agreements (liabilities portfolio)	**16,712**	**700**	**16,012**	**85,448**	**6,459**	**78,989**
TOTAL	**198,020**	**31,635**	**166,385**	**208,701**	**32,350**	**176,350**

Financial liabilities under netting agreements not offset in the balance sheet

in millions of euros	12/31/2018				01/01/2018			
	Net amount of financial liabilities recognized in the balance sheet	Related financial assets and financial instruments pledged as collateral	Margin calls paid (cash collateral)	Net exposure	Net amount of financial liabilities recognized in the balance sheet	Related financial assets and financial instruments pledged as collateral	Margin calls paid (cash collateral)	Net exposure
Derivatives (trading and hedging)	60,204	35,708	12,198	12,298	62,396	31,977	11,579	18,840
Repurchase agreements	106,182	99,417		6,765	113,954	103,729	1	10,224
TOTAL	**166,385**	**135,125**	**12,198**	**19,062**	**176,350**	**135,706**	**11,580**	**29,064**

5.19 TRANSFERRED FINANCIAL ASSETS, OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL AND ASSETS RECEIVED AS COLLATERAL THAT CAN BE SOLD OR REPLEDGED

Accounting principles

A financial asset (or group of similar financial assets) is derecognized when the contractual rights to the asset's future cash flows have expired or when such rights are transferred to a third party, together with virtually all of the risks and rewards associated with ownership of the asset. In such case, rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

When a financial asset is derecognized, a gain or loss on disposal is recorded in the income statement reflecting the difference between the carrying amount of the asset and the consideration received.

In the event that the Group has neither transferred nor retained virtually all of the risks and rewards, but has retained control of the asset, the asset continues to be recognized on the balance sheet to the extent of the Group's continuing involvement.

In the event that the Group has neither transferred nor retained virtually all of the risks and rewards and has not retained control of the asset, the asset is derecognized and all of the rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

If all the conditions for derecognizing a financial asset are not met, the Group keeps the asset in the balance sheet and records a liability representing the obligations arising when the asset is transferred.

The Group derecognizes a financial liability (or a part of a financial liability) only when it is extinguished, *i.e.* when the obligation specified in the contract is discharged, terminated or expires.

Repurchase agreements

Securities sold under repurchase agreements are not derecognized in the vendor's accounts. A liability representing the commitment to return the funds received is identified and recognized under "Securities sold under repurchase agreements". This debt is a financial liability recorded at amortized cost or at fair value through profit or loss when this liability is considered part of a trading business model.

The assets received are not recognized in the purchaser's books, but a receivable is recorded with respect to the vendor representing the funds loaned. The amount disbursed in respect of the asset is recognized under "Securities bought under repurchase agreements". On subsequent balance sheet dates, the securities continue to be accounted for by the vendor in accordance with the rules applicable to the category in which they were initially classified. The receivable is valued according to methods specific to its category: at amortized cost when classified in "Loans and receivables," or at fair value through profit or loss when it is considered part of a trading business model.

Outright securities lending

Securities loaned under outright securities lending transactions are not derecognized in the vendor's accounts. They continue to be recognized in their original accounting category and are valued accordingly. For the borrower, the securities borrowed are not recognized.

Transactions leading to substantial changes in financial assets

When an asset is subject to substantial changes (in particular following a renegotiation or a remodeling due to financial difficulties) there is derecognition, as the rights to the initial cash flows have essentially expired. The Group considers that this is the case for:

- changes leading to a change of counterparty, especially if the new counterparty has a very different credit quality than the previous counterparty;
- changes intended to move from a very structured to simple indexing, as the two assets are not exposed to the same risks.

Transactions leading to substantial changes in financial liabilities

A substantial change to the terms of a lending instrument must be recorded as the extinguishment of former debt and its replacement with a new debt. The amendment to IFRS 9 of October 12, 2017 clarified the treatment under IFRS 9 of modifications of liabilities recognized at amortized cost, if the modification does not result in derecognition: the profit or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate must be recognized in profit or loss. To assess the substantial nature of the change, IFRS 9 includes a threshold of 10% based on discounted cash flows, integrating potential costs and fees: when the difference is greater than or equal to 10%, all of the costs or fees incurred are recognized as profit or loss on debt extinguishment.

The Group may consider other changes to be substantial, such as a change of issuer (even within the same group) or a change in currency.

5.19.1 Transferred financial assets not fully derecognized and other financial assets pledged as collateral

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2018
Financial assets at fair value through profit or loss – Held for trading	2,699	7,456	2,934	782	13,871
Financial assets at fair value through profit or loss – Non SPPI			11		11
Financial assets at fair value through other comprehensive income	4,317	111	2,483		6,910
Financial assets at amortized cost	1,821		91,654	38,400	131,875
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**8,837**	**7,566**	**97,082**	**39,182**	**152,667**
o/w transferred financial assets not fully derecognized	*8,837*	*7,566*	*81,787*	*39,182*	*137,373*

The amount of liabilities associated with financial assets pledged as collateral for repurchase agreements came to €6,787 million at December 31, 2018 (€14,943 million at December 31, 2017).

The fair value of assets pledged as collateral for non-deconsolidating securitization transactions was €39,213 million at December 31, 2018 (€34,107 million at December 31, 2017) and the amount of related liabilities came to €15,406 million at December 31, 2018.

Transferred financial assets not fully derecognized and other financial assets pledged as collateral as of December 31, 2017

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2017
Financial assets held for trading	2,314	14,243	83	653	17,293
Financial assets designated at fair value through profit or loss			12		12
Available-for-sale financial assets	3,500	1,301	7,402		12,203
Loans and receivables		23	85,797	33,454	119,274
Held-to-maturity assets		119			119
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**5,814**	**15,686**	**93,294**	**34,107**	**148,901**
o/w transferred financial assets not fully derecognized	*5,814*	*15,686*	*81,646*	*34,107*	*137,253*

5.19.1.1 Comments on transferred financial assets

SECURITIES REPURCHASING AND LENDING

Groupe BPCE repurchases and loans securities.

Under the terms of the agreements, the securities may be sold on by the purchaser throughout the duration of the repurchase or lending operation. The purchaser must nevertheless return them to the vendor at the transaction's maturity date. The cash flows generated by the securities are also transferred to the vendor.

The Group believes that it has retained almost all of the risks and benefits of the securities repurchased or loaned. They have therefore not been derecognized. Financing has been recorded in liabilities for the repurchasing or lending of financed securities.

SALES OF RECEIVABLES

Groupe BPCE sells receivables as security (Articles L. 211-38 or L. 313-23 et seq. of the French Monetary and Financial Code) under guaranteed refinancing operations, notably with the central bank. This type of disposal for security involves the legal transfer of the associated contractual rights, and therefore the "transfer of assets" within the meaning of the amendment to IFRS 7. The Group nevertheless remains exposed to virtually all the risks and benefits, and as such the receivables are maintained on the balance sheet.

SECURITIZATIONS CONSOLIDATED WITH OUTSIDE INVESTORS

Securitizations consolidated with outside investors constitute an asset transfer according to the amendment to IFRS 7.

The Group has an indirect contractual obligation to transfer to outside investors the cash flow from assets transferred to the securitization fund (although these assets are included in the Group's balance sheet through the consolidation of the fund).

In the interest of transparency, for consolidated securitization transactions:

- the share of receivables sold attributable to external investors is considered to be pledged as collateral to third parties;
- the share of receivables sold attributable to units and bonds subscribed for by the Group, and eliminated on consolidation, is not considered to be pledged as collateral unless these securities were brought to Groupe BPCE's single treasury and central bank collateral management pool and used as part of a refinancing mechanism.

The securitization transactions performed by BPCE in 2014 (BPCE Master Home Loans), 2016 (BPCE Consumer Loans 2016_5) and 2017 (BPCE Home Loans 2017_5) were fully subscribed for by the Group, while the senior tranches of the BPCE Home Loans FCT 2018 securitization were subscribed for by external investors (Note 13.1).

5.19.1.2 Comments on financial assets pledged as collateral but not transferred

Financial assets provided as collateral but not transferred are generally pledged. The main mechanisms involved are the CRH (Caisse de Refinancement de l'Habitat), the ESNI industry-wide funding mechanism and securities pledged as collateral for ECB refinancing operations.

Moreover, in accordance with French law, the intrinsic guarantees attached to issues of covered bonds are not recognized under guarantee commitments given. The covered bonds issued by BPCE SFH and Compagnie de Financement Foncier benefit from a legal privilege comprised of eligible assets.

5.19.1.3 Financial assets received as collateral that can be sold or repledged

This heading covers financial assets received as security under financial guarantee agreements with the right to reuse the assets in the absence of any default on the part of the owner of the guarantee.

The fair value of the financial assets received as collateral that Groupe BPCE may sell or repledge amounted to €232 billion at December 31, 2018, compared to €220 billion at December 31, 2017.

The fair value of the financial assets received as collateral that were actually sold or repledged amounted to €146 billion at December 31, 2018, compared with €139 billion at December 31, 2017.

5.19.2 Fully derecognized financial assets for which the Group retains an ongoing commitment

Fully derecognized transferred financial assets for which the Group retains an ongoing commitment consist of asset transfers to a deconsolidated securitization vehicle in which Groupe BPCE has an interest or an obligation, although this does not call into question the transfer of almost all of the benefits and risks relating to the assets transferred.

Ongoing commitments retained by the Group in relation to securitization vehicles were not significant on December 31, 2018.

Note 6 Commitments

Accounting principles

Commitments are materialized by the existence of a contractual obligation and are binding.

It must not be possible to deem commitments included in this item to be financial instruments falling within the scope of IFRS 9 for classification and measurement purposes. However, loan commitments and guarantees given are covered by IFRS 9 provisioning rules, as set out in Note 7.

The effects of the rights and obligations covered by such commitments must be subject to the occurrence of conditions or subsequent transactions. Commitments are broken down into:

- loan commitments (confirmed credit facilities or refinancing agreements);
- guarantee commitments (off-balance sheet commitments or assets received as collateral).

The amounts shown correspond to the nominal value of commitments given.

6.1 LOAN COMMITMENTS

in millions of euros	12/31/2018	01/01/2018
Loan commitments given to:		
– credit institutions	1,365	851
– customers	118,343	112,430
Credit facilities granted	*115,470*	*106,678*
Other commitments	*2,873*	*5,752*
TOTAL LOAN COMMITMENTS GIVEN	**119,708**	**113,281**
Loan commitments received from:		
– credit institutions	44,681	46,877
– customers	1,896	338
TOTAL LOAN COMMITMENTS RECEIVED	**46,577**	**47,215**

6.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2018	01/01/2018
Guarantee commitments given to:		
– credit institutions	6,113	6,881
– customers*	39,682	37,434
TOTAL GUARANTEE COMMITMENTS GIVEN	**45,794**	**44,315**
Guarantee commitments received from:		
– credit institutions	24,045	22,426
– customers	142,893	131,827
TOTAL GUARANTEE COMMITMENTS RECEIVED	**166,938**	**154,253**

* *The guarantees given by CEGC in connection with its activity are treated as insurance policies for accounting purposes, in accordance with IFRS 4 "Insurance contracts." They are recorded on the liabilities side of the balance sheet and are not included in guarantees given to customers shown in the table above.*

Guarantee commitments are off-balance sheet commitments.

"Securities pledged as collateral" are included in Note 5.19 "Transferred financial assets not fully derecognized and other financial assets pledged as collateral".

"Securities received as collateral" that can be sold or repledged are included in Note 5.19.1.3 "Financial assets received as collateral that can be sold or repledged".

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Note 7 Risk exposures

Information relating to capital management as well as regulatory ratios are presented in the Risk Management section.

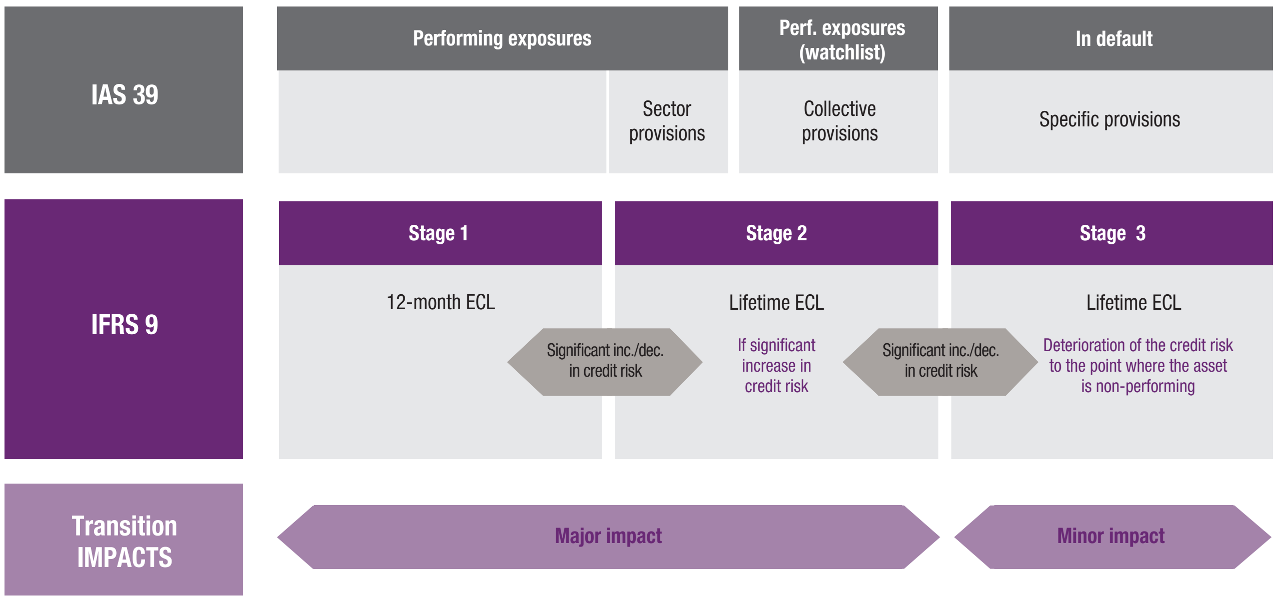
Information on financial assets with past due payments and remodeling due to financial difficulties is provided in the section on "Credit Risk" in Chapter 3 "Risk Management".

Information on liquidity risk (analysis of financial assets and liabilities and commitments by contractual maturity date) is provided in the section on "Liquidity, Interest Rate and Exchange Rate Risks" in Chapter 3 "Risk Management".

7.1 CREDIT RISK AND COUNTERPARTY RISK

Highlights

Credit risk is the risk that one party to a financial transaction fails to fulfill his obligations, causing the other party to incur a financial loss.



Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. They include:

- the breakdown of gross exposures by category and approach (separation of credit and counterparty risk);
- the breakdown of gross exposure by geographic region;
- concentration of credit risk by borrower;
- the breakdown of exposure by credit rating.

This information forms an integral part of the financial statements certified by the Statutory Auditors.

7.1.1 Detail of financial assets and commitments by impairment Stage

Accounting principles

Expected credit losses are represented by impairment of assets classified at amortized cost and at fair value through other comprehensive income recyclable to income, and provisions for financing and guarantee commitments.

The financial instruments concerned (see Note 7.1.1) are impaired or covered by a provision for expected credit losses (ECL) as of the date of initial recognition.

When the financial instruments have not been individually subject to objective evidence of loss, impairment or provisions for expected credit losses are measured based on past losses and reasonable and justifiable discounted future cash flow forecasts.

The financial instruments are divided into three categories (Stages) depending on the increase in credit risk observed since their initial recognition. A specific credit risk measurement method applies to each category of instrument:

Stage 1 (S1)

- these are performing loans for which credit risk has not increased materially since the initial recognition of the financial instrument;
- the impairment or the provision for credit risk corresponds to 12-month expected credit losses;
- interest income is recognized through profit or loss based on the Effective Interest Method applied to the gross carrying amount of the instrument before impairment.

Stage 2 (S2)

- performing loans for which credit risk has increased materially since the initial recognition of the financial instrument are transferred to this category;
- the impairment or the provision for credit risk is determined on the basis of the financial instrument's lifetime expected credit losses;
- interest income is recognized through profit or loss based on the Effective Interest Method applied to the gross carrying amount of the instrument before impairment.

Stage 3 (S3)

- these are loans for which there is objective evidence of impairment loss due to an event which represents a known credit risk occurring after the initial recognition of the instrument in question. As was the case under IAS 39, this category covers receivables for which a default event has been identified as defined in Article 178 of the EU Regulation of June 26, 2013 on prudential requirements for credit institutions;
- the impairment or the provision for credit risk is calculated based on the financial instrument's lifetime expected credit losses on the basis of the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows taking into account the impact of any collateral;
- interest income is recognized through profit or loss based on the Effective Interest Method applied to the net carrying amount of the instrument after impairment;
- Stage 3 also includes financial assets purchased or originated and impaired for credit risk on their initial recognition because the entity does not expect to recover all the contractual cash flows (purchased or originated credit-impaired (POCI) financial instruments). These assets may be transferred to Stage 2 if their credit risk improves.

For operating lease or lease financing receivables – which fall within the scope of IAS 17 – the Group has decided not to make use of the option of applying the simplified approach proposed by IFRS 9 §5.5.15.

Method for measuring the increase in credit risk and expected credit losses

The principles for measuring the increase in credit risk and expected credit losses applicable to most of the Group's exposures are described below. Only BPCE International and a few Group institution portfolios – representing a limited volume of exposures – cannot be treated according to the methods described below and are subject to appropriate valuation techniques.

Other than these few exceptions, the significant increase in credit risk is assessed on an individual basis by taking into account all reasonable and justifiable information and by comparing the default risk on the financial instrument at the end of the fiscal year with the default risk on the financial instrument at the date of its initial recognition. A counterparty-based approach (applying the contagion principle to all loans to the counterparty in question) will also be possible if it gives similar results. The measurement of the increase in the risk should, in most cases, lead to the recognition of an increase in Stage 2 before the transaction is individually impaired (Stage 3).

More specifically, the change in credit risk is measured on the basis of the following criteria:

- Individual Customer, Professional Customer, SME, Public Sector and Social Housing loan books: the measurement of the increase in credit risk relies on a combination of quantitative and qualitative criteria. The quantitative criterion is based on the measurement of the change in the Probability of Default within one year since initial recognition (Probability of Default measured as a cycle average). Complementary qualitative criteria are used to classify as Stage 2 all contracts with payments more than 30 days past due (the presumption that amounts are past-due after 30 days is therefore not refuted), rated at-risk, included on a watch list or undergoing adjustments due to financial hardship (forbearance);
- for the Large Corporates, Banks and Sovereigns loan books, the quantitative criterion is based on the level of variation in the rating since initial recognition. The same qualitative criteria as for Individual Customers, Professional Customers and SMEs apply, as do complementary criteria based on the change in sector rating and the level of country risk;
- for Specialized Financing, the criteria applied vary according to the characteristics of the exposures and the related ratings system: exposures rated by the tool dedicated to large exposures will be treated in the same way as Large Corporates; other exposures will be treated in the same way as SMEs.

For all these loan books, the ratings used to measure the increase in risk correspond to the ratings produced by internal systems when they are available, as well as on external ratings, particularly when an internal rating is not available.

The standard provides that the credit risk of a financial instrument has not increased materially since its initial recognition if this risk is considered to be low at the end of the fiscal year. This provision is applied to certain investment-grade debt securities held by Corporate & Investment Banking.

For Stage 1 and 2 financial instruments, expected credit losses are also measured on an individual basis, depending on the features of each contract. Collective provisions may be established by the different Group institutions, corresponding to "sector" provisions.

Group entities are therefore responsible for assessing the consistency of provisions determined for the Group with the local and sector characteristics of their portfolio and for defining additional sector provisions if necessary. The few portfolios not covered by the methodologies described below (not material at the Group level) may also result in collective measurements.

Expected credit losses on financial instruments classified as Stage 1 or Stage 2 are measured as the product of several inputs:

- cash flows expected over the lifetime of the financial instrument, discounted on the valuation date – these flows are determined according to the characteristics of the contract, its effective interest rate and the level of early repayment expected on the contract;
- Loss Given Default (LGD);
- probabilities of default (PD), for the coming year in the case of Stage 1 financial instruments and until the contract's maturity in the case of Stage 2 financial instruments.

The Group draws on existing concepts and mechanisms to define these inputs, and in particular on internal models developed to calculate regulatory capital requirements and on projection models used in the stress test system. Certain adjustments are made to comply with the specifics of IFRS 9:

- IFRS 9 parameters aim to provide an accurate estimate of expected credit losses for accounting provision purposes, whereas prudential parameters are more cautious for regulatory framework purposes. Several of the safety buffers applied to the prudential parameters are therefore restated;
- IFRS 9 parameters must allow expected credit losses to be estimated until the contract's maturity, whereas prudential parameters are defined to estimate 12-month expected losses. Twelve-month parameters are thus projected over long periods.

IFRS 9 parameters must be forward-looking and take into account the expected economic environment over the projection period, whereas prudential parameters correspond to the cycle's average estimates (for PD) or bottom-of-the-cycle estimates (for LGD and the flows expected over the lifetime of the financial instrument). The PD and LGD prudential parameters are therefore also adjusted based on this expected economic environment.

Parameters are adjusted to economic conditions by defining three economic scenarios over a three-year period. The variables defined in each of these scenarios allow for the distortion of the PD and LGD parameters and the calculation of an expected credit loss for each economic scenario. Parameters for periods longer than three years are projected based on the mean reversion principle. The models used to distort the PD and LGD parameters rely on those developed as part of the stress test system for the purpose of ensuring consistency. These economic scenarios are associated with probabilities of occurrence, ultimately making it possible to calculate an average probable loss used as the IFRS 9 impairment amount.

These scenarios are defined using the same organization and governance as that defined for the budget process, requiring an annual review based on proposals from the Economic Research department and approval by the Executive Management Committee. To ensure consistency with the budget scenario, the central scenario is the budget scenario. Two variants – an optimistic view and a pessimistic view – are also developed around this scenario. The likelihood that the scenarios will occur is reviewed on a quarterly basis by the Group's Watch List and Provisions Committee. The parameters thus defined allow expected credit losses for all rated exposures to be valued, regardless of whether they belong to a scope approved using an internal method or they are processed using the standard method for the calculation of risk-weighted assets. Conservative default rules are applied to unrated exposures (the stakes are not material for the Group). These rules involve assigning the highest rating on the internal scale in the absence of a rating on approval and the lowest rating on the scale before the at-risk stage in the absence of a rating to date.

The mechanism for validating IFRS 9 parameters is fully integrated in the validation mechanism for existing models within the Group. The validation of parameters follows a review process by the independent internal validation of models unit, the review of this work by the Group Model Committee and monitoring of recommendations issued by the validation unit.

Method for measuring assets classified as Stage 3

Loans and receivables are considered as impaired and are classified as Stage 3 if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis in the form of triggering events or loss events identifying counterparty risk occurring after the initial recognition of the loans in question. Objective evidence of impairment includes any payments that are past due by at least three months, or regardless of whether any payment has been missed, the observation of financial hardship experienced by the counterparty leading to the expectation that some or all of the amounts owed may not be recovered or to the initiation of legal proceedings;
- these events are liable to lead to the recognition of incurred credit losses, that is, expected credit losses for which the probability of occurrence has become certain.

Debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) are considered impaired and are classified as Stage 3 when there is a known counterparty risk.

The Group uses the same impairment indicators for Stage 3 debt securities as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio to which the debt securities are ultimately designated. For perpetual deeply subordinated notes that meet the definition of financial liabilities within the meaning of IAS 32, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

Impairment for expected credit losses on Stage 3 financial assets is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows, whether these cash flows come from the counterparty's activity or from the potential activation of guarantees. For short-term assets (maturity of less than one year), there is no discounting of future cash flows. Impairment is determined globally, without distinguishing between interest and principal. Expected credit losses arising from Stage 3 off-balance sheet commitments are taken into account through provisions recognized on the liability side of the balance sheet. Specific impairment is calculated for each receivable on the basis of the maturity schedules determined based on historic recoveries for each category of receivable.

For the purposes of measuring expected credit losses, pledged assets and other credit enhancements that form an integral part of the contractual conditions of the instrument and that the entity does not recognize separately are taken into account in the estimate of expected cash flow shortfalls.

For debt instruments recognized on the balance sheet in the financial assets at amortized cost category, impairment is recorded against the line on which the asset was initially shown for its net amount (regardless of whether the asset is S1, S2, or S3). Impairment charges and reversals are recognized in the income statement under "Cost of credit risk".

For debt instruments recognized on the balance sheet as financial assets at fair value through other comprehensive income, impairment is carried on the liabilities side of the balance sheet at the level of other comprehensive income recyclable to income, with a corresponding entry on the income statement under "Cost of credit risk" (regardless of whether the asset is S1, S2, or S3).

For loan and financial guarantee commitments given, provisions are recorded on the liabilities side of the balance sheet under "Provisions" (irrespective of whether the commitment given is S1, S2, or S3). Additions to/reversals from provisions are recognized in the income statement under "Cost of credit risk".

7.1.1.1 Financial assets at fair value through other comprehensive income recyclable to income by impairment Stage

	12/31/2018			01/01/2018		
in millions of euros	Gross carrying amount	Impairment for credit losses	Carrying amount	Gross carrying amount	Impairment for credit losses	Carrying amount
Financial assets at fair value through other comprehensive income (recyclable to income)	**37,475**	**(67)**	**37,408**	**32,974**	**(57)**	**32,917**
Stage 1	37,366	(5)	37,361	32,106	(4)	32,102
Stage 2	30	(2)	28	787	(14)	773
Stage 3	79	(60)	19	81	(39)	42

7.1.1.2 Financial assets at amortized cost by impairment Stage

in millions of euros	12/31/2018 Gross carrying amount	12/31/2018 Impairment for credit losses	12/31/2018 Carrying amount	01/01/2018 Gross carrying amount	01/01/2018 Impairment for credit losses	01/01/2018 Carrying amount
Debt securities	**31,939**	**(163)**	**31,776**	**33,653**	**(158)**	**33,495**
Stage 1	31,181	(7)	31,174	32,821	(6)	32,815
Stage 2	510	(13)	497	504	(14)	490
Stage 3	248	(143)	105	328	(138)	190
Loans and receivables due from credit institutions	**91,202**	**(60)**	**91,142**	**90,301**	**(79)**	**90,222**
Stage 1	90,215	(3)	90,212	88,922	(8)	88,914
Stage 2	933	(4)	929	1,315	(7)	1,308
Stage 3	54	(53)	1	64	(64)	
Loans and receivables due from customers	**671,898**	**(12,617)**	**659,281**	**639,785**	**(13,348)**	**626,437**
Stage 1	581,192	(977)	580,215	533,267	(1,089)	532,178
Stage 2	69,273	(1,924)	67,349	83,362	(1,838)	81,524
Stage 3	21,433	(9,716)	11,717	23,156	(10,421)	12,735
TOTAL FINANCIAL ASSETS AT AMORTIZED COST	**795,039**	**(12,840)**	**782,199**	**763,739**	**(13,585)**	**750,154**
Stage 1	702,588	(987)	701,601	655,010	(1,103)	653,907
Stage 2	70,716	(1,941)	68,775	85,181	(1,859)	83,322
Stage 3	21,735	(9,912)	11,823	23,548	(10,623)	12,925

At December 31, 2018, debt securities included €121 million in purchased or originated credit-impaired (POCI) financial assets (net amount after impairment of -€47 million), *versus* €154 million at January 1, 2018.

Loans and receivables due from customers include €279 million in POCI assets (net amount after impairment of -€97 million), *versus* €381 million at January 1, 2018.

7.1.1.3 Financing and guarantee commitments by impairment Stage

in millions of euros	12/31/2018 Gross exposure	12/31/2018 Impairment for credit losses	12/31/2018 Net exposure	01/01/2018 Gross exposure	01/01/2018 Impairment for credit losses	01/01/2018 Net exposure
Loan commitments given	**119,708**	**377**	**119,331**	**113,281**	**397**	**112,884**
Stage 1	109,096	119	108,977	93,172	133	93,039
Stage 2	10,270	113	10,157	19,689	128	19,561
Stage 3	342	145	197	420	136	284
Guarantee commitments given	**41,353**	**277**	**41,076**	**44,315**	**310**	**44,005**
Stage 1	33,425	37	33,388	28,871	41	28,830
Stage 2	7,009	62	6,947	14,533	89	14,444
Stage 3	919	178	741	911	180	731
TOTAL COMMITMENTS GIVEN	**161,061**	**654**	**160,407**	**157,596**	**707**	**156,889**
Stage 1	142,521	156	142,365	122,043	174	121,869
Stage 2	17,279	175	17,104	34,222	217	34,005
Stage 3	1,261	323	938	1,331	316	1,015

At December 31, 2018, loan commitments included €83 million in commitments impaired on origination (net amount after provisions of €4 million), *versus* €104 million at January 1, 2018. Guarantee commitments included €4 million in commitments impaired on origination (net amount after provisions of €1 million), *versus* €14 million at January 1, 2018.

7.1.2 Cost of credit risk

Accounting principles

Cost of risk applies to debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income recyclable to income as well as loan commitments and financial guarantees given that are not recognized at fair value through profit or loss. It also applies to receivables relating to leasing contracts, business loans and contract assets.

This item therefore covers net impairment and provision charges for credit risk.

Credit losses related to other types of instruments (derivatives or securities designated at fair value through profit or loss) recorded as a result of default by credit institutions are also included under this item.

Irrecoverable loans not covered by provisions for impairment are loans that are permanently lost before being provisioned in Stage 3.

Cost of risk for the period

in millions of euros	Fiscal year 2018
Net charge to provisions and provisions for impairment	(1,124)
Recoveries of bad debts written off	71
Irrecoverable loans not covered by provisions for impairment	(246)
TOTAL COST OF CREDIT RISK	**(1,299)**

Figures for 2017 under IAS 39

in millions of euros	Fiscal year 2017
Net charge to provisions and provisions for impairment	(1,209)
Recoveries of bad debts written off	66
Irrecoverable loans not covered by provisions for impairment	(241)
TOTAL COST OF CREDIT RISK	**(1,384)**

Cost of risk for the period by type of asset

in millions of euros	Fiscal year 2018
Interbank transactions	47
Customer transactions	(1,217)
Other financial assets	(128)
TOTAL COST OF CREDIT RISK	**(1,299)**

Figures for 2017 under IAS 39

in millions of euros	Fiscal year 2017
Interbank transactions	(17)
Customer transactions	(1,339)
Other financial assets	(28)
TOTAL COST OF CREDIT RISK	**(1,384)**

7.1.3 Change in expected credit losses on financial assets and commitments

In the tables presented in this Note, the line "Other changes" includes changes in credit risk inputs, write-offs (only for Stage 3) and changes relating to the implementation of IFRS 5 (see Note 1.3).

7.1.3.1 Change in impairment for credit losses on financial assets through other comprehensive income

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**(4)**	**(14)**	**(39)**	**(57)**
Origination and acquisitions	(1)		///	(1)
Derecognition and buybacks		12	1	13
Other changes			(22)	(22)
BALANCE AT 12/31/2018	**(5)**	**(2)**	**(60)**	**(67)**

7.1.3.2 Change in impairment for credit losses on debt securities at amortized cost

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**(6)**	**(14)**	**(138)**	**(158)**
Origination and acquisitions	(1)	(7)	///	(8)
Derecognition and buybacks	1	9	22	32
Other changes	(1)	(2)	(26)	(28)
BALANCE AT 12/31/2018	**(7)**	**(13)**	**(143)**	**(163)**

7.1.3.3 Change in impairment for credit losses on loans and receivables due from credit institutions at amortized cost

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**(8)**	**(7)**	**(64)**	**(79)**
Origination and acquisitions	(1)		///	(1)
Derecognition and buybacks	2	1	7	10
Transfers between Stages	2	(1)		1
Other changes	2	3	4	9
BALANCE AT 12/31/2018	**(3)**	**(4)**	**(53)**	**(60)**

7.1.3.4 Change in impairment for credit losses on loans and receivables due from customers at amortized cost

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**(1,089)**	**(1,838)**	**(10,421)**	**(13,348)**
Origination and acquisitions	(586)	(149)	///	(735)
Derecognition and buybacks	125	216	1,521	1,862
Transfers between Stages	84	(191)	(640)	(747)
Other changes	489	38	(176)	351
BALANCE AT 12/31/2018	**(977)**	**(1,924)**	**(9,716)**	**(12,617)**

7.1.3.5 Change in provisions for credit losses on loan commitments given

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**133**	**128**	**136**	**397**
Origination	98	16	///	113
Derecognition	(47)	(27)	(5)	(79)
Transfers between Stages	1	8	1	11
Other changes	(66)	(12)	14	(65)
BALANCE AT 12/31/2018	**119**	**113**	**145**	**377**

7.1.3.6 Change in provisions for credit losses on guarantee commitments given

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**41**	**89**	**180**	**310**
Origination	42	13	///	55
Derecognition	(11)	(29)	(12)	(52)
Transfers between Stages	(3)	20	8	25
Other changes	(32)	(31)	2	(61)
BALANCE AT 12/31/2018	**37**	**62**	**178**	**277**

7.1.4 Measurement and management of credit risk

Credit risk arises whenever a counterparty is unable to meet its payment obligations and may result from a reduction in credit quality or even default by the counterparty.

Commitments exposed to credit risk consist of existing or potential receivables and particularly loans, debt securities, equities, performance swaps, performance bonds, or confirmed or undrawn facilities.

Credit risk management procedures and assessment methods, risk concentration, the quality of performing financial assets, and the analysis and breakdown of outstandings are described in the risk management report.

7.1.5 Guarantees received on impaired instruments

The statement below shows the credit and counterparty risk exposure for all Groupe BPCE's financial assets. This exposure to credit risk (determined without taking into account the impact of any unrecognized netting or collateral agreements) and to counterparty risk is based on the carrying amount of the financial assets.

in millions of euros	Maximum credit risk exposure	Impairment/ Provisions	Maximum exposure net of impairment	Guarantees
Debt securities at amortized cost	248	(143)	105	57
Loans and receivables due from credit institutions at amortized cost	54	(53)	1	
Loans and receivables due from customers at amortized cost	21,433	(9,716)	11,716	10,259
Debt securities – Fair value through OCI recyclable to income	79	(60)	19	
Loan commitments	342	(145)	196	5
Guarantee commitments	919	(178)	740	17
TOTAL IMPAIRED FINANCIAL INSTRUMENTS (S3)	**23,074**	**(10,296)**	**12,777**	**10,338**

7.1.6 Credit risk mitigation mechanisms: assets obtained by taking possession of collateral

The policy followed by Groupe BPCE entities is to sell assets obtained by taking possession of collateral as soon as possible. The amount of these assets was non-material at December 31, 2018.

7.2 MARKET RISK

Market risk refers to the possibility of financial loss due to market trends, such as:

- interest rates: interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market rates of interest;
- exchange rates;
- prices: market price risk is the risk of a potential loss resulting from changes in market prices, whether they are caused by factors specific to the instrument or its issuer, or by factors affecting all market traded instruments. Variable-income securities, equity derivatives and commodity derivatives are exposed to this type of risk; and
- more generally, any market parameter involved in the valuation of portfolios.

Systems for the measurement and monitoring of market risks are presented in the risk management report.

The information provided in the risk management report required under IFRS 7 and relating to the management of market risk comprises:

- VaR for the Groupe BPCE scope;
- the conclusions of the global stress tests.

7.3 INTEREST RATE RISK AND EXCHANGE RATE RISK

Interest rate risk is the risk that unfavorable changes in interest rates will adversely impact the Group's annual results and net worth. Exchange rate risk is the risk of losses resulting from changes in exchange rates.

The Group's approach to the management of overall interest rate risk and foreign exchange risk is discussed in Chapter 3 "Risk Management – Liquidity, Interest Rate and Exchange Rate risks".

7.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to honor its payment commitments as they fall due and replace funds when they are withdrawn.

The funding procedures and liquidity risk management arrangements are disclosed in the risk management report.

Disclosures relating to the management of liquidity risk required by IFRS 7 are provided in Chapter 3 "Risk management report – Liquidity, interest rate and foreign exchange risk".

Note 8 Employee benefits and similar

Accounting principles

There are four categories of employee benefits:

- **Short-term employee benefits** such as wages, salaries, paid annual leave, bonuses, and profit sharing and incentive schemes which are expected to be paid within 12 months of the end of the period in which the employee renders the service are recognized in expenses.
- **Post-employment benefits** paid to retired staff break down into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans such as French national plans are those for which Groupe BPCE's obligation is limited to payment of a contribution; there is no obligation for the employer regarding a certain level of benefits. Contributions paid into these plans are recognized as an expense for the period.

Defined-benefit plans are those for which Groupe BPCE has undertaken to provide a given amount or level of benefits.

Defined-benefit plans are subject to provisions calculated based on an actuarial assessment of the amount of the obligation, taking into account demographic and financial assumptions. When these plans are funded by external funds meeting the definition of plan assets, the amount of the provision is reduced by the fair value of these assets.

The cost of defined-benefit plans recorded in expenses for the period includes: the service cost (representing the rights acquired by beneficiaries over the period), the service cost for prior periods (revaluation differences on actuarial liabilities following an amendment or reduction in the plan), the net financial cost (effect of undiscounting the net obligation for interest income generated by plan assets) and the effect of pension drawdowns.

Revaluation differences on actuarial liabilities caused by changes in demographic and financial assumptions and past-experience effects are recorded in gains and losses recognized directly in other comprehensive income not recyclable to income.

- **Other long-term employee benefits** include awards accruing to current employees and payable 12 months or more after the end of the period in which the employee renders the related service. They mainly include long-service awards and deferred variable remuneration payable in cash and not indexed to the share price.

These benefits are calculated using the same actuarial method as that applied for defined-benefit pension plans. The accounting method differs in terms of revaluation differences on actuarial liabilities, which are recorded under expenses.

- **Termination benefits** are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the Group to terminate a contract or a decision by an employee to terminate a contract in exchange for a severance package. They are covered by a provision. Termination benefits that are not expected to be paid within the 12 months following the balance sheet date are discounted to present value.

Share-based payments include payments in equity instruments or cash where the amount of the cash payment is indexed to the share price.

A personnel expense is recorded for an amount equal to the fair value of the benefit awarded, spread over the vesting period.

8.1 PAYROLL COSTS

Payroll costs include all personnel expenses and the associated social security contributions and taxes.

They include expenses for employee benefits and share-based payments.

in millions of euros	Fiscal year 2018	Fiscal year 2017
Wages and salaries	(6,557)	(6,416)
Expenses for defined-benefit and defined-contribution pension plans and other long-term employee benefits	(710)	(690)
Other social security costs and payroll-based taxes	(2,783)	(2,628)
Profit-sharing and incentive schemes	(579)	(593)
TOTAL PAYROLL COSTS	**(10,629)**	**(10,327)**

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. It came to €102 million in respect of fiscal year 2018 (€120 million for 2017). The use of this tax is presented in section 6 "Social, environmental and societal information" of the registration document.

8.2 EMPLOYEE BENEFITS

Groupe BPCE grants its staff a variety of employee benefits:

The Banque Populaire banks' private supplementary pension plan, managed by Caisse Autonome de Retraite des Banques Populaires (CAR-BP), covers the pension benefits deriving from the closure of the Banque Populaire banks' banking pension scheme at December 31, 1993.

The pension plans managed by CAR-BP are partially covered by insurance for annuities paid to beneficiaries over a certain age, and for obligations in respect of beneficiaries below this age.

The annuities paid to beneficiaries over the reference age are managed under the insurer's (CNP) general pension plan. The assets in this general plan are reserved for the insurer's pension obligations and their composition is adjusted in line with foreseeable payment trends. They mostly comprise fixed income instruments so as to enable the insurer to apply the capital guarantee that it is obliged to provide for this type of assets. The insurer is responsible for the fund's asset/liability management.

Other obligations are managed in a balanced fund managed as a unit-linked policy and are not covered by any particular guarantee from the insurer. The management of these obligations is based on a target strategic allocation that also mostly invests in debt instruments (60%, over 95% of which are government bonds), but which also includes equity investments (40%, with 20% invested in the euro zone). The allocation is adjusted to optimize the portfolio's expected performance, subject to a risk constraint comprising many criteria. The corresponding asset/liability reviews are performed each year and are presented to the CAR-BP Technical, Financial and Risk Committee and to the Groupe BPCE Employee Benefits Monitoring Committee for information. The relatively aggressive asset allocation is made possible by the long-term investment horizon and by the regulation mechanisms integrated in the plan's financial management system.

The Caisses d'Epargne's former private supplementary pension plan (a retained-benefit plan), previously managed by Caisse Générale de Retraite des Caisses d'Epargne (CGRCE), is now incorporated within Caisse Générale de Prévoyance des Caisses d'Epargne (CGP). Beneficiaries' rights were crystallized on the date of the plan's closure, on December 31, 1999. The strategic guidelines for the management of the Caisses d'Epargne retained-benefit plan are set by the CGP Board of Directors based on asset/liability reviews submitted first to a Joint Investment Committee. The Groupe BPCE Employee Benefits Monitoring Committee also receives the reviews for information purposes. The pension plan is subject to several constraints and objectives which impact the strategic choices made:

- the risk of a need for provisioning in case of insufficient returns;
- the risk of insufficient assets;
- the wish to be able to regularly review pension payments.

The bond allocation is decisive (88% primarily invested in government bonds) in the plan's assets. To manage interest rate risk, the CGP is obliged to replicate expected payouts with equivalent assets *via* a matching process. Liability constraints require the holding of long-term assets to ensure the duration is as close as possible to the duration of liabilities. The wish to be able to review annuities on an annual basis, which is decided by the CGP Board of Directors, means the portfolio holds a large portion of inflation-indexed bonds.

The CAR-BP and CGP plans are presented under "Supplementary pension benefits and other".

Other employee benefits include:

- pensions and other post-employment benefits such as retirement indemnities and other benefits granted to retirees;
- other benefits such as long-service awards and other long-term employee benefits.

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8.2.1 Analysis of assets and liabilities recorded in the balance sheet

	Post-employment defined-benefit plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	12/31/2018	12/31/2017
Actuarial liabilities	7,153	896	266	205	8,520	9,057
Fair value of plan assets	(7,200)	(513)	(10)		(7,723)	(7,766)
Fair value of reimbursement rights	(559)	(34)			(593)	(632)
Effect of ceiling on plan assets	1,147				1,147	813
Net amount reported on the balance sheet	**541**	**349**	**256**	**205**	**1,351**	**1,472**
Employee benefit commitments recorded in the balance sheet	1,099	383	256	205	1,944	2,104
Plan assets recorded in the balance sheet*	559	34			593	632

* *Mostly recorded on the assets side of the balance sheet under "Accrued income and other assets".*

Actuarial liabilities represent the Group's obligation in respect of beneficiaries. They are calculated by independent actuaries using the projected unit credit method based on demographic and financial assumptions that are reviewed on a regular basis and at least once a year.

When these plans are funded by assets meeting the definition of plan assets, the amount of the provision corresponds to actuarial liabilities less the fair value of these assets.

Surplus plan assets are recorded under assets, as are assets that do not meet the definition of plan assets.

8.2.2 Change in amounts recognized on the balance sheet

Changes in actuarial liabilities

	Post-employment defined-benefit plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	Fiscal year 2018	Fiscal year 2017
Actuarial liabilities at start of year	**7,649**	**959**	**277**	**172**	**9,057**	**9,005**
Service cost	12	52	18	70	152	136
Service cost for prior periods	(6)	(4)	2	(1)	(9)	(47)
Interest cost	122	13	3		138	135
Benefits paid	(193)	(50)	(14)	(53)	(310)	(285)
Other items recorded in income	3	5	(19)		(11)	(7)
Changes recorded in income	**(62)**	**16**	**(10)**	**16**	**(40)**	**(68)**
Revaluation adjustments – demographic assumptions	1	(7)			(6)	22
Revaluation adjustments – financial assumptions	(337)	(42)			(379)	193
Revaluation adjustments – past-experience effect	(112)	(24)			(136)	(71)
Changes recognized directly in other comprehensive income not recyclable to income	**(448)**	**(73)**			**(521)**	**144**
Foreign exchange rate adjustments	**11**			**1**	**12**	**(37)**
Other changes	**3**	**(6)**	**(1)**	**16**	**12**	**13**
ACTUARIAL LIABILITIES AT END OF YEAR	**7,153**	**896**	**266**	**205**	**8,520**	**9,057**

Change in plan assets

	Post-employment defined-benefit plans		Other long-term employee benefits		
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Fiscal year 2018	Fiscal year 2017
Fair value of plan assets at start of year	**7,843**	**545**	**10**	**8,398**	**8,297**
Interest income	125	6		131	135
Plan participant contributions	13	3		16	233
Benefits paid	(159)	(15)		(174)	(170)
Other items recorded in income		(1)		(1)	5
Changes recorded in income	**(21)**	**(7)**		**(28)**	**203**
Revaluation adjustments – return on plan assets	(73)	7		(66)	(79)
Changes recognized directly in other comprehensive income not recyclable to income	**(73)**	**7**		**(66)**	**(79)**
Foreign exchange rate adjustments	**10**			**10**	**(29)**
Other changes		**2**		**2**	**6**
FAIR VALUE OF PLAN ASSETS AT END OF YEAR*	**7,759**	**547**	**10**	**8,316**	**8,398**

* *O/w €559 million in reimbursement rights included in retirement benefits and €34 million included in end-of-career benefits.*

Amounts paid in cash to beneficiaries reduce the amount of provisions recorded to this end by an equivalent amount. A total of €174 million was charged against pension plan assets.

Returns on plan assets are calculated by applying the same discount rate as the one applied to gross liabilities. The difference between the actual return at the balance sheet date and this financial income is a revaluation difference recorded in equity for post-employment benefits.

8.2.3 Cost of defined-benefit pension plans and other long-term employee benefits

Expenses for defined-benefit pension plans and other long-term employee benefits

The various components of the charge recognized for defined-benefit plans are included under "Payroll costs".

in millions of euros	Post-employment defined-benefit plans	Other long-term employee benefits	Fiscal year 2018	Fiscal year 2017
Service cost	(54)	(89)	(143)	(89)
Net interest cost	(4)	(3)	(7)	
Other (o/w asset ceiling)	(22)	19	(3)	(6)
Expense for the period	**(80)**	**(73)**	**(153)**	**(95)**
Benefits paid	69	67	136	115
Plan participant contributions	16		16	233
Change in provisions due to contributions	**85**	**67**	**152**	**348**
TOTAL	**5**	**(6)**	**(1)**	**253**

Gains and losses on defined-benefit plans recorded directly in other comprehensive income

in millions of euros	Supplementary pension benefits and other	End-of-career awards	Fiscal year 2018	Fiscal year 2017
Revaluation adjustments at start of period	**353**	**52**	**405**	**466**
Revaluation adjustments over the period	(376)	(81)	(457)	214
Adjustments to asset ceiling	332	1	333	(275)
REVALUATION ADJUSTMENTS AT END OF PERIOD	**309**	**(28)**	**281**	**405**

8.2.4 Other information

Main actuarial assumptions

	Fiscal year 2018		Fiscal year 2017	
	CAR-BP	CGP-CE	CAR-BP	CGP-CE
Discount rate	1.56%	1.82%	1.32%	1.58%
Inflation rate	1.70%	1.70%	1.70%	1.70%
Life tables used	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05
Duration	14 years	18 years	15 years	18 years

Sensitivity of actuarial liabilities to changes in the principal assumptions

As of December 31, 2018, a 0.5% change in the discount rate and the inflation rate would have the following impact on actuarial liabilities:

	12/31/2018				12/31/2017			
	CAR-BP		CGP-CE		CAR-BP		CGP-CE	
as a % and in millions of euros	%	Amount	%	Amount	%	Amount	%	Amount
+0.5% increase in the discount rate	(6.44)	(50)	(8.07)	(448)	(6.73)	(57)	(8.48)	(504)
-0.5% decrease in the discount rate	7.19	56	9.17	509	7.55	63	9.68	575
+0.5% increase in the inflation rate	6.65	52	7.62	423	6.99	59	8.02	476
-0.5% decrease in the inflation rate	(5.60)	(44)	(6.90)	(383)	(5.84)	(49)	(7.23)	(430)

Payment schedule – (non-discounted) amounts paid to beneficiaries

	12/31/2018		12/31/2017	
	CAR-BP	CGP-CE	CAR-BP	CGP-CE
Year N+1 to N+5	184	753	185	720
Year N+6 to N+10	178	882	181	860
Year N+11 to N+15	164	933	169	932
Year N+16 to N+20	143	886	149	904
Year > N+20	316	2,528	346	2,713

Breakdown of fair value of CAR-BP plan assets (including reimbursement rights) and CGP-CE plan assets

	12/31/2018				12/31/2017			
	CAR-BP		CGP-CE		CAR-BP		CGP-CE	
as a % and in millions of euros	Weighting by category	Fair value of plan assets	Weighting by category	Fair value of plan assets	Weighting by category	Fair value of plan assets	Weighting by category	Fair value of plan assets
Cash	5.45%	24	0.40%	27	3.23%	15	0.30%	20
Equities	39.26%	173	9.31%	624	42.03%	191	9.80%	661
Bonds	46.07%	203	88.29%	5,916	46.43%	211	88.20%	5,950
Real estate			2.00%	134			1.70%	115
Investment funds	9.23%	41	0.00%	-	8.32%	37		
TOTAL	**100.00%**	**441**	**100.00%**	**6,701**	**100.00%**	**454**	**100.00%**	**6,746**

8.3 SHARE-BASED PAYMENTS

Accounting principles

Share-based payments are those based on shares issued by the Group, regardless of whether transactions are settled in the form of equity or cash indexed to the share price.

The cost to the Group is calculated on the basis of the fair value at the grant date of the share purchase or subscription options granted by certain subsidiaries. The total cost of the plan is determined by multiplying the unit value of the option by the estimated number of options that will have vested at the end of the vesting period, taking account of the likelihood that the grantees will still be employed by the Group, and of any non-market performance conditions that may affect the plan.

The cost to the Group is recognized in income from the date the employees are notified of the plan, without waiting for the vesting conditions, if any, to be satisfied (for example, in the case of a subsequent approval process), or for the beneficiaries to exercise their options.

The corresponding adjustment for the expense recorded under equity-settled plans is an increase in equity.

The Group recognizes a liability for cash-settled plans. The related cost is taken to income over the vesting period and a corresponding fair value adjustment is booked to a liability account.

The main plans settled in the form of shares are presented below.

Share-based employee retention and performance recognition plans

Each year since 2010, a share-based payment plan has been awarded to certain categories of Natixis group staff, in compliance with regulations.

Regarding the plans approved at February 13, 2018, as the allocations had not been formally completed on the balance sheet date, the cost assessment was based on the best possible estimate of the inputs on the balance sheet date, both in terms of the share value and dividend assumptions.

Long-term payment plans settled in cash and indexed to the Natixis share price

Payments under these plans are subject to presence and performance criteria.

Year of plan	Grant date	Initial number of units granted*	Vesting date	Number of units vested by beneficiaries	Fair value of indexed cash unit at valuation date in euros
2014 plan	02/18/2015	4,493,016	October 2016 October 2017 October 2018	1,576,403 1,449,399 -	6.37
2015 plan	02/10/2016	6,084,435	March 2018 March 2019	-	6.11
2016 plan	04/10/2017	2,835,311	March 2019 March 2020	-	5.47
2017 plan	02/23/2018	2,660,487	March 2020 March 2021	-	5.34
2018 plan	02/26/2019	3,260,945	March 2021 March 2022	988,570 1,886,095	2.72

* *The expected number of units at the vesting date is funded by equity swaps.*

Short-term cash-settled payment plans indexed to the Natixis share

Year of plan	Grant date	Vesting date	Value of indexed cash unit (in euros)	Number of indexed cash units granted at inception	Number of probable indexed cash units at vesting date	Fair value of indexed cash unit at valuation date in euros
2018 plan	02/26/2019	02/26/2019	4.66	6,235,792	6,235,792	4.66

The expense associated with the short-term plan is fully recognized in the 2018 financial statements in the amount of €36 million, versus €42 million at December 31, 2017.

Share-based payment plans

Payments under these plans are subject to presence and performance criteria.

Year of plan	Grant date	Number of shares granted at inception	Vesting date	Number of units vested by beneficiaries	Bonus share price at grant date in euros	Fair value of bonus share at valuation date in euros
2013 plan	07/31/2014	31,955	July 2018		4.83	4.02
2014 plan	02/18/2015	95,144	February 2019		6.18	3.45
2015 plan	07/28/2016	3,081,642	March 2018 March 2019		3.43	2.80
2016 plan	07/28/2016	151,283	July 2020		3.43	1.62
2016 plan	04/10/2017	3,012,307	March 2019 March 2020		4.28	4.43
2017 plan	05/23/2017	79,369	May 2021		6.44	3.32
2017 plan	02/23/2018	2,765,576	March 2020 March 2021		7.06	5.34
2018 plan	02/26/2019	2,987,841	March 2021 March 2022		4.44	2.73

Expense for the period for loyalty and performance plans

in millions of euros	Fiscal year 2018			Fiscal year 2017
	Plans settled in shares	Plans settled in cash indexed to Natixis shares	Total	
Previous loyalty plans	(14)		(14)	(31)
Loyalty plans from the fiscal year		(2)	(2)	(6)
TOTAL	**(14)**	**(2)**	**(16)**	**(37)**

Valuation inputs used to assess the expense relative to these plans

	12/31/2018	12/31/2017
Share price	4.12	6.60
Risk-free interest rate	(0.64%)	(0.67%)
Dividend pay-out ratio	11.35%	6.57%
Loss of rights rate	4.61%	3.90%

Loyalty and performance plans settled in cash

Some employees are awarded loyalty and performance bonuses with deferred payment in cash. These bonuses are subject to attendance and performance conditions. In terms of accounting treatment, they are recorded under "Other long-term employee benefits". The estimated expense accounts for an actuarial estimate of these conditions being met. It is spread over the vesting period for the benefits. The amount recognized in respect of fiscal year 2018 was:

Year of plan	Grant date	Vesting date	Fiscal year 2018 in millions of euros	Fiscal year 2017 in millions of euros
2014 plan	02/18/2015	March 2016 March 2017 March 2018		(3)
2015 plan	02/10/2016	March 2017 March 2018	(1)	(6)
2016 plan	04/10/2017	March 2018 March 2019	(7)	(16)
2017 plan	02/23/2018	March 2019 March 2020	(19)	(20)
2018 plan			(29)	
TOTAL			**(56)**	**(44)**

Note 9 Insurance businesses

Highlights

Insurance businesses cover life insurance and non-life insurance activities. In Groupe BPCE these activities are performed by dedicated subsidiaries subject to the specific regulations applicable to the insurance sector.

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable as of January 1, 2018. On November 14, 2018, the IASB decided to delay the implementation of IFRS 17 "Insurance Contracts" by one year to January 1, 2022. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17.

As Groupe BPCE is a financial conglomerate, it elected to apply this provision to its insurance businesses, which continue to be covered by IAS 39. The entities concerned are listed in Note 13.4 on the scope of consolidation.

Financial assets and liabilities of insurance businesses are therefore recognized in accordance with the provisions of IAS 39. They are classified into categories defined by this standard, which calls for specific approaches to measurement and accounting treatment.

Pending amendments to IFRS 4, insurance liabilities continue to be measured broadly in line with French GAAP.

In accordance with Phase I of IFRS 4, insurance contracts are classified into three categories:

- policies that expose the insurer to a significant insurance risk within the meaning of IFRS 4: this category comprises policies covering provident insurance, pensions, property and casualty and unit-linked savings carrying a minimum guarantee. These policies continue to be measured under the rules provided under local GAAP for measuring technical reserves;
- financial contracts such as savings contracts that do not expose the insurer to a significant insurance risk are recognized in accordance with IFRS 4 if they contain a discretionary profit-sharing feature, and continue to be measured in accordance with the rules for measuring technical reserves provided under local GAAP;
- financial contracts without a discretionary profit-sharing feature, such as unit-linked policies without a non-unit-linked component and without a minimum guarantee, are accounted for in accordance with IAS 39.

Most financial contracts issued by Group entities contain discretionary profit-sharing features.

The discretionary profit-sharing feature grants life insurance policyholders the right to receive a share of the financial income generated, in addition to guaranteed benefits. For these contracts, in accordance with shadow accounting principles defined by IFRS 4, the provision for deferred profit sharing is adjusted to include the policyholders' share in the unrealized capital gains or losses on financial instruments measured at fair value in application of IAS 39. The share of the gains or losses attributable to policyholders is determined on the basis of the characteristics of contracts likely to generate such gains or losses.

Any change in deferred profit sharing is taken to other comprehensive income where it results from changes in the value of available-for-sale financial assets and to income where it arises from changes in the value of financial assets at fair value through profit or loss.

At each balance sheet date, the Group assesses whether its recognized insurance liabilities are adequate, based on the estimated present value of future cash flows from its insurance policies and investment contracts containing a discretionary profit sharing feature. The liability adequacy test shows the economic value of the liabilities corresponding to the average derived from stochastic analyses. If the sum of the surrender value and deferred profit sharing is lower than the fair value of the technical reserves, the shortfall is recognized in income.

Groupe BPCE has decided to apply the option available under ANC recommendation No. 2017-02 of presenting the insurance businesses separately on the balance sheet and income statement.

9.1 NOTES TO THE BALANCE SHEET

Accounting principles

The "Insurance business investments" line on the assets side of the balance sheet includes insurance business assets representative of:

- financial investments (*i.e.* in financial instruments) including advances to policyholders;
- financial investments in unit-linked products;
- derivatives;
- revaluation differences on interest rate risk-hedged portfolios.

The other balances related to the insurance business are aggregated with the balances related to the other balance sheet items by type.

On the liabilities side of the balance sheet, the "Liabilities related to insurance policies" line consists of:

- the technical reserves of insurance companies (as defined in Appendix A to IFRS 4);
- insurance and reinsurance liabilities, including amounts due to policyholders;
- insurance-related derivatives;
- shares of the revaluation of interest rate risk-hedged portfolios;
- the deferred profit-sharing liability.

9.1.1 Insurance business investments

Accounting principles

Loans and receivables due from credit institutions and customers and certain securities not listed in an active market are recorded in "Insurance business investments".

Loans and receivables are initially recorded at fair value plus any costs directly related to their issuance, less any proceeds directly attributable to issuance. On subsequent balance sheet dates, they are measured at amortized cost using the Effective Interest Method.

The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the value of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield on the loan. No internal cost is included in the calculation of amortized cost.

When loans are extended under conditions that are less favorable than market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the nominal value of the loan. The market interest rate is the rate applied by the vast majority of local financial institutions at a given time for instruments and counterparties with similar characteristics.

A discount is applied to loans restructured following a loss event as defined by IAS 39, to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of credit risk" (for the insurer's net share) in the income statement and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. The restructured loan is reclassified as performing based on expert opinion when no uncertainty remains as to the borrower's capacity to honor the commitment.

External costs consist primarily of commissions paid to third parties in connection with the arrangement of loans. They essentially comprise commissions paid to business providers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more probable than improbable that the loan will be drawn down). Commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

Securities recorded as assets are classified into four categories as defined by IAS 39:

- financial assets at fair value through profit or loss;
- held-to-maturity financial assets;
- loans and receivables;
- available-for-sale financial assets.

Impairment of securities

An impairment loss is recognized on an individual basis against securities, with the exception of securities classified as financial assets at fair value through profit or loss, when there is objective evidence of impairment resulting from one or more loss events having occurred since the initial recognition of the asset and where the impact of these events on estimated future cash flows can be reliably measured.

Different rules are used for the impairment of equity instruments and debt instruments.

For equity instruments, a lasting decline or a significant decrease in value are objective indicators of impairment.

A decline of over 50% or lasting for over 36 months in the value of a security by comparison with its historical cost is an objective indicator of permanent impairment, leading to the recognition of an impairment loss in income.

In addition, these impairment criteria are also supplemented by a line-by-line review of the assets that have recorded a decline of over 30% or for more than six months in their value by comparison with their historical cost or if events occur that are liable to represent a material or prolonged decline. An impairment charge is recorded in the income statement if the Group determines that the value of the asset will not be recovered in its entirety.

For unlisted equity instruments, a qualitative analysis of their situation is carried out.

Impairment losses recognized on equity instruments may not be reversed and nor may they be written back to income. Losses are recorded under "Net income from insurance businesses". A subsequent increase in value is taken to "Gains and losses recognized directly in equity" until disposal of the securities.

Impairment losses are recognized on debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) when there is a known counterparty risk.

The Group uses the same impairment indicators for debt securities as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio to which the debt securities are ultimately designated. For perpetual deeply subordinated notes, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

In the event of an improvement in the issuer's financial position, impairment losses taken on debt instruments must be written back to the income statement. Impairment losses and write-backs are recorded in "Cost of credit risk" (for the insurer's net share).

Impairment of loans and receivables

IAS 39 defines the methods for calculating and recognizing the impairment of loans.

A loan or receivable is deemed to be impaired if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis in the form of triggering events or loss events identifying counterparty risk occurring after the initial recognition of the loans in question. On an individual level, the criteria for deciding whether or not a credit risk has been incurred include the existence of past due payments;
- these events are liable to lead to the recognition of incurred losses.

Impairment is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows taking into account the impact of any collateral.

in millions of euros	12/31/2018	01/01/2018
Investment property	1,664	1,567
Financial assets at fair value through profit or loss	23,598	23,591
Available-for-sale financial assets	54,126	51,271
Loans and receivables due from credit institutions	383	518
Loans and receivables due from customers	12,735	10,268
Held-to-maturity financial assets	2,060	2,655
Share held by cedents and retrocessionaires in liabilities relating to insurance policies and financial contracts	13,063	11,407
Receivables arising from insurance and assumed reinsurance activities	2,139	1,433
Receivables arising from ceded reinsurance activities	96	34
Deferred acquisition costs	431	438
TOTAL INSURANCE BUSINESS INVESTMENTS	**110,295**	**103,182**

9.1.1.1 Investment property

	12/31/2018			01/01/2018		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Investment property – At historical cost	44	(14)	30	44	(13)	31
Investment property – At fair value	1,259		1,259	1,173		1,173
Investment property – UL policies	374		374	363		363
TOTAL	**1,678**	**(14)**	**1,664**	**1,580**	**(13)**	**1,567**

The fair value of investment property is classified in Level 3 of the fair value hierarchy in accordance with IFRS 13.

9.1.1.2 Financial assets at fair value through profit or loss

Accounting principles

This asset category includes:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the near term;
- financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IAS 39.

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, gains or losses on disposals on these instruments are recognized in "Net income from insurance businesses."

Financial assets and liabilities designated at fair value through profit or loss

The amendment to IAS 39 adopted by the European Union on November 15, 2005 allows entities to designate financial assets and liabilities at fair value through profit or loss on initial recognition. However, an entity's decision to designate a financial asset or liability at fair value through profit or loss may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

In practice, this option may be applied only under the specific circumstances described below:

Elimination of or significant reduction in an accounting mismatch

Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy. This treatment applies in particular to unit-linked policy assets and liabilities.

Harmonization of accounting treatment for performance management and measurement

The option applies for a group of assets and/or liabilities managed and measured at fair value, provided that it is based on a formally documented risk management or investment strategy, and information about the Group is also reported internally on a fair value basis.

Hybrid financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid (combined) instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied when the embedded derivative(s) substantially modify the cash flows of the host contract and when the separate recognition of the embedded derivative(s) is not specifically prohibited by IAS 39 (*e.g.* an early redemption option at cost embedded in a debt instrument). The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

This treatment applies in particular to certain financial instruments containing material embedded derivatives (convertible bonds, indexed bonds and structured securities).

in millions of euros	**12/31/2018**	**01/01/2018**
Bonds		30
UCITS	4,810	4,310
Financial assets held for trading	**4,810**	**4,340**
Trading derivatives	**18**	**214**
Hedging derivatives		**1**
Bonds	1,528	228
Equities	602	625
UCITS	171	1,137
Loans and receivables due from customers		2,011
Investments backed by unit-linked policies	16,469	15,035
Financial assets designated at fair value through profit or loss	**18,770**	**19,036**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**23,598**	**23,591**

Conditions for designating investments at fair value through profit or loss

	12/31/2018			
in millions of euros	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial assets designated at fair value
Bonds	762	27	739	1,528
Equities	195	408		602
UCITS			171	171
Investments backed by unit-linked policies	14,720	1,149	600	16,469
TOTAL	**15,677**	**1,584**	**1,510**	**18,770**

9.1.1.3 Available-for-sale financial assets

Accounting principles

Available-for-sale financial assets are all securities not classified in the previous three categories.

Available-for-sale financial assets are initially recognized at fair value, plus any transaction costs.

On the balance sheet date, they are carried at their fair value and changes in fair value are recorded under "Gains and losses recognized directly in other comprehensive income" (except for foreign currency monetary assets, for which changes in the fair value of the foreign currency component affect income).

If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on fixed-income securities is recorded under "Net income from insurance businesses." Income from variable-income securities is recorded under "Net income from insurance businesses."

in millions of euros	12/31/2018	01/01/2018
Bonds	45,112	42,412
Equities	3,882	3,824
UCITS	5,426	5,286
Available-for-sale financial assets, gross	**54,420**	**51,522**
Impairment of debt instruments	(38)	(15)
Impairment of equity instruments*	(256)	(236)
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**54,126**	**51,271**

* *In 2018, the permanent impairment of variable-income securities stood at €38 million. This expense was 89% offset by the profit-sharing mechanism. The 2018 expense can be broken down into an additional impairment loss on previously impaired securities for €13 million and an allowance for newly impaired securities for €25 million.*

9.1.1.4 Loans and receivables

Accounting principles

The portfolio of loans and receivables included in "Insurance business investments" comprises non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. In addition, these assets must not be exposed to a risk of material losses unrelated to a deterioration in their credit quality.

Some securities not quoted in an active market may be classified in this portfolio. These are initially recognized at fair value, plus any transaction costs and less any transaction income. Securities classified in this category comply with the rules for recognition, measurement and impairment applicable to loans and receivables.

When a financial asset recorded under loans and receivables is sold before its maturity, the income from the disposal is recorded under "Net income from insurance businesses".

LOANS AND RECEIVABLES

in millions of euros	12/31/2018	01/01/2018
Loans and receivables due from credit institutions	383	518
Loans and receivables due from customers*	12,735	10,268
TOTAL LOANS AND RECEIVABLES	**13,118**	**10,786**

* *Including €11,598 million for guarantee deposits made for the acceptance of reinsurance treaties (€10,258 million at January 1, 2018).*

9.1.1.5 Held-to-maturity financial assets

Accounting principles

Held-to-maturity (HTM) financial assets are securities with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity.

IAS 39 does not permit the sale or transfer of these securities before maturity except in certain specific circumstances. In the event that the securities are sold before maturity, all held-to-maturity assets must be reclassified and the held-to-maturity category cannot be used during the current year or the following two years. Exceptions to the rule apply in the following cases:

- a material deterioration in the issuer's credit quality;
- a change in tax regulations canceling or significantly reducing the tax exemption on interest earned on investments held-to-maturity;
- a major business combination or significant withdrawal of activity (sale of a sector, for example) requiring the sale or transfer of held-to-maturity investments in order to maintain the entity's existing situation in terms of interest rate risk or its credit risk policy;
- a change in legal or regulatory provisions significantly modifying either the definition of an eligible investment or the maximum amount of certain types of investment, requiring that the entity dispose of a held-to-maturity asset;
- a significant increase in capital requirements forcing the entity to restructure by selling held-to-maturity assets;
- a significant increase in the risk weighting of held-to-maturity assets in terms of prudential capital regulations.

In the exceptional cases described above, the income from the disposal is recorded under "Net income from insurance businesses".

The hedging of these securities against interest rate risk is not permitted. However, hedges against exchange rate risk or the inflation component of certain held-to-maturity financial assets are allowed.

Held-to-maturity financial assets are recognized at fair value at inception, plus any transaction costs directly attributable to their acquisition. They are subsequently measured at amortized cost using the Effective Interest Method, including any premiums, discounts and acquisition fees, where material.

in millions of euros	12/31/2018	01/01/2018
Treasury bills and equivalent	1,002	1,083
Bonds and other fixed-income securities	1,059	1,574
Gross amount of held-to-maturity financial assets	**2,061**	**2,657**
Impairment	(1)	(2)
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	**2,060**	**2,655**

9.1.1.6 Fair value hierarchy of financial assets at fair value

The principles used to assess fair value are described in Note 10.

	12/31/2018			
in millions of euros	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
ASSETS				
Assets held for trading	4,726	84	0	4,810
UCITS	4,726	84		4,810
Financial assets held for trading	**4,726**	**84**	**0**	**4,810**
Interest rate derivatives	0	3	0	3
Currency derivatives	3	10	0	13
Equity derivatives	1	0		1
Derivatives excl. hedging derivatives (positive fair value)	**4**	**13**		**17**
Securities designated at fair value through profit or loss	470	593	1,239	2,303
Bonds	117	174	1,239	1,529
Shares and UCITS	354	419		773
Investments backed by unit-linked policies	15,649	820		16,469
Financial assets designated at fair value through profit or loss	**16,120**	**1,413**	**1,239**	**18,771**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**20,849**	**1,510**	**1,239**	**23,598**
Investments in associates	0	0	229	229
Other available-for-sale securities	44,837	6,417	2,644	53,896
Bonds	38,353	4,391	2,330	45,073
Shares and UCITS	6,484	2,025	314	8,823
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**44,837**	**6,417**	**2,873**	**54,126**

Analysis of financial assets at fair value classified in Level 3 of the fair value hierarchy

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement								
in millions of euros	01/01/2018	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level	Other changes	12/31/2018
ASSETS										
Equity derivatives	1					(1)				
Derivatives excl. hedging derivatives (positive fair value)	**1**					**(1)**				
Securities designated at fair value through profit or loss	1,461	(28)	(2)		221	(413)				1,239
Bonds	1,461	(28)	(2)		221	(413)				1,239
Financial assets designated at fair value through profit or loss	**1,461**	**(28)**	**(2)**		**221**	**(413)**				**1,239**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,462**	**(28)**	**(2)**		**221**	**(413)**				**1,239**
Investments in associates	210	(1)		11	12				(3)	229
Other available-for-sale securities	3,495	6	(3)	(70)	488	(371)		(904)	2	2,644
Bonds	2,955		(3)	(71)	439	(164)		(826)		2,330
Shares and UCITS	540	6		2	49	(207)		(78)	2	314
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**3,705**	**5**	**(3)**	**(58)**	**500**	**(371)**		**(904)**	**(1)**	**2,873**

Analysis of fair value hierarchy transfers

	12/31/2018				
From	Level 1	Level 1	Level 2	Level 2	Level 3
in millions of euros To	Level 2	Level 3	Level 1	Level 3	Level 2
ASSETS					
Securities designated at fair value through profit or loss	215		3		
Shares and UCITS	215		3		
Investments backed by unit-linked policies	70				
Financial assets designated at fair value through profit or loss	**285**		**3**		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**285**		**3**		
Other available-for-sale securities	924	84	126	603	1,591
Bonds	766	77	9	603	1,506
Shares and UCITS	158	7	117		85
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**924**	**84**	**126**	**603**	**1,591**

9.1.1.7 Fair value of financial assets valued at amortized cost on the balance sheet

The principles used to assess fair value are described in Note 10.

	12/31/2018			
in millions of euros	Fair value	Price quoted in an active market (Level 1)	Measurement techniques using observable data (Level 2)	Measurement techniques using unobservable data (Level 3)
Investments of loans and receivables due from credit institutions	383	4	379	
Investments of loans and receivables due from customers	12,760	47	12,713	
Held-to-maturity investments	2,426	2,086	337	3
INSURANCE BUSINESS INVESTMENTS AT AMORTIZED COST	**15,569**	**2,137**	**13,429**	**3**

9.1.2 Liabilities related to insurance policies

in millions of euros	12/31/2018	01/01/2018
Technical reserves relating to insurance policies	51,694	44,608
Technical reserves relating to unit-linked policies	10,711	11,110
TECHNICAL RESERVES RELATING TO INSURANCE POLICIES	**62,406**	**55,718**
Technical reserves relating to financial contracts with a discretionary profit sharing feature	20,118	20,227
Technical reserves relating to unit-linked financial contracts	4,145	4,216
TECHNICAL RESERVES RELATING TO FINANCIAL CONTRACTS	**24,263**	**24,443**
Deferred profit-sharing liabilities*	2,401	3,788
Debts arising from insurance and assumed reinsurance activities	9,610	9,383
Debts arising from ceded reinsurance activities	153	194
Trading derivatives	7	183
Other liabilities	17	19
TOTAL LIABILITIES RELATED TO INSURANCE POLICIES	**98,855**	**93,728**

* *O/w €1,755 million in deferred profit sharing fully recognized in other comprehensive income.*

The information required by IFRS 7 is presented for:

- financial assets at fair value through profit or loss in Note 5.2.2;
- amounts due to credit institutions and customers in Note 5.11;
- debt securities in Note 5.12;
- subordinated debt in Note 5.15.

9.2 NOTES TO THE INCOME STATEMENT

9.2.1 Net income from insurance businesses

Accounting principles

Net income from insurance businesses includes:

- revenues from the insurance businesses, which consist of premiums written and the change in unearned premium reserves for insurance policies and investment contracts containing a discretionary profit-sharing feature within the meaning of IFRS 4;
- investment income net of expenses:
  - investment income including income from investment properties,
  - investment expenses, and other financial expenses excluding financing expenses,
  - capital gains and losses on the sale of investments including on investment properties,
  - depreciation, amortization and impairment reversals on investments (including investment property) and other assets (including assets provided under operating leases) recognized at amortized cost,
  - the change in fair value of investments (including investment property) recognized at fair value through profit or loss.
- amortization of acquisition costs;
- the external costs of benefits and claims paid on policies which include paid benefits and claims on insurance policies and on investment contracts containing a discretionary profit-sharing feature (paid benefits and claims, changes in technical reserves), including policyholder compensation (deferred profit-sharing), as well as changes in the value of investment contracts, particularly for unit-linked policies;
- income from reinsurance cessions, defined as the sum of ceded premiums, net of ceded claims and benefits paid and commissions;
- where applicable:
  - net gains or losses resulting from the derecognition of financial assets at amortized cost,
  - net gains or losses on the reclassification of financial instruments at fair value through other comprehensive income to financial assets at fair value through profit or loss.

in millions of euros	Fiscal year 2018
Premiums written	14,617
Change in unearned premiums	(158)
Earned premiums	**14,459**
Revenues and other income from insurance businesses	**284**
Income from investments	1,787
Expenses on investments	(100)
Gains or losses on disposals of investments less reversals of impairment and amortization	83
Change in fair value of investments recognized at fair value through profit or loss	(1,103)
Change in impairment for investments	(95)
Income from investments net of expenses	**572**
Amortization of acquisition costs	**24**
Claims and benefits expenses	**(12,217)**
Income from reinsurance cessions	3,205
Expenses on reinsurance cessions	(3,233)
Net income or expenses on reinsurance cessions	**(28)**
NET INCOME FROM INSURANCE BUSINESSES	**3,094**

9.2.2 Transition between the presentation applicable to insurance companies and to banks

The statement shown below provides a transition between the financial statements of insurance companies included in the scope of consolidation and their translation into the financial statements of Groupe BPCE in accordance with the presentation applicable to banks.

	Banking format 2018-12						
	NBI						
in millions of euros	Net income from insurance businesses*	Other items of net banking income (excluding net income from insurance businesses)	Operating expenses	Gross operating income	Other items	Insurance format 2018-12	Insurance format 2017-12
Earned premiums	14,401	(68)		14,333		14,333	14,033
Revenues or income from other activities	187	65		252	(34)	218	246
Other operating income			14	14	33	47	47
Net financial income before finance costs	572	30	(14)	588	1	589	2,824
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**15,160**	**27**		**15,187**		**15,187**	**17,150**
Claims and benefits expenses	(12,110)	93	(132)	(12,149)	1	(12,148)	(14,035)
Expenses from other activities			(13)	(13)		(13)	(331)
Net income from reinsurance cessions	(28)	(3)		(31)	(2)	(33)	(36)
Policy acquisition costs	26	(804)	(221)	(999)		(999)	(978)
Administrative expenses		(480)	(350)	(830)		(830)	(784)
Other operating/recurring income and expenses		(75)	(289)	(364)	(2)	(366)	(327)
TOTAL OTHER RECURRING INCOME AND EXPENSES	**(12,112)**	**(1,269)**	**(1,005)**	**(14,386)**	**(3)**	**(14,389)**	**(16,491)**
OPERATING INCOME	**3,048**	**(1,242)**	**(1,005)**	**801**	**(3)**	**798**	**659**

* *Net income from insurance businesses does not include income from the Prêt Viager Hypothécaire, a reverse mortgage for seniors offered by CFF.*

9.3 INFORMATION TO BE PROVIDED ON THE TEMPORARY EXEMPTION OF INSURANCE BUSINESSES FROM IFRS 9

in millions of euros	Fair value	Change in fair value over the period
SPPI financial assets	44,997	(1,317)
Other financial assets	5,927	(218)
TOTAL*	**50,925**	**(1,535)**

* *Excluding UCITS classified as available-for-sale assets for €5,067 million at December 31, 2018*

This table does not include financial assets recognized at fair value through profit of loss or reinsurance activities.

in millions of euros	Carrying amount*	Fair value
SPPI financial assets	1,689	1,710
TOTAL	**1,689**	**1,710**

* *Before value adjustments for impairment*

Note 10 Fair value of financial assets and liabilities

Highlights

This section sets out the principles for measuring the fair value of financial instruments as defined in IFRS 13 "Fair Value Measurement" and the methods used by Groupe BPCE entities to measure the value of their financial instruments.

Financial assets and liabilities are recorded in the balance sheet either at fair value or at amortized cost. An indication of the fair value of items measured at amortized cost is provided in the notes.

For instruments traded on an active market with a quoted price, the fair value is equal to the quoted price, corresponding to Level 1 in the fair value hierarchy.

The fair value of other financial instruments not traded on an active market, including in particular loans, borrowings and derivatives traded over the counter, is calculated using valuation techniques that rely on widely used models and observable data, corresponding to Level 2 in the fair value hierarchy. When internal data or proprietary models are used (Level 3 in the fair value hierarchy), independent controls are used to validate the value obtained.

Determination of fair value

General principles

The fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability in a standard arm's length transaction between market participants at the measurement date.

Fair value is therefore determined using the exit price.

On first recognition, fair value is usually the transaction price and is thus the price paid to purchase the asset or the price received to assume the liability.

In subsequent measurements, the estimated fair value of assets and liabilities must be based primarily on observable market data, while ensuring that all inputs used in the fair value calculation are consistent with the price that market participants would use in a transaction.

In this case, fair value consists of a mid-market price and additional valuation adjustments determined according to the instruments in question and the associated risks.

The mid-market price is obtained based on:

- the instrument's quoted price, if the instrument is quoted on an active market. A financial instrument is regarded as quoted on an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regularly occurring transactions on the principal market or, failing that, on the most favorable market, on an arm's length basis;
- if the market for a financial instrument is not active, fair value is established using valuation techniques. The techniques used must maximize the use of relevant observable entry data and minimize the use of non-observable entry data. They may refer to observable data from recent transactions, the fair value of similar instruments, discounted cash flow analysis and option pricing models, proprietary models in the case of hybrid instruments or non-observable data when no pricing or market data are available.

Additional valuation adjustments include factors related to valuation uncertainties, such as market, credit and liquidity risks, in order to recognize the costs incurred by a divestment transaction on the primary market. Likewise, an adjustment (Funding Valuation Adjustment – FVA) for using assumptions to recognize costs related to the financing of future cash flows of uncollateralized or partially collateralized derivatives is also recorded.

The main additional adjustments are as follows:

BID/ASK ADJUSTMENT – LIQUIDITY RISK

This adjustment is the difference between the bid price and the ask price corresponding to the selling costs. It reflects the cost requested by a market player in respect of the risk of acquiring a position or of selling at a price proposed by another market player.

MODEL UNCERTAINTY ADJUSTMENT

This adjustment takes into account imperfections in the valuation techniques used, and in particular risk factors not considered even though observable market inputs are available. This is the case when the risks inherent in the instruments differ from those incurred by the observable market data used to determine their valuation.

INPUT UNCERTAINTY ADJUSTMENT

Observing certain prices or inputs used in valuation techniques may be difficult or the price or input may be too regularly unavailable to determine the selling price. Under these circumstances, an adjustment may be necessary to reflect the probability that market participants might adopt different values for the same inputs when evaluating the financial instrument's fair value.

CREDIT VALUATION ADJUSTMENT (CVA)

This adjustment applies to valuations that do not account for the counterparty's credit quality. It corresponds to the risk of loss linked to the risk of default by a counterparty and aims to take into account the fact that the Group may not recover the full market value of the transactions.

The method for determining the CVA is primarily based on the use of market inputs in connection with professional market practices, for all segments of counterparties subject to this calculation. In the absence of liquid market inputs, proxies by type of counterparty, rating and geographic area are used.

DEBIT VALUATION ADJUSTMENT (DVA) AND FUNDING VALUATION ADJUSTMENT (FVA)

The DVA is symmetrical to the CVA and represents the risk of loss, from the counterparty's perspective, on liability valuations of financial instruments. It reflects the impact of the Group's credit quality on the valuation of these instruments. The DVA is assessed by observing the Group's "credit" market input. At Natixis, the main contributor for the Group, this involves the observation of the credit spreads of a sample of comparable banking institutions, taking into account the liquidity of the spread on Natixis' CDS during the period. The DVA adjustment is established after taking into account the funding valuation adjustment (FVA).

The following criteria are used to determine whether or not a market is active:

- the level of activity and trend of the market (including the level of activity on the primary market);
- the length of historical data on prices observed in similar market transactions;
- scarcity of prices recovered by a service provider;
- sharp bid-ask price spread;
- steep price volatility over time or between different market participants.

NATIXIS' CONTROL SYSTEM (NATIXIS IS THE MAIN CONTRIBUTOR TO THE GROUP'S BALANCE SHEET ITEMS MEASURED AT FAIR VALUE)

The calculation of fair value is subject to control procedures aimed at verifying that fair values are determined or validated by an independent function.

Fair values determined by reference to external quoted prices or market inputs are validated by an independent unit (the Market Data Control department). Second-level controls are carried out by the Risk department.

On less liquid markets, other market information, primarily observable data, is used to validate the fair value of instruments.

The factors taken into account include the following:

- the origin of the external source (stock market pages, content contribution services, etc.);
- the consistency of the various sources;
- the frequency of data feeds;
- the representative nature of inputs based on recent market transactions.

For fair values determined using valuation models, the control system consists of the independent validation of model construction and of the inputs included in these models.

This is carried out under the responsibility of the Risk department.

It involves verifying that the model is consistent with and relevant to its intended function (price setting, valuation, coverage, measurement and control of risk) and the product to which it applies, based on:

- a theoretical approach: the financial and mathematical foundations of the model;
- the application of the model: the pricing models used to generate risk and earnings data;
- the stability of the model under parametric stress;
- an assessment of the stability and consistency of the numerical methods used;
- the independent re-implementation of the model as part of algorithm validation;
- the comparative analysis of the calibration of model inputs;
- an assessment of the modeling risk, particularly the comparative analysis of the model with other valuation models, in order to ensure the adequacy of the model and the payoff (the formula of positive or negative flows attached to the product at maturity);
- the implementation of an adjustment in respect of modeling risk to account for potential deficiencies in the model or its calibration;
- the incorporation of the model into information systems.

The methods for determining fair value are monitored by a number of bodies including the Inputs and Observability Committee, the Valuation Committee, the Impairment Committee and the Model Validation Committee, which comprise representatives of the Risk department, the Finance department and the Market Data Monitoring and Valuation department.

Fair value hierarchy

For financial reporting purposes, IFRS 13 requires fair value measurements applied to financial and non-financial instruments to be allocated to one of three fair value levels:

LEVEL 1: VALUATION USING PRICES QUOTED ON A LIQUID MARKET

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets.

This mainly includes securities listed on a stock exchange or traded continuously on other active markets, derivatives traded on organized markets (futures, options, etc.) whose liquidity can be demonstrated, and units of UCITS that calculate and report their net asset value on a daily basis.

LEVEL 2: VALUATION USING OBSERVABLE MARKET INPUTS

Level 2 fair value comprises instruments other than those mentioned in Level 1 fair value and instruments measured using a valuation technique incorporating inputs that are either directly observable (prices) or indirectly observable (derived from prices) through to maturity. This mainly includes:

Simple instruments:

Most over-the-counter derivatives, swaps, credit derivatives, forward rate agreements, caps, floors and plain vanilla options are traded in active markets, *i.e.* liquid markets in which trades occur regularly.

These instruments are valued using generally accepted models (discounted cash flow method, Black & Scholes model, interpolation techniques), and on the basis of directly observable inputs.

For these instruments, the extent to which models are used and the observability of inputs have been documented.

Instruments measured using Level 2 inputs also include:

- securities that are less liquid than those classified as Level 1, whose fair value is determined based on external prices put forward by a reasonable number of active market makers and which are regularly observable without necessarily being directly executable (prices mainly taken from contribution and consensus databases); where these criteria are not met, the securities are classified as Level 3 fair value;
- securities not quoted on an active market whose fair value is determined based on observable market data (for example, using market data for listed peers or the earnings multiple method based on techniques widely used in the market);
- greek sovereign securities, whose fair value is recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS that do not calculate and report their net asset value on a daily basis but which are subject to regular reporting or which offer observable data from recent transactions;
- debt securities designated at fair value, mainly by Natixis, and to a lesser extent Crédit Foncier. The methodology used by Natixis to value the "issuer credit risk" component of issues designated at fair value is based on the discounting of future cash flows using inputs such as yield curves and revaluation spreads. For each issue, this valuation represents the product of the notional amount outstanding and its sensitivity, taking into account the existence of calls and the difference between the revaluation spread (based on the BPCE cash reoffer curve at December 31, 2018 as for previous closing dates) and the average issue spread. Changes in own credit risk are generally not material for issues with an initial maturity of less than one year.

Complex instruments:

Certain hybrid and/or long-maturity financial instruments are measured using a recognized model on the basis of market inputs derived from observable data such as yield curves, implied volatility layers of options, market consensus data or active over-the-counter markets.

The main models for determining the fair value of these instruments are described below by type of product:

- **equity products:** complex products are valued using:
  - market data,
  - a payoff, *i.e.* the formula of positive or negative flows attached to the product at maturity,
  - a model of changes in the underlying asset.

  These products can have single or multiple underlyings or be hybrids (fixed income/equity for example).

  The main models used for equity products are local volatility models, local volatility combined with Hull & White 1 factor (H&W1F), Tskew and Pskew.

  The local volatility model treats volatility as a function of time and the price of the underlying. Its main property is that it considers the implied volatility of the option (derived from market data) relative to its exercise price.

  The local volatility hybrid model, paired with the H&W1F, consists of pairing the local volatility model described above with a Hull & White 1 factor type fixed-income model, described below (see fixed-income products).

  The Tskew model is a valuation model for mono and multi-underlying options. Its principle is to calibrate the distribution of the underlying asset or assets at maturity to standard option prices.

  The Pskew model is similar to the Tskew model. It is used in particular for simple ratchet equity products such as capped or floored ratchet products;
- **fixed income products:** fixed income products generally have specific characteristics which justify the choice of model. Underlying risk factors associated with the payoff are taken into account.

  The main models used to value and manage fixed-income products are Hull & White models (one-factor and two-factor models or one-factor Hull & White stochastic volatility model), the Hunt Kennedy model and the "smiled" BGM model.

  The Hull & White models are simple pricing models for plain vanilla fixed-income products and can be calibrated easily. Products valued using these models generally contain a Bermudan-type cancellation option (*i.e.* one that may be exercised at certain dates set at the beginning of the contract).

  SBGM and Hunt Kennedy models are used to value fixed-income products that are sensitive to volatility smiles (*i.e.* implied change in volatility relative to the exercise price) and to autocorrelation (or correlation between interest rates);
- **foreign exchange products:** foreign exchange products generally have specific characteristics which justify the choice of model.

The main models used to value and manage foreign-exchange products are local and stochastic volatility models, as well as hybrid models, which combine modeling of the underlying foreign exchange with two Hull & White 1 factor models to ascertain the fixed-income factors.

Inputs relating to all such Level 2 instruments were demonstrated to be observable and documented. From a methodology perspective, observability is based on four inseparable criteria:

- inputs are derived from external sources (primarily a recognized contributor, for example);
- they are updated periodically;
- they are representative of recent transactions;
- their characteristics are identical to the characteristics of the transaction. If necessary, a proxy may be used, provided that the relevance of such an arrangement is demonstrated and documented.

The fair value of instruments obtained using valuation models is adjusted to take account of liquidity risk (bid-ask), counterparty risk, the risk relating to the cost of financing uncollateralized or partially collateralized derivatives, own credit risk (measurement of liability derivative positions), and modeling and input risk.

The margin generated when these instruments begin trading is immediately recognized in income.

LEVEL 3: VALUATION USING UNOBSERVABLE MARKET INPUTS

Level 3 comprises instruments measured using unrecognized models and/or models based on unobservable market data, where they are liable to materially impact the valuation. This mainly includes:

- unlisted shares whose fair value could not be determined using observable inputs;
- private equity securities not listed on an active market, measured at fair value with models commonly used by market participants, in accordance with International Private Equity Valuation (IPEV) standards, but which are sensitive to market fluctuations and whose fair value determination necessarily involves a judgment call;
- structured securities or securities representative of private placements, held by the Insurance business line;
- hybrid interest rate and currency derivatives and credit derivatives that are not classified in Level 2;
- loans in the syndication process for which there is no secondary market price;
- loans in the securitization process for which fair value is determined based on an expert appraisal;
- investment property whose fair value is calculated using a multi-criteria approach, by capitalizing rent at market rates and through comparisons with market transactions;
- instruments with a deferred day one margin;
- units of UCITS for which the fund has not published a recent NAV at the valuation date, or for which there is a lock-up period or any other constraint calling for a significant adjustment to available market prices (NAV, etc.) in respect of the low liquidity observed for such shares;
- instruments carried at fair value on the balance sheet and for which data are no longer available due to a freeze in trading in the wake of the financial crisis. When there is a significant drop in trading in a given market, a valuation model is used based on the only available relevant data.

Plain vanilla derivatives are also classified as Level 3 fair value when exposure is beyond the liquidity horizon determined by underlying currencies or by volatility surface (*e.g.* certain foreign currency options and volatility caps/floors).

In accordance with the Ministerial Order of February 20, 2007, as amended by the Order of November 23, 2011 on capital requirements for credit institutions and investment companies and pursuant to the European Regulation of June 26, 2013 (CRR) on the Basel III requirements, for each of the models used, a description of crisis simulations applied is provided in Chapter 3 "Risk Management".

Under IFRS 9, day one profit should be recognized only if it is generated by a change in the factors that market participants would consider in setting a price, *i.e.* only if the model and parameters input into the valuation are observable.

If the selected valuation model is not recognized by current market practices, or if one of the inputs significantly affecting the instrument's valuation is not observable, the trading profit on the trade date cannot be recognized immediately in the income statement. It is taken to income on a straight-line basis over the life of the transaction or until the date the inputs become observable. Any losses incurred at the trade date are immediately recognized in income.

At December 31, 2018, instruments for which the recognition of day one profit/loss has been deferred mainly included:

- multi-underlying structured equity and index products;
- synthetic loans;
- options on funds (multi-assets and mutual funds);
- structured fixed income products;
- securitization swaps.

These instruments are almost all located at Natixis.

The table below provides the main unobservable inputs and the value ranges for these instruments:

Instrument class	Main types of products comprising Level 3 within the instrument class	Valuation techniques used	Main unobservable data	Unobservable data ranges among relevant Level 3 products
Credit derivatives	CDO	The default rates are based on the market prices of the underlying PFI bonds and the recovery rates are based on historical ratings agency data	Correlation between the assets, base spread between the cash asset and derivative asset, recovery rate	50% – 100%
	Securitization swaps	Discounted expected cash flows based on early redemption assumptions on the underlying portfolio	Early redemption rate	[2% – 28%]
	Sticky CMS/Volatility Bonds	Interest rate options valuation models	Mean reversion inputs	[0%; 5%]
	Callable Spread Options and Corridor Callable Spread Options	Model representing several yield curve factors	Mean reversion spread	[0%; 30%]
	Spread-Lock Swaps and Spread-Lock Options	Bivariate standard model to measure the time value of Spread Lock options and replication for CMS and TEC Forwards	Spread Lock curve, TEC Forward Volatility and TEC/CMS correlation	Spread Lock: [+11.65bp, +11.93bp] TEC vol. =[17bp, 74bp] TEC-CMS correl. = [50%, 90%]
Interest rate derivatives	Volatility caps/floors	Black & Scholes model	Interest rate vol. for currencies absent from Totem or long maturities	Interest rate vol.: 4% to 100%
Currency derivatives	European barrier call options, Asian call options, Vanilla digital call options, European vanilla call options	Skew model, Local volatility model, Black & Scholes	Currency vol. for current pairs absent from Totem or long maturities	ATM vol.: [1.04% to 20.62%]
Repos and general collateral TRS	TRS and repos indexed to a basket of general equities	Synthetic modeling of the underlying general collateral basket (with an estimated repo) and actuarial valuation for TRS or with a standard hybrid Equity/Fixed Income model for TRS autocall	Repo curve of general baskets	General collateral repo: [-0.78 to +1.5]
Helvetix derivatives	Strip of long-term options, Strip of quanto options, Strip of digital options Options spread and digital options spread	Black & Scholes model Gaussian copula	Forex/forex correlation Long-term USD/CHF & EUR/CHF volatility	EUR/CHF correlation: [47%; 51%] USD/CHF correlation: [-74%; 71%] EUR/CHF long-term volatility: [8.5%, 10%] USD/CHF long-term volatility: [9.5%; 12%] EUR/USD long-term volatility: [9.5%; 12%]
Fund-based derivatives	Payoffs as Target Volatility strategy and CPPI on mutual funds	The approach used is a hybrid model that combines the local volatility-type multi-underlying equity model with a one-factor Heath-Jarrow-Morton (HJM1F) interest rate model	Fund data	Fund correlation – Interest rates: [-39% to 30%]
Hybrid interest rate/currency derivatives	Long-term PRDC/PRDKO/TARN	Hybrid currency/interest rate options valuation model	Correlation between foreign exchange rates and interest rates as well as long-term volatility levels	AUD/JPY and USD/JPY correlation: [15% to 50%] Long-term volatility: [8.74% to 15.45%]
Hybrid equity/fixed income/forex (FX) derivatives	Long-dated callable range accrual notes (15Y) on several asset classes (equity+forex+interest rates)	Hybrid models coupled with equity, forex and interest rate diffusion	Correlation inputs (equity-forex, equity-interest rates, interest rates-forex)	Equity/USD/EUR correlation: [-8%, 50.7%] Equity/Fixed-income correlation: [5%, 47%] USD/EUR/IR correlation: [24%; 28%]
Hybrid fixed income/credit derivatives	Long-dated interest rate and credit callable range accrual notes (15Y) (default event)	Hybrid models coupled with interest rate diffusion and credit diffusion	Correlation inputs (interest rate-credit and volatility-credit)	- Fixed income/Credit correlation: [-20%] - Credit vol.: Structured by maturity ([2Y: [20%; 75%], 5Y: [20%; 60%], 10Y: [20%; 33%])
Equity derivatives	Long maturity multi-underlying payoffs	Volatility options valuation model incorporating correlation between assets	Correlation inputs	Stock/stock correlation: [5.2 to 93.17]

Policy concerning fair value hierarchy transfers

Transfers between fair value levels are reviewed and validated by *ad hoc* committees at Natixis comprising representatives of various functions, particularly Finance, Risk and Business Lines. The committee considers various indicators of market activity and liquidity as described in the General Principles.

A review is undertaken for any instrument that ceases to meet these criteria or once again complies with the criteria. Transfers to and from Level 3 are subject to prior validation.

At December 31, 2018, as explained in the key events, a portfolio of derivatives in Asia was transferred to Level 3 in the fair value hierarchy. These are products which are indexed to the worst performance of an underlying basket of shares (indices and shares) that allow investors to receive enhanced periodic coupons in return for a risk of loss of capital at maturity, with the possibility that the product may expire early. The outstandings in question have a fair value recorded on the asset side of the balance sheet of €130 million at December 31, 2018.

The bearish market in Asia revealed the limitations of the business model associated with these products and led to the supplementing of the reserve mechanism by introducing an additional reserve to allow for the model's shortcomings. As this reserve requires judgment (specifically the anticipation of changes in market conditions, portfolio behavior, and so on), the valuation of the products to which it relates is no longer directly observable, and so the latter have been transferred to fair value Level 3 from Level 2, where they were classified previously, due to the observable nature of the inputs, the model used and the liquidity observed.

At December 31, 2017, in accordance with this procedure, certain foreign currency options, along with volatility caps/floors, were transferred to Level 3 of the fair value hierarchy depending in their liquidity horizons, determined by underlying currencies (see Note 10.1.3).

Instruments affected by the financial crisis

Instruments affected by the financial crisis and carried at fair value on the balance sheet are essentially held by Natixis, which calculates their fair value using the models described below:

CDS CONTRACTED WITH CREDIT ENHANCERS (MONOLINE INSURERS AND CDPCS)

Since December 31, 2015, the valuation model used to measure write-downs on CDS contracted with monoline insurers has been similar to the Credit Valuation Adjustment (CVA) used for counterparty risk. It also takes into account the expected amortization of exposures and the counterparty spread implicit in market data.

OTHER INSTRUMENTS NOT EXPOSED TO US HOUSING RISK MEASURED BY NATIXIS USING A VALUATION MODEL

The section below describes the underlying principles used to value assets resulting from securitization transactions for which no market prices could be identified and which were therefore measured using valuation models:

Trust Preferred Securities (TruPS) CDOs

The valuation model is based on projected future cash flows and default rates determined according to a statistical approach that deduces the default probability of banks according to their financial ratios. For other sectors, default rates are estimated considering the current ratings of assets.

Private Finance Initiative CDS (PFI CDS)

The valuation model used for Private Finance Initiative (PFI) CDS is based on an approach calibrated to the market prices of underlying PFI bonds and the use of a uniform collection rate.

INSTRUMENTS NOT CARRIED AT FAIR VALUE ON THE BALANCE SHEET

Instruments not carried at fair value on the balance sheet

IFRS 13 requires disclosure in the notes to the financial statements of the fair value, and the associated fair value levels, of all financial instruments carried at amortized cost, including loans. The valuation methods used to determine the fair value disclosed in the notes to the financial statements are described below.

ASSETS AND LIABILITIES OF NATIXIS BUSINESS LINES, THE CASH MANAGEMENT POOL, BPCE, AND THE CAISSES D'EPARGNE FINANCIAL PORTFOLIOS

Credit and loans recognized at amortized cost and amounts payable under finance leases

The fair value of these instruments is determined by discounting future cash flows. The discount rate applied for a given loan is the rate at which the Group would grant a loan with similar characteristics to a similar counterparty at the reporting date. The interest rate and counterparty risk components are re-assessed.

The fair value of repurchase agreements is calculated by discounting expected cash flows at the market rate on the closing date and adding a liquidity spread.

If there is a quoted price that meets the criteria of IFRS 13, the quoted price is used.

The fair value of loans with an initial term of less than one year is considered to be their carrying amount. This is generally the case for financial assets with a term of one year or less and current accounts. The corresponding receivables are classified in Level 2 of the fair value hierarchy. Loans and receivables granted to affiliates are also classified in Level 2.

Borrowings and savings

At Natixis, the assessment of the fair value of securities borrowings and debts is based on the method of discounting future cash flows using inputs on the reporting date such as the interest rate curve of the underlyings and the spread at which Natixis lends or borrows.

The fair value of debts maturing in less than one year is considered to be the carrying amount. In this situation, they are classified in Level 2 of the fair value hierarchy, as are debts payable to affiliates.

The fair value of other amounts due to credit institutions and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the balance sheet date, plus the own credit risk of Groupe BPCE.

Investment property recognized at cost

The fair value of investment property (excluding investment property held by insurance companies) is determined by reference to the capitalization of rents, a method widely used by real estate professionals. The capitalization rate applied to the property depends on a number of factors such as location, the quality and type of building, use, type of ownership, quality of lessee and characteristics of the lease, the interest rate and competition in the real estate market.

FINANCIAL INSTRUMENTS OF THE RETAIL BANKING BUSINESS LINES

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is mainly based on collection of contractual cash flows.

Consequently, the following simplified assumptions were used:

The carrying amount of the assets and liabilities is deemed to be their fair value in certain cases.

These notably include:

- short-term financial assets and liabilities (whose initial term is one year or less) provided that sensitivity to interest-rate risk and credit risk is not material during the period;
- demand liabilities;
- variable-rate loans and borrowings;
- transactions in a regulated market (particularly regulated savings products), whose prices are set by the public authorities.

Fair value of loans to retail customers

The fair value of loans is measured using internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. Except in special cases, only the interest rate component is remeasured, as the credit margin is established at the outset and not subsequently remeasured. Prepayment options are factored into the model *via* an adjustment to loan repayment schedules.

Fair value of loans to large corporates, local authorities and credit institutions

The fair value of loans is measured using internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. The interest rate component is remeasured, as is the credit risk component (where it is an observable piece of data used by the customer relationship managers). Failing that, the credit risk component is established at the outset and not subsequently remeasured, as with loans to retail customers. Prepayment options are factored into the model *via* an adjustment to loan repayment schedules.

Fair value of debt

The fair value of fixed-rate debt owed to credit institutions and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the balance sheet date. Own credit risk is not generally taken into account.

10.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

10.1.1 Fair value hierarchy of financial assets and liabilities

The following statement provides a breakdown of financial instruments by type of price and valuation model:

in millions of euros	Level 1	Level 2	Level 3	TOTAL
FINANCIAL ASSETS				
Debt instruments	**10,418**	**104,514**	**3,630**	**118,562**
Loans due from credit institutions and customers	485	99,609	2,936	103,030
Debt securities	9,934	4,904	694	15,532
Equity instruments	**23,788**	**80**	**9**	**23,877**
Shares and other equity securities	23,788	80	9	23,877
Derivatives	**1,903**	**41,237**	**1,729**	**44,869**
Interest rate derivatives	2	24,960	236	25,198
Equity derivatives	1,646	4,657	406	6,709
Currency derivatives		11,122	943	12,065
Credit derivatives		266	144	410
Other derivatives	254	233		487
Financial assets at fair value through profit or loss – Held for trading*	**36,109**	**145,831**	**5,368**	**187,308**
Derivatives		**918**	**80**	**998**
Interest rate derivatives		724	71	795
Currency derivatives		194	9	203
Financial assets at fair value through profit or loss – Economic hedging		**918**	**80**	**998**
Debt instruments		**1**		**1**
Loans due from credit institutions and customers		1		1
Financial assets designated at fair value through profit or loss		**1**		**1**
Debt instruments	**2,732**	**2,156**	**5,485**	**10,373**
Loans due from credit institutions and customers		979	2,604	3,583
Debt securities	2,732	1,177	2,881	6,790
Financial assets at fair value through profit or loss – Non standard	**2,732**	**2,156**	**5,485**	**10,373**
Equity instruments	**204**	**881**	**751**	**1,836**
Shares and other equity securities	204	881	751	1,836
Financial assets at fair value through profit or loss – Excluding assets held for trading	**204**	**881**	**751**	**1,836**
Debt instruments	**33,334**	**3,885**	**189**	**37,408**
Loans due from credit institutions and customers		5	21	26
Debt securities	33,334	3,879	169	37,382
Equity instruments	**373**	**315**	**1,992**	**2,680**
Shares and other equity securities	373	315	1,992	2,680
Financial assets at fair value through other comprehensive income	**33,707**	**4,200**	**2,181**	**40,088**
Interest rate derivatives		6,972		6,972
Currency derivatives		1,188		1,188
Hedging derivatives		**8,160**		**8,160**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**72,752**	**162,147**	**13,865**	**248,764**

* *Excluding economic hedging*

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in millions of euros	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES				
Debt securities	**21,062**	**89,401**	**1,177**	**111,640**
Derivatives	**1,035**	**42,442**	**1,757**	**45,234**
– Interest rate derivatives		25,019	262	25,281
– Equity derivatives	813	5,751	569	7,133
– Currency derivatives		10,822	686	11,508
– Credit derivatives		315	239	554
– Other derivatives	222	536		758
Other financial liabilities		**7,717**		**7,717**
Financial liabilities at fair value through profit or loss – Held for trading*	**22,098**	**139,559**	**2,933**	**164,590**
Derivatives		**804**	**576**	**1,380**
Interest rate derivatives		706	553	1,259
Equity derivatives			23	23
Currency derivatives		98		98
Financial liabilities at fair value through profit or loss – Economic hedging		**804**	**576**	**1,380**
Debt securities		24,286	188	24,474
Other financial liabilities	3,726	694	3	4,423
Financial liabilities designated at fair value through profit or loss	**3,726**	**24,980**	**191**	**28,897**
Interest rate derivatives	12	10,805		10,817
Currency derivatives		2,773		2,773
Hedging derivatives	**12**	**13,577**		**13,589**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**25,836**	**178,920**	**3,700**	**208,456**

Fair value hierarchy of financial assets and liabilities at December 31, 2017 under IAS 39

in millions of euros	Level 1	Level 2	Level 3	Total*
FINANCIAL ASSETS				
Securities	50,301	5,010	256	55,567
Fixed-income securities	12,751	2,093	256	15,100
Variable-income securities	37,550	2,917		40,467
Derivatives	677	44,298	2,183	47,158
Interest rate derivatives	2	27,756	312	28,070
Equity derivatives	533	2,477	564	3,574
Currency derivatives	2	13,184	1,106	14,292
Credit derivatives		390	200	590
Other derivatives	140	491	1	632
Other financial assets		276	1,662	1,938
Financial assets held for trading	**50,978**	**49,584**	**4,101**	**104,663**
Securities	17,381	2,359	2,536	22,276
Fixed-income securities	766	101	1,818	2,685
Variable-income securities	16,615	2,258	718	19,591
Other financial assets	22	39,138	3,668	42,828
Financial assets designated at fair value through profit or loss	**17,403**	**41,497**	**6,204**	**65,104**
Interest rate derivatives		8,713		8,713
Currency derivatives		1,090	5	1,095
Hedging derivatives		**9,803**	**5**	**9,808**
Investments in associates	140	314	2,931	3,385
Other securities	87,955	7,910	5,380	101,245
Fixed-income securities	80,704	5,609	3,591	89,904
Variable-income securities	7,251	2,301	1,789	11,341
Other financial assets		10	29	39
Available-for-sale financial assets	**88,095**	**8,234**	**8,340**	**104,669**
FINANCIAL LIABILITIES				
Securities	26,605	343		26,948
Derivatives	735	44,920	2,015	47,670
Interest rate derivatives	53	27,756	283	28,092
Equity derivatives	551	4,200	255	5,006
Currency derivatives	1	12,269	1,159	13,429
Credit derivatives		469	315	784
Other derivatives	130	226	3	359
Other financial liabilities		42		42
Financial liabilities held for trading	**27,340**	**45,305**	**2,015**	**74,660**
Securities		22,416	373	22,789
Other financial liabilities	2,908	34,448	1,112	38,468
Financial liabilities designated at fair value through profit or loss	**2,908**	**56,864**	**1,485**	**61,257**
Interest rate derivatives		11,971		11,971
Currency derivatives		2,754		2,754
Hedging derivatives		**14,725**		**14,725**

* *The contribution from the insurance entities at December 31, 2017 was a carrying amount of €73,829 million, of which €4,970 million for Level 2 and €5,271 million for Level 3.*

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10.1.2 Analysis of financial assets and liabilities classified in Level 3 of the fair value hierarchy

2018 fiscal year (IFRS 9)

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[1]								
in millions of euros	01/01/2018	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other compre-hensive income	Purchases /Issues	Sales/ Redem-ptions	To another reporting category	From and to another level(2)	Other changes[3]	12/31/2018
FINANCIAL ASSETS										
Debt instruments	**2,836**	**59**	**88**		**8,117**	**(7,620)**	**(3)**	**96**	**57**	**3,630**
Loans due from credit institutions and customers	2,582	128	87		7,493	(7,413)			59	2,936
Debt securities	255	(69)	1		624	(207)	(3)	96	(2)	694
Equity instruments					**7**			**1**	**1**	**9**
Shares and other equity securities					7			1	1	9
Derivatives	**2,196**	**175**	**(137)**		**169**	**(356)**	**(72)**	**(59)**	**(187)**	**1,729**
Interest rate derivatives	355	27	(5)		1	(64)	(72)	17	(22)	236
Equity derivatives	564	121	(21)		91	(267)		103	(185)	406
Currency derivatives	1,077	(2)	(40)		77	(22)		(178)	32	943
Credit derivatives	200	29	(71)			(2)			(12)	144
Financial assets at fair value through profit or loss – Held for trading[4]	**5,032**	**234**	**(49)**		**8,292**	**(7,976)**	**(75)**	**38**	**(129)**	**5,368**
Derivatives	**70**	**(16)**	**(1)**			**(7)**	**72**	**(10)**	**(28)**	**80**
Interest rate derivatives	63	(19)	(1)			(7)	72	(10)	(28)	71
Currency derivatives	6	3								9
Financial assets at fair value through profit or loss – Economic hedging	**70**	**(16)**	**(1)**			**(7)**	**72**	**(10)**	**(28)**	**80**
Debt instruments	**16**	**3**				**(25)**	**(12)**		**18**	
Loans due from credit institutions and customers	16						(12)		(4)	
Debt securities		3				(25)			21	
Financial assets designated at fair value through profit or loss	**16**	**3**				**(25)**	**(12)**		**18**	
Debt instruments	**4,443**	**212**	**27**		**393**	**(849)**	**64**	**210**	**985**	**5,485**
Loans due from credit institutions and customers	2,905	35	(1)		24	(373)	18		(4)	2,604
Debt securities	1,538	177	28		369	(476)	46	210	989	2,881
Financial assets at fair value through profit or loss – Non standard	**4,443**	**212**	**27**		**393**	**(849)**	**64**	**210**	**985**	**5,485**
Equity instruments	**1,177**	**31**	**3**		**96**	**(159)**		**2**	**(399)**	**751**
Shares and other equity securities	1,177	31	3		96	(159)		2	(399)	751
Financial assets at fair value through profit or loss – Excluding assets held for trading	**1,177**	**31**	**3**		**96**	**(159)**		**2**	**(399)**	**751**
Debt instruments	**560**	**(9)**	**9**	**(12)**	**32**	**(368)**	**(9)**	**30**	**(43)**	**189**
Loans due from credit institutions and customers	25	1			3	(7)	(1)			21
Debt securities	534	(8)	9	(12)	29	(361)	(8)	30	(43)	169
Equity instruments	**2,132**	**269**	**11**	**(69)**	**168**	**(423)**	**4**	**(30)**	**(71)**	**1,992**
Shares and other equity securities	2,132	269	11	(69)	168	(423)	4	(30)	(71)	1,992
Financial assets at fair value through other comprehensive income	**2,692**	**261**	**20**	**(82)**	**200**	**(790)**	**(5)**		**(115)**	**2,181**
Derivatives			**(5)**						**5**	
Currency derivatives			(5)						5	
Hedging derivatives			**(5)**						**5**	

in millions of euros	01/01/2018	Gains and losses recognized during the period – In the income statement[(1)] – On transactions in progress at the reporting date	Gains and losses recognized during the period – In the income statement[(1)] – On transactions removed from the balance sheet at the reporting date	Transactions carried out during the period – Purchases/ Issues	Transactions carried out during the period – Sales/ Redemp-tions	Transfers during the period – To another reporting category	Transfers during the period – From and to another level[(2)]	Other changes[(3)]	12/31/2018
FINANCIAL LIABILITIES									
Debt securities	1,097	38	(78)	1,138	(1,019)				1,177
Derivatives	**2,135**	**481**	**(382)**	**453**	**(272)**	**(78)**	**(163)**	**(416)**	**1,757**
– Interest rate derivatives	395	(75)	106	50	(140)	(78)	8	(4)	262
– Equity derivatives	253	491	(322)	308	(147)		(15)	2	569
– Currency derivatives	1,166	54	(24)	46	10		(154)	(412)	686
– Credit derivatives	321	10	(142)	49	4		(2)	(2)	239
Financial liabilities at fair value through profit or loss – Held for trading[(4)]	**3,232**	**519**	**(460)**	**1,591**	**(1,292)**	**(78)**	**(163)**	**(416)**	**2,933**
Derivatives	**504**	**(6)**	**(7)**	**1**	**(15)**	**78**	**(10)**	**32**	**576**
Interest rate derivatives	500	(29)	(4)	1	(15)	78	(10)	32	553
Equity derivatives	3	23	(3)						23
Financial liabilities at fair value through profit or loss – Economic hedging	**504**	**(6)**	**(7)**	**1**	**(15)**	**78**	**(10)**	**32**	**576**
Debt securities	384	(17)		11	(190)	(2)	1	1	188
Other financial liabilities		(1)						4	3
Financial liabilities designated at fair value through profit or loss	**384**	**(18)**		**11**	**(190)**	**(2)**	**1**	**4**	**191**

(1) The main impacts recognized in the income statement are mentioned in Note 4.3.

(2) The main transfers to and from Level 3 are described in Note 10.1.3. At December 31, 2018, the net impact on the balance sheet of equity derivatives transferred to Level 3 was €118 million in assets.

(3) Including -€15 million in reclassifications of financial assets at fair value through other comprehensive income to the "Financial assets held for sale" aggregate under IFRS 5. Other changes include, in particular, the impact of changes in the consolidation scope and foreign exchange differences.

(4) Excluding economic hedging

2017 fiscal year (IAS 39)

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[(1)]								
in millions of euros	01/01/2017	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[(2)]	Other changes[(3)]	12/31/2017
FINANCIAL ASSETS										
Securities	265	(8)	(1)		182	(70)	42	(150)	(4)	256
– Fixed-income securities	265	(8)	(1)		182	(70)	42	(150)	(4)	256
Derivatives	1,952	214	(25)		160	(1,153)		1,068	(33)	2,183
Interest rate derivatives	426	18	(16)		3	(120)		22	(21)	312
– Equity derivatives	1,005	434	38		86	(1,008)		9		564
– Currency derivatives	235	(165)	(47)		70	(20)		1,041	(8)	1,106
– Credit derivatives	283	(73)				(5)		(4)	(1)	200
– Other derivatives	3				1				(3)	1
– Other financial assets	1,344	7	23		5,841	(5,485)			(68)	1,662
Financial assets held for trading	**3,561**	**213**	**(3)**		**6,183**	**(6,708)**	**42**	**918**	**(105)**	**4,101**
Securities	2,287	47	(3)		770	(571)			6	2,536
– Fixed-income securities	1,542	7	10		735	(478)			2	1,818
– Variable-income securities	745	40	(13)		35	(93)			4	718
Other financial assets	4,204	(351)	(5)		1,233	(1,377)	2		(38)	3,668
Financial assets designated at fair value through profit or loss	**6,491**	**(304)**	**(8)**		**2,003**	**(1,948)**	**2**		**(32)**	**6,204**
Interest rate derivatives		(1)							1	
Currency derivatives	2	5							(2)	5
Hedging derivatives	**2**	**4**							**(1)**	**5**
Investments in associates	3,165	89	122	110	190	(712)	7	17	(57)	2,931
Other securities	5,960	19	39	119	1,279	(1,581)	(43)	(527)	115	5,380
– Fixed-income securities	4,565	(2)	(3)	198	483	(1,041)	(47)	(585)	23	3,591
– Variable-income securities	1,395	21	42	(79)	796	(540)	4	58	92	1,789
Other financial assets	16				5	(3)			11	29
Available-for-sale financial assets	**9,141**	**108**	**161**	**229**	**1,474**	**(2,296)**	**(36)**	**(510)**	**69**	**8,340**

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[1]								
in millions of euros	01/01/2017	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[2]	Other changes[3]	12/31/2017
FINANCIAL LIABILITIES										
Derivatives	941	(311)	(10)		369	(254)		1,268	12	2,015
Interest rate derivatives	329	52	(9)		5	(97)		(8)	11	283
Equity derivatives	158	(103)	15		286	(101)				255
Currency derivatives	31	(189)	(9)		78	(30)		1,277	1	1,159
Credit derivatives	423	(74)	(7)			(26)		(1)		315
Other derivatives		3								3
Other financial liabilities										
Financial liabilities held for trading	**941**	**(311)**	**(10)**		**369**	**(254)**		**1,268**	**12**	**2,015**
Securities	93	(6)			243	(8)		51		373
Other financial liabilities	695	78	(79)		1,019	(601)				1,112
Financial liabilities designated at fair value through profit or loss	**788**	**72**	**(79)**		**1,262**	**(609)**		**51**		**1,485**
Interest rate derivatives	1								(1)	
Equity derivatives	1		(1)							
Hedging derivatives	**2**		**(1)**						**(1)**	

(1) *The main impacts recognized in the income statement are mentioned in Note 4.3.*

(2) *The main transfers to and from Level 3 are described in Note 10.1.3. At December 31, 2017, the net impact on the balance sheet of foreign currency options transferred to Level 3 was €235 million in liabilities. The income statement was not impacted.*

(3) *Other changes include the impact of changes in the consolidation scope and foreign exchange differences.*

10.1.3 Analysis of fair value hierarchy transfers

The amounts of transfers indicated in this statement are those of the last valuation preceding the transfer.

		Fiscal year 2018					
	From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros	To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL ASSETS							
Debt instruments		**196**	**7**	**168**	**89**		
Debt securities		196	7	168	89		
Equity instruments			**1**				
Shares and other equity securities			1				
Derivatives		**23**		**85**	**148**		**206**
Interest rate derivatives					17		
Equity derivatives[1]		17		85	131		28
Currency derivatives							178
Other derivatives		6					
Financial assets at fair value through profit or loss – Held for trading[2]		**218**	**8**	**253**	**237**		**206**
Derivatives					**(10)**		
Interest rate derivatives					(10)		
Financial assets at fair value through profit or loss – Economic hedging					**(10)**		
Debt instruments		**61**	**46**		**179**		**15**
Debt securities		61	46		179		15
Financial assets at fair value through profit or loss – Non standard		**61**	**46**		**179**		**15**
Equity instruments			**2**				
Shares and other equity securities			2				
Financial assets at fair value through profit or loss – Excluding assets held for trading			**2**				
Debt instruments		**1,432**	**26**	**816**	**33**		**29**
Debt securities		1,432	26	816	33		29
Equity instruments						**31**	
Shares and other equity securities						31	
Financial assets at fair value through other comprehensive income		**1,432**	**26**	**816**	**33**	**31**	**29**

in millions of euros	From / To	Level 1 / Level 2	Level 1 / Level 3	Level 2 / Level 1	Level 2 / Level 3	Level 3 / Level 2
FINANCIAL LIABILITIES						
Debt securities						
Derivatives		**41**		**56**	**13**	**176**
Interest rate derivatives					9	1
Equity derivatives		34		55	3	18
Currency derivatives						154
Credit derivatives						2
Other derivatives		7		1		
Other financial liabilities						
Financial liabilities at fair value through profit or loss – Held for trading[2]		**41**		**56**	**13**	**176**
Derivatives					**(10)**	
Interest rate derivatives					(10)	
Financial liabilities at fair value through profit or loss – Economic hedging					**(10)**	
Debt securities					1	
Financial liabilities designated at fair value through profit or loss					**1**	

(1) Of which €130 million relating to structured derivatives indexed to shares traded in Asia transferred to Level 3 of the fair value hierarchy (see general principles in Note 10 and Note 1.3).
(2) Excluding economic hedging

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Analysis of fair value hierarchy transfers at December 31, 2017 under IAS 39

	Fiscal year 2017					
From	**Level 1**	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**
in millions of euros To	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
FINANCIAL ASSETS						
Securities	422		325			150
Fixed-income securities	239		239			150
Variable-income securities	183		86			
Derivatives	15		8	1,093		25
Interest rate derivatives				35		13
Equity derivatives	10		7	14		5
Currency derivatives				1,044		3
Credit derivatives						4
Other derivatives	5		1			
Financial assets held for trading	**437**		**333**	**1,093**		**175**
Securities			2			
Fixed-income securities			2			
Financiel assets designated at fair value through profit or loss			**2**			
Interest rate derivatives				17		
Other securities	561	9	737	269	479	326
Fixed-income securities	513	7	728	150	478	264
Variable-income securities	48	2	9	119	1	62
Other financial assets			6			
Available-for-sale financial assets	**561**	**9**	**743**	**286**	**479**	**326**

From	**Level 1**	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**
in millions of euros To	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
FINANCIAL LIABILITIES						
Securities	7		69			
Derivatives	8		23	1,323		55
Interest rate derivatives				19		27
Equity derivatives	6		23	25		25
Currency derivatives				1,279		2
Credit derivatives						1
Other derivatives	2					
Financial liabilities held for trading	**15**		**92**	**1,323**		**55**
Securities				51		
Financial liabilities designated at fair value through profit or loss				**51**		

10.1.4 Sensitivity of Level 3 assets and liabilities to changes in the principal assumptions

At December 31, 2018, Natixis calculated the sensitivity of the fair value of financial instruments measured using unobservable inputs. With the aid of probable assumptions, this sensitivity was used to estimate the impacts of market fluctuations in uncertain economic environments. This estimate was performed using:

- an adjustment of a "standardized[(1)]" variation in unobservable inputs related to assumptions of additional valuation adjustments for fixed-income, currency and equity instruments. The resulting sensitivity was €193 million;
- a variation of +/-50 basis points applied to the margin used to discount the expected flows of TruPS CDOs;

i.e. the sensitivity impact would result in an improvement in value of €6 million, should the inputs mentioned above improve, or a decrease in value of €6 million if the same inputs deteriorate.

(1) The standard version of consensus prices to measure the inputs.

10.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is based on the collection of expected cash flows.

The simplified assumptions used to measure the fair value of instruments at amortized costs are presented in Note 10.1.

	12/31/2018			
in millions of euros	**Fair value**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS AT AMORTIZED COST				
Loans and receivables due from credit institutions	91,652	2	29,508	62,142
Loans and receivables due from customers	675,364	109	139,212	536,043
Debt securities	31,295	16,248	8,841	6,206
FINANCIAL LIABILITIES AT AMORTIZED COST				
Amounts due to credit institutions	91,299		82,982	8,317
Amounts due to customers	530,554		292,338	238,216
Debt securities	217,981	12,373	198,194	7,414
Subordinated debt	18,345	9,692	8,189	464

At December 31, 2017 under IAS 39

	12/31/2017			
in millions of euros	**Fair value**	**Price quoted in an active market (Level 1)**	**Measurement techniques using observable data (Level 2)**	**Measurement techniques using unobservable data (Level 3)**
FINANCIAL ASSETS AT AMORTIZED COST				
Loans and receivables due from credit institutions	93,229	100	31,811	61,318
Loans and receivables due from customers	713,515	1,581	142,774	569,160
Held-to-maturity financial assets	8,716	8,353	231	132
FINANCIAL LIABILITIES AT AMORTIZED COST				
Amounts due to credit institutions	91,844	62	79,476	12,306
Amounts due to customers	570,782	36	316,348	254,398
Debt securities	223,045	1,124	146,462	75,459
Subordinated debt	20,562		19,893	669

Note 11 Taxes

11.1 INCOME TAX

Accounting principles

Income tax includes:

- current tax assets and liabilities calculated on the taxable income for the period of each fiscal entity in the tax consolidation scope by applying the applicable tax rates and rules;
- deferred tax assets and liabilities (see 11.2).

in millions of euros	Fiscal year 2018	Fiscal year 2017
Current income tax expense	(870)	(675)
Deferred tax assets and liabilities	(607)	(1,136)
INCOME TAX	**(1,477)**	**(1,811)**

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	Fiscal year 2018		Fiscal year 2017	
	in millions of euros	Tax rate	in millions of euros	Tax rate
Net income attributable to equity holders of the parent	3,026		3,024	
Change in the value of goodwill	16		85	
Non-controlling interests	793		681	
Share in net income of associates	(284)		(276)	
Income taxes	1,477		1,811	
INCOME BEFORE TAX AND CHANGES IN THE VALUE OF GOODWILL (A)	**5,029**		**5,325**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical income tax expense (income) at the tax rate applicable in France (AxB)	**(1,732)**		**(1,833)**	
Impact of the change in unrecognized deferred tax assets and liabilities	(59)	1.2%	(113)	2.1%
Effects of permanent differences(1)	(249)	5.0%	(169)	3.2%
Reduced rate of tax and tax-exempt activities	97	(1.9%)	25	(0.5%)
Difference in tax rates on income taxed outside France	131	(2.6%)	76	(1.4%)
Tax on prior periods, tax credits and other tax(2)	175	(3.5%)	230	(4.3%)
Other items(3)	159	(3.2%)	(27)	0.5%
INCOME TAX EXPENSE (INCOME) RECOGNIZED	**(1,477)**		**(1,811)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**29.40%**		**34.00%**

(1) Permanent differences primarily consist of capital gains taxed under the long-term scheme and the impact of the TSB (French systemic banking risk tax) and the contribution to the SRF (single resolution fund), which are non-deductible expenses (see Note 4.7).

(2) Tax on prior periods, tax credits and other tax mainly included tax credits and the impact of tax audits and the resolution of ongoing disputes. In 2017, these items included €159 million arising from the reimbursement of the 3% tax on dividend payouts.

(3) Other items primarily include provision write-backs for corporate tax refunds relating to non-consolidated entities and that are no longer applicable (€57 million). In 2017, other items include the effects of the extraordinary additional corporate tax charge introduced by the amended Finance Act for 2017, for €85 million, and the impact of the reduction in the corporate tax rate introduced by the French Finance Act for 2018, for -€41 million.

11.2 DEFERRED TAX ASSETS AND LIABILITIES

Accounting principles

Deferred tax assets and liabilities are recognized when temporary differences arise between the carrying amount of assets and liabilities on the balance sheet and their tax base, irrespective of when the tax is expected to be recovered or settled.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities and assets are offset at the level of each tax entity. The tax entity may either be a single entity or a tax consolidation group. Deferred tax assets are recognized only to the extent that it is probable that the entity will be able to recover them in the foreseeable future.

Deferred tax assets and liabilities are recognized as a tax benefit or expense in the income statement, except for:

- revaluation differences on post-employment benefits;
- unrealized gains and losses on financial assets at fair value through other comprehensive income;
- changes in the fair value of derivatives used as cash flow hedges;

for which the corresponding deferred tax assets and liabilities are recognized as unrealized gains and losses directly in other comprehensive income.

Deferred tax assets and liabilities are not discounted to their present value.

Deferred tax assets and liabilities on temporary differences arise from the recognition of the items listed in the statement below (positive figures indicate deferred tax assets, while negative figures in brackets represent deferred tax liabilities):

in millions of euros	12/31/2018	01/01/2018
Unrealized capital gains on UCITS	33	29
Fiscal EIGs	(78)	(123)
Provisions for employee-related liabilities	276	246
Provisions for regulated home savings products	182	208
Non-deductible impairment for credit risk	368	743
Other non-deductible provisions	682	448
Changes in fair value of financial instruments recorded in equity	(64)	(129)
Other sources of temporary differences*	(155)	274
Deferred tax related to timing differences	**1,244**	**1,696**
Deferred tax arising on the capitalization of tax loss carryforwards	**2,258**	**2,344**
Unrecognized deferred tax assets and liabilities	**(1,212)**	**(1,166)**
NET DEFERRED TAX ASSETS AND LIABILITIES	**2,290**	**2,874**
Recognized		
As assets in the balance sheet	3,174	3,754
As liabilities in the balance sheet	(884)	(880)

* *A deferred tax liability of €336 million was recognized at December 31, 2018 (€311 million at December 31, 2017) on certain goodwill items recorded in the United States that will give rise to tax amortization over 15 years.*

The French Finance Act for 2018 led Groupe BPCE to revalue its net deferred tax position: for French companies deferred taxes are calculated by applying the tax rate that will be charged when the temporary difference reverses. Tax rates will be gradually lowered through to 2022 (including the social security contribution on profits), from 32.02% in 2019 to 25.83% in 2022 and thereafter for taxable profit taxed at the normal rate.

Note 12 Other information

12.1 SEGMENT REPORTING

The Group has three core businesses:

Retail Banking and Insurance, which includes:

- the Banque Populaire network, comprising the 14 Banque Populaire banks and their subsidiaries, Crédit Maritime Mutuel, and the Mutual Guarantee Companies;
- the Caisse d'Epargne network, consisting of the 15 Caisses d'Epargne;
- Specialized Financial Services (SFS), a Natixis business line encompassing specialized financing activities (factoring, leasing, consumer credit, sureties and financial guarantees), payments and financial services;
- Insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- Other networks, which comprise Crédit Foncier group, BPCE International (BPCE I) and Banque Palatine.

Asset & Wealth Management, a Natixis business line consisting of:

- Asset Management, which operates on several international markets, combining expertise in investment management and distribution;
- Wealth Management, with Natixis Wealth Management, which offers wealth management and financing solutions for large private-sector investors.

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public sector entities.

The Corporate center, which primarily includes:

- the Group's central institution and holding companies;
- Natixis' equity interests in Coface, Corporate Data Solutions, Natixis Algérie and Natixis Private Equity;
- unlisted investments and cross-business activities;
- items related to goodwill impairment and the amortization of valuation differences, as these items form part of the Group's acquisition and investment strategy;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund.

12.1.1 Segment analysis of the consolidated income statement

Results by division*

	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate center		Groupe BPCE	
in millions of euros	**2018**	**2017 pf**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017 pf**	**2018**	**2017**
Net banking income	16,795	16,683	3,419	3,113	3,237	3,581	550	342	24,001	23,720
Operating expenses	(11,772)	(11,494)	(2,264)	(2,178)	(2,193)	(2,194)	(1,458)	(1,233)	(17,687)	(17,099)
Gross operating income	**5,023**	**5,189**	**1,154**	**936**	**1,045**	**1,387**	**(908)**	**(891)**	**6,314**	**6,621**
Cost/income ratio	70.1%	68.9%	66.2%	69.9%	67.7%	61.3%	ns	ns	73.7%	72.1%
Cost of risk	(1,072)	(1,105)	(1)	-	(175)	(115)	(51)	(164)	(1,299)	(1,384)
Share in income of equity-accounted associates	44	49	3	1	12	10	226	216	284	276
Gains or losses on other assets	(40)	(29)	43	13	3	18	9	86	15	88
Change in the value of goodwill	-	-	-	-	-	-	(16)	(85)	(16)	(85)
Income before tax	**3,956**	**4,104**	**1,198**	**950**	**884**	**1,300**	**(742)**	**(838)**	**5,297**	**5,516**
Income tax	(1,289)	(1,334)	(323)	(329)	(235)	(380)	370	232	(1,477)	(1,811)
Non-controlling interests	(170)	(136)	(415)	(276)	(194)	(269)	(14)	1	(793)	(681)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,496**	**2,634**	**460**	**345**	**455**	**651**	**(386)**	**(605)**	**3,026**	**3,024**
Transition from pro forma to reportable net income		(8)						8		
REPORTABLE NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT *	**2,496**	**2 634**	**460**	**345**	**455**	**651**	**(386)**	**(605)**	**3,026**	**3,024**

* *2017 segment information for Groupe BPCE is stated pro forma of the transfer of Ouest Croissance from the Corporate center to the Banque Populaire network (Retail Banking and Insurance division).*

Results of the Retail Banking and Insurance sub-divisions*

	Banque Populaire banks		Caisses d'Epargne		Specialized Financial Services		Insurance		Other networks		Retail Banking and Insurance	
in millions of euros	2018	2017 pf	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017 pf
Net banking income	6,371	6,294	6,952	7,086	1,472	1,382	790	734	1,211	1,187	16,795	16,683
Operating expenses	(4,350)	(4,422)	(4,715)	(4,788)	(1,004)	(939)	(448)	(439)	(1,256)	(907)	(11,772)	(11,494)
Gross operating income	**2,021**	**1,873**	**2,237**	**2,298**	**468**	**443**	**342**	**295**	**(45)**	**280**	**5,023**	**5,189**
Cost/income ratio	68.3%	70.2%	67.8%	67.6%	68.2%	67.9%	56.7%	59.8%	ns	76.4%	70.1%	68.9%
Cost of risk	(479)	(448)	(395)	(365)	(23)	(73)	-		(175)	(220)	(1,072)	(1,105)
Share in income of equity-accounted associates	29	35	-	-	-		15	13	1	1	44	49
Gains or losses on other assets	-	(9)	2	(4)	1	-	-		(42)	(17)	(40)	(29)
INCOME BEFORE TAX	**1,570**	**1,451**	**1,844**	**1,930**	**445**	**371**	**356**	**308**	**(260)**	**44**	**3,956**	**4,104**

* 2017 segment information for Groupe BPCE is stated pro forma of the transfer of Ouest Croissance from the Corporate center to the Banque Populaire network (Retail Banking and Insurance division).

12.1.2 Segment analysis of the consolidated balance sheet

	Retail Banking		Asset & Wealth Management		Corporate & Investment Banking		Corporate center		Groupe BPCE	
in millions of euros	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018
Segment assets	956,168	921,871	2,476	4,731	301,101	320,979	14,182	11,292	1,273,926	1,258,873
Segment liabilities	956,168	921,871	2,476	4,731	301,101	320,979	14,182	11,292	1,273,926	1,258,873

	Banque Populaire banks		Caisses d'Epargne		Specialized Financial Services		Natixis' Insurance business		Other networks		Retail banking	
in millions of euros	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018
Segment assets	309,202	296,545	389,413	370,755	25,520	25,013	96,975	90,678	135,059	138,880	956,168	921,871
Segment liabilities	309,202	296,545	389,413	370,755	25,520	25,013	96,975	90,678	135,059	138,880	956,168	921,871

N.B. Change in segment information for the consolidated balance sheet. Presentation of the economic contribution by sub-division representing the performance of each sub-division as an independent source of value in Groupe BPCE. To allow comparison, the opening balance sheet data apply the new methodology.

12.1.3 Segment reporting by geographic region

The geographic analysis of segment assets and results is based on the location where business activities are recognized.

Net banking income

in millions of euros	2018 fiscal year under IFRS 9	2017 fiscal year under IAS 39
France	19,035	18,663
Rest of Europe	1,499	1,448
North America	2,632	2,640
Rest of world	835	969
TOTAL	**24,001**	**23,720**

Total segment assets

in millions of euros	12/31/2018	01/01/2018
France	1,152,268	1,141,188
Rest of Europe	27,753	24,030
North America	57,511	59,779
Rest of world	36,394	33,877
TOTAL	**1,273,926**	**1,258,873**

12.2 FINANCE AND OPERATING LEASES

Accounting principles

Leases are analyzed to determine whether in substance and economic reality they are finance leases or operating leases.

Finance leases

A finance lease is a lease that transfers to the lessee substantially most of the risks and rewards incidental to ownership of an asset. It is treated as a loan granted by the lessor to the lessee in order to finance the purchase of an asset.

IAS 17 gives five examples of situations that lead to a lease being classified as a finance lease:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lease provides the lessee with the option to purchase the asset at a price that is expected to be sufficiently below the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if there is no transfer of ownership;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

IAS 17 also describes three indicators that may also individually or collectively lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, and if the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the change in the fair value of the residual value accrue to the lessee; and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than the market rent.

At the inception of the contract, the finance lease receivable is recorded on the lessor's balance sheet in an amount equal to the net investment in the lease, which corresponds to the minimum payments receivable from the lessee discounted at the interest rate implicit in the lease plus any unguaranteed residual value accruing to the lessor.

IAS 17 requires unguaranteed residual values to be reviewed on a regular basis. If there is a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised (calculation of a new payment schedule) and a charge is recorded in order to correct the financial income already recorded.

Impairment on finance leases is determined in accordance with IFRS 9 using the same method as that described for financial assets at amortized cost (Note 5.5) and is recognized under "Cost of credit risk."

Finance lease income corresponding to interest is recognized in the income statement under "Interest and similar income". It is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease, using the interest rate implicit in the lease. The rate of return implicit in the lease is the discount rate that makes the following two items equal:

- the present value of the minimum lease payments receivable by the lessor plus the non-guaranteed residual value;
- and the initial value of the asset (*i.e.* fair value at the inception of the lease, plus any direct initial costs comprising expenses incurred specifically by the lessor to set up the lease).

In the lessee's financial statements, lease financing agreements with purchase options are treated as the purchase of an asset financed by a loan.

Operating leases

A lease which is not considered to be a finance lease is automatically classified as an operating lease.

Assets provided under operating leases are shown in the balance sheet under property, plant and equipment or intangible assets in the case of equipment leases, and investment property in the case of property leases. Lease income from operating leases is recognized on a straight-line basis over the lease term, under "Income and expenses from other activities."

12.2.1 Leasing transactions as lessor

	12/31/2018				12/31/2017			
	Term outstanding				Term outstanding			
in millions of euros	< 1 year	≥ 1 year to < 5 years	> 5 years	Total	< 1 year	≥ 1 year to < 5 years	> 5 years	Total
FINANCE LEASES								
Gross investment	4,122	10,339	5,423	19,884	3,985	10,027	5,093	19,105
Present value of minimum lease payments receivable	3,820	9,445	4,698	17,962	3,571	9,163	4,325	17,059
Financial income not received	299	889	718	1,906	306	874	831	2,011
OPERATING LEASES								
Minimum lease payments receivable on non-cancellable contracts	84	287	200	573	58	168	164	390

Non-guaranteed residual value

	12/31/2018			12/31/2017		
in millions of euros	Real estate assets	Movable assets	Total	Real estate assets	Movable assets	Total
FINANCE LEASES						
Non-guaranteed residual value accruing to the lessor	1,122	569	1,692	1,161	492	1,653

Contingent rental income for the period recorded as income

in millions of euros	Fiscal year 2018	Fiscal year 2017
Finance leases	4	4
Operating leases	2	14

12.2.2 Leasing transactions as lessee

Fixed assets by category

	12/31/2018			12/31/2017		
in millions of euros	Real estate assets	Movable assets	Total	Real estate assets	Movable assets	Total
FINANCE LEASES						
Carrying amount	51		51	51	1	52

Minimum future lease payments

	12/31/2018				12/31/2017			
	Term outstanding				Term outstanding			
in millions of euros	< 1 year	≥ 1 year to < 5 years	> 5 years	Total	< 1 year	≥ 1 year to < 5 years	> 5 years	Total
OPERATING LEASES								
Minimum future amounts payable on non-cancellable contracts	429	1,422	844	2,695	457	1,305	746	2,508
Minimum future lease payments receivable on non-cancellable subleasing contracts	///	///	///		///	///	///	1

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Amounts recognized in net income

in millions of euros	Fiscal year 2018	Fiscal year 2017
OPERATING LEASES		
Minimum payments	(495)	(499)
Contingent rental payments included in expenses for the period	(12)	(20)
Income from subleasing activities	10	9

12.3 RELATED PARTY TRANSACTIONS

For Groupe BPCE, related parties are considered to be all consolidated companies, including companies carried under the equity method, and the Group's key management personnel.

The Social Housing Companies in which the Group is the sole major shareholder are also covered.

12.3.1 Transactions with consolidated companies

All intercompany transactions carried out during the period and balances outstanding at the end of the period with fully consolidated companies are eliminated in full on consolidation.

The statement below only provides data on intercompany transactions concerning:

- companies over which the Group exercises joint control (joint operations) in respect of the non-eliminated portion: no significant transactions were identified in this category;
- entities over which the Group exercises significant influence and which are equity-accounted (associates). The significant transactions that have been identified were carried out with CNP Assurances group:
  - under a sales agreement, the Group received commission income amounting to €1,033 million in 2018 (€974 million in 2017),
  - for the management of the Group's pension plans, reimbursement rights of €441 million were recorded to cover post-employment benefits (see Note 10.2.2),
  - under a partnership agreement that took effect on January 1, 2016, a cash deposit of €11.6 billion was recorded under "Loans and receivables due from customers" (see Note 9.1.1.4). This cash deposit is backed by technical reserves recognized for an identical amount under liabilities in the balance sheet representing commitments to insured parties. Insurance expenses and income relating to reinsured policies are recorded as "Income and expenses from other activities" (see Note 6.6).

A list of fully consolidated subsidiaries is presented in Note 18, "Scope of consolidation".

12.3.2 Transactions with company directors

The Group's company directors are the members of the Management Board and Supervisory Board of BPCE. The short-term benefits, post-employment benefits, long-term benefits and termination benefits of BPCE's company directors are described in the "Pay, benefits in kind, loans, guarantees and attendance fees received by BPCE company directors" section of Chapter 3 of the registration document, on Corporate Governance.

Short-term employee benefits

Short-term benefits paid out to the Group's company directors amounted to €9 million in 2018 (*vs.* €6 million in 2017).

These include remuneration, directors' attendance fees and benefits paid to members of the Management Board and Supervisory Board.

Post-employment benefit commitments, long-term benefits and termination benefits

Post-employment benefit commitments, long-term benefits and termination benefits of BPCE's company directors are described in the "Rules and principles governing the determination of pay and benefits" section in Chapter 3 of the registration document on Corporate Governance. The amount provisioned by BPCE in respect of retirement bonuses came to €2 million at December 31, 2018 (€3 million at December 31, 2017).

12.3.3 Relations with social housing companies

Groupe BPCE is a longstanding partner in the HLM social housing movement in France and a key player in the social housing production process. The Group acts as an operator (the leading privately-owned bank involved in the construction of social housing which it finances in particular through Livret A passbook savings account deposits) and is one of the main distributors of State-sponsored loans for the construction of rental housing for low-income families. The Group is also the sole major shareholder in certain social housing companies.

In view of the economic substance of the Group's dealings with the social housing sector, where organizations are subject to specific regulations, some social housing companies have been classified as related parties.

Banking transactions with social housing companies

in millions of euros	12/31/2018	12/31/2017
Loans outstanding	1,701	1,819
Commitments given	127	195
Deposit account balances	722	665
Outstanding financial investments (UCITS and securities)	40	36

in millions of euros	Fiscal year 2018	Fiscal year 2017
Interest income from loans	46	46
Interest expense on bank deposits	(6)	(6)

12.4 PARTNERSHIPS AND ASSOCIATES

Accounting principles: See Note 3

12.4.1 Investments in associates

12.4.1.1 Partnerships and other associates

The Group's main investments in joint ventures and associates are as follows:

in millions of euros	12/31/2018	01/01/2018
CNP Assurances (group)*	2,471	2,567
Socram Banque	75	76
EDF INVESTISSEMENTS GROUPE	521	521
Banque Calédonienne d'Investissement	153	145
Other	599	493
Financial sector companies	**3,819**	**3,802**
Other	214	310
Non-financial companies	**214**	**310**
TOTAL INVESTMENTS IN ASSOCIATES	**4,033**	**4,112**

* *Application of IFRS 9 (with IFRS 4 amendment) postponed to January 1, 2022. IFRS 9 Financial Instruments was published on July 24, 2014 and approved by the European Union on November 22, 2016. Application of this standard became mandatory on January 1, 2018. However, the Group opted to postpone application of the standard to January 1, 2022. The standard, which replaces IAS 39 Financial Instruments: Recognition and Measurement, sets out the accounting and disclosure principles applicable to financial assets and financial liabilities. The complete version of IFRS 9 includes the three phases that comprised the draft version, namely classification and measurement, impairment, and hedge accounting. Macro-hedge accounting, which is being covered separately by the IASB, has not been finalized. A discussion paper was published on this topic on April 17, 2014.*

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12.4.1.2 Financial data for the main joint arrangements and associates

Summarized financial data for material joint ventures and/or companies under notable influence are as follows (based on the last available data published by the entities in question):

	Associates			
in millions of euros	CNP Assurances (group)	Socram Banque	EDF Investment Group (EIG)	Banque Calédonienne d'Investissement (BCI)
DIVIDENDS RECEIVED	**93**	**1**	**11**	**4**
MAIN AGGREGATES				
Total assets	**415,524**	**1,913**	**8,580**	**2,797**
Total liabilities	**397,743**	**1,689**	**33**	**2,490**
Income statement				
Operating income or net banking income	2,463	55	264	93
Income tax	(793)	(3)	(78)	(19)
Net income	1,670	6	186	25
CARRYING VALUE OF INVESTMENTS IN ASSOCIATES				
Equity of associates*	17,782	224	8,548	306
Percentage of ownership	16.11%	33.42%	6.11%	49.90%
VALUE OF INVESTMENTS IN ASSOCIATES	**2,471**	**75**	**521**	**153**
O/W GOODWILL				**2**
MARKET VALUE OF INVESTMENTS IN ASSOCIATES	**2,049**	**///**	**///**	**///**

* *The equity used by Groupe BPCE to consolidate CNP Assurances (group) via the equity method is subject to restatement (deeply subordinated notes).*

Groupe BPCE has no interest in any joint venture that has a material impact on the consolidated financial statements.

Summarized financial data for non-material joint ventures and companies under significant influence at December 31, 2018 is as follows:

in millions of euros	Fiscal year 2018	Fiscal year 2017
Value of investments in associates	**813**	**803**
Total amount of share in:		
Net income	37	44
Gains and losses recognized directly in other comprehensive income	(1)	(1)
COMPREHENSIVE INCOME	**36**	**43**

12.4.1.3 Nature and scope of major restrictions

Groupe BPCE has not been faced with any major restrictions relating to interests held in associates and joint ventures.

12.4.2 Share in net income of associates

in millions of euros	Fiscal year 2018	Fiscal year 2017
CNP Assurances (group)	220	207
EDF Investment Group (EIG)	12	10
Socram Banque	2	2
Banque Calédonienne d'Investissement	13	13
Other	33	37
Financial sector companies	**280**	**269**
Other	4	7
Non-financial companies	**4**	**7**
SHARE IN NET INCOME OF ASSOCIATES	**284**	**276**

12.5 INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

12.5.1 Nature of interests in non-consolidated structured entities

A non-consolidated structured entity is a structured entity that is not controlled and is therefore not accounted for using the full consolidation method. As a result, the interests held in a joint venture or associate which is classed as a structured entity falls within the scope of this note.

The same is true of controlled structured entities that are not consolidated due to threshold reasons.

This includes all structured entities in which Groupe BPCE holds an interest and intervenes in one or more of the following capacities:

- originator/structurer/arranger;
- placement agent;
- manager;
- in any other capacity that has a major impact on the structuring or management of the transaction (*e.g.* provision of financing, guarantees or structuring derivatives, tax investor, major investor, etc.).

An interest in an entity corresponds to all types of relationship, contractual or not, that exposes Groupe BPCE to a risk of fluctuations in returns relating to the entity's performance. Interests in another entity may be evidenced by, among others, the holding of equity instruments or debt securities, as well as, by other types of relationship, such as financing, short-term credit facilities, credit enhancement, provision of guarantees or structured derivatives.

As a result, the following are not included in the scope of this note:

- structured entities which are associated with Groupe BPCE through a current transaction alone. This corresponds to an unstructured financial instrument which generally does not have a material impact on the variability of the structured entity's returns and which could be concluded by Groupe BPCE with structured entities or classically-governed entities alike. The main kinds of current transactions are:
  - plain vanilla fixed-income, foreign exchange and other underlying derivatives, as well as securities lending/borrowing and repurchase agreement transactions,
  - plain vanilla guarantees and financing granted to family non-trading real estate companies (SCI) or to certain holdings;
- external structured entities in which Groupe BPCE simply acts as an investor.

These notably include:

- investments in external UCITS that the Group does not manage, except for those in which the Group owns almost all the shares;
- a limited scope of interests held in securitization vehicles (exposures on these funds are included in the information published in Chapter 3 "Risk Management – Securitizations");

- interests held in real estate funds or external private equity funds in which Groupe BPCE acts as a simple minority investor.

The structured entities with which the Group has a relationship can be divided into four categories: entities involved in asset management, securitization vehicles, entities created as part of structured financing and entities created for other types of transaction.

Asset management

Financial asset management (also known as portfolio management) consists of managing equity or funds entrusted by investors by investing in equities, bonds, cash SICAV or hedge funds, etc.

The asset management line of business which uses structured entities is represented by collective management or fund management. More specifically, it encompasses collective investment vehicles within the meaning of the French Monetary and Financial Code (other than securitization structures) as well as equivalent bodies governed by foreign law. These notably include entities such as UCITS, real estate funds and private equity funds.

Securitization

Securitization transactions are generally established as structured entities in which assets or derivatives representing credit risk are isolated.

These entities serve to diversify the underlying credit risks and to split them into various levels of subordination (tranches) with a view, generally, to sell them to investors seeking a certain level of return, according to the degree of risk accepted.

These vehicles' assets and the liabilities that they issue are rated by the rating agencies which monitor that the level of risk associated with each tranche of risk sold is commensurate with the attributed rating.

The kind of securitization transactions used and which require the intervention of structured entities are as follows:

- transactions where the Group (or a subsidiary) sells on its own behalf to a dedicated vehicle, in cash or synthetic form, the credit risk associated with one of its asset portfolios;
- securitization transactions performed on behalf of third parties. These transactions consist of housing in a dedicated structure (generally a Special-Purpose Entity (SPE)) the assets belonging to another company. The SPE issues shares that can, in certain cases, be subscribed for directly by investors, or subscribed for by a multi-seller conduit which refinances the acquisition of these shares through the issue of short-term notes (commercial paper).

Structured financing (of assets)

Structured financing covers the range of activities and products set up to provide financing to economic players while reducing risks through the use of complex structures. These include the financing of movable assets (pertaining to aeronautic, marine or terrestrial transport, telecommunications, etc.), real estate assets and the acquisition of targeted companies (LBO financing).

The Group may need to create a structured entity that houses a specific financing transaction on behalf of a customer. This is a contractual and structural organization. The particularities of these types of financing are related to risk management, with use of notions such as limited recourse or waivers of recourse, standard and/or structural subordination and the use of dedicated legal vehicles used in particular to carry a single-contract finance lease representing the financing granted.

Other activities

This groups together all remaining activities.

12.5.2 Nature of risks relating to interests in non-consolidated structured entities

Assets and liabilities recognized in the Group's various balance sheet accounts relating to interests in non-consolidated structured entities contribute to determining the risks associated with these entities.

The values recorded under the balance sheet assets, along with financing and guarantee commitments given less guarantee commitments received and provisions recorded in liabilities, are used to assess the maximum exposure to risk of losses.

The "notional amounts" line corresponds to the notional amount of options sold to structured entities.

The data are presented below, aggregated based on their activity classification.

At December 31, 2018

Excluding insurance business investments in millions of euros	Securitization	Asset management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**551**	**2,111**	**1,064**	**476**
Trading derivatives	95	70	165	334
Trading financial instruments (excluding derivatives)	371	153	702	51
Financial assets at fair value through profit or loss – Non SPPI	81	1,719	181	13
Financial instruments designated at fair value through profit or loss		25		
Equity instruments not held for trading	4	144	17	79
Financial assets at fair value through other comprehensive income	**10**	**136**	**40**	**141**
Financial assets at amortized cost	**5,998**	**1,748**	**13,986**	**1,157**
Other assets	**22**	**40**	**19**	**20**
TOTAL ASSETS	**6,581**	**4,035**	**15,109**	**1,793**
Financial liabilities at fair value through profit or loss	**45**	**204**	**585**	**192**
Provisions	**6**	**1**	**52**	**7**
TOTAL LIABILITIES	**51**	**205**	**636**	**198**
Financing commitments given	**3,918**	**249**	**2,849**	**533**
Guarantee commitments given	**279**	**5,180**	**2,835**	**36**
Guarantees received	**1**	**14**	**3,606**	**330**
Notional amount of derivatives	**1,030**	**155**	**2,973**	**262**
MAXIMUM LOSS EXPOSURE	**11,801**	**9,606**	**20,109**	**2,288**

Insurance business investments in millions of euros	Securitization	Asset management	Other activities
Financial assets at fair value through profit or loss		**10,528**	
Trading financial instruments (excluding derivatives)		6,034	
Financial instruments designated at fair value through profit or loss		4,494	
Available-for-sale financial assets	**908**	**3,235**	**26**
TOTAL ASSETS	**908**	**13,763**	**26**
TOTAL LIABILITIES			
Financing commitments given	**344**	**189**	
MAXIMUM LOSS EXPOSURE	**1,252**	**13,952**	**26**

in millions of euros	Securitization	Asset management	Structured Financing	Other activities
SIZE OF STRUCTURED ENTITIES	**62,613**	**374,675**	**81,306**	**4,047**

At December 31, 2017

in millions of euros	Securitization	Asset management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**233**	**10,300**	**935**	**308**
Trading derivatives	124	227	99	308
Trading financial instruments (excluding derivatives)	88	5,008	623	
Financial instruments designated at fair value through profit or loss	21	5,065	213	
Available-for-sale financial assets	**874**	**4,307**	**61**	**190**
Loans and receivables	**3,634**	**1,887**	**14,235**	**1,302**
Other assets	**16**	**38**	**39**	**27**
TOTAL ASSETS	**4,757**	**16,532**	**15,270**	**1,827**
Financial liabilities at fair value through profit or loss	**103**	**237**	**499**	**37**
Provisions		**5**	**42**	**6**
TOTAL LIABILITIES	**103**	**242**	**541**	**43**
Financing commitments given	**4,457**	**515**	**2,422**	**593**
Guarantee commitments given	**191**	**6,340**	**2,297**	**67**
Guarantees received		**10**	**3,099**	**331**
Notional amount of derivatives	**1,235**	**286**	**2,380**	**922**
MAXIMUM LOSS EXPOSURE	**10,640**	**23,658**	**19,228**	**3,072**
SIZE OF STRUCTURED ENTITIES	**56,208**	**256,784**	**71,717**	**4,123**

Securitization transactions in which Groupe BPCE is simply an investor are listed in the Risk Management – Securitizations section.

The size criterion used varies according to the types of structured entities:

- securitization, the total amount of the entities' issues on the liabilities side;
- asset management: the net assets of collective investment vehicles (other than securitization);
- structured financing: the total amount of financing outstandings remaining due by the entities;
- other activities, total assets.

12.5.3 Income and carrying amount from assets transferred to sponsored non-consolidated structured entities

A structured entity is sponsored by a Group entity when the two following indicators are both satisfied:

- it is involved in the creation and structuring of the structured entity;
- it contributes to the success of the entity by transferring assets to it or by managing relevant activities.

When the Group entity's role is limited to one of advisor, arranger, custodian or placement agent, the structured entity is not considered to be sponsored.

Groupe BPCE plays the role of sponsor for:

- UCITS initiated by a management company belonging to Groupe BPCE and in which Groupe BPCE holds no investment or any other interest. Reported income includes management and outperformance fees charged by Groupe BPCE entities, as well as profit or loss from ordinary business with these funds;
- a US activity of origination and disposal of portfolios of home loans to securitization vehicles created by the Natixis group with third parties and in which Natixis group holds no interests. Reported income includes structuring fees as well as gains or losses on the disposal of receivables.

For the non-consolidated structured entities that the Group sponsored without holding any interests, the impact on the financial statements is presented below:

Fiscal year 2018

in millions of euros	Securitization	Asset management
Income from entities	**1**	**175**
Net fee and commission income	(1)	169
Net gains or losses on financial instruments at fair value through profit or loss	3	5
Carrying amount of assets transferred to the entity during the fiscal year	**1,181**	

Fiscal year 2017

in millions of euros	Securitization	Asset management
Income from entities	**(36)**	**211**
Net interest income		2
Net fee and commission income	(7)	204
Net gains or losses on financial instruments at fair value through profit or loss	(29)	5
Carrying amount of assets transferred to the entity during the fiscal year	**2,365**	

12.6 LOCATIONS BY COUNTRY

12.6.1 Net banking income and headcount by country

Information on staff, broken down by category, is presented in Chapter 6 "Social, environmental and societal information – Responsible internal practices".

	Fiscal year 2018			
	Net banking income *in millions of euros*	Profit or loss before tax *in millions of euros*[(1)]	Income tax *in millions of euros*[(2)]	FTE Headaccount (3) 31/12/2018
European Union Member States				
Germany	187	(24)	(12)	805
Austria	22	6	(1)	95
Belgium	41	21	(3)	49
Bulgaria	1	0	(0)	12
Denmark	13	2	(1)	82
Spain	120	70	(19)	281
France[(4)]	19,035	4,039	(1,053)	88,080
United Kingdom	816	520	(91)	729
Hungary	2	0	(0)	11
Ireland	7	0	(0)	6
Italy	172	82	(31)	300
Lithuania	3	2	(0)	16
Luxembourg	28	(68)	2	267
Netherlands	21	4	(1)	93
Poland	25	8	(2)	182
Portugal	28	4	(4)	374
Czech Republic	2	0	(0)	8
Romania	7	2	(0)	163
Slovakia	1	(0)	(0)	8
Sweden	2	(1)	(0)	12
Other European Countries				
Jersey	(2)	(2)	0	0
Monaco	15	2	0	26

	Fiscal year 2018			
	Net banking income *in millions of euros*	**Profit or loss before tax** *in millions of euros*[(1)]	**Income tax** *in millions of euros*[(2)]	**FTE Headaccount (3) 31/12/2018**
Russia	10	1	(0)	68
Switzerland	89	53	(12)	93
Africa and Mediterranean Basin				
South Africa	6	2	(0)	47
Algeria	63	35	(9)	779
Cameroon	76	(10)	(2)	823
Congo	19	1	(1)	221
Djibouti	23	3	(1)	251
United Arab Emirates	36	18	0	51
Mauritius	11	1	(3)	0
Israel	17	2	(1)	111
Madagascar	42	28	(5)	435
Morocco	6	10	(0)	4
Tunisia	21	(8)	(2)	452
Turkey	6	1	1	48
North & South America				
Argentina	6	2	(1)	46
Brazil	17	11	(4)	78
Canada	22	4	(1)	61
Chile	7	1	(0)	46
Ecuador	2	0	(0)	28
United States	2,629	802	(207)	2,847
Cayman Islands	(18)	(18)	7	0
Mexico	4	1	(0)	56
Uruguay	1	0	0	1
Asia and Oceania				
Australia	61	41	(13)	41
Cambodia	4	(3)	0	141
China	17	4	0	76
South Korea	1	0	0	2
Fiji	7	1	0	114
Hong Kong	(47)	(206)	18	461
India	0	0	0	4
Japan	36	(4)	1	133
Laos	5	(3)	0	0
Malaysia	4	3	(0)	4
New Caledonia	71	17	(8)	309
French Polynesia	60	20	(9)	282
Singapore	112	58	(7)	191
Taiwan	10	4	(1)	39
Thailand	0	0	(0)	125
Vanuatu	14	3	0	136
Vietnam	4	(3)	0	42
GROUP TOTAL	**24,001**	**5,541**	**(1,477)**	**100,245**

(1) Profit or loss before income tax and before taxes other than on income recognized as operating income.
(2) Tax payable and deferred tax, excluding taxes other than on income recognized as operating income.
(3) Number of FTE employees working at the reporting date.
(4) Including Martinique, Guadeloupe, La Réunion and Saint-Pierre-et-Miquelon.

12.6.2 Entity locations by country

Country of location	Business
SOUTH AFRICA	
COFACE SOUTH AFRICA	Insurance
COFACE SOUTH AFRICA SERVICES	Insurance
ALGERIA	
NATIXIS ALGÉRIE	Credit institution
GERMANY	
3F HOLDING	Holding company
AEW INVEST GMBH	Distribution
COFACE DEBITOREN	Credit information and debt recovery
COFACE DEUTSCHLAND	Credit insurance and related services
COFACE FINANZ	Factoring
COFACERATING HOLDING	Credit information and debt recovery
COFACERATING.DE	Credit information and debt recovery
FIDOR BANK AG	Online credit institution
FIDOR SOLUTION AG	IT services
KISSELBERG	Insurance
NATIXIS GLOBAL ASSOCIATES GERMANY	Distribution
NATIXIS INVESTMENT MANAGERS SA, ZWEIGNIEDERLASSUNG DEUTSCHLAND	Distribution
NATIXIS PFANDBRIEFBANK AG	Credit institution
NATIXIS ZWEIGNIERDERLASSUNG DEUTSCHLAND	Financial institution
PRAMEX INTERNATIONAL GMBH FRANKFURT	International development and consulting services
ARGENTINA	
COFACE ARGENTINA – BRANCH (COFACE EUROPE)	Credit insurance and related services
AUSTRALIA	
AEW ASIA LIMITED AUSTRALIAN BRANCH	Asset management
COFACE AUSTRALIA (BRANCH-COFACE EUROPE)	Credit insurance and related services
INVESTORS MUTUAL LIMITED	Asset management
NATIXIS AUSTRALIA PTY LTD	Financial institution
NATIXIS GLOBAL ASSOCIATES AUSTRALIA HOLDINGS, LLC	Holding company
NATIXIS INVESTMENT MANAGERS AUSTRALIA PTY LIMITED	Distribution
AUSTRIA	
COFACE AUSTRIA	Holding company
COFACE CENTRAL EUROPE HOLDING	Holding company
COFACE SERVICES AUSTRIA	Credit information and debt recovery
BELGIUM	
CAISSE D'EPARGNE HAUTS DE FRANCE BELGIUM BRANCH	Credit institution
COFACE BELGIUM – BRANCH (COFACE EUROPE)	Credit insurance and related services
COFACE BELGIUM SERVICES	Business and solvency data
CRÉDIT FONCIER DE FRANCE – BELGIUM BRANCH	Credit institution
DALENYS SA	Holding company
EPBF	Payment institution
IRR INVEST	Private equity
NATIXIS BELGIQUE INVESTISSEMENTS	Investment company
NJR INVEST	Private equity
BRAZIL	
COFACE DO BRASIL SEGUROS DE CRÉDITO	Credit insurance and related services
NATIXIS BRASIL SA	Financial institution
PRAMEX INTERNATIONAL DO BRASIL CONSULTARIA LTDA, SAO PAULO	International development and consulting services
SEGURO BRASILEIRA C.E	Credit insurance and related services
BULGARIA	
COFACE BULGARIA (BRANCH)	Insurance
CAMBODIA	
BRED BANK CAMBODIA PLC	Financial company
CAMEROON	
BICEC	Credit institution
CANADA	
COFACE CANADA – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS CANADA	Financial institution
NATIXIS INVESTMENT MANAGERS CORP	Asset management
NATIXIS INVESTMENT MANAGERS CANADA LIMITED	Asset management
NATIXIS INVESTMENT MANAGERS CANADA LP	Asset management
NATIXIS INVESTMENT MANAGERS CAPITAL CORPORATION (FORMERLY C CAPITAL CORPORATION)	Asset management
TREZ COMMERCIAL FINANCES LP	Real-estate finance
CHILE	
COFACE CHILE SA	Insurance
COFACE CHILE – BRANCH (COFACE EUROPE)	Credit insurance and related services
CHINA	
BRD CHINA LTD	Private equity
NATIXIS BEIJING	Financial institution
NATIXIS SHANGHAI	Financial institution
PRAMEX INTERNATIONAL CO LTD SHANGHAI	International development and consulting services
VERMILION (BEIJING) ADVISORY COMPANY LIMITED	M&A and Financial advisory services
CONGO	
BCI BQ COMMERCIALE INTERNATIONALE	Credit institution
SOUTH KOREA	
NATIXIS INVESTMENT MANAGERS KOREA LIMITED	Distribution

Country of location	Business
DENMARK	
COFACE DANMARK – BRANCH (COFACE KREDIT)	Insurance
MIDT FACTORING A/S	Factoring
DJIBOUTI	
BCI MER ROUGE	Credit institution
UNITED ARAB EMIRATES	
NATIXIS DUBAI	Financial institution
NATIXIS INVESTMENT MANAGERS MIDDLE EAST	Distribution
ECUADOR	
COFACE ECUADOR (BRANCH-COFACE EUROPE)	Credit insurance and related services
SPAIN	
BANCO PRIMUS SPAIN	Credit institution
COFACE IBERICA – BRANCH (COFACE EUROPE)	Credit insurance and related services
COFACE SERVICIOS ESPANA S.L.	Credit information and debt recovery
NATIXIS CAPITAL PARTNERS SPAIN	M&A and Financial advisory services
NATIXIS LEASE MADRID	Equipment and real estate leasing
NATIXIS MADRID	Financial institution
NATIXIS INVESTMENT MANAGERS, SUCURSAL EN ESPANA	Distribution
PRAMEX INTERNATIONAL SA, MADRID	International development and consulting services
UNITED STATES	
AEW CAPITAL MANAGEMENT, INC.	Asset management
AEW CAPITAL MANAGEMENT, LP	Asset management
AEW PARTNERS IV, INC.	Asset management
AEW PARTNERS V, INC.	Asset management
AEW PARTNERS VI, INC.	Asset management
AEW PARTNERS VII, INC.	Asset management
AEW REAL ESTATE ADVISORS, INC.	Asset management
AEW SENIOR HOUSING INVESTORS INC.	Asset management
AEW SENIOR HOUSING INVESTORS II INC	Asset management
AEW VALUE INVESTORS ASIA II GP LIMITED	Asset management
AEW VIA INVESTORS, LTD	Asset management
ALPHASIMPLEX GROUP LLC	Asset management
ALTERNATIVE STRATEGIES GROUP LLC	Asset management
AURORA INVESTMENT MANAGEMENT LLC	Asset management
BLEACHERS FINANCE	Securitization vehicle
CASPIAN CAPITAL MANAGEMENT, LLC	Asset management
CM REO HOLDINGS TRUST	Secondary markets finance
CM REO TRUST	Secondary markets finance
COFACE NORTH AMERICA	Credit insurance and related services
COFACE NORTH AMERICA HOLDING COMPANY	Holding company
COFACE NORTH AMERICA INSURANCE COMPANY	Credit insurance and related services

Country of location	Business
COFACE SERVICES NORTH AMERICA GROUP	Holding company
CREA WESTERN INVESTORS I, INC.	Asset management
EPI SLP LLC.	Asset management
EPI SO SLP LLC.	Asset management
GATEWAY INVESTMENT ADVISERS, LLC	Asset management
HARRIS ALTERNATIVES HOLDING INC.	Holding company
HARRIS ASSOCIATES LP	Asset management
HARRIS ASSOCIATES SECURITIES, LP	Distribution
HARRIS ASSOCIATES, INC.	Asset management
LOOMIS SAYLES & COMPANY, INC.	Asset management
LOOMIS SAYLES & COMPANY, LP	Asset management
LOOMIS SAYLES ALPHA, LLC.	Asset management
LOOMIS SAYLES DISTRIBUTORS, INC.	Distribution
LOOMIS SAYLES DISTRIBUTORS, LP	Distribution
LOOMIS SAYLES SOLUTIONS, INC.	Asset management
LOOMIS SAYLES TRUST COMPANY, LLC	Asset management
MC DONNELL	Asset management
MIROVA GLOBAL SUSTAINABLE EQUITY FUND	Asset management
MSR TRUST	Real-estate finance
NATIXIS ADVISORS LP	Distribution
NATIXIS ASG HOLDINGS, INC.	Distribution
NATIXIS CASPIAN PRIVATE EQUITY LLC	Asset management
NATIXIS DISTRIBUTION CORPORATION	Distribution
NATIXIS DISTRIBUTION LP	Distribution
NATIXIS FINANCIAL PRODUCTS LLC	Derivatives transactions
NATIXIS FUNDING CORP	Other financial company
NATIXIS INVESTMENT CORP.	Portfolio management
NATIXIS INVESTMENT MANAGERS HOLDINGS, LLC	Holding company
NATIXIS INVESTMENT MANAGERS INTERNATIONAL, LLC	Distribution
NATIXIS INVESTMENT MANAGERS, LLC	Holding company
NATIXIS INVESTMENT MANAGERS, LP	Holding company
NATIXIS NEW YORK	Financial institution
NATIXIS NORTH AMERICA LLC	Holding company
NATIXIS REAL ESTATE CAPITAL LLC	Real-estate finance
NATIXIS REAL ESTATE HOLDINGS LLC	Real-estate finance
NATIXIS SECURITIES AMERICAS LLC	Brokerage
NATIXIS US HOLDINGS INC.	Holding company
NATIXIS US MTN PROGRAM LLC	Issuing vehicle
OSTRUM AM US LLC (FORMERLY NAM US)	Distribution
PETER J. SOLOMON COMPANY LP	M&A and Financial advisory services
PETER J. SOLOMON SECURITIES COMPANY LLC	Brokerage
PRAMEX INTERNATIONAL CORP, NEW YORK	International development and consulting services
VAUGHAN NELSON INVESTMENT MANAGEMENT, INC.	Asset management
VAUGHAN NELSON INVESTMENT MANAGEMENT, LP	Asset management

Country of location	Business
VERSAILLES	Securitization vehicle
FIJI	
BRED BANK FIJI LTD	Credit institution
FRANCE	
1818 IMMOBILIER	Real estate operations
226 LOCAL SAVINGS COMPANIES (LSCS)	Cooperative shareholder
339 ETAT UNIS	Real estate operations
40 MUTUAL GUARANTEE COMPANIES	Guarantee company
AAA ACTIONS AGRO ALIMENTAIRE	Insurance investment mutual fund
ABP VIE MANDAT FPCI	Private equity fund
ADOUR SERVICES COMMUNS	Real estate operations
ADRAXTRA CAPITAL	Private equity
AEW CILOGER	Real-estate management
AEW SA	Asset management
AFOPEA	Real estate operations
ALBIANT-IT	IT systems and software consulting
ALLIANCE ENTREPRENDRE	Asset management
ALLOCATION PILOTEE EQUILIBRE C	Insurance investment mutual fund
ALTER CE (COMITEO)	Online service for Central works councils
APOUTICAYRE LOGEMENTS	Real estate operations
ARIES ASSURANCES	Insurance brokerage
BALTIQ	Commercial company
BANQUE BCP SAS	Credit institution
BANQUE DE SAVOIE	Credit institution
BANQUE DUPUY, DE PARSEVAL	Credit institution
BANQUE MARZE	Credit institution
BANQUE PALATINE	Credit institution
BANQUE POPULAIRE ALSACE LORRAINE CHAMPAGNE	Credit institution
BANQUE POPULAIRE AQUITAINE CENTRE ATLANTIQUE	Credit institution
BANQUE POPULAIRE AUVERGNE RHÔNE ALPES	Credit institution
BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ	Credit institution
BANQUE POPULAIRE MÉDITERRANÉE	Credit institution
BANQUE POPULAIRE GRAND OUEST	Credit institution
BANQUE POPULAIRE DU NORD	Credit institution
BANQUE POPULAIRE DU SUD	Credit institution
BANQUE POPULAIRE OCCITANE	Credit institution
BANQUE POPULAIRE RIVES DE PARIS	Credit institution
BANQUE POPULAIRE VAL DE FRANCE	Credit institution
BATI LEASE	Real-estate leasing
BATIMAP	Non-real estate leasing
BATIMUR	Non-real estate leasing

Country of location	Business
BATIROC BRETAGNE PAYS DE LOIRE	Equipment and real estate leasing
BCEF 64	Real estate operations
BDR IMMO 1	Real estate operations
BEAULIEU IMMO	Real estate operations
BIC BRED	Credit institution
BLEU RÉSIDENCE LORMONT	Real estate operations
BORDELONGUE GODEAS	Real estate operations
BP COVERED BONDS	Funding
BP DÉVELOPPEMENT	Private equity
BPA ATOUTS PARTICIPATIONS	Private equity
BPCE ACHATS	Service company
BPCE APS	Service providers
BPCE ASSURANCES	Insurance company
BPCE INFOGÉRANCE & TECHNOLOGIE	IT services
BPCE INTERNATIONAL	Specialized credit institution
BPCE MASTER HOME LOANS DEMUT/BPCE CONSUMER LOANS DEMUT	French securitization fund (FCT)
BPCE MASTER HOME LOANS FCT/BPCE CONSUMER LOANS FCT	French securitization fund (FCT)
BPCE PRÉVOYANCE (FORMERLY – ABP PREVOYANCE)	Personal protection insurance
BPCE RELATION ASSURANCES	Services company
BPCE SA GROUP	Holding company
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company
BPCE SFH	Funding
BPCE SOLUTIONS CREDIT (formerly GIE ECUREUIL CREDIT)	Services company
BPCE VIE (FORMERLY – ABP VIE)	Insurance
BRED – BANQUE POPULAIRE	Credit institution
BRED COFILEASE	Non-real estate leasing
BRED GESTION	Credit institution
BTP BANQUE	Credit institution
BTP CAPITAL CONSEIL	Financial investment advisory services
BTP CAPITAL INVESTISSEMENT	Private equity
BRETAGNE PARTICIPATIONS	Private equity
BURODIN	Real estate operations
CAISSE D'EPARGNE AQUITAINE POITOU-CHARENTES	Credit institution
CAISSE D'EPARGNE BRETAGNE PAYS DE LOIRE	Credit institution
CAISSE D'EPARGNE CÔTE D'AZUR	Credit institution
CAISSE D'EPARGNE D'AUVERGNE ET DU LIMOUSIN	Credit institution
CAISSE D'EPARGNE DE BOURGOGNE FRANCHE-COMTÉ	Credit institution
CAISSE D'EPARGNE DE MIDI-PYRÉNÉES	Credit institution
CAISSE D'EPARGNE GRAND EST EUROPE	Credit institution
CAISSE D'EPARGNE HAUTS DE FRANCE	Credit institution
CAISSE D'EPARGNE ÎLE-DE-FRANCE	Credit institution

Country of location	Business
CAISSE D'EPARGNE LANGUEDOC-ROUSSILLON	Credit institution
CAISSE D'EPARGNE LOIRE-CENTRE	Credit institution
CAISSE D'EPARGNE LOIRE DRÔME ARDÈCHE	Credit institution
CAISSE D'EPARGNE NORMANDIE	Credit institution
CAISSE D'EPARGNE PROVENCE-ALPES-CORSE	Credit institution
CAISSE D'EPARGNE RHÔNE ALPES	Credit institution
CAISSE RÉGIONALE CRÉDIT MARITIME DE MÉDITERRANÉE	Credit institution
CAISSE SOLIDAIRE	Financial company
CAPITOLE FINANCE	Non-real estate leasing
CASDEN – BANQUE POPULAIRE	Credit institution
CE DEVELOPPEMENT	Private equity
CE HOLDING PARTICIPATIONS	Holding company
CEBIM	Holding company
CEPAC FONCIÈRE	Real estate operations
CEPAC INVESTISSEMENT ET DEVELOPPEMENT	Private equity
CEPAIM SA	Real estate operations
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company
CICOBAIL	Real-estate leasing
CLICK AND TRUST	Data processing
CO-ASSUR	Insurance brokerage advisory
COFACE EUROPE	Credit insurance and related services
COFACE SA	Holding company
COFEG	Consulting
COFIBRED	Holding company
COFIMAB	Real estate agent
COFINPAR	Credit insurance and related services
COGERI	Credit information and debt recovery
COMPAGNIE DE FINANCEMENT FONCIER	Financial company
COMPAGNIE EUROPEENNE DE GARANTIES ET CAUTIONS	Insurance
CONTANGO TRADING SA	Brokerage company
CRÉDIT COOPÉRATIF	Credit institution
CRÉDIT FONCIER DE FRANCE	Credit institution
CRÉDIT FONCIER EXPERTISE	Real estate valuation
CRÉDIT FONCIER IMMOBILIER	Real estate operations
CREPONORD	Equipment and real estate leasing
CRISTAL IMMO	Real estate operations
DALENYS PAYMENT	Payment services
DARIUS CAPITAL PARTNERS SAS	Financial investment advisory services
DELESSERT FCP 2DEC REGPT	BPCE Guarantee and Solidarity fund

Country of location	Business
DNCA COURTAGE	Asset management
DNCA FINANCE	Asset management
DNCA MANAGEMENT	Asset management
DORVAL FINANCE	Asset Management
ECOFI INVESTISSEMENT	Portfolio management
ELLISPHERE	Information
EOLE COLLATERAL	Securitization vehicle
ESFIN GESTION	Portfolio management
ESNI	Securitization company
EURO CAPITAL	Private equity
EUROTERTIA	Real estate operations
EXPANSINVEST	Private equity
EXPANSO INVESTISSEMENTS	Private equity
FCC ELIDE	French securitization fund (FCT)
FCPR FIDEPPP	Public-private partnership financing
FCT LIQUIDITÉ SHORT 1	Securitization vehicle
FCT NATIXIS EXPORT CRÉDIT AGENCY	Securitization vehicle
FCT PUMACC	Consumer credit securitization vehicle
FCT VEGA	Securitization fund
FERIA PAULMY	Real estate operations
FILIALES LOCINDUS	Equipment and real estate leasing
FIMIPAR	Buyback of receivables
FINANCIÈRE DE LA BP OCCITANE	Holding company
FINANCIÈRE PARTICIPATION BPS	Holding company
FIPROMER	Brokerage and investment services
FLEXTONE PARTNERS SAS (FORMERLY EURO PRIVATE EQUITY FRANCE)	Asset management
FONCIER PARTICIPATIONS	Holding company
FONCIÈRE D'ÉVREUX	Real estate operations
FONCIÈRE INVEST	Real estate operations
FONCIÈRE KUPKA	Real estate operations
FONCIÈRE VICTOR HUGO	Holding company
FONDS COLOMBES	UCITS
FRUCTIFONCIER	Insurance real estate investments
FRUCTIFONDS PROFIL 6	Insurance investment mutual fund
FRUCTIFONDS PROFIL 9	Insurance investment mutual fund
G IMMO	Real estate operations
G102	Real estate operations
GARIBALDI CAPITAL DÉVELOPPEMENT	Private equity
GCE CAPITAL	Private equity
GCE PARTICIPATIONS	Holding company
GIE CE SYNDICATION RISQUES	Guarantee company

Country of location	Business
GRAMAT BALARD	Real estate operations
GROUPEMENT DE FAIT	Services company
HABITAT EN RÉGION SERVICES	Holding company
HIGHLIGHT 92	Real estate operations
HOLASSURE	Holding company
I-BP INVESTISSEMENT	Real estate operations
IMMOCARSO SNC	Investment property
IMMOCEAL	Investment property
INCITY	Real estate operations
INFORMATIQUE BANQUES POPULAIRES	IT services
INGEPAR	Financial investment advisory services
INTERCOOP	Real-estate leasing
INVESTIMA 77	Holding company
IT-CE	IT services
L'AUSSONNELLE DE C	Real estate operations
LABEGE LAKE H1	Real estate operations
LAKOOZ	Payment services
LANGLADE SERVICES	Real estate operations
LANTA PRODUCTION	Real estate operations
LEASE EXPANSION	IT operational leasing
LEVISEO	Real estate operations
LOCINDUS	Equipment and real estate leasing
MIDI COMMERCES	Real estate operations
MIDI FONCIÈRE	Real estate operations
MIDI MIXT	Real estate operations
MIDI PYRÉNÉES PLACEMENT	Mutual fund
MIFCOS	Investment property
MIROVA	Management of venture capital mutual funds
MIROVA EUROPE ENVIRONNEMENT C	Insurance investment mutual fund
MIROVA-ALTHELIA LIMITED	Asset Management
MONTAUDRAN PLS	Real estate operations
MULTICROISSANCE SAS	Portfolio management
MURACEF	Mutual insurance
MURET ACTIVITÉS	Real estate operations
MV CREDIT FRANCE	Holding company
NALÉA	Securitization vehicle
NAMI INVESTMENT	Insurance real estate investments
NATIXIS Asset Management FINANCE	Holding company
NATIXIS ASSURANCES	Insurance company holding company
NATIXIS BAIL	Real-estate leasing

Country of location	Business
NATIXIS CAR LEASE	Extended period vehicle rental
NATIXIS COFICINÉ	Finance company (audiovisual)
NATIXIS ENERGECO	Non-real estate leasing
NATIXIS FACTOR	Factoring
NATIXIS FINANCEMENT	Consumer finance
NATIXIS FONCIÈRE SA (FORMERLY SPAFICA)	Real estate investment
NATIXIS FORMATION EPARGNE FINANCIÈRE	Holding company
NATIXIS FUNDING	Market making on secondary debt market
NATIXIS IM INNOVATION (FORMERLY AEW CO-INVEST)	Asset Management
NATIXIS IMMO DEVELOPPEMENT	Housing real estate development
NATIXIS IMMO EXPLOITATION	Real estate operations
NATIXIS INNOV	Holding company
NATIXIS INTERÉPARGNE	Employee savings plan management
NATIXIS INTERTITRES	Service vouchers offers
NATIXIS INVESTMENT CORP.	Portfolio management
NATIXIS INVESTMENT MANAGERS	Holding company
NATIXIS INVESTMENT MANAGERS DISTRIBUTION FRANCE	Distribution
NATIXIS INVESTMENT MANAGERS INTERNATIONAL	Distribution
NATIXIS INVESTMENT MANAGERS PARTICIPATIONS 1	Holding company
NATIXIS INVESTMENT MANAGERS PARTICIPATIONS 3	Holding company
NATIXIS LCR ACTIONS EURO	Investment fund
NATIXIS LEASE	Non-real estate leasing
NATIXIS LEASE IMMO	Real-estate leasing
NATIXIS LIFE	Life insurance
NATIXIS LLD	Extended period vehicle rental
NATIXIS MARCO	Investment company (extension of activity)
NATIXIS PAIEMENT HOLDING	Holding company
NATIXIS PARTNERS	M&A and Financial advisory services
NATIXIS PAYMENT SOLUTIONS	Banking services
NATIXIS PRIVATE EQUITY	Private equity
Natixis SA	Credit institution
NATIXIS US HOLDINGS INC.	Holding company
NATIXIS WEALTH MANAGEMENT	Credit institution

Country of location	Business
NAXICAP PARTNERS	Management of venture capital mutual funds
NAXICAP RENDEMENT 2018	Private equity
NAXICAP RENDEMENT 2022	Private equity
NAXICAP RENDEMENT 2024	Private equity
NOVA IMMO	Real estate operations
OCEOR LEASE RÉUNION	Non-real estate leasing
OCEORANE	Financial investment advisory services
OPCI FRANCEUROPE IMMO	Insurance investment mutual fund
OPCI NATIXIS LEASE INVESTMENT	Real-estate fund
OSSIAM	Asset management
OSTRUM AM (FORMERLY NATIXIS ASSET MANAGEMENT)	Asset management
OSTRUM ULTRA SHORT TERM BOND PLUS SI C	Insurance investment mutual fund
OUEST CROISSANCE SCR	Private equity
OXIANE	Equipment and real estate leasing
PALATINE ASSET MANAGEMENT	Asset management
PARTICIPATIONS BP ACA	Holding company
PAYPLUG	Payment services
PERSPECTIVES ENTREPRISES	Holding company
PHILAE SAS	Real estate operations
PLUSEXPANSION	Holding company
PRAMEX INTERNATIONAL	International development and consulting services
PREPAR COURTAGE	Insurance brokerage
PREPAR-IARD	Non-life insurance
PREPAR-VIE	Life insurance and endowment
PROMEPAR GESTION	Portfolio management
RANGUEIL CORMIERS	Real estate operations
REAUMUR ACTIONS (FORMERLY – ABP DIVERSIFIE)	Insurance investment mutual fund
RECOMMERCE	Online services
RENTABILIWEB MARKETING	Online services
RENTABILIWEB SERVICES	Internal services provider
RENTABILIWEB TECHNOLOGIES	Online services
RIOU	Real estate operations

Country of location	Business
RIVES CROISSANCE	Holding company
ROISSY COLONNADIA	Real estate operations
SCI ALTAIR 1	Real estate operations
SCI ALTAIR 2	Real estate operations
SAS ALPES DÉVELOPPEMENT DURABLE INVESTISSEMENT	Private equity
SAS FINANCIÈRE IMMOBILIÈRE 15	Housing real estate development
SAS FONCIÈRE DES CAISSES D'EPARGNE	Investment property
SAS FONCIÈRE ECUREUIL II	Investment property
SAS GARIBALDI PARTICIPATIONS	Real estate operations
SAS IMMOBILIÈRE NATIXIS BAIL	Real-estate leasing
SAS NSAVADE	Investment property
SAS SOCIÉTÉ IMMOBILIÈRE DE LA RÉGION RHÔNE ALPES	Real estate operations
SAS TASTA	Services company
SASU BFC CROISSANCE	Private equity
SAVOISIENNE	Holding company
SBE	Credit institution
SCI AVENUE WILLY BRANDT	Real estate operations
SCI BPSO	Real estate operations
SCI BPSO 11 MORLAAS	Real estate operations
SCI BPSO BASTIDE	Real estate operations
SCI BPSO CAMBO	Real estate operations
SCI BPSO CONDE SOUVENIR	Real estate operations
SCI BPSO GUJAN	Real estate operations
SCI BPSO LE BOUSCAT	Real estate operations
SCI BPSO LE HAILLAN	Real estate operations
SCI BPSO LESPARRE	Real estate operations
SCI BPSO LIBOURNE EST	Real estate operations
SCI BPSO MARNE	Real estate operations
SCI BPSO MERIGNAC 4 CHEMINS	Real estate operations
SCI BPSO PESSAC	Real estate operations
SCI BPSO PESSAC CENTRE	Real estate operations
SCI BPSO ST-AMAND	Real estate operations
SCI BPSO ST-ANDRÉ	Real estate operations
SCI BPSO ST-ESPRIT	Real estate operations
SCI BPSO ST-PAUL	Real estate operations
SCI BPSO TALENCE	Real estate operations
SCI DANS LA VILLE	Real estate operations
SCI DU CRÉDIT COOPÉRATIF DE SAINT DENIS	Real estate operations

Country of location	Business
SCI ECUREUIL DU PLAN SARRAIN	Real estate operations
SCI FAIDHERBE	Real estate operations
SCI FONCIÈRE 1	Investment property
SCI GARIBALDI OFFICE	Real estate operations
SCI LAFAYETTE BUREAUX	Real estate operations
SCI LAVOISIER ECUREUIL	Real estate operations
SCI LE CIEL	Real estate operations
SCI LE RELAIS	Real estate operations
SCI LOIRE CENTRE MONTESPAN	Real estate operations
SCI MARCEL PAUL ECUREUIL	Real estate operations
SCI NOYELLES	Real estate operations
SCI PYTHEAS PRADO 1	Real estate operations
SCI PYTHEAS PRADO 2	Real estate operations
SCI SAINT-DENIS	Real estate operations
SCI TOURNON	Real estate operations
SCPI FRUCTIFONDS IMMOBILIER	Insurance real estate investments
SCRIBE BAIL LOGIS SAS	Equipment and real estate leasing
SCRIBEURO SAS	Equipment and real estate leasing
SEEYOND	Asset management
SEGIMLOR	Real estate operations
SELECTION 1818	Investment product distribution to IWMAs
SELECTION PROTECTION 85	Insurance investment mutual fund
SELECTIZ	Insurance investment mutual fund
SELECTIZ PLUS FCP 4DEC	Insurance investment mutual fund
SEREXIM	Real estate valuation
SEVENTURE PARTNERS	Asset management
SIMC	Holding company
SI EQUINOXE	Holding company
SIPMEA	Real estate development/management, real estate investment
S-MONEY	Payment services
SNC ECUREUIL 5 RUE MASSERAN	Investment property
SOCFIM	Credit institution
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company
SOCIETARIAT BP DES ALPES	Cooperative shareholder
SOCIETARIAT BP DU MASSIF CENTRAL	Cooperative shareholder
SOCIETARIAT BP DU NORD	Cooperative shareholder

Country of location	Business
SOCIÉTÉ CENTRALE DU CRÉDIT MARITIME MUTUEL	Services company
SOCIÉTÉ D'EXPANSION BOURGOGNE FRANCHE-COMTÉ	Holding company
SOCIÉTÉ D'EXPLOITATION MAB (SEMAB)	Services company
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company
SOCIÉTÉ IMMOBILIÈRE PROVENCALE ET CORSE	Holding company
SODERO PARTICIPATIONS	Private equity
SOFIAG	Financial company
SOFIDER	Financial company
SOPASSURE	Holding company
SPG	Mutual fund
SPGRES	Holding company
SPIG	Property leasing
SPPICAV AEW FONCIÈRE ECUREUIL	Investment property
SUD OUEST BAIL	Real-estate leasing
TECHNOCITÉ TERTIA	Real estate operations
TETRIS	Real estate operations
TRANSIMMO	Real estate agent
UNION DES SOCIÉTÉS DU CRÉDIT COOPÉRATIF (GIE)	Services company
VEGA INVESTMENT MANAGERS	Mutual fund holding company
VENDÔME INVESTISSEMENTS	Holding company
VIALINK	Data processing
VIVALIS INVESTISSEMENTS	Real estate operations
GREAT BRITAIN	
AEW EUROPE ADVISORY LTD	Asset management
AEW EUROPE CC LTD	Asset management
AEW EUROPE HOLDING LTD	Asset management
AEW EUROPE INVESTMENT LTD	Asset management
AEW EUROPE LLP	Asset management
AEW EUROPE PARTNERSHIP	Asset management
AEW GLOBAL ADVISORS (EUROPE) LTD	Asset management
AEW GLOBAL LTD	Asset management
AEW GLOBAL UK LTD	Asset management
COFACE UK – BRANCH (COFACE EUROPE)	Credit insurance and related services
COFACE UK HOLDING	Holding company
COFACE UK SERVICES LTD	Credit information and debt recovery
FENCHURCH PARTNERS LLP	M&A and Financial advisory services
H2O ASSET MANAGEMENT CORPORATE MEMBER	Asset management
H2O ASSET MANAGEMENT LLP	Asset management
LOOMIS SAYLES INVESTMENTS LTD (UK)	Asset management

Country of location	Business
MIROVA-ALTHELIA LIMITED	Asset management
MV CREDIT LIMITED	Asset management
MV CREDIT LLP	Asset management
NATIXIS ALTERNATIVE HOLDING LIMITED	Holding company
NATIXIS INVESTMENT MANAGERS UK LTD	Distribution
NATIXIS LONDON	Financial institution
PRAMEX INTERNATIONAL LTD LONDON	International development and consulting services
VERMILION PARTNERS (UK) LIMITED	Holding company
VERMILION PARTNERS LLP	M&A and Financial advisory services
HONG KONG	
AEW ASIA LIMITED	Asset management
COFACE HONG KONG – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS ASIA LTD	Other financial company
NATIXIS HONG KONG	Financial institution
NATIXIS INVESTMENT MANAGERS HONG KONG LIMITED	Asset management
PRAMEX INTERNATIONAL AP LTD, HONG KONG	International development and consulting services
VERMILION PARTNERS (HOLDING) LIMITED	Holding company
VERMILION PARTNERS LIMITED	Holding company
HUNGARY	
BANCO PRIMUS HUNGARY	Credit institution
COFACE HUNGARY – BRANCH (COFACE AUSTRIA)	Insurance
CAYMAN ISLANDS	
DF EFG3 LIMITED	Holding company
NATIXIS GRAND CAYMAN	Financial institution
INDIA	
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD, MUMBAI	International development and consulting services
IRELAND	
COFACE IRELAND – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATINIUM FINANCIAL PRODUCTS	Securitization vehicle
NEXGEN REINSURANCE DESIGNATED ACTIVITY COMPANY	Reinsurance
PURPLE FINANCE CLO 1	Securitization vehicle
ISRAEL	
BUSINESS DATA INFORMATION	Marketing and other services
COFACE HOLDING ISRAEL	Holding company
COFACE ISRAEL	Credit insurance
ITALY	
AEW CILOGER ITALIAN BRANCH	Distribution
BANQUE POPULAIRE MÉDITERRANÉE, ITALY BRANCH	Credit institution
COFACE ASSICURAZIONI SPA	Credit insurance and related services

Country of location	Business
COFACE ITALIA	Holding company
DNCA FINANCE SUCCURSALE MILAN	Asset management
NATIXIS INVESTMENT MANAGERS S.A, ITALY BRANCH	Distribution
NATIXIS LEASE MILAN	Equipment and real estate leasing
NATIXIS MILAN	Financial institution
PRAMEX INTERNATIONAL SRL, MILAN	International development and consulting services
JAPAN	
COFACE JAPAN – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS INVESTMENT MANAGERS JAPAN CO., LTD	Asset management
NATIXIS JAPAN SECURITIES CO, LTD	Financial institution
NATIXIS TOKYO	Financial institution
JERSEY	
NATIXIS STRUCTURED PRODUCTS LTD	Issuing vehicle
LAOS	
BANQUE FRANCO LAO	Credit institution
LATVIA	
COFACE LATVIA INSURANCE -BRANCH (COFACE AUSTRIA)	Insurance
LITHUANIA	
LEID – BRANCH (COFACE AUSTRIA)	Insurance
LUXEMBOURG	
AEW Europe Global LUX	Asset management
AEW EUROPE SARL (FORMERLY AEW LUXEMBOURG)	Asset management
ASG MANAGED FUTURES	Asset management
BCP LUXEMBOURG	Credit institution
COFACE LUXEMBOURG (BRANCH-COFACE EUROPE)	Credit insurance and related services
DAHLIA A SICAR SCA	Private equity
DNCA ARCHER MID-CAP EUROPE	Asset management
DNCA LUXEMBOURG	Asset management
H2O ASSET MANAGEMENT HOLDING	Asset management
KENNEDY FINANCEMENT LUXEMBOURG	Investment company – Asset Management
KENNEDY FINANCEMENT LUXEMBOURG 2	Central corporate treasury – Asset Management
LUX EQUIP BAIL	Equipment and real estate leasing
MV CREDIT SARL	Asset management
NATIXIS ALTERNATIVE ASSETS	Holding company
NATIXIS INVESTMENT MANAGERS SA	Distribution
NATIXIS LIFE	Life insurance
NATIXIS REAL ESTATE FEEDER SARL	Investment company
NATIXIS STRUCTURED ISSUANCE	Issuing vehicle
NATIXIS TRUST	Holding company
NATIXIS WEALTH MANAGEMENT LUXEMBOURG	Credit institution
OSTRUM MULTI ASSET GLOBAL INCOME	Asset management
SURASSUR	Reinsurance

Country of location	Business
MADAGASCAR	
BANQUE MALGACHE DE L'OCEAN INDIEN	Credit institution
MALAYSIA	
NATIXIS LABUAN	Financial institution
MOROCCO	
BPCE MAROC	Real estate development
PRAMEX INTERNATIONAL AU, CASABLANCA	International development and consulting services
MEXICO	
COFACE HOLDING AMERICA LATINA	Financial data
COFACE SEGURO DE CRÉDITO MEXICO	Insurance
NATIXIS IM MEXICO, S. DE R.L. DE C.V.	Asset Management
MONACO	
BANQUE POPULAIRE MÉDITERRANÉE MONACO BRANCH	Credit institution
CAISSE D'EPARGNE CÔTE D'AZUR MONACO BRANCH	Credit institution
NEW CALEDONIA	
BANQUE DE NOUVELLE-CALÉDONIE	Credit institution
OCEOR LEASE NOUMEA	Non-real estate leasing
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Real estate operations
NETHERLANDS	
COFACE NEDERLAND – BRANCH (COFACE KREDIT)	Insurance
COFACE NEDERLAND SERVICES	Credit information and debt recovery
FOND TULIP	Insurance investments (Securitization funds)
NATIXIS INVESTMENT MANAGERS, NEDERLANDS	Distribution
NJR FINANCE BV	Financial Services
RENTABILIWEB FINANCE	Holding company
RENTABILIWEB INTERNATIONAL	Holding company
POLAND	
AEW CENTRAL EUROPE	Asset management
BANCO PRIMUS POLAND	Credit institution
COFACE POLAND CMS	Financial data
COFACE POLAND – BRANCH (COFACE AUSTRIA)	Insurance
COFACE POLAND FACTORING	Factoring
TISE	Private equity
FRENCH POLYNESIA	
BANQUE DE TAHITI	Credit institution
OCEOR LEASE TAHITI	Non-real estate leasing
PORTUGAL	
BANCO PRIMUS	Credit institution
COFACE PORTUGAL – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS PORTO	Financial institution
CZECH REPUBLIC	
AEW CENTRAL EUROPE CZECH	Distribution
COFACE CZECH INSURANCE – BRANCH (COFACE AUSTRIA)	Insurance

Country of location	Business
ROMANIA	
AEW CENTRAL EUROPE ROMANIA	Distribution
COFACE ROMANIA CMS	Insurance
COFACE ROMANIA INSURANCE -BRANCH (COFACE AUSTRIA)	Insurance
COFACE TECHNOLOGIE – ROMANIA	IT services
RENTABILIWEB	Online service
RUSSIA	
COFACE RUS INSURANCE COMPANY	Credit insurance
NATIXIS BANK JSC, MOSCOW	Credit institution
SINGAPORE	
AEW ASIA PTE LTD	Asset management
COFACE SINGAPORE – BRANCH (COFACE EUROPE)	Credit insurance and related services
LOOMIS SAYLES INVESTMENTS ASIA PTE LTD	Asset management
NATIXIS SINGAPORE	Financial institution
OSTRUM AM ASIA LTD (FORMERLY NAM ASIA LTD)	Asset management
PRAMEX INTERNATIONAL PTE LTD, SINGAPORE	International development and consulting services
SLOVAKIA	
COFACE SLOVAKIA INSURANCE – BRANCH (COFACE AUSTRIA)	Insurance
SWEDEN	
COFACE SVERIGE – BRANCH (COFACE KREDIT)	Insurance
NATIXIS INVESTMENT MANAGERS, NORDICS FILIAL	Distribution
SWITZERLAND	
BANQUE DU LEMAN	Credit institution
BIC BRED (SUISSE) SA	Credit institution
COFACE RE	Reinsurance
COFACE SWITZERLAND – BRANCH (COFACE EUROPE)	Insurance
EURO PRIVATE EQUITY SA	Asset management
FONDS LAUSANNE	UCITS
NATIXIS INVESTMENT MANAGERS SWITZERLAND SARL	Asset management
TAIWAN	
COFACE TAIWAN (BRANCH – COFACE EUROPE)	Credit insurance and related services
NATIXIS INVESTMENT MANAGERS SECURITIES INVESTMENT CONSULTING CO. LTD.	Asset management
NATIXIS TAIWAN	Financial institution
THAILAND	
BRED IT	IT services
TUNISIA	
ARAB INTERNATIONAL LEASE	Equipment and real estate leasing
BANQUE TUNISO KOWEITIENNE	Credit institution
EL ISTIFA	Debt collection
MEDAI SA	Real estate development

Country of location	Business
PRAMEX INTERNATIONAL SARL, TUNIS	International development and consulting services
SOCIÉTÉ DU CONSEIL ET DE L'INTERMEDIATION FINANCIÈRE	Financial investment advisory services
TUNIS CENTER	Real estate development
UNIVERS INVEST (SICAR)	Private equity
UNIVERS PARTICIPATIONS (SICAF)	Private equity
TURKEY	
COFACE SIGORTA TURQUIE	Insurance

Country of location	Business
URUGUAY	
NATIXIS INVESTMENT MANAGERS URUGUAY	Distribution
VANUATU	
BRED VANUATU	Credit institution
FONCIÈRE DU VANUATU	Real estate investment
VIETNAM	
BPCE INTERNATIONAL HO CHI MINH CITY	Specialized credit institution

12.7 STATUTORY AUDITORS' FEES

Fees in respect of duties carried out by the Statutory Auditors for the whole of Groupe BPCE (including Statutory Auditors not belonging to the same network as those responsible for auditing BPCE's financial statements) in respect of the 2017 and 2018 fiscal years were as follows:

	Statutory Auditors responsible for auditing BPCE's financial statements												Other Statutory Auditor networks					
	PwC				Mazars				Deloitte									
	Amount		%		Amount		%		Amount		%		KPMG Audit[(2)]		Other		Total	
in thousands of euros[(1)]	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Certification of financial statements	12,902	12,803	69%	79%	5,378	7,080	72%	83%	11,023	10,746	70%	66%	5,701	5,606	2,120	1,877	37,124	38,112
Services other than certification of financial statements[(3)]	5,713	3,358	31%	21%	2,072	1,501	28%	17%	4,816	5,453	30%	34%	676	677	50	27	13,328	11,015
TOTAL	**18,615**	**16,161**	**100%**	**100%**	**7,450**	**8,581**	**100%**	**100%**	**15,839**	**16,199**	**100%**	**100%**	**6,377**	**6,283**	**2,170**	**1,904**	**50,452**	**49,127**
Change (in %)	15%				(13%)				(2%)				1%		14%		3%	

(1) *Amounts relating to services provided appear on the income statement for the reporting year, notably including unrecoverable VAT.*

(2) *For the KPMG audit network, amounts include fees paid to the network when it signs the financial statements of shareholder institutions (and their subsidiaries) or direct subsidiaries of BPCE SA group. As a result, these amounts essentially exclude the fees paid by Natixis subsidiaries (€2 million for the certification of financial statements) and €2.2 million for services other than the certification of financial statements for Natixis group and €1.8 million for BPCE SA group.*

(3) *In 2018, "Services other than the certification of financial statements" mainly included assignments requested by BPCE, for €2 million including €0.7 million for comfort letters relating to issues, with this amount being divided between BPCE's three Statutory Auditors, and €0.7 million for consultations carried out by PwC, €0.3 million for BCBS standard 239 performed by Deloitte, and €0.3 million for the drafting of a test of the Recovery Plan by PwC, and assignments requested by Natixis SA and its subsidiaries (€8.3 million), in particular compliance review assignments related to the system in place at certain Group entities with regard to regulatory provisions for €2.8 million, tax audits mainly of the US platform for €1 million, assignments relating to the restructuring of certain business lines for €0.7 million (€0.4 million for Insurance, €0.2 million for Payments and €0.1 million for Brokerage).*

Note 13 Scope of consolidation

13.1 SECURITIZATION TRANSACTIONS

Accounting principles

Securitization is a financial engineering technique that aims to enhance balance sheet liquidity. From a technical perspective, assets to be securitized are grouped according to the quality of the associated collateral or guarantees, and sold to special purpose entities that finance their acquisition by issuing securities underwritten by investors.

Entities created specifically for this purpose are consolidated if the Group exercises control over them. Control is assessed according to the criteria provided in IFRS 10.

The following statement lists the securitization transactions carried out by the Retail Banking and Insurance entities without (full or partial) derecognition:

in millions of euros	Type of assets	Inception date	Expected maturity	Nominal at inception	12/31/2018
Elide 2011	Residential home loans	04/06/2011	January 2036	1,089	196
Elide 2012	Residential home loans	06/26/2012	April 2037	1,190	276
Elide 2014	Residential home loans	11/18/2014	October 2039	915	369
Elide 2017-1	Residential home loans	02/02/2017	December 2037	1,842	1,178
Elide 2017-2	Residential home loans	04/27/2017	October 2041	1,051	762
Elide 2018	Residential home loans	05/29/2018	September 2046	1,390	1,299
Elide sub-total				**7,477**	**4,080**
BPCE Master Home Loans/BPCE Master Home Demut	Residential home loans	05/26/2014	April 2032	44,068	39,773
BPCE Consumer Loans	Personal loans	05/27/2016	May 2032	5,000	4,710
BPCE Home Loans FCT 2017_5	Residential home loans	05/29/2017	May 2054	10,500	8,480
BPCE Home Loans FCT 2018	Residential home loans	10/29/2018	October 2053 (call 2023)	1,125	1,063
Other sub-total				**60,693**	**54,026**
TOTAL				**68,170**	**58,106**

Securitization transactions within Groupe BPCE

In 2018, Groupe BPCE consolidated two new special purpose entities (two securitization funds): BPCE Home Loans FCT 2018 and BPCE Home Loans FCT 2018 Demut, both of which arose from an intra-group securitization transaction by the Banque Populaire banks and the Caisses d'Epargne on October 29, 2018.

Under this transaction, €1.12 billion in home loans was transferred to BPCE Home Loans FCT 2018, and external investors subscribed for senior securities issued by the FCT (€1 billion). Despite a placement in the market, this transaction is not deconsolidating since the entities that transferred the loans subscribed for subordinated securities and residual shares. They therefore retain control within the meaning of IFRS 10.

The deal extended the ongoing BPCE Master Home Loans and BPCE Home Loans FCT 2017_5 transactions, based on a transfer of home loans, and expanded on Groupe BPCE's refinancing system.

Deconsolidating securitization transactions carried out with full or partial derecognition

As a reminder, Crédit Foncier entered into two public securitizations backed by home loans (Crédit Foncier Home Loans No. 1 in May 2014 and Crédit Foncier Home Loans No. 2 in August 2015).

As a receivables manager, Crédit Foncier does not have the ability to use its power to influence the variability of returns. Therefore, it does not control the securitization funds within the meaning of IFRS 10, and the funds are not consolidated.

However, given its ongoing ties with CFHL-2, the criteria needed to establish full derecognition of assets under IFRS 9 are not entirely met. As a result, the transaction is deconsolidating in accordance with IFRS 10, and partially derecognized in accordance with IFRS 9.

The transferred assets are recognized in proportion to Crédit Foncier's continued involvement. As a result, the Group continues to recognize the maximum loss associated with each of the residual ties to the fund (swaps, clean-up calls, management fees) in balance sheet assets.

These adjustments led to the recognition of total assets of €65 million and total liabilities of €26 million at December 31, 2018.

The fair value of these residual ties is remeasured at each reporting date.

At December 31, 2018, the net impact of the CFHL-2 transactions was +€2 million.

13.2 GUARANTEED UCITS

Guaranteed UCITS are funds designed to reach a specific amount at the end of a given period, determined by applying a predefined calculation formula based on financial market indicators and, where appropriate, to distribute revenues derived from the investments as determined using the same methods. The portfolio management targets of these funds are guaranteed by a credit institution.

Based on an analysis of the substance of these funds in accordance with IFRS 10, the Group does not control relevant activities (as management flexibility is limited) and is not exposed to variable returns (as a solid risk monitoring system has been implemented) and therefore does not consolidate these structures.

13.3 OTHER INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STRUCTURED ENTITIES

Major restrictions

The Group has not been faced with any major restrictions relating to stakes held in its structured or non-structured subsidiaries.

Support of consolidated structured entities

The Group did not grant any financial support to consolidated structured entities.

13.4 SCOPE OF CONSOLIDATION AT DECEMBER 31, 2018

Only those entities providing a material contribution are consolidated. For entities meeting the definition of financial sector entities given in Regulation (EU) 575/2013 of the European Parliament and of the Council of June 26, 2013 (the CRR), the accounting consolidation thresholds have been aligned, from December 31, 2017, with those applied for the prudential scope of consolidation. Article 19 of the CRR sets a threshold of €10 million in total balance sheet and off-balance sheet assets. For non-financial sector entities, materiality is assessed at the level of the consolidated entities. Based on the principle of ascending materiality, any entity included at a sub-consolidation level is included at all higher consolidation levels, even if it is not material at those levels.

The percentage interest is specified for each entity in the scope of consolidation. The percentage of interest describes the share of equity held by the Group, either directly or indirectly, in companies within the scope. The percentage of interest can be used to determine the share attributable to equity holders of the parent in the net assets of the company held.

Company	Business	Location[1]	Ownership interest	Consolidation method[2]
I) CONSOLIDATING ENTITY				
I-1 Banque Populaire banks				
BANQUE POPULAIRE ALSACE LORRAINE CHAMPAGNE	Credit institution	FR	100%	FC
BANQUE POPULAIRE AQUITAINE CENTRE ATLANTIQUE	Credit institution	FR	100%	FC
BANQUE POPULAIRE AUVERGNE RHÔNE ALPES	Credit institution	FR	100%	FC
BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ	Credit institution	FR	100%	FC
BANQUE POPULAIRE DU NORD	Credit institution	FR	100%	FC
BANQUE POPULAIRE DU SUD	Credit institution	FR	100%	FC
BANQUE POPULAIRE GRAND OUEST	Credit institution	FR	100%	FC
BANQUE POPULAIRE MÉDITERRANÉE	Credit institution	FR	100%	FC
Banque Populaire Méditerranée Monaco branch	Credit institution	MC	100%	FC
Banque Populaire Méditerranée, Italy branch	Credit institution	IT	100%	FC
BANQUE POPULAIRE OCCITANE	Credit institution	FR	100%	FC
BANQUE POPULAIRE RIVES DE PARIS	Credit institution	FR	100%	FC
BANQUE POPULAIRE VAL DE FRANCE	Credit institution	FR	100%	FC
BRED – BANQUE POPULAIRE	Credit institution	FR	100%	FC
CASDEN – BANQUE POPULAIRE	Credit institution	FR	100%	FC
CRÉDIT COOPÉRATIF	Credit institution	FR	100%	FC
I-2 Caisses d'Epargne				
CAISSE D'EPARGNE AQUITAINE POITOU-CHARENTES	Credit institution	FR	100%	FC
CAISSE D'EPARGNE BRETAGNE PAYS DE LOIRE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE CÔTE D'AZUR	Credit institution	FR	100%	FC
Caisse d'Epargne Côte d'Azur Monaco branch	Credit institution	MC	100%	FC
CAISSE D'EPARGNE D'AUVERGNE ET DU LIMOUSIN	Credit institution	FR	100%	FC
CAISSE D'EPARGNE DE BOURGOGNE FRANCHE-COMTÉ	Credit institution	FR	100%	FC
CAISSE D'EPARGNE DE MIDI-PYRÉNÉES	Credit institution	FR	100%	FC
CAISSE D'EPARGNE HAUTS DE FRANCE	Credit institution	FR	100%	FC
Caisse d'Epargne Hauts de France Belgium branch	Credit institution	BE	100%	FC
CAISSE D'EPARGNE ÎLE-DE-FRANCE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE LANGUEDOC-ROUSSILLON	Credit institution	FR	100%	FC
CAISSE D'EPARGNE LOIRE-CENTRE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE LOIRE DRÔME ARDÈCHE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE GRAND EST EUROPE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE NORMANDIE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE PROVENCE-ALPES-CORSE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE RHÔNE ALPES	Credit institution	FR	100%	FC
I-3 BPCE SA group				
BPCE SA group	Credit institution	FR	100%	FC
I-4 Mutual Guarantee Companies				
40 MUTUAL GUARANTEE COMPANIES	Guarantee company	FR	100%	FC
I-5 Affiliated entities				
CAISSE RÉGIONALE CRÉDIT MARITIME DE MÉDITERRANÉE	Credit institution	FR	100%	FC
I-6 Fund jointly held by BP/CE/BPCE SA group				
NATIXIS LCR ACTIONS EURO	Investment fund	FR	100%	FC
II) "ASSOCIATE" INSTITUTIONS				
EDEL	Credit institution	FR	34%	EQ
MONINFO	Electronic payments	FR	34%	EQ

Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
III) SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES				
III-1 – Subsidiaries of the Banque Populaire banks				
ACLEDA	Credit institution	KH	12%	EQ
ADRAXTRA CAPITAL	Private equity	FR	100%	FC
AURORA	Holding company	BE	100%	EQ
BALTIQ	Commercial company	FR	100%	FC
BANQUE CALÉDONIENNE D'INVESTISSEMENT	Credit institution	NC	50%	EQ
BANQUE DE SAVOIE	Credit institution	FR	100%	FC
BANQUE DUPUY, DE PARSEVAL	Credit institution	FR	100%	FC
BANQUE FRANCO LAO	Credit institution	LA	70%	FC
BANQUE MARZE	Credit institution	FR	100%	FC
BCEL	Credit institution	LA	10%	EQ
BCI MER ROUGE	Credit institution	DJ	51%	FC
BCP LUXEMBOURG	Credit institution	LU	100%	FC
BIC BRED	Credit institution	FR	100%	FC
BIC BRED (Suisse) SA	Credit institution	CH	100%	FC
BP DÉVELOPPEMENT	Private equity	FR	90%	FC
BPA ATOUTS PARTICIPATIONS	Private equity	FR	100%	FC
BRD CHINA LTD	Private equity	CN	100%	FC
BRED BANK CAMBODIA PLC	Financial company	KH	100%	FC
BRED BANK FIJI LTD	Credit institution	FJ	100%	FC
BRED COFILEASE	Non-real estate leasing	FR	100%	FC
BRED GESTION	Credit institution	FR	100%	FC
BRED IT	IT services	TH	100%	FC
BRED VANUATU	Credit institution	VU	85%	FC
BTP BANQUE	Credit institution	FR	90%	FC
BTP CAPITAL CONSEIL	Financial investment advisory services	FR	90%	FC
BTP CAPITAL INVESTISSEMENT	Private equity	FR	53%	FC
CADEC	Private equity	FR	40%	EQ
CAISSE DE GARANTIE IMMOBILIÈRE DU BÂTIMENT	Insurance	FR	30%	EQ
CAISSE SOLIDAIRE	Financial company	FR	77%	FC
CLICK AND TRUST	Data processing	FR	100%	FC
COFEG	Consulting	FR	100%	FC
COFIBRED	Holding company	FR	100%	FC
COOPEST	Private equity	BE	32%	EQ
CREPONORD	Equipment and real estate leasing	FR	100%	FC
ECOFI INVESTISSEMENT	Portfolio management	FR	100%	FC
EPBF	Payment institution	BE	100%	FC
ESFIN	Private equity	FR	38%	EQ
ESFIN GESTION	Portfolio management	FR	100%	FC
EURO CAPITAL	Private equity	FR	81%	FC
EXPANSINVEST	Private equity	FR	100%	FC
FCC ELIDE	French securitization fund (FCT)	FR	100%	FC
FINANCIÈRE DE LA BP OCCITANE	Holding company	FR	100%	FC
FINANCIÈRE PARTICIPATION BPS	Holding company	FR	100%	FC
FIPROMER	Brokerage and investment services	FR	100%	FC
FONCIÈRE DU VANUATU	Real estate investment	VU	100%	FC
FONCIÈRE VICTOR HUGO	Holding company	FR	100%	FC
GARIBALDI CAPITAL DÉVELOPPEMENT	Private equity	FR	100%	FC
GROUPEMENT DE FAIT	Services company	FR	100%	FC

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Company	Business	Location[1]	Ownership interest	Consolidation method[2]
I-BP INVESTISSEMENT	Real estate operations	FR	100%	FC
IMMOCARSO SNC	Investment property	FR	100%	FC
INFORMATIQUE BANQUES POPULAIRES	IT services	FR	100%	FC
IRD NORD PAS DE CALAIS	Private equity	FR	17%	EQ
IRR INVEST	Private equity	BE	100%	FC
LUX EQUIP BAIL	Equipment and real estate leasing	LU	100%	FC
MULTICROISSANCE SAS	Portfolio management	FR	100%	FC
NAXICAP RENDEMENT 2018	Private equity	FR	90%	FC
NAXICAP RENDEMENT 2022	Private equity	FR	90%	FC
NAXICAP RENDEMENT 2024	Private equity	FR	90%	FC
NJR FINANCE BV	Financial Services	NL	100%	FC
NJR INVEST	Private equity	BE	100%	FC
OUEST CROISSANCE SCR	Private equity	FR	100%	FC
PARNASSE GARANTIES	Insurance	FR	80%	EQ
PARTICIPATIONS BP ACA	Holding company	FR	100%	FC
PERSPECTIVES ENTREPRISES	Holding company	FR	100%	FC
PLUSEXPANSION	Holding company	FR	100%	FC
PREPAR COURTAGE	Insurance brokerage	FR	100%	FC
PREPAR-IARD	Non-life insurance	FR	100%	FC
PREPAR-VIE	Life insurance and endowment	FR	100%	FC
PROMEPAR GESTION	Portfolio management	FR	100%	FC
RIVES CROISSANCE	Holding company	FR	100%	FC
SAS ALPES DÉVELOPPEMENT DURABLE INVESTISSEMENT	Private equity	FR	100%	FC
SAS FINANCIÈRE IMMOBILIÈRE 15	Housing real estate development	FR	100%	FC
SAS GARIBALDI PARTICIPATIONS	Real estate operations	FR	100%	FC
SAS SOCIÉTÉ IMMOBILIÈRE DE LA RÉGION RHÔNE ALPES	Real estate operations	FR	100%	FC
SAS TASTA	Services company	FR	63%	FC
SASU BFC CROISSANCE	Private equity	FR	100%	FC
SAVOISIENNE	Holding company	FR	100%	FC
SBE	Credit institution	FR	100%	FC
SCI BPSO	Real estate operations	FR	100%	FC
SCI BPSO 11 MORLAAS	Real estate operations	FR	100%	FC
SCI BPSO BASTIDE	Real estate operations	FR	100%	FC
SCI BPSO CAMBO	Real estate operations	FR	100%	FC
SCI BPSO CONDE SOUVENIR	Real estate operations	FR	100%	FC
SCI BPSO GUJAN	Real estate operations	FR	100%	FC
SCI BPSO LE BOUSCAT	Real estate operations	FR	100%	FC
SCI BPSO LE HAILLAN	Real estate operations	FR	100%	FC
SCI BPSO LESPARRE	Real estate operations	FR	100%	FC
SCI BPSO LIBOURNE EST	Real estate operations	FR	100%	FC
SCI BPSO MARNE	Real estate operations	FR	100%	FC
SCI BPSO MÉRIGNAC 4 CHEMINS	Real estate operations	FR	100%	FC
SCI BPSO PESSAC	Real estate operations	FR	100%	FC
SCI BPSO PESSAC CENTRE	Real estate operations	FR	100%	FC
SCI BPSO ST-AMAND	Real estate operations	FR	100%	FC
SCI BPSO ST-ANDRÉ	Real estate operations	FR	100%	FC
SCI BPSO ST-ESPRIT	Real estate operations	FR	100%	FC
SCI BPSO ST-PAUL	Real estate operations	FR	100%	FC
SCI BPSO TALENCE	Real estate operations	FR	100%	FC
SCI DU CRÉDIT COOPÉRATIF DE SAINT-DENIS	Real estate operations	FR	100%	FC

Company	Business	Location[1]	Ownership interest	Consolidation method[2]
SCI FAIDHERBE	Real estate operations	FR	100%	FC
SCI POLARIS	Real estate operations	FR	100%	FC
SCI PYTHEAS PRADO 1	Real estate operations	FR	100%	FC
SCI PYTHEAS PRADO 2	Real estate operations	FR	100%	FC
SCI SAINT-DENIS	Real estate operations	FR	99%	FC
SEGIMLOR	Real estate operations	FR	100%	FC
SI ÉQUINOXE	Holding company	FR	100%	FC
SIMC	Holding company	FR	100%	FC
SIPMÉA	Real estate development/management, real estate investment	FR	100%	FC
SOCIÉTARIAT BP DES ALPES	Cooperative shareholder	FR	100%	FC
SOCIÉTARIAT BP DU MASSIF CENTRAL	Cooperative shareholder	FR	100%	FC
SOCIÉTARIAT BP DU NORD	Cooperative shareholder	FR	100%	FC
SOCIÉTÉ CENTRALE DU CRÉDIT MARITIME MUTUEL	Services company	FR	100%	FC
SOCIÉTÉ D'EXPANSION BOURGOGNE FRANCHE-COMTÉ	Holding company	FR	100%	FC
SOCIÉTÉ IMMOBILIÈRE PROVENÇALE ET CORSE	Holding company	FR	100%	FC
SOCREDO	Credit institution	FP	15%	EQ
SOFIAG	Financial company	FR	100%	FC
SOFIDER	Financial company	RE	100%	FC
SPGRES	Holding company	FR	100%	FC
SPIG	Property leasing	FR	100%	FC
TISE	Private equity	PL	100%	FC
TRANSIMMO	Real estate agent	FR	100%	FC
UNION DES SOCIÉTÉS DU CRÉDIT COOPÉRATIF (GIE)	Services company	FR	98%	FC
VIALINK	Data processing	FR	100%	FC
III-2 – Caisses d'Epargne subsidiaries				
339 ÉTAT-UNIS	Real estate operations	FR	100%	FC
ADOUR SERVICES COMMUNS	Real estate operations	FR	100%	FC
AFOPEA	Real estate operations	FR	100%	FC
APOUTICAYRE LOGEMENTS	Real estate operations	FR	100%	FC
BANQUE BCP SAS	Credit institution	FR	80%	FC
BANQUE DU LÉMAN	Credit institution	CH	100%	FC
BATIMAP	Non-real estate leasing	FR	95%	FC
BATIMUR	Non-real estate leasing	FR	100%	FC
BATIROC BRETAGNE PAYS DE LOIRE	Equipment and real estate leasing	FR	100%	FC
BCEF 64	Real estate operations	FR	100%	FC
BDR IMMO 1	Real estate operations	FR	100%	FC
BEAULIEU IMMO	Real estate operations	FR	100%	FC
BLEU RÉSIDENCE LORMONT	Real estate operations	FR	66%	FC
BORDELONGUE GODEAS	Real estate operations	FR	100%	FC
BRETAGNE PARTICIPATIONS	Private equity	FR	50%	FC
BURODIN	Real estate operations	FR	100%	FC
CAPITOLE FINANCE	Non-real estate leasing	FR	100%	FC
CE DEVELOPPEMENT	Private equity	FR	96%	FC
CEBIM	Holding company	FR	100%	FC
CEPAC FONCIÈRE	Real estate operations	FR	100%	FC
CEPAC INVESTISSEMENT ET DEVELOPPEMENT	Private equity	FR	100%	FC
CEPAIM SA	Real estate operations	FR	100%	FC
CRISTAL IMMO	Real estate operations	FR	100%	FC
EUROTERTIA	Real estate operations	FR	100%	FC

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Company	Business	Location[1]	Ownership interest	Consolidation method[2]
FCPR FIDEPPP	Public-private partnership financing	FR	91%	FC
FERIA PAULMY	Real estate operations	FR	100%	FC
FONCIÈRE INVEST	Real estate operations	FR	50%	FC
G IMMO	Real estate operations	FR	100%	FC
G102	Real estate operations	FR	100%	FC
GIE CE SYNDICATION RISQUES	Guarantee company	FR	100%	FC
HIGHLIGHT 92	Real estate operations	FR	100%	FC
IMMOCEAL	Investment property	FR	100%	FC
INCITY	Real estate operations	FR	100%	FC
IT-CE	IT services	FR	100%	FC
LABEGE LAKE H1	Real estate operations	FR	50%	FC
LANGLADE SERVICES	Real estate operations	FR	51%	FC
LANTA PRODUCTION	Real estate operations	FR	100%	FC
L'AUSSONNELLE DE C	Real estate operations	FR	100%	FC
LEVISEO	Real estate operations	FR	50%	FC
MIDI COMMERCES	Real estate operations	FR	100%	FC
MIDI FONCIÈRE	Real estate operations	FR	100%	FC
MIDI MIXT	Real estate operations	FR	100%	FC
MIDI PYRÉNÉES PLACEMENT	Mutual fund	FR	100%	FC
MONTAUDRAN PLS	Real estate operations	FR	100%	FC
MURACEF	Mutual insurance	FR	100%	FC
MURET ACTIVITÉS	Real estate operations	FR	100%	FC
NOVA IMMO	Real estate operations	FR	100%	FC
PHILAE SAS	Real estate operations	FR	100%	FC
RANGUEIL CORMIERS	Real estate operations	FR	40%	FC
RIOU	Real estate operations	FR	100%	FC
ROISSY COLONNADIA	Real estate operations	FR	50%	FC
SAS FONCIÈRE DES CAISSES D'EPARGNE	Investment property	FR	100%	FC
SAS FONCIÈRE ECUREUIL II	Investment property	FR	77%	FC
SAS NSAVADE	Investment property	FR	100%	FC
SC RES. AILES D'ICARE	Real estate operations	FR	50%	EQ
SC RES. CARRÉ DES PIONNIERS	Real estate operations	FR	50%	EQ
SC RES. CHARLES LINDBERGH	Real estate operations	FR	50%	EQ
SC RES. CROIX DU SUD	Real estate operations	FR	50%	EQ
SC RES. ILOT J	Real estate operations	FR	50%	EQ
SC RES. LATÉCOÈRE	Real estate operations	FR	50%	EQ
SC RES. LOUIS BREGUET	Real estate operations	FR	50%	EQ
SC RES. MERMOZ	Real estate operations	FR	50%	EQ
SC RES. SAINT EXUPÉRY	Real estate operations	FR	50%	EQ
SCI AVENUE WILLY BRANDT	Real estate operations	FR	100%	FC
SCI DANS LA VILLE	Real estate operations	FR	100%	FC
SCI ECUREUIL DU PLAN SARRAIN	Real estate operations	FR	100%	FC
SCI FONCIÈRE 1	Investment property	FR	100%	FC
SCI GARIBALDI OFFICE	Real estate operations	FR	100%	FC
SCI LAFAYETTE BUREAUX	Real estate operations	FR	100%	FC
SCI LAVOISIER ECUREUIL	Real estate operations	FR	100%	FC
SCI LE CIEL	Real estate operations	FR	100%	FC
SCI LE RELAIS	Real estate operations	FR	100%	FC
SCI LOIRE CENTRE MONTESPAN	Real estate operations	FR	100%	FC
SCI MARCEL PAUL ECUREUIL	Real estate operations	FR	100%	FC
SCI NOYELLES	Real estate operations	FR	100%	FC

Company	Business	Location[1]	Ownership interest	Consolidation method[2]
SCI TOURNON	Real estate operations	FR	100%	FC
SNC ECUREUIL 5 RUE MASSERAN	Investment property	FR	100%	FC
SODERO PARTICIPATIONS	Private equity	FR	67%	FC
SPPICAV AEW FONCIÈRE ECUREUIL	Investment property	FR	100%	FC
TECHNOCITÉ TERTIA	Real estate operations	FR	100%	FC
TÉTRIS	Real estate operations	FR	50%	FC
VIVALIS INVESTISSEMENTS	Real estate operations	FR	100%	FC
III-3 – BPCE subsidiaries				
3F HOLDING	Holding company	DE	99%	FC
ALBIANT-IT	IT systems and software consulting	FR	100%	FC
BP COVERED BONDS	Funding	FR	100%	FC
BPCE ACHATS	Services company	FR	97%	FC
BPCE INFOGÉRANCE & TECHNOLOGIE	IT services	FR	100%	FC
BPCE MASTER HOME LOANS DEMUT/BPCE CONSUMER LOANS DEMUT	French securitization fund (FCT)	FR	100%	FC
BPCE MASTER HOME LOANS FCT/BPCE CONSUMER LOANS FCT	French securitization fund (FCT)	FR	100%	FC
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company	FR	98%	FC
BPCE SFH	Funding	FR	100%	FC
BPCE SOLUTIONS CRÉDIT (formerly GIE ECUREUIL CRÉDIT)	Services company	FR	100%	FC
DELESSERT FCP 2DEC REGPT	BPCE Guarantee and Solidarity fund	FR	100%	FC
ESNI	Securitization company	FR	100%	FC
FIDOR BANK AG	Online credit institution	DE	99%	FC
FIDOR Solution AG	Digital technology R&D	DE	99%	FC
GCE CAPITAL	Private equity	FR	100%	FC
GCE PARTICIPATIONS	Holding company	FR	100%	FC
NATIXIS GROUP[3]		FR	71%	FC
MIFCOS	Investment property	FR	100%	FC
SOCIÉTÉ D'EXPLOITATION MAB (SEMAB)	Services company	FR	100%	FC
SOCRAM BANQUE	Credit institution	FR	33%	EQ
SURASSUR	Reinsurance	LU	98%	FC
Holassure Group				
CNP ASSURANCES (GROUP)	Insurance	FR	16%	EQ
HOLASSURE	Holding company	FR	100%	FC
SOPASSURE	Holding company	FR	50%	JO
BPCE International Group				
ARAB INTERNATIONAL LEASE[4]	Equipment and real estate leasing	TN	57%	FC
BANQUE DE NOUVELLE-CALÉDONIE	Credit institution	N/A	97%	FC
BANQUE DE TAHITI	Credit institution	FP	97%	FC
BANQUE MALGACHE DE L'OCÉAN INDIEN[4]	Credit institution	MG	71%	FC
BANQUE TUNISO KOWEITIENNE[4]	Credit institution	TN	60%	FC
BCI BANQUE COMMERCIALE INTERNATIONALE[4]	Credit institution	CG	100%	FC
BICEC[4]	Credit institution	CM	68%	FC
BPCE INTERNATIONAL	Specialized credit institution	FR	100%	FC
BPCE INTERNATIONAL HO CHI MINH CITY (Vietnam branch)	Specialized credit institution	VN	100%	FC
BPCE MAROC	Real estate development	MA	100%	FC
EL ISTIFA[4]	Debt collection	TN	60%	FC
FRANSA BANK	Credit institution	FR	21%	EQ
INGEPAR	Financial investment advisory services	FR	100%	FC

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Company	Business	Location[1]	Ownership interest	Consolidation method[2]
MEDAI SA[4]	Real estate development	TN	67%	FC
OCEORANE	Financial investment advisory services	MQ	100%	FC
PRAMEX INTERNATIONAL	International development and consulting services	FR	100%	FC
PRAMEX INTERNATIONAL AP LTD – HONG KONG	International development and consulting services	HK	100%	FC
PRAMEX INTERNATIONAL AU CASABLANCA	International development and consulting services	MA	100%	FC
PRAMEX INTERNATIONAL CO LTD SHANGHAI	International development and consulting services	CN	100%	FC
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD – MUMBAI	International development and consulting services	IN	100%	FC
PRAMEX INTERNATIONAL CORP – NEW YORK	International development and consulting services	US	100%	FC
PRAMEX INTERNATIONAL DO BRAZIL CONSULTARIA LTDA – SAO PAULO	International development and consulting services	BR	100%	FC
PRAMEX INTERNATIONAL GMBH – FRANKFURT	International development and consulting services	DE	100%	FC
PRAMEX INTERNATIONAL LTD – LONDON	International development and consulting services	GB	100%	FC
PRAMEX INTERNATIONAL PTE. LTD. – SINGAPORE	International development and consulting services	SG	100%	FC
PRAMEX INTERNATIONAL SRL – MILAN	International development and consulting services	IT	97%	FC
PRAMEX INTERNATIONAL SA MADRID	International development and consulting services	ES	100%	FC
PRAMEX INTERNATIONAL SARL TUNIS	International development and consulting services	TN	100%	FC
PRAMEX INTERNATIONAL SP. Z.O.O. – WARSAW	International development and consulting services	PL	100%	FC
SOCIÉTÉ DU CONSEIL ET DE L'INTERMÉDIATION FINANCIÈRE[4]	Financial investment advisory services	TN	48%	FC
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Real estate operations	NC	90%	FC
SOCIÉTÉ TUNISIENNE DE PROMOTION DES PÔLES IMMOBILIERS ET INDUSTRIELS[4]	Real estate development	TN	18%	EQ
TUNIS CENTER[4]	Real estate development	TN	14%	FC
UNIVERS INVEST (SICAR)[4]	Private equity	TN	52%	FC
UNIVERS PARTICIPATIONS (SICAF)[4]	Private equity	TN	60%	FC
Crédit Foncier group				
BANCO PRIMUS	Credit institution	PT	100%	FC
BANCO PRIMUS Spain	Credit institution	ES	100%	FC
BANCO PRIMUS Hungary	Credit institution	HU	100%	FC
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company	FR	100%	FC
COFIMAB	Real estate agent	FR	100%	FC
COMPAGNIE DE FINANCEMENT FONCIER	Financial company	FR	100%	FC
CRÉDIT FONCIER DE FRANCE	Credit institution	FR	100%	FC
Crédit Foncier de France – Belgium branch	Credit institution	BE	100%	FC
CRÉDIT FONCIER EXPERTISE	Real estate valuation	FR	100%	FC
CRÉDIT FONCIER IMMOBILIER	Real estate operations	FR	100%	FC
FILIALES LOCINDUS	Equipment and real estate leasing	FR	75%	FC
FONCIER PARTICIPATIONS	Holding company	FR	100%	FC
FONCIÈRE D'ÉVREUX	Real estate operations	FR	100%	FC
GRAMAT BALARD	Real estate operations	FR	100%	FC
LOCINDUS	Equipment and real estate leasing	FR	75%	FC
MAISON FRANCE CONFORT PROU INVESTISSEMENTS	Real estate development	FR	49%	EQ
OXIANE	Equipment and real estate leasing	FR	75%	FC

Company	Business	Location(1)	Ownership interest	Consolidation method(2)
SCRIBE BAIL LOGIS SAS	Equipment and real estate leasing	FR	75%	FC
SCRIBEURO SAS	Equipment and real estate leasing	FR	75%	FC
SEREXIM	Real estate valuation	FR	100%	FC
SOCFIM	Credit institution	FR	100%	FC
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company	FR	100%	FC
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company	FR	100%	FC
VENDÔME INVESTISSEMENTS	Holding company	FR	100%	FC
Banque Palatine group				
ARIES ASSURANCES	Insurance brokerage	FR	100%	FC
BANQUE PALATINE	Credit institution	FR	100%	FC
CONSERVATEUR FINANCE	Fund management	FR	20%	EQ
PALATINE ASSET MANAGEMENT	Asset management	FR	100%	FC
III-4 – CE Holding Participations subsidiaries				
CE HOLDING PARTICIPATIONS	Holding company	FR	100%	FC
HABITAT EN RÉGION SERVICES	Holding company	FR	100%	FC
SACOGIVA	Semi-public company	FR	45%	EQ
SOGIMA	Semi-public company	FR	56%	EQ
III-5 Local savings companies				
226 Local Savings Companies (LSCs)	Cooperative shareholder	FR	100%	FC

(1) Country of location: BE: Belgium – BR: Brazil – CG: Congo – CH: Switzerland – CM: Cameroon – CN: China – DE: Germany – DJ: Djibouti – ES: Spain – FJ: Fiji – FR: France – GB: Great Britain – HK: Hong Kong – HU: Hungary – IN: India – IT: Italy – KH: Cambodia – LA: Laos – LU: Luxembourg – MA: Morocco – MC: Principality of Monaco – MG: Madagascar – MQ: Martinique – NC: New Caledonia – NL: Netherlands – FP: French Polynesia – PL: Poland – PT: Portugal – RE: Reunion – SG: Singapore – TH: Thailand – TN: Tunisia – US: United States – VN: Vietnam – VU: Vanuatu.

(2) Full consolidation (FC), Joint operation (JO) or Equity method (EQ).

(3) The Natixis group comprises 354 fully-consolidated entities and 7 entities consolidated using the equity method. Its main subsidiaries are: Coface, Natixis Investment Managers, Natixis North America LLC, Natixis Private Equity and Compagnie Européenne de Garanties et Cautions.

(4) Entities treated under IFRS 5 at December 31, 2018.

13.5 NON-CONSOLIDATED COMPANIES AT DECEMBER 31, 2018

ANC Regulation No. 2016-09 of December 2, 2016 requires companies that prepare their consolidated financial statements in accordance with international standards as adopted by the European Union to publish additional information relating to companies not included in their scope of consolidation as well as significant equity interests.

Non-consolidated companies include:

- significant interests that do not fall within the scope of consolidation; and
- companies excluded from the scope of consolidation owing to their non-material nature.

The main significant interests that do not fall within the scope of consolidation, and details of the share of equity held either directly or indirectly by the Group, are as follows:

Company	Location	Share of equity held	Reason for non-consolidation	Amount of shareholders' equity* *in millions of euros*	Amount of income *in millions of euros*
BATIGERE	France	16.01%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	648	19
EFG – HERMES HOLDING	Egypte	12.94%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	680	60
ERILIA	France	11.53%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	1,025	64
EURO SECURED NOTES ISSUER	France	16.67%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	0	0
FDI HABITAT	France	10.00%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	5	4
FRANCE ACTIVE GARANTIE	France	14.00%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	26	1
HABITATION MODERNE	France	14.84%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	180	4
HLM COUTANCES GRANVILLE	France	16.16%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	76	3
MEDUANE HABITAT (formerly SA HLM Laval)	France	11.45%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	49	2
PARNASSE MAÏF	France	19.98%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	433	38
SA D'HABITATION À LOYER MODÉRÉ HABELLIS	France	15.34%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	97	4
SA HLM HARMONIE HABITAT (formerly CIF HABITAT)	France	12.22%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	144	4
SA HLM LE FOYER VENDEEN	France	12.50%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	97	5
SAIEM GRENOBLE HABITAT	France	10.76%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	124	3
SOCIÉTÉ DES TROIS VALLÉES	France	12.38%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	127	6
SYSTÈME TECHNO ÉCHANGE ET TRAITEMENT	France	15.04%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	89	9
TANDEM (formerly SEMPAT 90)	France	10.97%	Interest not consolidated because the Group does not have control, joint control or significant influence (incl. tax structures)	62	2

* *Amount of shareholders' equity and income for the last fiscal year known at the balance sheet date and based on applicable accounting standards according to the country of location.*

Information relating to companies excluded from the scope of consolidation owing to their non-material nature is available on the website of Groupe BPCE at the following address: *https://www.groupebpce.fr/en/Investors/Regulated-information.*

5.2 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2018

To the Annual General Shareholders' Meeting,

Groupe BPCE

50 avenue Pierre Mendès France

75201 Paris cedex 13

I. Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Groupe BPCE for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. Basis for opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 or in the French code of ethics *(Code de déontologie)* for Statutory Auditors.

Furthermore, the non-audit services that we provided to your company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- Deloitte & Associés: the main engagements conducted in fiscal year 2018 concerned certification, comfort letters issued in connection with issuance programs, reviews of compliance procedures and services provided as part of restructuring measures for Natixis perimeter and the achievement of attestations and missions of independent third party on the CSR information of the management report for BPCE S.A., Natixis and certain shareholders (Caisses d'Epargne and/or Banques Populaires).
- Mazars : the main assignments carried out in the 2018 financial year concerned CSR information review missions on the one hand, methodological review missions in support of the Risk Department and the Natixis MRM department, on the other hand.
- PricewaterhouseCoopers Audit : the main engagements conducted in fiscal year 2018 concerned certification, reviews of compliance procedures, services provided as part of restructuring measures, tax consultations and CSR missions.

EMPHASIS OF MATTER

Without qualifying the opinion expressed above, we draw your attention to the accounting changes related to first-time application of IFRS 9 (financial instruments) and IFRS 15 (revenue from contracts with customers) as described in Note 2.2 to the consolidated financial statements.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impact of first-time application of IFRS 9 as of January 1, 2018

Risk identified and main judgements

The application of IFRS 9 "Financial Instruments" as of January 1, 2018 introduced significant changes to the rules on the classification, measurement and impairment of financial assets, resulting in financial and operational impacts.

Classification and measurement

According to IFRS 9, the classification of a financial asset is based on a business model ("hold to collect" model, "hold to collect and sell" model, other business model) and the basic contractual cash flow characteristics. Depending on the business model used, the cash flow characteristics and type (debt or equity instrument), the financial asset is measured either at amortized cost, fair value at equity or fair value through profit or loss. Based on these criteria, the financial instruments on the balance sheet at January 1, were analyzed to classify and measure them in accordance with the methods provided for by this new standard.

Provision for expected credit losses (Stages 1 and 2)

In addition to the impairment methods for proven credit risks (Stage 3), the new impairment rules for expected losses require the recording of estimated provisions as follows:

- Stage 1 showing an expected loss within 1 year from initial recognition of the financial asset;
- Stage 2 showing an expected loss on maturity, in the event of a significant deterioration in credit risk since initial recognition.

The estimate of expected credit losses requires the exercise of judgement to define, in particular:

- certain inputs for calculating expected credit losses, notably, the Probability of Default and the loss rate in the event of default. These models were determined based on models developed in-house taking into consideration sectoral specificities;
- credit risk deterioration criteria;
- the methods for taking into account macro-economic projections for both deterioration criteria and measuring expected losses.

These items are integrated in the different models developed by Groupe BPCE for each type of loan portfolio to determine the amount of expected credit losses.

Given the scope of this standard, the complexity of its implementation and the importance of estimated "impairment," we considered the first-time application of IFRS 9 as of January 1, 2018 to be a key audit matter for fiscal year 2018.

The impact of the first-time application of IFRS 9 at January 1, 2018 is set forth in the "First-time application of IFRS 9" note in the consolidated financial statements, the options adopted are described in Note 2.2 and the accounting principles in Note 2.5.1.

The impact of the first-time application of IFRS 9 on opening equity related to the implementation of the new impairment model amounted to -€2,078 million before tax (-€1,619 million after tax).

Our response

Classification and measurement

Concerning the impacts of first-time application, our main procedures consisted in:

- reviewing for validation the analyses performed at Group level to determine the classification of financial instruments and their breakdown in the entities included in the consolidation scope;
- obtaining and reviewing the documentation relating to the business models and verifying compliance with them;
- verifying, based on a sampling of contracts, the quality of the analyses made by Groupe BPCE entities leading to the classification of the contracts in the new categories under the standard.

We have also familiarized ourselves with and assessed the internal control measures implemented by the Group to document the analyses and the compliance of the business models with the provisions of the new standard for new loans.

Impairment (Stages 1 and 2)

Our procedures mainly consisted in, with the assistance of our experts, in:

- reviewing the loan portfolios and mapping impairment calculation models by scope;
- analyzing compliance of calculation and calibration methods with the provisions of IFRS 9 and in particular,
  - the significant deterioration of credit risk criteria (variation in rating and Probability of Default since initial recognition…),
  - expected loss calculation (reviewing models, calibration of DP, LGD, taking into account guarantees, forward-looking assumptions, discounting to EIR, back-testing methods);
- redoing the calculations with our own tools;
- validating additional local sectoral provisions recognized, if necessary.

Our IT specialists also verified the IT system, as a whole, set up by Groupe BPCE with notably a review of general IT controls and the embedded interfaces and controls with regard to specific data aiming to process IFRS 9 information.

Finally, our controls also covered the review of the cost impact, the data consolidation process and financial disclosures with respect to the first-time application of IFRS 9 as of January 1, 2018.

Impairment of loans and receivables (stages 1, 2 and 3)

Risk identified and main judgements

The Groupe BPCE is exposed to credit and counterparty risks. These risks result from the inability of one of its clients or counterparties to honor their financial commitments, in particular, covering their loan activities.

In accordance with the "impairment" aspect of IFRS 9, your Group records impairments and provisions intended to cover expected (Stages 1 and 2 loans) or proven (Stage 3 loan) losses.

Impairment for expected losses (Stages 1 and 2) is mainly determined based on models developed by BPCE integrating different inputs (Probability of Default, loss rate in the event of default, PD, LGD forward-looking information, ...), in addition to, if necessary, sectoral-based charges based on local specificities.

Loan outstandings having a proven counterparty risk (Stage 3) are mainly impaired on an individual basis. These impairments are assessed by Management depending on estimated future recoverable cash flows for each loan concerned.

We considered the identification and assessment of credit risk to be a key audit matter given that the provisions resulting therefrom represent significant estimates for the preparation of the accounts and requires Management to exercise judgement with respect to classifying the loan outstandings in the different stages, determining the Stage 1 and 2 impairment calculation inputs and methods and the assessment of the amount of provisioning for Stage 3 loan outstandings on an individual basis.

In particular, in the context of the low cost of risk maintained by the Group on its main market and the first-time application of IFRS 9, we considered the assessment of the appropriateness of the level of credit risk hedging by provisions and the amount of related cost of risk to be a key audit matter for fiscal year 2018.

Exposures to credit and counterparty risk on which IFRS 9 impairments are calculated represent approximately 71% of total assets of Groupe BPCE at December 31, 2018 (60% and €763.1 billion of gross outstandings only for loans and receivables).

The impairment on outstanding and related loans amounts to €12.7 billion of which €0.98 billion for Stage 1, €1.9 billion for Stage 2 and €9.8 billion for Stage 3. The cost of risk for fiscal year 2018 amounts to €1.3 billion.

For more information on accounting principles and exposures, please see Notes 5.5 and 7.1 to the consolidated financial statements.

Our response

Impairment of Stage 1 and Stage 2 outstanding loans

In keeping with the procedures performed as part of the first-time application of IFRS 9, our work mainly consisted in:

- verifying the existence, at the main Group establishments, of internal control which enables the ratings of different loan outstandings to be updated at appropriate intervals;
- verifying the existence of a governance framework specifying appropriate intervals to assess the appropriateness of impairment models, inputs used for the impairment calculation and analyzing changes in impairment with respect to the new IFRS 9 rules;
- assessing the relevance of the inputs used for the impairment calculations at December 31;
- redoing the calculations on the main loan portfolios;
- reviewing the updating measures for local sectoral provisions, when necessary.

Impairment of Stage 3 loans outstanding

As part of our audit procedures, we generally reviewed the internal controls related to identifying exposures, monitoring credit and counterparty risk, assessing non-recovery risk and determining related impairment and provisions on an individual basis.

Our procedures consisted in assessing the quality of the measures for monitoring sensitive, doubtful and litigious counterparties; the loan review process. Furthermore, based on a sampling of files selected using materiality and risk criteria, we redid the calculations for the provision amounts.

We have also assessed the relevance of the disclosures set forth in the notes required by the new IFRS 9 standard with respect to "impairment" at December 31, 2018.

Provision for restructuring

Risk identified and main judgements	Our response
As part of the integration of the activities, redeployment of the know-how and expertise of Crédit Foncier within Groupe BPCE, the Crédit Foncier group recorded provisions for restructuring. These provisions concern employee costs which must be incurred due to the implementation of collective bargaining agreements negotiated with the representative trade unions. These provisions also cover the estimated costs notably of property charges and breach of contract costs for the exclusive sales agents. The valuation of provisions requires the exercise of judgement based on assumptions relating to the various aspects of the employee protection plan. We considered these provisions to be a key audit matter due to: • the importance of the impacts of this project; • the potential impact on the amount of these provisions regarding uncertainties relating to achieving certain assumptions adopted by Management regarding the complexity of the agreements and their analysis with respect to labor law and accounting standards. At December 31, 2018, the expense related to Crédit Foncier Group's restructuring plan amounts to €334 million. Please see Notes 1.3 and 5.13 to the consolidated financial statements for further details.	As part of our work, we performed tests on the appropriateness of the provision calculation base, employee costs and other costs incurred by the plan. We have verified that the estimates made by Crédit Foncier including all of the measures appearing in the redundancy plans negotiated with trade union representatives. We also assessed the amount of costs incurred and likely to be provided for with respect to accounting standards. We also assessed the reasonableness of the main assumptions with respect to available information. We have tested the provision calculations at December 31, 2018 on the basis of sampling. Finally, we have examined the appropriateness of the disclosures presented in the notes to the consolidated financial statements.

Level 2 and 3 financial instruments under IFRS 13

Risk identified and main judgements	Our response
The Groupe BPCE holds a substantive part of financial instruments which are recognized in the balance sheet at fair value. They are allocated to three levels defined by IFRS 13 depending on the fair value measurement method used. Levels 2 and 3 comprise financial instruments measured using valuation models based on significant inputs observable or unobservable on the market, and which as a result are not directly measured based on a market price on a liquid market. The valuation of levels 2 and 3 financial instruments at fair value relies on valuation techniques that use significant judgement regarding the choice of methodologies used: • determination of valuation inputs unobservable on the market; • use of internal valuation models; • estimates of additional adjustments of valuation, to take into account some risks such as market risk, credit risk or liquidity risk. We deemed the financial instruments classified in levels 2 and 3, according to the fair value hierarchy, to be a key audit matter due to: • the significant amount of exposures and the exercise of judgment to determine fair value (level 2 and 3 financial instruments amount to €176 billion, or nearly 14% of total assets and 71% of total financial assets at fair value); • specific valuation adjustments recorded by Natixis in 2018 on certain products marketed and sold in Asia for which the business model used resulted in setting up a hedging strategy which turned to be deficient under 2018 market conditions. For more details on accounting principles and fair value hierarchy of financial instruments, please see Note 10 to the consolidated financial statements.	We reviewed the internal control procedures relating to the determination, valuation and recording of complex financial instruments classified at fair value in levels 2 and 3. We interviewed the Risk, Compliance and Permanent Control division and we acknowledge reporting and memos of committees from this department (in conjunction with our Audit team at Natixis which is the main contributor to this topic). We tested the controls that we deemed relevant to our audit, including those relating to: • the approval and regular review by Management of the risks of the valuation models; • the independent verification of the valuation inputs; • the determination of value adjustments as well as corrections added in the value; • the classification of financial instruments according to the fair value hierarchy. We performed these procedures with the assistance of our valuation experts, with whom we also made counter valuation work. Based on sampling, our experts analyzed the relevance of the assumptions; inputs and models used to determine the main adjustments to valuation. With respect to fiscal year 2018, our procedures covered more particularly the valuation adjustments recorded by Natixis on certain products marketed and sold in Asia. We also analyzed the differences on existing collateral calls and gain or losses in case of sale of instruments allowing to contribute to the review of appropriateness of valuations. Finally, we examined the disclosures relating to the valuation of financial instruments published in the notes to the consolidated financial statements.

Groupe BPCE tax expense and recognition of current and deferred taxes

Risk identified and main judgements	Our response
The tax charge of Groupe BPCE includes both the one relative to tax payable and the deferred tax. Groupe BPCE records deferred tax when timing differences arise between the carrying amount of assets and liabilities on the balance sheet and their tax base, irrespective of when the tax is expected to be recovered or settled. Deferred tax assets are recognized for tax loss carry forwards to the extent that it is probable that the entity in question will generate future taxable profits against which these tax losses can be utilized only to the extent that it is probable that the entity will be able to recover them in the foreseeable future. Estimates of the ability to generate future taxable profits within this timeframe requires Management to exercise judgement when deciding whether to assessing the recoverability of recognized deferred tax assets but also the date, the expected switch and the tax rate implied. We deemed the determination of tax expense to be a key audit matter due to the sensitivity of the deferred tax to the assumptions and choices made by the Management. At December 31, 2018, the tax expense amounts to €1,477 million of which €870 million for current tax and €607 million for deferred tax. €3,174 million was recorded under deferred tax assets and €884 million under deferred tax liabilities. See notes 11 to the consolidated financial statements for further details.	We familiarized ourselves with the changes in laws passed in the jurisdictions where Groupe BPCE operates and we verified the compliance of the valuation methods for determining tax payable and deferred tax with these changes. We reviewed the valuation process for deferred tax assets and, as a consequence, the tax rates in force. Considering the estimates of future taxable profits, we assessed the reliability of the process for preparing tax business plans which are the basis for the Group to assess the probability of recovering these deferred tax assets. We verified, with the assistance of our experts, the appropriateness of the methodology adopted by Management, to identify existing tax loss carry-forwards which will be used, either by deferred tax liabilities or, future taxable profits. On the basis of Management forecasts, we performed tests to verify the proper calculation of the deferred tax assets base as well as the relevance of the tax rate used. Our procedures also focused on verifying the accounting records of material transactions especially the ones impacting current tax and deferred tax.

Business combinations, and impairment tests of goodwill and intangible assets with finite lives

Risk identified and main judgements	Our response
The external growth operations carried out by Groupe BPCE lead it to define the control methods implemented over the acquired entities and to allocate the purchase price in compliance with IFRS 3 "Business Combinations". Subsequent to the acquisition, the identified assets acquired from the target company over which control is taken, and the non-allocated 'surplus' recognized in goodwill, are recognized in the consolidated financial statements of Groupe BPCE. This goodwill and intangible assets with finite lives are subject to impairment tests at least annually, based on the assessment of the recoverable amount of the cash-generating units (CGU) to which they are attached or at the first signs of impairment loss. The recoverable amount is based on discounting the estimated future cash flows of the CGU based on the medium-term plans prepared in accordance with Groupe BPCE's strategic plan for 2018-2020 (TEC 2020) presented in November 2017, and adjusted for the various announcements made by the Group during fiscal year 2018. We deemed that the treatment of business combinations and, goodwill and limited-life intangible assets impairment tests to be a key audit matter by their very nature as they require the exercise of judgment regarding the structuring assumptions used especially for the determination of economic scenarios, financial trajectories or discount levels. At December 31, 2018, the gross value of goodwill amounted to €5,026 million and accumulated impairment losses stood at €537 million. The terms of the impairment test implemented by BPCE as well as the key assumptions used to determine the recoverable value and sensitivities of the recoverable amounts are described in Note 3.5.2 to the consolidated financial statements.	With the help of our experts, we evaluated the procedure implemented by the Group to identify signs of potential impairment loss and carried out a critical review of the method used for implementing impairment tests. In particular, our work includes: • comparison of assumptions and inputs with external sources; • review of the reasonableness of the medium-term plans retained for each concerned entity involving: – the confrontation with the strategic plan of the Group approved by the governing bodies (supervisory or administrative) of the entities, – the assessment of the consistency and reliability of the main assumptions used to prepare the plans, particularly regarding the financial trajectories developed during past financial years and actually carried out, – the analysis of the sensitivity to different valuation inputs (equity, discount rate…); • verification of the consistency of the disclosures published on the results of these impairment tests.

Insurance Technical Reserves

Risk identified and main judgements

Within the scope of its insurance activities, Groupe BPCE records technical reserves related to the commitments toward insured persons.

The valuation of these provisions is based notably on calculation models and underlying assumptions such as for example, actual mortality rates and behavior requiring the exercise of judgement by the preparers of the financial statements.

Considering that it represents a significant amount in the consolidated financial statements, we deemed the valuation of these reserves to be a key audit matter in 2018.

The technical reserves of the insurance contracts amount to €89.1 billion at December 31, 2018.

Please see Note 9.1.2 to the consolidated financial statements for further details.

Our response

We used our experts, the actuaries, to assist us in performing our audit procedures on these items.

The main audit procedures implemented include, depending on the nature of the risks provisioned to:

- obtain an understanding of the general conditions relating to insurance contracts marketed by the group;
- evaluate the methods and assumptions used to calculate the reserves, specifically their compliance with applicable regulations, market practices and the economic and financial context;
- test, on the basis of accounting reconciliations, recurrence tests, or surveys, the reliability of information relating to insurance contracts recorded in the management systems and used for the valuation of technical reserves;
- carry out an independent recalculation of specific reserves, when necessary on the basis of a sampling of contracts;
- assess the methods of calculation and the result of the adequacy of liabilities test, as required by IFRS 4.

We also examined the disclosures published in the notes to Groupe BPCE's consolidated financial statements relating to insurance liabilities and took note of the conclusions of CNP Assurances' Statutory Auditors, consolidated by Groupe BPCE using the equity method.

III. Specific verifications

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code *(Code de commerce)* is included in Group management report, being specified that, in accordance with the provisions of Article L. 823-10 of the Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information contained and should be reported on by an independent assurance services provider.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of BPCE by the Annual General Meeting of BPCE held on May 22, 2015 for Deloitte & Associés and on July 2, 2009 for PricewaterhouseCoopers Audit.

As at December 31, 2018, Deloitte & Associés was in the fourth year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the tenth.

Mazars was appointed as Statutory Auditors in the first statutes dated December 19, 2006 of GCE Nao (whose corporate name became BPCE in July 2009), upon its incorporation.

As at December 31, 2018, Mazars was in the twelfth year of total uninterrupted engagement, including 10 year since the company became a public-interest entity.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

Statutory Auditors’ responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code *(Code de commerce),* our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statement;
- assesses the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is

a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French code of ethics *(Code de déontologie)* for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, April 2, 2019

The Statutory Auditors

Deloitte & Associés	**Mazars**	**Pricewaterhouse Coopers Audit**
Sylvie Bourguignon	Charles de Boisriou	Nicolas Montillot Emmanuel Benoist

5.3 IFRS Consolidated Financial Statements of BPCE SA group as at December 31, 2018

5.3.1 Consolidated income statement

in millions of euros	*Notes*	**Fiscal year 2018**
Interest and similar income	*4.1*	11,078
Interest and equivalent expenses	*4.1*	(9,592)
Commission income	*4.2*	6,377
Commission expenses	*4.2*	(2,364)
Net gains or losses on financial instruments at fair value through profit or loss	*4.3*	1,712
Net gains or losses on financial instruments at fair value through other comprehensive income	*4.4*	72
Net gains or losses arising from the derecognition of financial assets at amortized cost	*4.5*	24
Net income from insurance businesses	*9.2.1*	2,934
Income from other activities	*4.6*	1,280
Expenses from other activities	*4.6*	(721)
Net banking income		**10,800**
Operating expenses	*4.7*	(8,410)
Depreciation, amortization and impairment for property, plant and equipment and intangible assets		(385)
Gross operating income		**2,005**
Cost of credit risk	*7.1.2*	(385)
Operating income		**1,620**
Share in net income of associates and joint ventures	*12.4.2*	248
Gains or losses on other assets	*4.8*	4
Change in the value of goodwill		(16)
Income before tax		**1,856**
Income tax	*11.1*	(389)
Net income		**1,467**
Non-controlling interests	*5.16*	(782)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**685**

INCOME STATEMENT FOR 2017 UNDER IAS 39

in millions of euros	**Fiscal year 2017**
Interest and similar income	13,325
Interest and equivalent expenses	(10,503)
Commission income	6,263
Commission expenses	(2,290)
Net gains or losses on financial instruments at fair value through profit or loss	2,800
Net gains or losses on available-for-sale financial assets	417
Income from other activities	12,051
Expenses from other activities	(11,564)
Net banking income	**10,499**
Operating expenses	(7,802)
Depreciation, amortization and impairment for property, plant and equipment, and intangible assets	(339)
Gross operating income	**2,358**
Cost of risk	(511)
Operating income	**1,847**
Share in net income of associates	241
Gains or losses on other assets	104
Change in the value of goodwill	(66)
Income before tax	**2,126**
Income tax	(611)
Net income	**1,515**
Non-controlling interests	(670)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**845**

5.3.2 Comprehensive income

in millions of euros	Fiscal year 2018
Net income	**1,467**
Items recyclable to income	**(251)**
Foreign exchange rate adjustments	165
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	(87)
Revaluation of available-for-sale financial assets of insurance businesses	(289)
Revaluation of derivatives hedging items that can be recycled to income	60
Share of gains and losses of associates recognized directly in other comprehensive income	(274)
Related taxes	174
Items not recyclable to income	**276**
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	52
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	412
Revaluation of equity financial assets recognized at fair value through other comprehensive income	(46)
Share of gains and losses of associates recognized directly in other comprehensive income	(2)
Other items recognized through other comprehensive income on items not recyclable to income	(5)
Related taxes	(135)
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)	**25**
COMPREHENSIVE INCOME	**1,492**
Attributable to equity holders of the parent	642
Non-controlling interests	850
For information: Items not recyclable to income transferred to retained earnings	5

5

COMPREHENSIVE INCOME FOR 2017 UNDER IAS 39

in millions of euros	Fiscal year 2017
Net income	**1,515**
Revaluation differences on defined-benefit pension schemes	14
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	(198)
Income taxes	31
Share of gains and losses of associates recognized directly in other comprehensive income not recyclable to income	(1)
Items not recyclable to income	**(154)**
Foreign exchange rate adjustments	(700)
Change in the value of available-for-sale financial assets	95
Change in the value of hedging derivatives	105
Income taxes	27
Share of gains and losses of associates recognized directly in other comprehensive income recyclable to income	9
Items recyclable to income	**(464)**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)	**(618)**
COMPREHENSIVE INCOME	**897**
Attributable to equity holders of the parent	464
Non-controlling interests	433

5.3.3 Consolidated balance sheet

ASSETS

	Notes	12/31/2018	01/01/2018[1]	12/31/2017 IAS 39 after IFRS 9 reclassifications[2]
Cash and amounts due from central banks	*5.1*	66,656	82,721	82,721
Financial assets at fair value through profit or loss	*5.2.1*	196,311	208,898	208,898
Hedging derivatives	*5.3*	7,153	8,610	8,610
Financial assets at fair value through other comprehensive income	*5.4*	15,733	15,929	15,941
Securities at amortized cost	*5.5.1*	15,499	15,923	15,720
Loans and receivables due from credit institutions and similar items at amortized cost	*5.5.2*	129,262	118,304	118,304
Loans and receivables due from customers at amortized cost	*5.5.3*	177,155	175,791	176,086
Revaluation differences on interest rate risk-hedged portfolios		4,712	5,096	5,096
Insurance business investments	*9.1.1*	103,281	96,051	96,051
Current tax assets		785	1,421	1,421
Deferred tax assets	*11.2*	1,578	1,501	1,592
Accrued income and other assets	*5.6*	17,707	18,476	18,476
Non-current assets held for sale	*5.7*	6,167	1,196	1,195
Investments in associates	*12.4.1*	3,523	3,623	3,625
Investment property	*5.8*	96	162	162
Property, plant and equipment	*5.9*	1,089	1,111	1,111
Intangible assets	*5.9*	951	884	884
Goodwill	*3.4*	3,906	3,728	3,728
TOTAL ASSETS		**751,562**	**759,425**	**759,620**

(1) The transition from the balance sheet at December 31, 2017 under IAS 39 to the balance sheet at January 1, 2018 under IFRS 9 is presented in section 5.3.6.

(2) The December 31, 2017 amounts correspond to the published balance sheet after reclassifications with no change in the method for valuing financial assets and liabilities presented in IFRS 9 format (see Note 5.3.6 § 1).

LIABILITIES

in millions of euros	*Notes*	12/31/2018	01/01/2018[1]	12/31/2017 IAS 39 after IFRS 9 reclassifications[2]
Amount due to central banks		9		
Financial liabilities at fair value through profit or loss	*5.2.2*	201,214	213,570	213,570
Hedging derivatives	*5.3*	9,358	10,000	10,000
Debt securities	*5.11*	204,681	205,929	205,929
Amounts due to credit institutions and similar items	*5.10.1*	113,803	113,376	113,376
Amounts due to customers	*5.10.2*	56,750	62,778	62,778
Revaluation differences on interest rate risk-hedged portfolios		177	307	307
Current tax liabilities		547	712	712
Deferred tax liabilities	*11.2*	941	420	546
Accrued expenses and other liabilities	*5.12*	20,323	19,353	19,353
Liabilities associated with non-current assets held for sale	*5.7*	4,975	717	717
Liabilities related to insurance policies	*9.1.2*	91,690	86,552	86,552
Provisions	*5.13*	3,047	3,002	2,825
Subordinated debt	*5.14*	17,395	17,056	17,056
Shareholders' equity		**26,652**	**25,653**	**25,899**
Equity attributable to equity holders of the parent		**19,604**	**18,694**	**18,882**
Share capital and additional paid-in capital	*5.15*	*12,783*	*12,582*	*12,582*
Retained earnings		*5,697*	*5,631*	*5,539*
Gains and losses recognized directly in other comprehensive income		*438*	*481*	*761*
Net income for the period		*685*		
Non-controlling interests	*5.16*	7,048	6,959	7,018
TOTAL LIABILITIES AND EQUITY		**751,562**	**759,425**	**759,620**

(1) The transition from the balance sheet at December 31, 2017 under IAS 39 to the balance sheet at January 1, 2018 under IFRS 9 is presented in section 5.3.6.
(2) The December 31, 2017 amounts correspond to the published balance sheet after reclassifications with no change in the method for valuing financial assets and liabilities presented in IFRS 9 format (see Note 5.3.6 § 1).

5.3.4 Statement of changes in equity

	Share capital and additional paid-in capital			
in millions of euros	**Share capital**	**Additional paid-in capital**	**Perpetual deeply subordinated notes**	**Retained earnings**
SHAREHOLDERS' EQUITY AT JANUARY 1, 2017	**156**	**12,426**	**1,230**	**5,260**
Dividend payments				(410)
Capital increase				
Redemption of deeply subordinated notes[1]			(547)	(505)
Interest on deeply subordinated notes				(75)
Impact of acquisitions and disposals on non-controlling interests[2]				(215)
Total activity arising from relations with shareholders			**(547)**	**(1,205)**
Gains and losses recognized directly in other comprehensive income[3]				
Net income for the period				
Comprehensive income				
Other changes[4]				(44)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2017	**156**	**12,426**	**683**	**4,011**
Allocation of net income for 2017				845
New presentation of gains and losses of the insurance business recognized directly in other comprehensive income				
Impact of changes relating to the first-time application of IFRS 9[5]				92
SHAREHOLDERS' EQUITY AT JANUARY 1, 2018	**156**	**12,426**	**683**	**4,948**
Dividend payments				(402)
Capital increase[6]	2	199		
Issuance and redemption of deeply subordinated notes[7]			700	(35)
Interest on deeply subordinated notes				(64)
Impact of acquisitions and disposals on non-controlling interests[8]				(114)
Total activity arising from relations with shareholders	**2**	**199**	**700**	**(615)**
Gains and losses recognized directly in other comprehensive income[9]				
Net income for the period				
Comprehensive income				
FTA corrections				(2)
Other changes[10]				(17)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	**158**	**12,625**	**1,383**	**4,314**

(1) Redemptions of perpetual deeply subordinated notes over the period amounted to:

- *€990 million for BPCE SA group issues; this redemption led to the reversal of the capital gain recorded in equity in the amount of €444 million (see Note 5.12.2);*
- *€276 million for the redemption by Natixis of a perpetual deeply subordinated note issued in 2007, which was fully subscribed for by non-controlling interests. This redemption led to the reversal of the capital gain recorded in equity in the amount of €87 million (€62 million attributable to equity holders of the parent and €25 million attributable to non-controlling interests).*

(2) Including a reduction in retained earnings of €510 million and an increase in the translation difference of €5 million (-€210 million attributable to equity holders of the parent and -€295 million attributable to non-controlling interests) arising from the impact of acquisitions and other movements. This reduction was mainly due to the following:

- *-€292 million (-€80 million attributable to equity holders of the parent and -€212 million attributable to non-controlling interests) for the purchase of 40% of BPCE Assurances from non-controlling interests;*
- *-€122 million (-€87 million attributable to equity holders of the parent and -€35 million attributable to non-controlling interests) for call options granted to minority shareholders in the Australian company Investor Mutual Limited (IML), in PayPlug and for the results of the public offer for the shares in Dalenys group held by minority shareholders made in December 2017;*
- *-€96 million (-€68 million attributable to equity holders of the parent and -€28 million attributable to non-controlling interests) for the change in the fair value of call options granted to the minority shareholders of:*
  - *DNCA France (-€45 million attributable to equity holders of the parent and -€18 million attributable to non-controlling interests),*
  - *Ciloger (-€11 million attributable to equity holders of the parent and -€5 million attributable to non-controlling interests),*
  - *Dorval (-€21 million attributable to equity holders of the parent and -€8 million attributable to non-controlling interests),*
  - *Darius (-€5 million attributable to equity holders of the parent and -€2 million attributable to non-controlling interests),*
  - *Lakooz (+€3 million attributable to equity holders of the parent and +€1 million attributable to non-controlling interests),*
  - *+€18 million (€13 million attributable to equity holders of the parent and €5 million attributable to non-controlling interests) for the inclusion of Batilease, Batilease Invest and Intercoop in the consolidation scope (entities sold to Natixis by Crédit Coopératif).*

Gains and losses recognized directly in other comprehensive income										
Recyclable				Non-recyclable						
Foreign exchange rate adjustments	Debt financial assets recognized at fair value through other comprehensive income	Available-for-sale financial assets of insurance businesses	Change in fair value of hedging derivatives	Equity financial assets recognized at fair value through other comprehensive income	Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	Revaluation (actuarial gains and losses) on defined-benefit plans	Net income attributable to equity holders of the parent	Total equity attributable to equity holders of the parent	Non-controlling interests	Total consolidated equity
625	**1,070**		**(381)**		**(58)**	**(119)**		**20,210**	**7,565**	**27,775**
								(410)	(403)	(813)
									16	16
								(1,052)	(301)	(1,353)
								(75)		(75)
5								(210)	(295)	(505)
5								**(1,747)**	**(983)**	**(2,730)**
(524)	221		33		(109)	(3)		(382)	(237)	(619)
							845	845	670	1,515
(524)	**221**		**33**		**(109)**	**(3)**	**845**	**463**	**433**	**896**
								(44)	3	(41)
106	**1,291**		**(348)**		**(167)**	**(122)**	**845**	**18,882**	**7,018**	**25,900**
							(845)			
	(1,016)	1,016								
	(231)		60	(109)				(188)	(59)	(247)
106	**45**	**1,016**	**(288)**	**(109)**	**(167)**	**(122)**		**18,694**	**6,959**	**25,653**
								(402)	(512)	(914)
								201		201
								665	(266)	399
								(64)		(64)
								(114)	46	(68)
								286	**(732)**	**(446)**
92	(48)	(300)	22	(46)	213	25		(42)	68	26
							685	685	782	1,467
92	**(48)**	**(300)**	**22**	**(46)**	**213**	**25**	**685**	**643**	**850**	**1,492**
								(2)		(2)
								(17)	(28)	(45)
198	**(3)**	**716**	**(266)**	**(155)**	**46**	**(97)**	**685**	**19,604**	**7,048**	**26,652**

(3) Including a variation in the translation difference of -€22 million (-€16 million attributable to equity holders of the parent and -€6 million attributable to non-controlling interests) following the sale of two Natixis group entities (Caspian 1A and 1B) and the liquidation of Nexgen Financial Holding.

(4) Other changes also include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

(5) The impact of the first-time application of IFRS 9 on the opening balance sheet at January 1, 2018 is presented in detail in Note 5.3.6.

(6) Capital increase by BPCE SA group completed in the first half of 2018 following a dividend payout to the Banque Populaire banks and the Caisses d'Epargne (+€201 million).

(7) Issuance of €700 million in AT1 deeply subordinated notes by BPCE SA group in Q4 2018. The redemption in 2018 of two perpetual deeply subordinated notes issued by Natixis in 2008 and fully subscribed for by non-controlling interests amounted to -€254 million. These redemptions led to the reversal of the capital gain recorded in equity in the amount of -€43 million (-€31 million attributable to equity holders of the parent and -€12 million attributable to non-controlling interests).

(8) Including a reduction in retained earnings of -€68 million (-€114 million attributable to equity holders of the parent and +€46 million attributable to non-controlling interests) arising from the impact of acquisitions and other movements. This reduction was mainly due to the following:

- *the impact of new put options granted to minority shareholders relating to the acquisitions made, for -€49 million (-€35 million attributable to equity holders of the parent and -€14 million attributable to non-controlling interests). These put options concern the M&A business line, with the acquisitions of Vermilion (-€15 million) and Fenchurch (-€27 million), and the payments business line, with the acquisition of Alter CE (-€8 million);*
- *the impact of existing put options granted to minority shareholders at the start of the year, for -€69 million. This impact was partly due to the change in the fair value of these put options for -€64 million (-€56 million attributable to equity holders of the parent and -€18 million attributable to non-controlling interests), generated by the revaluation of financial debt for -€32 million, and by the effects of the unwinding of the discount on this financial debt for -€31 million, and partly due to the transfer of the change in the share of the net minority position of the entities representing these put options, for -€5 million (-€4 million attributable to equity holders of the parent and -€1 million attributable to non-controlling interests);*
- *the impact of changes in the percentage ownership of consolidated entities without a loss of control, for -€6 million (-€4 million attributable to equity holders of the parent and -€2 million attributable to non-controlling interests). This mainly concerned the increase in the percentage ownership of the consolidated entity Caspian PE (from 55% to 72%), for -€3 million, and the fall in the percentage ownership of the consolidated entity Ossiam (from 83% to 75%), for -€1 million;*
- *the recognition of goodwill from BPCE IE directly in equity, in accordance with the accounting treatment of the acquisitions of jointly-controlled entities, for -€1 million.*

(9) Including a variation in the translation difference of -€57 million (-€40 million attributable to equity holders of the parent and -€17 million attributable to non-controlling interests) following the repayment of $669 million in retained earnings by Natixis' New York branch.

(10) Other changes include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

5.3.5 Consolidated cash flow statement

in millions of euros	Fiscal year 2018	Fiscal year 2017
Income before tax	**1,856**	**2,126**
Net depreciation and amortization of property, plant and equipment, and intangible assets	456	418
Goodwill impairment	10	61
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	6,029	7,366
Share in net income of associates	(151)	(149)
Net cash flows generated by investing activities	(754)	(453)
Income/expense from financing activities		87
Other changes	861	(1,862)
Total non-monetary items included in net income before tax	***6,451***	***5,468***
Net increase or decrease arising from transactions with credit institutions	(7,688)	5,634
Net increase or decrease arising from transactions with customers	(8,013)	20,452
Net increase or decrease arising from transactions involving financial assets and liabilities	(5,796)	(13,694)
Net increase or decrease arising from transactions involving non-financial assets and liabilities	(2,104)	(7,137)
Income taxes paid	396	51
Net increase (decrease) in assets and liabilities resulting from operating activities	***(23,205)***	***5,306***
Net cash flows generated by operating activities (A) – Ongoing operations	**(14,876)**	**12,900**
Net cash flows generated by operating activities (A) – Discontinued operations	**(23)**	
Net increase or decrease related to financial assets and equity investments	2,344	937
Net increase or decrease related to investment property	143	136
Net increase or decrease related to property, plant and equipment, and intangible assets	(457)	(311)
Net cash flows generated by investing activities (B) – Ongoing operations	**2,069**	**762**
Net cash flows generated by investing activities (B) – Discontinued operations	**(39)**	
Net increase (decrease) arising from transactions with shareholders(1)	(376)	(2,063)
Other increases or decreases generated by financing activities(2)	(100)	(2,258)
Net cash flows generated by financing activities (C) – Ongoing operations	**(454)**	**(4,321)**
Net cash flows generated by financing activities (C) – Discontinued operations	**(22)**	
Impact of changes in exchange rates (D) – Ongoing operations	**578**	**(2,168)**
Impact of changes in exchange rates (D) – Discontinued operations	**2**	
Cash flow on assets and liabilities held for sale (E)	**(512)**	
TOTAL NET CASH FLOWS (A+B+C+D+E)	**(13,276)**	**7,173**
Cash and net balance of accounts with central banks	**82,721**	**72,036**
Cash and net balance of accounts with central banks (assets)	82,721	72,036
Net balance of demand transactions with credit institutions	**(20,189)**	**(16,677)**
Current accounts with overdrafts(3)	6,441	8,022
Demand accounts and loans	372	737
Demand accounts in credit	(22,244)	(20,429)
Demand repurchase agreements	(4,758)	(5,007)
Opening cash and cash equivalents	**62,532**	**55,359**
Cash and net balance of accounts with central banks	**66,647**	**82,721**
Cash and net balance of accounts with central banks (assets)	66,656	82,721
Balance of accounts with central banks (liabilities)	(9)	
Net balance of demand transactions with credit institutions	**(17,391)**	**(20,189)**
Current accounts with overdrafts(3)	7,278	6,441
Demand accounts and loans	170	372
Demand accounts in credit	(22,650)	(22,244)
Demand repurchase agreements	(2,189)	(4,758)
Closing cash and cash equivalents	**49,256**	**62,532**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(13,276)**	**7,173**

(1) *Cash flows from or to the shareholders mainly include:*
- *the redemption of deeply subordinated notes recorded in other comprehensive income for -€298 million (-€1,353 million in 2017);*
- *the issuance of deeply subordinated notes recorded in other comprehensive income for +€700 million;*
- *interest paid on deeply subordinated notes recorded in other comprehensive income for -€64 million (-€75 million in 2017);*
- *dividend payouts amounting to -€713 million (-€813 million in 2017).*

(2) *Cash flows from financing activities mainly include the impact of redemptions of subordinated notes and loans for -€100 million (-€2,214 million in 2017).*
(3) *Current accounts with overdrafts do not include Livret A, LDD and LEP savings accounts centralized with the Caisse des Dépôts et Consignations.*

5.3.6 First-time application of IFRS 9

1. IMPACT OF THE ADOPTION OF IFRS 9 AT JANUARY 1, 2018

Groupe BPCE has applied IFRS 9 on financial instruments, which replaces IAS 39, since January 1, 2018. The options selected are described in Note 2.2 and the accounting principles are detailed in Note 4. The main impacts of first-time application of IFRS 9 on the balance sheet at January 1, 2018 are as follows:

Classification and measurement

Most financial assets that were measured at amortized cost under IAS 39 continue to meet the conditions for measurement at amortized cost under IFRS 9. Similarly, most financial assets measured at fair value under IAS 39 (available-for-sale financial assets and financial assets at fair value through profit or loss) continue to be measured at fair value under IFRS 9.

The main reclassifications are as follows:

- for the retail banking loan book, the impact is limited and primarily concerns:
  - certain instruments that were measured at amortized cost and classified as loans and receivables under IAS 39, but which are recognized at fair value through profit or loss under IFRS 9 because their contractual cash flows do not represent solely payments of principal and interest,
  - structured loans granted to local authorities that were designated at fair value through profit or loss under IAS 39 and are now classified as non-SPPI financial assets under IFRS 9 in "Assets at fair value through profit or loss". As these assets were previously measured at fair value through profit or loss under IAS 39, this reclassification has no impact on the Group's capital;
- for other loan books:
  - repurchase agreements classified as financial assets designated at fair value through profit or loss under IAS 39 and considered part of a trading business model under IFRS 9 are recognized in assets at fair value through profit or loss,
  - repurchase agreements classified as loans and receivables or as liabilities and measured at amortized cost under IAS 39, and considered part of a trading business model under IFRS 9, are now recognized in assets and liabilities at fair value through profit or loss;
- for securities portfolios:
  - under IAS 39, liquidity reserve securities were either carried at amortized cost because they were classified as loans and receivables or held-to-maturity financial assets, or they were measured at fair value because they were classified as available-for-sale securities, depending on their characteristics, how they were managed and whether or not they were hedged against interest rate risk. The breakdown of these debt securities has changed under IFRS 9, with a choice, for each Group entity, between measurement at amortized cost or at fair value through other comprehensive income, depending on whether they are managed with the objective of collecting cash flows or with the objective of collecting cash flows and selling the assets,
  - units of UCITS and private equity investment funds, except for those in the insurance business, qualified as equity instruments and classified as available-for-sale financial assets under IAS 39, are measured at fair value through profit or loss under IFRS 9, as they are considered debt instruments under the IFRS 9 definition, and as their contractual cash flows do not represent solely payments of principal and interest,
  - investments in associates classified as available-for-sale financial assets under IAS 39 are classified at fair value through profit or loss under IFRS 9. Once Groupe BPCE companies have individually made a final decision, these securities are classified at fair value through other comprehensive income not recyclable to income, and securitization fund units measured at amortized cost and classified as loans and receivables under IAS 39 (i) are measured at fair value through profit or loss under IFRS 9 if their contractual cash flows are not solely payments of principal and interest, (ii) are measured at fair value through other comprehensive income if they are managed under a business model with the objective of collecting cash flows and selling the assets and are solely payments of principal and interest, and (iii) continue to be recognized at amortized cost if they are managed under a business model with the objective of collecting cash flows and are solely payments of principal and interest. For first-time application, in addition to an SPPI analysis and a credit risk analysis of securitization fund units, an analysis of the pool of underlying assets was carried out and did not call into question the SPPI nature of the securitization fund units.

Reclassifications between categories of financial assets measured at amortized cost, at fair value through profit or loss or through other comprehensive income have a net impact on Groupe BPCE's consolidated equity owing to the different calculation methods applicable to these assets and to the retrospective application of the standard.

Nevertheless, as these reclassifications are limited or affect assets whose fair value does not vary significantly from their value at amortized cost due notably to the residual maturity of the transactions in question, these reclassifications do not have a material impact on Groupe BPCE's opening equity at January 1, 2018.

Groupe BPCE has moreover decided to apply the option available under recommendation No. 2017-02 of the *Autorité des normes comptables* (ANC – French accounting standards setter) of June 2, 2017 on the format of the consolidated financial statements of banking institutions in accordance with international accounting standards, namely to present the insurance businesses separately on the balance sheet and income statement.

In accordance with this same recommendation, margin calls and guarantee deposits paid that had been recorded under accrual accounts at December 31, 2017 (€18.9 billion) were reclassified at January 1, 2018 to loans and receivables due from credit institutions or to assets at fair value through profit or loss, depending on their business model. Similarly, the margin calls and guarantee deposits received that had been recorded in accrual accounts at December 31, 2017 (€13.4 billion) were reclassified at January 1, 2018 to amounts due to credit institutions or to liabilities at fair value through profit or loss, depending on their business model.

5

Impairment

The new IFRS 9 provisioning model leads to an increase in the amount of impairment on loans and securities measured at amortized cost or at fair value through other comprehensive income recyclable to income, as well as impairment recorded on off-balance sheet commitments and on lease receivables, trade receivables and contract assets.

Under IAS 39, there was a separate provisioning model for: (i) instruments measured at amortized cost, (ii) debt instruments measured as "Available-for-sale assets," (iii) equity instruments measured as "Available-for-sale assets," and (iv) instruments recognized at cost. In contrast, under IFRS 9, there is just one provisioning model. This model applies equally to instruments measured at amortized cost and to debt instruments measured at fair value through other comprehensive income recyclable to income. Additionally, under IFRS 9, equity instruments are no longer impaired since they are measured either at fair value through profit or loss or at fair value through other comprehensive income and not recyclable to income.

Under IAS 39, impairment on initial recognition was expressly prohibited. An asset or group of assets could be impaired only if:

- there was objective evidence of impairment resulting from one or more events having occurred since the initial recognition of the asset (*i.e.* loss events); and
- these loss events had an impact on the estimated cash flows of the financial asset.

IFRS 9 now requires that entities recognize impairment at an earlier stage than under IAS 39, *i.e.* from the date of initial recognition of the financial instrument. Accordingly, application of the new IFRS 9 provisioning model leads to an increase in the amount of impairment recorded on loans and securities carried at amortized cost or at fair value through other comprehensive income recyclable to income and on loan or guarantee commitments given (excluding those recognized at fair value through profit or loss) as well as on lease receivables.

The impact of first-time application of IFRS 9 on opening equity related to the implementation of the new impairment model is -€504 million before tax (-€341 million after tax).

Impairment for credit risk amounted to €4,223 million under IFRS 9, *versus* €3,738 million at December 31, 2017 under IAS 39 and IAS 37.

It includes €249 million for financial assets and loan and guarantee commitments classified as Stage 1 (corresponding to a calculation based on 12-month expected losses), €643 million classified as Stage 2 (corresponding to a calculation based on lifetime expected losses) and €3,331 million classified as Stage 3, corresponding to non-performing assets and commitments. Impairment on a portfolio basis recorded under IAS 39 was €515 million at December 31, 2017.

It related primarily to loans and receivables at amortized cost (€3,828 million) and, to a lesser extent, loan and guarantee commitments (€245 million), securities at amortized cost (€137 million) and debt instruments at fair value through other comprehensive income recyclable to income (€12 million).

Reclassifications between categories of financial assets did not have a significant impact on the Group's equity at January 1, 2018. Most financial assets measured at amortized cost under IAS 39 continue to meet the conditions for measurement at amortized cost under IFRS 9. Similarly, most assets measured at fair value under IAS 39 (available-for-sale financial assets and financial assets at fair value through profit or loss) continue to be measured at fair value under IFRS 9.

The following table provides a breakdown of the impacts of the change from IAS 39 to IFRS 9 related to reclassifications and to the application of the new provisioning method, by category of financial asset and liability. The general principles for classifying financial instruments under IFRS 9 are presented in Note 2.5.1.

in millions of euros **IAS 39**	**Balance sheet under IAS 39 at December 31, 2017**	**Insurance businesses**	**Reclassifications**	**Total after reclassifications**	**Impacts of the change**		**Balance sheet under IFRS 9 at January 1, 2018**	*in millions of euros* **IFRS 9**
					Value[1]	**Value adjustment for credit losses[2]**		
Cash and amounts due from central banks	82,721			82,721			82,721	Cash and amounts due from central banks
Financial assets at fair value through profit or loss	167,016	(22,379)	64,260	208,898			208,898	Financial assets at fair value through profit or loss
Hedging derivatives	8,606	1	3	8,610			8,610	Hedging derivatives – Positive FV
Available-for-sale financial assets	65,161	(46,468)	(18,693)					
			15,941	15,941		(11)	15,929	Financial assets at fair value through other comprehensive income
Loans and receivables due from credit institutions	121,585	(500)	(2,780)	118,304			118,304	Loans and receivables due from credit institutions
Loans and receivables due from customers	241,331	(10,312)	(54,933)	176,086		(294)	175,791	Loans and receivables due from customers
			15,720	15,720	224	(21)	15,923	Debt securities at amortized cost
Revaluation differences on interest rate risk-hedged portfolios	5,096			5,096			5,096	Revaluation differences on interest rate risk-hedged portfolios
Held-to-maturity financial assets	2,126	(1,885)	(241)					
		96,051		96,051			96,051	Insurance business investments
Current tax assets	1,421			1,421			1,421	Current tax assets
Deferred tax assets	1,698		(106)	1,592		(91)	1,501	Deferred tax assets
Accrued income and other assets	51,206	(13,558)	(19,172)	18,476			18,476	Accrued income and other assets
Non-current assets held for sale	1,195			1,195			1,195	Non-current assets held for sale
Deferred profit-sharing								Deferred profit-sharing
Investments in associates	3,625			3,625		(2)	3,623	Investments in associates
Investment property	1,111	(949)		162			162	Investment property
Property, plant and equipment	1,111			1,111			1,111	Property, plant and equipment
Intangible assets	884			884			884	Intangible assets
Goodwill	3,728			3,728			3,728	Goodwill
TOTAL ASSETS	**759,620**			**759,620**	**224**	**(419)**	**759,425**	**TOTAL ASSETS**

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in millions of euros IAS 39	Balance sheet under IAS 39 at December 31, 2017	Insurance businesses	Reclassifications	Total after reclassifications	Impacts of the change		Balance sheet under IFRS 9 at January 1, 2018	*in millions of euros* IFRS 9
					Value[1]	Value adjustment for credit losses[2]		
Financial liabilities at fair value through profit or loss	138,498	(183)	75,254	213,570			213,570	Financial liabilities at fair value through profit or loss
Hedging derivatives	10,000			10,000			10,000	Hedging derivatives
Amounts due to credit institutions	122,098	(3)	(8,719)	113,376			113,376	Amounts due to credit institutions and similar items
Amounts due to customers	115,974		(53,196)	62,778			62,778	Amounts due to customers
Debt securities	205,884		45	205,929			205,929	Debt securities
Revaluation differences on interest rate risk-hedged portfolios	307			307			307	Revaluation differences on interest rate risk-hedged portfolios
Current tax liabilities	712			712			712	Current tax liabilities
Deferred tax liabilities	663		(118)	546	71	(197)	420	Deferred tax liabilities
Accrued expenses and other liabilities	42,373	(9,723)	(13,297)	19,353			19,353	Accrued expenses and other liabilities
Liabilities on assets held for sale	717			717			717	Liabilities associated with non-current assets held for sale and discontinued operations
Technical reserves of insurance companies	76,644	9,908		86,552			86,552	Liabilities related to insurance policies
Provisions	2,825			2,825		178	3,002	Provisions
Subordinated debt	17,025		31	17,056			17,056	Subordinated debt
Shareholders' equity	25,900			25,900	152	(399)	25,653	Shareholders' equity
Equity attributable to equity holders of the parent	18,882			18,882	153	(341)	18,694	Equity attributable to equity holders of the parent
Share capital and additional paid-in capital	12,582			12,582			12,582	Share capital and additional paid-in capital
Retained earnings	5,539			5,539	433	(341)	5,631	Retained earnings
Unrealized gains and losses	761			761	(280)		481	Gains and losses recognized directly in OCI
Net income for the period								Net income for the period
Non-controlling interests	7,018			7,018	(1)	(58)	6,959	Non-controlling interests
TOTAL LIABILITIES	**759,620**			**759,620**	**223**	**(418)**	**759,425**	**TOTAL LIABILITIES**

(1) This relates to the change in the way the asset is measured. For example, an asset at amortized cost under IAS 39 can be measured at fair value under IFRS 9.
(2) The impact of first-time application of the new impairment model is provided in Note 5.3.6 §3.

2. SUMMARY OF RECLASSIFICATIONS BETWEEN IAS 39 AND IFRS 9 BY CATEGORY

Financial assets

Financial assets under IAS 39	Classification under IFRS 9	*Note*	01/01/2018 Carrying amount under IAS 39	01/01/2018 Carrying amount under IFRS 9
Financial assets at fair value through profit or loss	**Financial assets at fair value through profit or loss**		**167,016**	
o/w fair value through profit or loss relating to trading activities			**104,479**	
Derivatives	Financial assets at fair value through profit or loss		51,194	50,980
	Insurance business investments			214
Fixed-income securities	Financial assets at fair value through profit or loss		12,931	8,627
	Insurance business investments			4,304
Variable-income securities	Financial assets at fair value through profit or loss		37,348	34,637
	Insurance business investments			
Loans and receivables	Financial assets at fair value through profit or loss	*(c)*	3,006	3,023
o/w designated at fair value through profit or loss			**62,537**	
Fixed-income securities	Financial assets at fair value through profit or loss	*(a)*	2,626	342
	Insurance business investments	*(l)*		2,184
Variable-income securities	Financial assets at fair value through profit or loss	*(b)*	16,848	653
	Insurance business investments	*(l)*		13,667
Loans or receivables due from credit institutions	Financial assets at fair value through profit or loss	*(c)*	172	2
Loans or receivables due from customers	Financial assets at fair value through profit or loss	*(c)*	6,805	5,059
	Insurance business investments	*(l)*		2,012
Securities received under reverse repurchase agreements	Financial assets at fair value through profit or loss	*(d)*	36,086	36,086
Hedging derivatives			**8,606**	
	Hedging derivatives		8,606	8,606
	Insurance business investments			
Available-for-sale financial assets			**65,161**	
Fixed-income securities	Financial assets at fair value through profit or loss	*(e)*		15
	Financial assets at fair value through other comprehensive income	*(f)*	55,462	14,025
	Insurance business investments	*(l)*		39,213
	Debt instruments at amortized cost	*(f)*		2,546
Variable-income securities	Financial assets at fair value through profit or loss	*(g)*		6,449
	Insurance business investments	*(l)*		7,255
	Financial assets at fair value through other comprehensive income	*(h)*	9,667	1,201
Loans and receivables	Financial assets at fair value through other comprehensive income		32	25
	Loans or receivables due from customers at amortized cost			2
Loans and receivables *			**362,915**	
Accounts and loans	Loans or receivables due from credit institutions at amortized cost		106,927	106,495
	Loans or receivables due from customers at amortized cost		162,977	152,122
	Financial assets at fair value through profit or loss	*(i)*		59
	Insurance business investments	*(l)*		10,812
Current accounts with overdrafts	Loans or receivables due from credit institutions at amortized cost		6,536	6,536
	Loans or receivables due from customers at amortized cost		4,770	4,770
Fixed-income securities	Debt instruments at amortized cost		13,799	13,137
	Financial assets at fair value through profit or loss	*(j)*		47
	Insurance business investments	*(l)*		
	Financial assets at fair value through other comprehensive income	*(j)*		679
Securities received under reverse repurchase agreements	Loans or receivables due from credit institutions at amortized cost		7,801	1,725
	Loans or receivables due from customers at amortized cost		48,712	7,461
	Financial assets at fair value through profit or loss	*(k)*		47,327
Finance leases	Loans or receivables due from customers at amortized cost		11,393	11,393
Held-to-maturity financial assets			**2,126**	
Fixed-income securities	Insurance business investments	*(l)*		1,885
	Debt instruments at amortized cost		2,126	241

			01/01/2018	
Financial assets under IAS 39	**Classification under IFRS 9**	*Note*	**Carrying amount under IAS 39**	**Carrying amount under IFRS 9**
Accrued income and other assets			**51,206**	
	Accrued income and other assets		51,206	18,477
	Financial assets at fair value through profit or loss			15,593
	Loans or receivables due from credit institutions at amortized cost			3,548
	Loans or receivables due from customers at amortized cost			44
	Insurance business investments	*(l)*		13,558
Investment property			**1,111**	
	Insurance business investments	*(l)*		949
	Investment property		1,111	162
Cash and amounts due from central banks			**82,721**	**82,721**
Revaluation differences on interest rate risk-hedged portfolios			**5,096**	**5,096**
Current tax assets			**1,421**	**1,421**
Deferred tax assets			**1,698**	**1,501**
Non-current assets held for sale			**1,195**	**1,195**
Investments in associates			**3,625**	**3,623**
Property, plant and equipment			**1,111**	**1,111**
Intangible assets			**884**	**884**
Goodwill			**3,728**	**3,728**
TOTAL			**759,620**	**759,425**

* *Impairment on a portfolio basis is recognized as a deduction from assets, like individual impairment, and is therefore included in the carrying amount of the instruments.*

Application of IFRS 9 criteria (Note 2.5) relating to the business models and contractual terms of financial instruments led the Group to make the following modifications to the classification of financial assets compared with IAS 39:

(a) Fixed-income securities classified as "Financial assets designated at fair value" according to IAS 39 were reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 for €201 million, as they are managed under a trading business model.

Fixed-income securities reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 because they do not meet SPPI criteria totaled €62 million.

(b) Variable-income securities classified as "Financial assets designated at fair value" under IAS 39 and managed under a trading business model were classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €242 million.

(c) Loans and receivables classified as "Financial assets designated at fair value" under IAS 39 and managed according to a trading business model were classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €2,421 million.

Loans and receivables reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 because they do not meet SPPI criteria stood at €2,397 million.

(d) Securities received under repurchase agreements classified as "Financial assets designated at fair value" under IAS 39 and managed under a trading business model were classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €36,086 million.

(e) Debt instruments classified as "Available-for-sale financial assets" under IAS 39 were classified as "Financial assets at fair value through profit or loss" under IFRS 9 in the amount of €15 million because they do not meet SPPI criteria.

(f) Debt instruments in the amount of €14,025 million corresponding mainly to the liquidity reserve securities portfolio, managed under a hold to collect and sell business model, were reclassified as "Financial assets at fair value through other comprehensive income" under IFRS 9. This reclassification had no impact on opening equity.

Debt instruments classified as "Available-for-sale financial assets" under IAS 39 and reclassified as assets at amortized cost under IFRS 9 stood at €2,546 million.

This reclassification did not have a material impact on opening equity.

(g) Unconsolidated UCITS units in the amount of €4,493 million are considered non-SPPI debt instruments under IFRS 9 and are therefore classified as "Financial assets at fair value through profit or loss".

Other variable-income securities (excluding investments in associates) managed under a trading business model were reclassified as "Financial assets at fair value through profit or loss" under IFRS 9.

Investments in associates reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 stood at €421 million.

(h) Investments in associates reclassified as "Financial assets at fair value through other comprehensive income not recyclable to income" under IFRS 9 represented €1,136 million.

(i) These are loans or receivables classified as "Loans and receivables" under IAS 39 and reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 because they do not meet SPPI criteria, for €59 million.

This reclassification did not have a material impact on equity.

(j) These are debt instruments classified as "Loans and receivables" under IAS 39 and reclassified as "Financial assets at fair value through profit or loss" under IFRS 9 because they do not meet SPPI criteria, for €47 million.

Debt instruments managed under a hold to collect and sell business model were reclassified in the amount of €679 million as "Financial assets at fair value through other comprehensive income" under IFRS 9. This reclassification did not have a material impact on opening equity.

(k) Securities received under repurchase agreements classified as "Loans and receivables" under IAS 39 and managed under a trading business model are recognized as "Financial assets at fair value through profit or loss" under IFRS 9 for €47,327 million.

(l) Reclassification of financial assets of the insurance businesses to "Insurance business investments" in accordance with the ANC recommendation.

The impacts of the transition related to changes in classification and to the application of the new provisioning method are provided in Note 5.3.6§1.

Financial liabilities

Financial liabilities under IAS 39	Classification under IFRS 9	Note	01/01/2018 Carrying amount under IAS 39	01/01/2018 Carrying amount under IFRS 9
Financial liabilities at fair value through profit or loss			**138,498**	
o/w fair value through profit or loss relating to trading activities			**77,200**	
Derivatives	Financial liabilities at fair value through profit or loss		51,050	50,867
	Liabilities related to insurance policies			183
Securities	Financial liabilities at fair value through profit or loss		26,093	26,093
Other liabilities	Financial liabilities at fair value through profit or loss		57	57
o/w designated at fair value through profit or loss			**61,298**	
Securities	Financial liabilities at fair value through profit or loss		22,793	22,793
Securities sold under repurchase agreements	Financial liabilities at fair value through profit or loss	*(a)*	34,966	34,966
Other liabilities	Financial liabilities at fair value through profit or loss		3,539	3,539
Hedging derivatives			**10,000**	
	Hedging derivatives		10,000	10,000
Amounts due to credit institutions and customers			**238,072**	
Deposits and loans	Amounts due to credit institutions		80,426	80,426
	Amounts due to customers		32,697	32,697
Current accounts	Amounts due to credit institutions		22,365	22,365
	Amounts due to customers		23,516	23,516
Securities sold under repurchase agreements	Amounts due to credit institutions		19,307	9,463
	Amounts due to customers		59,761	5,978
	Financial liabilities at fair value through profit or loss	*(b)*		63,627
Accrued expenses and other liabilities			**42,374**	
	Accrued income and other assets			19,356
	Financial assets at fair value through profit or loss			11,628
	Amounts due to credit institutions			1,122
	Amounts due to customers			586
	Liabilities related to insurance policies			9,723
Technical reserves of insurance companies	**Liabilities related to insurance policies**		**76,644**	**76,644**
Debt securities			**205,884**	**205,929**
Revaluation differences on interest rate risk-hedged portfolios			**307**	**307**
Current tax liabilities			**712**	**712**
Deferred tax liabilities			**663**	**420**
Liabilities on assets held for sale			**717**	**717**
Provisions			**2,825**	**3,002**
Subordinated debt			**17,025**	**17,056**
Total shareholders' equity			**25,900**	**25,653**
TOTAL			**759,620**	**759,425**

(a) Securities sold under repurchase agreements classified as "Financial liabilities designated at fair value through profit or loss" under IAS 39 and managed under a trading business model are classified as "Financial assets at fair value through profit or loss" under IFRS 9 for €34,966 million.

(b) Securities sold under repurchase agreements classified as "Liabilities at amortized cost" under IAS 39 and managed under a trading business model are classified as "Financial liabilities at fair value through profit or loss" under IFRS 9 for €63,627 million.

3. IMPACTS OF THE CHANGE IN IMPAIRMENT OR PROVISIONS FOR EXPECTED CREDIT LOSSES

This table provides a breakdown of the impacts of the transition from IAS 39 to IFRS 9 related to the application of new rules on the impairment or provisioning of credit risk.

Reconciliation of impairment and provisions *in millions of euros*	**Impairment or provision under IAS 39**	**Reclassifications**	**Impact of IFRS 9**	**Impairment or provision under IFRS 9**
Loans and receivables at amortized cost	3,519	15	294	3,828
Debt securities at amortized cost	93	24	21	137
Debt securities available for sale/at fair value through OCI recyclable to income	59	(58)	11	12
BALANCE SHEET TOTAL	**3,670**	**(19)**	**326**	**3,978**
Provisions for off-balance sheet commitments	67		178	245
TOTAL IMPAIRMENT AND PROVISIONS	**3,738**	**(19)**	**504**	**4,223**

5.3.7 Notes to the financial statements of BPCE SA group

Note 1 General background

1.1 GROUPE BPCE

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Epargne network, the BPCE central institution and its subsidiaries.

Two banking networks: the Banque Populaire banks and the Caisses d'Epargne

Groupe BPCE is a cooperative group whose shareholders own the two retail banking networks: the 14 Banque Populaire banks and the 15 Caisses d'Epargne. Each of the two networks owns an equal share in BPCE, the Group's central institution.

The Banque Populaire network consists of the Banque Populaire banks and the Mutual Guarantee Companies granting them the exclusive benefit of their guarantees.

The Caisse d'Epargne network consists of the Caisses d'Epargne and the Local Savings Companies (LSCs).

The Banque Populaire banks are wholly-owned by their cooperative shareholders.

The capital of the Caisses d'Epargne is wholly-owned by the LSCs. Local savings companies are cooperative structures with open-ended share capital owned by cooperative shareholders. The LSCs are tasked with coordinating the cooperative shareholder base, in line with the general objectives defined by the individual Caisse d'Epargne with which they are affiliated, and cannot perform banking transactions.

BPCE

BPCE, a central institution as defined by the French Banking Law and a credit institution licensed to operate as a bank, was created pursuant to law No. 2009-715 of June 18, 2009. BPCE was incorporated as a French limited liability company *(société anonyme)* governed by a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the 14 Banque Populaire banks and the 15 Caisses d'Epargne.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banque Populaire banks and the Caisses d'Epargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, organizes depositor protection, approves key appointments of company directors and oversees the smooth functioning of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures between the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It defines the Group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries, including Natixis, a 70.78%-owned listed company, are organized around three core business lines:

- retail Banking and Insurance includes the Banque Populaire and Caisse d'Epargne networks, the Natixis Specialized Financial Services and Insurance business line and Other networks (Crédit Foncier, Banque Palatine and BPCE International);
- asset & Wealth Management;
- corporate & Investment Banking.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to Articles L. 511-31 and L. 512-107-6 of the French Monetary and Financial Code, the guarantee and solidarity mechanism was set up to ensure the liquidity and capital adequacy of the Group and its associates, and to organize financial support within the Banque Populaire and Caisse d'Epargne networks.

BPCE is tasked with taking all measures necessary to guarantee the capital adequacy of the Group and each of the networks, including implementing the appropriate internal financing mechanisms within the Group and establishing a Mutual Guarantee Fund common to both networks, for which it determines the operating rules, the conditions for the provision of financial support to the existing funds of the two networks, as well as the contributions of associates to the fund's initial capital endowment and reconstitution.

BPCE manages the Banque Populaire Network Fund and the Caisse d'Epargne Network Fund and has put in place the Mutual Guarantee Fund.

The **Banque Populaire Network Fund** was formed by a deposit made by the Banque Populaire banks of €450 million that was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The deposit made to the **Caisse d'Epargne Network Fund** by the Caisses d'Epargne of €450 million was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The **Mutual Guarantee Fund** was formed by deposits made by the Banque Populaire banks and the Caisses d'Epargne. These deposits were booked by BPCE in the form of 10-year term accounts which are indefinitely renewable. The amount of the deposits by network was €181 million as of December 31, 2018.

The total amount of deposits made to BPCE in respect of the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may not be less than 0.15% and may not exceed 0.3% of the Group's total risk-weighted assets.

The booking of deposits in the institutions' individual accounts under the guarantee and solidarity system results in the recording of an item of an equivalent amount under a dedicated capital heading.

The Mutual Guarantee Companies *(sociétés de caution mutuelle),* whose sole corporate purpose is to guarantee loans issued by Banque Populaire banks, are covered by the liquidity and capital adequacy guarantee of the Banque Populaire banks with which they are jointly licensed in accordance with Article R. 515-1 of the French Monetary and Financial Code.

The liquidity and capital adequacy of the Caisses de Crédit Maritime Mutuel are guaranteed in respect of each individual Caisse, by the Banque Populaire bank which is both the core shareholder and provider of technical and operational support for the Caisse in relation to the partner Banque Populaire bank.

The liquidity and capital adequacy of the Local Savings Companies are secured, firstly, at the level of each individual local savings company by the Caisse d'Epargne of which the local savings company in question is a shareholder.

BPCE's Management Board holds all the requisite powers to mobilize the resources of the various contributors without delay and in accordance with the agreed order, on the basis of prior authorizations given to BPCE by the contributors.

1.3 SIGNIFICANT EVENTS

Project to integrate Crédit Foncier's operations and expertise into Groupe BPCE

Timeline and content

On June 25 and 26, 2018, respectively, the BPCE Supervisory Board and the Crédit Foncier Board of Directors gave their approval in principle to start a project to integrate Crédit Foncier's operations and reorganize its expertise throughout Groupe BPCE's entities.

On July 20, 2018, Crédit Foncier's Executive Management team began the information and consultation process with the Works Council as provided for in Articles L. 1233-30 and L. 2223-31 of the French Labor Code, and started negotiations with the labor unions pursuant to regulations.

These negotiations led to the signing of two majority agreements on the implementation of the project on October 26, 2018 – an Occupation and Skills Forecasting (GPEC) agreement and an employment protection plan (PSE). The employment protection plan is subject to administrative approval and was approved by the competent Regional Directorate for Enterprise, Competition Policy, Consumer Affairs, Labor and Employment (DIRECCTE) in December 2018.

After consulting the Works Council, the CFF Board of Directors confirmed the effective implementation of the project at its meeting of November 21, 2018.

The operational part of the integration, which will primarily take effect in the first half of 2019, includes the following:

- new loan production will be redeployed in the Group's entities: Individual customer loans within the Banque Populaire banks and Caisses d'Epargne, Corporate financing shared by the Caisses d'Epargne and Banque Populaire banks for social housing, and Natixis for project and infrastructure financing;
- Socfim, which will become a direct subsidiary of BPCE SA group, will position itself as a global player in corporate real estate financing by combining long-term financing for real estate professionals with financing for developers;
- Crédit Foncier Immobilier will become a direct subsidiary of BPCE SA group;
- the special expertise and the projects initiated by Crédit Foncier will continue on a national level;
- Crédit Foncier will refocus on managing its outstanding loans and on the funding of public sector assets originated by the Group, through Compagnie de Financement Foncier.

On December 20, 2018, Crédit Foncier filed a delisting offer for shares in its subsidiary Locindus. Subject to approval by the *Autorité des Marchés Financiers* (French Financial Markets Authority), the delisting will be completed in the first quarter of 2019.

Human resources provisions are consistent with the aim of the project – the development of Crédit Foncier's activities and the reorganization of its expertise in Groupe BPCE's entities. Accordingly, employees whose positions will become redundant (around 1,400 people) will primarily be transferred to other Group entities, with financial arrangements in place to facilitate external mobility where applicable. The employment protection plan agreement, which provides for redundancy for economic reasons for those concerned, subject to the terms of the Crédit Foncier employment framework (termination benefits aligned with seniority), will therefore only apply in exceptional cases to employees not wishing to take advantage of the more beneficial terms of the GPEC agreement.

The GPEC agreement provides for the following:

- an "advance" voluntary redundancy plan allowing all employees whose positions will become redundant to leave on December 31, 2018 and benefit from various support measures, including financial support (termination benefits, retraining leave, etc.). As of December 31, 2018, 126 employees had volunteered for this option;
- in January 2019, all employees concerned who did not opt for the advance redundancy plan will be offered a similar position, in an equivalent category and the same geographical region in another Groupe BPCE company, with effect from April 1, 2019. Alternatively, after a cooling-off period if necessary, employees who do not wish to accept the proposed reclassification may opt for voluntary redundancy with the same terms as under the advance plan;
- for employees whose position is maintained (around 600 people), various provisions to maintain their employability (in particular *via* training) will be available. In addition, if further redundancies prove necessary to adapt the organizational structure and headcount to changes in the activities maintained by Crédit Foncier, the employees concerned will benefit from the same provisions as those set out above.

Accounting impacts at December 31, 2018

In accounting terms, the integration of Crédit Foncier's activities and the transfer of its expertise within Groupe BPCE will not call into question its operation as a going concern within the meaning of IAS 1. This project constitutes a restructuring as per IAS 37. The conditions that justify the recognition of a provision for restructuring costs are met.

This provision will cover expenses arising for internal and external mobility, the expenses arising from the closure of the branch network and compensation for exclusive agents.

The provision recorded for this purpose under operating expenses at December 31, 2018 amounted to €334 million before tax and breaks down as follows:

- human resources costs: €234 million. These essentially comprise termination benefits, the cost of retraining leave and various support measures based on assumptions regarding the choices made by employees between reclassification within Groupe BPCE or voluntary redundancy;
- operational costs: €100 million. These mainly include the costs of the discontinuation of lending activities (lease termination costs, compensation for exclusive agents, the scrapping of branch fixtures and fixed assets).

A conservative valuation of Crédit Foncier Immobilier led to the recognition of impairment on the full amount of the corresponding goodwill at December 31, 2018 (€13 million).

Exceptional risk incurred

In the fourth quarter of 2018, Natixis recognized a decrease in revenues of €259 million in connection with its equity derivatives activities, due to the occurrence of an exceptional risk related to the deterioration of the Asian markets.

It emerged in the fourth quarter that, for certain specific products managed on behalf of clients in Asia, the business model used led to the introduction of a hedging strategy that proved to be inadequate in the market conditions at year-end.

The products involved are indexed to the worst performance of an underlying basket of shares or index and allow investors to receive enhanced periodic coupons in return for a risk of loss of capital at maturity, with the possibility that the product may expire early.

This situation explains the decrease in revenues recognized by Natixis' capital markets activities in the fourth quarter of 2018, amounting to €86 million, plus €173 million of impairment to cover the management of these products.

This decrease in revenues is exceptional and regards an activity whose revenues did not significantly contribute to the medium-term plan. It in no way calls into question the objectives of the strategic plan.

Planned sale by Natixis and acquisition by BPCE SA group of the Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines

On September 12, 2018, Natixis and BPCE announced Natixis' plan to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE SA group for €2.7 billion.

This transaction, if completed, will contribute significantly to the achievement of Natixis and BPCE's strategic plans. In particular, it will allow Natixis to step up the development of its asset-light model and BPCE to strengthen its universal banking model. This is an internal transaction with no impact on the Group's consolidated financial statements.

The sale is scheduled to take place by the end of Q1 2019, subject to the conditions precedent being lifted; in particular, BPCE must complete a capital increase – and the newly issued shares acquired by the Banque Populaire banks and Caisses d'Epargne – and the necessary regulatory approvals must be obtained.

During the fourth quarter of 2018, the operational implementation of the project was prepared and the various stages leading to the completion of the transaction initiated.

Planned disposal of BPCE International's African subsidiaries

On October 16, 2018, BPCE International sold Banque des Mascareignes, a bank based in Mauritius, and its subsidiary in Madagascar, Banque des Mascareignes Madagascar, to the Moroccan cooperative group Banque Centrale Populaire (BCP Maroc). This disposal had no material impact on income for the year.

On December 21, 2018, BPCE International signed an agreement with BCP Maroc for the sale of its other African subsidiaries, Banque Tuniso Koweitienne and its subsidiaries, Banque Commerciale Internationale (BCI) in Congo, BICEC in Cameroon and Banque Malgache de l'Océan Indien in Madagascar. This disposal is subject to the approval of the banks' regulatory authorities.

These entities' assets and liabilities are presented in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" and are detailed in Note 5.7.

1.4 POST-BALANCE SHEET EVENTS

Planned acquisition of an interest in Oney Bank SA

On February 12, 2019, Groupe BPCE announced it was in exclusive negotiations with Auchan Holding for the acquisition of a 50.1% interest in Oney Bank SA to further its European growth in local digital banking and consumer credit under the Oney brand and to ramp up Oney Bank's development with the Group's expertise, in particular in payments.

This transaction is consistent with the Group's strategy of expanding in retail banking in Europe by drawing on its expertise in specialized financial services and in particular payments.

This project remains subject to the usual consultation process and conditions precedent for this type of deal, and in particular the approval of the French and European regulatory authorities. It is scheduled for completion in the second half of 2019.

Disposal of Banque de Tahiti and Banque de Nouvelle-Calédonie

On February 8, 2019, BPCE's Board of Directors and the Steering and Supervisory Board of Caisse d'Epargne Ile-de-France approved the sale of Banque de Tahiti and Banque de Nouvelle-Calédonie and a portfolio of loans to Caisse d'Epargne Ile-de-France.

At December 31, 2018 and pursuant to IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations), the assets and liabilities of these two entities were reclassified as assets and liabilities of entities held for sale.

Note 2 Applicable accounting standards and comparability

2.1 REGULATORY FRAMEWORK

The consolidated financial statements of Groupe BPCE were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable at the reporting date, excluding certain provisions of IAS 39 relating to hedge accounting.

2.2 ACCOUNTING STANDARDS

The standards and interpretations used and detailed in the annual financial statements as at December 31, 2017 were complemented by standards, amendments and interpretations whose application is mandatory for reporting periods starting from January 1, 2018.

New IFRS 9 "Financial Instruments" was adopted by the European Commission on November 22, 2016 and is applicable retrospectively as of January 1, 2018.

IFRS 9 replaces IAS 39 and defines the new rules for classifying and measuring financial assets and liabilities, the new impairment methodology for the credit risk of financial assets, and hedge accounting, except for macro-hedging, which the International Accounting Standards Board (IASB) is currently studying in a separate draft standard.

Groupe BPCE used the option available in IFRS 9 not to apply the provisions of the standard relative to hedge accounting, and to continue to apply IAS 39 as adopted by the European Union for the recognition of these transactions, *i.e.* excluding certain provisions relating to macro-hedging. In view of the limited volume of asset reclassifications, most transactions recognized using hedge accounting under IAS 39 continue to be disclosed in the same way from January 1, 2018. However, IFRS 7 amended by IFRS 9 requires additional information on hedge accounting to be provided in the Notes.

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable as of January 1, 2018. The Financial Conglomerates Directive allows insurance sectors within European financial conglomerates to defer application of IFRS 9 until January 1, 2021 (effective date of the new IFRS 17 "Insurance Contracts") as long as they:

- do not transfer financial instruments between the insurance sector and other sectors of the conglomerate (with the exception of financial instruments designated at fair value through profit or loss for the two sectors affected by the transfer);
- indicate the insurance entities that apply IAS 39;
- disclose specific additional information in the notes to the financial statements.

On November 14, 2018, the IASB decided to delay the implementation of IFRS 17 "Insurance Contracts" by one year to January 1, 2022. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17.

As Groupe BPCE is a financial conglomerate, it elected to apply this provision to its insurance businesses, which continue to be covered by IAS 39. The main entities affected by this measure are CEGC, the insurance subsidiaries of COFACE, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, BPCE Prévoyance, BPCE Assurances, BPCE IARD, Muracef, Surassur, Prépar Vie and Prépar Iard.

In accordance with the Implementing Regulation of November 3, 2017, the Group took the necessary steps to prohibit any transfer of financial instruments between its insurance sector and the rest of the Group that would lead to derecognition for the transferring entity; this restriction is not, however, required for transfers of financial instruments measured at fair value through profit or loss by the two sectors involved.

Under the option available in IFRS 9, the Group elected not to restate previous fiscal years published as comparative information for its financial statements.

Groupe BPCE holds some fixed-rate loans with symmetrical prepayment clauses in its loan book. In an amendment to IFRS 9 published in October 2017, the IASB stated that negative prepayment compensation is not in itself incompatible with the notion of SPPI. The application of this amendment is mandatory as of January 1, 2019 and early application is possible. The "Prepayment Features with Negative Compensation" amendment was adopted by the European Commission on March 22, 2018. Groupe BPCE applied this amendment early, as of January 1, 2018.

Regulation (EU) 2017/2395 dated December 12, 2017 relating to transitional arrangements for mitigating the impact of the introduction of IFRS 9 on capital and for the large exposures treatment of certain public-sector exposures was published in the Official Journal on December 27, 2017. Groupe BPCE has decided not to opt to neutralize IFRS 9 transitional impacts at the prudential level due to the limited impact when applying the standard.

IFRS 15 "Revenue from contracts with customers" replaces the current standards and interpretations related to the recognition of income. IFRS 15 was adopted by the European Union and published in the Official Journal on October 29, 2016. It has been applicable retrospectively since January 1, 2018. The amendment entitled "Clarifications to IFRS 15", published by the IASB on April 12, 2016, was adopted by the European Commission on October 31, 2017 and is also applicable retrospectively as of January 1, 2018.

Under this standard, recognition of revenue from ordinary activities now reflects the transfer of control of goods and services promised to customers in an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services. IFRS 15 thus introduces a new five-stage general approach for the recognition of income:

- identification of contracts with customers;
- identification of specific performance obligations (or items) to be recognized separately from one another;
- determination of the overall transaction price;
- allocation of the transaction price to the various specific performance obligations;
- recognition of revenue when performance obligations are met.

IFRS 15 applies to contracts entered into by an entity with its customers, with the exception of leases (covered by IAS 17), insurance contracts (covered by IFRS 4) and financial instruments (covered by IFRS 9). If specific stipulations relating to revenue or contract costs are given under a different standard, these will first be applied.

The work related to the first-time application of IFRS 15 notably drew on self-assessments carried out by certain pilot institutions and subsidiaries, which were then transposed by all the Group's significant institutions and subsidiaries. This work helped identify the main items concerned, in particular:

- fee and commission income, notably that relating to banking services when this income is not included in the effective interest rate, or that relating to asset management or financial engineering services;
- income from other activities, in particular for services included in leases.

This work also confirmed that the Group is either only slightly or not affected by certain first-time application of IFRS 15 issues such as real estate development, loyalty programs and telephony.

Based on the work performed, the Group did not recognize any material impact related to application of IFRS 15, on either opening equity at January 1, 2018 or on income and expense items in fiscal year 2018.

Under the option available in IFRS 15, the Group elected not to restate previous fiscal years published as comparative information for its financial statements.

The other standards, amendments and interpretations adopted by the European Union did not have a material impact on the Group's financial statements.

New standards published and applicable after 2018

IFRS 16

IFRS 16 "Leases" will replace IAS 17 "Leases" and the interpretations related to the accounting of such contracts. The standard was adopted by the European Commission on October 31, 2017. It will be applicable as of January 1, 2019.

As defined under IFRS 16, leases shall identify an asset and convey the right to use this asset for a period of time. Control is established if the lessee holds the following two rights throughout the period of use:

- the right to obtain almost all of the economic benefits arising from use of the asset;
- the right to decide how the asset is used.

From the lessor's perspective, the impact is expected to be limited, as the provisions will not change substantially in relation to the current IAS 17.

Under the current IAS 17, operating leases are not recognized on the balance sheet, only the corresponding rental income is recorded in income.

In contrast, for lessees, IFRS 16 requires that leases be recorded in the balance sheet such that they convey the right to use the leased asset presented, as the case may be, among property, plant and equipment or investment property, and a lease liability. The lease liability corresponds to the discounted value of lease payments that have not yet been paid. The Group has decided to opt for the exception included in the standard of not modifying the accounting method for short-term leases (less than 12 months) or leases related to low value underlying assets. The right to use the asset will be amortized on a straight-line basis and the lease liability will be calculated on an actuarial basis over the term of the lease.

The expense on the lease debt will thus be included in interest income under net banking income and the amortization expense on the right to use the asset will be recognized in operating expenses.

The Group began to analyze the impact of the application of this new standard following its publication by the IASB at the start of 2016. This work continued in 2018. Structural choices were made in terms of organization and information systems during the first half of the year. In the second half, work focused on the operational implementation, which is currently being finalized ahead of the rollout planned in early 2019.

Regarding Groupe BPCE's activities, the implementation of IFRS 16 will mainly affect real estate assets leased for operational purposes as offices and sales branches. A material impact is therefore expected on "Property, plant and equipment" without modifying in itself the relatively limited contribution of this item to total assets.

For the first-time application of this standard, the Group has chosen the modified retrospective approach. This method involves assessing the amount of lease liabilities based on remaining lease payments using the present value applicable to the remaining term of the contracts. The Group has elected not to recognize leases with a remaining term of less than 12 months on the balance sheet as of January 1, 2019. Right of use will be measured using the amount of lease liabilities determined at that date. At the date of initial recognition of the right of use and the lease liability, no deferred tax will be recognized if the value of the asset equals the value of the liability. Any net temporary differences arising from subsequent changes in the right of use and lease liability will result in recognition of deferred tax.

IFRS 17

IFRS 17 "Insurance Contracts" was published by the IASB on May 18, 2017 and will replace IFRS 4 "Insurance Contracts". Initially applicable on January 1, 2021, with a comparison at January 1, 2020, this standard is only expected to come into force from January 1, 2022. At its meeting on November 14, 2018, the IASB decided to defer its application by a year, as clarifications still need to be given regarding key aspects of the standard. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17.

IFRS 17 establishes the principles of recognition, measurement, presentation and disclosure for the insurance contracts and investment contracts with discretionary profit sharing provisions that fall within its scope.

Liabilities under these contracts, which are currently valued at historical cost, will have to be recognized at present value under IFRS 17. As such, insurance contracts will be valued based on their future cash flows, including a risk margin in order to factor in the uncertainty relating to these cash flows. IFRS 17 also introduces the concept of contractual service margin. This represents the insurer's unearned profit and will be released over time as the services are rendered to the policyholder. The standard demands a more detailed level of granularity in calculations than previously as it requires estimates by groups of contracts.

These accounting changes could modify the profile of insurance income (in particular for life insurance) and also introduce greater volatility in income.

Given the scale of the changes made by IFRS 17, and despite the uncertainties still surrounding the standard, Groupe BPCE's insurance entities have, or will soon have, completed the scoping phase aimed at defining their road maps and the cost of implementation. They set up project structures in 2018 that will allow them, within the various working groups, to understand the standard in all of its aspects, including modeling, the adaptation of systems and organizational structures, the production of financial statements and the transition strategy, financial communication and change management.

IFRIC 23

IAS 12 "Income taxes" gave no particular details on how to account for uncertainties in income taxes, and was clarified by IFRIC 23 "Uncertainty over Income Tax Treatments", which was published in June 2017. This interpretation allows companies to take into consideration uncertainties about their tax position when calculating and recognizing taxes payable and deferred taxes.

The European Commission adopted this interpretation on October 23, 2018 and it applies from January 1, 2019. The Group has begun to consider how it will identify and document uncertainties and fiscal risk, but it is not currently able to anticipate the impact.

2.3 USE OF ESTIMATES AND JUDGMENTS

Preparation of the financial statements requires Management to make estimates and assumptions in certain areas with regard to uncertain future events.

These estimates are based on the judgment of the individuals preparing these financial statements and the information available at the balance sheet date.

Actual future results may differ from these estimates.

With respect to the financial statements for the period ended December 31, 2018 in particular, accounting estimates requiring assumptions were mainly used for the following measurements:

- the fair value of financial instruments determined on the basis of valuation models (Note 10);
- the amount of expected credit losses on financial instruments as well as on loan and guarantee commitments (Note 7.1);
- provisions recorded under liabilities in the balance sheet and more specifically the provision for regulated home savings products (Note 5.15) and provisions for insurance policies (Note 9);
- calculations related to the cost of pensions and future employee benefits (Note 8.2);
- deferred tax assets and liabilities (Note 11);
- goodwill impairment testing (Note 3.5).

Judgment must also be exercised to assess the business model and whether a financial instrument can be categorized as SPPI. The procedures are described in the relevant paragraphs (Note 2.5.1).

Uncertainties related to Brexit

On June 23, 2016, the UK decided to leave the European Union (Brexit) following a referendum. After the triggering of Article 50 of the treaty on European Union on March 29, 2017, the United Kingdom and the 27 other member countries of the European Union gave themselves two years to prepare for the country's effective withdrawal. Complex negotiations are under way to redefine the new economic relations between the United Kingdom and the European Union. The political and economic consequences of Brexit are still uncertain, however, and the uncertainties are increasing as the exit date approaches and the possibility of a hard exit without a withdrawal agreement takes shape.

Given this situation, Groupe BPCE has prepared for the various possible scenarios and is monitoring the progress of the negotiations and their potential consequences, to incorporate them, where necessary, in the assumptions and estimates made when preparing the consolidated financial statements.

Uncertainties related to the application of certain provisions of the BMR

European Regulation (EU) 2016/1011 of June 8, 2016 on the indices used as benchmarks ("the Benchmarks Regulation" or "BMR") introduces a common framework aimed at guaranteeing the accuracy and integrity of the indices used as benchmarks for financial instruments and contracts, or to measure the performance of investment funds within the European Union.

The purpose of the Benchmarks Regulation is to regulate the provision of benchmarks, the provision of data underlying benchmarks, and the use of benchmarks, within the European Union. It provides for a transition period for administrators, who have until January 1, 2020 to be approved or registered. After this date, the use by entities supervised by the EU of benchmarks whose administrators are not approved or registered (or, if they are not located in the EU, are not subject to equivalent or otherwise recognized or approved regulations) will be prohibited.

Under the BMR, the interest rate benchmarks EURIBOR, LIBOR and EONIA have been declared critical, although they may be phased out or their discontinuation may become likely in the future.

Work in the euro zone to propose new indices is not yet complete.

It is therefore difficult at this stage to accurately predict the terms of any future substitution of existing financial instruments and contracts.

In 2018, Groupe BPCE established a project structure tasked with anticipating the impact of the benchmarks' discontinuation in the near future, from a legal, commercial, financial and accounting viewpoint. Regarding this last aspect, particularly close attention is being paid to the issues of fair value, the application of the SPPI criterion, hedging relationships and derecognition.

2.4 PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BALANCE SHEET DATE

As no specific format is required under IFRS, the presentation used by the Group for summarized statements follows Recommendation No. 2017-02 issued by the *Autorité des normes comptables* (ANC – French national accounting standards authority) on June 2, 2017.

The consolidated financial statements are based on the financial statements at December 31, 2018. The Group's consolidated financial statements for the period ended December 31, 2018 were approved by the Management Board on February 5, 2019. They will be presented to the Annual General Shareholders' Meeting on May 24, 2019.

The amounts presented in the financial statements and in the notes are shown in millions of euros, unless otherwise indicated. Rounding may lead to differences between the amounts shown in the financial statements and those referred to in the notes.

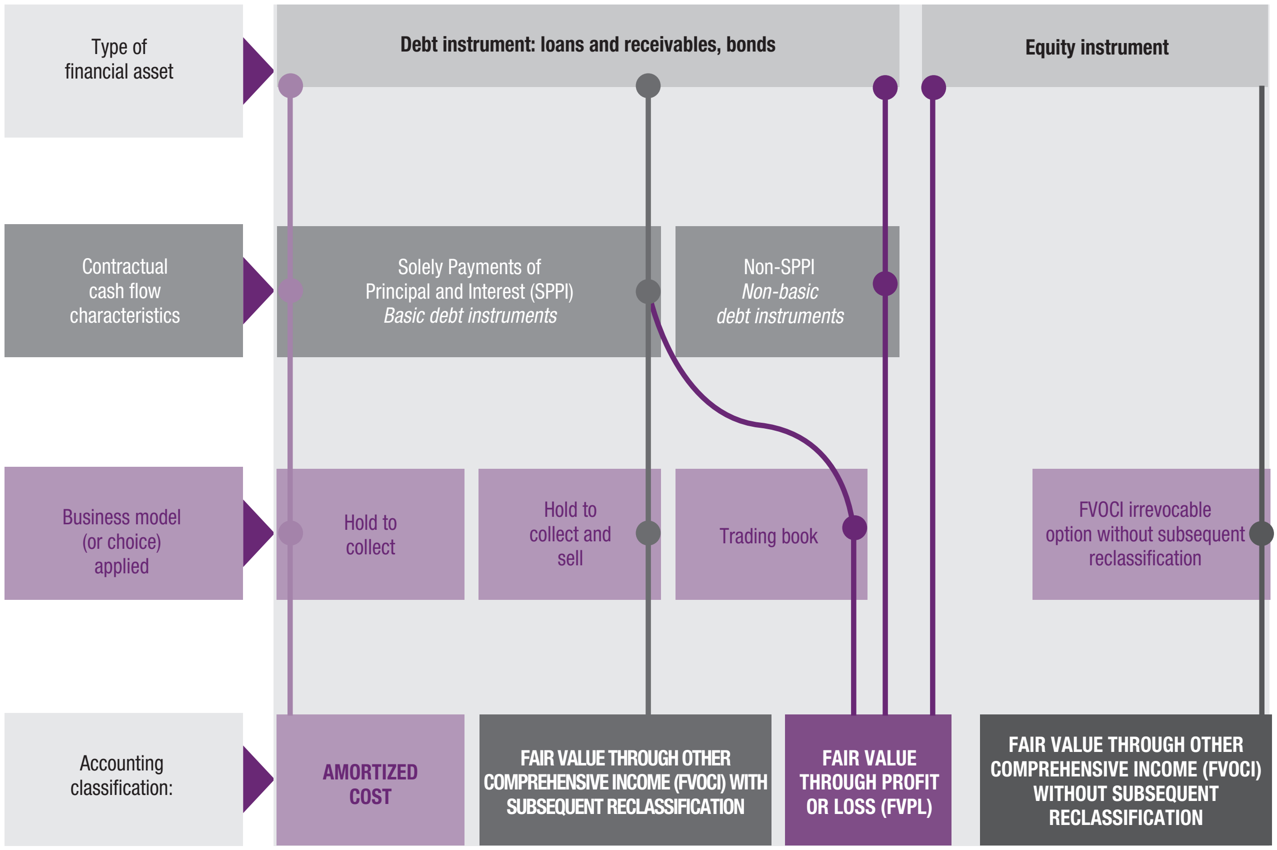
2.5 GENERAL ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

The general accounting principles set out below apply to the main items of the financial statements. Specific accounting principles are presented in the Notes to which they refer.

2.5.1 Classification and measurement of financial assets

IFRS 9 is applicable to Groupe BPCE excluding the insurance subsidiaries, which continue to apply IAS 39.

On initial recognition, financial assets are classified at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, according to the type of instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).



Business model

The entity's business model represents the way in which it manages its financial assets to produce cash flow. Judgment must be exercised to ascertain the business model.

The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information.

For example:

- the way in which the performance of financial assets is assessed and presented to the main company directors;
- risks which have an impact on the business model's performance, in particular the way in which these risks are managed;
- the way in which directors are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency of, volume of and reason for sales.

Moreover, the choice of business model must be made at a level which reflects the way in which groups of financial assets are managed collectively with a view to achieving a given economic objective. The business model is therefore not decided on an instrument by instrument basis, but rather at a higher level of aggregation, by portfolio.

The standard provides for three business models:

- a business model whose objective is to hold financial assets in order to receive contractual cash flows ("hold to collect model"). This model, under which the concept of "holding" is relatively similar to holding to maturity, remains valid if disposals occur under the following conditions:
  - the disposals are due to an increase in credit risk,
  - the disposals occur just before maturity and at a price that reflects the contractual cash flows that are still owed,
  - other disposals may also be compatible with the "hold to collect" model's objectives if they are infrequent (even if their value is significant) or if their value is insignificant when considered both individually and overall (even if they are frequent).
- for Groupe BPCE, the "hold to collect" model applies to financing activities (excluding the loan syndication activity) carried out by Retail Banking, Corporate & Investment Banking and Specialized Financial Services;
- a mixed business model under which assets are managed with the objective of both receiving contractual cash flows and disposing of financial assets ("hold to collect and sell model");
- Groupe BPCE applies the hold to collect and sell model primarily to the portion of portfolio management activities for securities in the liquidity reserve that is not managed solely under a hold to collect model;
- a model intended for other financial assets, especially those held for trading, for which the collection of contractual cash flows is incidental. This business model applies to the loan syndication activity (for the portion of outstandings to be sold that was identified at the outset) and to the capital market activities carried out primarily by Corporate & Investment Banking.

Types of contractual cash flows: the SPPI (Solely Payments of Principal and Interest) test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due. The SPPI test should be performed for each financial asset on initial recognition.

The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.

The instrument's contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubt as to whether only the time value of money and credit risk are represented must therefore be analyzed. For example:

- events that would change the amount and date of the cash flows.

  Any contractual option that creates risk exposure or cash flow volatility that is not consistent with a basic lending arrangement, such as exposure to fluctuations in the price of stocks or of a market index, or the introduction of leverage, would make it impossible to categorize contractual cash flows as SPPI;
- the applicable interest rate features (for example, consistency between the rate refixing period and the interest calculation period).

  If a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset;
- early redemption and extension conditions.

For the borrower or lender, a contractual option permitting prepayment of financial instruments does not violate the SPPI test for contractual cash flows if the prepayment amount mainly represents the unpaid amounts of principal and interest and, if applicable, a reasonable additional compensation for the early termination of the contract.

If a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset.

Furthermore, although they do not strictly meet the criteria for compensation of the time value of money, certain assets with a regulated interest rate are classified SPPI if this regulated rate provides consideration that corresponds substantially to the passage of time and presents no exposure to a risk that would be inconsistent with a basic lending arrangement. This is the case in particular for financial assets representing the portion of Livret A passbook savings account inflows that is centralized with the CDC's savings fund.

Financial assets that generate SPPI are debt instruments such as fixed-rate loans, variable-rate loans without an interest rate tenor mismatch or that are not linked to a security or to a market index, and fixed-rate or variable-rate debt securities.

Non-SPPI financial assets include UCITS units, convertible bonds and mandatory convertible bonds with a fixed conversion ratio and structured loans to local authorities.

To qualify as SPPI assets, the securities held in a securitization vehicle must meet specific conditions. The contractual terms of the vehicle must meet the SPPI criteria. The pool of underlying assets must meet the SPPI conditions. The risk inherent in the vehicle must be lower than or equal to the exposure to the vehicle's underlying assets.

A non-recourse loan (*e.g.* infrastructure financing-type project financing) is a loan secured only by physical collateral. If there is no possible recourse to the borrower, the structure of other possible recourses or protection mechanisms for the lender in the event of default must be examined in order to categorize these loans as SPPI assets: acquisition of the underlying asset, collateral provided (security deposits, margin call, etc.), enhancements provided.

Accounting categories

Debt instruments (loans, receivables or debt securities) may be valued at amortized cost, at fair value through other comprehensive income recyclable to income or at fair value through profit and loss.

A debt instrument is valued at amortized cost if it meets the following two conditions:

- the asset is held under a hold to collect business model; and
- the contractual terms of the financial asset define it as generating SPPI within the meaning of the standard.

A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:

- the asset is held under a hold to collect and sell business model; and
- the contractual terms of the financial asset define it as generating SPPI within the meaning of the standard.

Equity instruments are, by default, recorded at fair value through profit or loss unless they qualify for an irrevocable option for valuation at fair value through other comprehensive income not recyclable to income (provided they are not held for trading purposes and accordingly classified as financial assets at fair value through profit or loss), without subsequently being reclassified through profit or loss. If opting for the latter category, dividends continue to be recognized in income.

All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading, financial assets at fair value through profit or loss and non-SPPI assets. Financial assets may only be designated at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch. This option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Embedded derivatives are no longer recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must now be recognized at fair value through profit or loss when it does not meet the SPPI criteria.

For financial liabilities, the classification and measurement rules set out in IAS 39 are carried forward to IFRS 9 unchanged, with the exception of those applicable to financial liabilities that the entity chooses to record at fair value through profit or loss (fair value option), for which revaluation adjustments related to changes in own credit risk are recorded under gains and losses recognized directly in other comprehensive income, without being subsequently reclassified through profit or loss.

The provisions of IAS 39 on the derecognition of financial assets and liabilities remain unchanged in IFRS 9. The amendment to IFRS 9 of October 12, 2017 clarified the treatment under IFRS 9 of modifications of liabilities recognized at amortized cost if the modification does not result in derecognition: the profit or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate must be recognized in profit or loss.

2.5.2 Foreign currency transactions

The method used to account for assets and liabilities relating to foreign currency transactions entered into by the Group depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the Group entity on whose balance sheet they are recognized, at the exchange rate prevailing at the balance sheet date. All resulting foreign exchange gains and losses are recognized in income, except in two cases:

- only the portion of the foreign exchange gains and losses calculated based on the amortized cost of financial assets at fair value through other comprehensive income is recognized in income, with any additional gains and losses being recognized in "Gains and losses recognized directly in other comprehensive income";
- foreign exchange gains and losses arising on monetary items designated as cash flow hedges or as part of a net investment in a foreign operation are recognized in "Gains and losses recognized directly in other comprehensive income".

Non-monetary assets carried at historical cost are translated using the exchange rate prevailing at the transaction date. Non-monetary assets carried at fair value are translated using the exchange rate in effect at the date on which the fair value was determined. Foreign exchange gains and losses on non-monetary items are recognized in income if gains and losses relating to the items are recorded in income, and in "Gains and losses recognized directly in other comprehensive income" if gains and losses relating to the items are recorded in "Gains and losses recognized directly in other comprehensive income".

Note 3 Consolidation

3.1 SCOPE OF CONSOLIDATION – CONSOLIDATION AND VALUATION METHODS

The Group's financial statements include the financial statements of all the entities over which it exercises control or significant influence, whose consolidation had a material impact on the aforementioned financial statements.

The scope of entities consolidated by Groupe BPCE is described in Note 13 – Scope of consolidation.

3.1.1 Entities controlled by the Group

The subsidiaries controlled by BPCE SA group are fully consolidated.

Definition of control

Control exists when the Group has the power to govern an entity's relevant activities, when it is exposed to or is entitled to variable returns due to its links with the entity and has the ability to exercise its power over the entity to influence the amount of returns it obtains.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control exercised. These potential voting rights may result, for example, from share call options traded on the market, debt or equity instruments that are convertible into ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account to calculate the percentage of ownership.

Exclusive control is presumed to exist when the Group holds directly or indirectly either the majority of the subsidiary's voting rights, or at least half of an entity's voting rights and a majority within the management bodies, or is in a position to exercise significant influence.

Specific case of structured entities

Entities described as structured entities are those organized in such a way that voting rights are not a key criterion when determining who has control. This is the case in particular when voting rights only apply to administrative duties and relevant activities are managed through contractual agreements.

A structured entity frequently exhibits some or all of the following characteristics:

(a) well-defined activities;

(b) a specific and well-defined aim, for example: implementing a lease eligible for favorable tax treatment, carrying out research and development, providing an entity with a source of capital or funding, or providing investors with investment options by transferring associated risk and advantages to the structured entity's assets;

(c) insufficient equity for the structured entity to finance its activities without subordinated financial support;

(d) financing through the issue, to investors, of multiple instruments inter-related by contract and which create concentrations of credit risk or other credit ("tranches").

The Group therefore considers, among others, collective investment vehicles within the meaning of the French Monetary and Financial Code and equivalent bodies governed by foreign law as structured entities.

Full consolidation method

The full consolidation of a subsidiary in the Group's consolidated financial statements begins at the date on which the Group takes control and ends on the day on which the Group loses control of this entity.

The portion of interest which is not directly or indirectly attributable to the Group corresponds to a non-controlling interest.

Income and all components of other comprehensive income (gains and losses recognized directly in other comprehensive income) are divided between the Group and non-controlling interests. The comprehensive income of subsidiaries is divided between the Group and non-controlling interests, including when this division results in the allocation of a loss to non-controlling interests.

Changes to the percentage of interest in subsidiaries that do not lead to a change in control are recognized as transactions affecting equity.

The effects of these transactions are recognized in other equity at their after-tax amount and therefore do not impact consolidated income attributable to equity holders of the parent.

Exclusion from the scope of consolidation

Non-material controlled entities are excluded from the scope in accordance with the principle set out in Note 13.4.

Employee pension funds and supplementary health insurance plans are excluded from the scope of consolidation insofar as IFRS 10 does not apply to either post-employment benefit funds or other long-term employee benefit plans to which IAS 19, "Employee Benefits", applies.

Likewise, interests acquired with a view to their subsequent short-term disposal are recorded as available for sale and recognized in accordance with the provisions of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

3.1.2 Investments in Associates and Joint Ventures

Definitions

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control or joint control over those policies. It is presumed to exist if the Group holds, directly or indirectly, 20% or more of the voting rights of an entity.

A joint venture is a partnership in which the parties which exercise joint control over the entity have rights over its net assets.

Joint control is the contractually agreed sharing of control over a company, which exists only when the strategic decisions require the unanimous consent of the parties sharing control.

Equity method

Income, assets and liabilities of investments in associates and joint ventures are accounted for in the Group's consolidated financial statements using the equity method.

An investment in an associate or a joint venture is initially recognized at its acquisition cost and subsequently adjusted for the Group share in the income and other comprehensive income of the associate or joint venture.

The equity method is applied from the date on which the entity becomes an associate or a joint venture. On the acquisition of an associate or a joint venture, the difference between the cost of investment and the Group's share in the net fair value of the entity's identifiable assets and liabilities is recognized in goodwill. When the net fair value of the entity's identifiable assets and liabilities is higher than the cost of investment, the difference is recognized in income.

The share of net income of entities accounted for under the equity method is included in the Group's consolidated income.

When a Group entity carries out a transaction with a Group joint venture or associate, the profit or loss resulting from this transaction is recognized in interests held by third parties in the associate or joint venture.

The net investment in an associate or joint venture is subject to impairment testing if there is objective evidence of impairment arising from one or more events occurring after the initial recognition of the net investment and if the events have an impact on estimated cash flows, provided this impact can be reliably calculated.

In such cases, the total carrying amount of the investment (including goodwill) is subject to impairment testing according to the provisions of IAS 36 "Impairment of Assets".

Exception to the equity method

When the investment is held by a venture capital organization, an investment fund, an investment company with variable share capital or a similar entity such as an insurance asset investment fund, the investor may choose not to recognize the investment using the equity method. In this case, revised IAS 28 "Investments in Associates and Joint Ventures" authorizes the investor to recognize the investment at its fair value (with changes in fair value recognized in income) in accordance with IFRS 9.

These investments are therefore recognized as "Financial assets at fair value through profit or loss".

The Natixis group's private equity subsidiaries have chosen to measure their investments in this way, considering that this valuation method provides more relevant information.

3.1.3 Investments in joint activities

Definition

A joint activity is a partnership where parties that have joint control over an entity have direct rights over the entity's assets, and obligations for its liabilities.

Accounting treatment of joint activities

An investment in a joint enterprise is accounted for by integrating all interests held in the joint activity, *i.e.* the entitled share in each asset and liability and item of income. These interests are allocated by nature to the various lines of the consolidated balance sheet, consolidated income statement and the statement of net income and gains and losses recognized directly in other comprehensive income.

3.2 CONSOLIDATION RULES

The consolidated financial statements are prepared using uniform accounting policies for reporting similar transactions in comparable circumstances. Where material, consolidation adjustments are made to ensure the consistency of the measurement methods applied by consolidated entities.

3.2.1 Foreign currency translation

The consolidated financial statements are expressed in euros.

Balance sheet items of foreign subsidiaries and branches whose functional currency is not the euro are translated using the exchange rate in force at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, which is the approximate value of the transaction price if there are no significant fluctuations.

Foreign exchange rate adjustments arise from a difference in:

- net income for the period translated at the average rate and at the closing rate;
- equity (excluding net income for the period) translated at the historic exchange rate and at the year-end rate.

The portion attributable to equity holders of the parent is recorded in equity under "Foreign exchange rate adjustments" and the portion attributable to minority shareholders under "Non-controlling interests".

3.2.2 Elimination of intragroup transactions

The impact of intercompany transactions on the consolidated balance sheet and consolidated income statement is eliminated. Dividends, as well as gains and losses on intercompany asset disposals, are also eliminated. Where appropriate, capital losses from asset disposals resulting in impairment are maintained.

3.2.3 Business combinations

In accordance with revised IFRS 3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements":

- combinations between mutual insurers are included within the scope of IFRS 3;
- costs directly linked to business combinations are recognized in net income for the period;
- contingent considerations payable are included in the acquisition cost at their fair value at the date of acquisition of a controlling interest in an entity, even if they are only potential. Depending on the settlement method, transferred considerations are recognized against:
  - capital and later price revisions will not be booked,
  - or debts and later adjustments are recognized against income (financial debts) or according to the appropriate standards (other debts outside the scope of IFRS 9);
- on an entity's acquisition date, non-controlling interests may be valued:
  - either at fair value (method resulting in the allocation of a share of the goodwill to non-controlling interests),
  - or at the share in the fair value of the identifiable assets and liabilities of the entity acquired (method similar to that applicable to transactions prior to December 31, 2009).

The choice between these two methods must be made for each business combination.

Whatever method is chosen when the acquisition is made, increases in the percentage of interest in an entity already controlled are systematically recognized in capital:

- when an entity is acquired, any share previously held by the Group must be revalued at fair value through profit or loss. Consequently, in the event of a step acquisition, goodwill is determined by referring to the fair value at the acquisition date;
- when the Group loses control of a consolidated company, any share previously held by the Group must be revalued at fair value through profit or loss.

All business combinations that occurred prior to the revisions of IFRS 3 and IAS 27 are accounted for by applying the purchase method, except business combinations involving two or more mutual insurers or entities under joint control, as these transactions were explicitly excluded from the scope of application.

3.2.4 Buyback commitments with the minority shareholders of fully-consolidated subsidiaries

The Group has entered into commitments with minority shareholders of certain fully consolidated Group subsidiaries to buy out their shares. These buyback commitments are optional commitments (sales of put options). The exercise price for these options may be an amount fixed contractually, or may be established according to a calculation formula pre-defined upon the acquisition of the subsidiary's securities taking into account its future activity, or may be set as the fair value of the subsidiary's securities on the day on which the options are exercised.

For accounting purposes, these commitments are treated as follows:

- pursuant to the provisions of IAS 32, the Group recognizes a financial liability with respect to the put options sold to minority shareholders in fully-consolidated entities. This liability is initially recognized at the discounted value of the put option exercise price under "Other liabilities";
- the obligation to record a liability even though the put options are not exercised means, for purposes of consistency, that the same accounting treatment as that for transactions related to non-controlling interests must be applied. As a result, the corresponding entry for this liability is deducted from "Non-controlling interests" underlying the options and the balance is deducted from "Retained earnings, attributable to equity holders of the parent";
- subsequent changes in this liability relating to any change in the estimated exercise price of the options and the carrying amount of "Non-controlling interests" are fully booked as "Retained earnings, attributable to equity holders of the parent";
- in the event of a buyback, the liability is settled by the cash payment related to the acquisition of minority shareholders' stakes in the subsidiary in question. However, on maturity of the commitment, if the buyback does not take place, the liability is written off against "Non-controlling interests" and "Retained earnings, attributable to equity holders of the parent" according to their respective amounts;
- as long as the options have not been exercised, results from non-controlling interests subject to put options are included in the consolidated income statement as "Non-controlling interests".

3.2.5 Buyback commitments with the minority shareholders of fully-consolidated subsidiaries

The entities included in the scope of consolidation close their accounts on December 31.

3.3 CHANGES IN SCOPE OF CONSOLIDATION DURING FISCAL YEAR 2018

The main changes in the scope of consolidation during 2018 are presented below:

Changes in the ownership interest in subsidiaries at December 31, 2018 (with no impact on control)

Change in the Group's ownership interest in Natixis

Following a number of transactions in its own shares, the Group's stake in Natixis stood at 70.78% at December 31, 2018 (*versus* 71.02% at December 31, 2017). The impact of this change on equity attributable to equity holders of the parent was not material.

Acquisition of a controlling interest in subsidiaries

Finalization of the acquisition of Fenchurch Advisory Partners by Natixis

Natixis has completed the acquisition of Fenchurch Advisory Partners ("Fenchurch"), a specialist corporate finance advisory firm exclusively focused on the financial services sector.

Natixis owns 51% of the capital of Fenchurch, exercises control over it within the meaning of IFRS 10, and fully consolidates this entity.

This transaction generated goodwill of €37 million as at December 31, 2018, as determined using the partial goodwill method. Natixis also committed to buy out minority shareholders' shares for €28 million.

Acquisition of Vermilion Partners by Natixis

Natixis also completed the acquisition of the Vermilion Partners group, a specialist in cross-border transactions involving China and in advising on both inbound and outbound M&A transactions.

Natixis holds a 51% stake in Vermilion partners. Natixis exercises control over this group within the meaning of IFRS 10 and fully consolidates it.

This transaction generated goodwill of €11 million as at December 31, 2018, as determined using the partial goodwill method. Natixis also committed to buy out minority shareholders' shares for €15 million.

Acquisition of Alter CE (Comiteo) by Natixis

Furthermore, Natixis completed the acquisition of Alter CE (Comiteo), a company specializing in online services for works councils. Natixis holds a 70% stake in Alter CE, exercises control over it within the meaning of IFRS 10, and fully consolidates this entity.

This transaction generated goodwill of €20 million as at December 31, 2018, as determined using the partial goodwill method. Natixis also holds put options on minority interests in the amount of €9 million.

Acquisition of MV Crédit France by Natixis

Lastly, Natixis completed the acquisition of MV Crédit, a European credit specialist focused on private debt. MV Credit became a new affiliate of Natixis Investment Managers, providing investors with access to a wide range of expertise in private equity, private debt, real estate and infrastructure. Natixis owns 100% of the capital of MV Crédit, exercises control over it within the meaning of IFRS 10, and fully consolidates this entity. This transaction generated goodwill of €123 million as at December 31, 2018.

Other changes in scope

Deconsolidated entities

The Group lost significant influence over DocOne, a printing subsidiary, and its parent Nefer, following the disposal of some of its shares in Q3 2018.

Mergers and full transfers of assets and liabilities

In the fourth quarter of 2018, BPCE Maroc Immobilier was absorbed by BPCE Maroc in a total transfer of assets and liabilities with retroactive effect from January 1, 2018.

On April 24, 2018, ECUFONCIER was absorbed by BPCE SA group in a total transfer of assets and liabilities.

3.4 GOODWILL

3.4.1 Value of goodwill

Goodwill related to operations for the financial year is analyzed in respect of Note 3.4 on "Changes in scope of consolidation".

in millions of euros	Fiscal year 2018	Fiscal year 2017
Opening net value	**3,728**	**3,803**
Acquisitions[1]	190	193
Disposals	(27)	
Impairment	(16)	(66)
Reclassifications and other changes	(35)	
Foreign exchange rate adjustments	66	(202)
CLOSING NET VALUE	**3,906**	**3,728**

(1) The main acquisitions during the period that led to the recognition of goodwill by Natixis are as follows: Fenchurch Partners +€37 million and Vermilion Partners +€11 million for Corporate & Investment Banking; Alter CE (Comiteo) +€20 million for Retail Banking and Insurance; MV Crédit +€123 million for Asset & Wealth Management.

At December 31, 2018, gross goodwill came to €4,292 million and total impairment came to -€386 million.

Certain goodwill items recognized in the United States give rise to tax amortization over 15 years leading to a difference between the carrying amount of the goodwill and its tax base. This difference in treatment generated a deferred tax liability of €336 million at December 31, 2018, compared with €311 million at December 31, 2017 (see Note 11.2).

Breakdown of goodwill

	Carrying amount	
in millions of euros	12/31/2018	01/01/2018
BPCE International[1]		28
Fidor AG	82	82
Crédit Foncier[2]		13
Other		4
Other networks	**82**	**127**
Specialized Financial Services	**185**	**163**
Insurance	**93**	**93**
Equity interests (Coface)	**281**	**281**
Retail Banking and Insurance	**641**	**664**
Asset & Wealth Management	**3,136**	**2,987**
Corporate & Investment Banking	**129**	**77**
TOTAL GOODWILL	**3,906**	**3,728**

(1) Pursuant to IFRS 5, goodwill on Banque Malgache de l'Océan Indien and Banque de Nouvelle-Calédonie is classified as "Non-current assets held for sale" (see Note 5.7).
(2) Goodwill amounting to -€13 million on Crédit Foncier Immobilier, a Crédit Foncier subsidiary, was fully impaired as of December 31, 2018.

3.4.2 Impairment tests

All goodwill has been impairment-tested, based on the assessment of the value in use of the Cash-Generating Units (CGUs) to which it is attached.

Key assumptions used to determine recoverable value

Value in use was primarily determined based on the estimated present value of the CGU's future cash flows under medium-term plans drawn up for the purposes of the Group's budget process.

The following assumptions were used:

	Discount rate	Long-term growth rate
Retail Banking and Insurance		
Specialized Financial Services	11.2%	2.5%
Insurance	10.2%	2.5%
Equity interests (Coface)	9.3%	2.5%
Asset & Wealth Management	**8.7%**	**2.5%**
Corporate & Investment Banking	**10.6%**	**2.5%**

The discount rates were determined by factoring in the following:

- for the Asset & Wealth Management, Corporate & Investment Banking, Insurance and Specialized Financial Services CGUs, the risk-free interest rate of the Euro-Bund zone, averaged over a depth of 10 years, plus a risk premium calculated according to a representative sample of companies from the CGU;
- for the Coface CGU, the benchmark interest rates used were determined according to a similar method as applied to the other CGUs, using samples of equivalent companies for insurance, services and factoring activities;.

The impairment tests performed at the level of each CGU led to the recognition of impairment on Crédit Foncier Immobilier (a Crédit Foncier subsidiary) in the amount of -€13 million, and impairment on Ariès Assurances (a Banque Palatine subsidiary) for -€3 million at December 31, 2018.

Sensitivity of recoverable values

A 30 bp increase in discount rates (assumption based on the historical annual variability observed over one year using 2012-2018 historical data) combined with a 50 bp reduction in perpetual growth rates would reduce the value in use of CGUs by:

- -9.7% for the Asset & Wealth Management CGU;
- -5.0% for the Corporate & Investment Banking CGU;
- -7.6% for the Insurance CGU;
- -5.3% for the Specialized Financial Services CGU;
- -4.8% for the Coface CGU.

These variations would not lead to the recognition of any impairment losses for these CGUs.

Similarly, the sensitivity of these CGUs' future cash flows, as forecast in the business plan, to changes in the main assumptions would not significantly affect their recoverable value:

- for Asset & Wealth Management, a 10% decline in the equity markets (a uniform decline across all years) would have a 5% negative impact on the CGU's recoverable value and would not lead to the recognition of impairment;

- for Corporate & Investment Banking, sensitivity to the dollar or to changes in the CAC 40 would have a limited impact on net banking income and would not result in recognition of impairment;
- for Insurance, the main vector of sensitivity for life insurance is interest rates but various steps are being taken to reduce their impact (diversification of investments, reserves, etc.). Accordingly, the impact on the income statement is limited and would not significantly impact the CGU's value.

  For non-life insurance, the main vector of sensitivity is the loss ratio, which is notably measured *via* the combined ratio. Natixis' strategic plan, New Dimension, sets this ratio at below 94%. A one-point deterioration in this ratio each year from 2018 in relation to the assumptions used to value the CGU would lead to a limited fall of 4% in this value, with no impact on impairment;
- for Specialized Financial Services, a one-point increase in the 3-month Euribor applied to the factoring business and the replication of a 2008/2009-type crisis (decline in new business and increase in cost of risk) in the leasing business would have a negative impact of 4% on the CGU's recoverable value and would have no impact in terms of impairment;
- for Coface, the primary sensitivity vector is the loss ratio. The projected level of this ratio is around 45% (net of reinsurance) for 2018. A one-point increase in the loss ratio, relative to the assumptions used for the DCF calculation over all years from 2018, would impact the average multi-criteria value by around 4% and would not lead to the recognition of impairment on the CGU. Furthermore, a valuation at the lowest price in 2018 would lead to a very limited impact on the weighted average valuation for the various methods (less than -1%).

Note 4 Notes to the income statement

Highlights

Net Banking Income (NBI) includes:

- interest income and expenses;
- fees and commissions;
- net gains or losses on financial instruments at fair value through profit or loss;
- net gains or losses on financial instruments at fair value through other comprehensive income;
- net gains or losses resulting from the derecognition of financial assets at amortized cost;
- net income from insurance businesses;
- income and expenses from other activities.

4.1 INTEREST AND SIMILAR INCOME AND EXPENSES

Accounting principles

Interest income and expenses are recognized in the income statement for all financial instruments measured at amortized cost using the Effective Interest Method, which include interbank and customer items, the portfolio of securities at amortized cost, debt securities and subordinated debt. This item also includes interest receivable on fixed-income securities classified as financial assets at fair value through other comprehensive income and hedging derivatives, it being specified that accrued interest on cash flow hedging derivatives is taken to income in the same manner and period as the accrued interest on the hedged item.

Interest income also consists of interest on non-SPPI debt instruments not held under a trading model as well as interest on the related economic hedges (classified by default as instruments at fair value through profit or loss).

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The effective interest rate calculation takes account of all transaction fees paid or received as well as premiums and discounts. Transaction fees paid or received that are an integral part of the effective interest rate of the contract, such as loan set-up fees and commissions paid to financial partners, are treated as additional interest.

The Group has chosen the following option to account for negative interest:

- when income from a financial asset debt instrument is negative, it is deducted from interest income in the income statement;
- when income on a financial liability debt instrument is positive, it is deducted from interest expenses in the income statement.

in millions of euros	Fiscal year 2018		
	Interest income	**Interest expenses**	**Net**
Loans/borrowings due from credit institutions	1,008	(730)	278
Loans/borrowings due from customers	4,930	(787)	4,143
Bonds and other debt securities held/issued	658	(3,971)	(3,313)
Subordinated debt		(672)	(672)
Financial assets and liabilities at amortized cost (excluding finance leases)	**6,596**	**(6,160)**	**436**
Finance leases	**364**	**(4)**	**360**
Debt securities	148		148
Financial assets at fair value through other comprehensive income	**148**		**148**
TOTAL FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST AND AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME[(1)]	**7,108**	**(6,164)**	**944**
Non standard financial assets not held for trading	**123**		**123**
Hedging derivatives	**3,584**	**(3,328)**	**256**
Economic hedging derivatives	**263**	**(100)**	**163**
TOTAL INTEREST INCOME AND EXPENSES	**11,078**	**(9,592)**	**1,486**

(1) Interest income from financial assets with a known credit risk (impairment Stage 3) amounted to €272 million on financial assets at amortized cost.

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in millions of euros	Fiscal year 2017		
	Income	**Expense**	**Net**
Loans and receivables due from customers	6,103	(1,644)	4,459
Loans and receivables due from credit institutions	1,432	(1,028)	404
Finance leases	339	///	339
Debt securities and subordinated debt	///	(4,303)	(4,303)
Hedging derivatives	4,208	(3,497)	711
Available-for-sale financial assets	1,102	///	1,102
Held-to-maturity financial assets	122	///	122
Impaired financial assets	7	///	7
Other interest income and expenses	12	(31)	(19)
TOTAL INTEREST INCOME AND EXPENSES[(1)]	**13,325**	**(10,503)**	**2,822**

(1) Of which net interest income of €1,305 million in 2017 for insurance activities, for which the related income is now presented as "Net income from insurance activities".

4.2 FEE AND COMMISSION INCOME AND EXPENSES

Accounting principles

Fees and commissions are recorded based on the type of service rendered and on the method of accounting for the financial instrument to which the service relates.

This line includes mainly fees and commissions receivable or payable on recurring services (payment processing, custody fees, etc.) and occasional services (fund transfers, late payment penalties, etc.), fees and commissions receivable or payable on execution of significant transactions, and fees and commissions receivable or payable on trust assets held or managed on behalf of the Group's customers.

However, fees and commissions that form an integral part of the effective yield on a contract are recorded under "Net interest income".

Commissions on services

Commissions on services are analyzed to separately identify their different items (or performance obligations) and to assign the appropriate share of revenues to each item. Each item is then recorded in the income statement by type of service provided, and according to the method used to recognize the associated financial instrument:

- commissions payable or receivable on recurring services are deferred over the period in which the service is provided (payment processing, custody fees, etc.);
- commissions payable or receivable on occasional services are recognized in full in income when the service is provided (fund transfers, payment penalties, etc.);
- commissions payable or receivable on execution of a significant transaction are recognized in full in income on completion of the transaction.

When there is some uncertainty about the amount of a commission (incentive fee in asset management, variable financial engineering commission, etc.), only the amount that the Group is already certain to receive, given the information available at the end of the fiscal year, is recognized.

Fees and commissions that form an integral part of the effective yield on an instrument, such as fees on loan commitments given or loan set-up fees, are recognized and amortized as an adjustment to the effective interest rate over the estimated term of the applicable loan. These fees and commissions are recognized as "Interest income" rather than "Fee and commission income".

Fiduciary and similar fees and commissions are those that result in assets being held or invested on behalf of individual customers, pension schemes or other institutions. Trust-management services mainly cover asset management business and custody services on behalf of third parties.

	Fiscal year 2018			Fiscal year 2017		
in millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Cash and interbank transactions	5	(50)	(45)	5	(65)	(60)
Customer transactions	945	(21)	924	944	(2)	942
Financial services	486	(747)	(261)	484	(777)	(293)
Sales of life insurance products	173		173	178	///	178
Payment services	443	(67)	376	395	(63)	332
Securities transactions	152	(173)	(22)	253	(179)	74
Trust management services*	3,868	0	3,868	3,507	0	3,507
Financial instruments and off-balance sheet transactions	193	(123)	70	201	(155)	46
Other fee and commission income/(expense)	113	(1,184)	(1,072)	296	(1,049)	(753)
TOTAL FEE AND COMMISSION INCOME AND EXPENSES	**6,377**	**(2,364)**	**4,013**	**6,263**	**(2,290)**	**3,973**

* *Of which performance fees in the amount of €426 million (of which €420 million for Europe) at December 31, 2018, versus €287 million (of which €266 million for Europe) at December 31, 2017.*

4.3 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

This item includes gains and losses (including the related interest) on financial assets and liabilities classified as held for trading or designated at fair value through profit or loss.

"Gains and losses on hedging transactions" include gains and losses arising from the revaluation of derivatives used as fair value hedges, as well as gains and losses from the revaluation of the hedged item in the same manner, the revaluation at fair value of the macro-hedged portfolio and the ineffective portion of cash flow hedges.

in millions of euros	**Fiscal year 2018**
Gains and losses on financial instruments mandatorily recognized at fair value through profit or loss(1)	**300**
Gains and losses on financial instruments designated at fair value through profit or loss	**1,377**
– Gains and losses on financial assets designated at fair value through profit or loss	20
– Gains and losses on financial liabilities designated at fair value through profit or loss	1,357
Gains and losses on hedging transactions(2)	**(149)**
– Ineffective portion of cash flow hedges (CFH)	19
– Ineffective portion of fair value hedges (FVH)	(168)
Changes in fair value of fair value hedges	(12)
Changes in fair value of hedged items	(158)
Gains and losses on foreign exchange transactions	**184**
TOTAL NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,712**

(1) *In 2018, "Gains and losses on financial instruments mandatorily recognized at fair value through profit or loss" included:*

- *impairment on the fair value of CDS entered into with monolines: a €40 million reduction in outstanding impairment was recorded in 2018, taking total outstanding impairment at December 31, 2018 to €23 million;*
- *the change in the fair value of derivatives, in the amount of -€28 million, due to the difference in impairment for counterparty risk (Credit Valuation Adjustment – CVA), in the amount of +€30 million due to the consideration of non-performance risk in the valuation of derivative financial liabilities (Debit Valuation Adjustment – DVA), and in the amount of -€15 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA);*
- *over 2018, a net expense of €86 million was recorded for the portfolio of products in Asia referred to in the key events. The additional reserves set aside for this portfolio amounted to €173 million, at December 31, 2018.*

(2) *"Gains and losses on hedging transactions" consist mainly of gains and losses recorded in the event of over-hedging in interest rate macro-hedging transactions, for -€149 million at December 31, 2018, in light of the partial declassification of hedging relationships or due to the measured ineffectiveness. This over-hedging is caused mainly by the significant volume of loan renegotiations or prepayments observed in the current low interest rate environment.*

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in millions of euros	**Fiscal year 2017**
Gains and losses on financial instruments held for trading(1)	2,515
Gains and losses on financial instruments designated at fair value through profit or loss	426
Gains and losses on hedging transactions	(123)
– Ineffective portion of fair value hedges	(130)
– Ineffective portion of cash flow hedges	7
Gains and losses on foreign exchange transactions	(18)
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,800**

(1) *In 2017, "Gains and losses on financial instruments held for trading" included:*

- *impairment taken against the fair value of CDS entered into with monoline insurers (see Note 10), which led to a decrease of €7 million (excluding foreign exchange effect) in accumulated impairment in 2017, bringing accumulated impairment to €63 million at December 31, 2017;*
- *a reversal of the full portfolio-based provision recorded on exposures in respect of CDPCs (Credit Derivative Product Companies) was recorded in 2017 in the amount of €1 million;*
- *the change in the fair value of derivatives, in the amount of +€95 million, due to the difference in impairment for counterparty risk (Credit Valuation Adjustment – CVA), in the amount of –€55 million due to the consideration of non-performance risk in the valuation of derivative financial liabilities (Debit Valuation Adjustment – DVA), and in the amount of +€25 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA).*

Day one profit

in millions of euros	Fiscal year 2018	Fiscal year 2017
Day one profit at the start of the year	77	74
Deferred profit on new transactions	104	100
Profit recognized in income during the year	(94)	(97)
DAY ONE PROFIT AT YEAR-END	**87**	**77**

4.4 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Financial assets at fair value through other comprehensive income include:

- SPPI debt instruments managed under a hold to collect and sell business model at fair value through other comprehensive income recyclable to income. If they are sold, changes in fair value are taken to income;
- equity instruments at fair value through other comprehensive income not recyclable to income. In the event of disposal, changes in fair value are not transferred to income but are taken directly to retained earnings. Only dividends affect income when they correspond to a return on investment.

Gains and losses on SPPI debt instruments managed under a hold to collect and sell business model at fair value through other comprehensive income recyclable to income include:

- income and expenses recognized in net interest income;
- net gains or losses on debt financial assets at fair value through other comprehensive income;
- impairment recognized in cost of risk;
- gains and losses recorded directly in other comprehensive income.

in millions of euros	Fiscal year 2018
Net gains or losses on debt instruments	4
Net gains or losses on equity instruments (dividends)	67
TOTAL GAINS OR LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**72**

Figures for 2017 under IAS 39

in millions of euros	Fiscal year 2017
Gains or losses on disposal	282
Dividends received	170
Permanent impairment of variable-income securities	(35)
TOTAL NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS*	**417**

* *O/w €323 million for the insurance businesses (€243 million of which attributable to net gains on the disposal of insurance investments).*

4.5 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT AMORTIZED COST

Accounting principles

This item includes net gains or losses on financial assets at amortized cost arising from the derecognition of financial assets at amortized cost (loans and receivables, debt securities) and financial liabilities at amortized cost.

in millions of euros	Fiscal year 2018		
	Gains	**Losses**	**Net**
Loans or receivables due from credit institutions	24		24
Loans or receivables due from customers		(2)	(2)
Debt securities	2		1
Total gains and losses on financial assets at amortized cost	**25**	**(2)**	**23**
Amounts due to credit institutions		(6)	(6)
Debt securities	9	(3)	7
Total gains and losses on financial liabilities at amortized cost	**9**	**(8)**	**1**
TOTAL GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT AMORTIZED COST	**34**	**(10)**	**24**

4.6 INCOME AND EXPENSES FROM OTHER ACTIVITIES

Accounting principles

Income and expenses from other activities mainly include:

- income and expenses on investment property (rental income and expense, gains and losses on disposals, depreciation, amortization and impairment);
- income and expenses on operating leases;
- income and expenses on real estate development activities (revenues, purchases used).

in millions of euros	Fiscal year 2018		
	Income	**Expense**	**Net**
Income and expenses from real estate activities	3	(1)	2
Income and expenses from leasing transactions	30	(21)	9
Income and expenses from investment property	324	(293)	32
Share of joint ventures	*105*	*(87)*	*19*
Transfers of expenses and income	*5*	*(4)*	*1*
Other operating income and expenses	*718*	*(315)*	*403*
Net additions to/reversals from provisions to other operating income and expenses	*94*		*94*
Other income and expenses	923	(406)	516
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**1,280**	**(721)**	**559**

Income and expenses from insurance businesses are presented in Note 9.

Figures for 2017 under IAS 39

	Fiscal year 2017		
in millions of euros	**Income**	**Expense**	**Net**
Income and expenses from insurance activities	10,802	(10,928)	(126)
Income and expenses from leasing transactions	285	(275)	10
Income and expenses from investment property	123	(48)	75
Share of joint ventures	98	(82)	16
Transfers of expenses and income	12	(6)	6
Other operating income and expenses	731	(277)	454
Net additions to/reversals from provisions to other operating income and expenses		52	52
Other banking income and expenses	841	(313)	528
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**12,051**	**(11,564)**	**487**

4.7 OPERATING EXPENSES

Accounting principles

Operating expenses include mainly payroll costs (wages and salaries net of rebilled amounts), social security charges, and employee benefit expenses such as pension costs. Operating expenses also include the full amount of administrative expenses and external service costs.

Contributions to banking resolution mechanisms

The procedure for financing the deposit and resolution guarantee fund was changed by a Ministerial Order dated October 27, 2015. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund by the Group for deposit, collateral and securities guarantee mechanisms is €21 million. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) represent €3 million.

Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet total €18 million.

Directive 2014/59/EU (BRRD – Bank Recovery and Resolution Directive), which establishes the framework for the recovery and resolution of banks and investment firms, and European Regulation 806/2014 (SRM Regulation) established the introduction of a resolution fund as of 2015. In 2016, this fund became a Single Resolution Fund (SRF) between the Member States participating in the Single Supervisory Mechanism (SSM). The SRF is a resolution financing mechanism available to the resolution authority (Single Resolution Board), which may use this fund when implementing resolution procedures.

In accordance with Delegated Regulation 2015/63 and Implementing Regulation 2015/81 supplementing BRRD on *ex-ante* contributions to bank resolution financing mechanisms, the Single Resolution Board set the level of contributions to the Single Resolution Fund for 2018. The amount of contributions paid by the Group for the fiscal year totaled €278 million, of which €236 million recognized as an expense and €42 million in cash security deposits recognized as assets on the balance sheet (15% of funds in cash security deposits). The cumulative amount of contributions recognized as assets on the balance sheet totaled €134 million at December 31, 2018.

in millions of euros	**Fiscal year 2018**	**Fiscal year 2017**
Payroll costs	**(5,221)**	**(4,864)**
Taxes other than on income*	(469)	(470)
External services and other operating expenses	(2,720)	(2,468)
Other administrative costs	**(3,189)**	**(2,938)**
TOTAL OPERATING EXPENSES	**(8,410)**	**(7,802)**

* *Taxes other than on income included, in particular, the contribution to the SRF (Single Resolution Fund) for an annual amount of €238 million (versus €200 million in 2017) and the systemic risk tax for an annual amount of €25 million (versus €39 million in 2017).*

The breakdown of payroll costs is provided in Note 8.1.

4.8 GAINS OR LOSSES ON OTHER ASSETS

Accounting principles

This item includes gains and losses on disposals of property, plant and equipment and intangible assets, as well as gains and losses on disposals of consolidated investments in associates.

in millions of euros	Fiscal year 2018	Fiscal year 2017
Gains or losses on disposals of property, plant and equipment and intangible assets used in operations	6	94
Gains or losses on disposals of consolidated investments	(2)	10
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**4**	**104**

In 2018, gains or losses on disposals of consolidated investments mostly related to Axeltis and Selection 1818 (+€42 million). This gain was partially offset by the provision recorded for the disposal of BPCE International's African subsidiaries (see Note 1.3).

In 2017, gains or losses on disposals of property, plant and equipment and intangible assets mainly included the €84 million capital gain on the sale of the Parc Avenue building.

Gains or losses on disposals of consolidated investments primarily concerned the disposal by Natixis of Ellisphère and IJCOF (+€22 million), the two Caspian private equity companies (+€10 million) and the liquidation of Nexgen Financial Holding (+€18 million). These gains were offset by the -€37 million provision recorded ahead of the disposal of Banco Primus and Banque des Mascareignes.

Note 5 Notes to the balance sheet

5.1 CASH AND AMOUNTS DUE FROM CENTRAL BANKS

Accounting principles

This item mainly includes cash and assets held with the central bank at amortized cost.

in millions of euros	12/31/2018	01/01/2018
Cash	39	137
Amount due from central banks	66,617	82,584
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**66,656**	**82,721**

5.2 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

Financial assets and liabilities at fair value through profit or loss comprise instruments held for trading, including derivatives, certain assets and liabilities that the Group chose to recognize at fair value at their date of acquisition or issue using the fair value option available under IFRS 9, and non-SPPI assets.

Date of recognition

Securities are recorded in the balance sheet on the settlement/delivery date.

Temporary transfers of securities are also recorded on the settlement/delivery date.

When such transactions are recorded under "Assets and liabilities at fair value through profit or loss", the commitment is recorded as an interest rate derivative.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

5.2.1 Financial assets at fair value through profit or loss

Accounting principles

Financial assets at fair value through profit or loss are:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the near term;
- financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IFRS 9. The qualifying criteria used when applying this option are described above;
- non-SPPI debt instruments;
- equity instruments measured by default at fair value through profit or loss (which are not held for trading purposes).

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, and gains or losses on disposals on these instruments are recognized in "Net gains or losses on financial instruments at fair value through profit or loss", with the exception of non-SPPI debt financial assets whose interest is recorded in "Interest income".

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments contracted by the Group to manage its risk exposure.

Assets designated at fair value through profit or loss

IFRS 9 allows entities to designate financial assets at fair value through profit or loss on initial recognition. However, an entity's decision to do so may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

This option may only be applied to eliminate or significantly reduce an accounting mismatch. Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments contracted by the Group to manage its risk exposure.

	12/31/2018				01/01/2018			
	Financial assets mandatorily recognized at fair value through profit or loss				Financial assets mandatorily recognized at fair value through profit or loss			
in millions of euros	Financial assets considered part of a trading activity	Other financial assets mandatorily recognized at fair value through profit or loss[2][3]	Financial assets designated at fair value through profit or loss(1)	Total	Financial assets considered part of a trading activity	Other financial assets mandatorily recognized at fair value through profit or loss[2][3]	Financial assets designated at fair value through profit or loss[1]	Total
Treasury bills and equivalent	5,015			5,016	10,096			10,097
Bonds and other debt securities	7,026	3,945		10,971	8,115	3,727		11,842
Debt securities	**12,041**	**3,945**		**15,986**	**18,211**	**3,727**		**21,938**
Loans to credit institutions excluding repurchase agreements	10	1,079	2	1,090	104	1,320		1,424
Customer loans excluding repurchase agreements	3,874	2,107		5,981	4,317	2,528		6,845
Repurchase agreements[4]	84,638			84,638	83,415			83,415
Loans	**88,522**	**3,186**	**2**	**91,710**	**87,836**	**3,848**		**91,683**
Equity instruments	**22,761**	**792**	**///**	**23,553**	**28,033**	**908**	**///**	**28,942**
Trading derivatives[4]	**48,848**	**///**	**///**	**48,848**	**50,985**	**///**	**///**	**50,985**
Security deposits paid	**16,214**	**///**	**///**	**16,214**	**15,350**	**///**	**///**	**15,350**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**188,386**	**7,923**	**2**	**196,311**	**200,415**	**8,483**		**208,898**

(1) Only in case of an accounting mismatch

(2) Consisting of non-SPPI assets that fall outside the scope of a trading activity, including units of UCITS and private equity investment funds presented in bonds and other debt securities (€2,972 million at December 31, 2018). Loans to customers include some structured loans to local authorities. This category also includes equity instruments the Group decided not to recognize through other comprehensive income for a total of €792 million at December 31, 2018.

(3) The criteria used by BPCE SA group to categorize financial assets at fair value through profit or loss if they do not meet the SPPI criteria are provided in Note 2.5.1.

(4) Furthermore, this information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.18.1).

5.2.2 Financial liabilities at fair value through profit or loss

Accounting principles

These are financial liabilities held for trading or classified in this category on a voluntary basis at initial recognition using the fair value option available under IFRS 9. The trading book includes liabilities arising from short-selling transactions, repurchase agreements and derivative instruments. The qualifying criteria used when applying this option are described above.

These liabilities are measured at fair value at the date of initial recognition and at each balance sheet date.

Fair-value fluctuations over the period, interest, and gains or losses related to these instruments are booked as "Net gains or losses on financial instruments at fair value through profit or loss", except for fair value fluctuations attributable to the change in own credit risk for financial liabilities at fair value through profit or loss, which have been booked, since January 1, 2016, in "Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss" within "Gains and losses recognized directly in other comprehensive income". If the liability is derecognized before its maturity (early redemption, for example), fair value gains or losses attributable to own credit risk are directly transferred to retained earnings.

Financial liabilities designated at fair value through profit or loss

IFRS 9 allows entities to designate financial liabilities at fair value through profit or loss on initial recognition. However, an entity's decision to do so may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

In practice, this option may be applied only under the specific circumstances described below:

- Elimination of or significant reduction in an accounting mismatch

Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

- Harmonization of accounting treatment for performance management and measurement

The option applies for liabilities managed and measured at fair value, provided that such management is based on a formally documented risk management policy or investment strategy, and that internal monitoring also relies on a fair value measurement.

- Hybrid financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid (combined) instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied to a financial liability when the embedded derivative substantially modifies the cash flows of the host contract and when the separate recognition of the embedded derivative is not specifically prohibited by IFRS 9 (*e.g.* an early redemption option embedded in a debt instrument). The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

This accounting treatment applies in particular to some structured debt issues containing material embedded derivatives.

Financial liabilities in the trading book include liabilities arising from short-selling transactions, repurchase agreements and derivative instruments.

	12/31/2018			01/01/2018		
in millions of euros	Financial liabilities issued for trading	Financial liabilities designated at fair value through profit or loss	Total	Financial liabilities issued for trading	Financial liabilities designated at fair value through profit or loss	Total
Short sales	20,774	///	20,774	25,790	///	25,790
Trading derivatives*	49,450	///	49,450	50,869	///	50,869
Interbank term accounts and loans		131	131	55	178	232
Customer term accounts and loans	2	123	125	2	9	11
Non-subordinated debt securities	301	24,176	24,476	303	22,690	22,993
Subordinated debt	///	100	100	///	103	103
Repurchase agreements*	90,582	///	90,582	98,586	///	98,586
Guarantee deposits received	11,187	///	11,187	11,633	///	11,633
Other	///	4,389	4,389	///	3,352	3,352
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**172,296**	**28,919**	**201,214**	**187,238**	**26,332**	**213,570**

* *This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.18.2).*

These liabilities are measured at fair value on the reporting date with changes in value, including coupon, recorded in the "Net gains or losses on financial instruments at fair value through profit or loss" line on the income statement, with the exception of changes in fair value attributable to own credit risk associated with financial liabilities designated at fair value through profit or loss, which are recognized in "Revaluation of own credit risk on financial liabilities recognized at fair value through profit or loss" in accordance with IFRS 9.

Conditions for designating financial liabilities at fair value through profit or loss

Financial liabilities are designated at fair value through profit or loss when this choice provides more pertinent information or when the instruments incorporate one or more significant and separable embedded derivatives.

The use of the fair value option is considered to provide more pertinent information in two situations:

- where there is an accounting mismatch between economically linked assets and liabilities. In particular, the fair value option is used when hedge accounting conditions are not met: in such cases, changes in the fair value of the hedged item automatically offset changes in the fair value of the economic hedging derivative;
- where a portfolio of financial liabilities is managed and recognized at fair value as part of a documented liability management policy.

At group level, financial liabilities designated at fair value through profit or loss are mostly held by Natixis. They mostly comprise issues originated and structured for customers and for which the risks and hedges are managed collectively. These issues include significant embedded derivatives for which changes in value are neutralized by those of the derivative instruments hedging them.

Financial liabilities accounted for under the fair value option, excluding Natixis, also include some structured debt issues and structured deposits containing embedded derivatives (*e.g.* structured medium-term notes and equities for personal savings plans).

	12/31/2018			
in millions of euros	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial liabilities designated at fair value through profit or loss
Interbank term accounts and loans	70		61	131
Customer term accounts and loans			123	123
Non-subordinated debt securities	17,770		6,406	24,176
Subordinated debt			100	100
Other	4,389			4,389
TOTAL	**22,229**		**6,690**	**28,919**

5

Financial liabilities designated at fair value through profit or loss and credit risk

- Financial liabilities designated at fair value through profit or loss for which credit risk must be recognized in other comprehensive income.

	12/31/2018			01/01/2018		
in millions of euros	Carrying amount	Contractual amount due at maturity	Difference between the carrying amount and the contractual amount due at maturity	Carrying amount	Contractual amount due at maturity	Difference between the carrying amount and the contractual amount due at maturity
Interbank term accounts and loans	131	119	12	178	161	17
Customer term accounts and loans	123	126	(3)	9	10	(1)
Non-subordinated debt securities	24,176	26,480	(2,304)	22,690	22,217	473
Subordinated debt	100	101	(1)	103	100	3
Other	4,389	4,389		3,352	3,352	
TOTAL	**28,919**	**31,215**	**(2,296)**	**26,332**	**25,840**	**26,332**

* *o/w -€95 million in changes in the fair value of financial liabilities designated at fair value through profit or loss attributable to credit risk.*

The total amount of changes in fair value reclassified to "Retained earnings" during the period essentially concerns redemptions of debt securities classified as "Financial liabilities designated at fair value through profit or loss" and amounted to €95 million at December 31, 2018, compared with €314 million at December 31, 2017.

The amount contractually due on loans at maturity includes the outstanding principal amount at the balance sheet date plus accrued interest not yet due. In the case of securities, the redemption value is generally used.

5.2.3 Trading derivatives

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

All derivative financial instruments are recognized on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Trading derivatives are recognized on the balance sheet under "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss". Realized and unrealized gains and losses are taken to income on the "Net gains or losses on financial instruments at fair value through profit or loss" line.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments. Positive or negative fair values represent the replacement value of these instruments. These values may vary significantly depending on changes in market parameters.

	12/31/2018			01/01/2018		
in millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate derivatives	3,123,909	20,835	18,948	3,478,930	22,940	20,455
Equity derivatives	116,631	3,526	3,634	98,577	1,686	2,413
Currency derivatives	729,349	8,194	7,385	826,528	10,044	9,017
Other contracts	46,815	177	408	48,145	351	82
Forward transactions	**4,016,704**	**32,732**	**30,376**	**4,452,180**	**35,021**	**31,967**
Interest rate derivatives	650,049	8,766	10,663	504,215	9,021	11,191
Equity derivatives	151,346	2,704	3,524	120,620	1,883	2,435
Currency derivatives	262,689	3,913	3,980	247,492	4,175	4,213
Other contracts	49,179	310	350	36,669	295	281
Options	**1,113,264**	**15,695**	**18,517**	**908,996**	**15,374**	**18,120**
Credit derivatives	**36,052**	**421**	**557**	**36,937**	**589**	**782**
TOTAL TRADING DERIVATIVES	**5,166,020**	**48,848**	**49,450**	**5,398,113**	**50,984**	**50,869**
o/w organized markets	*756,400*	*1,712*	*2,714*	*774,282*	*1,088*	*1,895*
o/w over-the-counter transactions	*4,409,620*	*47,136*	*46,736*	*4,623,831*	*49,896*	*48,974*

5.3 HEDGING DERIVATIVES

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

All derivative financial instruments are recognized on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Changes in the fair value of derivatives are recognized in income for the period, except for derivatives qualifying as cash flow hedges or as hedges of net investments in foreign operations for accounting purposes.

Derivatives may only be designated as hedges if they meet the criteria set out in IAS 39 at inception and throughout the term of the hedge. These criteria include formal documentation that the hedging relationship between the derivatives and the hedged items is both prospectively and retrospectively effective.

Fair value hedges mainly consist of interest rate swaps that protect fixed-rate financial instruments against changes in fair value attributable to changes in market rates of interest. They transform fixed-rate assets or liabilities into floating-rate instruments and include mostly hedges of fixed-rate loans, securities, deposits and subordinated debt.

Fair value hedging is also used to manage the overall interest rate risk position.

Cash flow hedges fix or control the variability of cash flows arising from floating-rate instruments. Cash flow hedging is also used to manage the overall interest rate risk position.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments.

The hedging relationship qualifies for hedge accounting if, at the inception of the hedge, there is formal documentation of the hedging relationship identifying the hedging strategy, the type of risk hedged, the designation and characteristics of the hedged item and the hedging instrument. In addition, the effectiveness of the hedge must be demonstrated at inception and subsequently verified.

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Groupe BPCE used the option available in IFRS 9 not to apply the provisions of the standard relative to hedge accounting, and to continue to apply IAS 39 as adopted by the European Union for the recognition of these transactions, *i.e.* excluding certain provisions relating to macro-hedging.

Fair value hedges

Fair value hedges are intended to reduce exposure to changes in the fair value of an asset or liability carried on the balance sheet, or of a firm commitment, in particular the interest rate risk on fixed-rate assets and liabilities.

The gain or loss on the revaluation of hedging instruments attributable to the risk being hedged is recognized in income in the same manner as the gain or loss on the hedged item. The ineffective portion of the hedge, if any, is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging instrument is taken to income in the same manner as the accrued interest on the hedged item.

Where identified assets or liabilities are hedged, the revaluation of the hedged component is recognized on the same line of the balance sheet as the hedged item.

The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account when calculating the effectiveness of a hedge.

If a hedging relationship ceases (investment decision, failure to fulfill effectiveness criteria, or because the hedged item is sold before maturity), the hedging instrument is transferred to the trading book. The revaluation difference recorded in the balance sheet in respect of the hedged item is amortized over the residual life of the initial hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the revaluation gain or loss is recognized in income for the period.

Cash flow hedges

The purpose of cash flow hedges is to hedge the exposure to the variability of cash flow that is attributable to a particular risk associated with a recognized asset or liability or with a future transaction (hedge of interest rate risk on floating-rate assets or liabilities, hedge of conditions relating to future transactions such as future fixed interest rates, future prices, exchange rates, etc.).

The portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized on a separate line of "Gains and losses recognized directly in other comprehensive income". The ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging instrument is taken to income under interest income in the same manner as the accrued interest on the hedged item.

The hedged items are accounted for using the treatment applicable to their specific asset category.

If a hedging relationship ceases (because the hedge no longer meets the effectiveness criteria, the derivative is sold or the hedged item ceases to exist), the cumulative amounts recognized in other comprehensive income are transferred to the income statement as and when the hedged item impacts profit or loss, or immediately if the hedged item ceases to exist.

5

Specific cases of portfolio hedging (macro-hedging)

Documentation as cash flow hedges

Some Group institutions document their macro-hedging of interest rate risk as cash flow hedges (hedging of portfolios of loans or borrowings).

In this case, the portfolios of assets or liabilities that may be hedged are, for each maturity band:

- floating-rate assets and liabilities; the entity incurs a risk of variability in future cash flows from floating-rate assets or liabilities insofar as future interest rate levels are not known in advance;
- future transactions deemed to be highly probable (forecasts): assuming total outstandings remain constant, the entity is exposed to the risk of variability in future cash flows on future fixed-rate loans insofar as the interest rate at which the loan will be granted is not yet known. Similarly, the Group may be exposed to the risk of variability in future cash flows on the funding that it will need to raise in the market.

Under IAS 39, hedges of an overall net position of fixed rate assets and fixed rate liabilities with similar maturities do not qualify for hedge accounting. The hedged item is therefore deemed to be equivalent to a share of one or more portfolios of identified variable-rate instruments (portion of deposit outstandings or variable-rate loans); the effectiveness of the hedges is measured by creating a mortgage instrument for each maturity band and comparing its changes in fair value from inception to those for the documented hedging derivatives.

The characteristics of this instrument model those of the hedged item. Effectiveness is then assessed by comparing the changes in value of the hypothetical instrument with the actual hedging instrument. This method requires the preparation of a maturity schedule.

The effectiveness of the hedge must be shown prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test calculates the retrospective effectiveness of a hedge initiated at various balance sheet dates.

At each balance sheet date, changes in the fair value of hedging instruments, excluding accrued interest, are compared with those of hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealized gain or loss recognized in other comprehensive income is transferred immediately to income.

When the hedging relationship ceases, if the hedged item is still shown on the balance sheet, or if it is still highly probable, unrealized cumulative gains and losses are recognized in other comprehensive income on a straight-line basis. If the derivative has not been canceled, it is reclassified as a trading derivative, and subsequent changes in its fair value are recognized in income.

Documentation as fair value hedges

Some of the Group's institutions document their macro-hedging of interest rate risk as fair value hedges by applying the carve-out arrangements under IAS 39 as adopted by the European Union.

The version of IAS 39 adopted for use by the European Union does not include certain hedge accounting provisions that appear incompatible with the strategies implemented by European banks to reduce their overall exposure to interest rate risk. In particular, this carve-out allows the Group to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). The Group mainly uses plain vanilla interest rate swaps designated at inception as fair value hedges of fixed-rate deposits or loans.

Macro-hedging derivatives are accounted for in the same manner as derivatives used to hedge the fair value of specific transactions (micro-hedging).

In a macro-hedging relationship, gains and losses on the revaluation of the hedged item are recorded in "Revaluation differences on interest rate risk-hedged portfolios", under balance sheet assets for hedges of a portfolio of financial assets and under balance sheet liabilities for hedges of a portfolio of financial liabilities.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account.

Effectiveness is tested in two ways:

- asset-based testing: for plain vanilla swaps designated as hedging instruments at inception, the Group verifies that no over-hedging exists both prospectively at the date the hedging relationship is designated and retrospectively at each balance sheet date;
- quantitative testing: for other swaps, the change in the fair value of the actual swap must offset the changes in the fair value of a hypothetical instrument that exactly reflects the underlying hedged item. These tests are conducted prospectively at the date the instrument is designated as a hedge and retrospectively at each balance sheet date.

If a hedging relationship ceases, the revaluation adjustment is amortized on a straight-line basis over the remaining term of the initial hedge, if the hedged item has not been derecognized. It is taken directly to income if the hedged item is no longer recorded in the balance sheet. In particular, derivatives used for macro-hedging may be disqualified for hedge accounting purposes when the nominal amount of the hedged items falls below the notional amount of the hedging instruments, for example in the case of the prepayment of loans or the withdrawal of deposits.

Hedges of net investments in foreign operations

A net investment in a foreign operation is the amount of the investment held by the consolidating entity in the net assets of the operation.

The purpose of a hedge of a net investment in a foreign operation is to minimize the foreign exchange effect for a consolidating entity of an investment in an entity whose functional currency is different from the presentation currency of the consolidating entity's financial statements. Net investment hedges are accounted for in the same manner as cash flow hedges.

Unrealized gains and losses initially recognized in other comprehensive income are taken to income when the net investment is sold in full or in part (or when partially sold with loss of control).

Fair value hedges mainly consist of interest rate swaps that protect fixed-rate financial instruments against changes in fair value attributable to changes in market rates of interest. They transform fixed-rate assets or liabilities into floating-rate instruments.

Fair value macro-hedges are used to manage the overall interest rate risk position, in particular to hedge:

- fixed-rate loan portfolios;
- demand deposits;
- PEL home savings deposits;
- the inflation component of Livret A passbook savings accounts.

Fair value micro-hedges are notably used to hedge:

- fixed-rate liabilities;
- fixed-rate liquidity reserve securities and inflation-indexed securities.

Cash flow hedges fix or control the variability of cash flows arising from floating-rate instruments. Cash flow hedging is also used to manage the overall interest rate risk position.

Cash flow hedges are mainly used to:

- hedge floating-rate liabilities;
- hedge the risk of changes in value of future cash flows on liabilities;
- provide macro-hedging of variable-rate assets.

The main causes of ineffective hedging are related to:

- ineffective dual-curve valuations: the value of collateralized derivatives (with margin calls yielding EONIA) is based on the EONIA discount curve, while the value of the hedged component of items covered by fair value hedges is calculated using a Euribor discount curve;
- the time value of options;
- over-hedging for asset-based testing of macro-hedges (notional amounts of hedging derivatives higher than the nominal amount of the hedged items, in particular where prepayments on the hedged items were higher than expected);
- credit value adjustments and debit value adjustments linked to credit risk and own credit risk on derivatives;
- differences in interest rate fixing dates between the hedged item and the hedge.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments.

	12/31/2018			01/01/2018		
in millions of euros	**Notional amount**	**Positive fair value**	**Negative fair value**	**Notional amount**	**Positive fair value***	**Negative fair value**
Interest rate derivatives	361,086	5,906	6,373	547,307	7,472	6,986
Currency derivatives	13,674	583	1,958	11,505	769	2,161
Forward transactions	**374,760**	**6,489**	**8,331**	**558,812**	**8,241**	**9,147**
Interest rate derivatives	3,108	7	2	6,811	10	8
Options	**3,108**	**7**	**2**	**6,811**	**10**	**8**
Fair value hedges	**377,868**	**6,496**	**8,333**	**565,623**	**8,251**	**9,155**
Interest rate derivatives	19,471	58	256	19,394	42	309
Equity derivatives				198		
Currency derivatives	15,137	599	769	1,703	317	536
Forward transactions	**34,608**	**657**	**1,025**	**21,295**	**359**	**845**
Cash flow hedges	**34,608**	**657**	**1,025**	**21,295**	**359**	**845**
Credit derivatives				**128**		
TOTAL HEDGING INSTRUMENTS	**412,476**	**7,153**	**9,358**	**587,046**	**8,610**	**10,000**

* *An adjustment of -€4 million was recognized in relation to the amount published at December 31, 2017 following a change in calculation method.*

All hedging derivatives are included in "Hedging derivatives" in balance sheet assets and liabilities.

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Maturity of the notional amount of hedging derivatives at December 31, 2018

in millions of euros	< 1 year	1 to 5 years	6 to 10 years	> 10 years
Interest rate risk hedging	**63,356**	**147,733**	**85,444**	**87,133**
Cash flow hedges	994	4,187	5,020	9,270
Fair value hedges	62,362	143,546	80,424	77,863
Currency risk hedging	**447**	**9,423**	**13,156**	**5,784**
Cash flow hedges		3,144	9,541	2,451
Fair value hedges	447	6,279	3,615	3,333
TOTAL	**63,803**	**157,156**	**98,600**	**92,917**

Hedged items

Fair value hedges

	Fair value hedges				
	12/31/2018				
	Interest rate risk hedging			Currency risk hedging	
in millions of euros	Carrying amount	o/w revaluation of the hedged component[(1)]	Hedged component remaining to be recognized[(2)]	Carrying amount	o/w revaluation of the hedged component[(1)]
ASSETS					
Financial assets at fair value through other comprehensive income	**12,074**	**(89)**		**8**	
Debt securities	12,074	(89)			
Shares and other equity instruments				8	
Financial assets at amortized cost	**108,975**	**6,067**	**353**	**5,486**	**982**
Loans or receivables due from credit institutions	22,112	386		533	
Loans or receivables due from customers	82,226	4,646	3	97	16
Debt securities	4,637	1,035	350	4,856	966
LIABILITIES					
Financial liabilities at amortized cost	**128,493**	**4,699**	**387**	**14,141**	**396**
Amounts due to credit institutions	20,292	267		195	
Amounts due to customers	8,242	(1)			
Debt securities	88,371	3,929	387	9,813	396
Subordinated debt	11,589	504		4,133	
TOTAL	**249,542**	**10,677**	**740**	**19,635**	**1,379**

(1) *Excluding accrued interest*
(2) *Declassification, end of hedging relationship.*

The ineffective portion of hedging for the period is presented in Note 4.3 "Gains and losses on financial assets and liabilities at fair value through profit or loss" or in Note 4.4 "Gains and losses recognized directly in other comprehensive income" for equity instruments recognized at fair value through other comprehensive income not recyclable to income.

Cash flow hedges

	12/31/2018			
in millions of euros	Fair value of the hedging derivative	o/w effective portion of hedges not due	o/w ineffective portion	Balance of hedges due and remaining to be recognized
Interest rate risk hedging	(199)	(201)	2	57
Currency risk hedging	(170)	(184)	15	
TOTAL – CASH FLOW HEDGES	**(369)**	**(385)**	**17**	**57**

The ineffective portion of the hedge is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss", see Note 4.3.

The "Cash flow hedges" reserve corresponds to the effective portion of hedges not due and the balance of hedges that are due and remaining to be recognized, before tax, including the portion attributable to non-controlling interests.

Recycling from "Cash flow hedges" to income is included either in net interest income or in income on derecognition of the hedged item in the same way as the line impacted by the hedged item.

Cash flow hedges – Details of other items recognized in other comprehensive income

in millions of euros	01/01/2018	Change in the effective portion	Reclassification of the effective portion in income	Hedged item partially or fully extinguished	12/31/2018
Amount of equity for cash flow hedging	(477)	6	51	6	(414)
TOTAL	**(477)**	**6**	**51**	**6**	**(414)**

5.4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Financial assets at fair value through other comprehensive income are initially recognized at fair value, plus any transaction costs.

Debt instruments measured at fair value through other comprehensive income recyclable to income

On the balance sheet date, these instruments are carried at their fair value and changes in fair value (excluding accrued interest) are recorded under "Gains and losses recognized directly in other comprehensive income recyclable to income" (as the foreign currency assets are monetary assets, changes in the fair value of the foreign currency component affect income). The principles used to determine fair value are described in Note 10.

These instruments are subject to IFRS 9 impairment requirements. Information about credit risk is provided in Note 7.1. If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on debt instruments is recorded under "Interest and similar income" based on the Effective Interest Method. This method is described in Note 5.5 – Assets at amortized cost.

Equity instruments measured at fair value through other comprehensive income not recyclable to income

On the balance sheet date, these instruments are carried at their fair value and changes in fair value are recorded under "Gains and losses recognized directly in other comprehensive income not recyclable to income" (as the foreign currency assets are not monetary assets, changes in the fair value of the foreign currency component do not affect income). The principles used to determine fair value are described in Note 10.

The designation at fair value through other comprehensive income not recyclable to income is an irrevocable option that is applied on an instrument-by-instrument basis only to equity instruments not held for trading purposes. Realized and unrealized losses continue to be recorded in other comprehensive income with no impact on income. These financial assets are not impaired.

In the event of disposal, changes in fair value are not transferred to income but are taken directly to retained earnings.

Only dividends affect income when they correspond to a return on investment. They are recorded in "Net gains or losses on financial instruments at fair value through other comprehensive income".

in millions of euros	12/31/2018	01/01/2018
Loans and receivables	24	25
Debt securities	14,638	14,727
Shares and other equity securities[(1)]	1,071	1,177
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**15,733**	**15,929**
o/w impairment for expected credit losses[(2)]	(1)	(12)
o/w gains and losses recognized directly in other comprehensive income (before tax)[(3)]	(167)	(35)
– Debt instruments	*(8)*	*78*
– Equity instruments	*(159)*	*(113)*

(1) Equities and other equity securities include strategic equity interests and certain long-term private equity securities. As these securities are not held for sale, their classification as equity instruments designated at fair value through other comprehensive income is appropriate.

(2) Details are provided in Note 7.1.1.

(3) Including the portion attributable to non-controlling interests (+€10 million at December 31, 2018, compared with +€11 million at January 1, 2018).

Equity instruments designated at fair value through other comprehensive income

Accounting principles

Equity instruments designated at fair value through other comprehensive income can include:

- investments in associates;
- shares and other equity securities.

On initial recognition, equity instruments designated at fair value through other comprehensive income are carried at fair value plus any transaction costs.

On following accounting dates, changes in the fair value of the instrument are recognized in other comprehensive income (OCI).

These changes in fair value that accrue to other comprehensive income will not be reclassified to income in subsequent years (other comprehensive income not recyclable to income).

Only dividends are recorded in income when they fulfil the required conditions.

	12/31/2018				01/01/2018
		Dividends recognized over the period	Derecognition over the period		
in millions of euros	Fair value	Equity instruments held at the end of the period	Fair value at the disposal date	Total profit or loss at the disposal date	Fair value
Investments in associates	1,035	68	18	(4)	1,136
Shares and other equity securities	36		4	(1)	42
TOTAL*	**1,071**	**68**	**22**	**(5)**	**1,177**

* *The total amount of changes in fair value reclassified to "Retained earnings" during the period that was related to disposals was -€5 million at December 31, 2018.*

5.5 ASSETS AT AMORTIZED COST

Accounting principles

Assets at amortized cost are SPPI financial assets managed under a hold to collect business model. Most loans originated by the Group are classified in this category. Information about credit risk is provided in Note 7.1.

Financial assets at amortized cost include loans and receivables due from credit institutions and customers as well as securities at amortized cost such as treasury bills and bonds.

Loans and receivables are initially recorded at fair value plus any costs directly related to their issuance, less any proceeds directly attributable to issuance. On subsequent balance sheet dates, they are measured at amortized cost using the Effective Interest Method.

The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the carrying amount of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield on the loan. No internal cost is included in the calculation of amortized cost.

When loans are extended under conditions that are less favorable than market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the nominal value of the loan. The market interest rate is the rate applied by the vast majority of local financial institutions at a given time for instruments and counterparties with similar characteristics.

Loan renegotiations and restructuring

IFRS 9 requires that modified contracts for financial assets that are renegotiated, restructured or adjusted (whether due to financial hardship or not), but not subsequently derecognized, be identified. Any profit or loss must be recognized as income in the event of modification. The gross carrying amount of the financial asset must be recalculated so that it is equal to the present value of renegotiated or amended contractual cash flows at the original effective interest rate. The materiality of the modifications is, however, analyzed on a case by case basis.

The treatment of loans restructured due to financial hardship is identical to IAS 39: a discount is applied to loans restructured (impaired, Stage 3) following a credit loss event as defined by IFRS 9, to reflect the difference between the present value of the contractual cash flows expected at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of credit risk" in the income statement and offset against the corresponding item on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. The restructured loan is reclassified as performing (not impaired, Stage 1 or Stage 2) based on expert opinion when no uncertainty remains as to the borrower's capacity to honor the commitment.

When the extent of the restructuring is substantial (for example the conversion of all or part of a loan into equity instruments), the new instruments are booked at fair value and the difference between the carrying amount of the derecognized loan (or part of the loan) and the fair value of the assets received in exchange is taken to income under "Cost of credit risk". Any impairment previously recorded on the loan is adjusted and fully reversed if the loan is fully converted into a new asset.

Fees and commissions

External costs consist primarily of commissions paid to third parties in connection with the arrangement of loans. They essentially comprise commissions paid to business providers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more probable than improbable that the loan will be drawn down). Commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

Date of recognition

Securities are recorded in the balance sheet on the settlement/delivery date.

Temporary transfers of securities are also recorded on the settlement/delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

For repurchase transactions, a loan commitment given is recorded between the transaction date and the settlement/delivery date when such transactions are recorded as "Loans and receivables".

5.5.1 Securities at amortized cost

in millions of euros	12/31/2018	01/01/2018
Treasury bills and equivalent	4,182	8,993
Bonds and other debt securities	11,471	7,067
Impairment for expected credit losses	(154)	(137)
TOTAL SECURITIES AT AMORTIZED COST	**15,499**	**15,923**

The fair value of securities at amortized cost is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.5.2 Loans and receivables due from credit institutions at amortized cost

in millions of euros	12/31/2018	01/01/2018
Current accounts with overdrafts	7,278	6,540
Repurchase agreements	2,089	1,725
Accounts and loans*	115,817	105,181
Other loans or receivables due from credit institutions	812	1,378
Security deposits paid	3,317	3,548
Impairment for expected credit losses	(51)	(68)
TOTAL	**129,262**	**118,304**

* *Livret A, LDD and LEP savings accounts centralized with Caisse des Dépôts et Consignations and recorded under "Accounts and loans" amounted to €247 million at December 31, 2018 versus €297 million at January 1, 2018.*

The fair value of loans and receivables due from banks is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.5.3 Loans and receivables due from customers at amortized cost

in millions of euros	12/31/2018	01/01/2018
Current accounts with overdrafts	**4,318**	**4,888**
Other facilities granted to customers	**166,911**	**166,792**
Loans to financial sector customers	7,444	5,913
Short-term credit facilities	31,459	29,884
Equipment loans	25,238	27,180
Home loans	57,949	58,706
Export loans	3,562	3,198
Repurchase agreements	7,505	7,471
Finance leases	12,191	11,998
Subordinated loans	186	184
Other loans	21,377	22,258
Other loans or receivables due from customers	**8,778**	**7,859**
Security deposits paid	**172**	**43**
Gross loans and receivables due from customers	**180,180**	**179,582**
Impairment for expected credit losses	(3,025)	(3,791)
TOTAL	**177,155**	**175,791**

The fair value of loans and receivables due from banks is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.6 ACCRUED INCOME AND OTHER ASSETS

in millions of euros	12/31/2018	01/01/2018
Collection accounts	481	229
Prepaid expenses	251	210
Accrued income	347	465
Other accruals	1,759	2,026
Accrued income and prepaid expenses	**2,838**	**2,929**
Settlement accounts in debit on securities transactions	319	308
Other debtors	14,550	15,239
Other assets	**14,869**	**15,547**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**17,707**	**18,476**

5.7 NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Accounting principles

Where a decision is made to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately on the balance sheet on the "Non-current assets held for sale" line. Any liabilities associated with these assets are also shown separately on the balance sheet on the "Liabilities associated with non-current assets held for sale" line.

Once classified in this category, non-current assets are no longer depreciated/amortized and are measured at the lowest of their carrying amount or fair value less sales costs. Financial instruments continue to be measured in accordance with IFRS 9.

A non-current asset (or group of assets) is held for sale when its carrying amount is recovered by its sale. The asset (or group of assets) must be immediately available for sale and it must be highly likely that the sale will be completed within the next twelve months.

A non-current asset (or group of assets) is held for sale when its carrying amount is recovered by its sale. The asset (or group of assets) must be immediately available for sale and it must be highly likely that the sale will be completed within the next twelve months.

At December 31, 2018, the assets and liabilities of entities held for sale were presented in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations) in two separate lines of the balance sheet, with €6,167 million in non-current assets held for sale and €4,975 million in liabilities associated with non-current assets held for sale.

The lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" relate to the assets and liabilities of the BPCE International subsidiaries (see Notes 1.3 and 1.4) and the assets and liabilities of the subsidiary Banco Primus.

On July 19, 2017, Crédit Foncier signed a sale and purchase agreement setting out the terms of sale of its Portuguese subsidiary Banco Primus. The completion of the sale is subject to the approval of the Portuguese supervisory authorities. The deadline was initially set at March 31, 2018, but has been postponed to April 30, 2019.

Figures relating to the entities held for sale are shown below:

in millions of euros	BPCE International subsidiaries	Other	12/31/2018
Cash and amounts due from central banks	564		564
Financial assets at fair value through profit or loss	1		1
Financial assets at fair value through other comprehensive income	159		159
Securities at amortized cost	26		26
Loans and receivables due from credit institutions and similar items at amortized cost	148	2	150
Loans and receivables due from customers at amortized cost	4,516	414	4,930
Current tax assets	11	2	13
Deferred tax assets	86	11	97
Accrued income and other assets	76	13	89
Investment property	14		14
Property, plant and equipment	90		90
Intangible assets	7		7
Goodwill	27		27
Non-current assets held for sale	**5,725**	**442**	**6,167**
Debt securities	92		92
Amounts due to credit institutions and similar items	310		310
Amounts due to customers	4,346		4,346
Current tax liabilities	5	4	9
Deferred tax liabilities	12		12
Accrued expenses and other liabilities	143	1	144
Provisions	56	2	58
Subordinated debt	4		4
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**4,968**	**7**	**4,975**

At January 1, 2018, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" notably included the assets and liabilities of the subsidiary Banco Primus.

Pursuant to IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations", BPCE SA group:

- reclassified consolidated assets in separate asset items for €457 million and liability items for €19 million;
- adjusted the value of the assets to the lowest of their book value and their fair value less costs relating to the sale, leading to a net expense of -€17 million, recorded under "Gains or losses on other assets".

Other non-current assets and liabilities held for sale mainly concern the Natixis group.

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5.8 INVESTMENT PROPERTY

Accounting principles

In accordance with IAS 40, investment property is property held to earn rent or for capital appreciation, or both.

The accounting treatment for investment property is identical to that used for property, plant and equipment for all Group entities except for certain insurance entities, which recognize the property they hold as insurance investments at fair value, with any adjustment to fair value recorded in income. Fair value is calculated using a multi-criteria approach, by capitalizing rent at market rates and through comparisons with market transactions.

The fair value of the Group's investment property is based on regular expert valuations, except in special cases significantly affecting the value of the relevant asset.

Investment property leased under an operating lease may have a residual value that will reduce the depreciable amount of the asset.

Gains or losses on the disposal of investment property are recognized in income on the "Net income or expenses on other activities" line, with the exception of insurance businesses, which are recognized in "Income from insurance businesses".

	12/31/2018			01/01/2018		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Property recognized at historical cost	254	(158)	96	387	(225)	162
TOTAL INVESTMENT PROPERTY			**96**			**162**

Investment property held by the insurance subsidiaries is reported with insurance investments (see Note 9.1.1.1).

5.9 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Accounting principles

This item includes property owned and used in the business, equipment acquired under operating leases, property acquired under finance leases and temporarily unlet assets held under finance leases. Interests in non-trading real estate companies (SCIs) are accounted for as property, plant and equipment.

In accordance with IAS 16 and IAS 38, property, plant and equipment and intangible assets are recognized as assets only if they meet the following conditions:

- it is probable that the company will enjoy future economic benefits associated with the asset;
- the cost of the asset can be measured reliably.

Property, plant and equipment and intangible assets used in operations are initially recognized at cost plus any directly attributable acquisition costs. Software developed internally that fulfills the criteria for recognition as a non-current asset is recognized at its production cost, which includes external charges and the payroll costs of employees directly assigned to the project.

The component-based approach is applied to all buildings.

After initial recognition, property, plant and equipment and intangible assets are measured at cost less any accumulated depreciation, amortization or impairment. The depreciable amount of the asset takes account of its residual value where this is material and can be measured reliably.

Property, plant and equipment and intangible assets are depreciated or amortized in order to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life. Where an asset consists of a number of components that have different uses or economic benefit patterns, each component is recognized separately and depreciated over a period that reflects the useful life of that component.

The depreciation and amortization periods used by the Group are as follows:

- buildings: 20 to 60 years;
- internal fixtures and fittings: 5 to 20 years;
- furniture and special equipment: 4 to 10 years;
- computer equipment: 3 to 5 years;
- software: not more than 5 years.

Other items of property, plant and equipment are depreciated over their estimated useful life, which generally ranges from five to ten years.

Property, plant and equipment and intangible assets are tested for impairment whenever there is any evidence that they may be impaired at the balance sheet date. If this is the case, the revised recoverable amount of the asset is compared to its carrying amount. If the revised recoverable amount of the asset is lower than its carrying amount, an impairment loss is recognized in income.

This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer any evidence of impairment.

The accounting treatment adopted for property, plant and equipment and intangible assets used in operations and financed using lease financing agreements is described in Note 12.2.

Equipment leased under operating leases (group as lessor) is recognized as an asset on the balance sheet under property, plant and equipment.

in millions of euros	12/31/2018 Gross amount	12/31/2018 Accumulated depreciation and impairment	12/31/2018 Net amount	01/01/2018 Gross amount	01/01/2018 Accumulated depreciation and impairment	01/01/2018 Net amount
Property, plant and equipment						
– Land and buildings	530	(348)	182	530	(332)	198
– Leased real estate	573	(158)	415	481	(129)	352
– Equipment, furniture and other property, plant and equipment	1,471	(980)	491	1,558	(997)	561
TOTAL PROPERTY, PLANT AND EQUIPMENT	**2,574**	**(1,485)**	**1,089**	**2,569**	**(1,458)**	**1,111**
Intangible assets						
– Leasehold rights	59	(19)	39	65	(23)	42
– Software	2,101	(1,548)	553	1,971	(1,462)	509
– Other intangible assets	661	(302)	359	607	(274)	333
TOTAL INTANGIBLE ASSETS	**2,821**	**(1,869)**	**951**	**2,643**	**(1,759)**	**884**

5.10 AMOUNTS DUE TO CREDIT INSTITUTIONS AND CUSTOMERS

Accounting principles

These liabilities, which are not classified as financial liabilities at fair value through profit or loss, are carried at amortized cost under "Amounts due to credit institutions" or "Amounts due to customers".

Issues of debt securities (which are not classified as financial liabilities at fair value through profit or loss or through other comprehensive income) are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost at each balance sheet date using the Effective Interest Method.

These instruments are recognized on the balance sheet under "Amounts due to credit institutions", "Amounts due to customers" or "Debt securities".

Securities are recorded in the balance sheet on the settlement/delivery date.

Temporary transfers of securities are also recorded on the settlement/delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

For reverse repurchase transactions, a loan commitment received is recorded between the transaction date and the settlement/delivery date when such transactions are recorded as "Loans and receivables".

5.10.1 Amounts due to credit institutions

in millions of euros	12/31/2018	01/01/2018
Demand deposits	22,650	22,365
Repurchase agreements	2,188	4,097
Accrued interest	4	4
Amounts due to credit institutions – repayable on demand	**24,842**	**26,465**
Term deposits and loans	80,659	80,270
Repurchase agreements	7,419	5,385
Accrued interest	(65)	108
Amounts due to credit institutions – repayable at agreed maturity dates	**88,012**	**85,763**
Guarantee deposits received	**949**	**1,148**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**113,803**	**113,376**

The fair value of amounts due to credit institutions is presented in Note 10.

5.10.2 Amounts due to customers

in millions of euros	12/31/2018	01/01/2018
Current accounts	**22,432**	**23,516**
Livret A savings accounts	181	257
Regulated home savings products	215	269
Other regulated savings accounts	949	1,745
Accrued interest		2
Regulated savings accounts	**1,345**	**2,273**
Demand deposits and loans	5,489	8,455
Term accounts and loans	18,682	19,535
Accrued interest	26	87
Other customer accounts	**24,197**	**28,077**
Other term accounts and similar	6,859	5,977
Repurchase agreements	**6,859**	**5,977**
Other amounts due to customers	**1,913**	**2,347**
Guarantee deposits received	**4**	**587**
TOTAL AMOUNTS DUE TO CUSTOMERS	**56,750**	**62,778**

The fair value of amounts due to customers is presented in Note 10.

5.11 DEBT SECURITIES

Accounting principles

Issues of debt securities not classified as financial liabilities at fair value through profit or loss or through other comprehensive income are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost at each balance sheet date using the Effective Interest Method.

These instruments are recognized on the balance sheet under "Amounts due to credit institutions", "Amounts due to customers" or "Debt securities".

Debt securities are classified based on the nature of the underlying, with the exception of subordinated notes presented under "Subordinated debt".

A new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation has been introduced by French law and is commonly referred to as "senior non-preferred debt". These liabilities rank between own funds and other "senior preferred" debt.

in millions of euros	12/31/2018	01/01/2018
Bonds	122,468	130,674
Interbank market instruments and negotiable debt securities	65,928	66,617
Other debt securities that are neither preferred nor subordinated	1,919	1,720
Non-preferred debt	12,468	4,856
Total	**202,783**	**203,867**
Accrued interest	1,899	2,062
TOTAL DEBT SECURITIES	**204,681**	**205,929**

The fair value of debt securities is presented in Note 10.

5.12 ACCRUED EXPENSES AND OTHER LIABILITIES

in millions of euros	12/31/2018	01/01/2018
Collection accounts	1,499	1,501
Prepaid income	327	304
Accounts payable	1,233	1,177
Other accruals	2,844	3,575
Accrued expenses and other liabilities	**5,903**	**6,556**
Settlement accounts in credit on securities transactions	403	310
Other accounts payable	14,017	12,487
Other liabilities	**14,420**	**12,797**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**20,323**	**19,353**

5.13 PROVISIONS

Accounting principles

Provisions other than those relating to employee benefit commitments and similar, regulated home savings products, off-balance sheet commitments, and insurance policies mainly consist of provisions for restructuring, claims and litigation, fines and penalties, and tax risks.

Provisions are liabilities of which the timing or amount is uncertain, but which can be reliably estimated. They correspond to current obligations (legal or implicit), resulting from a past event, and for which an outflow of funds will probably be necessary to settle them.

The amount recognized in provisions is the best estimate of the expense required to extinguish the present commitment at the balance sheet date.

Provisions are discounted when the impact of discounting is material.

Changes in provisions are recognized in the income statement on the line items corresponding to the nature of the future expenditure.

in millions of euros	01/01/2018	Increase	Use	Reversals unused	Other changes(1)	12/31/2018
Provisions for employee benefit commitments(2)	904	138	(93)	(50)	(77)	822
Provisions for restructuring costs(3)	45	344	(14)	(16)	1	360
Legal and tax risks(4)	1,128	153	(27)	(63)	20	1,211
Loan and guarantee commitments	245	289		(343)	(8)	183
Provisions for regulated home savings products	3					3
Other operating provisions	676	147	(139)	(215)	(1)	469
TOTAL PROVISIONS	**3,002**	**1,071**	**(273)**	**(687)**	**(65)**	**3,048**

(1) *Other changes include revaluation differences on defined-benefit retirement plans (-€40 million before tax), the impact of the reclassification of the BPCE International entities as liabilities held for sale (-€56 million) and translation adjustments for +€45 million.*

(2) *O/w €757 million for post-employment defined-benefit plans and other long-term employee benefits (see Note 8.2.1).*

(3) *At December 31, 2018, provisions for restructuring costs notably included:*

- *€316 million for the integration of Crédit Foncier's activities and the reorganization of its expertise throughout Groupe BPCE;*
- *€15 million for the employment protection plan for BPCE International;*
- *€11 million for the COFACE plan (€31 million at December 31, 2017).*

(4) *Provisions for legal and tax risks included €543 million for the net insurance exposure on the Madoff fraud. The provision for Madoff net outstandings totaled €389 million at December 31, 2017.*

5.14 SUBORDINATED DEBT

Accounting principles

Subordinated debt differs from other debt and bonds in that it will be repaid only after all the senior and unsecured creditors, but before the repayment of participating loans and securities and deeply subordinated notes.

Subordinated debt which the issuer is obliged to repay is classified as debt and initially recognized at fair value less any transaction costs. It is subsequently measured at amortized cost at each balance sheet date using the Effective Interest Method.

in millions of euros	12/31/2018	01/01/2018
Subordinated debt designated at fair value through profit or loss	100	100
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**100**	**100**
Term subordinated debt	16,214	15,933
Perpetual subordinated debt	317	312
Subordinated debt and similar	**16,531**	**16,245**
Accrued interest	360	321
Revaluation of the hedged component	504	489
SUBORDINATED DEBT AT AMORTIZED COST	**17,395**	**17,056**
TOTAL SUBORDINATED DEBT*	**17,495**	**17,156**

* *Including €672 million for the insurance entities at December 31, 2018, versus €639 million at December 31, 2017.*

The fair value of subordinated debt is presented in Note 10.

Changes in subordinated debt and similar during the year

in millions of euros	01/01/2018	Issuance(1)	Redemption(2)	Other changes(3)	12/31/2018
Subordinated debt designated at fair value through profit or loss	100				100
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**100**				**100**
Term subordinated debt	15,933		(70)	349	16,214
Perpetual subordinated debt	312		(30)	36	317
SUBORDINATED DEBT AT AMORTIZED COST	**16,245**		**(100)**	**385**	**16,531**
SUBORDINATED DEBT AND SIMILAR	**16,345**		**(100)**	**385**	**16,631**

(1) *No new issuance was made in the 2018 fiscal year.*
(2) *Redemptions of subordinated loans and notes were due to the maturing of such borrowings.*
(3) *Other changes mainly included the revaluation of debts subject to hedging, foreign exchange fluctuations and variations in intra-group securities held by Natixis Funding for the purposes of market-making on Natixis' debt on the secondary market.*

Deeply subordinated notes qualifying as equity instruments are presented in Note 5.15.

5.15 ORDINARY SHARES AND EQUITY INSTRUMENTS ISSUED

Accounting principles

Financial instruments issued by the Group qualify as debt or equity instruments depending on whether or not the issuer has a contractual obligation to deliver cash or another financial asset to the holder of the instrument, or to exchange the instrument under conditions that are potentially unfavorable to the Group. This obligation must arise from specific contractual terms and conditions, not merely economic constraints.

In addition, when an instrument qualifies as equity:

- its remuneration is treated as a dividend and therefore impacts equity along with the tax relating to this remuneration;
- it cannot be an underlying instrument eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is fixed at its historical value resulting from its conversion to euros at its initial date of transfer to equity.

Finally, when these instruments are issued by a subsidiary, they are included in "Non-controlling interests". When their remuneration is of a cumulative nature, it is charged to "Income attributable to equity holders of the parent" and increases the income of "Non-controlling interests". However, when their remuneration is not of a cumulative nature, it is drawn from retained earnings attributable to equity holders of the parent.

Issuing entity	Issue date	Currency	Amount (in original currency)	Redemption option date	Interest step-up date(2)	Rate	Nominal (in millions of euros(1)) 12/31/2018	Nominal (in millions of euros(1)) 01/01/2018
BPCE	August 6, 2009	EUR	374 million	September 30, 2019	September 30, 2019	12.50%	374	374
BPCE	August 6, 2009	USD	444 million	September 30, 2019	September 30, 2019	12.50%	309	309
BPCE	November 30, 2018	EUR	700 million	November 30, 2023	November 30, 2023	5.35%	700	
TOTAL							**1,383**	**683**

(1) Nominal amount translated into euros at the exchange rate in force at the date of classification as equity
(2) Interest step-up date or date of transition from fixed to variable rate

Issues of perpetual deeply subordinated notes are recognized in equity due to the discretionary nature of their remuneration.

5.16 NON-CONTROLLING INTERESTS

Information regarding consolidated subsidiaries and structured entities for which the amount of non-controlling interests is significant in terms of total Group equity is shown in the following statement:

in millions of euros		Fiscal year 2018						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage ownership of non-controlling interests	Income attributed to holders of non-controlling interests during the period	Amount of non-controlling interests in the subsidiary	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Comprehensive income attributable to equity holders of the parent
Natixis group	**29.22%**	**781**	**6,944**	**505**	**495,495**	**474,300**	**1,577**	**1,870**
o/w Coface*	57.14%	71	1,067	31	7,219	5,413	124	101
o/w H2O*	49.99%	180	187	81	545	171	360	357
Locindus	**25.18%**	**2**	**65**	**2**	**695**	**437**	**10**	**10**
Other entities		**(1)**	**39**	**5**				
TOTAL AT 12/31/2018		**782**	**7,048**	**512**				

* Non-controlling interests in Natixis group.

in millions of euros		Fiscal year 2017						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage ownership of non-controlling interests	Income attributed to holders of non-controlling interests during the period	Amount of non-controlling interests in the subsidiary	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Comprehensive income attributable to equity holders of the parent
Natixis group	**28.98%**	**689**	**6,883**	**397**	**519,986**	**499,000**	**1,669**	**973**
o/w Coface*	58.62%	33	1,082	12	7,360	5,554	83	76
o/w H2O*	49.99%	83	89	28	278	77	167	176
Locindus	**25.18%**	**2**	**64**	**2**	**709**	**455**	**8**	**8**
Other entities		**(21)**	**71**	**4**				
TOTAL AT 12/31/2017		**670**	**7,018**	**403**				

5.17 CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

Accounting principles

In the event of disposal of equity financial assets recognized in other comprehensive income, changes in fair value are not transferred to income. These items are described as being not recyclable to income.

	Fiscal year 2018		
in millions of euros	**Gross**	**Tax**	**Net**
Foreign exchange rate adjustments	165	///	165
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	(87)	28	(59)
Revaluation of available-for-sale financial assets of insurance businesses	(289)	107	(182)
Revaluation of derivatives hedging items that can be recycled to income	60	(30)	30
Items of the share of gains and losses of associates recognized directly in other comprehensive income	(274)	70	(204)
Items recyclable to income			**(250)**
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	52	(17)	35
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	412	(118)	294
Revaluation of equity financial assets recognized at fair value through other comprehensive income	(46)	(2)	(48)
Items of the share of gains and losses of associates recognized directly in other comprehensive income	(2)	1	(1)
Other items recognized through other comprehensive income not recyclable to income	(5)	1	(4)
Items not recyclable to income			**276**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)			**25**
Attributable to equity holders of the parent			(43)
Non-controlling interests			**68**

	Fiscal year 2017		
in millions of euros	**Gross**	**Tax**	**Net**
Revaluation differences on defined-benefit pension schemes	14	(19)	(5)
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	(198)	50	(148)
Share of gains and losses of associates recognized directly in other comprehensive income not recyclable to income	///	///	(1)
Items not recyclable to income			**(154)**
Foreign exchange rate adjustments	(700)	///	(700)
Change in the value of available-for-sale financial assets	95	68	163
Change in the value of hedging derivatives	105	(41)	64
Share of gains and losses of associates recognized directly in other comprehensive income recyclable to income	///	///	9
Items recyclable to income			**(464)**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)			**(618)**
Attributable to equity holders of the parent			(381)
Non-controlling interests			**(237)**

5.18 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting principles

Financial assets and liabilities were offset on the balance sheet in accordance with IAS 32. Under this standard, a financial asset and financial liability are offset and a net balance is recorded in the balance sheet if and only if:

- the Group has the legally enforceable right to offset the recorded amounts; and
- it has the intention either to settle the net amount or to simultaneously realize the asset and settle the liability.

Within Groupe BPCE, most offset amounts are the result of repurchase agreements and derivatives transactions largely carried out by Natixis with clearing houses, which fulfilled the requirements of IAS 32:

- for OTC derivatives, this involves the effects of the currency offset between asset valuations and liability valuations of the derivatives;
- for asset switch transactions that have similar nominal amounts and identical maturities and currencies, the Group presents them as a single financial asset or liability;
- for listed derivatives, the positions recorded under the respective asset and liability items for:
  - index options and futures options are offset by maturity and by currency,
  - equity options are offset by ISIN code and maturity date;
- for repurchase agreements, the amount recorded in the balance sheet corresponds to the net value of repurchase and reverse repurchase agreements that:
  - are entered into with the same clearing house,
  - have the same maturity date,
  - involve the same custodian,
  - are denominated in the same currency.

Financial assets and liabilities "Under netting agreements not offset in the balance sheet" comprise transactions under netting agreements or similar agreements, but that do not meet the restrictive netting criteria set by IAS 32. This is particularly the case for derivatives or OTC repurchase agreements subject to master agreements under which the net settlement criteria or realization of a simultaneous settlement of the asset and liability cannot be demonstrated or for which the offsetting right can only be exercised in the event of default, insolvency or bankruptcy by one of the parties to the agreement.

For these instruments, the "Related financial assets and financial instruments received as collateral" and "Related financial liabilities and financial instruments pledged as collateral" columns include in particular:

- for repurchase agreements:
  - loans or borrowings resulting from reverse repurchase agreements with the same counterparty, and securities pledged or received as collateral (for the fair value of said securities),
  - margin calls in the form of securities (for the fair value of said securities);
- for derivatives, the fair values of the reverse transactions with the same counterparty, as well as the margin calls in the form of securities.

Margin calls received or paid in cash are shown in "Margin calls received (cash collateral)" and "Margin calls paid (cash collateral)".

5.18.1 Financial assets

Financial assets under netting agreements offset in the balance sheet

	12/31/2018			01/01/2018		
in millions of euros	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amount of financial assets recognized in the balance sheet	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amount of financial assets recognized in the balance sheet
Derivatives (trading and hedging)	76,982	20,981	56,001	77,224	17,426	59,798
Repurchase agreements	94,592	9,954	84,638	44,551	8,465	36,098
Financial assets at fair value through profit or loss	**171,574**	**30,935**	**140,639**	**121,775**	**25,891**	**95,884**
Repurchase agreements (loans and receivables portfolio)	**10,295**	**700**	**9,595**	**62,972**	**6,459**	**56,513**
TOTAL	**181,869**	**31,635**	**150,234**	**184,747**	**32,350**	**152,397**

Financial assets under netting agreements not offset in the balance sheet

	12/31/2018				01/01/2018			
in millions of euros	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives (trading and hedging)	56,001	34,332	9,181	12,488	59,798	31,468	9,878	18,452
Repurchase agreements	94,233	91,292		2,941	92,599	86,504	12	6,083
TOTAL	**150,234**	**125,624**	**9,181**	**15,429**	**152,397**	**117,972**	**9,890**	**24,535**

5.18.2 Financial liabilities

Financial liabilities under netting agreements offset in the balance sheet

	12/31/2018			01/01/2018		
in millions of euros	Gross amount of financial liabilities	Gross amount of financial assets offset in the balance sheet	Net amount of financial liabilities recognized in the balance sheet	Gross amount of financial liabilities	Gross amount of financial assets offset in the balance sheet	Net amount of financial liabilities recognized in the balance sheet
Derivatives (trading and hedging)	79,789	20,981	58,808	78,473	17,426	61,047
Repurchase agreements	100,536	9,954	90,582	43,431	8,465	34,966
Financial liabilities at fair value through profit or loss	**180,325**	**30,935**	**149,390**	**121,904**	**25,891**	**96,013**
Repurchase agreements (liabilities portfolio)	**17,166**	**700**	**16,466**	**85,527**	**6,459**	**79,068**
TOTAL	**197,491**	**31,635**	**165,856**	**207,431**	**32,350**	**175,081**

Financial liabilities under netting agreements not offset in the balance sheet

	12/31/2018				01/01/2018			
in millions of euros	Net amount of financial liabilities recognized in the balance sheet	Related financial assets and financial instruments pledged as collateral	Margin calls paid (cash collateral)	Net exposure	Net amount of financial liabilities recognized in the balance sheet	Related financial assets and financial instruments pledged as collateral	Margin calls paid (cash collateral)	Net exposure
Derivatives (trading and hedging)	58,808	34,657	10,946	13,205	61,047	31,880	10,767	18,400
Repurchase agreements	107,048	98,767		8,281	114,034	104,021	2	10,011
TOTAL	**165,856**	**133,424**	**10,946**	**21,486**	**175,081**	**135,901**	**10,769**	**28,411**

5.19 TRANSFERRED FINANCIAL ASSETS, OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL AND ASSETS RECEIVED AS COLLATERAL THAT CAN BE SOLD OR REPLEDGED

Accounting principles

A financial asset (or group of similar financial assets) is derecognized when the contractual rights to the asset's future cash flows have expired or when such rights are transferred to a third party, together with virtually all of the risks and rewards associated with ownership of the asset. In such case, rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

When a financial asset is derecognized, a gain or loss on disposal is recorded in the income statement reflecting the difference between the carrying amount of the asset and the consideration received.

In the event that the Group has neither transferred nor retained virtually all of the risks and rewards, but has retained control of the asset, the asset continues to be recognized on the balance sheet to the extent of the Group's continuing involvement.

In the event that the Group has neither transferred nor retained virtually all of the risks and rewards and has not retained control of the asset, the asset is derecognized and all of the rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

If all the conditions for derecognizing a financial asset are not met, the Group keeps the asset in the balance sheet and records a liability representing the obligations arising when the asset is transferred.

The Group derecognizes a financial liability (or a part of a financial liability) only when it is extinguished, i.e. when the obligation specified in the contract is discharged, terminated or expires.

Repurchase agreements

Securities sold under repurchase agreements are not derecognized in the vendor's accounts. A liability representing the commitment to return the funds received is identified and recognized under "Securities sold under repurchase agreements". This debt is a financial liability recorded at amortized cost or at fair value through profit or loss when this liability is considered part of a trading business model.

The assets received are not recognized in the purchaser's books, but a receivable is recorded with respect to the vendor representing the funds loaned. The amount disbursed in respect of the asset is recognized under "Securities bought under repurchase agreements". On subsequent balance sheet dates, the securities continue to be accounted for by the vendor in accordance with the rules applicable to the category in which they were initially classified. The receivable is valued according to methods specific to its category: at amortized cost when classified in "Loans and receivables", or at fair value through profit or loss when it is considered part of a trading business model.

Outright securities lending

Securities loaned under outright securities lending transactions are not derecognized in the vendor's accounts. They continue to be recognized in their original accounting category and are valued accordingly. For the borrower, the securities borrowed are not recognized.

Transactions leading to substantial changes in financial assets

When an asset is subject to substantial changes (in particular following a renegotiation or a remodeling due to financial difficulties) there is derecognition, as the rights to the initial cash flows have essentially expired. The Group considers that this is the case for:

- changes leading to a change of counterparty, especially if the new counterparty has a very different credit quality than the previous counterparty;
- changes intended to move from a very structured to simple indexing, as the two assets are not exposed to the same risks.

Transactions leading to substantial changes in financial liabilities

A substantial change to the terms of a lending instrument must be recorded as the extinguishment of former debt and its replacement with a new debt. The amendment to IFRS 9 of October 12, 2017 clarified the treatment under IFRS 9 of modifications of liabilities recognized at amortized cost if the modification does not result in derecognition: the profit or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate must be recognized in profit or loss. To assess the substantial nature of the change, IFRS 9 includes a threshold of 10% based on discounted cash flows, integrating potential costs and fees: when the difference is greater than or equal to 10%, all of the costs or fees incurred are recognized as profit or loss on debt extinguishment.

The Group may consider other changes to be substantial, such as a change of issuer (even within the same group) or a change in currency.

5.19.1 Transferred financial assets not fully derecognized and other financial assets pledged as collateral

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2018
Financial assets at fair value through profit or loss – Held for trading	2,071	7,455	2,641	782	12,950
Financial assets at fair value through profit or loss – Non SPPI			11		11
Financial assets at fair value through other comprehensive income		5	407		412
Financial assets at amortized cost			18,654	5,457	24,111
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**2,071**	**7,460**	**21,713**	**6,239**	**37,483**
o/w transferred financial assets not fully derecognized	*2,071*	*7,460*	*11,779*	*6,239*	*27,549*

The amount of liabilities associated with financial assets pledged as collateral for repurchase agreements came to €6,653 million at December 31, 2018 (€13,561 million at December 31, 2017).

The fair value of assets pledged as collateral for non-deconsolidating securitization transactions was €6,239 million at December 31, 2018 (€5,379 million at December 31, 2017) and the amount of related liabilities came to €5,190 million at December 31, 2018.

TRANSFERRED FINANCIAL ASSETS NOT FULLY DERECOGNIZED AND OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL AS OF DECEMBER 31, 2017

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2017
Financial assets held for trading	1,656	14,215		653	16,524
Financial assets designated at fair value through profit or loss			12		12
Available-for-sale financial assets			6,418		6,418
Loans and receivables		2	13,433	4,726	18,161
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**1,656**	**14,217**	**19,863**	**5,379**	**41,115**
o/w transferred financial assets not fully derecognized	*1,656*	*14,217*	*13,213*	*5,379*	*34,465*

5.19.1.1 Comments on transferred financial assets

SECURITIES REPURCHASING AND LENDING

BPCE SA group repurchases and loans securities.

Under the terms of the agreements, the securities may be sold on by the purchaser throughout the duration of the repurchase or lending operation. The purchaser must nevertheless return them to the vendor at the transaction's maturity date. The cash flows generated by the securities are also transferred to the vendor.

The Group believes that it has retained almost all of the risks and benefits of the securities repurchased or loaned. They have therefore not been derecognized. Financing has been recorded in liabilities for the repurchasing or lending of financed securities.

SALES OF RECEIVABLES

BPCE SA group sells receivables as security (Articles L. 211-38 or L. 313-23 et seq. of the French Monetary and Financial Code) under guaranteed refinancing operations, notably with the central bank. This type of disposal for security involves the legal transfer of the associated contractual rights, and therefore the "transfer of assets" within the meaning of the amendment to IFRS 7. The Group nevertheless remains exposed to virtually all the risks and benefits, and as such the receivables are maintained on the balance sheet.

SECURITIZATIONS CONSOLIDATED WITH OUTSIDE INVESTORS

Securitizations consolidated with outside investors constitute an asset transfer according to the amendment to IFRS 7.

The Group has an indirect contractual obligation to transfer to outside investors the cash flow from assets transferred to the securitization fund (although these assets are included in the Group's balance sheet through the consolidation of the fund).

In the interest of transparency, for consolidated securitization transactions:

- the share of receivables sold attributable to external investors is considered to be pledged as collateral to third parties;
- the share of receivables sold attributable to units and bonds subscribed for by the Group, and eliminated on consolidation, is not considered to be pledged as collateral unless these securities were brought to Groupe BPCE's single treasury and central bank collateral management pool and used as part of a refinancing mechanism.

5.19.1.2 Comments on financial assets pledged as collateral but not transferred

Financial assets provided as collateral but not transferred are generally pledged. The main mechanisms involved are the CRH (Caisse de Refinancement de l'Habitat), the ESNI industry-wide funding mechanism and securities pledged as collateral for ECB refinancing operations.

Moreover, in accordance with French law, the intrinsic guarantees attached to issues of covered bonds are not recognized under guarantee commitments given. The covered bonds issued by BPCE SFH and Compagnie de Financement Foncier benefit from a legal privilege comprised of eligible assets.

5.19.1.3 Financial assets received as collateral that can be sold or repledged

This heading covers financial assets received as security under financial guarantee agreements with the right to reuse the assets in the absence of any default on the part of the owner of the guarantee.

The fair value of the financial assets received as collateral that BPCE SA group may sell or repledge amounted to €218 billion at December 31, 2018, compared to €207 billion at December 31, 2017.

The fair value of the financial assets received as collateral that were actually sold or repledged amounted to €145 billion at December 31, 2018, compared with €136 billion at December 31, 2017.

5.19.2 Fully derecognized financial assets for which the Group retains an ongoing commitment

Fully derecognized transferred financial assets for which the Group retains an ongoing commitment consist of asset transfers to a deconsolidated securitization vehicle in which BPCE SA group has an interest or an obligation, although this does not call into question the transfer of almost all of the benefits and risks relating to the assets transferred.

Ongoing commitments retained by the Group in relation to securitization vehicles were not significant on December 31, 2018.

Note 6 Commitments

Accounting principles

Commitments are materialized by the existence of a contractual obligation and are binding.

It must not be possible to deem commitments included in this item to be financial instruments falling within the scope of IFRS 9 for classification and measurement purposes. However, financing commitments and guarantees given are covered by IFRS 9 provisioning rules, as set out in Note 7.

The effects of the rights and obligations covered by such commitments must be subject to the occurrence of conditions or subsequent transactions. Commitments are broken down into:

- financing commitments (confirmed credit facilities or refinancing agreements);
- guarantee commitments (off-balance sheet commitments or assets received as collateral)

The amounts shown correspond to the nominal value of commitments given.

6.1 FINANCING COMMITMENTS

in millions of euros	12/31/2018	01/01/2018
Loan commitments given to:		
– credit institutions	1,168	544
– customers	66,651	63,806
– *credit facilities granted*	*64,283*	*58,555*
– *other commitments*	*2,368*	*5,251*
TOTAL FINANCING COMMITMENTS GIVEN	**67,819**	**64,350**
Financing commitments received from:		
– credit institutions	41,076	41,477
– customers	91	6
TOTAL FINANCING COMMITMENTS RECEIVED	**41,167**	**41,483**

6.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2018	01/01/2018
Guarantee commitments given to:		
– credit institutions	5,892	6,162
– Customers*	27,713	25,676
TOTAL GUARANTEE COMMITMENTS GIVEN	**33,605**	**31,838**
Guarantee commitments received from:		
– credit institutions	20,942	17,372
– customers	92,207	87,476
TOTAL GUARANTEE COMMITMENTS RECEIVED	**113,149**	**104,848**

* *The guarantees given by CEGC in connection with its activity are treated as insurance policies for accounting purposes, in accordance with IFRS 4 "Insurance contracts." They are recorded on the liabilities side of the balance sheet and are not included in guarantees given to customers shown in the table above.*

Guarantee commitments are off-balance sheet commitments.

"Securities pledged as collateral" are included in Note 5.19 "Transferred financial assets not fully derecognized and other financial assets pledged as collateral".

"Securities received as collateral" that can be sold or repledged are included in Note 5.19.1.3 "Financial assets received as collateral that can be sold or repledged".

Note 7 Exposure to risks

Information relating to capital management as well as regulatory ratios are presented in the Risk Management section.

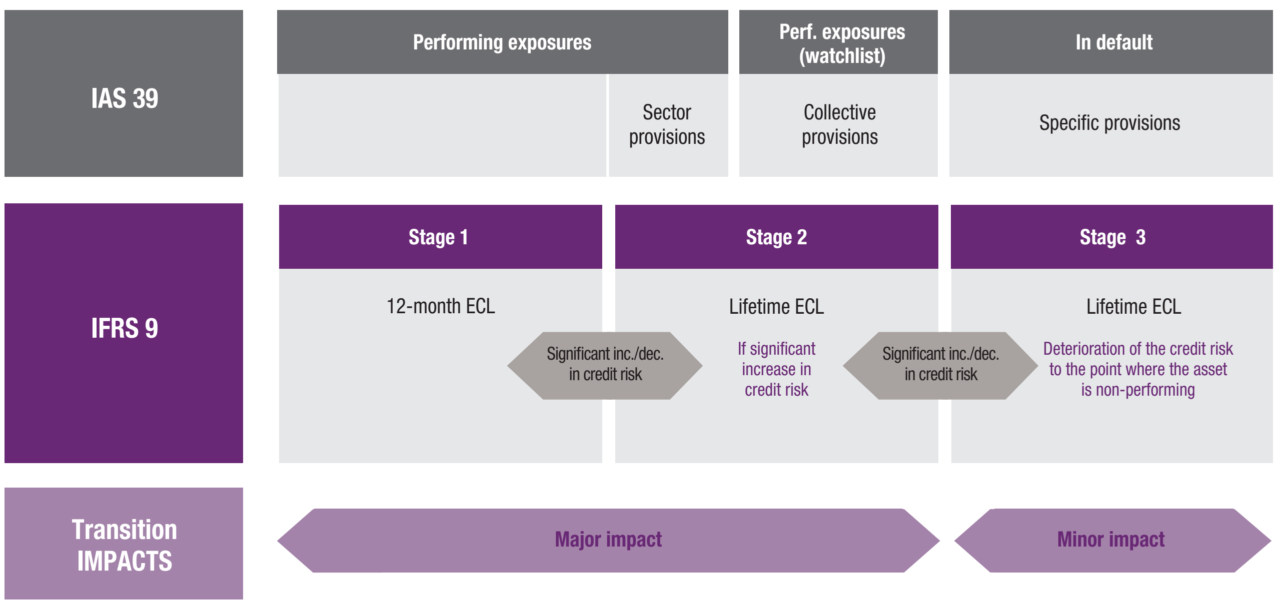
Information on financial assets with past due payments and remodeling due to financial difficulties is provided in the section on "Credit Risk" in Chapter 3 "Risk Management".

Information on liquidity risk (analysis of financial assets and liabilities and commitments by contractual maturity date) is provided in the section on "Liquidity, Interest Rate and Exchange Rate Risks" in Chapter 3 "Risk Management".

7.1 CREDIT RISK AND COUNTERPARTY RISK

Highlights

Credit risk is the risk that one party to a financial transaction fails to fulfil his obligations, causing the other party to incur a financial loss.



Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. They include:

- the breakdown of gross exposures by category and approach (separation of credit and counterparty risk);
- the breakdown of gross exposure by geographic region;
- concentration of credit risk by borrower;
- the breakdown of exposure by credit rating.

This information forms an integral part of the financial statements certified by the Statutory Auditors.

7.1.1 Detail of financial assets and commitments by impairment Stage

Accounting principles

Expected credit losses are represented by impairment of assets classified at amortized cost and at fair value through other comprehensive income, and provisions for financing and guarantee commitments.

The financial instruments concerned (see Note 7.1.1) are impaired or covered by a provision for expected credit losses (ECL) as of the date of initial recognition.

When the financial instruments have not been individually subject to objective evidence of loss, impairment or provisions for expected credit losses are measured based on past losses and reasonable and justifiable discounted future cash flow forecasts.

The financial instruments are divided into three categories (Stages) depending on the increase in credit risk observed since their initial recognition. A specific credit risk measurement method applies to each category of instrument:

Stage 1 (S1)

- these are performing loans for which credit risk has not increased materially since the initial recognition of the financial instrument;
- the impairment or the provision for credit risk corresponds to 12-month expected credit losses;
- interest income is recognized through profit or loss based on the Effective Interest Method applied to the gross carrying amount of the instrument before impairment.

Stage 2 (S2)

- performing loans for which credit risk has increased materially since the initial recognition of the financial instrument are transferred to this category;
- the impairment or the provision for credit risk is determined on the basis of the financial instrument's lifetime expected credit losses;
- as in the case of Stage 1 outstandings, interest income is recognized through profit or loss based on the Effective Interest Method applied to the gross carrying amount of the instrument before impairment.

Stage 3 (S3)

- these are loans for which there is objective evidence of impairment loss due to an event which represents a known credit risk occurring after the initial recognition of the instrument in question. As was the case under IAS 39, this category covers receivables for which a default event has been identified as defined in Article 178 of the EU Regulation of June 26, 2013 on prudential requirements for credit institutions;
- the impairment or the provision for credit risk is calculated based on the financial instrument's lifetime expected credit losses on the basis of the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows taking into account the impact of any collateral;
- interest income is recognized through profit or loss based on the Effective Interest Method applied to the net carrying amount of the instrument after impairment;
- stage 3 also includes financial assets purchased or originated that need to be impaired for credit risk on their initial recognition because the entity does not expect to recover all the contractual cash flows (Purchased or Originated Credit-Impaired (POCI) financial instruments). On initial recognition, the effective interest rate is adjusted based on estimated recoverable cash flows. These recoverable cash flows are re-estimated at each reporting date. Any change results in the recognition of an impairment charge or reversal in income and does not affect the effective interest rate. These assets may be transferred to Stage 2 if their credit risk improves.

For operating lease or lease financing receivables – which fall within the scope of IAS 17 – the Group has decided not to make use of the option of applying the simplified approach proposed by IFRS 9 §5.5.15.

Method for measuring the increase in credit risk and expected credit losses

The principles for measuring the increase in credit risk and expected credit losses applicable to most of the Group's exposures are described below. Only BPCE International and a few portfolios held by Group entities – representing a limited volume of exposures – cannot be treated according to the methods described below and are subject to appropriate valuation techniques.

Other than these few examples, the significant increase in credit risk is assessed on an individual basis by taking into account all reasonable and justifiable information and by comparing the default risk on the financial instrument at the end of the fiscal year with the default risk on the financial instrument at the date of its initial recognition. A counterparty-based approach (applying the contagion principle to all loans to the counterparty in question) is also possible if it gives similar results. In most cases, the measurement of the increase in the risk leads to the recognition of an increase in Stage 2 before the transaction is individually impaired (Stage 3).

More specifically, the change in credit risk is measured on the basis of the following criteria:

- on the Individual Customer, Professional Customer, SME, Public Sector and Social Housing loan books: the measurement of the increase in credit risk relies on a combination of quantitative and qualitative criteria. The quantitative criterion is based on the measurement of the change in the Probability of Default within one year since initial recognition (Probability of Default measured as a cycle average). Complementary qualitative criteria are used to classify as Stage 2 all contracts with payments more than 30 days past due (the presumption that amounts are past-due after 30 days is therefore not refuted), rated at-risk, included on a watch list or undergoing adjustments due to financial hardship (forbearance);

- for the Large Corporates, Banks and Sovereigns loan books, the quantitative criterion is based on the level of variation in the rating since initial recognition. The same qualitative criteria as for Individual Customers, Professional Customers and SMEs apply, as do complementary criteria based on the change in sector rating and the level of country risk;
- for Specialized Financing, the criteria applied vary according to the characteristics of the exposures and the related ratings system. Exposures rated by the tool dedicated to large exposures are treated in the same way as Large Corporates; other exposures are treated in the same way as SMEs.

For all these loan books, the ratings used to measure the increase in risk correspond to the ratings produced by internal systems when they are available, as well as on external ratings, particularly when an internal rating is not available.

The standard provides that the credit risk of a financial instrument has not increased materially since its initial recognition if this risk is considered to be low at the end of the fiscal year. This provision is applied to certain investment-grade debt securities held by Corporate & Investment Banking.

For Stage 1 and 2 financial instruments, expected credit losses are also measured on an individual basis, depending on the features of each contract. Collective provisions may be established by the different Group institutions, corresponding to "sector" provisions. Group entities are therefore responsible for assessing the consistency of provisions determined for the Group with the local and sector characteristics of their portfolio and for defining additional sector provisions if necessary. The few portfolios not covered by the methodologies described below (not material at the Group level) may also be measured on a collective basis [Note: details to be provided by entities making impairment and provisions on their own scopes: CFF, Palatine, BRED, CEMP, CEBPL, Crédit Coopératif… if not provided above].

Expected credit losses on financial instruments classified as Stage 1 or Stage 2 are measured as the product of several inputs:

- cash flows expected over the lifetime of the financial instrument, discounted on the valuation date – these flows are determined according to the characteristics of the contract, its effective interest rate and the level of early repayment expected on the contract;
- Loss Given Default (LGD);
- Probabilities of Default (PD), for the coming year in the case of Stage 1 financial instruments and until the contract's maturity in the case of Stage 2 financial instruments.

The Group draws on existing concepts and mechanisms to define these inputs, and in particular on internal models developed to calculate regulatory capital requirements and on projection models used in the stress test system. Certain adjustments are made to comply with the specifics of IFRS 9:

- IFRS 9 inputs aim to provide an accurate estimate of expected credit losses for accounting provision purposes, whereas prudential inputs are more cautious for regulatory framework purposes. Several of the safety buffers applied to the prudential inputs are therefore restated;
- IFRS 9 inputs must allow expected credit losses to be estimated until the contract's maturity, whereas prudential inputs are defined to estimate 12-month expected losses. Twelve-month inputs are thus projected over long periods;
- IFRS 9 inputs must be forward-looking and take into account the expected economic environment over the projection period, whereas prudential inputs correspond to the cycle's average estimates (for PD) or bottom-of-the-cycle estimates (for LGD and the flows expected over the lifetime of the financial instrument). The PD and LGD prudential inputs are therefore also adjusted based on this expected economic environment.

Inputs are adjusted to economic conditions by defining three economic scenarios over a three-year period. The variables defined in each of these scenarios allow for the distortion of the PD and LGD parameters and the calculation of an expected credit loss for each economic scenario. Inputs for periods longer than three years are projected based on the mean reversion principle. The models used to distort the PD and LGD inputs rely on those developed as part of the stress test system for the purpose of ensuring consistency. These economic scenarios are associated with probabilities of occurrence, ultimately making it possible to calculate an average probable loss used as the IFRS 9 impairment amount.

These scenarios are defined using the same organization and governance as that defined for the budget process, requiring an annual review based on proposals from the Economic Research department and approval by the Executive Management Committee. To ensure consistency with the budget scenario, the central scenario is the budget scenario. Two variants – an optimistic view and a pessimistic view – are also developed around this scenario. The likelihood that the scenarios will occur is reviewed on a quarterly basis by the Group's Watch List and Provisions Committee. The inputs thus defined allow expected credit losses for all rated exposures to be valued, regardless of whether they belong to a scope approved using an internal method or they are processed using the standard method for the calculation of risk-weighted assets.

Conservative default rules are applied to unrated exposures (the stakes are not material for the Group). These rules involve assigning the highest rating on the internal scale in the absence of a rating on approval and the lowest rating on the scale before the at-risk stage in the absence of a rating to date.

The mechanism for validating IFRS 9 inputs is fully integrated in the validation mechanism for existing models within the Group. Inputs are subject to review by an independent unit responsible for internal model validation, which is then examined by the Group Model Committee. Furthermore, the recommendations issued by the validation unit are subsequently monitored.

Method for measuring assets classified as Stage 3

Loans and receivables are considered as impaired and are classified as Stage 3 if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis: there are "triggering events" or "loss events" identifying counterparty risk occurring after the initial recognition of the loans in question. Objective evidence of impairment includes any payments that are past due by at least three months, or regardless of whether any payment has been missed, the observation of financial hardship experienced by the counterparty leading to the expectation that some or all of the amounts owed may not be recovered or to the initiation of legal proceedings;
- these events are liable to lead to the recognition of incurred credit losses, that is, expected credit losses for which the probability of occurrence has become certain.

Debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) are considered impaired and are classified as Stage 3 when there is a known counterparty risk.

The Group uses the same impairment indicators for Stage 3 debt securities as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio to which the debt securities are ultimately designated. For perpetual deeply subordinated notes that meet the definition of financial liabilities within the meaning of IAS 32, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

Impairment for expected credit losses on Stage 3 financial assets is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows, whether these cash flows come from the counterparty's activity or from the potential activation of guarantees. For short-term assets (maturity of less than one year), there is no discounting of future cash flows. Impairment is determined globally, without distinguishing between interest and principal. Expected credit losses arising from Stage 3 off-balance sheet commitments are taken into account through provisions recognized on the liability side of the balance sheet. Specific impairment is calculated for each receivable on the basis of the maturity schedules determined based on historic recoveries for each category of receivable.

For the purposes of measuring expected credit losses, pledged assets and other credit enhancements that form an integral part of the contractual conditions of the instrument and that the entity does not recognize separately are taken into account in the estimate of expected cash flow shortfalls.

For debt instruments recognized on the balance sheet in the financial assets at amortized cost category, impairment is recorded against the line on which the asset was initially shown for its net amount (regardless of whether the asset is S1, S2, or S3). Impairment charges and reversals are recognized in the income statement under "Cost of credit risk".

For debt instruments recognized on the balance sheet as financial assets at fair value through other comprehensive income, impairment is carried on the liabilities side of the balance sheet at the level of other comprehensive income recyclable to income, with a corresponding entry on the income statement under "Cost of credit risk" (regardless of whether the asset is S1, S2, or S3).

For loan and financial guarantee commitments given, provisions are recorded on the liabilities side of the balance sheet under "Provisions" (irrespective of whether the commitment given is S1, S2, or S3). Additions to/reversals from provisions are recognized in the income statement under "Cost of credit risk".

7.1.1.1 Financial assets at fair value through other comprehensive income recyclable to income by impairment Stage

	12/31/2018			01/01/2018		
in millions of euros	Gross carrying amount	Impairment for credit losses	Carrying amount	Gross carrying amount	Impairment for credit losses	Carrying amount
Financial assets at fair value through other comprehensive income (recyclable to income)	**14,662**	**(1)**	**14,661**	**14,764**	**(12)**	**14,752**
Stage 1	14,653	(1)	14,652	14,035	(2)	14,033
Stage 2	9		9	723	(10)	713
Stage 3				6		6

7.1.1.2 Financial assets at amortized cost by impairment Stage

	12/31/2018			01/01/2018		
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Carrying amount	Gross carrying amount	Impairment for expected credit losses	Carrying amount
Debt securities	**15,653**	**(154)**	**15,499**	**16,060**	**(137)**	**15,923**
Stage 1	14,916	(5)	14,911	15,270	(5)	15,265
Stage 2	498	(11)	487	496	(13)	483
Stage 3	239	(138)	101	294	(119)	175
Loans and receivables due from credit institutions	**129,313**	**(51)**	**129,262**	**118,372**	**(68)**	**118,304**
Stage 1	128,654		128,654	117,075	(3)	117,072
Stage 2	611	(2)	609	1,236	(4)	1,232
Stage 3	49	(48)	1	61	(61)	
Loans and receivables due from customers	**180,180**	**(3,025)**	**177,155**	**179,582**	**(3,791)**	**175,791**
Stage 1	136,825	(142)	136,683	115,693	(183)	115,510
Stage 2	35,641	(345)	35,296	54,537	(497)	54,040
Stage 3	7,714	(2,538)	5,176	9,352	(3,111)	6,241
TOTAL FINANCIAL ASSETS AT AMORTIZED COST	**325,146**	**(3,230)**	**321,916**	**314,014**	**(3,996)**	**310,018**
Stage 1	280,395	(147)	280,248	248,038	(191)	247,847
Stage 2	36,750	(358)	36,392	56,269	(514)	55,755
Stage 3	8,002	(2,724)	5,278	9,707	(3,291)	6,416

At December 31, 2018, debt securities included €121 million in purchased or originated credit-impaired (POCI) financial assets (net amount after impairment of -€47 million), *versus* €154 million at January 1, 2018.

Loans and receivables due from customers include €279 million in POCI assets (net amount after impairment of -€97 million), *versus* €381 million at January 1, 2018.

7.1.1.3 Financing and guarantee commitments by impairment Stage

	12/31/2018			01/01/2018		
in millions of euros	Gross exposure	Impairment for credit losses	Net exposure	Gross exposure	Impairment for credit losses	Net exposure
Financing commitments given	**67,819**	**103**	**67,716**	**64,350**	**143**	**64,207**
Stage 1	60,245	36	60,209	46,314	38	46,276
Stage 2	7,422	59	7,363	17,796	89	17,707
Stage 3	153	9	144	240	16	224
Guarantee commitments given	**29,193**	**80**	**29,113**	**31,838**	**102**	**31,736**
Stage 1	23,194	7	23,187	18,447	18	18,429
Stage 2	5,862	18	5,844	13,215	30	13,185
Stage 3	137	55	82	176	54	122
TOTAL COMMITMENTS GIVEN	**97,012**	**183**	**96,829**	**96,188**	**245**	**95,943**
Stage 1	83,439	43	83,396	64,761	56	64,705
Stage 2	13,284	77	13,207	31,011	119	30,892
Stage 3	290	64	226	416	70	346

At December 31, 2018, financing commitments included €83 million in commitments impaired on origination (net amount after provisions of €4 million), *versus* €104 million at January 1, 2018. Guarantee commitments included €4 million in commitments impaired on origination (net amount after provisions of €1 million), *versus* €14 million at January 1, 2018.

7.1.2 Cost of credit risk

Accounting principles

Cost of risk applies to debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income recyclable to income as well as financing commitments and financial guarantees given that are not recognized at fair value through profit or loss. It also applies to receivables relating to leasing contracts, business loans and contract assets.

This item therefore covers net impairment and provision charges for credit risk.

Credit losses related to other types of instruments (derivatives or securities designated at fair value through profit or loss) recorded as a result of default by credit institutions are also included under this item.

Irrecoverable loans not covered by provisions for impairment are loans that are permanently lost before being provisioned in Stage 3.

Cost of risk for the period

in millions of euros	**Fiscal year 2018**
Net charge to provisions and provisions for impairment	(278)
Recoveries of bad debts written off	23
Irrecoverable loans not covered by provisions for impairment	(130)
TOTAL COST OF CREDIT RISK	**(385)**

Figures for 2017 under IAS 39

in millions of euros	**Fiscal year 2017**
Net charge to provisions and provisions for impairment	(432)
Recoveries of bad debts written off	19
Irrecoverable loans not covered by provisions for impairment	(98)
TOTAL COST OF CREDIT RISK	**(511)**

Cost of risk for the period by type of asset

in millions of euros	**Fiscal year 2018**
Interbank transactions	43
Customer transactions	(325)
Other financial assets	(103)
TOTAL COST OF CREDIT RISK	**(385)**

Figures for 2017 under IAS 39

in millions of euros	**Fiscal year 2017**
Interbank transactions	(12)
Customer transactions	(486)
Other financial assets	(13)
TOTAL COST OF CREDIT RISK	**(511)**

7.1.3 Change in expected credit losses on financial assets and commitments

In the tables presented in this Note, the line "Other changes" includes changes in credit risk inputs, write-offs (only for Stage 3) and changes relating to the implementation of IFRS 5 (see Note 1.3).

7.1.3.1 Change in impairment for credit losses on financial assets through other comprehensive income

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**(2)**	**(10)**		**(12)**
Origination and acquisitions			///	
Derecognition and buybacks		10		10
Other changes	1			1
BALANCE AT 12/31/2018	**(1)**			**(1)**

7.1.3.2 Change in impairment for credit losses on debt securities at amortized cost

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**(5)**	**(13)**	**(119)**	**(137)**
Origination and acquisitions		(7)	///	(7)
Derecognition and buybacks		9	10	19
Other changes			(29)	(29)
BALANCE AT 12/31/2018	**(5)**	**(11)**	**(138)**	**(154)**

7.1.3.3 Change in impairment for credit losses on loans and receivables due from credit institutions at amortized cost

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**(3)**	**(4)**	**(61)**	**(68)**
Origination and acquisitions			///	
Derecognition and buybacks		1	7	8
Transfers between Stages	1			1
Other changes	2	1	6	8
BALANCE AT 12/31/2018		**(2)**	**(48)**	**(51)**

7.1.3.4 Change in impairment for credit losses on loans and receivables due from customers at amortized cost

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**(183)**	**(497)**	**(3,111)**	**(3,791)**
Origination and acquisitions	(73)	(47)	///	(120)
Derecognition and buybacks	34	88	111	233
Transfers between Stages	(20)	37	(103)	(86)
Other changes	100	74	565	738
BALANCE AT 12/31/2018	**(142)**	**(345)**	**(2,538)**	**(3,025)**

7.1.3.5 Change in provisions for credit losses on loan commitments given

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**38**	**89**	**16**	**143**
Origination	15	4	///	19
Derecognition	(6)	(13)	(2)	(21)
Transfers between Stages	10	(8)		2
Other changes	(21)	(13)	(5)	(39)
BALANCE AT 12/31/2018	**36**	**59**	**9**	**103**

7.1.3.6 Change in provisions for credit losses on guarantee commitments given

in millions of euros	Stage 1	Stage 2	Stage 3	TOTAL
BALANCE AT 01/01/2018	**18**	**30**	**54**	**102**
Origination	7	3	///	10
Derecognition	(2)	(4)	(2)	(8)
Transfers between Stages	1	(1)	3	3
Other changes	(17)	(10)		(27)
BALANCE AT 12/31/2018	**7**	**18**	**55**	**80**

7.1.4 Measurement and management of credit risk

Credit risk arises whenever a counterparty is unable to meet its payment obligations and may result from a reduction in credit quality or even default by the counterparty.

Commitments exposed to credit risk consist of existing or potential receivables and particularly loans, debt securities, equities, performance swaps, performance bonds, or confirmed or undrawn facilities.

Credit risk management procedures and assessment methods, risk concentration, the quality of performing financial assets, and the analysis and breakdown of outstandings are described in the risk management report.

7.1.5 Guarantees received on impaired instruments

The statement below shows the credit and counterparty risk exposure for all Groupe BPCE's financial assets. This exposure to credit risk (determined without taking into account the impact of any unrecognized netting or collateral agreements) and to counterparty risk is based on the carrying amount of the financial assets.

in millions of euros	Maximum credit risk exposure	Impairment/ Provisions	Maximum exposure net of impairment	Guarantees
Debt securities at amortized cost	239	(138)	101	57
Loans and receivables due from credit institutions at amortized cost	48	(48)		
Loans and receivables due from customers at amortized cost	7,714	(2,538)	5,177	4,341
Financing commitments	153	(9)	144	5
Guarantee commitments	137	(55)	82	17
TOTAL IMPAIRED FINANCIAL INSTRUMENTS (S3)	**8,291**	**(2,788)**	**5,504**	**4,421**

7.1.6 Credit risk mitigation mechanisms: assets obtained by taking possession of collateral

The policy followed by BPCE SA group entities is to sell assets obtained by taking possession of collateral as soon as possible. The amount of these assets was non-material at December 31, 2018.

7.2 MARKET RISK

Market risk refers to the possibility of financial loss due to market trends, such as:

- interest rates: interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market rates of interest;
- exchange rates;
- prices: market price risk is the risk of a potential loss resulting from changes in market prices, whether they are caused by factors specific to the instrument or its issuer, or by factors affecting all market traded instruments. Variable-income securities, equity derivatives and commodity derivatives are exposed to this type of risk; and
- more generally, any market parameter involved in the valuation of portfolios.

Systems for the measurement and monitoring of market risks are presented in the risk management report.

The information provided in the risk management report required under IFRS 7 and relating to the management of market risk comprises:

- VaR for the Groupe BPCE scope;
- the conclusions of the global stress tests.

7.3 INTEREST RATE RISK AND EXCHANGE RATE RISK

Interest rate risk is the risk that unfavorable changes in interest rates will adversely impact the Group's annual results and net worth. Exchange rate risk is the risk of losses resulting from changes in exchange rates.

The Group's approach to the management of overall interest rate risk and foreign exchange risk is discussed in Chapter 3 "Risk Management – Liquidity, Interest Rate and Exchange Rate risks".

7.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to honor its payment commitments as they fall due and replace funds when they are withdrawn.

The funding procedures and liquidity risk management arrangements are disclosed in the risk management report.

Disclosures relating to the management of liquidity risk required by IFRS 7 are provided in Chapter 3 "Risk management report – Liquidity, interest rate and foreign exchange risk".

Note 8 Employee benefits and similar

Accounting principles

There are four categories of employee benefits:

- **short-term employee benefits** such as wages, salaries, paid annual leave, bonuses, and profit sharing and incentive schemes which are expected to be paid within 12 months of the end of the period in which the employee renders the service are recognized in expenses;
- **post-employment benefits** paid to retired staff break down into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans such as French national plans are those for which Groupe BPCE's obligation is limited to payment of a contribution; there is no obligation for the employer regarding a certain level of benefits. Contributions paid into these plans are recognized as an expense for the period.

Defined-benefit plans are those for which Groupe BPCE has undertaken to provide a given amount or level of benefits.

Defined-benefit plans are subject to provisions calculated based on an actuarial assessment of the amount of the obligation, taking into account demographic and financial assumptions. When these plans are funded by external funds meeting the definition of plan assets, the amount of the provision is reduced by the fair value of these assets.

The cost of defined-benefit plans recorded in expenses for the period includes: the service cost (representing the rights acquired by beneficiaries over the period), the service cost for prior periods (revaluation differences on actuarial liabilities following an amendment or reduction in the plan), the net financial cost (effect of undiscounting the net obligation for interest income generated by plan assets) and the effect of pension drawdowns.

Revaluation differences on actuarial liabilities caused by changes in demographic and financial assumptions and past-experience effects are recorded in gains and losses recognized directly in other comprehensive income not recyclable to income.

- **Other long-term employee benefits** include awards accruing to current employees and payable 12 months or more after the end of the period in which the employee renders the related service. They mainly include long-service awards and deferred variable remuneration payable in cash and not indexed to the share price.

These benefits are calculated using the same actuarial method as that applied for defined-benefit pension plans. The accounting method differs in terms of revaluation differences on actuarial liabilities, which are recorded under expenses.

- **Termination benefits** are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the Group to terminate a contract or a decision by an employee to terminate a contract in exchange for a severance package. They are covered by a provision. Termination benefits that are not expected to be paid within the 12 months following the balance sheet date are discounted to present value.

Share-based payments include payments in equity instruments or cash where the amount of the cash payment is indexed to the share price.

A personnel expense is recorded for an amount equal to the fair value of the benefit awarded, spread over the vesting period.

8.1 PAYROLL COSTS

Payroll costs include all personnel expenses and the associated social security contributions and taxes.

They include expenses for employee benefits and share-based payments.

in millions of euros	Fiscal year 2018	Fiscal year 2017
Wages and salaries	(3,467)	(3,367)
Expenses for defined-benefit and defined-contribution pension plans and other long-term employee benefits	(214)	(141)
Other social security costs and payroll-based taxes	(1,343)	(1,139)
Profit-sharing and incentive schemes	(197)	(217)
TOTAL PAYROLL COSTS	**(5,221)**	**(4,864)**

Information on staff, broken down by category, is presented in Chapter 6 "Social, environmental and societal information – Responsible internal practices".

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. It came to €11 million in respect of fiscal year 2018 (€13 million for 2017). The use of this tax is presented in section 6 "Social, environmental and societal information" of the registration document.

8.2 EMPLOYEE BENEFITS

BPCE SA group grants its staff a variety of employee benefits:

- pensions and other post-employment benefits such as retirement indemnities and other benefits granted to retirees;
- other benefits such as long-service awards and other long-term employee benefits.

8.2.1 Analysis of assets and liabilities recorded in the balance sheet

	Post-employment defined-benefit plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	12/31/2018	12/31/2017
Actuarial liabilities	908	337	71	162	1,478	1,549
Fair value of plan assets	(599)	(145)			(744)	(748)
Fair value of reimbursement rights	(165)	(29)			(194)	(226)
Effect of ceiling on plan assets	23				23	23
Net amount reported on the balance sheet	**167**	**163**	**71**	**162**	**563**	**598**
Employee benefit commitments recorded in the balance sheet	331	192	71	162	757	824
Plan assets recorded in the balance sheet*	165	29			194	226

* *Mostly recorded on the assets side of the balance sheet under "Accrued income and other assets".*

Actuarial liabilities represent the Group's obligation in respect of beneficiaries. They are calculated by independent actuaries using the projected unit credit method based on demographic and financial assumptions that are reviewed on a regular basis and at least once a year.

When these plans are funded by assets meeting the definition of plan assets, the amount of the provision corresponds to actuarial liabilities less the fair value of these assets.

Surplus plan assets are recorded under assets, as are assets that do not meet the definition of plan assets.

8.2.2 Change in amounts recognized on the balance sheet

Changes in actuarial liabilities

	Post-employment defined-benefit plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long- service awards	Other	Fiscal year 2018	Fiscal year 2017
Actuarial liabilities at start of year	**969**	**366**	**76**	**138**	**1,549**	**1,608**
Service cost	11	21	6	70	108	90
Service cost for prior periods		(1)		(1)	(2)	(49)
Interest cost	20	5	1		26	25
Benefits paid	(36)	(21)	(5)	(53)	(115)	(105)
Other items recorded in income	1	2	(5)	(1)	(3)	(6)
Changes recorded in income	**(4)**	**6**	**(3)**	**15**	**14**	**(45)**
Revaluation adjustments – demographic assumptions		(8)			(8)	5
Revaluation adjustments – financial assumptions	(49)	(12)			(61)	26
Revaluation adjustments – past-experience effect	(18)	(5)			(23)	(9)
Changes recognized directly in other comprehensive income not recyclable to income	**(67)**	**(25)**			**(92)**	**22**
Foreign exchange rate adjustments	**11**			**1**	**12**	**(37)**
Other changes	**(1)**	**(10)**	**(2)**	**8**	**(5)**	**1**
ACTUARIAL LIABILITIES AT END OF YEAR	**908**	**337**	**71**	**162**	**1,478**	**1,549**

Change in plan assets

in millions of euros	Post-employment defined-benefit plans: Supplementary pension benefits and other	Post-employment defined-benefit plans: End-of-career awards	Fiscal year 2018	Fiscal year 2017
Fair value of plan assets at start of year	**798**	**176**	**974**	**847**
Interest income	17	2	19	17
Plan participant contributions	13		13	141
Benefits paid	(29)	(5)	(34)	(32)
Other items recorded in income		(1)	(1)	(2)
Changes recorded in income	**1**	**(4)**	**(3)**	**124**
Revaluation adjustments – return on plan assets	(35)	4	(31)	32
Changes recognized directly in other comprehensive income not recyclable to income	**(35)**	**4**	**(31)**	**32**
Foreign exchange rate adjustments	**10**		**10**	**(29)**
Other changes	**(10)**	**(2)**	**(12)**	
FAIR VALUE OF PLAN ASSETS AT END OF YEAR*	**764**	**174**	**938**	**974**

* *O/w €165 million in reimbursement rights included in retirement benefits and €29 million included in end-of-career benefits.*

Amounts paid in cash to beneficiaries reduce the amount of provisions recorded to this end by an equivalent amount. A total of €34 million was charged against pension plan assets.

Returns on plan assets are calculated by applying the same discount rate as the one applied to gross liabilities. The difference between the actual return at the balance sheet date and this financial income is a revaluation difference recorded in equity for post-employment benefits.

8.2.3 Cost of defined-benefit pension plans and other long-term employee benefits

Expenses for defined-benefit pension plans and other long-term employee benefits

The various components of the charge recognized for defined-benefit plans and other long-term employee benefits are included under "Payroll costs".

in millions of euros	Post-employment defined-benefit plans	Other long-term employee benefits	Fiscal year 2018	Fiscal year 2017
Service cost	(31)	(75)	(106)	(41)
Net interest cost	(6)	(1)	(7)	(8)
Other (o/w asset ceiling)	(4)	6	2	4
Expense for the period	**(41)**	**(70)**	**(111)**	**(45)**
Benefits paid	23	58	81	73
Plan participant contributions	13	0	13	141
Change in provisions due to contributions	**36**	**58**	**94**	**214**
TOTAL	**(5)**	**(12)**	**(17)**	**169**

Gains and losses on defined-benefit plans recorded directly in other comprehensive income

	Supplementary pension benefits and other	End-of-career awards	Fiscal year 2018	Fiscal year 2017
Revaluation adjustments at start of period	**192**	**24**	**216**	**240**
Revaluation adjustments over the period	(32)	(29)	(61)	(18)
Adjustments to asset ceiling	11		11	(6)
REVALUATION ADJUSTMENTS AT END OF PERIOD	**171**	**(5)**	**166**	**216**

8.3 SHARE-BASED PAYMENTS

Accounting principles

Share-based payments are those based on shares issued by the Group, regardless of whether transactions are settled in the form of equity or cash indexed to the share price.

The cost to the Group is calculated on the basis of the fair value at the grant date of the share purchase or subscription options granted by certain subsidiaries. The total cost of the plan is determined by multiplying the unit value of the option by the estimated number of options that will have vested at the end of the vesting period, taking account of the likelihood that the grantees will still be employed by the Group, and of any non-market performance conditions that may affect the plan.

The cost to the Group is recognized in income from the date the employees are notified of the plan, without waiting for the vesting conditions, if any, to be satisfied (for example, in the case of a subsequent approval process), or for the beneficiaries to exercise their options.

The corresponding adjustment for the expense recorded under equity-settled plans is an increase in equity.

The Group recognizes a liability for cash-settled plans. The related cost is taken to income over the vesting period and a corresponding fair value adjustment is booked to a liability account.

The main plans settled in the form of shares are presented below.

Share-based employee retention and performance recognition plans

Each year since 2010, a share-based payment plan has been awarded to certain categories of Natixis group staff, in compliance with regulations.

Regarding the plans approved at February 13, 2018, as the allocations had not been formally completed on the balance sheet date, the cost assessment was based on the best possible estimate of the inputs on the balance sheet date, both in terms of the share value and dividend assumptions.

Long-term payment plans settled in cash and indexed to the Natixis share price

Payments under these plans are subject to presence and performance criteria.

Year of plan	Grant date	Number of units granted at inception*	Vesting date	Number of units vested by beneficiaries	Fair value of indexed cash unit at valuation date *(in euros)*
			October 2016	1,576,403	
			October 2017	1,449,399	
2014 plan	02/18/2015	4,493,016	October 2018	-	6.37
			March 2018		
2015 plan	02/10/2016	6,084,435	March 2019	-	6.11
			March 2019		
2016 plan	04/10/2017	2,835,311	March 2020	-	5.47
			March 2020		
2017 plan	02/23/2018	2,660,487	March 2021	-	5.34
			March 2021	988,750	
2018 plan	02/26/2019	3,260,945	March 2022	1,886,095	2.72

* *The expected number of units at the vesting date is funded by equity swaps.*

Short-term cash-settled payment plans indexed to the Natixis share

Year of plan	Grant date	Vesting date	Value of indexed cash unit (in euros)	Number of indexed cash units granted at inception	Number of probable indexed cash units at vesting date	Fair value of indexed cash unit at valuation date *(in euros)*
2018 plan	02/26/2019	02/26/2019	4.66	6,235,792	6,235,792	4.66

The expense associated with the short-term plan is fully recognized in the 2018 financial statements in the amount of €36 million, *versus* €42 million at December 31, 2017.

Share-based payment plans

Payments under these plans are subject to presence and performance criteria.

Year of plan	Grant date	Number of shares granted at inception	Vesting date	Number of units vested by beneficiaries	Bonus share price at grant date *(in euros)*	Fair value of bonus share at valuation date *(in euros)*
2013 plan	07/31/2014	31,955	July 2018		4.83	4.02
2014 plan	02/18/2015	95,144	February 2019		6.18	3.45
2015 plan	07/28/2016	3,081,642	March 2018 March 2019		3.43	2.80
2016 plan	07/28/2016	151,283	July 2020		3.43	1.62
2016 plan	04/10/2017	3,012,307	March 2019 March 2020		4.28	4.43
2017 plan	05/23/2017	79,369	May 2021		6.44	3.32
2017 plan	02/23/2018	2,765,576	March 2020 March 2021		7.06	5.34
2018 plan	02/26/2019	2,987,841	March 2021 March 2022		4.44	2.73

Expense for the period for loyalty and performance plans

	Fiscal year 2018			
in millions of euros	Plans settled in shares	Plans settled in cash indexed to Natixis shares	Total	Fiscal year 2017
Previous loyalty plans	(14)		(14)	(31)
Loyalty plans from the fiscal year		(2)	(2)	(6)
TOTAL	**(14)**	**(2)**	**(16)**	**(37)**

Valuation inputs used to assess the expense relative to these plans

	12/31/2018	12/31/2017
Share price	4.12	6.60
Risk-free interest rate	(0.64%)	(0.67%)
Dividend payout ratio	11.35%	6.57%
Loss of rights rate	4.61%	3.90%

Loyalty and performance plans settled in cash

Some employees are awarded loyalty and performance bonuses with deferred payment in cash. These bonuses are subject to attendance and performance conditions. In terms of accounting treatment, they are recorded under "Other long-term employee benefits". The estimated expense accounts for an actuarial estimate of these conditions being met. It is spread over the vesting period for the benefits. The amount recognized in respect of fiscal year 2018 was:

Year of plan	Grant date	Vesting date	Fiscal year 2018 *in millions of euros*	Fiscal year 2017 *in millions of euros*
2014 plan	02/18/2015	March 2016 March 2017 March 2018		(3)
2015 plan	02/10/2016	March 2017 March 2018	(1)	(6)
2016 plan	04/10/2017	March 2018 March 2019	(7)	(16)
2017 plan	02/23/2018	March 2019 March 2020	(19)	(20)
2018 plan			(29)	
TOTAL			**(56)**	**(44)**

Note 9 Insurance businesses

Highlights

Insurance businesses cover life insurance and non-life insurance activities. In Groupe BPCE these activities are performed by dedicated subsidiaries subject to the specific regulations applicable to the insurance sector.

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable as of January 1, 2018. On November 14, 2018, the IASB decided to delay the implementation of IFRS 17 "Insurance Contracts" by one year to January 1, 2022. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17.

As Groupe BPCE is a financial conglomerate, it elected to apply this provision to its insurance businesses, which continue to be covered by IAS 39. The entities concerned are listed in Note 13.4 on the scope of consolidation.

Financial assets and liabilities of insurance businesses are therefore recognized in accordance with the provisions of IAS 39. They are classified into categories defined by this standard, which calls for specific approaches to measurement and accounting treatment.

Pending amendments to IFRS 4, insurance liabilities continue to be measured broadly in line with French GAAP.

In accordance with Phase I of IFRS 4, insurance contracts are classified into three categories:

- policies that expose the insurer to a significant insurance risk within the meaning of IFRS 4: this category comprises policies covering provident insurance, pensions, property and casualty and unit-linked savings carrying a minimum guarantee. These policies continue to be measured under the rules provided under local GAAP for measuring technical reserves;
- financial contracts such as savings contracts that do not expose the insurer to a significant insurance risk are recognized in accordance with IFRS 4 if they contain a discretionary profit sharing feature, and continue to be measured in accordance with the rules for measuring technical reserves provided under local GAAP;
- financial contracts without a discretionary profit sharing feature, such as unit-linked policies without a non-unit-linked component and without a minimum guarantee, are accounted for in accordance with IAS 39.

Most financial contracts issued by Group entities contain discretionary profit sharing features.

The discretionary profit sharing feature grants life insurance policyholders the right to receive a share of the financial income generated, in addition to guaranteed benefits. For these contracts, in accordance with shadow accounting principles defined by IFRS 4, the provision for deferred profit sharing is adjusted to include the policyholders' share in the unrealized capital gains or losses on financial instruments measured at fair value in application of IAS 39. The share of the gains or losses attributable to policyholders is determined on the basis of the characteristics of contracts likely to generate such gains or losses.

Any change in deferred profit sharing is taken to other comprehensive income where it results from changes in the value of available-for-sale financial assets and to income where it arises from changes in the value of financial assets at fair value through profit or loss.

At each balance sheet date, the Group assesses whether its recognized insurance liabilities are adequate, based on the estimated present value of future cash flows from its insurance policies and investment contracts containing a discretionary profit sharing feature. The liability adequacy test shows the economic value of the liabilities corresponding to the average derived from stochastic analyses. If the sum of the surrender value and deferred profit sharing is lower than the fair value of the technical reserves, the shortfall is recognized in income.

Groupe BPCE has decided to apply the option available under ANC recommendation No. 2017-02 of presenting the insurance businesses separately on the balance sheet and income statement.

9.1 NOTES TO THE BALANCE SHEET

Accounting principles

The "Insurance business investments" line on the assets side of the balance sheet includes insurance business assets representative of:

- financial investments (*i.e.* in financial instruments) including advances to policyholders;
- financial investments in unit-linked products;
- derivatives;
- revaluation differences on interest rate risk-hedged portfolios.

The other balances related to the insurance business are aggregated with the balances related to the other balance sheet items by type.

On the liabilities side of the balance sheet, the "Liabilities related to insurance policies" line consists of:

- the technical reserves of insurance companies (as defined in Appendix A to IFRS 4);
- insurance and reinsurance liabilities, including amounts due to policyholders;
- insurance-related derivatives;
- shares of the revaluation of interest rate risk-hedged portfolios;
- the deferred profit sharing liability.

9.1.1 Insurance business investments

Accounting principles

Loans and receivables due from credit institutions and customers and certain securities not listed in an active market are recorded in "Insurance business investments".

Loans and receivables are initially recorded at fair value plus any costs directly related to their issuance, less any proceeds directly attributable to issuance. On subsequent balance sheet dates, they are measured at amortized cost using the Effective Interest Method.

The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the value of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield on the loan. No internal cost is included in the calculation of amortized cost.

When loans are extended under conditions that are less favorable than market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the nominal value of the loan. The market interest rate is the rate applied by the vast majority of local financial institutions at a given time for instruments and counterparties with similar characteristics.

A discount is applied to loans restructured following a loss event as defined by IAS 39, to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of credit risk" (for the insurer's net share) in the income statement and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. The restructured loan is reclassified as performing based on expert opinion when no uncertainty remains as to the borrower's capacity to honor the commitment.

External costs consist primarily of commissions paid to third parties in connection with the arrangement of loans. They essentially comprise commissions paid to business providers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more probable than improbable that the loan will be drawn down). Commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

Securities recorded as assets are classified into four categories as defined by IAS 39:

- financial assets at fair value through profit or loss;
- held-to-maturity financial assets;
- loans and receivables;
- available-for-sale financial assets.

Impairment of securities

An impairment loss is recognized on an individual basis against securities, with the exception of securities classified as financial assets at fair value through profit or loss, when there is objective evidence of impairment resulting from one or more loss events having occurred since the initial recognition of the asset and where the impact of these events on estimated future cash flows can be reliably measured.

Different rules are used for the impairment of equity instruments and debt instruments.

For equity instruments, a lasting decline or a significant decrease in value are objective indicators of impairment.

A decline of over 50% or lasting for over 24 months in the value of a security by comparison with its historical cost is an objective indicator of permanent impairment, leading to the recognition of an impairment loss in income.

In addition, these impairment criteria are also supplemented by a line-by-line review of the assets that have recorded a decline of over 30% or for more than six months in their value by comparison with their historical cost or if events occur that are liable to represent a material or prolonged decline. An impairment charge is

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recorded in the income statement if the Group determines that the value of the asset will not be recovered in its entirety.

For unlisted equity instruments, a qualitative analysis of their situation is carried out.

Impairment losses recognized on equity instruments may not be reversed and nor may they be written back to income. Losses are recorded under "Net income from insurance businesses". A subsequent increase in value is taken to "Gains and losses recognized directly in other comprehensive income" until disposal of the securities.

Impairment losses are recognized on debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) when there is a known counterparty risk.

The Group uses the same impairment indicators for debt securities as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio to which the debt securities are ultimately designated. For perpetual deeply subordinated notes, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

In the event of an improvement in the issuer's financial position, impairment losses taken on debt instruments must be written back to the income statement. Impairment losses and write-backs are recorded in "Cost of credit risk" (for the insurer's net share).

Impairment of loans and receivables

IAS 39 defines the methods for calculating and recognizing the impairment of loans.

A loan or receivable is deemed to be impaired if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis: there are "triggering events" or "loss events" identifying counterparty risk occurring after the initial recognition of the loans in question. On an individual level, the criteria for deciding whether or not a credit risk has been incurred include the existence of past due payments;
- these events are liable to lead to the recognition of incurred losses.

Impairment is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows taking into account the impact of any collateral.

in millions of euros	12/31/2018	01/01/2018
Investment property	1,375	1,312
Financial assets at fair value through profit or loss	22,014	22,048
Available-for-sale financial assets	49,479	46,430
Loans and receivables due from credit institutions	383	518
Loans and receivables due from customers	12,759	10,312
Held-to-maturity financial assets	1,291	1,885
Share held by cedents and retrocessionaires in liabilities relating to insurance policies and financial contracts	13,050	11,394
Receivables arising from insurance and assumed reinsurance activities	2,130	1,425
Receivables arising from ceded reinsurance activities	91	30
Deferred acquisition costs	709	697
TOTAL INSURANCE BUSINESS INVESTMENTS	**103,281**	**96,051**

9.1.1.1 Investment property

	12/31/2018			01/01/2018		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Investment property – At historical cost	44	(14)	30	44	(13)	31
Investment property – At fair value	970		970	918		918
Investment property – UL policies	374		374	363		363
TOTAL	**1,388**	**(14)**	**1,375**	**1,325**	**(13)**	**1,312**

The fair value of investment property is classified in Level 3 of the fair value hierarchy in accordance with IFRS 13.

9.1.1.2 Financial assets at fair value through profit or loss

Accounting principles

This asset category includes:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the near term; and
- financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IAS 39.

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, gains or losses on disposals on these instruments are recognized in "Net income from insurance businesses".

Financial assets and liabilities designated at fair value through profit or loss

The amendment to IAS 39 adopted by the European Union on November 15, 2005 allows entities to designate financial assets and liabilities at fair value through profit or loss on initial recognition. However, an entity's decision to designate a financial asset or liability at fair value through profit or loss may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

In practice, this option may be applied only under the specific circumstances described below:

Elimination of or significant reduction in an accounting mismatch

Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy. This treatment applies in particular to unit-linked policy assets and liabilities.

Harmonization of accounting treatment for performance management and measurement

The option applies for a group of assets and/or liabilities managed and measured at fair value, provided that it is based on a formally documented risk management or investment strategy, and information about the Group is also reported internally on a fair value basis.

Hybrid financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid (combined) instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied when the embedded derivative(s) substantially modify the cash flows of the host contract and when the separate recognition of the embedded derivative(s) is not specifically prohibited by IAS 39 (*e.g.* an early redemption option at cost embedded in a debt instrument). The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

This treatment applies in particular to certain financial instruments containing material embedded derivatives (convertible bonds, indexed bonds and structured securities).

in millions of euros	**12/31/2018**	**01/01/2018**
Bonds		30
UCITS	4,810	4,310
Financial assets held for trading	**4,810**	**4,340**
Trading derivatives	**18**	**214**
Hedging derivatives		**1**
Bonds	1,501	204
Equities	195	243
UCITS	171	
Loans and receivables due from customers		2,011
Investments backed by unit-linked policies	15,320	15,035
Financial assets designated at fair value through profit or loss	**17,186**	**17,493**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**22,014**	**22,048**

Conditions for designating investments at fair value through profit or loss

	12/31/2018			
in millions of euros	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial assets designated at fair value through profit or loss
Bonds	762		739	1,501
Equities	195			195
UCITS			171	171
Investments backed by unit-linked policies	14,720		600	15,320
TOTAL	**15,677**		**1,510**	**17,187**

9.1.1.3 Available-for-sale financial assets

Accounting principles

Available-for-sale financial assets are all securities not classified in the previous three categories.

Available-for-sale financial assets are initially recognized at fair value, plus any transaction costs.

On the balance sheet date, they are carried at their fair value and changes in fair value are recorded under "Gains and losses recognized directly in other comprehensive income" (except for foreign currency monetary assets, for which changes in the fair value of the foreign currency component affect income).

If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on fixed-income securities is recorded under "Net income from insurance businesses". Income from variable-income securities is recorded under "Net income from insurance businesses".

in millions of euros	12/31/2018	01/01/2018
Bonds	41,976	39,178
Equities	2,332	2,168
UCITS	5,422	5,283
Available-for-sale financial assets, gross	**49,730**	**46,629**
Impairment of debt instruments	(38)	(15)
Impairment of equity instruments	(213)	(184)
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**49,479**	**46,430**

* *In 2018, permanent impairment of variable-income securities came to €38 million. This expense was 89% offset by the profit sharing mechanism. The 2018 expense can be broken down into an additional impairment loss on previously impaired securities for €13 million and an allowance for newly impaired securities for €25 million.*

9.1.1.4 Loans and receivables

Accounting principles

The portfolio of loans and receivables included in "Insurance business investments" comprises non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. In addition, these assets must not be exposed to a risk of material losses unrelated to a deterioration in their credit quality.

Some securities not quoted in an active market may be classified in this portfolio. These are initially recognized at fair value, plus any transaction costs and less any transaction income. Securities classified in this category comply with the rules for recognition, measurement and impairment applicable to loans and receivables.

When a financial asset recorded under loans and receivables is sold before its maturity, the income from the disposal is recorded under "Net income from insurance businesses".

LOANS AND RECEIVABLES

in millions of euros	12/31/2018	01/01/2018
Loans and receivables due from credit institutions	383	518
Loans and receivables due from customers*	12,759	10,312
TOTAL LOANS AND RECEIVABLES	**13,142**	**10,830**

* *Including €11,598 million for guarantee deposits made for the acceptance of reinsurance treaties (€10,258 million at January 1, 2018).*

9.1.1.5 Held-to-maturity financial assets

Accounting principles

Held-to-maturity (HTM) financial assets are securities with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity.

IAS 39 does not permit the sale or transfer of these securities before maturity except in certain specific circumstances. In the event that the securities are sold before maturity, all held-to-maturity assets must be reclassified and the held-to-maturity category cannot be used during the current year or the following two years. Exceptions to the rule apply in the following cases:

- a material deterioration in the issuer's credit quality;
- a change in tax regulations canceling or significantly reducing the tax exemption on interest earned on investments held-to-maturity;
- a major business combination or significant withdrawal of activity (sale of a sector, for example) requiring the sale or transfer of held-to-maturity investments in order to maintain the entity's existing situation in terms of interest rate risk or its credit risk policy;
- a change in legal or regulatory provisions significantly modifying either the definition of an eligible investment or the maximum amount of certain types of investment, requiring that the entity dispose of a held-to-maturity asset;
- a significant increase in capital requirements forcing the entity to restructure by selling held-to-maturity assets;
- a significant increase in the risk weighting of held-to-maturity assets in terms of prudential capital regulations.

In the exceptional cases described above, the income from the disposal is recorded under "Net income from insurance businesses".

The hedging of these securities against interest rate risk is not permitted. However, hedges against exchange rate risk or the inflation component of certain held-to-maturity financial assets are allowed.

Held-to-maturity financial assets are recognized at fair value at inception, plus any transaction costs directly attributable to their acquisition. They are subsequently measured at amortized cost using the Effective Interest Method, including any premiums, discounts and acquisition fees, where material.

in millions of euros	12/31/2018	01/01/2018
Treasury bills and equivalent	1,002	1,083
Bonds and other fixed-income securities	290	804
Gross amount of held-to-maturity financial assets	**1,292**	**1,887**
Impairment	(1)	(2)
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	**1,291**	**1,885**

9.1.1.6 Fair value hierarchy of financial assets at fair value

The principles used to assess fair value are described in Note 10.

	12/31/2018			
in millions of euros	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Assets held for trading	4,726	84		4,810
– UCITS	4,726	84		4,810
Financial assets held for trading	**4,726**	**84**		**4,810**
– *Interest rate derivatives*		*3*		*3*
– *Currency derivatives*	*3*	*11*		*13*
– *Equity derivatives*	*1*			*1*
Derivatives excl. hedging derivatives (positive fair value)	**4**	**14**		**18**
Securities designated at fair value through profit or loss	172	456	1,238	1,866
– *Bonds*	*90*	*174*	*1,238*	*1,502*
– *Shares and UCITS*	*83*	*282*		*366*
Investments backed by unit-linked policies	14,617	702		15,320
Financial assets designated at fair value through profit or loss	**14,790**	**1,159**	**1,238**	**17,186**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**19,520**	**1,256**	**1,238**	**22,014**
Investments in associates			253	253
Other available-for-sale securities	41,753	5,056	2,417	49,226
– *Bonds*	*36,068*	*3,652*	*2,218*	*41,938*
– *Shares and UCITS*	*5,685*	*1,404*	*199*	*7,288*
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**41,753**	**5,056**	**2,669**	**49,479**

Analysis of financial assets at fair value classified in Level 3 of the fair value hierarchy

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement								
in millions of euros	**01/01/2018**	**On transactions in progress at the reporting date**	**On transactions removed from the balance sheet at the reporting date**	**In other comprehensive income**	**Purchases/ Issues**	**Sales/ Redemptions**	**To another reporting category**	**From and to another level**	**Other changes**	**12/31/2018**
ASSETS										
Equity derivatives	1					(1)				
Derivatives excl. hedging derivatives (positive fair value)	**1**					**(1)**				
Securities designated at fair value through profit or loss	1,461	(29)	(2)		221	(412)		(1)		1,238
Bonds	*1,461*	*(29)*	*(2)*		*221*	*(412)*		*(1)*		*1,238*
Financial assets designated at fair value through profit or loss	**1,461**	**(29)**	**(2)**		**221**	**(412)**				**1,238**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,462**	**(29)**	**(2)**		**221**	**(413)**		**(1)**		**1,238**
Investments in associates	209	(1)		11	33				1	253
Other available-for-sale securities	3,345	6	(3)	(74)	424	(359)		(923)	1	2,417
Bonds	*2,954*		*(3)*	*(67)*	*399*	*(164)*		*(903)*	*1*	*2,218*
Shares and UCITS	*391*	*6*		*(7)*	*25*	*(195)*		*(20)*		*199*
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**3,554**	**5**	**(3)**	**(63)**	**457**	**(359)**		**(923)**	**2**	**2,669**

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Analysis of fair value hierarchy transfers

	12/31/2018			
From	Level 1	Level 2	Level 2	Level 3
in millions of euros To	Level 2	Level 1	Level 3	Level 2
ASSETS				
Securities designated at fair value through profit or loss		2		1
Bonds				*1*
Shares and UCITS		*2*		
Financial assets designated at fair value through profit or loss		**2**		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**2**		**1**
Other available-for-sale securities	75	9	603	1,526
Bonds	*56*	*9*	*603*	*1,506*
Shares and UCITS	*19*			*20*
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**75**	**9**	**603**	**1,526**

9.1.1.7 Fair value of insurance business assets carried in the balance sheet at amortized cost

The principles used to assess fair value are described in Note 10.

	12/31/2018			
in millions of euros	Fair value	Price quoted in an active market (Level 1)	Measurement techniques using observable data (Level 2)	Measurement techniques using unobservable data (Level 3)
Investments of loans and receivables due from credit institutions	**383**	4	379	
Investments of loans and receivables due from customers	**12,759**	47	12,712	
Held-to-maturity investments	**1,505**	1,345	157	3
INSURANCE BUSINESS INVESTMENTS AT AMORTIZED COST	**14,647**	**1,396**	**13,248**	**3**

9.1.2 Liabilities related to insurance policies

in millions of euros	12/31/2018	01/01/2018
Technical reserves relating to insurance policies	45,772	38,908
Technical reserves relating to unit-linked policies	9,845	10,256
Technical reserves relating to insurance policies	**55,617**	**49,164**
Technical reserves relating to financial contracts with a discretionary profit sharing feature	20,118	20,227
Technical reserves relating to unit-linked financial contracts	3,951	3,974
Technical reserves relating to financial contracts	**24,069**	**24,201**
Deferred profit-sharing liabilities*	2,115	3,275
Debts arising from insurance and assumed reinsurance activities	9,724	9,530
Debts arising from ceded reinsurance activities	141	181
Trading derivatives	7	183
Other liabilities	17	18
TOTAL LIABILITIES RELATED TO INSURANCE POLICIES	**91,690**	**86,552**

* *O/w €1,470 million in deferred profit sharing fully recognized in other comprehensive income.*

The information required by IFRS 7 is presented for:

- financial assets at fair value through profit or loss in Note 5.2.2;
- amounts due to credit institutions and customers in Note 5.10;
- debt securities in Note 5.11;
- subordinated debt in Note 5.14.

9.2 NOTES TO THE INCOME STATEMENT

9.2.1 Net income from insurance businesses

Accounting principles

Net income from insurance businesses includes:

revenues from the insurance businesses, which consist of premiums written and the change in unearned premium reserves for insurance policies and investment contracts containing a discretionary profit sharing feature within the meaning of IFRS 4;

- investment income net of expenses:
  - investment income including income from investment property,
  - investment expenses and other financial expenses excluding financing expenses,
  - gains and losses on the sale of investments including on investment property,
  - depreciation, amortization and impairment reversals on investments (including investment properties) and other assets (including assets provided under operating leases), recognized at amortized cost,
  - the change in fair value of investments (including investment properties) recognized at fair value through profit or loss;
- amortization of acquisition costs;
- the external costs of benefits and claims paid on policies which include paid benefits and claims on insurance policies and on investment contracts containing a discretionary profit sharing feature (paid benefits and claims, changes in technical reserves), including policyholder compensation (deferred profit sharing), as well as changes in the value of investment contracts, particularly for unit-linked policies;
- income from reinsurance cessions, defined as the sum of ceded premiums, net of ceded claims and benefits paid and commissions;
- where applicable:
  - net gains or losses resulting from the derecognition of financial assets at amortized cost,
  - net gains or losses resulting from the reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss.

in millions of euros	Fiscal year 2018
Premiums written	13,800
Change in unearned premiums	(176)
Earned premiums	**13,624**
Revenues and other income from insurance businesses	**267**
Income from investments	1,622
Expenses on investments	(100)
Gains or losses on disposals of investments less reversals of impairment and amortization	105
Change in fair value of investments recognized at fair value through profit or loss	(1,013)
Change in impairment for investments	(95)
Income from investments net of expenses	**518**
Amortization of acquisition costs	**24**
Claims and benefits expenses	**(11,471)**
Income from reinsurance cessions	3,205
Expenses on reinsurance cessions	(3,233)
Net income or expenses on reinsurance cessions	**(28)**
NET INCOME FROM INSURANCE BUSINESSES	**2,934**

9.2.2 Transition between the presentation applicable to insurance companies and to banks

The statement shown below provides a transition between the financial statements of insurance companies included in the scope of consolidation and their translation into the financial statements of Groupe BPCE in accordance with the presentation applicable to banks.

	Banking format 2018-12						
	Net banking income						
in millions of euros	Net income from insurance businesses	Other items of net banking income (excluding net income from insurance businesses)	Operating expenses	Gross operating income	Other items	Insurance format 2018-12	Insurance format 2017-12
Earned premiums	13,566	(98)		13,468		13,468	13,289
Revenues or income from other activities	170	82		252	(33)	219	246
Other operating income			14	14	33	47	47
Net financial income before finance costs	518	29	(11)	536	(1)	535	2,589
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**14,254**	**13**	**3**	**14,270**	**(1)**	**14,269**	**16,171**
Claims and benefits expenses	(11,364)	113	(129)	(11,380)	1	(11,379)	(13,470)
Expenses from other activities			(13)	(13)		(13)	(18)
Net income from reinsurance cessions	(28)			(28)	(2)	(30)	(35)
Policy acquisition costs	27	(777)	(217)	(967)	(1)	(968)	(952)
Administrative expenses		(453)	(346)	(799)		(799)	(755)
Other operating income and expenses/recurring		(75)	(283)	(358)	(2)	(360)	(320)
TOTAL OTHER RECURRING INCOME AND EXPENSES	**(11,365)**	**(1,192)**	**(988)**	**(13,545)**	**(4)**	**(13,549)**	**(15,550)**
OPERATING INCOME	**2,889**	**(1,179)**	**(985)**	**725**	**(5)**	**720**	**621**

9.3 INFORMATION TO BE PROVIDED ON THE TEMPORARY EXEMPTION OF INSURANCE BUSINESSES FROM IFRS 9

in millions of euros	Fair value	Change in fair value over the period
SPPI financial assets	41,476	(1,398)
Other financial assets	3,516	(83)
TOTAL*	**44,993**	**(1,481)**

* *Excluding UCITS classified as available-for-sale assets for €5,067 million at December 31, 2018*

This table does not include financial assets recognized at fair value through profit of loss or reinsurance activities.

in millions of euros	Carrying amount*	Fair value
SPPI financial assets	1,475	1,489
TOTAL	**1,475**	**1,489**

* *Before value adjustments for impairment*

Note 10 Fair value of financial assets and liabilities

Highlights

This section sets out the principles for measuring the fair value of financial instruments as defined in IFRS 13 "Fair Value Measurement" and the methods used by Groupe BPCE entities to measure the value of their financial instruments.

Financial assets and liabilities are recorded in the balance sheet either at fair value or at amortized cost. An indication of the fair value of items measured at amortized cost is provided in the notes.

For instruments traded on an active market with a quoted price, the fair value is equal to the quoted price, corresponding to Level 1 in the fair value hierarchy.

The fair value of other financial instruments not traded on an active market, including in particular loans, borrowings and derivatives traded over the counter, is calculated using valuation techniques that rely on widely used models and observable data, corresponding to Level 2 in the fair value hierarchy. When internal data or proprietary models are used (Level 3 in the fair value hierarchy), independent controls are used to validate the value obtained.

Determination of fair value

General principles

The fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability in a standard arm's length transaction between market participants at the measurement date.

Fair value is therefore determined using the exit price.

On first recognition, fair value is usually the transaction price and is thus the price paid to purchase the asset or the price received to assume the liability.

In subsequent measurements, the estimated fair value of assets and liabilities must be based primarily on observable market data, while ensuring that all inputs used in the fair value calculation are consistent with the price that market participants would use in a transaction.

In this case, fair value consists of a mid-market price and additional valuation adjustments determined according to the instruments in question and the associated risks.

The mid-market price is obtained based on:

- the instrument's quoted price, if the instrument is quoted on an active market. A financial instrument is regarded as quoted on an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regularly occurring transactions on the principal market or, failing that, on the most favorable market, on an arm's length basis;
- if the market for a financial instrument is not active, fair value is established using valuation techniques. The techniques used must maximize the use of relevant observable entry data and minimize the use of non-observable entry data. They may refer to observable data from recent transactions, the fair value of similar instruments, discounted cash flow analysis and option pricing models, proprietary models in the case of hybrid instruments or non-observable data when no pricing or market data are available.

Additional valuation adjustments include factors related to valuation uncertainties, such as market, credit and liquidity risks, in order to recognize the costs incurred by a divestment transaction on the primary market. Likewise, an adjustment (Funding Valuation Adjustment – FVA) for using assumptions to recognize costs related to the financing costs of future cash flows on uncollateralized or partially collateralized derivatives is also recognized.

The main additional adjustments are as follows:

BID/ASK ADJUSTMENT – LIQUIDITY RISK

This adjustment is the difference between the bid price and the ask price corresponding to the selling costs. It reflects the cost requested by a market player in respect of the risk of acquiring a position or of selling at a price proposed by another market player.

MODEL UNCERTAINTY ADJUSTMENT

This adjustment takes into account imperfections in the valuation techniques used, and in particular risk factors not considered even though observable market inputs are available. This is the case when the risks inherent in the instruments differ from those incurred by the observable market data used to determine their valuation.

INPUT UNCERTAINTY ADJUSTMENT

Observing certain prices or inputs used in valuation techniques may be difficult or the price or input may be too regularly unavailable to determine the selling price. Under these circumstances, an adjustment may be necessary to reflect the probability that market participants might adopt different values for the same inputs when evaluating the financial instrument's fair value.

CREDIT VALUATION ADJUSTMENT (CVA)

This adjustment applies to valuations that do not account for the counterparty's credit quality. It corresponds to the risk of loss linked to the risk of default by a counterparty and aims to take into account the fact that the Group may not recover the full market value of the transactions.

The method for determining the CVA is primarily based on the use of market inputs in connection with professional market practices, for all segments of counterparties subject to this calculation. In the absence of liquid market inputs, proxies by type of counterparty, rating and geographic area are used.

DEBIT VALUATION ADJUSTMENT (DVA) AND FUNDING VALUATION ADJUSTMENT (FVA)

The DVA is symmetrical to the CVA and represents the risk of loss, from the counterparty's perspective, on liability valuations of financial instruments. It reflects the impact of the Group's credit quality on the valuation of these instruments. The DVA is assessed by observing the Group's "credit" market input. At Natixis, the main contributor for the Group, this involves the observation of the credit spreads of a sample of comparable banking institutions, taking into account the liquidity of the spread on Natixis' CDS during the period. The DVA adjustment is established after taking into account the funding valuation adjustment (FVA).

The following criteria are used to determine whether or not a market is active:

- the level of activity and trend of the market (including the level of activity on the primary market);
- the length of historical data on prices observed in similar market transactions;
- scarcity of prices recovered by a service provider;
- sharp bid-ask price spread;
- steep price volatility over time or between different market participants.

NATIXIS' CONTROL SYSTEM (NATIXIS IS THE MAIN CONTRIBUTOR TO THE GROUP'S BALANCE SHEET ITEMS MEASURED AT FAIR VALUE)

The calculation of fair value is subject to control procedures aimed at verifying that fair values are determined or validated by an independent function.

Fair values determined by reference to external quoted prices or market inputs are validated by an independent unit (the Market Data Control department). Second-level controls are carried out by the Risk division.

On less liquid markets, other market information, primarily observable data, is used to validate the fair value of instruments.

The factors taken into account include the following:

- the origin of the external source (stock market pages, content contribution services, etc.);
- the consistency of the various sources;
- the frequency of data feeds;
- the representative nature of inputs based on recent market transactions.

For fair values determined using valuation models, the control system consists of the independent validation of model construction and of the inputs included in these models.

This is carried out under the responsibility of the Risk division.

It involves verifying that the model is consistent with and relevant to its intended function (price setting, valuation, coverage, measurement and control of risk) and the product to which it applies, based on:

- a theoretical approach: the financial and mathematical foundations of the model;
- the application of the model: the pricing models used to generate risk and earnings data;
- the stability of the model under parametric stress;
- an assessment of the stability and consistency of the numerical methods used;
- the independent re-implementation of the model as part of algorithm validation;
- the comparative analysis of the calibration of model inputs;
- an assessment of the modeling risk, particularly the comparative analysis of the model with other valuation models, in order to ensure the adequacy of the model and the payoff (the formula of positive or negative flows attached to the product at maturity);
- the implementation of an adjustment in respect of modeling risk to account for potential deficiencies in the model or its calibration;
- the incorporation of the model into information systems.

The methods for determining fair value are monitored by a number of bodies including the Inputs and Observability Committee, the Valuation Committee, the Impairment Committee and the Model Validation Committee, which comprise representatives of the Risk division, the Finance department and the Market Data Monitoring and Valuation department.

Fair value hierarchy

For financial reporting purposes, IFRS 13 requires fair value measurements applied to financial and non-financial instruments to be allocated to one of three fair value levels:

LEVEL 1: VALUATION USING PRICES QUOTED ON A LIQUID MARKET

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets.

This mainly includes securities listed on a stock exchange or traded continuously on other active markets, derivatives traded on organized markets (futures, options, etc.) whose liquidity can be demonstrated, and units of UCITS that calculate and report their net asset value on a daily basis.

LEVEL 2: VALUATION USING OBSERVABLE MARKET INPUTS

Level 2 fair value comprises instruments other than those mentioned in Level 1 fair value and instruments measured using a valuation technique incorporating inputs that are either directly observable (prices) or indirectly observable (derived from prices) through to maturity. This mainly includes:

Simple instruments:

Most over-the-counter derivatives, swaps, credit derivatives, forward rate agreements, caps, floors and plain vanilla options are traded in active markets, *i.e.* liquid markets in which trades occur regularly.

These instruments are valued using generally accepted models (discounted cash flow method, Black & Scholes model, interpolation techniques), and on the basis of directly observable inputs.

For these instruments, the extent to which models are used and the observability of inputs has been documented.

Instruments measured using Level 2 inputs also include:

- securities that are less liquid than those classified as Level 1, whose fair value is determined based on external prices put forward by a reasonable number of active market makers and which are regularly observable without necessarily being directly executable (prices mainly taken from contribution and consensus databases); where these criteria are not met, the securities are classified as Level 3 fair value;
- securities not quoted on an active market whose fair value is determined based on observable market data (for example, using market data for listed peers or the earnings multiple method based on techniques widely used in the market);
- Greek sovereign securities, whose fair value is recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS that do not calculate and report their net asset value on a daily basis but which are subject to regular reporting or which offer observable data from recent transactions;
- debt securities designated at fair value, mainly by Natixis, and to a lesser extent Crédit Foncier. The methodology used by Natixis to value the "issuer credit risk" component of issues designated at fair value is based on the discounting of future cash flows using inputs such as yield curves and revaluation spread. For each issue, this valuation represents the product of the notional amount outstanding and its sensitivity, taking into account the existence of calls and the difference between the revaluation spread (based on the BPCE cash reoffer curve at December 31, 2018 as for previous closing dates) and the average issue spread. Changes in own credit risk are generally not material for issues with an initial maturity of less than one year.

Complex instruments:

Certain hybrid and/or long-maturity financial instruments are measured using a recognized model on the basis of market inputs derived from observable data such as yield curves, implied volatility layers of options, market consensus data or active over-the-counter markets.

The main models for determining the fair value of these instruments are described below by type of product:

- **equity products:** complex products are valued using:
  - market data,
  - a payoff, *i.e.* the formula of positive or negative flows attached to the product at maturity,
  - a model of changes in the underlying asset.

  These products can have single or multiple underlyings or be hybrids (fixed-income/equity for example).

  The main models used for equity products are local volatility models, local volatility combined with Hull & White 1 factor (H&W1F), Tskew and Pskew.

  The local volatility model treats volatility as a function of time and the price of the underlying. Its main property is that it considers the implied volatility of the option (derived from market data) relative to its exercise price.

  The local volatility hybrid model, paired with the H&W1F, consists of pairing the local volatility model described above with a Hull & White 1 factor type fixed-income model, described below (see fixed-income products).

  The Tskew model is a valuation model for mono and multi-underlying options. Its principle is to calibrate the distribution of the underlying asset or assets at maturity to standard option prices.

  The Pskew model is similar to the Tskew model. It is used in particular for simple ratchet equity products such as capped or floored ratchet products;
- **fixed-income products:** fixed-income products generally have specific characteristics which justify the choice of model. Underlying risk factors associated with the payoff are taken into account.

  The main models used to value and manage fixed-income products are Hull & White models (one-factor and two-factor models or one-factor Hull & White stochastic volatility model), the Hunt Kennedy model and the "smiled" BGM model.

  The Hull & White models are simple pricing models for plain vanilla fixed-income products and can be calibrated easily. Products valued using these models generally contain a Bermudan-type cancellation option (*i.e.* one that may be exercised at certain dates set at the beginning of the contract).

  SBGM and Hunt Kennedy models are used to value fixed-income products that are sensitive to volatility smiles (*i.e.* implied change in volatility relative to the exercise price) and to autocorrelation (or correlation between interest rates);
- **foreign exchange products:** foreign exchange products generally have specific characteristics which justify the choice of model.

The main models used to value and manage foreign-exchange products are local and stochastic volatility models, as well as hybrid models, which combine modeling of the underlying foreign exchange with two Hull & White 1 factor models to ascertain the fixed-income factors.

Inputs relating to all such Level 2 instruments were demonstrated to be observable and documented. From a methodology perspective, observability is based on four inseparable criteria:

- inputs are derived from external sources (primarily a recognized contributor, for example);
- they are updated periodically;
- they are representative of recent transactions;
- their characteristics are identical to the characteristics of the transaction. If necessary, a proxy may be used, provided that the relevance of such an arrangement is demonstrated and documented.

The fair value of instruments obtained using valuation models is adjusted to take account of liquidity risk (bid-ask), counterparty risk, the risk relating to the cost of financing uncollateralized or partially collateralized derivatives, own credit risk (measurement of liability derivative positions), and modeling and input risk.

The margin generated when these instruments begin trading is immediately taken to profit or loss.

LEVEL 3: VALUATION USING UNOBSERVABLE MARKET INPUTS

Level 3 comprises instruments measured using unrecognized models and/or models based on unobservable market data, where they are liable to materially impact the valuation. This mainly includes:

- unlisted shares whose fair value could not be determined using observable inputs;
- private equity securities not listed on an active market, measured at fair value with models commonly used by market participants, in accordance with International Private Equity Valuation (IPEV) standards, but which are sensitive to market fluctuations and whose fair value determination necessarily involves a judgment call;
- structured securities or securities representative of private placements, held by the Insurance business line;
- hybrid interest rate and currency derivatives and credit derivatives that are not classified in Level 2;
- loans in the syndication process for which there is no secondary market price;
- loans in the securitization process for which fair value is determined based on an expert appraisal;
- investment property whose fair value is calculated using a multi-criteria approach, by capitalizing rent at market rates and through comparisons with market transactions;
- instruments with a deferred day one margin;
- units of UCITS for which the fund has not published a recent NAV at the valuation date, or for which there is a lock-up period or any other constraint calling for a significant adjustment to available market prices (NAV, etc.) in respect of the low liquidity observed for such shares;
- instruments carried at fair value on the balance sheet and for which data are no longer available due to a freeze in trading in the wake of the financial crisis. When there is a significant drop in trading in a given market, a valuation model is used based on the only available relevant data.

Plain vanilla derivatives are also classified as Level 3 fair value when exposure is beyond the liquidity horizon determined by underlying currencies or by volatility surface (*e.g.* certain foreign currency options and volatility caps/floors).

In accordance with the Ministerial Order of February 20, 2007, as amended by the Order of November 23, 2011 on capital requirements for credit institutions and investment companies and pursuant to the European Regulation of June 26, 2013 (CRR) on the Basel III requirements, for each of the models used, a description of crisis simulations applied is provided in Chapter 3 "Risk Management".

Under IFRS 9, day one profit should be recognized only if it is generated by a change in the factors that market participants would consider in setting a price, *i.e.* only if the model and parameters input into the valuation are observable.

If the selected valuation model is not recognized by current market practices, or if one of the inputs significantly affecting the instrument's valuation is not observable, the trading profit on the trade date cannot be recognized immediately in the income statement. It is taken to income on a straight-line basis over the life of the transaction or until the date the inputs become observable. Any losses incurred at the trade date are immediately recognized in income.

At December 31, 2018, instruments for which the recognition of day one profit/loss has been deferred mainly included:

- multi-underlying structured equity and index products;
- synthetic loans;
- options on funds (multi-assets and mutual funds);
- structured fixed-income products;
- securitization swaps.

These instruments are almost all located at Natixis.

The table below provides the main unobservable inputs and the value ranges for these instruments:

Class of instrument	Main types of products comprising Level 3 within the instrument class	Valuation techniques used	Main unobservable data	Unobservable data ranges among relevant Level 3 products
	CDO	The default rates are based on the market prices of the underlying PFI bonds and the recovery rates are based on historical ratings agency data	Correlation between the assets, base spread between the cash asset and derivative asset, recovery rate	50% – 100%
	Securitization swaps	Discounted expected cash flows based on early redemption assumptions on the underlying portfolio	Early redemption rate	[2% – 28%]
	Sticky CMS/Volatility Bonds	Interest rate options valuation models	Mean reversion inputs	[0%; 5%]
	Callable Spread Options and Corridor Callable Spread Options	Model representing several yield curve factors	Mean reversion spread	[0%; 30%]
Credit derivatives	Spread-Lock Swaps and Spread-Lock Options	Bivariate standard model to measure the time value of Spread Lock options and replication for CMS and TEC Forwards	Spread Lock curve, TEC Forward Volatility and TEC/CMS correlation	Spread Lock: [+11.65bp, +11.93bp] TEC vol. =[17bp, 74bp] TEC-CMS correl. = [50%, 90%]
Interest rate derivatives	Volatility caps/floors	Black & Scholes model	Interest rate vol. for currencies absent from Totem or long maturities	Interest rate vol.: 4% to 100%
Currency derivatives	European barrier call options, Asian call options, Vanilla digital call options, European vanilla call options	Skew Model, Local volatility model, Black & Scholes	Currency vol. for current pairs absent from Totem or long maturities	ATM vol.: [1.04% to 20.62%]
Repos and general collateral TRS	TRS and repos indexed to a basket of general equities	Synthetic modeling of the underlying general collateral basket (with an estimated repo) and actuarial valuation for TRS or with a standard hybrid Equity/Fixed Income model for TRS autocall	Repo curve of general baskets	General collateral repo: [-0.78 to +1.5]
Helvetix derivatives	Strip of long-term options, Strip of quanto options, Strip of digital options Options spread and digital options spread	Black & Scholes model Gaussian copula	Forex/forex correlation Long-term USD/CHF & EUR/CHF volatility	EUR/CHF correlation: [47%; 51%] USD/CHF correlation: [-74%; 71%] EUR/CHF long-term volatility: [8.5%, 10%] USD/CHF long-term volatility: [9.5%; 12%] EUR/USD long-term volatility: [9.5%; 12%]
Fund-based derivatives	Payoffs as Target Volatility strategy and CPPI on mutual funds	The approach used is a hybrid model that combines the local volatility-type multi-underlying equity model with a one-factor Heath-Jarrow-Morton (HJM1F) interest rate model	Fund data	Fund correlation – Interest rates: [-39% to 30%]
Hybrid interest rate/currency derivatives	Long-term PRDC/PRDKO/TARN	Hybrid currency/interest rate options valuation model	Correlation between foreign exchange rates and interest rates as well as long-term volatility levels	AUD/JPY and USD/JPY correlation: [15% to 50%] Long-term volatility: [8.74% to 15.45%]
Hybrid equity/fixed income/forex (FX) derivatives	Long-dated callable range accrual notes (15Y) on several asset classes (equity+forex+interest rates)	Hybrid models coupled with equity, forex and interest rate diffusion	Correlation inputs (equity-forex, equity-interest rates, interest rates-forex)	Equity/USD/EUR correlation: [-8%, 50.7%] Equity/Fixed-income correlation: [5%, 47%] USD/EUR/IR correlation: [24%; 28%]
Hybrid fixed income/credit derivatives	Long-dated interest rate and credit callable range accrual notes (15Y) (default event)	Hybrid models coupled with interest rate diffusion and credit diffusion	Correlation inputs (interest rate-credit and volatility-credit)	- Fixed income/Credit correlation: [-20%] - Credit vol.: Structured by maturity ([2Y: [20%; 75%], 5Y: [20%; 60%], 10Y: [20%; 33%])
Equity derivatives	Long-dated multi-underlying payoffs	Volatility options valuation model incorporating correlation between assets	Correlation inputs	Stock/stock correlation: [5.2 to 93.17]

Policy concerning fair value hierarchy transfers

Transfers between fair value levels are reviewed and validated by ad hoc committees at Natixis comprising representatives of various functions, particularly Finance, Risk and Business Lines. The committee considers various indicators of market activity and liquidity as described in the General Principles.

A review is undertaken for any instrument that ceases to meet these criteria or once again complies with the criteria. Transfers to and from Level 3 are subject to prior validation.

At December 31, 2018, as explained in the key events, a portfolio of derivatives in Asia was transferred to Level 3 in the fair value hierarchy. These are products which are indexed to the worst performance of an underlying basket of shares (indices and shares) that allow investors to receive enhanced periodic coupons in return for a risk of loss of capital at maturity, with the possibility that the product may expire early. The outstandings in question have a fair value recorded on the asset side of the balance sheet of €130 million at December 31, 2018.

The bearish market in Asia revealed the limitations of the business model associated with these products and led to the supplementing of the reserve mechanism by introducing an additional reserve to allow for the model's shortcomings. As this reserve requires judgment (specifically the anticipation of changes in market conditions, portfolio behavior, etc.), the valuation of the products to which it relates is no longer directly observable, and so they have been transferred to fair value Level 3 from Level 2, where they were classified previously, due to the observable nature of the inputs, the model used and the liquidity observed.

At December 31, 2017, in accordance with this procedure, certain foreign currency options, along with volatility caps/floors, were transferred to Level 3 of the fair value hierarchy depending in their liquidity horizons, determined by underlying currencies (see Note 5.5.3).

Instruments affected by the financial crisis

Instruments affected by the financial crisis and carried at fair value on the balance sheet are essentially held by Natixis, which calculates their fair value using the models described below:

CDS CONTRACTED WITH CREDIT ENHANCERS (MONOLINE INSURERS AND CDPCS)

Since December 31, 2015, the valuation model used to measure write-downs on CDS contracted with monoline insurers has been similar to the Credit Valuation Adjustment (CVA) used for counterparty risk. It also takes into account the expected amortization of exposures and the counterparty spread implicit in market data.

OTHER INSTRUMENTS NOT EXPOSED TO US HOUSING RISK MEASURED BY NATIXIS USING A VALUATION MODEL

The section below describes the underlying principles used to value assets resulting from securitization transactions for which no market prices could be identified and which were therefore measured using valuation models:

Trust Preferred Securities (TruPS) CDOs

The valuation model is based on projected future cash flows and default rates determined according to a statistical approach that deduces the default probability of banks according to their financial ratios. For other sectors, default rates are estimated considering the current ratings of assets.

Private Finance Initiative CDS (PFI CDS)

The valuation model used for Private Finance Initiative (PFI) CDS is based on an approach calibrated to the market prices of underlying PFI bonds and the use of a uniform collection rate.

INSTRUMENTS NOT CARRIED AT FAIR VALUE ON THE BALANCE SHEET

Instruments not carried at fair value on the balance sheet

IFRS 13 requires disclosure in the notes to the financial statements of the fair value, and the associated fair value levels, of all financial instruments carried at amortized cost, including loans. The valuation methods used to determine the fair value disclosed in the notes to the financial statements are described below.

ASSETS AND LIABILITIES OF NATIXIS BUSINESS LINES, THE CASH MANAGEMENT POOL, BPCE, AND THE CAISSES D'EPARGNE FINANCIAL PORTFOLIOS

Credit and loans recognized at amortized cost and amounts payable under finance leases

The fair value of these instruments is determined by discounting future cash flows. The discount rate applied for a given loan is the rate at which the Group would grant a loan with similar characteristics to a similar counterparty at the reporting date. The interest rate and counterparty risk components are re-assessed.

The fair value of repurchase agreements is calculated by discounting expected cash flows at the market rate on the closing date and adding a liquidity spread.

If there is a quoted price that meets the criteria of IFRS 13, the quoted price is used.

The fair value of loans with an initial term of less than one year is generally considered to be their carrying amount. This is also generally the case for financial assets with a term of one year or less and current accounts. The corresponding receivables are classified in Level 2 of the fair value hierarchy. Loans and receivables granted to affiliates are also classified in Level 2.

Borrowings and savings

At Natixis, the assessment of the fair value of securities borrowings and debts is based on the method of discounting future cash flows using inputs on the reporting date such as the interest rate curve of the underlyings and the spread at which Natixis lends or borrows.

The fair value of debts maturing in less than one year is considered to be the book value and they are classified in Level 2 of the fair value hierarchy, as are debts payable to affiliates.

The fair value of other amounts due to credit institutions and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the balance sheet date, plus the own credit risk of Groupe BPCE.

Investment property recognized at cost

The fair value of investment property (excluding investment property held by insurance companies) is determined by reference to the capitalization of rents, a method widely used by real estate professionals. The capitalization rate applied to the property depends on a number of factors such as location, the quality and type of building, use, type of ownership, quality of lessee and characteristics of the lease, the interest rate and competition in the real estate market.

FINANCIAL INSTRUMENTS OF THE RETAIL BANKING BUSINESS LINES

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is mainly based on collection of contractual cash flows.

Consequently, the following simplified assumptions were used:

The carrying amount of the assets and liabilities is deemed to be their fair value in certain cases.

These notably include:

- short-term financial assets and liabilities (whose initial term is one year or less) provided that sensitivity to interest-rate risk and credit risk is not material during the period;
- demand liabilities;
- variable-rate loans and borrowings;
- transactions in a regulated market (particularly regulated savings products), whose prices are set by the public authorities.

Fair value of loans to retail customers

The fair value of loans is measured using internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. Except in special cases, only the interest rate component is remeasured, as the credit margin is established at the outset and not subsequently remeasured. Prepayment options are factored into the model *via* an adjustment to loan repayment schedules.

Fair value of loans to large corporates, local authorities and credit institutions

The fair value of loans is measured using internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. The interest rate component is remeasured, as is the credit risk component (where it is an observable piece of data used by the customer relationship managers). Failing that, the credit risk component is established at the outset and not subsequently remeasured, as with loans to retail customers. Prepayment options are factored into the model *via* an adjustment to loan repayment schedules.

Fair value of debt

The fair value of fixed-rate debt owed to credit institutions and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the balance sheet date. Own credit risk is not generally taken into account.

10.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

10.1.1 Fair value hierarchy of financial assets and liabilities

The following statement provides a breakdown of financial instruments by type of price and valuation model:

in millions of euros	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Debt instruments	**8,637**	**105,251**	**2,889**	**116,777**
Loans due from credit institutions and customers	665	101,257	2,814	104,736
Debt securities	7,972	3,994	75	12,041
Equity instruments	**22,701**	**60**		**22,761**
Shares and other equity securities	22,701	60		22,761
Derivatives	**1,449**	**45,104**	**1,759**	**48,312**
Interest rate derivatives	2	29,058	193	29,253
Equity derivatives	1,193	4,635	402	6,230
Currency derivatives		10,913	1,007	11,920
Credit derivatives		265	156	421
Other derivatives	254	233		487
Financial assets at fair value through profit or loss – Held for trading[(1)]	**32,787**	**150,415**	**4,648**	**187,850**
Derivatives		**457**	**79**	**536**
Interest rate derivatives		279	70	349
Currency derivatives		179	9	188
Financial assets at fair value through profit or loss – Economic hedging		**457**	**79**	**536**
Debt instruments		**2**		**2**
Loans due from credit institutions and customers		2		2
Financial assets designated at fair value through profit or loss		**2**		**2**
Debt instruments	**2,422**	**2,097**	**2,612**	**7,131**
Loans due from credit institutions and customers		1,820	1,366	3,186
Debt securities	2,422	277	1,246	3,945
Financial assets at fair value through profit or loss – Non standard	**2,422**	**2,097**	**2,612**	**7,131**
Equity instruments	**175**	**6**	**611**	**792**
Shares and other equity securities	175	6	611	792
Financial assets at fair value through profit or loss – Excluding assets held for trading	**175**	**6**	**611**	**792**
Debt instruments	**13,689**	**939**	**33**	**14,661**
Loans due from credit institutions and customers		2	21	23
Debt securities	13,690	936	12	14,638
Equity instruments	**79**	**180**	**812**	**1,071**
Shares and other equity securities	79	180	812	1,071
Financial assets at fair value through other comprehensive income	**13,768**	**1,119**	**846**	**15,733**
Interest rate derivatives		5,971		5,971
Currency derivatives		1,182		1,182
Hedging derivatives		**7,153**		**7,153**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**49,152**	**161,249**	**8,796**	**219,197**

in millions of euros	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES				
Debt securities	20,690	89,792	1,176	111,658
Derivatives	**1,036**	**45,965**	**1,781**	**48,782**
– Interest rate derivatives		28,832	218	29,050
– Equity derivatives	813	5,753	569	7,135
– Currency derivatives		10,530	751	11,281
– Credit derivatives		313	244	557
– Other derivatives	222	536		758
Other financial liabilities		11,187		11,187
Financial liabilities at fair value through profit or loss – Held for trading*	**21,725**	**146,945**	**2,957**	**171,627**
Derivatives		**146**	**522**	**668**
Interest rate derivatives		62	499	561
Equity derivatives			23	23
Currency derivatives		84		84
Financial liabilities at fair value through profit or loss – Economic hedging		**146**	**522**	**668**
Debt securities		24,286	244	24,530
Other financial liabilities	3,726	660	3	4,389
Financial liabilities designated at fair value through profit or loss	**3,726**	**24,946**	**247**	**28,919**
Interest rate derivatives		6,631		6,631
Currency derivatives		2,727		2,727
Hedging derivatives		**9,358**		**9,358**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**25,451**	**181,395**	**3,726**	**210,572**

* *Excluding economic hedging*

Fair value hierarchy of financial assets and liabilities at December 31, 2017 under IAS 39

in millions of euros	Level 1	Level 2	Level 3	Total*
FINANCIAL ASSETS				
Securities	45,654	4,471	154	50,279
Fixed-income securities	*11,205*	*1,572*	*154*	*12,931*
Variable-income securities	*34,449*	*2,899*		*37,348*
Derivatives	677	48,281	2,236	51,194
Interest rate derivatives	*2*	*31,902*	*267*	*32,171*
Equity derivatives	*533*	*2,475*	*561*	*3,569*
Currency derivatives	*2*	*13,022*	*1,195*	*14,219*
Credit derivatives		*389*	*200*	*589*
Other derivatives	*140*	*493*	*13*	*646*
Other financial assets		1,344	1,662	3,006
Financial assets held for trading	**46,331**	**54,096**	**4,052**	**104,479**
Securities	15,701	1,238	2,535	19,474
Fixed-income securities	*725*	*90*	*1,811*	*2,626*
Variable-income securities	*14,976*	*1,148*	*724*	*16,848*
Other financial assets	22	40,793	2,248	43,063
Financial assets designated at fair value through profit or loss	**15,723**	**42,031**	**4,783**	**62,537**
Interest rate derivatives		*7,520*		*7,520*
Currency derivatives		*1,081*	*5*	*1,086*
Hedging derivatives		**8,601**	**5**	**8,606**
Investments in associates	100	187	1,750	2,037
Other securities	55,517	4,068	3,503	63,088
Fixed-income securities	*49,655*	*2,738*	*3,067*	*55,460*
Variable-income securities	*5,862*	*1,330*	*436*	*7,628*
Other financial assets		7	29	36
Available-for-sale financial assets	**55,617**	**4,262**	**5,282**	**65,161**
FINANCIAL LIABILITIES				
Securities	25,750	343		26,093
Derivatives	586	48,466	1,998	51,050
Interest rate derivatives	*60*	*31,509*	*258*	*31,827*
Equity derivatives	*395*	*4,202*	*251*	*4,848*
Currency derivatives	*1*	*12,063*	*1,166*	*13,230*
Credit derivatives		*467*	*315*	*782*
Other derivatives	*130*	*225*	*8*	*363*
Other financial liabilities		57		57
Financial liabilities held for trading	**26,336**	**48,866**	**1,998**	**77,200**
Securities		22,413	372	22,785
Other financial liabilities	2,908	34,409	1,196	38,513
Financial liabilities designated at fair value through profit or loss	**2,908**	**56,822**	**1,568**	**61,298**
Interest rate derivatives		*7,303*		*7,303*
Currency derivatives		*2,697*		*2,697*
Hedging derivatives		**10,000**		**10,000**

* *The contribution from the insurance entities at December 31, 2017 was a carrying amount of €67,386 million, of which €4,437 million for Level 2 and €5,120 million for Level 3.*

10.1.2 Analysis of financial assets and liabilities classified in Level 3 of the fair value hierarchy

2018 fiscal year (IFRS 9)

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[1]								
in millions of euros	01/01/2018	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[2]	Other changes[3]	12/31/2018
FINANCIAL ASSETS										
Debt instruments	**2,723**	**60**	**88**		**7,550**	**(7,482)**	**(3)**	**14**	**(62)**	**2,889**
Loans due from credit institutions and customers	2,582	128	87		7,493	(7,413)			(63)	2,814
Debt securities	141	(68)	1		56	(68)	(3)	14	1	75
Derivatives	**2,219**	**163**	**(122)**		**169**	**(371)**	**(72)**	**(59)**	**(168)**	**1,759**
Interest rate derivatives	307	26	1		1	(64)	(72)	17	(23)	193
Equity derivatives	561	118	(21)		91	(267)		103	(182)	402
Currency derivatives	1,140	(11)	(31)		77	(38)		(178)	48	1,007
Credit derivatives	212	29	(71)			(2)			(11)	156
Financial assets at fair value through profit or loss – Held for trading[4]	**4,942**	**222**	**(34)**		**7,718**	**(7,853)**	**(75)**	**(44)**	**(228)**	**4,648**
Derivatives	**70**	**(22)**	**(1)**				**36**		**(4)**	**79**
Interest rate derivatives	64	(25)	(1)				36		(4)	70
Equity derivatives										
Currency derivatives	6	3								9
Financial assets at fair value through profit or loss – Economic hedging	**70**	**(22)**	**(1)**				**36**		**(4)**	**79**
Debt instruments	**4**					**(21)**			**17**	
Loans due from credit institutions and customers	4								(4)	
Debt securities						(21)			21	
Financial assets designated at fair value through profit or loss	**4**					**(21)**			**17**	
Debt instruments	**2,147**	**118**	**21**		**168**	**(417)**	**4**	**160**	**412**	**2,612**
Loans due from credit institutions and customers	1,504	13	(1)		24	(165)	(9)			1,366
Debt securities	643	105	22		144	(253)	13	160	412	1,246
Financial assets at fair value through profit or loss – Non standard	**2,147**	**118**	**21**		**168**	**(417)**	**4**	**160**	**412**	**2,612**
Equity instruments	**1,068**	**45**	**(1)**		**54**	**(166)**	**(4)**		**(385)**	**611**
Shares and other equity securities	1,068	45	(1)		54	(166)	(4)		(385)	611
Financial assets at fair value through profit or loss – Excluding assets held for trading	**1,068**	**45**	**(1)**		**54**	**(166)**	**(4)**		**(385)**	**611**
Debt instruments	**425**		**10**	**(7)**	**4**	**(354)**			**(44)**	**33**
Loans due from credit institutions and customers	25				3	(7)	(1)			21
Debt securities	399		10	(7)	1	(348)			(44)	12
Equity instruments	**1,121**	**59**		**(10)**	**31**	**(255)**	**(57)**		**(77)**	**812**
Shares and other equity securities	1,121	59		(10)	31	(255)	(57)		(77)	812
Financial assets at fair value through other comprehensive income	**1,546**	**59**	**10**	**(17)**	**35**	**(609)**	**(57)**		**(121)**	**846**
Derivatives	**5**		**(5)**							
Currency derivatives	5		(5)							
Hedging derivatives	**5**		**(5)**							

5

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[1]								
in millions of euros	01/01/2018	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other compre-hensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[2]	Other changes[3]	12/31/2018
FINANCIAL LIABILITIES										
Debt securities	**1,097**	**38**	**(78)**		**1,138**	**(1,019)**				**1,176**
Derivatives	**2,088**	**472**	**(480)**		**453**	**(172)**	**(78)**	**(163)**	**(338)**	**1,782**
– Interest rate derivatives	344	(76)	(3)		50	(23)	(78)	8	(4)	218
– Equity derivatives[3]	250	491	(319)		308	(147)		(15)	1	569
– Currency derivatives	1,168	46	(16)		46	(6)		(154)	(334)	751
– Credit derivatives	326	10	(142)		49	4		(2)	(1)	244
– Other derivatives										
Financial liabilities at fair value through profit or loss – Held for trading[4]	**3,185**	**510**	**(558)**		**1,591**	**(1,191)**	**(78)**	**(163)**	**(338)**	**2,957**
Derivatives	**459**	**(2)**	**(4)**			**(1)**	**78**	**(13)**	**4**	**522**
Interest rate derivatives	456	(25)				(1)	78	(13)	3	499
Equity derivatives	3	23	(3)							23
Financial liabilities at fair value through profit or loss – Economic hedging	**459**	**(2)**	**(4)**			**(1)**	**78**	**(13)**	**4**	**522**
Debt securities	468	(15)	1		11	(220)	(2)	1		244
Other financial liabilities		(1)							4	3
Financial liabilities designated at fair value through profit or loss	**468**	**(16)**	**1**		**11**	**(220)**	**(2)**	**1**	**4**	**247**

(1) The main impacts recognized in the income statement are mentioned in Note 4.3.

(2) The main transfers to and from Level 3 are described in Note 10.1.3. At December 31, 2018, the net impact on the balance sheet of equity derivatives transferred to Level 3 was €118 million in assets.

(3) Including -€28 million in reclassifications of financial assets at fair value through other comprehensive income to the "Financial assets held for sale" aggregate under IFRS 5. Other changes include, in particular, the impact of changes in the consolidation scope and foreign exchange differences.

(4) Excluding economic hedging

2017 fiscal year (IAS 39)

in millions of euros	01/01/2017	Gains and losses recognized during the period – In the income statement[(1)] – On transactions in progress at the reporting date	Gains and losses recognized during the period – In the income statement[(1)] – On transactions removed from the balance sheet at the reporting date	Gains and losses recognized during the period – In other comprehensive income	Transactions carried out during the period – Purchases/ Issues	Transactions carried out during the period – Sales/ Redemptions	Transfers during the period – To another reporting category	Transfers during the period – From and to another level[(2)]	Other changes[(3)]	12/31/2017
FINANCIAL ASSETS										
Securities	265	(8)	(1)		95	(70)		(122)	(5)	154
Fixed-income securities	*265*	*(8)*	*(1)*		*95*	*(70)*		*(122)*	*(5)*	*154*
Variable-income securities										
Derivatives	2,103	180	(82)		160	(1,160)		1,070	(35)	2,236
Interest rate derivatives	*359*	*29*	*(20)*		*3*	*(111)*		*20*	*(13)*	*267*
Equity derivatives	*1,004*	*431*	*38*		*86*	*(1,007)*		*9*		*561*
Currency derivatives	*438*	*(205)*	*(100)*		*70*	*(37)*		*1,045*	*(16)*	*1,195*
Credit derivatives	*283*	*(73)*				*(5)*		*(4)*	*(1)*	*200*
Other derivatives	*19*	*(2)*			*1*				*(5)*	*13*
Other financial assets	1,344	7	23		5,841	(5,485)			(68)	1,662
Financial assets held for trading	**3,712**	**179**	**(60)**		**6,096**	**(6,715)**		**948**	**(108)**	**4,052**
Securities	2,280	53	(5)		776	(574)			5	2,535
Fixed-income securities	*1,524*	*7*	*10*		*735*	*(467)*			*2*	*1,811*
Variable-income securities	*756*	*46*	*(15)*		*41*	*(107)*			*3*	*724*
Other financial assets	2,382	(208)	73		1,233	(1,181)			(51)	2,248
Financial assets designated at fair value through profit or loss	**4,662**	**(155)**	**68**		**2,009**	**(1,755)**			**(46)**	**4,783**
Interest rate derivatives		(1)							1	
Currency derivatives	2	5							(2)	5
Hedging derivatives	**2**	**4**							**(1)**	**5**
Investments in associates	1,884	(8)	148	113	50	(455)			18	1,750
Other securities	3,564	5	(4)	206	290	(199)		(372)	13	3,503
Fixed-income securities	*3,438*	*(2)*	*(8)*	*203*	*93*	*(183)*		*(476)*	*2*	*3,067*
Variable-income securities	*126*	*7*	*4*	*3*	*197*	*(16)*		*104*	*11*	*436*
Other financial assets	16				5	(3)			11	29
Available-for-sale financial assets	**5,464**	**(3)**	**144**	**319**	**345**	**(657)**		**(372)**	**42**	**5,282**

in millions of euros	**01/01/2017**	**Gains and losses recognized during the period** – **In the income statement**[1] – **On transactions in progress at the reporting date**	**Gains and losses recognized during the period** – **In the income statement**[1] – **On transactions removed from the balance sheet at the reporting date**	**Gains and losses recognized during the period** – **In other compre-hensive income**	**Transactions carried out during the period** – **Purchases/ Issues**	**Transactions carried out during the period** – **Sales/ Redemptions**	**Transfers during the period** – **To another reporting category**	**Transfers during the period** – **From and to another level**[2]	**Other changes**[3]	**12/31/2017**
FINANCIAL LIABILITIES										
Securities										
Derivatives	911	(318)			368	(249)		1,280	6	1,998
Interest rate derivatives	*294*	*49*	*(2)*		*5*	*(93)*		*3*	*2*	*258*
Equity derivatives	*154*	*(106)*	*18*		*286*	*(101)*				*251*
Currency derivatives	*35*	*(190)*	*(9)*		*77*	*(29)*		*1,278*	*4*	*1,166*
Credit derivatives	*423*	*(74)*	*(7)*			*(26)*		*(1)*		*315*
Other derivatives	*5*	*3*								*8*
Financial liabilities held for trading	**911**	**(318)**			**368**	**(249)**		**1,280**	**6**	**1,998**
Securities	93	(6)			242	(8)		51		372
Other financial liabilities	884	75	(83)		1,019	(699)				1,196
Financial liabilities designated at fair value through profit or loss	**977**	**69**	**(83)**		**1,261**	**(707)**		**51**		**1,568**
Interest rate derivatives	*3*								*(3)*	
Equity derivatives	*1*		*(1)*							
Hedging derivatives	**4**		**(1)**						**(3)**	

(1) *The main impacts recognized in the income statement are mentioned in Note 4.3.*

(2) *The main transfers to and from Level 3 are described in Note 10.1.3. At December 31, 2017, the net impact on the balance sheet of foreign currency options transferred to Level 3 was €231 million in liabilities. The income statement was not impacted.*

(3) *Other changes include the impact of changes in the consolidation scope and foreign exchange differences.*

10.1.3 Analysis of fair value hierarchy transfers

The amounts of transfers indicated in this statement are those of the last valuation preceding the transfer.

	Fiscal year 2018				
	From	Level 1	Level 2	Level 2	Level 3
in millions of euros	To	Level 2	Level 1	Level 3	Level 2
FINANCIAL ASSETS					
Debt instruments		**89**	**150**	**14**	
Debt securities		89	150	14	
Derivatives		**22**	**85**	**147**	**206**
Interest rate derivatives				17	
Equity derivatives[(1)]		16	85	130	27
Currency derivatives		6			178
Financial assets at fair value through profit or loss – Held for trading[(2)]		**111**	**235**	**161**	**206**
Debt instruments				**160**	
Debt securities				160	
Financial assets at fair value through profit or loss – Non standard				**160**	
Financial assets at fair value through profit or loss – Excluding assets held for trading					
Debt instruments		**412**	**241**		
Debt securities		412	241		
Financial assets at fair value through other comprehensive income		**412**	**241**		
FINANCIAL LIABILITIES					
Derivatives		**41**	**56**	**13**	**176**
Interest rate derivatives				*10*	*1*
Equity derivatives		*34*	*55*	*3*	*18*
Currency derivatives					*154*
Credit derivatives					*3*
Other derivatives		*7*	*1*		
Financial liabilities at fair value through profit or loss – Held for trading[(2)]		**41**	**56**	**13**	**176**
Derivatives				**(13)**	
Interest rate derivatives				(13)	
Financial liabilities at fair value through profit or loss – Economic hedging					
Debt securities				1	
Financial liabilities designated at fair value through profit or loss				**1**	

(1) *Of which €130 million relating to structured derivatives indexed to shares traded in Asia transferred to Level 3 of the fair value hierarchy (see general principles in Note 10 and Note 1.3).*
(2) *Excluding economic hedging*

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Analysis of fair value hierarchy transfers at December 31, 2017 under IAS 39

		Fiscal year 2017				
	From	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**
in millions of euros	**To**	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
FINANCIAL ASSETS						
Securities		399	325	1		122
Fixed-income securities		*233*	*239*	*1*		*122*
Variable-income securities		*166*	*86*			
Derivatives		15	8	1,096		26
Interest rate derivatives				*34*		*14*
Equity derivatives		*10*	*7*	*14*		*5*
Currency derivatives				*1,048*		*3*
Credit derivatives						*4*
Other derivatives		*5*	*1*			
Other financial assets						
Financial assets held for trading		**414**	**333**	**1,097**		**148**
Securities			2			
Fixed-income securities			2			
Financial assets designated at fair value through profit or loss			**2**			
Investments in associates						
Other securities		209	689	143	358	157
Fixed-income securities		*209*	*689*	*39*	*358*	*157*
Variable-income securities				*104*		
Other financial assets			6			
Available-for-sale financial assets		**209**	**695**	**143**	**358**	**157**
FINANCIAL LIABILITIES						
Securities		7	69			
Derivatives		8	23	1,334		55
Interest rate derivatives				*30*		*27*
Equity derivatives		*6*	*23*	*25*		*25*
Currency derivatives				*1,279*		*2*
Credit derivatives						*1*
Other derivatives		*2*				
Financial liabilities held for trading		**15**	**92**	**1,334**		**55**
Securities				51		
Financial liabilities designated at fair value through profit or loss				**51**		

10.1.4 Sensitivity of Level 3 assets and liabilities to changes in the principal assumptions

At December 31, 2018, Natixis calculated the sensitivity of the fair value of financial instruments measured using unobservable inputs. With the aid of probable assumptions, this sensitivity was used to estimate the impacts of market fluctuations in uncertain economic environments. This estimate was performed using:

- an adjustment of a "standardized[(1)]" variation in unobservable inputs related to assumptions of additional valuation adjustments for fixed-income, currency and equity instruments. The resulting sensitivity was €193 million;
- a variation of +/-50 basis points applied to the margin used to discount the expected flows of TruPS CDOs.

i.e. the sensitivity impact would result in an improvement in value of €6 million, should the inputs mentioned above improve, or a decrease in value of €6 million if the same inputs deteriorate.

(1)) I.e. the standard deviation of consensus prices used to measure the inputs.

10.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is based on the collection of expected cash flows.

The simplified assumptions used to measure the fair value of instruments at amortized costs are presented in Note 10.1.

	12/31/2018			
in millions of euros	**Fair value**	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS AT AMORTIZED COST				
Loans and receivables due from credit institutions	130,546		126,679	3,867
Loans and receivables due from customers	182,362		75,646	106,716
Debt securities	14,450	3,652	5,053	5,745
FINANCIAL LIABILITIES AT AMORTIZED COST				
Amounts due to credit institutions	114,397		106,598	7,799
Amounts due to customers	59,485		53,318	6,167
Debt securities	205,781	11,993	187,959	5,829
Subordinated debt	17,975	9,908	7,641	426

Fair value of financial assets and liabilities at amortized cost at December 31, 2017 under IAS 39

	12/31/2017			
in millions of euros	**Fair value**	**Price quoted in an active market (Level 1)**	**Measurement techniques using observable data (Level 2)**	**Measurement techniques using unobservable data (Level 3)**
FINANCIAL ASSETS AT AMORTIZED COST				
Loans and receivables due from credit institutions	124,608		120,582	4,026
Loans and receivables due from customers	243,114	1,536	101,990	139,588
Held-to-maturity financial assets	2,449	2,247	79	123
FINANCIAL LIABILITIES AT AMORTIZED COST				
Amounts due to credit institutions	122,298		109,309	12,989
Amounts due to customers	116,014		110,367	5,647
Debt securities	210,036	991	136,408	72,637
Subordinated debt	20,228		19,562	666

Note 11 Taxes

11.1 INCOME TAX

Accounting principles

Income tax includes:

- current tax assets and liabilities calculated on the taxable income for the period of each fiscal entity in the tax consolidation scope by applying the applicable tax rates and rules;
- deferred tax assets and liabilities (see 11.2).

in millions of euros	Fiscal year 2018	Fiscal year 2017
Current income tax expense	(6)	286
Deferred tax assets and liabilities	(383)	(897)
INCOME TAX	**(389)**	**(611)**

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	Fiscal year 2018		Fiscal year 2017	
	in millions of euros	Tax rate	in millions of euros	Tax rate
Net income attributable to equity holders of the parent	685		845	
Change in the value of goodwill	16		66	
Non-controlling interests	782		670	
Share in net income of associates	(248)		(241)	
Income taxes	389		611	
INCOME BEFORE TAX AND CHANGES IN THE VALUE OF GOODWILL (A)	**1,624**		**1,951**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical income tax expense (income) at the tax rate applicable in France (AxB)	**(559)**		**(672)**	
Impact of the change in unrecognized deferred tax assets and liabilities	(58)	3.6%	(118)	6.0%
Effects of permanent differences(1)	(190)	11.7%	(142)	7.3%
Reduced rate of tax and tax-exempt activities	31	(1.9%)	(12)	0.6%
Difference in tax rates on income taxed outside France	130	(8.0%)	75	(3.8%)
Tax on prior periods, tax credits and other tax(2)	90	(5.5%)	203	(10.4%)
Other items(3)	166	(10.2%)	55	(2.8%)
INCOME TAX EXPENSE (INCOME) RECOGNIZED	**(389)**		**(611)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**24.00%**		**31.3%**

(1) Permanent differences primarily consist of capital gains taxed under the long-term scheme and the impact of the TSB (French systemic banking risk tax) and the contribution to the SRF (single resolution fund), which are non-deductible expenses (see Note 4.7).

(2) Tax on prior periods, tax credits and other tax mainly included tax credits and the impact of tax audits and the resolution of ongoing disputes. In 2017, these items included €117 million arising from the reimbursement of the 3% tax on dividend payouts.

(3) Other items primarily include provision write-backs for corporate tax refunds relating to non-consolidated entities and that are no longer applicable (€57 million). In 2017, other items included the effects of the extraordinary additional corporate tax charge introduced by the amended Finance Act for 2017, for -€51 million, and the impact of the reduction in the corporate tax rate introduced by the French Finance Act for 2018, for +€15 million.

11.2 DEFERRED TAX ASSETS AND LIABILITIES

Accounting principles

Deferred tax assets and liabilities are recognized when temporary differences arise between the carrying amount of assets and liabilities on the balance sheet and their tax base, irrespective of when the tax is expected to be recovered or settled.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities and assets are offset at the level of each tax entity. The tax entity may either be a single entity or a tax consolidation group. Deferred tax assets are recognized only to the extent that it is probable that the entity will be able to recover them in the foreseeable future.

Deferred tax assets and liabilities are recognized as tax income or expense in the income statement, except for those related to:

- revaluation differences on post-employment benefits;
- unrealized gains and losses on financial assets at fair value through other comprehensive income;
- changes in the fair value of derivatives designated as cash flow hedges;

The corresponding deferred tax assets and liabilities are recognized as unrealized gains and losses directly in other comprehensive income.

Deferred tax assets and liabilities are not discounted to their present value.

Deferred tax assets and liabilities on temporary differences arise from the recognition of the items listed in the statement below (positive figures indicate deferred tax assets, while negative figures in brackets represent deferred tax liabilities):

in millions of euros	12/31/2018	01/01/2018
Unrealized capital gains on UCITS	20	19
Fiscal EIGs	(87)	(113)
Provisions for employee-related liabilities	121	108
Provisions for regulated home savings products	1	
Non-deductible impairment for credit risk	36	133
Other non-deductible provisions	364	286
Changes in fair value of financial instruments recorded in equity	(39)	25
Other sources of temporary differences*	(740)	(554)
Deferred tax related to timing differences	**(324)**	**(96)**
Deferred tax arising on the capitalization of tax loss carryforwards	**2,244**	**2,331**
Unrecognized deferred tax assets and liabilities	**(1,283)**	**(1,154)**
NET DEFERRED TAX ASSETS AND LIABILITIES	**637**	**1,081**
Recognized		
As assets in the balance sheet	1,578	1,501
As liabilities in the balance sheet	(941)	(420)

* *A deferred tax liability of €336 million was recognized at December 31, 2018 (€311 million at December 31, 2017) on certain goodwill items recorded in the United States that will give rise to tax amortization over 15 years.*

The French Finance Act for 2018 led Groupe BPCE to revalue its net deferred tax position: for French companies deferred taxes are calculated by applying the tax rate that will be charged when the temporary difference reverses. Tax rates will be gradually lowered through to 2022 (including the social security contribution on profits), from 32.02% in 2019 to 25.83% in 2022 and thereafter for taxable profit taxed at the normal rate.

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Note 12 Other information

12.1 SEGMENT REPORTING

BPCE SA group has three core businesses:

Retail Banking and Insurance, which includes:

- specialized Financial Services (SFS), a Natixis business line encompassing specialized financing activities (factoring, leasing, consumer credit, sureties and financial guarantees), payments and financial services;
- insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- other networks, which comprise Crédit Foncier group, BPCE International (BPCE I) and Banque Palatine.

Asset & Wealth Management, a Natixis business line consisting of:

- Asset Management, which operates on several international markets, combining expertise in investment management and distribution;
- Wealth Management, with Natixis Wealth Management, which offers wealth management and financing solutions for large private-sector investors.

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public sector entities.

The Corporate center, which primarily includes:

- the Group's central institution and holding companies;
- Natixis' equity interests in Coface, Corporate Data Solutions, Natixis Algérie and Natixis Private Equity;
- unlisted investments and cross-business activities;
- items related to goodwill impairment and the amortization of valuation differences, as these items form part of the Group's acquisition and investment strategy;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund.

12.1.1 Segment analysis of the consolidated income statement

Results by division

in millions of euros	Retail Banking and Insurance *		Asset & Wealth Management		Corporate & Investment Banking		Corporate center		BPCE SA group	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net banking income	3,471	3,303	3,419	3,113	3,237	3,581	673	501	10,800	10,499
Operating expenses	(2,713)	(2,284)	(2,264)	(2,178)	(2,193)	(2,194)	(1,626)	(1,485)	(8,795)	(8,141)
Gross operating income	**758**	**1,019**	**1,154**	**936**	**1,045**	**1,387**	**(952)**	**(984)**	**2,005**	**2,358**
Cost/income ratio	78.2%	69.1%	66.2%	69.9%	67.7%	61.3%	ns	ns	81.4%	77.5%
Cost of risk	(198)	(292)	(1)		(175)	(115)	(11)	(104)	(385)	(511)
Share in income of equity-accounted associates	15	14	3	1	12	10	219	216	248	241
Gains or losses on other assets	(40)	(15)	43	13	3	18	(1)	89	4	104
Change in the value of goodwill			0		0		(16)	(66)	(16)	(66)
Income before tax	**536**	**725**	**1,198**	**950**	**884**	**1,300**	**(762)**	**(849)**	**1,856**	**2,126**
Income tax	(194)	(231)	(323)	(329)	(235)	(380)	362	329	(389)	(611)
Non-controlling interests	(162)	(130)	(415)	(276)	(194)	(269)	(11)	6	(782)	(670)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**180**	**364**	**460**	**345**	**455**	**651**	**(410)**	**(514)**	**685**	**845**

* Excluding the Banque Populaire banks, Caisses d'Epargne and their consolidated subsidiaries

Results of the Retail Banking and Insurance sub-divisions

in millions of euros	Banque Populaire banks		Caisses d'Epargne		Specialized Financial Services		Insurance		Other networks		Retail Banking and Insurance	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net banking income					1,472	1,382	790	734	1,210	1,187	3,471	3,303
Operating expenses					(1,004)	(939)	(448)	(439)	(1,261)	(907)	(2,713)	(2,284)
Gross operating income					**468**	**443**	**342**	**295**	**(51)**	**281**	**758**	**1,019**
Cost/income ratio					68.2%	67.9%	56.7%	59.8%	ns	76.4%	78.2%	69.1%
Cost of risk					(23)	(73)			(175)	(220)	(198)	(292)
Share in income of equity-accounted associates					-	-	15	13	1	1	15	14
Gains or losses on other assets					1	-			(41)	(15)	(40)	(15)
Income before tax					**445**	**371**	**356**	**308**	**(266)**	**46**	**536**	**725**

12.1.2 Segment analysis of the consolidated balance sheet

in millions of euros	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate center		BPCE SA group	
	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018	12/31/2018	01/01/2018
Segment assets	257,366	254,625	2,476	4,731	301,101	320,979	190,620	179,090	751,562	759,425
Segment liabilities	257,366	254,625	2,476	4,731	301,101	320,979	190,620	179,090	751,562	759,425

N.B. Change in segment information for the consolidated balance sheet. Presentation of the economic contribution by sub-division representing the performance of each sub-division as an independent source of value in BPCE SA group. To allow comparison, the opening balance sheet data apply the new methodology.

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12.1.3 Segment reporting by geographic region

The geographic analysis of segment assets and results is based on the location where business activities are recognized.

Net banking income

in millions of euros	2018 fiscal year under IFRS 9	2017 fiscal year under IAS 39
France	5,963	5,568
Rest of Europe	1,461	1,376
North America	2,632	2,640
Rest of world	743	915
TOTAL	**10,800**	**10,499**

Total segment assets

in millions of euros	12/31/2018	01/01/2018
France	629,903	641,740
Rest of Europe	27,753	24,030
North America	57,511	59,779
Rest of world	36,395	33,876
TOTAL	**751,562**	**759,425**

12.2 FINANCE AND OPERATING LEASES

Accounting principles

Leases are analyzed to determine whether in substance and economic reality they are finance leases or operating leases.

Finance leases

A finance lease is a lease that transfers to the lessee substantially most of the risks and rewards incidental to ownership of an asset. It is treated as a loan granted by the lessor to the lessee in order to finance the purchase of an asset.

IAS 17 gives five examples of situations that lead to a lease being classified as a finance lease:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lease provides the lessee with the option to purchase the asset at a price that is expected to be sufficiently below the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if there is no transfer of ownership;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

IAS 17 also describes three indicators that may also individually or collectively lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, and if the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the change in the fair value of the residual value accrue to the lessee; and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than the market rent.

At the inception of the contract, the finance lease receivable is recorded on the lessor's balance sheet in an amount equal to the net investment in the lease, which corresponds to the minimum payments receivable from the lessee discounted at the interest rate implicit in the lease plus any unguaranteed residual value accruing to the lessor.

IAS 17 requires unguaranteed residual values to be reviewed on a regular basis. If there is a reduction in the estimated non-guaranteed residual value, the income allocation over the lease term is revised (calculation of a new payment schedule) and a charge is recorded in order to correct the financial income already recorded.

Impairment on finance leases is determined in accordance with IFRS 9 using the same method as that described for financial assets at amortized cost (Note 5.5) and is recognized under "Cost of credit risk."

Finance lease income corresponding to interest is recognized in the income statement under "Interest and similar income". It is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease, using the interest rate implicit in the lease. The rate of return implicit in the lease is the discount rate that makes the following two items equal:

- the present value of the minimum lease payments receivable by the lessor plus the non-guaranteed residual value;
- and the initial value of the asset (*i.e.* fair value at the inception of the lease, plus any direct initial costs comprising expenses incurred specifically by the lessor to set up the lease).

In the lessee's financial statements, lease financing agreements with purchase options are treated as the purchase of an asset financed by a loan.

Operating leases

A lease which is not considered to be a finance lease is automatically classified as an operating lease.

Assets provided under operating leases are shown in the balance sheet under property, plant and equipment or intangible assets in the case of equipment leases, and investment property in the case of property leases. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term, under "Income or expenses from other activities".

12.2.1 Leasing transactions as lessor

in millions of euros	12/31/2018 Term outstanding < 1 year	12/31/2018 Term outstanding ≥ 1 year to < 5 years	12/31/2018 Term outstanding > 5 years	12/31/2018 Total	12/31/2017 Term outstanding < 1 year	12/31/2017 Term outstanding ≥ 1 year to < 5 years	12/31/2017 Term outstanding > 5 years	12/31/2017 Total
FINANCE LEASES								
Gross investment	2,636	6,621	4,237	**13,494**	2,557	6,697	4,202	**13,456**
Present value of minimum lease payments receivable	2,469	6,071	3,641	**12,180**	2,272	6,150	3,560	**11,982**
Financial income not received	167	550	596	**1,314**	177	556	704	**1,437**
OPERATING LEASES								
Minimum lease payments receivable on non-cancellable contracts	58	217	146	**423**	37	96	63	**196**

Non-guaranteed residual value

in millions of euros	12/31/2018 Real estate assets	12/31/2018 Movable assets	12/31/2018 Total	12/31/2017 Real estate assets	12/31/2017 Movable assets	12/31/2017 Total
FINANCE LEASES						
Non-guaranteed residual value accruing to the lessor	712	16	**728**	727	11	**738**

Contingent rental income for the period recorded as income

in millions of euros	Fiscal year 2018	Fiscal year 2017
Finance leases	2	1
Operating leases		10

5

12.2.2 Leasing transactions as lessee

Fixed assets by category

in millions of euros	12/31/2018 Real estate assets	12/31/2018 Movable assets	12/31/2018 Total	12/31/2017 Real estate assets	12/31/2017 Movable assets	12/31/2017 Total
FINANCE LEASES						
Carrying amount	51		51	51		51

Minimum future lease payments

in millions of euros	12/31/2018 Term outstanding < 1 year	12/31/2018 Term outstanding ≥ 1 year to < 5 years	12/31/2018 Term outstanding > 5 years	12/31/2018 Total	12/31/2017 Term outstanding < 1 year	12/31/2017 Term outstanding ≥ 1 year to < 5 years	12/31/2017 Term outstanding > 5 years	12/31/2017 Total
OPERATING LEASES								
Minimum future amounts payable on non-cancellable contracts	264	1,061	704	**2,029**	287	959	592	**1,838**
Minimum future lease payments receivable on non-cancellable subleasing contracts	///	///	///		///	///	///	**1**

Amounts recognized in net income

in millions of euros	Fiscal year 2018	Fiscal year 2017
OPERATING LEASES		
Minimum payments	(302)	(296)
Contingent rental payments included in expenses for the period		(10)
Income from subleasing activities	9	9

12.3 RELATED PARTY TRANSACTIONS

For Groupe BPCE, related parties are considered to be all consolidated companies, including companies carried under the equity method, and the Group's key management personnel.

The Social Housing Companies in which the Group is the sole major shareholder are also covered.

12.3.1 Transactions with consolidated companies

All intercompany transactions carried out during the period and balances outstanding at the end of the period with fully consolidated companies are eliminated in full on consolidation.

The statement below only provides data on intercompany transactions concerning:

- companies over which the Group exercises joint control (joint operations) in respect of the non-eliminated portion: no significant transactions were identified in this category;
- entities over which the Group exercises significant influence and which are equity-accounted (associates). The significant transactions that have been identified were carried out with CNP Assurances group:
  - under a sales agreement, the Group received commission income amounting to €1,033 million in 2018 (€974 million in 2017),
  - for the management of the Group's pension plans, reimbursement rights of €45 million were recorded to cover post-employment benefits (see Note 8.2.2),
  - under a partnership agreement that took effect on January 1, 2016, a cash deposit of €11.6 billion was recorded under "Loans and receivables due from customers" (see Note 9.1.1.4). This cash deposit is backed by technical reserves recognized for an identical amount under liabilities in the balance sheet representing commitments to insured parties. Insurance expenses and income relating to reinsured policies are recorded as "Income and expenses from other activities" (see Note 4.6).

A list of fully consolidated subsidiaries is presented in Note 18, "Scope of consolidation".

12.3.2 Transactions with company directors

The Group's company directors are the members of the Management Board and Supervisory Board of BPCE. The short-term benefits, post-employment benefits, long-term benefits and termination benefits of BPCE's company directors are described in the "Pay, benefits in kind, loans, guarantees and attendance fees received by BPCE company directors" section of Chapter 3 of the registration document, on Corporate Governance.

Short-term employee benefits

Short-term benefits paid out to the Group's company directors amounted to €9 million in 2018 (*vs.* €6 million in 2017).

These include remuneration, directors' attendance fees and benefits paid to members of the Management Board and Supervisory Board.

Post-employment benefit commitments, long-term benefits and termination benefits

Post-employment benefit commitments, long-term benefits and termination benefits for the Group's company directors are described in Chapter 3 of the registration document on Corporate Governance. The amount provisioned by BPCE SA group in respect of retirement bonuses came to €2 million at December 31, 2018 (€3 million at December 31, 2017).

12.4 PARTNERSHIPS AND ASSOCIATES

Accounting principles: See Note 3

12.4.1 Investments in associates

12.4.1.1 Partnerships and other associates

The Group's main investments in joint ventures and associates are as follows:

in millions of euros	12/31/2018	01/01/2018
CNP Assurances (group)*	2,561	2,657
Socram Banque	75	76
EDF Investment Group	521	521
Other	239	231
Financial sector companies	**3,396**	**3,485**
Other	127	140
Non-financial companies	**127**	**140**
TOTAL INVESTMENTS IN ASSOCIATES	**3,523**	**3,625**

* *Application of IFRS 9 (with IFRS 4 amendment) postponed to January 1, 2022. IFRS 9 Financial Instruments was published on July 24, 2014 and approved by the European Union on November 22, 2016. Application of this standard became mandatory on January 1, 2018. However, the Group opted to postpone application of the standard to January 1, 2022. The standard, which replaces IAS 39 Financial Instruments: Recognition and Measurement, sets out the accounting and disclosure principles applicable to financial assets and financial liabilities. The complete version of IFRS 9 includes the three phases that comprised the draft version, namely classification and measurement, impairment, and hedge accounting. Macro-hedge accounting, which is being covered separately by the IASB, has not been finalized. A discussion paper was published on this topic on April 17, 2014.*

12.4.1.2 Financial data for the main joint arrangements and associates

Summarized financial data for material joint ventures and/or companies under notable influence are as follows (based on the last available data published by the entities in question):

	Associates		
in millions of euros	CNP Assurances (group)	Socram Banque	EDF Investment Group (EIG)
DIVIDENDS RECEIVED	**93**	**1**	**11**
MAIN AGGREGATES			
Total assets	**415,424**	**1,913**	**8,580**
Total liabilities	**397,643**	**1,689**	**33**
Income statement			
Operating income or net banking income	2,463	55	264
Income tax	(793)	(3)	(78)
Net income	1,670	6	186
CARRYING VALUE OF INVESTMENTS IN ASSOCIATES			
Equity of associates*	17,781	224	8,548
Percentage of ownership	16.11%	33.42%	6.11%
VALUE OF INVESTMENTS IN ASSOCIATES	**2,561**	**75**	**521**
MARKET VALUE OF INVESTMENTS IN ASSOCIATES	**2,049**	**///**	**///**

* *The equity used by Groupe BPCE to consolidate CNP Assurances (group) via the equity method is subject to restatement (deeply subordinated notes).*

Groupe BPCE has no interest in any joint venture that has a material impact on the consolidated financial statements.

Summarized financial data for non-material joint ventures and companies under significant influence at December 31, 2018 is as follows:

in millions of euros	Fiscal year 2018	Fiscal year 2017
Value of investments in associates	**366**	**158**
Total amount of share in:		
Net income	14	21
Gains and losses recognized directly in other comprehensive income		1
COMPREHENSIVE INCOME	**14**	**22**

12.4.1.3 Nature and scope of major restrictions

BPCE SA group has not been faced with any major restrictions relating to interests held in associates and joint ventures.

12.4.2 Share in net income of associates

in millions of euros	Fiscal year 2018	Fiscal year 2017
CNP Assurances (group)	220	207
EDF Investment Group	12	10
Socram Banque	2	2
Other	8	16
Financial sector companies	**242**	**235**
Non-financial companies	**6**	**6**
TOTAL INVESTMENTS IN ASSOCIATES	**248**	**241**

12.5 INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

12.5.1 Nature of interests in non-consolidated structured entities

A non-consolidated structured entity is a structured entity that is not controlled and is therefore not accounted for using the full consolidation method. As a result, the interests held in a joint venture or associate which is classed as a structured entity falls within the scope of this note.

The same is true of controlled structured entities that are not consolidated due to threshold reasons.

This includes all structured entities in which BPCE SA group holds an interest and intervenes in one or more of the following capacities:

- originator/structurer/arranger;
- placement agent;
- manager;
- in any other capacity that has a major impact on the structuring or management of the transaction (*e.g.* provision of financing, guarantees or structuring derivatives, tax investor, major investor, etc.).

An interest in an entity corresponds to all types of relationship, contractual or not, that exposes BPCE SA group to a risk of fluctuations in returns relating to the entity's performance. Interests in another entity may be evidenced by, among others, the holding of equity instruments or debt securities, as well as, by other types of relationship, such as financing, short-term credit facilities, credit enhancement, provision of guarantees or structured derivatives.

As a result, the following are not included in the scope of this note:

- structured entities which are associated with BPCE SA group through a current transaction alone. This corresponds to an unstructured financial instrument which generally does not have a material impact on the variability of the structured entity's returns and which could be concluded by BPCE SA group with structured entities or classically governed entities alike. The main kinds of current transactions are:
  - plain vanilla fixed-income, foreign exchange and other underlying derivatives, as well as securities lending/borrowing and repurchase agreement transactions,
  - plain vanilla guarantees and financing granted to family non-trading real estate companies (SCI) or to certain holdings;
- external structured entities in which BPCE SA group simply acts as an investor.

These notably include:

- investments in external UCITS that the Group does not manage, except for those in which the Group owns almost all the shares;
- a limited scope of interests held in securitization vehicles (exposures on these funds are included in the information published in Chapter 3 "Risk Management – Securitizations");
- interests held in external real estate funds or private equity funds in which Groupe BPCE acts as a simple minority investor.

The structured entities with which the Group has a relationship can be divided into four categories: entities involved in asset management, securitization vehicles, entities created for structured financing purposes, and entities created for other types of transactions.

Asset management

Financial asset management (also known as portfolio management) consists of managing equity or funds entrusted by investors by investing in equities, bonds, cash SICAV or hedge funds, etc.

The asset management line of business which uses structured entities is represented by collective management or fund management. More specifically, it encompasses collective investment vehicles within the meaning of the French Monetary and Financial Code (other than securitization structures) as well as equivalent bodies governed by foreign law. These notably include entities such as UCITS, real estate funds and private equity funds.

Securitization

Securitization transactions are generally established as structured entities in which assets or derivatives representing credit risk are isolated.

These entities serve to diversify the underlying credit risks and to split them into various levels of subordination (tranches) with a view, generally, to sell them to investors seeking a certain level of return, according to the degree of risk accepted.

These vehicles' assets and the liabilities that they issue are rated by the rating agencies which monitor that the level of risk associated with each tranche of risk sold is commensurate with the attributed rating.

The kind of securitization transactions used and which require the intervention of structured entities are as follows:

- transactions where the Group (or a subsidiary) sells on its own behalf to a dedicated vehicle, in cash or synthetic form, the credit risk associated with one of its asset portfolios;
- securitization transactions performed on behalf of third parties. These transactions consist of housing in a dedicated structure (generally a Special Purpose Entity (SPE)) the assets belonging to another company. The SPE issues shares that can, in certain cases, be subscribed for directly by investors, or subscribed for by a multi-seller conduit which refinances the acquisition of these shares through the issue of short-term notes (commercial paper).

Structured financing (of assets)

Structured financing covers the range of activities and products set up to provide financing to economic players while reducing risks through the use of complex structures. These include the financing of movable assets (pertaining to aeronautic, marine or terrestrial transport, telecommunications, etc.), real estate assets and the acquisition of targeted companies (LBO financing).

The Group may need to create a structured entity that houses a specific financing transaction on behalf of a customer. This is a contractual and structural organization. The particularities of these types of financing are related to risk management, with use of notions such as limited recourse or waivers of recourse, standard and/or structural subordination and the use of dedicated legal vehicles used in particular to carry a single-contract finance lease representing the financing granted.

Other activities

This groups together all remaining activities.

12.5.2 Nature of risks relating to interests in non-consolidated structured entities

Assets and liabilities recognized in the Group's various balance sheet accounts relating to interests in non-consolidated structured entities contribute to determining the risks associated with these entities.

The values recorded under the balance sheet assets, along with financing and guarantee commitments given less guarantee commitments received and provisions recorded in liabilities, are used to assess the maximum exposure to risk of losses.

The "notional amounts" line corresponds to the notional amount of options sold to structured entities.

The data are presented below, aggregated based on their activity classification.

At December 31, 2018

Excluding insurance business investments *in millions of euros*	Securitization	Asset Management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**540**	**1,237**	**1,021**	**399**
Trading derivatives	95	70	131	334
Trading financial instruments (excluding derivatives)	371	153	702	51
Financial assets at fair value through profit or loss – Non SPPI	70	940	181	
Financial instruments designated at fair value through profit or loss		9		
Equity instruments not held for trading	4	65	9	14
Financial assets at fair value through other comprehensive income			**3**	
Financial assets at amortized cost	**5,996**	**1,646**	**12,608**	**696**
Other assets	**22**	**40**	**19**	**19**
TOTAL ASSETS	**6,558**	**2,922**	**13,652**	**1,114**
Financial liabilities at fair value through profit or loss	**45**	**204**	**585**	**192**
Provisions	**6**	**1**	**13**	**2**
TOTAL LIABILITIES	**51**	**205**	**598**	**194**
Financing commitments given	**3,918**	**246**	**2,380**	**439**
Guarantee commitments given	**261**	**4,927**	**2,471**	**4**
Collateral received		**1**	**3,177**	**260**
Notional amount of derivatives	**1,030**	**155**	**2,788**	**262**
MAXIMUM LOSS EXPOSURE	**11,761**	**8,249**	**18,101**	**1,557**

Insurance business investments *in millions of euros*	Securitization	Asset Management	Other activities
Financial assets at fair value through profit or loss		**9,157**	
Trading financial instruments (excluding derivatives)		4,663	
Financial instruments designated at fair value through profit or loss		4,494	
Available-for-sale financial assets	**908**	**3,235**	**26**
TOTAL ASSETS	**908**	**12,392**	**26**
TOTAL LIABILITIES			
Financing commitments given	**344**	**189**	
Maximum loss exposure	**1,252**	**12,581**	**26**

in millions of euros	Securitization	Asset Management	Structured Financing	Other activities
Size of structured entities	**62,204**	**271,114**	**73,607**	**1,137**

At December 31, 2017

in millions of euros	Securitization	Asset Management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**233**	**9,368**	**901**	**308**
Trading derivatives	124	227	65	308
Trading financial instruments (excluding derivatives)	88	4,077	623	
Financial instruments designated at fair value through profit or loss	21	5,064	213	
Available-for-sale financial assets	**841**	**2,956**	**15**	**40**
Loans and receivables	**3,628**	**1,791**	**12,876**	**1,014**
Other assets	**16**	**38**	**39**	**28**
TOTAL ASSETS	**4,718**	**14,153**	**13,831**	**1,390**
Financial liabilities at fair value through profit or loss	**103**	**237**	**499**	**38**
Provisions		**1**	**3**	**1**
TOTAL LIABILITIES	**103**	**238**	**502**	**39**
Financing commitments given	**4,457**	**488**	**2,091**	**548**
Guarantee commitments given	**167**	**5,881**	**2,057**	**34**
Collateral received		**1**	**2,807**	**263**
Notional amount of derivatives	**1,235**	**286**	**2,380**	**922**
MAXIMUM LOSS EXPOSURE	**10,577**	**20,806**	**17,549**	**2,630**
Size of structured entities	**55,500**	**199,546**	**64,365**	**1,257**

Securitization transactions in which BPCE SA group is simply an investor are listed in the Risk Management – Securitizations section.

The size criterion used varies according to the types of structured entities:

- securitization, the total amount of the entities' issues on the liabilities side;
- asset management: the net assets of collective investment vehicles (other than securitization);
- structured financing: the total amount of financing outstandings remaining due by the entities;
- other activities, total assets.

12.5.3 Income and carrying amount from assets transferred to sponsored non-consolidated structured entities

A structured entity is sponsored by a Group entity when the two following indicators are both satisfied:

- it is involved in the creation and structuring of the structured entity;
- it contributes to the success of the entity by transferring assets to it or by managing relevant activities.

When the Group entity's role is limited to one of advisor, arranger, custodian or placement agent, the structured entity is not considered to be sponsored.

BPCE SA group plays the role of sponsor for:

- UCITS initiated by a management company belonging to BPCE SA group and in which BPCE SA group holds no investment or any other interest. Reported income includes management and outperformance fees charged by BPCE SA group entities, as well as profit or loss from ordinary business with these funds;
- a US activity of origination and disposal of portfolios of home loans to securitization vehicles created by the Natixis group with third parties and in which Natixis group holds no interests. Reported income includes structuring fees as well as gains or losses on the disposal of receivables.

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For the non-consolidated structured entities that the Group sponsored without holding any interests, the impact on the financial statements is presented below:

Fiscal year 2018

in millions of euros	Securitization	Asset Management
Income from entities	**1**	**175**
Net fee and commission income	(1)	169
Net gains or losses on financial instruments at fair value through profit or loss	3	5
Carrying amount of assets transferred to the entity during the fiscal year	**1,181**	

Fiscal year 2017

in millions of euros	Securitization	Asset Management
Income from entities	**(36)**	**211**
Net interest income		2
Net fee and commission income	(7)	204
Net gains or losses on financial instruments at fair value through profit or loss	(29)	5
Carrying amount of assets transferred to the entity during the fiscal year	**2,365**	

12.6 STATUTORY AUDITORS' FEES

Fees in respect of duties carried out by the Statutory Auditors, and by their networks, responsible for auditing BPCE's financial statements in respect of the 2017 and 2018 fiscal years were as follows:

	PwC				Mazars				Deloitte				TOTAL			
	Amount		%		Amount		%		Amount		%		Amount		%	
in thousands of euros[1]	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Financial statement certification missions	**10,518**	**9,906**	**65%**	**76%**	**3,238**	**4,960**	**65%**	**80%**	**9,705**	**9,657**	**73%**	**65%**	**23,462**	**24,523**	**68%**	**72%**
Issuer	805	654			684	655			827	661			2,316	1,970		
Subsidiaries	9,713	9,252			2,554	4,305			8,878	8,996			21,146	22,553		
Services other than financial statement certification[2]	**5,599**	**3,187**	**35%**	**24%**	**1,720**	**1,270**	**35%**	**20%**	**3,526**	**5,193**	**27%**	**35%**	**10,845**	**9,651**	**32%**	**28%**
Issuer	1,422	341			72	159			459	951			1,953	1,451		
Subsidiaries	4,177	2,846			1,648	1,111			3,067	4,242			8,892	8,200		
TOTAL	**16,117**	**13,094**	**100%**	**100%**	**4,958**	**6,230**	**100%**	**100%**	**13,231**	**14,850**	**100%**	**100%**	**34,307**	**34,174**	**100%**	**100%**
Change (in %)	**23%**				**(20%)**				**(11%)**				**-**			

(1) *Amounts relating to services provided appear on the income statement for the reporting year, notably including unrecoverable VAT.*

(2) *In 2018, "Services other than the certification of financial statements" mainly included assignments requested by BPCE, for €2 million including €0.7 million for comfort letters relating to issues, with this amount being divided between BPCE's three Statutory Auditors, and €0.7 million for consultations carried out by PwC, €0.3 million for BCBS standard 239 performed by Deloitte, and €0.3 million for the drafting of a test of the Recovery Plan by PwC, and assignments requested by Natixis SA and its subsidiaries (€8.3 million), in particular compliance review assignments related to the system in place at certain Group entities with regard to regulatory provisions for €2.8 million, tax audits mainly of the US platform for €1 million, assignments relating to the restructuring of certain business lines for €0.7 million (€0.4 million for Insurance, €0.2 million for Payments and €0.1 million for Brokerage).*

Note 13 Scope of consolidation

13.1 SECURITIZATION TRANSACTIONS

Accounting principles

Securitization is a financial engineering technique that aims to enhance balance sheet liquidity. From a technical perspective, assets to be securitized are grouped according to the quality of the associated collateral or guarantees, and sold to special purpose entities that finance their acquisition by issuing securities underwritten by investors.

Entities created specifically for this purpose are consolidated if the Group exercises control over them. Control is assessed according to the criteria provided in IFRS 10.

Deconsolidating securitization transactions carried out with full or partial derecognition

As a reminder, Crédit Foncier entered into two public securitizations backed by home loans (Crédit Foncier Home Loans No. 1 in May 2014 and Crédit Foncier Home Loans No. 2 in August 2015).

As a receivables manager, Crédit Foncier does not have the ability to use its power to influence the variability of returns. Therefore, it does not control the securitization funds within the meaning of IFRS 10, and the funds are not consolidated.

However, given its ongoing ties with CFHL-2, the criteria needed to establish full derecognition of assets under IFRS 9 are not entirely met. As a result, the transaction is deconsolidating in accordance with IFRS 10, and partially derecognized in accordance with IFRS 9.

The transferred assets are recognized in proportion to Crédit Foncier's continued involvement. As a result, the Group continues to recognize the maximum loss associated with each of the residual ties to the fund (swaps, clean-up calls, management fees) in balance sheet assets.

These adjustments led to the recognition of total assets of €65 million and total liabilities of €26 million at December 31, 2018.

The fair value of these residual ties is remeasured at each reporting date.

At December 31, 2018, the net impact of the CFHL-2 transactions was +€2 million.

13.2 GUARANTEED UCITS

Guaranteed UCITS are funds designed to reach a specific amount at the end of a given period, determined by applying a predefined calculation formula based on financial market indicators and, where appropriate, to distribute revenues derived from the investments as determined using the same methods. The portfolio management targets of these funds are guaranteed by a credit institution.

Based on an analysis of the substance of these funds in accordance with IFRS 10, the Group does not control relevant activities (as management flexibility is limited) and is not exposed to variable returns (as a solid risk monitoring system has been implemented) and therefore does not consolidate these structures.

13.3 OTHER INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STRUCTURED ENTITIES

Major restrictions

The Group has not been faced with any major restrictions relating to stakes held in its structured or non-structured subsidiaries.

Support of consolidated structured entities

The Group did not grant any financial support to consolidated structured entities.

13.4 SCOPE OF CONSOLIDATION AT DECEMBER 31, 2018

Only those entities providing a material contribution are consolidated. For entities meeting the definition of financial sector entities given in Regulation (EU) 575/2013 of the European Parliament and of the Council of June 26, 2013 (the CRR), the accounting consolidation thresholds have been aligned, from December 31, 2017, with those applied for the prudential scope of consolidation. Article 19 of the CRR sets a threshold of €10 million in total balance sheet and off-balance sheet assets. For non-financial sector entities, materiality is assessed at the level of the consolidated entities. Based on the principle of ascending materiality, any entity included at a sub-consolidation level is included at all higher consolidation levels, even if it is not material at those levels.

The percentage interest is specified for each entity in the scope of consolidation. The percentage of interest describes the share of equity held by the Group, either directly or indirectly, in companies within the scope. The percentage of interest can be used to determine the share attributable to equity holders of the parent in the net assets of the company held.

Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
I) CONSOLIDATING ENTITY				
BPCE SA group	Credit institution	FR	100%	FC
II) BPCE SA GROUP SUBSIDIARIES				
3F HOLDING	Holding company	DE	99%	FC
ALBIANT-IT	IT systems and software consulting	FR	98%	FC
BP COVERED BONDS	Funding	FR	100%	FC
BPCE ACHATS	Services company	FR	55%	FC
BPCE INFOGÉRANCE & TECHNOLOGIE	IT services	FR	55%	FC
BPCE MASTER HOME LOANS FCT	French securitization fund (FCT)	FR	100%	FC
BPCE MASTER HOME LOANS DEMUT	French securitization fund (FCT)	FR	100%	FC
BPCE SFH	Funding	FR	100%	FC
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company	FR	39%	EQ
BPCE SOLUTIONS CREDIT (formerly GIE ECUREUIL CREDIT)	Services company	FR	85%	FC
CLICK AND TRUST	Data processing	FR	34%	EQ
DELESSERT FCP 2DEC REGPT	BPCE Guarantee and Solidarity fund	FR	100%	FC
ESNI	Securitization company	FR	100%	FC
FIDOR BANK AG	Online bank	DE	99%	FC
FIDOR SOLUTION AG	IT services	DE	99%	FC
GCE CAPITAL	Private equity	FR	100%	FC
GCE PARTICIPATIONS	Holding company	FR	100%	FC
GIE CE SYNDICATION RISQUES	Guarantee company	FR	41%	EQ
NATIXIS GROUP[(3)]		FR	71%	FC
INFORMATIQUE BANQUES POPULAIRES	IT services	FR	30%	EQ
IT-CE	IT services	FR	34%	EQ
MIFCOS	Investment property	FR	100%	FC
SOCIÉTÉ D'EXPLOITATION MAB (SEMAB)	Services company	FR	100%	FC
SOCRAM BANQUE	Credit institution	FR	33%	EQ
SURASSUR	Reinsurance	LU	96%	FC
Holassure Group				
CNP ASSURANCES (GROUP)	Insurance	FR	16%	EQ
HOLASSURE	Holding company	FR	100%	FC
SOPASSURE	Holding company	FR	50%	JO
BPCE International Group				
ARAB INTERNATIONAL LEASE[(4)]	Equipment and real estate leasing	TN	57%	FC
BANQUE DE NOUVELLE-CALÉDONIE[(4)]	Credit institution	NC	97%	FC
BANQUE DE TAHITI[(4)]	Credit institution	FP	97%	FC
BANQUE MALGACHE DE L'OCÉAN INDIEN[(4)]	Credit institution	MG	71%	FC
BANQUE TUNISO KOWEITIENNE[(4)]	Credit institution	TN	60%	FC
BCI BANQUE COMMERCIALE INTERNATIONALE[(4)]	Credit institution	CG	100%	FC
BICEC[(4)]	Credit institution	CM	68%	FC
BPCE INTERNATIONAL	Specialized credit institution	FR	100%	FC
BPCE INTERNATIONAL HO CHI MINH CITY (VIETNAM BRANCH)	Specialized credit institution	VN	100%	FC
BPCE MAROC	Real estate development	MA	100%	FC
FRANSABANK	Bank	FR	21%	EQ
INGEPAR[(4)]	Financial investment advisory services	FR	100%	FC
MEDAI SA[(4)]	Real estate development	TN	67%	FC
OCEORANE	Financial investment advisory services	MQ	100%	FC

Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
PRAMEX INTERNATIONAL	International development and consulting services	FR	100%	FC
PRAMEX INTERNATIONAL GMBH FRANKFURT	International development and consulting services	DE	100%	FC
PRAMEX INTERNATIONAL DO BRAZIL CONSULTARIA LTDA SAO PAULO	International development and consulting services	BR	100%	FC
PRAMEX INTERNATIONAL AP LTD – HONG KONG	International development and consulting services	CN	100%	FC
PRAMEX INTERNATIONAL SA MADRID	International development and consulting services	ES	100%	FC
PRAMEX INTERNATIONAL LTD LONDON	International development and consulting services	GB	100%	FC
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD MUMBAI	International development and consulting services	IN	100%	FC
PRAMEX INTERNATIONAL SRL MILAN	International development and consulting services	IT	97%	FC
PRAMEX INTERNATIONAL AU CASABLANCA	International development and consulting services	MA	100%	FC
PRAMEX INTERNATIONAL SP ZOO WARSAW	International development and consulting services	PL	100%	FC
PRAMEX INTERNATIONAL SARL TUNIS	International development and consulting services	TN	100%	FC
PRAMEX INTERNATIONAL CORP NEW YORK	International development and consulting services	US	100%	FC
PRAMEX INTERNATIONAL PTE LIMITED SINGAPORE	International development and consulting services	SG	100%	FC
SOCIÉTÉ DU CONSEIL ET DE L'INTERMÉDIATION FINANCIÈRE[(4)]	Financial investment advisory services	TN	48%	FC
EL ISTIFA[(4)]	Debt collection	TN	60%	FC
SOCIÉTÉ HAVRAISE CALÉDONIENNE[(4)]	Real estate operations	NC	90%	FC
SOCIÉTÉ TUNISIENNE DE PROMOTION DES PÔLES IMMOBILIERS ET INDUSTRIELS[(4)]	Real estate development	TN	18%	EQ
TUNIS CENTER[(4)]	Real estate development	TN	14%	FC
UNIVERS INVEST (SICAR)[(4)]	Private equity	TN	52%	FC
UNIVERS PARTICIPATIONS (SICAF)[(4)]	Private equity	TN	60%	FC
Crédit Foncier group				
BANCO PRIMUS[(4)]	Credit institution	PT	100%	FC
BANCO PRIMUS Spain[(4)]	Credit institution	ES	100%	FC
BANCO PRIMUS Hungary[(4)]	Credit institution	HU	100%	FC
CRÉDIT FONCIER DE FRANCE	Credit institution	FR	100%	FC
Crédit Foncier de France – Belgium branch	Credit institution	BE	100%	FC
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company	FR	100%	FC
COFIMAB	Real estate agent	FR	100%	FC
COMPAGNIE DE FINANCEMENT FONCIER	Financial company	FR	100%	FC
CRÉDIT FONCIER IMMOBILIER	Real estate operations	FR	100%	FC
CRÉDIT FONCIER EXPERTISE	Real estate valuation	FR	100%	FC
LOCINDUS SUBSIDIARIES	Equipment and real estate leasing	FR	75%	FC
OXIANE	Equipment and real estate leasing	FR	75%	FC
SCRIBE BAIL LOGIS SAS	Equipment and real estate leasing	FR	75%	FC
SCRIBEURO SAS	Equipment and real estate leasing	FR	75%	FC
FONCIER PARTICIPATIONS	Holding company	FR	100%	FC
FONCIÈRE D'ÉVREUX	Real estate operations	FR	100%	FC
GRAMAT BALARD	Real estate operations	FR	100%	FC
LOCINDUS	Equipment and real estate leasing	FR	75%	FC
MAISON FRANCE CONFORT PROU INVESTISSEMENTS	Real estate development	FR	49%	EQ
SEREXIM	Real estate valuation	FR	100%	FC

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Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company	FR	100%	FC
SOCFIM	Credit institution	FR	100%	FC
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company	FR	100%	FC
VENDÔME INVESTISSEMENTS	Holding company	FR	100%	FC
Banque Palatine group				
ARIES ASSURANCES	Insurance brokerage	FR	100%	FC
BANQUE PALATINE	Credit institution	FR	100%	FC
CONSERVATEUR FINANCE	Fund management	FR	20%	EQ
PALATINE ASSET MANAGEMENT	Asset Management	FR	100%	FC

(1) Country of location: BE: Belgium – BR: Brazil – CG: Congo – CH: Switzerland – CM: Cameroon – CN: China – DE: Germany – DJ: Djibouti – ES: Spain – FJ: Fiji – FR: France – GB: Great Britain – HU: Hungary – IN: India – IT: Italy – KH: Cambodia – LA: Laos – LU: Luxembourg – MA: Morocco– MG: Madagascar – MQ: Martinique – NC: New Caledonia – NL: Netherlands – FP: French Polynesia – PL: Poland – PT: Portugal – RE: Reunion – SG: Singapore – TH: Thailand – TN: Tunisia – US: United States – VN: Vietnam – VU: Vanuatu.

(2) Full Consolidation (FC), Joint Operation (JO) or Equity Method (EQ).

(3) The Natixis group comprises 354 fully-consolidated entities and 7 entities consolidated using the equity method. Its main subsidiaries are: Coface, Natixis Investment Managers, Natixis North America LLC, Natixis Private Equity and Compagnie Européenne de Garanties et Cautions.

(4) Entities consolidated in accordance with IFRS 5 at December 31, 2018

13.5 NON-CONSOLIDATED COMPANIES AT DECEMBER 31, 2018

ANC Regulation No. 2016-09 of December 2, 2016 requires companies that prepare their consolidated financial statements in accordance with international standards as adopted by the European Union to publish additional information relating to companies not included in their scope of consolidation as well as significant equity interests.

Non-consolidated companies include:

- significant interests that do not fall within the scope of consolidation; and
- companies excluded from the scope of consolidation owing to their non-material nature.

The main significant interests that do not fall within the scope of consolidation, and details of the share of equity held either directly or indirectly by the Group, are as follows:

Company	Location	Share of equity held	Reason for non-consolidation	Amount of shareholders' equity *in millions of euros*	Amount of income *in millions of euros*
EFG - HERMES HOLDING	Egypt	12.94%	Holding not consolidated because the Group does not exercise control, joint control or significant influence (including fiscal optimization structures)	680	60
EURO SECURED NOTES ISSUER	France	16.67%	Holding not consolidated because the Group does not exercise control, joint control or significant influence (including fiscal optimization structures)	-	-
FRANCE ACTIVE GARANTIE	France	14.00%	Holding not consolidated because the Group does not exercise control, joint control or significant influence (including fiscal optimization structures)	26	1
SYSTÈME TECHNO ECHANGE ET TRAITEMENT	France	15.04%	Holding not consolidated because the Group does not exercise control, joint control or significant influence (including fiscal optimization structures)	89	9

* *Amount of shareholders' equity and income for the last fiscal year known at the balance sheet date and based on applicable accounting standards according to the country of location.*

Information relating to companies excluded from the scope of consolidation owing to their non-material nature is available on the website of Groupe BPCE at the following address: https://www.groupebpce.fr/Investisseur/Information-reglementee.

5.4 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2018

To the Annual General Shareholders' Meeting,

Groupe BPCE SA

50, avenue Pierre-Mendès-France

75201 Paris cedex 13

I. Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Groupe BPCE SA for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. Basis for opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- Deloitte & Associés: the main engagements conducted in fiscal year 2018 concerned certification, comfort letters issued in connection with issuance programs, reviews of compliance procedures and services provided as part of restructuring measures for Natixis perimeter and the achievement of attestations and missions of independent third party on the CSR information of the management report for BPCE S.A. and Natixis.
- Mazars : the main assignments carried out in the 2018 financial year concerned CSR information review missions on the one hand, methodological review missions in support of the Risk Department and the Natixis MRM department, on the other hand.
- PricewaterhouseCoopers Audit : the main engagements conducted in fiscal year 2018 concerned certification, reviews of compliance procedures, services provided as part of restructuring measures, tax consultations and CSR missions.

EMPHASIS OF MATTER

Without qualifying the opinion expressed above, we draw your attention to the accounting changes related to first-time application of IFRS 9 (financial instruments) and IFRS 15 (revenue from contracts with customers) as described in Note 2.2 to the consolidated financial statements.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impact of first-time application of IFRS 9 as of January 1, 2018

Risk identified and main judgements

The application of IFRS 9 "Financial Instruments" as of January 1, 2018 introduced significant changes to the rules on the classification, measurement and impairment of financial assets, resulting in financial and operational impacts.

Classification and measurement

According to IFRS 9, the classification of a financial asset is based on a business model ("hold to collect" model, "hold to collect and sell" model, other business model) and the basic contractual cash flow characteristics. Depending on the business model used, the cash flow characteristics and type (debt or equity instrument), the financial asset is measured either at amortized cost, fair value at equity or fair value through profit or loss. Based on these criteria, the financial instruments on the balance sheet at January 1, were analyzed to classify and measure them in accordance with the methods provided for by this new standard.

Provision for expected credit losses (Stages 1 and 2)

In addition to the impairment methods for proven credit risks (Stage 3), the new impairment rules for expected losses require the recording of estimated provisions as follows:

- stage 1 showing an expected loss within 1 year from initial recognition of the financial asset;
- stage 2 showing an expected loss on maturity, in the event of a significant deterioration in credit risk since initial recognition.

The estimate of expected credit losses requires the exercise of judgement to define, in particular:

- certain inputs for calculating expected credit losses, notably, the probability of default and the loss rate in the event of default. These models were determined based on models developed in-house taking into consideration sectoral specificities;
- credit risk deterioration criteria;
- the methods for taking into account macro-economic projections for both deterioration criteria and measuring expected losses;

These items are integrated in the different models developed by Groupe BPCE SA for each type of loan portfolio to determine the amount of expected credit losses.

Given the scope of this standard, the complexity of its implementation and the importance of estimated "impairment," we considered the first-time application of IFRS 9 as of January 1, 2018 to be a key audit matter for fiscal year 2018.

> The impact of the first-time application of IFRS 9 at January 1, 2018 is set forth in the "First-time application of IFRS 9" note in the consolidated financial statements, the options adopted are described in Note 2.2 and the accounting principles in Note 2.5.1.
>
> The impact of the first-time application of IFRS 9 on opening equity related to the implementation of the new impairment model amounted to -€ 504 million before tax (-€ 341 million after tax).

Our response

Classification and measurement

Concerning the impacts of first-time application, our main procedures consisted in:

- reviewing for validation the analyses performed at Group level to determine the classification of financial instruments and their breakdown in the entities included in the consolidation scope;
- obtaining and reviewing the documentation relating to the business models and verifying compliance with them;
- verifying, based on a sampling of contracts, the quality of the analyses made by the BPCE SA Group entities leading to the classification of the contracts in the new categories under the standard.

We have also familiarized ourselves with and assessed the internal control measures implemented by the Group to document the analyses and the compliance of the business models with the provisions of the new standard for new loans.

Impairment (Stages 1 and 2)

Our procedures mainly consisted in, with the assistance of our experts, in:

- reviewing the loan portfolios and mapping impairment calculation models by scope;
- analyzing compliance of calculation and calibration methods with the provisions of IFRS 9 and in particular,
  - the significant deterioration of credit risk criteria (variation in rating and probability of default since initial recognition…);
  - expected loss calculation (reviewing models, calibration of DP, LGD, taking into account guarantees, forward-looking assumptions, discounting to EIR, back-testing methods);
- redoing the calculations with our own tools;
- validating additional local sectoral provisions recognized, if necessary.

Our IT specialists also verified the IT system, as a whole, set up by Groupe BPCE SA with notably a review of general IT controls and the embedded interfaces and controls with regard to specific data aiming to process IFRS 9 information.

Finally, our controls also covered the review of the cost impact, the data consolidation process and financial disclosures with respect to the first-time application of IFRS 9 as of January 1, 2018.

Impairment of loans and receivables (stages 1, 2 and 3)

Risk identified and main judgements

The Groupe BPCE SA is exposed to credit and counterparty risks. These risks result from the inability of one of its clients or counterparties to honor their financial commitments, in particular, covering their loan activities.

In accordance with the "impairment" aspect of IFRS 9, your Group records impairments and provisions intended to cover expected (Stages 1 and 2 loans) or proven (Stage 3 loan) losses.

Impairment for expected losses (Stages 1 and 2) is mainly determined based on models developed by BPCE integrating different inputs (probability of default, loss rate in the event of default, PD, LGD forward-looking information, ...), in addition to, if necessary, sectoral-based charges based on local specificities.

Loan outstandings having a proven counterparty risk (Stage 3) are mainly impaired on an individual basis. These impairments are assessed by Management depending on estimated future recoverable cash flows for each loan concerned.

We considered the identification and assessment of credit risk to be a key audit matter given that the provisions resulting therefrom represent significant estimates for the preparation of the accounts and requires Management to exercise judgement with respect to classifying the loan outstandings in the different stages, determining the Stage 1 and 2 impairment calculation inputs and methods and the assessment of the amount of provisioning for Stage 3 loan outstandings on an individual basis.

In particular, in the context of the low cost of risk maintained by the Group on its main market and the first-time application of IFRS 9, we considered the assessment of the appropriateness of the level of credit risk hedging by provisions and the amount of related cost of risk to be a key audit matter for fiscal year 2018.

Exposures to credit and counterparty risk on which IFRS 9 impairments are calculated represent approximately 54% of total assets of Groupe BPCE SA at December 31, 2018 (41% and €309.5 billion of gross outstandings only for loans and receivables).

The impairment on outstanding and related loans amounts to €3.1 billion of which €0.14 billion for Stage 1, €0.35 billion for Stage 2 and €2.6 billion for Stage 3. The cost of risk for fiscal year 2018 amounts to €0.39 billion.

For more information on accounting principles and exposures, please see Notes 5.5 and 7.1 to the consolidated financial statements.

Our response

Impairment of Stage 1 and Stage 2 outstanding loans

In keeping with the procedures performed as part of the first-time application of IFRS 9, our work mainly consisted in :

- verifying the existence, at the main Group establishments, of internal control which enables the ratings of different loan outstandings to be updated at appropriate intervals;
- verifying the existence of a governance framework specifying appropriate intervals to assess the appropriateness of impairment models, inputs used for the impairment calculation and analyzing changes in impairment with respect to the new IFRS 9 rules;
- assessing the relevance of the inputs used for the impairment calculations at December 31;
- redoing the calculations on the main loan portfolios;
- reviewing the updating measures for local sectoral provisions, when necessary.

Impairment of Stage 3 loans outstanding

As part of our audit procedures, we generally reviewed the internal controls related to identifying exposures, monitoring credit and counterparty risk, assessing non-recovery risk and determining related impairment and provisions on an individual basis.

Our procedures consisted in assessing the quality of the measures for monitoring sensitive, doubtful and litigious counterparties; the loan review process.

Furthermore, based on a sampling of files selected using materiality and risk criteria, we redid the calculations for the provision amounts. We have also assessed the relevance of the disclosures set forth in the notes required by the new IFRS 9 standard with respect to "impairment" at December 31, 2018.

Provision for restructuring

Risk identified and main judgements	Our response
As part of the integration of the activities, redeployment of the know-how and expertise of Crédit Foncier within the Groupe BPCE SA, the Crédit Foncier Group recorded provisions for restructuring. These provisions concern employee costs which must be incurred due to the implementation of collective bargaining agreements negotiated with the representative trade unions. These provisions also cover the estimated costs notably of property charges and breach of contract costs for the exclusive sales agents. The valuation of provisions requires the exercise of judgement based on assumptions relating to the various aspects of the employee protection plan. We considered these provisions to be a key audit matter due to: • the importance of the impacts of this project, • the potential impact on the amount of these provisions regarding uncertainties relating to achieving certain assumptions adopted by Management regarding the complexity of the agreements and their analysis with respect to labor law and accounting standards; At December 31, 2018, the expense related to Crédit Foncier Group's restructuring plan amounts to €334 million. Please see Notes 1.3 and 5.13 to the consolidated financial statements for further details.	As part of our work, we performed tests on the appropriateness of the provision calculation base, employee costs and other costs incurred by the plan. We have verified that the estimates made by Crédit Foncier including all of the measures appearing in the redundancy plans negotiated with trade union representatives. We also assessed the amount of costs incurred and likely to be provided for with respect to accounting standards.We also assessed the reasonableness of the main assumptions with respect to available information. We have tested the provision calculations at December 31, 2018 on the basis of sampling. Finally, we have examined the appropriateness of the disclosures presented in the notes to the consolidated financial statements.

Level 2 and 3 financial instruments under IFRS 13

Risk identified and main judgements

Groupe BPCE SA holds a substantive part of financial instruments which are recognized in the balance sheet at fair value. They are allocated to three levels defined by IFRS 13 depending on the fair value measurement method used.

Levels 2 and 3 comprise financial instruments measured using valuation models based on significant inputs observable or unobservable on the market, and which as a result are not directly measured based on a market price on a liquid market. The valuation of levels 2 and 3 financial instruments at fair value relies on valuation techniques that use significant judgement regarding the choice of methodologies used:

- determination of valuation inputs unobservable on the market;
- use of internal valuation models;
- estimates of additional adjustments of valuation, to take into account some risks such as market risk, credit risk or liquidity risk.

We deemed the financial instruments classified in levels 2 and 3, according to the fair value hierarchy, to be a key audit matter due to:

- the significant amount of exposures and the exercise of judgment to determine fair value (level 2 and 3 financial instruments amount to €170 billion, or nearly 23% of total assets and 78% of total financial assets at fair value);
- specific valuation adjustments recorded by Natixis in 2018 on certain products marketed and sold in Asia for which the business model used resulted in setting up a hedging strategy which turned to be deficient under 2018 market conditions.

For more details on accounting principles and fair value hierarchy of financial instruments, see note 10 to the consolidated financial statements.

Our response

We reviewed the internal control procedures relating to the determination, valuation and recording of complex financial instruments classified at fair value in levels 2 and 3. We interviewed the Risk, Compliance and Permanent Control division and we acknowledge reporting and memos of Committees from this department (in conjunction with our Audit team at Natixis which is the main contributor to this topic).

We tested the controls that we deemed relevant to our audit, including those relating to:

- the approval and regular review by Management of the risks of the valuation models;
- the independent verification of the valuation inputs;
- the determination of value adjustments as well as corrections added in the value.
- the classification of financial instruments according to the fair value hierarchy.

We performed these procedures with the assistance of our valuation experts, with whom we also made counter valuation work. Based on sampling, our experts analyzed the relevance of the assumptions; inputs and models used to determine the main adjustments to valuation. With respect to fiscal year 2018, our procedures covered more particularly the valuation adjustments recorded by Natixis on certain products marketed and sold in Asia.

We also analyzed the differences on existing collateral calls and gain or losses in case of sale of instruments allowing to contribute to the review of appropriateness of valuations.

Finally, we examined the disclosures relating to the valuation of financial instruments published in the notes to the consolidated financial statements.

BPCE SA group tax expense and recognition of current and deferred taxes

Risk identified and main judgements

The tax charge of Groupe BPCE SA includes both the one relative to tax payable and the deferred tax.

Groupe BPCE SA records deferred tax when timing differences arise between the carrying amount of assets and liabilities on the balance sheet and their tax base, irrespective of when the tax is expected to be recovered or settled. Deferred tax assets are recognized for tax loss carry forwards to the extent that it is probable that the entity in question will generate future taxable profits against which these tax losses can be utilized only to the extent that it is probable that the entity will be able to recover them in the foreseeable future.

Estimates of the ability to generate future taxable profits within this timeframe requires Management to exercise judgement when deciding whether to assessing the recoverability of recognized deferred tax assets but also the date, the expected switch and the tax rate implied.

We deemed the determination of tax expense to be a key audit matter due to the sensitivity of the deferred tax to the assumptions and choices made by the Management.

At December 31, 2018, the tax expense amounts to €389 million of which €6 million for current tax and €383 million for deferred tax.

€1,578 million was recorded under deferred tax assets and €941 million under deferred tax liabilities.

See notes 11 to the consolidated financial statements for further details.

Our response

We familiarized ourselves with the changes in laws passed in the jurisdictions where Groupe BPCE SA operates and we verified the compliance of the valuation methods for determining tax payable and deferred tax with these changes.

We reviewed the valuation process for deferred tax assets and, as a consequence, the tax rates in force.

Considering the estimates of future taxable profits, we assessed the reliability of the process for preparing tax business plans which are the basis for the Group to assess the probability of recovering these deferred tax assets. We verified, with the assistance of our experts, the appropriateness of the methodology adopted by Management, to identify existing tax loss carry-forwards which will be used, either by deferred tax liabilities or, future taxable profits.

On the basis of Management forecasts, we performed tests to verify the proper calculation of the deferred tax assets base as well as the relevance of the tax rate used.

Our procedures also focused on verifying the accounting records of material transactions especially the ones impacting current tax and deferred tax.

Business combinations, and impairment tests of goodwill and intangible assets with finite lives

Risk identified and main judgements

The external growth operations carried out by Groupe BPCE SA lead it to define the control methods implemented over the acquired entities and to allocate the purchase price in compliance with IFRS 3 "Business Combinations". Subsequent to the acquisition, the identified assets acquired from the target company over which control is taken, and the non-allocated 'surplus' recognized in goodwill, are recognized in the consolidated financial statements of Groupe BPCE SA.

This goodwill and limited-life intangible assets are subject to impairment tests at least annually, based on the assessment of the recoverable amount of the cash-generating units (CGU) to which they are attached or at the first signs of impairment loss. The recoverable amount is based on discounting the estimated future cash flows of the CGU based on the medium-term plans prepared in accordance with the Groupe BPCE SA's strategic plan for 2018-2020 (TEC 2020) presented in November 2017, and adjusted for the various announcements made by the Group during fiscal year 2018.

We deemed that the treatment of business combinations and, goodwill and limited-life intangible assets impairment tests to be a key audit matter by their very nature as they require the exercise of judgment regarding the structuring assumptions used especially for the determination of economic scenarios, financial trajectories or discount levels.

At December 31, 2018, gross value of goodwill amounted to €4,292 million and accumulated impairment losses stood at €386 million.

The terms of the impairment test implemented by BPCE as well as the key assumptions used to determine the recoverable value and sensitivities of the recoverable amounts are described in Note 3.4.2 to the consolidated financial statements.

Our response

With the help of our experts, we evaluated the procedure implemented by the Group to identify signs of potential impairment loss and carried out a critical review of the method used for implementing impairment tests. In particular, our work includes:

- comparison of assumptions and inputs with external sources;
- review of the reasonableness of the medium-term plans retained for each concerned entity involving:
  - the confrontation with the strategic plan of the Group approved by the governing bodies (supervisory or administrative) of the entities;
  - the assessment of the consistency and reliability of the main assumptions used to prepare the plans, particularly regarding the financial trajectories developed during past financial years and actually carried out;
  - the analysis of the sensitivity to different valuation inputs (equity, discount rate...).
- verification of the consistency of the disclosures published on the results of these impairment tests.

Insurance Technical Reserves

Risk identified and main judgements	Our response
Within the scope of its insurance activities, Groupe BPCE SA records technical reserves related to the commitments toward insured persons. The valuation of these provisions is based notably on calculation models and underlying assumptions such as for example, actual mortality rates and behavior requiring the exercise of judgement by the preparers of the financial statements. Considering that it represents a significant amount in the consolidated financial statements, we deemed the valuation of these reserves to be a key audit matter in 2018. The technical reserves of the insurance contracts amount to €81.8 billion at December 31, 2018.Please see Note 9.1.2 to the consolidated financial statements for further details.	We used our experts, the actuaries, to assist us in performing our audit procedures on these items. The main audit procedures implemented include, depending on the nature of the risks provisioned to: • obtain an understanding of the general conditions relating to insurance contracts marketed by the group; • evaluate the methods and assumptions used to calculate the reserves, specifically their compliance with applicable regulations, market practices and the economic and financial context; • test, on the basis of accounting reconciliations, recurrence tests, or surveys, the reliability of information relating to insurance contracts recorded in the management systems and used for the valuation of technical reserves; • carry out an independent recalculation of specific reserves, when necessary on the basis of a sampling of contracts; • assess the methods of calculation and the result of the adequacy of liabilities test, as required by IFRS 4. We also examined the disclosures published in the notes to Groupe BPCE SA's consolidated financial statements relating to insurance liabilities and took note of the conclusions of CNP Assurances' statutory auditors, consolidated by Groupe BPCE SA using the equity method.

III.Specific verifications

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of BPCE by the annual general meeting of BPCE held on May 22, 2015 for Deloitte & Associés and on July 2, 2009 for PricewaterhouseCoopers Audit.

As at 31st December 2018, Deloitte & Associés was in the fourth year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the tenth.

Mazars was appointed as statutory auditors in the first statutes dated December 19, 2006 of GCE Nao (whose corporate name became BPCE in July 2009), upon its incorporation.

As at 31st December 2018, Mazars was in the twelfth year of total uninterrupted engagement, including 10 years since the company became a public-interest entity.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statement;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein ;

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, April 2, 2019

The Statutory Auditors

Deloitte & Associés
Sylvie Bourguignon

Mazars
Charles de Boisriou

PricewaterhouseCoopers Audit
Nicolas Montillot
Emmanuel Benoist

5.5 BPCE management report

Significant events of 2018

The Groupe BPCE Supervisory Board, chaired by Michel Grass, approved the appointment of Laurent Mignon as Chairman of the Management Board after François Pérol stepped down. A new Management Board was appointed for a four-year term, along with several new members of the Executive Management Committee.

Against this backdrop, Groupe BPCE continued implementing its TEC 2020 strategic plan and launched major organizational projects aimed at strengthening its operating model and improving efficiency:

- Groupe BPCE launched a plan to integrate the activities and teams of Crédit Foncier with the goal of consolidating its leading position in the real estate finance market, thanks in large part to the contribution of Crédit Foncier's skills, expertise and talent, and to the strength of the Banque Populaire and Caisse d'Epargne networks in the regions, with a view to increasing banking penetration among customers. The plan, approved by the employee representative bodies of CFF on October 26, 2018, will be implemented in the first half of 2019 subject to two requirements:
  - first, the Group aims to extend and increase its presence among all customers, particularly among low-income, first-time home buyers,
  - second, Crédit Foncier employees will be integrated within other Groupe BPCE companies in a socially responsible manner, in accordance with their respective traditions;
- on September 12, 2018, Natixis and BPCE announced Natixis' plan to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE SA for €2.7 billion. This transaction, if completed, will contribute significantly to the achievement of Natixis and BPCE's strategic plans. It will notably help Natixis to speed up the development of its asset-light model and BPCE to strengthen its universal banking model. The sale is scheduled to take place by the end of Q1 2019, subject to the conditions precedent being lifted; in particular, BPCE must complete a capital increase subscribed by the Banque Populaire banks and the Caisses d'Epargne, and the necessary regulatory approvals must be obtained. During the fourth quarter of 2018, the operational implementation of the project was prepared and the various stages leading to the completion of the transaction initiated;
- the Group also launched initiatives to develop its presence in international retail banking. It began exclusive negotiations with Moroccan banking group Banque Centrale Populaire with a view to selling BPCE International's equity investments in Africa[(1)]. This follows on from the sale of Banque des Mascareignes to Banque Centrale Populaire, which was finalized in October 2018.

Moreover, as the holding company, BPCE received dividends amounting to €857.5 million, of which €824.1 million related to Natixis.

In Financial Management business line, as part of a goal to strengthen the regulatory ratios, several specific measures were taken in 2018 around capital allocation and solvency management. First, BPCE subscribed for perpetual deeply subordinated notes eligible as additional Tier 1 regulatory capital instruments under Basel III issued by Banque Palatine in March and by BPCE International in December for €100 million each. In November, BPCE issued notes for an amount of €700 million which were subscribed for by the networks. Second, in December BPCE granted a redeemable subordinated loan to Natixis of €300 million.

BPCE issued €7.3 billion in non-preferred senior bonds with maturities ranging from 5 to 15 years, including 3.9 billion in euros, 1.8 billion in dollars and 1.5 billion in yen. These issues help to strengthen Groupe BPCE's balance sheet due to their TLAC-eligibility.

Last, on September 26, 2018 BPCE launched its first local economic development bond, in the form of a preferred senior note for €1.25 billion. This follows human development bonds issued in 2017 and 2018.

(1) *in Cameroon (68.5% in Banque Internationale du Cameroun pour l'Épargne et le Crédit), Madagascar (71% in Banque Malgache de l'Océan Indien), Republic of the Congo (100% in Banque Commerciale Internationale) and Tunisia (60% in Banque Tuniso-Koweitienne).*

Company situation and activity in 2018

CHANGES IN THE BPCE BALANCE SHEET

in billions of euros	12/31/2018	12/31/2017	Change 2018/2017 €bn	Change 2018/2017 %
Amounts due from banks	213.2	226.7	(13.5)	(6%)
Amounts due from customers	0.4	0.4	+0.0	+5%
Securities trading	79.3	78.8	+0.4	+1%
Associates, Equity interests and long-term investments	23.6	23.8	(0.2)	(1%)
Other assets	3.8	3.8	+0.0	+0%
TOTAL ASSETS	**320.3**	**333.6**	**(13.3)**	**(4%)**
Amounts due to banks	131.5	143.4	(11.9)	(8%)
Customer resources	2.1	1.9	+0.2	+9%
Debt securities and subordinated debt	94.5	96.8	(2.3)	(2%)
Other liabilities	75.8	75.3	+0.5	+1%
Shareholders' equity and fund for general banking risks	16.4	16.2	+0.2	+1%
TOTAL LIABILITIES	**320.3**	**333.6**	**(13.3)**	**(4%)**

Total 2018 assets under French GAAP amounted to €320.3 billion, a decrease of €13.3 billion compared with December 31, 2017.

Under assets, the €13.5 billion decrease in "Amounts due from banks" is mainly due to a decrease in term loans under intra-group receivables.

"Associates, equity interests and long-term investments" recorded the following major changes:

- the sale of Caisse d'Epargne Capital which represented -€87 million;
- additional provisions of €121 million related to BPCE International, €128 million related to 3F Holding GmbH, €52 million related to Banque Palatine, €27 million related to i-BP, and a provision reversal of €14 million related to Crédit Foncier;
- the €70 million capital increase by BPCE International;
- the capital increase and growth in capital reserve of 3F Holding GmbH of €108 million;
- the acquisition of Ecufoncier through a total transfer of assets and liabilities for -€30 million;
- the early redemption of a Crédit Foncier deeply subordinated note for -€280 million;
- the issuance of two new perpetual deeply subordinated notes for €100 million each with Banque Palatine and BPCE International.

Under liabilities, the €11.9 billion decrease in "Amounts due to banks" is mainly attributable to a decrease in term loans, mainly under intra-group borrowings.

The "Debt securities and subordinated debt" item decreased by €2.3 billion mainly as a result of a decrease in bonds.

The increase in shareholders' equity can be attributed to 2018 income of €391 million, less an interim dividend of €202 million paid in December 2018. A stock dividend of €202 million was also paid to shareholders on June 27, 2018.

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BPCE INCOME STATEMENT

in millions of euros	2018	2017	Change 2018/2017 €m	Change 2018/2017 %
Net banking income	494	384	+110	+29%
Operating expenses	(200)	(140)	(60)	+43%
Gross operating income	**294**	**244**	**+50**	**+21%**
Cost of risk	(2)	(1)	(1)	+83%
Net gains or losses on long-term investments	(352)	262	(614)	(234%)
Income before tax	**(60)**	**505**	**(565)**	**(112%)**
Income tax	451	224	227	+102%
Charges/reversals to fund for general banking risks and regulated provisions				
NET INCOME	**391**	**729**	**(338)**	**(46%)**

2018 net income amounted to €391 million, a decrease compared with 2017 due mainly to the impact of changes in the valuation of investments in consolidated companies. It includes gross operating income of €294 million, cost of risk of -€2 million, gains on long-term investments of -€352 million and tax income of €451 million.

NET BANKING INCOME

in millions of euros	2018	2017	Change 2018/2017 €m	Change 2018/2017 %
Financial management	(254)	(260)	+6	(2%)
Holding company	748	644	+104	+16%
NET BANKING INCOME	**494**	**384**	**+110**	**+29%**

In 2018, BPCE's net banking income totaled €494 million, up €110 million compared with 2017. BPCE is responsible for ensuring the liquidity and capital adequacy of the Group by guaranteeing that the regulatory ratios are met. These businesses are included in the Financial Management business line, for which net banking income was -€254 million in 2018, an increase of €6 million compared with 2017.

The net banking income of the holding company came to €748 million, an increase of €104 million over the period, attributable in particular to an increase in dividends received (of which +€45 million related to Natixis and an exceptional dividend of +€14 million related to Crédit Logement in 2018). Also of note is a decrease in expenses related to issues of perpetual deeply subordinated notes following redemptions of €1,063 million in 2017.

OPERATING EXPENSES

in millions of euros	2018	2017	Change 2018/2017 €m	Change 2018/2017 %
Payroll costs	(265)	(245)	(20)	+8%
Other expenses	(299)	(304)	+5	(1%)
Gross operating expenses	**(564)**	**(549)**	**(15)**	**+3%**
Rebilled expenses	**524**	**527**	**(3)**	**(1%)**
Net operating expenses	**(40)**	**(21)**	**(19)**	**+89%**
Charges from exceptional projects	(160)	(119)	(41)	+35%
OPERATING EXPENSES	**(200)**	**(140)**	**(60)**	**+43%**

At -€200 million, operating expenses in 2018 increased by €60 million compared with 2017, mainly due to digital activities, key regulatory programs, strategic projects and the contribution to the Single Resolution Fund.

Cost of risk

Cost of risk stood at -€2 million for 2018.

Net gains or losses on long-term investments

Net gains or losses on long-term investments were -€352 million in 2018. They consisted of changes in provisions for investments in associates, in particular BPCE International (-€121 million), 3F Holding GmbH (-€128 million), Banque Palatine (-€52 million), i-BP (-€27 million) and Crédit Foncier (+€14 million).

Income tax

In 2018, as a result of tax consolidation income, the gain in income taxes after taking into account changes in provisions and other adjustments was €451 million, up €227 million relative to 2017.

This change is mainly attributable to changes in assumptions which impacted the calculation of the provision for corporate tax refunds for subsidiaries in the context of tax consolidation in the amount of €165 million.

Non-tax deductible expenses

Disclosure of expenditure on luxuries

In accordance with the provisions of Article 223 *quater and quinquies* of the French General Tax Code, the financial statements for the past fiscal year include €168,260.90 in non-deductible expenses pursuant to Article 39.4 of the same Code. The resulting additional tax was €57,932.

No other non-tax deductible expenses were incurred during the fiscal year.

Fund for general banking risks and net income

There was no activity in the fund for general banking risks and net income during the fiscal year.

Net income came to €391 million.

Proposed allocation of net income

A proposal will be made to the General Shareholders' Meeting to allocate the net profit for the period of €390,468,286.00 as follows, as proposed by the Management Board:

- dividend payment of €403,040,426.36 to the shareholders, *i.e.* €12.3715 per share;

- an allocation of €12,572,140.36 to "Retained earnings".

Given the payment on December 21, 2018 of an interim dividend of €201,537,903.42, as decided bythe Management Board at its meeting of December 20, 2018, a residual dividend of €201,502,522.94 remains to be paid to the shareholders, *i.e.* €5.9815 per share.

Subsequent to this distribution, the balance of "Retained earnings" is €3,498,918,097.65.

In accordance with the provisions of Article L. 243 *bis* of the French General Tax Code, the table below shows the dividends paid out in respect of the three previous fiscal years:

Balance sheet date		Dividend per share	Fraction of the dividend eligible for the 40% tax deduction	Fraction of the dividend ineligible for the 40% tax deduction
12/31/2015	Category "A" and "B" shares	€11.2364	€349,996,600.88	/
12/31/2016	Category "A" and "B" shares	€12.312	€383,499,888.77	/
12/31/2017	Category "A" and "B" shares	€12.9382	€403,005,056.92	/

Information on subsidiaries, equity investments and branches

Activity and results of the main subsidiaries

The activity and results of the main subsidiaries are described in Chapter 1 of this document. A list of subsidiaries and equity investments is available in Chapter 5 "BPCE parent company financial statements".

Investments and controlling interests

In February 2018, BPCE subscribed for the reserved capital increase of 3F Holding GmbH in the amount of €48 million.

BPCE carried out several transactions in March 2018:

- acquisition of shares in Ecufoncier worth €1,654,000 with the aim of absorbing it through a total transfer of assets and liabilities;
- statutory changes to CRH which led to the acquisition of shares worth €807,000;
- subscription for the IXION capital increase in the amount of €7 million;
- subscription for the BPCE International capital increase in the amount of €70 million.

In September 2018, BPCE paid 3F Holding GmbH €60 million with respect to its capital increase and capital reserve.

Also during fiscal year 2018, BPCE increased its asset funding capital by €24 million.

Branches

BPCE owns no branches.

Employee participation in the share capital

Information concerning employee participation in the share capital is provided in Chapter 7.

Information concerning company directors

Information concerning company directors is provided in Chapter 3.

List of directorships and offices

Information concerning the list of directorships and offices of company directors is provided in Chapter 3.

Remuneration and benefits

Information concerning remuneration and benefits granted by BPCE to the company directors is provided in Chapter 3.

Related-party agreements

No corporate officer or shareholder holding more than 10% of the voting rights signed any agreement in 2018 with a company in which BPCE holds, either directly or indirectly, more than half of the share capital.

Information concerning commitments and related-party agreements is provided in Chapter 7.

Information regarding ownership of share capital

Information concerning the ownership of the share capital is provided in Chapter 7.

Trading by BPCE in its own shares

In 2018, BPCE did not trade in its own shares.

Information regarding inactive accounts (Articles L. 312-19, L. 312-20 and R. 312-21 of the French Monetary and Financial Code)

As BPCE holds no individual current accounts it is not affected by these articles.

Disposals of shares

Share disposals over the period were as follows:

- Les Editions de l'Epargne in March for €1;
- VIGEO in March for €302,000;
- BPCE Immobilier Exploitation in June for €3.2 million;
- Alyse Guyane in July for €47,000;
- partial sale of Nefer in July for €1.5 million;
- BPCE Assurances Production Services in July for €20,000.

In August, Société d'Exploitation MAB paid BPCE €20 million from its capital and issue premium which reduced the value of these shares in the accounts.

Liquidations over the period were as follows:

- Technology Shared Services Outre-Mer: liquidation closed in January;
- Technology Shared Services Méditerranée: liquidation closed in March.

Research and development activities

BPCE carries out research and development activities chiefly in the area of modeling credit risks.

Management of financial risks

Information relating to the management of financial risks is provided in Chapter 6.

Main risks

Information relating to the main risks and uncertainties facing BPCE is provided in Chapter 6.

Difficulties encountered

The difficulties encountered over 2018 were linked to the economic and financial environment described in point 4.2.1 of Chapter 4.

Social, environmental and societal information

This information is provided in Chapter 2.

Information relating to control of accounting and financial reporting quality

This information is provided in Chapter 5.8.

POST-BALANCE SHEET EVENTS

BPCE SA plans[1] to purchase a majority stake of 50.1% from Auchan Holding

On February 12, 2019, Groupe BPCE announced that it was in exclusive talks with Auchan Holding to purchase a 50.1% stake in Oney Bank SA. The employee representative bodies will be informed and consulted on this project. After the consultation, the parties may sign their partnership agreement. The transaction may not be closed until the necessary approvals are obtained from the competent French and European authorities; as such, it is expected to be closed in the second half of the year. The deal is expected to have an estimated impact of under 15bp on the Group's CET1 ratio.

RECENT DEVELOPMENTS AND OUTLOOK

The outlook for the economic environment and recent and forthcoming regulatory changes are described in point 4.7 of Chapter 4.

(1) Subject to the lifting of the conditions precedent and procurement of the necessary regulatory approvals

STATEMENT OF RESULTS FOR THE FIVE PREVIOUS YEARS

in euros	2014	2015	2016	2017	2018
Share capital at period-end					
Share capital	155,742,320	155,742,320	155,742,320	155,742,320	157,697,890
Number of shares(1)	31,148,464	31,148,464	31,148,464	31,148,464	31,539,578
Operations and income for the year					
Revenue	6,235,109,398	5,109,479,897	5,183,625,973	4,776,794,649	3,817,697,023
Income before tax, employee profit-sharing, depreciation, amortization, and impairment	(171,074,167)	4,368,355	1,169,741,533	226,090,867	213,879,738
Income tax	271,075,750	292,511,147	247,155,791	223,677,484	450,787,127
Income after tax, employee profit-sharing, depreciation, amortization, and impairment	1,146,496,341	2,491,136,976	461,435,583	728,462,840	390,468,286
Dividend paid to shareholders(2)	174,998,300	349,996,601	383,499,888	403,005,057	403,040,426
Earnings per share					
Revenue	200.17	164.04	166.42	153.36	121.04
Income after tax, employee profit-sharing, but before depreciation, amortization, and impairment	(3.21)	9.53	45.49	14.44	21.07
Income tax	8.70	9.39	7.93	7.18	14.29
Income after tax, employee profit-sharing, depreciation, amortization, and impairment	36.81	79.98	14.81	23.39	12.38
Dividend per share(2)	5.6182	11.2364	12.3120	12.9382	12.3715
Employee data					
Average number of employees:	1,542	1,495	1,507	1,511	1,563
o/w managerial staff	*1,374*	*1,349*	*1,385*	*1,404*	*1,465*
o/w non-managerial staff	*168*	*146*	*122*	*107*	*98*
Total wage bill for the year	125,055,902	123,359,757	128,093,857	132,639,879	138,048,129
Amounts paid for employee benefits during the period	71,865,657	69,329,770	77,474,090	79,998,902	74,092,881

(1) *Earnings per share are calculated based on the number of shares outstanding at the date of the Annual General Shareholders' Meeting.*
(2) *Subject to approval by the Annual General Shareholders' Meeting*

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AUTHORIZATIONS GRANTED TO THE MANAGEMENT BOARD

Type of authorization	Amount in euros	Duration	Date of AGM	Use of authorization
Authorization to execute one or more share capital increases in cash reserved for employees participating in a company savings plan	The total number of shares that each employee may subscribe for cannot exceed a maximum nominal amount of €100,000	26 months	05/25/2018	Unused at 12/31/2018
Authorization to execute one or more share capital increases in cash reserved for employees participating in a company savings plan	The total number of shares that each employee may subscribe for cannot exceed a maximum nominal amount of €100,000	18 months	02/28/2019	Unused to date

PAYMENT TERMS TO CUSTOMERS AND SUPPLIERS

Pursuant to Article L. 441-6-1 of the French Commercial Code, all French companies for which annual financial statements are certified by Statutory Auditors must publish in their management report payment terms to their customers and suppliers, in accordance with the provisions of Article D. 441-4 of the French Commercial Code amended by Decree No. 2015-1553 dated November 27, 2015 and Decree No. 2017-350 dated March 20, 2017. This information does not include banking transactions and related operations.

	Invoices received but not settled at the balance sheet date which are due					
in euros	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day and over)**
(A) Tranches of overdue payments						
Number of invoices concerned	291					585
Total amount of invoices concerned (including taxes)*	39,166,794	(586,580)	(214,182)	868,342	1,819,786	1,887,365
Percentage of total amount of purchases including taxes for the fiscal year	The percentage of unpaid invoices received, at the balance sheet date, was less than 1% of the total amount of purchases including taxes during the fiscal year.					
Percentage of revenue before taxes for the fiscal year						
(B) Invoices excluded from (A) relating to disputed or unrecognized receivables and payables						
Number of invoices excluded						None
Total amount of invoices excluded						None
(C) Benchmark payment terms used (contractual or legal term – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment terms used to calculate overdue payments	Contractual terms: Within 30 days of invoice date					

* *Accounts receivable maturities correspond to assets or advances.*

	Invoices issued but not settled at the balance sheet date which are due					
in euros	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day and over)**
(A) Tranches of overdue payments						
Total amount of invoices concerned (including taxes)	0	15,500,945	1,554,188	1,176,925	838,286	19,070,344
Percentage of total amount of sales including taxes for the fiscal year	The percentage of invoices issued but not settled at the balance sheet date was less than 1% of the total amount of sales (including tax) recorded during the fiscal year.					
(B) Invoices excluded from (A) relating to disputed or unrecognized receivables and payables						
Number of invoices excluded						None
Total amount of invoices excluded						None
(C) Benchmark payment terms used (contractual or legal term – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment terms used to calculate overdue payments	Contractual terms: Invoice date					

5.6 BPCE parent company annual financial statements

5.6.1 Balance sheet and off-balance sheet

ASSETS

in millions of euros	*Notes*	12/31/2018	12/31/2017
Cash and amounts due from central banks		40,130	42,966
Treasury bills and equivalent	*3.3*	20,181	19,435
Loans and advances due from credit institutions	*3.1*	173,098	183,776
Customer transactions	*3.2*	431	412
Bonds and other fixed-income securities	*3.3*	57,809	58,149
Equities and other variable-income securities	*3.3*	1,275	1,242
Equity interests and other long-term investments	*3.4*	3,588	3,606
Investments in affiliates	*3.4*	19,930	20,210
Intangible assets	*3.5*	16	15
Property, plant and equipment	*3.5*	23	16
Other assets	*3.7*	1,653	2,157
Accrual accounts	*3.8*	2,132	1,649
TOTAL ASSETS		**320,266**	**333,633**

Off-balance sheet items

in millions of euros	*Notes*	12/31/2018	12/31/2017
Commitments given			
Financing commitments	*4.1*	6,784	3,296
Guarantee commitments	*4.1*	10,418	10,808
Commitments on securities		0	0

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LIABILITIES

in millions of euros	*Notes*	12/31/2018	12/31/2017
Amounts due to central banks			
Amounts due to credit institutions	*3.1*	131,523	143,436
Customer transactions	*3.2*	2,030	1,859
Debt securities	*3.6*	77,378	80,696
Other liabilities	*3.7*	74,012	72,704
Accrual accounts	*3.8*	1,103	1,737
Provisions	*3.9*	517	714
Subordinated debt	*3.10*	17,135	16,108
Fund for general banking risks (FGBR)	*3.11*	130	130
Equity excluding fund for general banking risks	***3.12***	**16,438**	**16,249**
Subscribed capital		*158*	*156*
Additional paid-in capital		*12,545*	*12,345*
Reserves		*35*	*35*
Revaluation difference		*0*	*0*
Regulated provisions and investment subsidies		*0*	*0*
Retained earnings		*3,511*	*3,186*
Interim dividend		*(202)*	*(202)*
Net income for the year (+/-)		391	729
TOTAL LIABILITIES		**320,266**	**333,633**

Off-balance sheet items

in millions of euros	*Notes*	12/31/2018	12/31/2017
Commitments received			
Financing commitments	*4.1*	49,895	46,286
Guarantee commitments	*4.1*	6,017	7,512
Commitments on securities		337	30

5.6.2 Income statement

in millions of euros	*Notes*	Fiscal year 2018	Fiscal year 2017
Interest and similar income	*5.1*	2,803	3,730
Interest and equivalent expenses	*5.1*	(3,284)	(4,350)
Income from variable-income securities	*5.2*	1,027	935
Commission income	*5.3*	156	156
Commission expenses	*5.3*	(174)	(188)
Net gains or losses on trading book transactions	*5.4*	(5)	65
Net gains or losses on available-for-sale securities and equivalent	*5.5*	(8)	53
Other banking income	*5.6*	2	1
Other banking expense	*5.6*	(23)	(18)
Net banking income		**494**	**384**
General operating expenses	*5.7*	(192)	(133)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		(8)	(7)
Gross operating income		**294**	**244**
Cost of risk	*5.8*	(2)	(1)
Operating income		**292**	**243**
Gains or losses on long-term investments	*5.9*	(352)	262
Income before tax		**(60)**	**505**
Non-recurring income	*5.10*	0	0
Income tax	*5.11*	451	224
Funding/reversal of the fund for general banking risks and regulated provisions		0	0
NET INCOME		**391**	**729**

5.6.3 Notes to the parent company annual financial statements

Note 1 General background

1.1 GROUPE BPCE

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Epargne network, the BPCE central institution and its subsidiaries.

Two banking networks: the Banque Populaire banks and the Caisses d'Epargne

Groupe BPCE is a cooperative group whose shareholders own the two local retail banking networks: the 14 Banque Populaire banks and the 15 Caisses d'Epargne. Each of the two networks owns an equal share in BPCE, the Group's central institution.

The Banque Populaire network consists of the Banque Populaire banks and the Mutual Guarantee Companies granting them the exclusive benefit of their guarantees.

The Caisse d'Epargne network consists of the Caisses d'Epargne and the Local Savings Companies (LSCs).

The Banque Populaire banks are wholly-owned by their cooperative shareholders.

The capital of the Caisses d'Epargne is wholly-owned by the LSCs. Local savings companies are cooperative structures with open-ended share capital owned by cooperative shareholders. The LSCs are tasked with coordinating the cooperative shareholder base, in line with the general objectives defined by the individual Caisse d'Epargne with which they are affiliated, and cannot perform banking transactions.

BPCE

BPCE, a central institution as defined by French banking law and a credit institution licensed to operate as a bank, was created pursuant to Law No. 2009-715 of June 18, 2009. BPCE was incorporated as a French limited liability company *(société anonyme)* governed by a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the 14 Banque Populaire banks and the 15 Caisses d'Epargne.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banque Populaire banks and the Caisses d'Epargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, organizes depositor protection, approves key appointments of company directors and oversees the smooth functioning of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures between the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It defines the Group's corporate strategy and growth and expansion policies.

BPCE's main subsidiaries, including Natixis, a 70.7825%-owned[1] listed company, are organized around three main business lines:

- Retail Banking and Insurance (including Crédit Foncier, Banque Palatine, BPCE International and the insurance activities of Natixis);
- Corporate & Investment Banking;
- Asset & Wealth Management.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to Articles L. 511-31 and L. 512-107-6 of the French Monetary and Financial Code, the guarantee and solidarity mechanism was set up to ensure the liquidity and capital adequacy of the Group and its associates, and to organize financial support within the Banque Populaire and Caisse d'Epargne networks.

BPCE is tasked with taking all measures necessary to guarantee the capital adequacy of the Group and each of the networks, including implementing the appropriate internal financing mechanisms within the Group and establishing a Mutual Guarantee Fund common to both networks, for which it determines the operating rules, the conditions for the provision of financial support to the existing funds of the two networks, as well as the contributions of associates to the fund's initial capital endowment and reconstitution.

BPCE manages the Banque Populaire Network Fund and the Caisse d'Epargne Network Fund and has put in place the Mutual Guarantee Fund.

The **Banque Populaire Network Fund** was formed by a deposit made by the Banks of €450 million that was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The **Caisse d'Epargne Network Fund** comprises deposits by the Caisses of €450 million booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The **Mutual Guarantee Fund** was formed by deposits made by the Banque Populaire banks and the Caisses d'Epargne. These deposits were booked by BPCE in the form of 10-year term accounts which are indefinitely renewable. The amount of the deposits by network was €181 million at December 31, 2018.

The total amount of deposits made to BPCE in respect of the Banque Populaire Network Fund, the Caisse d'Epargne et de Prévoyance network fund and the Mutual Guarantee Fund may not be less than 0.15% and may not exceed 0.3% of the total risk-weighted assets of the Group.

The booking of deposits by a Banque Populaire or Caisse d'Epargne network entity under the guarantee and solidarity system results in the recording of an item of an equivalent amount under a dedicated capital heading.

The Mutual Guarantee Companies *(sociétés de caution mutuelle),* whose sole corporate purpose is to guarantee loans issued by Banque Populaire banks, are covered by the liquidity and capital adequacy guarantee of the Banque Populaire banks with which they are jointly licensed in accordance with Article R. 515-1 of the French Monetary and Financial Code.

The liquidity and capital adequacy of the Caisses de Crédit Maritime Mutuel are guaranteed in respect of each individual Caisse, by the Banque Populaire bank which is both the core shareholder and provider of technical and operational support for the Caisse in relation to the partner Banque Populaire bank.

The liquidity and capital adequacy of the Local Savings Companies are secured, firstly, at the level of each individual local savings company by the Caisse d'Epargne et de Prévoyance which is the shareholder of the local savings company in question.

BPCE's Management Board holds all the requisite powers to mobilize the resources of the various contributors without delay and in accordance with the agreed order, on the basis of prior authorizations given to BPCE by the contributors.

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(1) The shareholding stands at 70.70% including the treasury shares held by Natixis.

1.3 SIGNIFICANT EVENTS

The Groupe BPCE Supervisory Board, chaired by Michel Grass, approved the appointment of Laurent Mignon as Chairman of the Management Board after François Pérol stepped down. A new Management Board was appointed for a four-year term, along with several new members of the Executive Management Committee.

Against this backdrop, Groupe BPCE continued implementing its TEC 2020 strategic plan and launched major organizational projects aimed at strengthening its operating model and improving efficiency:

- Groupe BPCE launched a plan to integrate the activities and teams of Crédit Foncier with the goal of consolidating its leading position in the real estate finance market, thanks in large part to the contribution of Crédit Foncier's skills, expertise and talent, and to the strength of the Banque Populaire and Caisse d'Epargne networks in the regions, with a view to increasing banking penetration among customers. The plan, approved by the employee representative bodies of CFF on October 26, 2018, will be implemented in the first half of 2019 subject to two requirements:
  - first, the Group aims to extend and increase its presence among all customers, particularly among low-income, first-time home buyers,
  - second, Crédit Foncier employees will be integrated within other Groupe BPCE companies in a socially responsible manner, in accordance with their respective traditions;
- on September 12, 2018, Natixis and BPCE announced Natixis' plan to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE SA for €2.7 billion. This transaction, if completed, will contribute significantly to the achievement of Natixis and BPCE's strategic plans. It will notably help Natixis to speed up the development of its asset-light model and BPCE to strengthen its universal banking model. The sale is scheduled to take place by the end of Q1 2019, subject to the conditions precedent being lifted; in particular, BPCE must complete a capital increase subscribed by the Banque Populaire banks and the Caisses d'Epargne, and the necessary regulatory approvals must be obtained. During the fourth quarter of 2018, the operational implementation of the project was prepared and the various stages leading to the completion of the transaction initiated;
- the Group also launched initiatives to develop its presence in international retail banking. It began exclusive negotiations with Moroccan banking group Banque Centrale Populaire with a view to selling BPCE International's equity investments in Africa[1]. This follows on from the sale of Banque des Mascareignes to Banque Centrale Populaire, which was finalized in October 2018.

Moreover, as the holding company, BPCE received dividends amounting to €857.5 million, of which €824.1 million related to Natixis.

In Financial Management buiness line, as part of a goal to strengthen the regulatory ratios, several specific measures were taken in 2018 around capital allocation and solvency management. First, BPCE subscribed for perpetual deeply subordinated notes eligible as additional Tier 1 regulatory capital instruments under Basel III issued by Banque Palatine in March and by BPCE International in December for €100 million each. In November, BPCE issued notes for an amount of €700 million which were subscribed for by the networks. Second, in December BPCE granted a redeemable subordinated loan to Natixis of €300 million.

BPCE issued €7.3 billion in non-preferred senior bonds with maturities ranging from 5 to 15 years, including 3.9 billion in euros, 1.8 billion in dollars and 1.5 billion in yen. These issues help to strengthen Groupe BPCE's balance sheet due to their TLAC-eligibility.

Last, on September 26, 2018 BPCE launched its first local economic development bond, in the form of a preferred senior note for €1.25 billion. This follows human development bonds issued in 2017 and 2018.

1.4 POST-BALANCE SHEET EVENTS

BPCE SA plans[2] to purchase a majority stake of 50.1% from Auchan Holding

On February 12, 2019, Groupe BPCE announced that it was in exclusive talks with Auchan Holding to purchase a 50.1% stake in Oney Bank SA. The employee representative bodies will be informed and consulted on this project. After the consultation, the parties may sign their partnership agreement. The transaction may not be closed until the necessary approvals are obtained from the competent French and European authorities; as such, it is expected to be closed in the second half of 2019. The deal is expected to have an estimated impact of under 15bp on the Group's CET1 ratio.

(1) In Cameron (68.5% in Banque Internationale du Cameroun pour l'Epargne et le Crédit), Madagascar (71% in Banque Malgache de l'Océan Indien), Republic of the Congo (100% in Banque Commerciale Internationale) and Tunisia (60% in Banque Tuniso-Koweitienne).

(2) Subject to the lifting of the conditions precedent and procurement of the necessary regulatory approvals

Note 2 Accounting principles and methods

2.1 MEASUREMENT AND PRESENTATION METHODS

BPCE's parent company financial statements are prepared and presented in accordance with rules that comply with Regulation No. 2014-07 of the *Autorité des Normes Comptables* (ANC – French Accounting Standards Authority).

2.2 CHANGES IN ACCOUNTING METHODS

There were no changes to accounting methods in respect of the 2018 fiscal year.

The texts adopted by the ANC that had mandatory application in 2018 did not have a significant impact on the parent company financial statements.

Unless otherwise stated, BPCE did not elect to apply in advance the texts adopted by the ANC for which application is optional.

2.3 ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

The financial statements for the fiscal year are presented in identical format to those for the previous fiscal year. Generally accepted accounting principles have been applied in compliance with the principle of prudence based on the following principles:

- the going-concern principle;
- consistency of accounting methods from one period to the next;
- independence of fiscal years;

and observance of the general rules governing the preparation and presentation of annual financial statements.

The basic method for valuing accounting entries is the historical cost method and all balance sheet items are presented, as appropriate, net of amortization, provisions and allowances for impairment.

The principal methods used are as follows:

2.3.1 Transactions in foreign currencies

Income and expenses relating to foreign currency transactions are determined in accordance with ANC Regulation No. 2014-07.

Receivables, liabilities, and off-balance sheet commitments denominated in foreign currencies are valued at the exchange rate at the end of the fiscal year. Definitive or unrealized foreign exchange gains and losses are recognized in income. Income and expenses paid or received in foreign currencies are recognized at the exchange rate on the date of the transaction.

Fixed assets and investments in associates denominated in foreign currencies but financed in euros are valued at acquisition cost.

Unsettled spot foreign exchange transactions are valued at the exchange rate at the fiscal year-end.

Discounts or premiums on foreign exchange forward and futures contracts used for hedging purposes are recognized in income on a pro rata basis. Other foreign exchange contracts and forward and futures instruments denominated in foreign currencies are marked to market. Outright foreign exchange forward and futures contracts, and those hedged by forward and futures instruments, are revalued over the remaining term. Foreign exchange swaps are recognized as coupled spot buy/sell forward transactions. Currency swaps are subject to the provisions of ANC Regulation No. 2014-07.

2.3.2 Transactions with credit institutions and customers

Loans and advances to credit institutions cover all loans and advances made in connection with banking transactions with the exception of those represented by a security. They also include securities received under repurchase agreements, regardless of the type of underlying, and loans and advances relating to securities repurchase agreements. They are broken down between demand loans and advances and term loans and advances. Loans to credit institutions are recorded in the balance sheet at their nominal value, with the exception of buybacks of customer receivables which are recorded at acquisition cost, plus accrued interest and net of any impairment charges recognized for credit risk.

Amounts due from customers include loans to entities other than credit institutions, with the exception of debt securities issued by customers, assets purchased under resale agreements, and receivables corresponding to securities sold under repurchase agreements. They are broken down between business loans, current accounts with overdrafts and other facilities granted to customers. Loans to customers are recorded in the balance sheet at their nominal value, with the exception of buybacks of customer receivables which are recorded at acquisition cost, plus accrued interest and net of any impairment charges recognized for credit risk. Amortized marginal transaction costs and fees are included in the relevant loan.

Amounts due to credit institutions are recorded under demand deposits and current accounts or term deposits and borrowings. Amounts due to customers are classified into regulated savings accounts and other deposits for customers. Depending on the counterparty involved, these items include securities and other assets sold under repurchase agreements. Accrued interest is recorded under related payables.

Guarantees received are recorded in the accounts as an off-balance sheet item. They are revalued on a regular basis. The total carrying amount of all guarantees received for a single loan is limited to the outstanding amount of the loan.

Restructured loans

Within the meaning of ANC Regulation No. 2014-07, restructured loans are doubtful loans and receivables whose initial characteristics (term, interest rate) are modified to allow the counterparties to repay the amounts due.

A discount is taken on restructured loans to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used for fixed-rate loans is the initial effective interest rate and the discount rate used for variable-rate loans is the most recent effective interest rate prior to the restructuring date. The effective rate is the contractual rate. This discount is expensed to "Cost of risk" in income and offset against the corresponding outstanding in the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method.

A restructured loan may be reclassified as performing when the new repayment dates are observed. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

Doubtful loans and receivables

Doubtful loans and receivables consist of all outstanding amounts (whether or not they are due, guaranteed or other), where at least one commitment made by the debtor has involved a known credit risk, classified as such on an individual basis. A risk is considered to be

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"known" when it is probable that the Group will not collect all or part of the sums owed under the terms of the commitments made by the counterparty, notwithstanding any guarantees or collateral.

Doubtful loans are identified in compliance with ANC Regulation No. 2014-07, particularly in the case of loans past due for over three months, over six months for real estate loans, and over nine months for loans to local authorities.

Doubtful loans are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. Loans and receivables whose terms have lapsed, terminated lease financing agreements, and perpetual loans which have been rescinded, are considered as irrecoverable. The existence of guarantees covering nearly all risks, along with the conditions for classification as doubtful loans and receivables, must be taken into consideration in order to qualify a doubtful loan as irrecoverable and to assess the associated impairment provision. A debt that has been classified as doubtful for more than one year is assumed to be irrecoverable, unless a write-off is not foreseen. Reclassification of a debt from doubtful to irrecoverable does not automatically entail the reclassification of the counterparty's other doubtful loans and commitments to irrecoverable.

For doubtful loans and receivables, accrued interest or interest due but not received is recognized in banking income and impaired accordingly. For irrecoverable loans and receivables, accrued interest due but not received is not recognized.

Doubtful loans and receivables are reclassified as performing once the debtor resumes regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

Repurchase agreements

Securities repurchase agreements are recognized in accordance with ANC Regulation No. 2014-07, complemented by Instruction No. 94-06 amended issued by the French Banking Commission.

The collateralized assets continue to appear in the balance sheet of the vendor, which records the amount collected under liabilities, representing its debt vis-à-vis the purchaser. The purchaser records the amount paid under assets, representing the amount due to the vendor. At each balance sheet date, the collateralized assets, as well as the debt vis-à-vis the purchaser or the amount due to the vendor, are valued according to the rules appropriate to each of these transactions.

Impairment

Loans for which recovery is uncertain result in the recognition of an impairment loss on the asset to cover the risk of loss. Impairment losses are calculated on a case-by-case basis, taking into account the present value of guarantees received. They are determined on a quarterly basis at a minimum and are calculated in reference to available guarantees and a risk analysis. Impairment losses cover at a minimum the interest not received on doubtful loans.

Impairment for probable losses includes all impairment charges, calculated as the difference between the principal outstanding and the projected cash flows discounted at the initial effective interest rate. Projected cash flows are determined based on the type of receivables on the basis of historical losses and/or expert appraisals and are positioned over time using debt schedules based on historic recovery records.

Impairment charges and reversals booked for risk of non-recovery are recorded under "Cost of risk" except for impairments for interest on doubtful loans and receivables, which are recorded as impaired interest under "Interest and similar income".

The reversal of the impairment related to the passage of time alone is recorded under "Cost of risk".

Doubtful loans and receivables are written off as losses and the corresponding impairment allowances are reversed.

2.3.3 Securities

The term "securities" covers interbank market securities, treasury bills and negotiable debt securities, bonds and other fixed-income instruments, and equities and other variable-income instruments.

For accounting purposes, securities transactions are governed by ANC Regulation No. 2014-07, which sets out the general accounting and measurement rules applicable to securities and the rules concerning specific transfers such as securities lending transactions.

Securities are classified according to the following categories: investments in associates and affiliates, other long-term investments, debt securities held to maturity, equity securities available for sale in the medium term, securities available for sale, and trading securities.

With respect to trading securities, securities available for sale, debt securities held to maturity, and equity securities available for sale in the medium term, provisions for counterparties with known default risks whose impact can be separately identified are recognized in the form of impairment charges. Changes in impairment are recorded under cost of risk.

Trading securities

These are securities acquired or sold with the intention to resell or repurchase them after a short holding period. In order to be eligible for this category, the securities must be tradable on an active market as of the date of their initial recognition and their market prices must be accessible, representing actual transactions regularly occurring in the market under normal trading conditions. They may be either fixed- or variable-income instruments.

Trading securities are recorded in the accounts at cost on their acquisition date, less transaction costs and including accrued interest, where applicable. In the event of a short sale, the debt is recorded under liabilities in the amount of the selling price of the securities, less transaction costs.

They are marked to market at the end of the fiscal year based on the market price on the most recent trading day. The overall balance of differences resulting from fluctuations in prices is taken to the income statement. For UCITS and investment funds, market value corresponds to net asset values reflecting available market information as of the balance sheet date.

Securities classified as trading securities cannot be transferred to another accounting category (except in exceptional market situations requiring a change of strategy or in the absence of an active market for fixed-income securities), and the rules for their presentation and measurement continue to apply until they are sold, redeemed in full or written off.

Securities available for sale

Securities that do not qualify for recognition in any other category are considered as securities available for sale.

Securities available for sale are recorded in the accounts at cost on their acquisition date, less transaction costs.

Where applicable, for fixed-income securities, accrued interest is recognized in the income statement under "Interest and similar income".

Any difference between the acquisition price and the redemption value (premium or discount) for fixed-income instruments is recorded in the income statement over the remaining term of the security using the actuarial method.

Securities available for sale are valued at the lower of acquisition cost or market price. For UCITS and investment funds, market value corresponds to net asset values reflecting available market information as of the balance sheet date.

Unrealized capital losses are subject to an impairment provision that can be estimated by groups of similar securities, with no offsetting against capital gains recorded on other categories of securities.

Gains generated by hedging instruments, if any, as defined by Article 2514-1 of ANC Regulation No. 2014-07, are taken into account for the calculation of impairment. Unrealized capital gains are not recognized.

Gains and losses on disposals of available-for-sale securities, as well as impairment charges and reversals are recorded under "Net gains or losses on available-for-sale securities and similar items".

Held-to-maturity securities

These include fixed-income securities with fixed maturity that were acquired or have been reclassified from "Trading securities" or "Available-for-sale securities" and which the company intends and is able to hold to maturity. The securities should not be subject to an existing restriction, legal or otherwise, which may have an adverse effect on the company's intention to hold the securities to maturity. Classification as held-to-maturity securities is not incompatible with their designation as items hedged against interest rate risk.

Securities held to maturity are recorded in the accounts at cost as of their acquisition date, less transaction costs. When previously classified as available for sale, they are recorded at cost and the previously recognized impairment charges are reversed over the residual life of the relevant securities.

The difference between the acquisition cost and the redemption value of the securities, and the corresponding interest are recorded according to the same rules as those applicable to fixed-income securities available for sale.

An impairment loss may be recognized if there is a strong probability that the institution will not hold the securities to maturity due to new circumstances or if there is a risk of default by the issuer. Unrealized capital gains are not recognized.

Debt securities held to maturity cannot be sold or transferred into another category of securities, with certain exceptions.

However, pursuant to the provisions of ANC Regulation No. 2014-07, fixed-income trading or available-for-sale securities reclassified into the category of debt securities held to maturity as a result of market illiquidity may be sold when the market on which they are traded becomes active again.

Equity securities available for sale in the medium term

Equity securities available for sale in the medium term comprise securities invested in with the sole objective of obtaining capital gains in the medium term without the intent of long-term investment to develop the business activities of the issuing company or to actively participate in its operational management. In theory, these are always variable-income securities. This investment activity has to be significant and continuous, carried out in a structured framework, and must generate regular returns derived primarily from capital gains on disposals.

Equity securities available for sale in the medium term are recognized at cost on their acquisition date, less transaction costs.

On the balance sheet date, they are included in the balance sheet at the lower of historical cost or value in use. An impairment charge is recognized for any unrealized capital losses. Unrealized capital gains are not recognized.

Securities recorded under equity securities available for sale in the medium term cannot be transferred to any other accounting category.

Investments in associates and affiliates

Securities falling within this category are securities whose long-term holding is deemed useful for the activity of the company, in particular by permitting the exercise of significant influence or control over the governance bodies of the issuing companies.

Investments in associates and affiliates are recorded at cost, including transaction costs, if the amounts are significant.

They are individually valued at the balance sheet date at the lower of acquisition cost or value in use. Value in use is determined, in particular, on the basis of criteria such as the strategic nature of the investment, the intention to provide assistance or retain the investment, share price performance, net assets or revalued net assets and forecasts. Impairment is recognized for any unrealized capital losses, calculated for each line of securities, and is not offset with unrealized capital gains. Unrealized capital gains are not recognized.

Securities recorded under investments in associates and affiliates cannot be transferred to any other accounting category.

Other long-term investments

Other long-term investments are securities acquired with the intention of promoting the development of lasting business relationships, by creating special ties with the issuer, without taking an active part in its management due to the small percentage of voting rights that the investment represents.

Other long-term investments are recognized at acquisition cost, less transaction costs.

They are included in the balance sheet at the lower of historical cost or value in use. Value in use is determined for listed and non-listed securities on the basis of the amount the company would agree to pay to obtain the securities, given its investment objective, if it were to acquire them. An impairment charge is recognized for any unrealized capital losses. Unrealized capital gains are not recognized.

Securities classified as other long-term investments may not be transferred to any other accounting category.

Reclassification of financial assets

In order to harmonize accounting practices and ensure consistency with IFRS, ANC Regulation No. 2014-07 reiterates the provisions of Opinion No. 2008-19 of December 8, 2008 related to the reclassification of securities out of the "trading securities" and "available-for-sale securities" categories.

The reclassification out of the "Trading securities" category to the "available-for-sale securities" and "debt securities held to maturity" categories is now allowed in the following two cases:

- under exceptional market circumstances necessitating a change of strategy;
- where fixed-income securities are no longer, after their acquisition, tradable on active markets, and provided that the company has the intention and the capacity to hold them in the foreseeable future or until they reach maturity.

Reclassifications from the "available-for-sale securities" category to the "debt securities held to maturity" category are effective as from the reclassification date in either of the following conditions:

- under exceptional market circumstances necessitating a change of strategy;
- where fixed-income securities are no longer tradable on an active market.

It should be noted that in its March 23, 2009 press release, the *Conseil national de la comptabilité* (CNC – French National Accounting Board) specified that "the possibility of portfolio transfers, in particular from available-for-sale securities portfolios to held-to-maturity securities portfolios as specified under Article 19 of CRBF Regulation No. 90-01 before it was updated by CRC Regulation No. 2008-17, remains in force and is not repealed by ANC Regulation No. 2014-07. As CRC Regulation No. 2008-17, replaced by ANC Regulation No. 2014-07, provided for additional possibilities of transfers between portfolios, these new transfer possibilities are added, as of the regulation's effective date of July 1, 2008, to those previously defined".

As a consequence, reclassification of the available-for-sale securities portfolio as a held-to-maturity portfolio remains possible through a simple change of intention if, on the day of the transfer, all of the criteria for a held-to-maturity portfolio are met.

2.3.4 Intangible assets and property, plant and equipment

Accounting rules for intangible assets and property, plant and equipment are defined by ANC Regulation No. 2014-03.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost (purchase price including costs). These assets are amortized over their estimated useful lives.

In particular, software is amortized over a maximum period of five years. Any additional amortization that may be applied to software using the accelerated method permitted for tax purposes is recorded, where applicable, under accelerated amortization.

Goodwill is not amortized but is subject, as appropriate, to impairment tests.

Leasehold rights are amortized on a straight-line basis over the residual term of the lease and, if necessary, are tested for impairment relative to market value.

Property, plant and equipment

Property, plant and equipment consists of tangible assets that (a) are held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and (b) are expected to be used during more than one fiscal year.

Insofar as buildings are assets consisting of a number of components that have different uses at the outset, each component is recognized separately at cost and a depreciation schedule specific to each component is used.

The depreciable amount is the gross value less the residual value where the latter is material, lasting and can be measured reliably.

Other property, plant and equipment is recorded at cost, production cost or revalued cost. The cost of assets denominated in foreign currencies is translated into euro at the exchange rate prevailing on the transaction date. These assets are depreciated or amortized in order to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life.

Where applicable, assets may be subject to impairment.

Investment property corresponds to non-operating assets.

2.3.5 Debt securities

Debt securities are presented based on the nature of the underlying: retail certificates of deposit, interbank and negotiable debt securities, bonds and other debt securities, apart from subordinated debt, which is recorded separately in a specific line item under liabilities.

Accrued interest on these instruments is disclosed separately as a related payable, as a balancing entry to the income statement entry.

Issue premiums are recognized in their entire amount during the period or are spread out on a straight-line basis over the life of the debt. Issue and redemption premiums are spread out on a straight-line basis over the life of the debt *via* a deferred expenses account.

For structured debt, applying the principle of prudence, only the certain portion of remuneration or principal is recognized. Unrealized gains are not recorded. Unrealized losses are subject to a provision.

2.3.6 Subordinated debt

Subordinated debt comprises proceeds from issues of subordinated debt securities, both term and perpetual subordinated debt, together with mutual guarantee deposits. In the event of liquidation of the debtor, the repayment of subordinated debt is only possible after all other creditors have been satisfied.

Accrued interest payable on subordinated debt is disclosed separately as a related payable, as a balancing entry to the income statement entry.

2.3.7 Provisions

This item includes provisions set up to cover contingencies and losses that are clearly identifiable but of uncertain timing or amount, that are either directly related or unrelated to banking transactions as defined under Article L. 311-1 of the French Monetary and Financial Code or from related transactions defined under Article L. 311-2 of the same Code. Unless covered by a specific text, such provisions may only be recognized if the company has an obligation to a third party at the end of the fiscal year and no equivalent consideration is expected in return, in accordance with ANC Regulation No. 2014-03.

In particular, this item includes a provision for potential employee liabilities and a provision for counterparty risk.

Employee benefits

Employee benefits are recognized in accordance with ANC recommendation No. 2013-R-02. They are classified into four categories:

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits mainly include wages, paid annual leave, incentive schemes, profit-sharing, and bonuses payable within 12 months of the end of the period in which the employee renders the service. They are recognized as an expense for the period, including amounts remaining due at the balance sheet date.

LONG-TERM EMPLOYEE BENEFITS

Long-term employee benefits are generally linked to seniority accruing to current employees and payable 12 months or more after the end of the period in which the employee renders the related service. These consist mainly of long-service awards. A provision is set aside for the value of these obligations at the balance sheet date.

The obligations are valued using an actuarial method that takes account of demographic and financial assumptions such as age, length of service, the likelihood of the employee being employed by the Group at retirement and the discount rate. The valuation also allocates costs over the working life of each employee (projected unit credit method).

TERMINATION BENEFITS

Termination benefits are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the Group to terminate a contract or a decision by an employee to accept voluntary redundancy. A provision is set aside for termination benefits. Termination benefits payable more than 12 months after the balance sheet date are discounted to present value.

POST-EMPLOYMENT BENEFITS

Post-employment benefits include lump-sum retirement bonuses, pensions and other post-employment benefits.

These benefits can be broken down into two categories: defined-contribution plans, which do not give rise to an obligation for the Group, and defined-benefit plans, which give rise to an obligation for the Group and are therefore measured and recognized by means of a provision.

The Group records a provision in liabilities for employee benefit obligations that are not funded by contributions charged to income and paid out to pension funds or insurance companies.

Post-employment benefits are measured in the same way as long-term employee benefits.

The measurement of these obligations takes into consideration the value of plan assets as well as unrecognized actuarial gains and losses.

Actuarial gains and losses on post-employment benefits, arising from changes in actuarial assumptions (early retirement, discount rate, etc.) or experience adjustments (return on plan assets, etc.) are amortized under the corridor method, *i.e.* for the portion exceeding a variation of +/-10% of the defined-benefit obligation or the fair value of plan assets.

The annual expense recognized in respect of defined-benefit plans includes the current service cost, net interest cost (the effect of discounting the obligation) less hedging assets, and the amortization of any unrecognized items that are actuarial gains or losses.

2.3.8 Fund for general banking risks

This fund is intended to cover risks inherent in the company's banking activities, in accordance with the provisions of Article 3 of CRBF Regulation No. 90-02.

It also includes the amounts allocated to the funds set up as part of the guarantee mechanism (see Note 1.2).

2.3.9 Financial futures

Trading and hedging transactions in interest rate, currency or equity futures are recognized in accordance with the provisions of ANC Regulation No. 2014-07.

Commitments on these instruments are recorded as off-balance sheet items at the notional value of the contracts. At the balance sheet date, the amount recognized for these commitments represents the volume of unwound forward transactions at the balance sheet date.

The accounting policies applied vary depending on the type of instrument and the original purpose of the transaction.

Forward transactions

Interest rate swaps and similar contracts (forward rate agreements, collars, etc.) are classified as follows according to their initial purpose:

- micro-hedging (assigned hedges);
- macro-hedging (overall asset and liability management);
- speculative positions/isolated open positions;
- for use with a trading book.

Amounts received or paid in respect of the first two categories are recognized in income on a pro rata basis.

Income and expenses related to instruments used for hedging an asset or a group of similar assets are recognized in income symmetrically with the income and expenses from the hedged item. Gains and losses on hedging instruments are recognized in the same line item as the income and expenses from the hedged item, under "Interest and similar income" and "Interest and similar expenses". The line item "Net gains or losses on trading book transactions" is used when the hedged items are in the trading book.

In the event of characteristic overhedging, a provision may be made for the hedging instrument, for the overhedged portion, if the instrument shows an unrealized loss. In this case, the charge to provisions will affect "Net gains or losses on trading book transactions".

Income and expenses related to forward and futures contracts used for hedging purposes or for managing overall interest rate risk are recognized in the income statement on a pro rata basis under "Interest and similar income" and "Interest and similar expenses". Unrealized gains and losses are not recognized.

Gains and losses on contracts qualified as isolated open positions are taken to income either when the contracts are settled or on a pro rata basis, depending on the type of instrument.

Recognition of unrealized capital gains or losses is determined based on the type of market involved (organized, other markets considered as organized, or over the counter).

For over-the-counter options (including transactions processed by a clearing house), a provision is recorded for unrealized mark-to-market losses at year-end. Unrealized capital gains are not recognized.

Instruments traded on organized markets or other markets considered as organized are continuously quoted and liquid enough to justify being marked to market.

Contracts classified as specialized asset management contracts are measured after applying a discount to take account of the counterparty risk and the net present value of future management costs, if these valuation adjustments are material. Derivatives that are traded with a counterparty that is a member of Groupe BPCE's share support mechanism (see Note 1.2.) are not subject to these valuation adjustments. Changes in value from one accounting period to another are recognized immediately in the income statement under "Net gains or losses on trading book transactions".

Balances on terminations or transfers are recognized as follows:

- balances on transactions classified under specialized asset management or isolated open positions are recognized immediately in income;
- for micro-hedging and macro-hedging transactions, balances are amortized over the remaining term of the initially hedged item or reported immediately in the income statement.

Options

The notional amount of the underlying asset of an option or forward or futures contract is recognized by distinguishing between hedging contracts and contracts traded as part of capital market transactions.

For transactions involving interest rate, foreign exchange, or equity options, the premiums paid or received are recognized in a temporary account. At the end of the fiscal year, any options traded in an organized or similar market are valued and recognized in income. For over-the-counter (OTC) options, provisions are recognized for capital losses but unrealized capital gains are not recognized. When an option is sold, repurchased, or exercised, or when an option expires, the corresponding premium is recognized immediately in income.

Income and expenses for hedging instruments are recognized symmetrically with those from the hedged item. Seller options are not eligible for classification as macro-hedging instruments.

Over-the-counter markets may be treated as organized markets when market makers ensure continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted on an organized market.

2.3.10 Interest and similar commission income

Interest and similar commission income is recognized on a pro rata basis.

The Group has chosen the following option to account for negative interest:

- when income from an asset is negative, it is deducted from interest income in the income statement;
- when income from a liability is positive, it is deducted from interest expenses in the income statement.

Commissions and fees related to granting or acquiring a loan are treated as additional interest amortized over the effective life of the loan, on a pro rata basis according to the outstanding amount due.

Other commission income is recognized according to the type of service provided as follows:

- commissions received for an *ad hoc* service are recognized on completion of the service;
- commissions received for an ongoing or discontinued service paid for through several installments are recognized over the period that the service is provided.

2.3.11 Income from securities

Dividends are recognized when the right to receive payment has been decided by the competent body. They are recognized under "Income from variable-income securities".

The portion of income received during the year from bonds or negotiable debt securities is also recognized. The same applies to perpetual deeply subordinated notes that meet the definition of a Tier 1 regulatory capital instrument. The Group considers that these revenues are effectively similar in nature to interest.

2.3.12 Income tax

As of 2010, BPCE opted to apply the provisions of Article 91 of the amended French Finance Act for 2008 which extended the tax consolidation regime to networks of mutual banks. This option is modeled on the tax consolidation for mutual insurers and takes into account consolidation criteria not based on ownership interest (the scheme is usually available if at least 95% of the share capital of a subsidiary is owned by a parent company).

As head of the Group, BPCE signed a tax consolidation agreement with members of its group (including the 14 Banque Populaire banks, the 15 Caisses d'Epargne, and BPCE subsidiaries, including BPCE International, Crédit Foncier, Banque Palatine, BP Covered Bonds and BPCE SFH).

In accordance with the terms of this agreement, BPCE recognizes a receivable for the tax to be paid to it by the other members of the tax consolidation group along with a payable corresponding to the tax to be paid to the tax authorities on behalf of the consolidation group.

The income tax expense for the period corresponds to the tax expense of BPCE in respect of 2018, corrected to reflect the impact of tax consolidation upon the Group.

2.3.13 Contributions to banking resolution mechanisms

The procedure for setting up the deposit and resolution guarantee fund was changed by a decree dated October 27, 2015. In 2016, the *Autorité de contrôle prudentiel et de résolution* (ACPR – French prudential supervisory authority for the banking and insurance sector), in decision No. 2016-C-51 dated October 10, 2016, approved a method for calculating contributions to the deposit guarantee mechanism. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund for deposit, collateral and securities guarantee mechanisms represented a non-material amount. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) had no material impact on BPCE financial statements. Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet were not material.

Directive 2014/59/EU (BRRD – Bank Recovery and Resolution Directive), which establishes the framework for the recovery and resolution of banks and investment firms, and European Regulation 806/2014 (SRM Regulation) established the introduction of a resolution fund as of 2015. In 2016, this fund became a Single Resolution Fund (SRF) between the member States participating in the Single Supervisory Mechanism (SSM). The SRF is a resolution financing mechanism available to the resolution authority (Single Resolution Board) which may use this fund when implementing resolution procedures.

In 2018, in accordance with Delegated Regulation 2015/63 and Implementing Regulation 2015/81 supplementing BRRD on *ex-ante* contributions to financing mechanisms for the resolution, the Single Resolution Board set the level of contributions for 2018. The amount of contributions made to the fund for the fiscal year totaled €49.6 million, of which €42.2 million recognized as an expense and €7.4 million in cash security deposits recognized as assets on the balance sheet (15% in cash security deposits). The cumulative amount of contributions recognized as assets on the balance sheet was €22.2 million.

Note 3 Information on the balance sheet

Unless otherwise indicated, explanatory notes for balance sheet items are presented net of depreciation, amortization, impairment and provisions.

Certain information relating to credit risk as required under ANC Regulation No. 2014-07 is provided in the risk management report. This information forms an integral part of the financial statements audited by the Statutory Auditors.

3.1 INTERBANK TRANSACTIONS

ASSETS

in millions of euros	12/31/2018	12/31/2017
Current accounts	2,758	2,102
Overnight loans	121	827
Securities received under demand repurchase agreements	0	0
Unallocated items	37	119
Accrued interest on demand accounts	1	1
Demand accounts	**2,917**	**3,049**
Term accounts and loans	158,796	170,018
Subordinated and participating loans	3,860	4,119
Securities received under term repurchase agreements	7,380	6,346
Accrued interest on term accounts	145	244
Term accounts	**170,181**	**180,727**
Doubtful loans and receivables	**0**	**0**
o/w irrecoverable doubtful loans and receivables	*0*	*0*
Impairment of interbank loans and receivables	**0**	**0**
o/w impairment of irrecoverable doubtful loans and receivables	*0*	*0*
TOTAL	**173,098**	**183,776**

Receivables arising from transactions with the networks can be broken down into €2,832 million in demand accounts, and €163,003 million in term accounts.

LIABILITIES

in millions of euros	12/31/2018	12/31/2017
Current accounts	15,804	14,725
Overnight deposits	6,568	4,304
Securities given under demand repurchase agreements	0	0
Other amounts due	9	33
Accrued interest on demand accounts	(3)	(3)
Demand accounts	**22,378**	**19,059**
Term accounts and loans	89,289	107,360
Securities sold under term repurchase agreements	19,923	16,936
Accrued interest payable on term loans	(67)	81
Term accounts	**109,145**	**124,377**
TOTAL	**131,523**	**143,436**

Payables arising from transactions with the networks can be broken down into €21,658 million in demand accounts, and €59,820 million in term accounts.

3.2 CUSTOMER TRANSACTIONS

3.2.1 Customer transactions

RECEIVABLES DUE FROM CUSTOMERS

Assets

in millions of euros	12/31/2018	12/31/2017
Current accounts with overdrafts	**25**	**33**
Business loans	**0**	**0**
Export credit	0	0
Cash and consumer credit	77	76
Equipment loans	306	280
Overnight loans	0	0
Home loans	0	0
Other customer loans	0	0
Securities received under reverse repurchase agreements	0	0
Subordinated loans	20	20
Other	1	1
Other facilities granted to customers	**404**	**377**
Accrued interest	**2**	**2**
Doubtful loans and receivables	**0**	**0**
Impairment of loans and advances to customers	**0**	**0**
TOTAL	**431**	**412**

AMOUNTS DUE TO CUSTOMERS

Liabilities

in millions of euros	12/31/2018	12/31/2017
Other accounts and loans from customers[1]	2,030	1,859
Security deposits	0	0
Other amounts due	0	0
Accrued interest	0	0
TOTAL	**2,030**	**1,859**

[1] BREAKDOWN OF OTHER ACCOUNTS AND LOANS FROM CUSTOMERS

	12/31/2018			12/31/2017		
in millions of euros	Demand	Term	Total	Demand	Term	Total
Current accounts with credit balances	1,475		1,475	1,634		1,634
Loans from financial sector customers		555	555		225	225
Securities sold under repurchase agreements			0			0
Other accounts and loans		0	0		0	0
TOTAL	**1,475**	**555**	**2,030**	**1,634**	**225**	**1,859**

3.2.2 Breakdown of outstanding loans by sector

in millions of euros	Performing loans and receivables Gross	Doubtful loans and receivables Gross	Doubtful loans and receivables Individual impairment	o/w Irrecoverable doubtful loans and receivables Gross	o/w Irrecoverable doubtful loans and receivables Individual impairment
Non-financial companies	411				
Self-employed customers					
Individual customers					
Non-profit institutions					
Government and social security institutions	20				
Other					
TOTAL AT DECEMBER 31, 2018	**431**	**0**	**0**	**0**	**0**
TOTAL AT DECEMBER 31, 2017	**412**	**0**	**0**	**0**	**0**

3.3 TREASURY BILLS, BONDS, EQUITIES AND OTHER FIXED-AND VARIABLE-INCOME SECURITIES

3.3.1 Securities portfolio

	12/31/2018				12/31/2017			
in millions of euros	Securities held for trading	Available-for-sale securities	Securities held to maturity	Total	Securities held for trading	Available-for-sale securities	Securities held to maturity	Total
Gross amount	19,056	1,104	0	20,160	18,142	1,270		19,412
Accrued interest		22	0	22		23		23
Impairment		(1)		(1)				0
Treasury bills and equivalent	**19,056**	**1,125**	**0**	**20,181**	**18,142**	**1,293**	**0**	**19,435**
Gross amount	51,982	2,550	3,280	57,812	51,426	3,069	3,645	58,140
Accrued interest		7	22	29		6	17	23
Impairment		(32)	0	(32)		(14)	0	(14)
Bonds and other fixed-income securities	**51,982**	**2,525**	**3,302**	**57,809**	**51,426**	**3,061**	**3,662**	**58,149**
Gross amount		1,306		1,306		1,273		1,273
Accrued interest				0				0
Impairment		(31)		(31)		(31)		(31)
Equities and other variable-income securities	**0**	**1,275**		**1,275**	**0**	**1,242**	**0**	**1,242**
TOTAL	**71,038**	**4,925**	**3,302**	**79,265**	**69,568**	**5,596**	**3,662**	**78,826**

The change in bonds and other fixed-income securities classified as held-to-maturity securities mainly reflected the disposal and amortization of shares in a portfolio of mortgage loan and public asset securitizations for a nominal amount of €355 million.

The change in bonds and other fixed-income securities classified as available-for-sale securities mainly reflected the disposal and amortization of shares in a portfolio of mortgage loan and public asset securitizations for a nominal amount of €838 million.

The market value of held-to-maturity securities stood at €3,293 million.

For equity securities available for sale in the medium term, unrealized capital gains totaled €205 million, and capital losses €174 million.

TREASURY BILLS, BONDS AND OTHER FIXED-INCOME SECURITIES

in millions of euros	12/31/2018				12/31/2017			
	Securities held for trading	Available-for-sale securities	Securities held to maturity	Total	Securities held for trading	Available-for-sale securities	Securities held to maturity	Total
Listed securities		2,608		2,608		2,542	399	2,941
Unlisted securities		1,013	3,280	4,293		1,783	3,246	5,029
Securities loaned	2,820	0	0	2,820	1,697	0	0	1,697
Securities borrowed	68,218			68,218	67,871			67,871
Doubtful loans and receivables				0				0
Accrued interest		29	22	51		29	17	46
TOTAL	**71,038**	**3,650**	**3,302**	**77,990**	**69,568**	**4,354**	**3,662**	**77,584**
o/w subordinated notes				*0*				*0*

Unrealized capital losses subject to an impairment provision on available-for-sale securities amounted to €30 million at December 31, 2018, compared with €16 million at December 31, 2017.

Unrealized capital gains on available-for-sale securities totaled €24 million at December 31, 2018 compared with €43 million at December 31, 2017.

Unrealized capital gains on held-to-maturity securities amounted to €118 million at December 31, 2018 *versus* €101 million at December 31, 2017.

Unrealized capital losses on held-to-maturity securities, whether or not they are subject to an impairment provision to cover counterparty risk, totaled €106 million at December 31, 2018 compared with €99 million at December 31, 2017.

At December 31, 2018, the portion of bonds and other fixed-income securities issued by public bodies amounted to €1,103 million compared with €1,270 million at December 31, 2017.

EQUITIES AND OTHER VARIABLE-INCOME SECURITIES

in millions of euros	12/31/2018			12/31/2017		
	Securities held for trading	Available-for-sale securities	Total	Securities held for trading	Available-for-sale securities	Total
Listed securities		1,224	1,224		1,224	1,224
Unlisted securities		51	51		18	18
Accrued interest			0			0
TOTAL	**0**	**1,275**	**1,275**	**0**	**1,242**	**1,242**

At December 31, 2017, equities and other variable-income securities included €1,265 million in UCITS, with accumulation funds accounting for €1,213 million of that total (compared with €1,228 million in UCITS at December 31, 2017, with accumulation funds accounting for €1,213 million of that total).

At December 31, 2018, unrealized capital losses on available-for-sale securities subject to impairment amounted to €37 million. At December 31, 2017, unrealized capital losses subject to impairment amounted to €35 million.

Unrealized capital gains on available-for-sale securities totaled €63 million at December 31, 2018. Unrealized capital gains on available-for-sale securities totaled €77 million at December 31, 2017.

3.3.2 Changes in held-to-maturity securities

in millions of euros	12/31/2017	Purchases	Disposals and redemptions	Category transfer	Conversion	Discount/premium	Other changes	12/31/2018
Treasury bills	0		0			0	0	0
Bonds and other fixed-income securities	3,662		(355)		(18)	8	5	3,302
TOTAL	**3,662**	**0**	**(355)**	**0**	**(18)**	**8**	**5**	**3,302**

The changes mainly reflected the disposal and amortization of shares in a portfolio of mortgage loan and public asset securitizations for a nominal amount of €355 million.

3.3.3 Reclassification of assets

Reclassification owing to a change in intention (provisions of CRB 90-01 prior to CRC 2008-17, replaced by ANC Regulation No. 2014-07)

BPCE has not reclassified any assets during the past two fiscal years.

During fiscal year 2018, the sale and amortization of held-to-maturity securities reclassified in 2015 as available-for-sale securities represented a nominal amount of €521 million.

3.4 EQUITY INTERESTS, AFFILIATES AND OTHER LONG-TERM INVESTMENTS

3.4.1 Changes in equity interests, affiliates and other long-term investments

in millions of euros	12/31/2017	Increase	Decrease	Conversion	Other changes	12/31/2018
Equity interests and other long-term investments	3,996	237	(295)	61	0	3,999
Investments in affiliates	24,768	180	(175)	0	(30)	24,743
o/w current account advances & perpetual subordinated notes	*2,835*	*204*	*(291)*	*52*	*0*	*2,800*
Gross amount	**28,764**	**417**	**(470)**	**61**	**(30)**	**28,742**
Equity interests and other long-term investments	(390)	(29)	8	0	0	(411)
Investments in affiliates	(4,558)	(328)	73	0	0	(4,813)
o/w current account advances & perpetual subordinated notes	*0*	*0*	*0*	*0*	*0*	*0*
Impairment	**(4,948)**	**(357)**	**81**	**0**	**0**	**(5,224)**
TOTAL	**23,816**	**60**	**(389)**	**61**	**(30)**	**23,518**

Real estate company shares are non-material.

Other long-term investments include partner and association certificates for the Deposit Guarantee Fund for €0.02 million.

The principal investments in associates acquired in 2018 included:

- subscription for the 3F Holding capital increase (€108 million);
- subscription for the BPCE International capital increase (€70 million);
- acquisition of GCE Asap shares (€11 million);
- subscription for the IXION capital increase (€7 million);
- acquisition of Ecufoncier shares (€2 million).

The principal reductions in investments in associates executed in 2018 were:

- sale of Caisse d'Epargne Capital shares (€87 million);
- sale of BPCE Immobilier Exploitation shares (€62 million);
- decrease in value of Société d'Exploitation MAB shares (€20 million);
- sale of VIGEO shares (€6 million).

Other changes mainly included:

- reduction in investments in associates through the total transfer of the assets and liabilities of Ecufoncier (€30 million).

The main reversals of provisions for impairment in investments in associates were as follows:

- BPCE Immobilier Exploitation (€59 million);
- Crédit Foncier (€14 million);
- VIGEO (€6 million).

The main provisions for impairment in investments in associates included:

- 3F Holding (€128 million);
- BPCE International (€121 million);
- Banque Palatine (€52 million);
- Informatique BP (€27 million);
- GCE Asap (€11 million);
- IXION (€7 million).

The principal increases in perpetual deeply subordinated notes executed in 2018 were:

- BPCE International (€100 million);
- Banque Palatine (€100 million).

The principal decreases in perpetual deeply subordinated notes executed in 2018 were:

- Crédit Foncier (€280 million).

BPCE's major subsidiaries are valued based on multi-annual forecasts discounted according to expected dividend flows (Dividend Discount Model). The expected dividend flow forecasts are based on business plans from the strategic plans of relevant entities and on reasonable technical parameters. The prudential constraints applicable to relevant activities are taken into account during valuation.

Valuations carried out during the closing of accounts for 2018 included:

- recognition of an additional €121 million impairment on BPCE International shares, taking the carrying amount to €167 million at December 31, 2018;
- recognition of a €14 million provision reversal on Crédit Foncier shares, taking the gross carrying amount to €995 million at December 31, 2018;
- recognition of an impairment of €128 million on 3F Holding shares, taking the carrying amount to €212 million at December 31, 2018;
- recognition of an additional €52 million impairment on Banque Palatine shares, taking the carrying amount to €748 million at December 31, 2018.

These impairments are recognized under net gains or losses on other long-term investments.

3.4.2 Statement of subsidiaries and equity investments

Subsidiaries and ownership interests *in millions of euros*	Share capital 12/31/2017	Equity interests other than share capital (incl. fund for general banking risks, as appropriate) as of 12/31/2017	% interest held as of 12/31/2018	Carrying amount of shares held at 12/31/2018 Gross	Net
A. Detailed information concerning each security whose gross value exceeds 1% of the parent company's capital					
1. Subsidiaries (over 50%-owned)					
Natixis (SA) – 30, avenue Pierre-Mendès-France – 75013 Paris	5,020	10,239	70.70%	15,269	15,269
Crédit Foncier – 19, rue des Capucines – 75001 Paris	1,331	1,367	100.00%	3,682	995
Holassure – 50, avenue Pierre-Mendès-France – 75013 Paris.	935	320	100.00%	1,768	1,768
BPCE International – 88, avenue de France – 75013 Paris	578	268	100.00%	1,728	167
Banque Palatine – 42, rue d'Anjou – 75008 Paris	539	285	100.00%	1,119	748
BPCE SFH – 50, avenue Pierre-Mendès-France – 75013 Paris	600	38	100.00%	600	600
3F HOLDING – c/o Vistra Gmbh – Westendstr. 28 – 60325 Frankfurt – Germany	0	235	98.93%	340	211
ISSORIA (SAS) – 88 Avenue de France – 75013 Paris	43	12	100.00%	99	65
Banques Populaires Covered Bonds – 50, avenue Pierre-Mendès-France – 75013 Paris	80	1	100.00%	80	80
Société d'Exploitation MAB – 50, avenue Pierre-Mendès-France – 75013 Paris	20	11	99.99%	21	11
Albiant-IT – 50, avenue Pierre-Mendès-France – 75013 Paris	50	(14)	97.00%	49	49
GCE Participations – 50, avenue Pierre-Mendès-France – 75013 Paris	12	(6)	100.00%	35	6
Surassur – 534, rue de Neudorf – L2220 Luxembourg	14	6	91.76%	20	20
Andromède – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(6)	100.00%	2	1
Basak 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(16)	100.00%	4	2
Basak 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(16)	100.00%	4	2
Basak 3 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(16)	100.00%	4	2
Basak 4 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(14)	100.00%	4	2
Berra 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(5)	100.00%	2	2
Berra 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(5)	100.00%	2	2
Berra 3 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(5)	100.00%	2	2
Berra 4 – 50, avenue Pierre-Mendès-France – 75013 Paris	6	(10)	100.00%	6	4
Berra 5 – 50, avenue Pierre-Mendès-France – 75013 Paris	6	(11)	100.00%	6	4
Lotus 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(6)	100.00%	2	1
Lotus 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(6)	100.00%	2	1
Lotus 3 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(7)	100.00%	2	1
Mihos – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(21)	100.00%	2	1
Muge 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(12)	100.00%	4	1
Muge 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(12)	100.00%	4	1
Panda 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(5)	100.00%	2	1
Panda 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(5)	100.00%	2	1
Panda 3 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(5)	100.00%	3	1
Panda 4 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(6)	100.00%	3	1
Panda 5 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(6)	100.00%	3	1
Panda 6 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	1
Panda 7 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	1
Panda 8 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	1
Panda 9 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	1
Panda 10 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	1

Loans and advances granted by the company and not yet redeemed (incl. perpetual subordinated notes) in 2018	Guarantees and endorsements given by the parent company in 2018	Net revenue before tax or NBI for the year ended 12/31/2017	Net income/loss for the year ended 12/31/2017	Dividends received by the company during fiscal year 2018
49,435	8,949	3,994	1,678	824
22,843	252	353	404	
		95	93	
1,023	100	31	(105)	
1,720	45	307	53	
650		9	3	3
		0	(1)	
		1	0	
		0	0	
		0	0	
76		147	1	
		0	0	
3		17	0	
3		4	(3)	
2		8	0	
2		8	0	
2		8	0	
2		7	0	
3		4	(2)	
3		4	(2)	
3		4	(3)	
8		9	(6)	
8		8	(5)	
1		3	0	
1		3	0	
1		3	0	
2		7	(2)	
3		7	1	
3		7	1	
2		4	1	
2		3	1	
2		4	1	
2		4	1	
1		4	1	
1		4	1	
1		5	0	
1		5	0	
1		5	0	
1		4	0	

Subsidiaries and ownership interests *in millions of euros*	**Share capital 12/31/2017**	**Equity interests other than share capital (incl. fund for general banking risks, as appropriate) as of 12/31/2017**	**% interest held as of 12/31/2018**	**Carrying amount of shares held at 12/31/2018**	
				Gross	**Net**
Perle 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(13)	100.00%	4	1
Perle 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(4)	100.00%	2	0
Perle 3 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(4)	100.00%	2	1
Perle 4 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(5)	100.00%	2	1
Ramses – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(13)	100.00%	4	1
Satis – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(8)	100.00%	2	1
Seth – 50, avenue Pierre-Mendès-France – 75013 Paris	5	(21)	100.00%	5	4
Siamon – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(8)	100.00%	2	1
Thara Raj – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(21)	100.00%	2	2
Behanzin – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(12)	100.00%	2	1
GCE Asap – 50, avenue Pierre-Mendès-France – 75013 Paris	0	0	100.00%	11	0
Ixion – 50, avenue Pierre-Mendès-France – 75013 Paris	0	0	100.00%	7	0
2. Affiliates (between 10%- and 50%-owned)					
VBI Beteiligungs Gmbh – Peregringasse 3 – 1090 Wein – Austria	0	0	24.50%	299	0
Socram Banque – 2, rue du 24 février – 79000 Niort	70	149	33.42%	44	44
Informatique Banque Populaire – 23, place de Wicklow – 78180 Montigny le Bretonneux	90	(27)	29.52%	31	5
MFC Prou-Investissements – 4, route d'Ancinnes – 61000 Alençon	37	22	49.00%	100	100
France Active Garantie – Tour 9, 3 rue Franklin – 93100 Montreuil	11	15	14.00%	3	3
Systèmes Tech Echange Traitement -100, esplanade du Général de Gaulle – 92400 Courbevoie	20	69	15.04%	3	3
Click and Trust – 18, quai de la Rapée – 75012 Paris	4	2	34.00%	3	1
Nefer – 50, avenue Pierre-Mendès-France – 75013 Paris	8	0	34.00%	3	3
B. General information concerning other instruments whose gross value is less than 1% of the parent company's capital					
French subsidiaries (together)				19	16
Foreign subsidiaries (together)				0	0
Associations' certificates				0	0
French companies				225	225
Other companies				277	277
o/w investments in listed companies				*15,269*	*15,269*

Loans and advances granted by the company and not yet redeemed (incl. perpetual subordinated notes) in 2018	Guarantees and endorsements given by the parent company in 2018	Net revenue before tax or NBI for the year ended 12/31/2017	Net income/loss for the year ended 12/31/2017	Dividends received by the company during fiscal year 2018
5		7	1	
2		3	1	
2		3	1	
2		3	1	
6		7	(4)	
3		4	(3)	
14		13	(9)	
4		4	(3)	
3		8	(2)	
9		9	(7)	
0		0	0	
0		0	0	
		0	1	
	100	55	5	1
		354	2	
		4	4	3
		4	1	
		78	9	
		1	0	
		0	0	
59				
34	15			23
				6

3.4.3 Companies established with unlimited liability

Corporate name	Head Office	Legal form
GIE BPCE Achats	12/20, rue Fernand Braudel – 75013 Paris	EIG
EIG CE Syndication Risque	50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13	EIG
EIG Ecolocale	50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13	EIG
EIG BPCE Solutions Crédit	50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13	EIG
EIG GCE Mobiliz	50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13	EIG
EIG BPCE Infogérance & Technologies	110 avenue de France – 75013 Paris	EIG
EIG ITCE	182 avenue de France – 75013 Paris	EIG
EIG BPCE Trade	50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13	EIG
Technology Shared Services Pacifique	34, avenue de l'Alma – 98800 Noumea	EIG
EIG BPCE Services Financiers	50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13	EIG
SCI de la vision	48/56, rue Jacques Hillairet – 75012 Paris	SCI
SNC Menes	50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13	SNC
SNC Société Alsacienne de Locations Ferroviaires 1	116, cours La Fayette – 69003 Lyon	SNC
SNC Société Alsacienne de Locations Ferroviaires 2	116, cours La Fayette – 69003 Lyon	SNC
SNC Terrae	116, cours La Fayette – 69003 Lyon	SNC

3.4.4 Related-party transactions

	12/31/2018			12/31/2017
in millions of euros	Banks	Other companies	Total	Total
Receivables	**74,315**	**81**	**74,396**	**96,770**
o/w subordinated items	*3,076*		*3,076*	*2,775*
Debts	**34,168**	**965**	**35,133**	**48,554**
o/w subordinated items	*0*	*0*	*0*	*0*
Financing commitments			0	0
Guarantee commitments	5,141	19	5,160	5,418
Other commitments given	8,522		8,522	7,675
Commitments given	**13,663**	**19**	**13,682**	**13,093**
Financing commitments	11,992		11,992	7,968
Guarantee commitments			0	0
Other commitments received	8,562		8,562	8,279
Commitments received	**20,554**	**0**	**20,554**	**16,247**

No material transactions were concluded on non-market terms with a related party.

3.5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

3.5.1 Intangible assets

in millions of euros	12/31/2017	Increase	Decrease	Other changes	12/31/2018
Lease rights and business assets	0				0
Software	121	7	(1)	0	127
Other	0				0
Operating intangible assets	**121**	**7**	**(1)**	**0**	**127**
Non-operating intangible assets	**2**				**2**
Gross amount	**123**	**7**	**(1)**	**0**	**129**
Lease rights and business assets	0				0
Software	(106)	(5)			(111)
Other	0				0
Impairment	0				0
Operating intangible assets	**(106)**	**(5)**	**0**	**0**	**(111)**
Impairment excluding operating intangible assets	**(2)**				**(2)**
Amortization and impairment	**(108)**	**(5)**	**0**	**0**	**(113)**
NET AMOUNT	**15**	**2**	**(1)**	**0**	**16**

3.5.2 Property, plant and equipment

in millions of euros	12/31/2017	Increase	Decrease	Other changes	12/31/2018
Land	0				0
Buildings	2				2
Shares in non-trading real estate companies	0				0
Other	143	10	0		153
Operating property, plant and equipment	**145**	**10**	**0**	**0**	**155**
Non-operating property, plant and equipment	**3**				**3**
Gross amount	**148**	**10**	**0**	**0**	**158**
Land	0				0
Buildings	0				0
Shares in non-trading real estate companies	0				0
Other	(130)	(3)			(133)
Operating property, plant and equipment	**(130)**	**(3)**	**0**	**0**	**(133)**
Non-operating property, plant and equipment	**(2)**				**(2)**
Depreciation and impairment	**(132)**	**(3)**	**0**	**0**	**(135)**
NET AMOUNT OF INTANGIBLE ASSETS	**16**	**7**	**0**	**0**	**23**

3.6 DEBT SECURITIES

in millions of euros	12/31/2018	12/31/2017
Certificates of deposit and savings bonds	0	0
Interbank market instruments and money market instruments	30,230	34,492
Bonds	33,728	40,315
Other debt securities *	12,487	4,885
Accrued interest	933	1,004
TOTAL	**77,378**	**80,696**

* *Other debt securities represent a new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation which has been introduced by French law and is commonly referred to as senior non-preferred debt. These liabilities rank between own funds and other "senior preferred" debt.*

The amount of bond issue and redemption premiums remaining to be amortized totaled €144 million.

The unamortized balance corresponds to the difference between the amount initially received and the redemption price for debt securities.

3.7 OTHER ASSETS, OTHER LIABILITIES

in millions of euros	12/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
Remaining payments due on investments in associates	0	38	0	4
Securities settlement accounts	0	0	0	0
Premiums on options bought and sold	2	367	4	367
Debt on borrowed securities and other securities debt(1)	0	71,039	0	69,568
Tax and social security receivables and liabilities	518	654	1,056	918
Security deposits paid and received	35	5	5	5
Other non-trade receivables, other accounts payable(2)	1,098	1,909	1,092	1,842
TOTAL	**1,653**	**74,012**	**2,157**	**72,704**

(1) *Debt on borrowed securities and other securities debt mainly related to the borrowing of BPCE Master Home Loans securities for €34,478 million, the borrowing of BPCE Home Loans 2017_5 for €7,176 million, and the borrowing of BPCE Consumer Loans 2016_5 for €250 million. These securities were acquired by the Caisses d'Epargne and Banques Populaires branches as part of internal securitization transactions.*

(2) *Other non-trade receivables included €476 million in deposits paid, of which a €189 million deposit paid to BPCE Master Home Loans, a €29 million deposit paid to BPCE Consumer Loans, a €4 million deposit paid to BPCE Home Loans, consolidated subsidiaries of BPCE, and €134 million in margin call payments.*
Other accounts payable included €1,691 million in margin calls received, of which €1,615 million from Natixis.

3.8 ACCRUAL ACCOUNTS

in millions of euros	12/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange commitments	276	0	0	175
Deferred gains and losses on hedged forward financial instruments	10	633	17	635
Issue premiums and flotation costs	256	17	233	23
Prepaid expenses and unearned income	20	42	32	89
Accrued income/expenses *	1,278	396	1,333	772
Items in process of collection	201	0	20	0
Other	91	15	14	43
TOTAL	**2,132**	**1,103**	**1,649**	**1,737**

* *Accrued income mainly comprised accrued interest on interest rate swaps (€1,244 million). Accrued expenses mainly comprised accrued interest on interest rate swaps (€292 million).*

3.9 PROVISIONS

3.9.1 Statement of changes in provisions

in millions of euros	12/31/2017	Charges	Reversals	Utilizations	Other changes	12/31/2018
Provisions for counterparty risk	**3**		**(1)**			**2**
Provisions for employee benefit liabilities	**89**	**5**	**(3)**	**(2)**		**89**
Provisions for litigation	**15**	**13**	**(1)**	**(3)**		**24**
Provisions for restructuring costs	**0**			**0**		**0**
Securities portfolio and financial futures	0		0			0
Long-term investments	1	2				3
Real estate development	0					0
Provisions for taxes *	559	9	(165)	(24)		379
Other	47	2	(20)	(9)		20
Other provisions	**607**	**13**	**(185)**	**(33)**		**402**
TOTAL	**714**	**31**	**(190)**	**(38)**	**0**	**517**

* *The reversal of provisions for tax in the amount of €165 million corresponds to changes in the assumptions underlying the calculation of corporate tax refunds for subsidiaries in the context of tax consolidation.*

3.9.2 Provisions and impairment for counterparty risks

in millions of euros	12/31/2017	Charges	Reversals	Utilizations	Other changes	12/31/2018
Impairment of loans and advances to customers (individual basis)	0			(1)	1	0
Impairment of other assets	0					0
Impairment of assets	**0**	**0**	**0**	**(1)**	**1**	**0**
Provisions for off-balance sheet liabilities	3	0	(1)			2
Provisions for customer credit risk	0					0
Other provisions	0					0
Provisions for counterparty risk recognized as liabilities	**3**	**0**	**(1)**	**0**	**0**	**2**
TOTAL	**3**	**0**	**(1)**	**0**	**0**	**2**

3.9.3 Provisions for employee benefit liabilities

Post-employment benefits related to defined-contribution plans

Defined-contribution plans refer to mandatory social security pension schemes as well as those managed by the pension funds AGIRC and ARRCO and the supplementary pension schemes to which the Caisses d'Epargne and the Banque Populaire banks belong. BPCE's obligations under these schemes are limited to the payment of contributions (€21 million in 2018).

Post-employment benefits related to defined-benefit plans and long-term employee benefits

BPCE's obligations in this regard relate to the following schemes:

- the Caisses d'Epargne private supplementary pension plan, previously managed by Caisse Générale de Retraite des Caisses d'Epargne (CGRCE), but now incorporated within Caisse Générale de Prévoyance des Caisses d'Epargne (CGPCE), which is a retained-benefit plan. The plan was closed on December 31, 1999, and the rights crystallized at this date. The retained-benefits plan is considered as a fund providing long-term employee benefits;
- the Banque Populaire banks' private supplementary pension plan, managed by Caisse Autonome de Retraite des Banques Populaires (CARBP), covers the pension benefits deriving from the closure of the banking pension scheme at December 31, 1993;
- pensions and other post-employment benefits such as retirement indemnities and other benefits granted to retirees;
- other benefits such as long-service awards and other long-term employee benefits.

These commitments are calculated in accordance with ANC Recommendation No. 2013-R-02.

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Analysis of assets and liabilities included in the balance sheet

	Post-employment defined-benefit plans				Other long-term employee benefits		Post-employment defined-benefit plans				Other long-term employee benefits	
in millions of euros	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	12/31/2018	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	12/31/2017
Actuarial liabilities	102	19	248	40	4	413	109	20	251	41	4	425
Fair value of plan assets	(123)	(10)	(218)	(12)		(363)	(124)	(11)	(211)	(12)		(358)
Effect of ceiling on assets	7					7	7					7
Unrecognized actuarial gains/(losses)	14	(1)	(4)	4		13	8	(1)	(12)	1		(4)
Unrecognized service cost for prior periods						0						0
NET AMOUNT REPORTED ON THE BALANCE SHEET	**0**	**8**	**26**	**32**	**4**	**70**	**0**	**8**	**28**	**30**	**4**	**70**
Employee benefit commitments recorded in the balance sheet	0	8	26	32	4	70	0	8	28	30	4	70
Plan assets recorded in the balance sheet			0			0			0			0

Analysis of expense for the year

in millions of euros	Post-employment defined-benefit plans				Other long-term employee benefits		Post-employment defined-benefit plans				Other long-term employee benefits	
	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	12/31/2018	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	12/31/2017
Service cost			7	4		11			8	4		12
Service cost for prior periods						0						0
Interest cost	2		4			6	2		4			6
Interest income	(2)		(3)			(5)	(2)		(2)			(4)
Actuarial gains recognized in income						0						0
Other			1	3		4			1	1		2
TOTAL	**0**	**0**	**9**	**7**	**0**	**16**	**0**	**0**	**11**	**5**	**0**	**16**

Main actuarial assumptions

as a %	12/31/2018					12/31/2017				
	Post-employment defined-benefit plans				Other long-term employee benefits	Post-employment defined-benefit plans				Other long-term employee benefits
	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards
Discount rate	1.82%	1.56%	1.19% – 1.86%	0.29% – 1.6%	0.45% – 1.05%	1.58%	1.32%	0.89% – 1.47%	0.01% – 1.34%	0.09% – 0.78%
Inflation rate	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
Wage growth rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AGIRC – ARRCO revaluation rate	N/A	inflation – 1%	inflation – 1%	N/A	N/A	N/A	inflation – 1% to 0.50%	inflation – 1%	N/A	N/A
Life tables used	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05
Duration	17.5	13.8	9.7 to 19.5	3.9 to 14.3	4.8 to 8.6	18.4	14.5	10.1 to 19.9	4.8 to 14.9	4.7 to 9.2

At December 31, 2018, pension plan assets were allocated as follows:

- for the Caisse d'Epargne CGPCE pension plan: 88.3% in bonds, 9.3% in equities, 2% in real estate assets and 0.4% in money-market assets.

  In 2018, of the -€6.5 million in actuarial gains and losses generated for CGPCE, -€4.9 million was from gains and losses related to the updated financial assumptions, and -€1.6 million from experience adjustments:

- for the Banque Populaire banks' CARBP pension plan: 46.1% in bonds, 39.3% in equities, 9.2% in investment funds and 5.4% in money-market assets.

In 2018, of the -€0.8 million in actuarial gains and losses generated for CARBP, -€0.6 million was from gains and losses related to the updated financial assumptions, and -€0.2 million from experience adjustments.

The life tables used are:

- TGH05/TGF05 for termination benefits, long service awards and other benefits, as well as for CGPCE and CARBP.

The discount rate used is based on the prime borrower curve (EUR Composite AA curve).

Stock option purchase plans

Since the formation of BPCE, company directors have neither received share subscription or purchase options, nor been awarded bonus shares.

3.10 SUBORDINATED DEBT

in millions of euros	12/31/2018	12/31/2017
Dated subordinated debt	15,270	14,973
Perpetual subordinated debt	31	61
Perpetual deeply subordinated debt	1,462	744
Accrued interest	372	330
TOTAL	**17,135**	**16,108**

The amount of bond issue and redemption premiums remaining to be amortized at December 31, 2018 totaled €95 million.

During 2018, BPCE issued a deeply subordinated note for €700 million.

Perpetual deeply subordinated debt has the following characteristics:

Currency	Issue date	Outstanding at 12/31/2018 *(in millions of euros)*	Amount (in original currency)	Rate	Interest rate after initial redemption option date	Interest rate after step-up date	Next redemption option date	Date of interest step-up
EUR	08/06/2009	374	374	12.50%	3M Euribor + 13.13%	3M Euribor + 13.13%	09/30/2019	09/30/2019
USD	08/06/2009	388	444	12.50%	3M Libor USD + 12.98%	3M Libor USD + 12.98%	09/30/2019	09/30/2019
EUR	11/30/2018	700	700	5.35%	3M Euribor + 5.04%	3M Euribor + 5.04%	11/30/2023	11/30/2023
TOTAL		**1,462**						

3.11 FUND FOR GENERAL BANKING RISKS

in millions of euros	12/31/2017	Increase	Decrease	12/31/2018
Fund for general banking risks	130			130
TOTAL	**130**	**0**	**0**	**130**

3.12 SHAREHOLDERS' EQUITY

in millions of euros	Capital	Additional paid-in capital	Reserves/ other	Retained earnings	Interim dividend	Income	Total equity (excl. FGBR)
TOTAL AT DECEMBER 31, 2016	**156**	**12,345**	**35**	**3,108**	**(175)**	**461**	**15,930**
Changes during the period	0	0	0	78	(27)	268	319
TOTAL AT DECEMBER 31, 2017	**156**	**12,345**	**35**	**3,186**	**(202)**	**729**	**16,249**
2017 income allocation				527	202	(729)	0
Dividend paid				(202)	(202)		(404)
Other changes	2	200					202
Net income for the period						391	391
TOTAL AT DECEMBER 31, 2018	**158**	**12,545**	**35**	**3,511**	**(202)**	**391**	**16,438**

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BPCE's share capital, totaling €158 million and comprising 31,539,578 shares with a par value of €5 per share, can be broken down as follows:

- 15,569,789 ordinary shares held by the Caisses d'Epargne for €79 million;
- 15,569,789 ordinary shares held by the Banque Populaire banks for €79 million.

At the Ordinary General Meeting of May 25, 2018, BPCE decided to pay dividends to its shareholders in the amount of €403 million, or €12.9382 per share, to be charged in full against income for fiscal year 2017.

The dividend was paid as follows:

- through an interim dividend paid on December 22, 2017 for a total amount of €201,502,528.46, *i.e.* €6.4691 per share, decided by the Management Board on December 21, 2017;
- the balance of the dividend paid to shareholders on June 27, 2018 for a total amount of €201,501,528.46, *i.e.* €6.4691 per share.

At its meeting of December 20, 2018, BPCE's Management Board decided to pay an interim dividend to its shareholders totaling €201,537,903.42, or €6.39 per share.

3.13 ANALYSIS OF LOANS AND BORROWINGS BY TERM OUTSTANDING

Sources and uses of funds with fixed due dates are presented by residual maturity and include accrued interest.

	12/31/2018						
in millions of euros	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Treasury bills and equivalent	2,879	1,342	7,095	5,979	2,886	0	20,181
Loans and advances due from credit institutions	17,102	22,452	45,454	65,204	22,886	0	173,098
Customer transactions	25	17	0	178	211	0	431
Bonds and other fixed-income securities	5,660	579	7,391	31,716	12,463	0	57,809
Total uses of funds	**25,666**	**24,390**	**59,940**	**103,077**	**38,446**	**0**	**251,519**
Amounts due to credit institutions	38,840	13,167	19,598	44,704	15,214	0	131,523
Customer transactions	1,725	100	205	0	0	0	2,030
Debt securities	5,215	9,876	23,143	25,463	13,681	0	77,378
Subordinated debt	0	550	0	2,348	12,744	1,493	17,135
Total sources of funds	**45,780**	**23,693**	**42,946**	**72,515**	**41,639**	**1,493**	**228,066**

Note 4 Information on off-balance sheet items and similar transactions

4.1 COMMITMENTS GIVEN AND RECEIVED

4.1.1 Financing commitments

in millions of euros	**12/31/2018**	**12/31/2017**
Loan commitments given		
To banks	**6,781**	**3,292**
Documentary credit	0	0
Other credit facilities granted	0	0
Other commitments	3	4
To customers	**3**	**4**
TOTAL FINANCING COMMITMENTS GIVEN	**6,784**	**3,296**
Financing commitments received		
From credit institutions	49,892	46,286
From customers	3	0
TOTAL FINANCING COMMITMENTS RECEIVED	**49,895**	**46,286**

4.1.2 Guarantee commitments

in millions of euros	12/31/2018	12/31/2017
Guarantee commitments given		
Documentary credit confirmations	0	0
Other bonds and endorsements	0	0
Other guarantees	9,524	10,291
To banks	**9,524**	**10,291**
Real estate guarantees	0	0
Government and tax guarantees	0	0
Other bonds and endorsements	887	508
Other guarantees given	7	9
To customers	**894**	**517**
TOTAL GUARANTEE COMMITMENTS GIVEN	**10,418**	**10,808**
Guarantee commitments received from banks	6,017	7,512
Commitments received from customers	0	0
TOTAL GUARANTEE COMMITMENTS RECEIVED	**6,017**	**7,512**

4.1.3 Other commitments not recognized off-balance sheet

	12/31/2018		12/31/2017	
in millions of euros	Commitments given	Commitments received	Commitments given	Commitments received
Other securities pledged as collateral provided to credit institutions	56,070	14,309	55,798	13,512
Other securities pledged as collateral received from customers	0	0	0	0
TOTAL	**56,070**	**14,309**	**55,798**	**13,512**

At December 31, 2018, receivables pledged as collateral under funding arrangements included in particular:

- €33,926 million in negotiable debt securities provided to the Banque de France as part of the TRICP system, compared with €34,611 million at December 31, 2017;
- €5,798 million in loans pledged as collateral for funding received from the European Investment Bank (EIB) *versus* €6,248 million at December 31, 2017.

No other major commitments were given by BPCE as collateral for its own commitments or for those of third parties.

Moreover, BPCE did not receive a significant amount of assets as collateral from customers.

4.2 FORWARD FINANCIAL INSTRUMENTS

4.2.1 Financial instruments and foreign exchange futures

	12/31/2018				12/31/2017			
in millions of euros	Hedging transactions	Other transactions	Total	Fair value	Hedging transactions	Other transactions	Total	Fair value
Forward transactions								
Interest rate contracts			0				0	0
Foreign currency contracts			0				0	0
Other contracts			0				0	0
Transactions on organized markets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Forward rate agreements (FRA)							0	
Interest rate swaps	117,017	535	117,552	1,790	101,639	1,158	102,797	2,225
Foreign exchange swaps	28,073		28,073	74	14,715		14,715	(23)
Currency swaps	21,726		21,726	213	18,020		18,020	(317)
Other foreign currency contracts	301		301	0	243		243	6
Other forward and futures contracts	337	4,363	4,700	(6)	207	4,351	4,558	17
Over-the-counter transactions	**167,454**	**4,898**	**172,352**	**2,071**	**134,824**	**5,509**	**140,333**	**1,908**
TOTAL FORWARD TRANSACTIONS	**167,454**	**4,898**	**172,352**	**2,071**	**134,824**	**5,509**	**140,333**	**1,908**
Options								
Interest rate options			0				0	0
Foreign currency options		0	0			0	0	0
Other options			0				0	
Transactions on organized markets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate options	278		278	(2)	325		325	(3)
Foreign currency options			0				0	0
Other options		20,228	20,228	(570)		20,228	20,228	(568)
Over-the-counter transactions	**278**	**20,228**	**20,506**	**(572)**	**325**	**20,228**	**20,553**	**(571)**
TOTAL OPTIONS	**278**	**20,228**	**20,506**	**(572)**	**325**	**20,228**	**20,553**	**(571)**
TOTAL FINANCIAL AND FOREIGN CURRENCY FUTURES	**167,732**	**25,126**	**192,858**	**1,499**	**135,149**	**25,737**	**160,886**	**1,337**

The notional amounts of contracts listed in this table are solely intended to provide an indication of the volume of BPCE's activities involving financial instruments at the balance sheet date and do not reflect the market risk associated with these instruments.

Commitments on interest rate derivatives traded over the counter mainly consisted of interest rate swaps for futures and interest rate guarantees for options.

Commitments on foreign exchange instruments traded over the counter mainly consisted of currency swaps.

4.2.2 Breakdown of over-the-counter interest rate financial instruments by type of portfolio

in millions of euros	12/31/2018				12/31/2017			
	Micro-hedging	Macro-hedging	Isolated open positions	Total	Micro-hedging	Macro-hedging	Isolated open positions	Total
Forward rate agreements (FRA)				0				0
Interest rate swaps	75,361	41,656	535	117,552	65,984	35,655	1,158	102,797
Currency swaps	21,726			21,726	18,020			18,020
Other interest rate futures contracts				0				0
Forward transactions	**97,087**	**41,656**	**535**	**139,278**	**84,004**	**35,655**	**1,158**	**120,817**
Interest rate options	278			278	325			325
Options	**278**	**0**	**0**	**278**	**325**	**0**	**0**	**325**
TOTAL	**97,365**	**41,656**	**535**	**139,556**	**84,329**	**35,655**	**1,158**	**121,142**

in millions of euros	12/31/2018				12/31/2017			
	Micro-hedging	Macro-hedging	Isolated open positions	Total	Micro-hedging	Macro-hedging	Isolated open positions	Total
Fair value	1,924	75	2	2,001	1,555	360	(10)	1,905

No transactions were transferred from one portfolio to another during the period.

4.2.3 Commitments on forward financial instruments by residual maturity

in millions of euros	12/31/2018			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Transactions on organized markets				0
Over-the-counter transactions	84,783	43,280	44,289	172,352
Forward transactions	**84,783**	**43,280**	**44,289**	**172,352**
Transactions on organized markets				0
Over-the-counter transactions	112	156	20,238	20,506
Options	**112**	**156**	**20,238**	**20,506**
TOTAL	**84,895**	**43,436**	**64,527**	**192,858**

5

4.3 BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

in millions of euros	12/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
Euro	297,457	276,109	305,800	292,919
Dollar	18,750	28,858	22,544	26,371
Pound sterling	93	3,512	440	4,380
Swiss franc	2,017	505	2,119	432
Yen	1,394	8,328	1,770	6,776
Other	555	2,954	960	2,755
TOTAL	**320,266**	**320,266**	**333,633**	**333,633**

4.4 TRANSACTIONS IN FOREIGN CURRENCIES

in millions of euros	12/31/2018	12/31/2017
Spot foreign exchange transactions		
Currencies receivable not received	13	15
Currencies deliverable not delivered	13	15
TOTAL	**26**	**30**

Note 5 Information on the income statement

5.1 INTEREST AND SIMILAR INCOME AND EXPENSES

	Fiscal year 2018			Fiscal year 2017		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Transactions with credit institutions	795	(351)	444	1,233	(810)	423
Customer transactions	12	0	12	20	(10)	10
Bonds and other fixed-income securities	1,916	(3,420)	(1,504)	2,166	(2,533)	(367)
Subordinated debt	0	509	509	0	(822)	(822)
Macro-hedging transactions	80	(22)	58	311	(175)	136
TOTAL	**2,803**	**(3,284)**	**(481)**	**3,730**	**(4,350)**	**(620)**

5.2 INCOME FROM VARIABLE-INCOME SECURITIES

in millions of euros	Fiscal year 2018	Fiscal year 2017
Equities and other variable-income securities	0	1
Equity interests and other long-term investments	200	151
Investments in affiliates	827	783
TOTAL	**1,027**	**935**

5.3 FEES AND COMMISSIONS

	Fiscal year 2018			Fiscal year 2017		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	14	(2)	12	1	0	1
Customer transactions	1	(1)	0	1	(1)	0
Securities transactions	1	(3)	(2)	1	(6)	(5)
Payment services	140	(160)	(20)	153	(167)	(14)
Foreign exchange transactions	0	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0	0
Financial services	0	(8)	(8)	0	(7)	(7)
Consulting services	0	0	0	0	0	0
Other fee and commission income/(expense)	0	(0)	(0)	0	(7)	(7)
TOTAL	**156**	**(174)**	**(18)**	**156**	**(188)**	**(32)**

5.4 NET GAINS OR LOSSES ON TRADING BOOK TRANSACTIONS

in millions of euros	Fiscal year 2018	Fiscal year 2017
Trading securities	0	0
Foreign exchange transactions	(6)	55
Financial futures	1	10
TOTAL	**(5)**	**65**

5.5 NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE SECURITIES AND EQUIVALENT

	Fiscal year 2018		Fiscal year 2017	
in millions of euros	Available-for-sale securities	Total	Available-for-sale securities	Total
Impairment				
Charges	(32)	(32)	(9)	(9)
Reversals	15	15	66	66
Net gain/(loss) on disposal	9	9	(4)	(4)
Other items		0		0
TOTAL	**(8)**	**(8)**	**53**	**53**

5.6 OTHER BANKING INCOME AND EXPENSES

	Fiscal year 2018			Fiscal year 2017		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Share in joint operations	0	0	0	0	0	0
Rebilling of banking income and expenses	0	0	0	0	0	0
Electronic payment terminal business	0	0	0	0	0	0
Amortization and rebilling of issuance costs	0	(22)	(22)	0	(17)	(17)
Real estate activities	0	0	0	0	0	0
IT services	0	0	0	0	0	0
Other activities	2	(1)	1	1	(1)	0
Other related income and expenses	0	0	0	0	0	0
TOTAL	**2**	**(23)**	**(21)**	**1**	**(18)**	**(17)**

5.7 OPERATING EXPENSES

in millions of euros	Fiscal year 2018	Fiscal year 2017
Wages and salaries	(132)	(137)
Pension costs and similar obligations *	(18)	(7)
Other social security charges	(53)	(53)
Employee incentive scheme	(17)	(15)
Employee profit-sharing scheme	0	0
Payroll taxes	(26)	(32)
Total payroll costs	**(246)**	**(244)**
Taxes other than on income	(2)	(9)
Other operating expenses	(515)	(448)
Rebilled expenses	571	568
Total other operating expenses	**54**	**111**
TOTAL	**(192)**	**(133)**

* *Including additions, utilizations, and reversals of provisionsd for employee benefit obligations (see Note 3.9.3)*

Operating expenses increased by €60 million compared with 2017, mainly due to digital activities, key regulatory programs, strategic projects and the contribution to the Single Resolution Fund.

The average headcount during the year, broken down by professional category, was as follows: 1,465 managers and 98 non-managers, representing a total of 1,563 persons.

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. The use of this tax is presented in the "Social, environmental and societal information" section of the registration document.

5.8 COST OF RISK

in millions of euros	Fiscal year 2018					Fiscal year 2017				
	Charges	Reversals and uses	Losses	Recoveries of bad debts written off	Total	Charges	Reversals and uses	Losses	Recoveries of bad debts written off	Total
Impairment of assets										
Interbank					0					0
Customer		1	(3)		(2)					0
Securities portfolio and other receivables					0			(2)		(2)
Provisions										
Off-balance sheet commitments					0		1			1
Provisions for customer credit risks					0					0
Other					0					0
TOTAL	**0**	**1**	**(3)**	**0**	**(2)**	**0**	**1**	**(2)**	**0**	**(1)**
Of which:										
reversals of obsolete impairment charges										
reversals of utilized impairment charges		*1*								
reversals of obsolete provisions							*1*			
reversals of utilized provisions										
NET AMOUNT OF REVERSALS		**1**					**1**			

5.9 GAINS OR LOSSES ON LONG-TERM INVESTMENTS

in millions of euros	Fiscal year 2018				Fiscal year 2017			
	Equity interests and other long-term investments	Held-to-maturity securities	Property, plant and equipment and intangible assets	Total	Equity interests and other long-term investments	Held-to-maturity securities	Property, plant and equipment and intangible assets	Total
Impairment								
Charges	(358)			(358)	(262)			(262)
Reversals	80			80	521			521
Net gain/(loss) on disposal	(58)	(16)		(74)	10	(7)		3
TOTAL	**(336)**	**(16)**	**0**	**(352)**	**269**	**(7)**	**0**	**262**

Gains or losses on investments in associates, equity interests, affiliates and other long-term investments included specifically:

- provisions for impairment of investments in associates:
  - 3F Holding (€128 million),
  - BPCE International (€121 million),
  - Banque Palatine (€52 million),
  - Informatique BP (€27 million),
  - GCE Asap (€11 million),
  - IXION (€7 million);
- reversals of provisions for impairment of investments in associates:
  - BPCE Immobilier Exploitation (€59 million),
  - Crédit Foncier (€14 million),
  - VIGEO (€6 million);
- profit or loss on the sale of investments in associates and other long-term securities:
  - BPCE Immobilier Exploitation: capital loss of €59 million,
  - VIGEO: capital loss of €6 million,
  - Caisse d'Epargne Capital: capital gain of €5 million;
- impact on the total transfer of assets:
  - Ecufoncier: income of €3 million;
- the impact on held-to-maturity securities mainly relates to FCC SLM Student Loan Trust securities for a capital loss of €17 million.

5.10 NON-RECURRING INCOME

No non-recurring income was recorded in the 2018 fiscal year.

5.11 INCOME TAX

5.11.1 Breakdown of income tax in 2018

BPCE is the head of a tax consolidation group that includes the 14 Banque Populaire banks, the 15 Caisses d'Epargne, and the BPCE subsidiaries, including Crédit Foncier, Banque Palatine, BPCE International, BP Covered Bonds and BPCE SFH.

Corporate tax for tax consolidation purposes can be broken down as follows:

in millions of euros	Fiscal year 2018		
Taxable bases at the following rates:	**33.33%**	**19%**	**15%**
Tax on current income	986		
Tax on non-recurring income			
Taxable bases	**986**	**0**	**0**
Applicable tax	(329)		
+ Contributions 3.3%	(11)		
+ Extraordinary contributions			
- Deductions in respect of tax credits	50		
Reported income tax	**(290)**	**0**	**0**
Tax consolidation effect	550		
Adjustments to previous periods	-		
Impact of tax reassessments	-		
Provisions for the return to profitability of subsidiaries	156		
Provisions for taxes	35		
TOTAL	**451**	**0**	**0**

In 2018, as a result of tax consolidation income, the gain in income taxes after taking into account changes in provisions and other adjustments was €451 million, up €227 million relative to 2017. This change is mainly attributable to changes in assumptions which impacted the calculation of the provisions for corporate tax refunds for subsidiaries in the context of tax consolidation in the amount of €165 million.

5.11.2 Breakdown of taxable income for fiscal year 2018 – Reconciliation from accounting to taxable income

The reconciliation from accounting to taxable income for BPCE can be broken down as follows:

in millions of euros	Fiscal year 2018	Fiscal year 2017
Net accounting income (A)	**391**	**729**
Corporate tax (B)	**(261)**	**(224)**
Add-backs (C)	**507**	**391**
Impairments and provisions	29	10
UCITS	0	4
Long-term capital losses under exemptions	416	322
Share of profit from partnerships or joint ventures	14	13
Other items	49	42
Deductions (D)	**1,144**	**1,372**
Long-term capital gains under exemptions	80	500
Reversals of impairment charges and provisions	203	54
Dividends	811	812
Share of profit from partnerships or joint ventures		
UCITS	16	6
Other items	34	
Tax base at normal rate (A)+(B)+(C)-(D)	**(506)**	**(476)**

5.12 BREAKDOWN OF ACTIVITY

in millions of euros	Holding company activities Fiscal year 2018	Fiscal year 2017
Net banking income	**494**	**384**
Operating expenses	(200)	(140)
Gross operating income	**294**	**244**
Cost of risk	(2)	(1)
Operating income	**292**	**243**
Gains or losses on long-term investments	(352)	262
Income before tax	**(60)**	**505**

Note 6 Other information

6.1 CONSOLIDATION

In reference to Article 4111-1 of ANC Regulation No. 2014-07, and in accordance with Article 1 of CRC Regulation No. 99-07, BPCE prepares its consolidated financial statements under international accounting standards.

Individual company financial statements are incorporated into the consolidated financial statements of Groupe BPCE and BPCE SA group.

6.2 REMUNERATION, RECEIVABLES, LOANS AND COMMITMENTS

Total remuneration paid in 2018 to members of the Management Board amounted to €4.4 million and €0.3 million was paid to members of the Supervisory Board.

Provisions for retirement indemnities for fiscal year 2018 amounted to €2 million for members of the Management Board.

6.3 OPERATIONS IN NON-COOPERATIVE COUNTRIES

The provisions of Article L. 511-45 of the French Monetary and Financial Code and the Order of October 6, 2009, issued by the French Economy Minister, require credit institutions to publish, as part of the notes to their annual financial statements, information on their presence and activities in countries and territories that have not entered into an administrative assistance agreement with France for the exchange of information in connection with the fight against tax fraud and tax evasion.

These obligations fit within the wider objectives of the worldwide fight against uncooperative tax havens, which were defined at OECD meetings and summits, and are also designed to combat money laundering and the financing of terrorism.

Since its foundation, Groupe BPCE has adopted a prudent approach. It ensures that entities belonging to its networks are regularly informed about updates to the OECD list of territories that are considered as uncooperative as regards the effective exchange of information for tax purposes as well as about the potential consequences of maintaining operations in uncooperative territories. In addition, lists of non-cooperative territories have been integrated, in part, into software packages used in the fight against money laundering with the objective of ensuring appropriate due diligence for transactions with non-cooperative countries and territories (implementation of Ministerial Order No. 2009-874 of July 16, 2009). At the level of the central institution, an inventory of the Group's locations and activities in uncooperative territories has been drawn up for the information of executive bodies.

This statement is based on the list of countries named in the April 8, 2016 Ministerial Order, made in application of Article 238-0-A of the French General Tax Code.

At December 31, 2018, BPCE had no offices or activities in uncooperative tax havens.

5.7 Statutory Auditors' report on the financial statements

This is a free translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.This report includes information specifically required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2018

To the Annual General Shareholders' Meeting,

BPCE SA

50, avenue Pierre-Mendès-France

75201 Paris cedex 13

I. Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of BPCE SA for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. Basis for opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors'Responsibilities for the Audit of the Financial Statements* section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- Deloitte & Associés: the main engagements conducted in fiscal year 2018 concerned certification, comfort letters issued in connection with issuance programs, reviews of compliance procedures and services provided as part of restructuring measures for Natixis perimeter and the achievement of attestations and missions of independent third party on the CSR information of the management report for BPCE S.A. and Natixis.
- Mazars: the main assignments carried out in the 2018 financial year concerned CSR information review missions on the one hand, methodological review missions in support of the Risk Department and the Natixis MRM department, on the other hand.
- PricewaterhouseCoopers Audit: the main engagements conducted in fiscal year 2018 concerned certification, reviews of compliance procedures, services provided as part of restructuring measures, tax consultations and CSR missions.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of associates, equity interests and long-term investments

Risk identified and main judgments	Notre réponse
As of December 31, 2018, associates, equity interests and long-term investments recognized in BPCE SA's financial statements amounted to €23,518 million. The risk is mainly borne by the largest holdings (Natixis, Crédit Foncier, BPCE International, Banque Palatine and Holassure). The measurement of these securities has a material impact on the Company's income statement and is made by Financial Planning and Strategy on the basis of the entities' business plans. As indicated in notes 2.3.3 and 3.4 to the financial statements, they are recognized at their acquisition cost and impaired on the basis of their value in use. Estimating the value in use of these securities requires a significant degree of judgment from management in terms of selecting the items to consider depending on the investments in question; these items may correspond to past items and forecast items (profitability outlook and the economic environment, discounted multiannual forecasts of expected dividend flows, etc.) determined on the basis of the strategic plan for the 2018-2020 period (TEC 2020). We deemed the correct measurement of equity interests to be a key audit matter, given the areas of judgment inherent to certain items, in particular the likelihood of achieving forecast results.	To assess the reasonableness of the estimated value in use of equity interests, with the guidance of our experts we verified that the estimated values determined by management were based on an appropriate measurement method applied to correctly documented quantified data. Depending on the securities in question, our audit work consisted in: • examining the assumptions and inputs used by comparing them to external sources; • examining the reasonableness of the medium-term plans used for each entity in question, which entailed: – comparing these plans with the Group's strategic plans validated by the entities' management bodies (Supervisory Board or Board of Directors), – evaluating the consistency and reliability of the main assumptions used to develop the plans, particularly with regard to past years' financial projections and actual past performance, – analyzing sensitivity to different valuation inputs (shareholders' equity, discount rates, etc.).

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

With respect to the fair presentation and the consistency with the financial statements of the information relating to the payment terms required by Article D.441-4 of the French Commercial Code, we have the following observation : as indicated in the management report, the information does not include banking operations and related operations, as the Company considers these are not within the scope of the information to be produced.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the members of the Management Board and of the Supervisory Board and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Appointment of the Statutory Auditors

Mazars was appointed as statutory auditors in the first statutes dated December 19, 2006 of GCE Nao (whose corporate name became BPCE in July 2009), throughout its inception.We were appointed as statutory auditors of BPCE by the annual general meeting of BPCE held on May 22, 2015 for Deloitte & Associés and on July 2, 2009 for PricewaterhouseCoopers Audit.

As at December 31, 2018, Mazars was in the twelfth year of total uninterrupted engagement, including 10 years since the company became a public-interest entity, Deloitte & Associés was in the fourth year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the tenth.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory Auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to

continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, April 2, 2019

The Statutory Auditors

Deloitte & Associés	**Mazars**	**PricewaterhouseCoopers Audit**
Sylvie Bourguignon	Charles de Boisriou	Nicolas Montillot
		Emmanuel Benoist

5.8 Controls of accounting and financial reporting quality

5.8.1 Roles and responsibilities in preparing and processing accounting and financial information

GENERAL PRINCIPLES OF RESPONSIBILITY WITHIN GROUPE BPCE

The Finance functions of entities included in the Group's scope of consolidation produce accounting and financial information and perform controls aimed at ensuring the reliability of this information.

Each entity has the resources to ensure the quality of accounting and financial data, particularly by seeing that regulations and Group standards are being properly implemented, and reconciling accounting and operating results, where applicable.

Each entity prepares, on a monthly or quarterly basis, financial statements and regulatory information required at the local level, along with reporting documents for the Group Finance, Strategy, Corporate Secretary and Legal Affairs division.

At Groupe BPCE, the preparation and processing of financial and accounting information falls under the responsibility of the Finance function. In the central institution, this function is coordinated by the four departments of the Group Finance, Strategy, Corporate Secretary and Legal Affairs division:

- the Group Finance division;
- the Group Steering and Strategy division;
- the Group Accounting division;
- the Group Tax division.

The Group Finance, Strategy, Corporate Secretary and Legal Affairs division collects the accounting and financial data produced by the entities within the Group's scope of consolidation. It is also responsible for the consolidation and control of this data for use in Group oversight and communication to third parties (control bodies, investors, etc.).

In addition to consolidating accounting and financial information, the Group Finance, Strategy, Corporate Secretary and Legal Affairs division has broad control duties:

- it coordinates Asset/liability management by defining the Group's ALM rules and standards and ensuring they are properly applied;
- it manages and controls Groupe BPCE's balance sheet ratios and structural risks;
- it defines accounting standards and principles applicable to Groupe BPCE and ensures they are properly applied;
- it coordinates the steering and reporting of the Group's financial performance in accordance with strategic plan objectives;
- it manages the Pillar II approach and related matters within the Group;
- it monitors the financial planning of Group entities and capital transactions;
- it ensures the reliability of accounting and financial information disseminated outside Groupe BPCE;
- it steers planning and strategic operations;
- it manages emergency financial plans in the event of idiosyncratic or systemic crises and coordinates the resolution plan.

MAIN FUNCTIONS, WITHIN THE CENTRAL INSTITUTION, CONTRIBUTING TO THE PREPARATION AND COMMUNICATION OF ACCOUNTING AND FINANCIAL DATA AND THEIR RESPONSIBILITIES

The main functions involved in preparing and publishing accounting and financial information are Accounting, Finance Control and Investor Relations.

Accounting

The Accounting function is responsible for producing the individual and consolidated financial statements (Groupe BPCE and BPCE SA group) and the corresponding regulatory filings (particularly COREP and FINREP).

Within the Group, each entity's Accounting function is responsible for its individual financial statements and, if warranted, the consolidated financial statements, its regulatory reports and disclosures to the central institution.

Within BPCE, this role is assigned to the Group Accounting division, the head of which reports to the Chief Executive Officer in charge of Group Finance, Strategy, Legal Affairs and the Secretary's Office of the Board.

In this area, the main duties are:

- preparing the consolidated financial statements of Groupe BPCE and BPCE SA group, calculating the regulatory ratios and preparing the corresponding reports;
- coordinating the accounting process within the Group;
- providing a regulatory watch on French and IFRS accounting standards applied by Groupe BPCE in coordination with shareholder institutions, BPCE subsidiaries and the Statutory Auditors;
- acting as the interface between the regulatory authorities (the European Central Bank and the ACPR) and affiliated institutions, in accordance with Article L. 512-107 of the French Monetary and Financial Code and ensuring that the affiliated institutions comply with regulatory standards and management ratios;
- representing the Group in its dealings with industry bodies (*Autorité des normes comptables,* European Banking Federation, etc.);
- performing accounting services and preparing regulatory reports for BPCE SA group and the entities under its authority.

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In addition, the Group Accounting division supports the business lines of the division in managing financial information systems projects and helps preserve individual and community financial standards, for all functions comprising the division and for shareholder institutions.

Finance Control

The Finance Control function is responsible for preparing management information.

Within Groupe BPCE, each entity's Finance Control office is in charge of operational coordination and is responsible for producing such information for the entity and for the central institution.

Within BPCE, this role is carried out by the Group Steering and Strategy division, the head of which reports to the Chief Executive Officer in charge of the Group Finance, Strategy, Corporate Secretary and Legal Affairs division. In this area, its main duties are:

- coordinating the steering of the financial planning, budget and multi-year rolling forecast process;
- coordinating the steering of commercial performance in support of the Commercial Banking and Insurance division;
- coordinating solvency matters (capital adequacy and leverage ratios, TLAC, MREL, etc.) and the Pillar II approach within the Group (stress tests, ICAAP, solvency matters, Business Model Assessment);
- coordinating and monitoring the management of scarce resources within the Group (cost-effectiveness, capital/solvency, liquidity);
- analyzing the performance of Groupe BPCE, its business lines and entities, especially during the publication of each quarter's results;
- steering and challenging the subsidiaries' financial performances to safeguard the Group's financial ratios;
- carrying out benchmarking and monitoring the performance and strategic guidelines of competitors;
- coordinating and steering approaches for the analysis of the Group's operating costs;
- helping prepare the Group strategic and financial plans;
- coordinating the Finance Control process within Groupe BPCE.

Investor Relations

The Investor Relations function is responsible for information published through presentations to financial analysts and institutional investors on the BPCE website and for registration documents and their updates filed with the AMF and also available on the BPCE website.

Within BPCE, the function is performed by the Group Funding and Investor Relations division (within the Group Finance division), the head of which reports to the Chief Financial Officer. Its duties in this area are as follows:

- coordinating and preparing presentations of Groupe BPCE's quarterly results, financial structure and business development, to enable third parties to form an opinion on its financial strength, profitability and outlook;
- coordinating and preparing the presentation of regulated financial information (registration document and its quarterly updates) filed with the AMF while including contributions from other BPCE offices;
- organizing relations with rating agencies by coordinating with the other rated entities of Groupe BPCE;
- organizing and maintaining relationships with credit investors likely to hold and/or acquire debt instruments (short, medium or long term) issued by BPCE or Natixis.

5.8.2 Production processes for accounting and financial data

GENERAL FRAMEWORK AND PREPARATION OF CONSOLIDATED ACCOUNTING AND FINANCIAL DATA

The central institution prepares the consolidated financial statements of Groupe BPCE and its individual company financial statements. It oversees and produces Groupe BPCE's consolidated ratios, as well as those of affiliated institutions through regulatory reporting.

The central institution also ensures that Groupe BPCE's affiliated institutions correctly apply accounting and prudential rules.

To guarantee the reliability of the process, the Group Finance, Strategy, Corporate Secretary and Legal Affairs division relies on:

- an adapted body of standards distributed to all Group entities;
- the uniformity of a consolidated IT system that guarantees consistent treatment and analysis;
- a comprehensive body of documents in line with requirements set out in Articles 3 e), 11 e), 255 and 256 of the Ministerial Order of November 3, 2014 on internal control;
- a standardized control mechanism for accounting and financial data, the structure of which is described in Section 5.8.3 below.

Groupe BPCE institutions publishing financial statements on a consolidated basis under IFRS are all of the Banque Populaire banks and Caisses d'Epargne and the Group's main subsidiaries: Natixis, Crédit Foncier, Banque Palatine and BPCE International.

The body of standards

As part of the monitoring and correct application of accounting and prudential rules, BPCE's Group Finance, Strategy, Corporate Secretary and Legal Affairs division has designed and implemented a body of standards based on:

- the definition and dissemination of accounting policies for Groupe BPCE, both for French GAAP and international (IFRS) accounting standards;
- the implementation of a consolidation standard aimed at ensuring the reliability of the process of collecting consolidated accounting, tax or prudential data.

This standard also includes the analysis and interpretation of new texts issued during a given time scale. The policies are regularly circulated *via*:

- Group instructions to affiliate institutions that present common accounting, tax and prudential management rules (changes in scope of consolidation, a schedule of various work to help respect deadlines, any changes to the information systems, reminder of accounting and prudential regulatory changes, etc.);
- Group procedures and working methods aimed at the production processes for reporting statements;
- the presentation of Accounting and Tax days which provide details, including regulatory changes, that impact the accounting, prudential and fiscal work of affiliate institutions and the Group;
- training and activities aimed in particular at the accounting teams of consolidated entities.

The uniformity of the IT system

Data consolidation takes place quarterly based on the financial statements of each Group entity. Data from the entities are entered into a central database where consolidation adjustments are then carried out.

The organization of the consolidation system is based on a combined solution for the Group's business lines:

- for the majority of Group entities and in particular Caisses d'Epargne and the Banque Populaire banks: information is communicated on an individual basis to ensure a more detailed view of each entity's contribution to Groupe BPCE's financial statements and ratios. The system is based on a single consolidation tool specific to these entities and to all sub-consolidation work. This ensures internal consistency as regards scopes, accounting treatment and analysis;
- for the Natixis sub-group: Natixis has a consolidation tool that produces its financial statements and ratios on a consolidated basis, ensuring the consistency of data and provides a transparent overview of its subsidiaries. For the production of Group financial statements, Natixis submits a consolidation package that represents its financial statements and ratios.

The central consolidation tool has archiving and security procedures including the daily back-up of the consolidation database. System restoration tests are regularly carried out.

The body of documents

To ensure the reliability of the production processes for accounting and financial information, the central institution has drawn up and deployed a comprehensive body of documents in line with requirements set out in Articles 3 e), 11 e), 255 and 256 of the Ministerial Order of November 3, 2014 on Internal Control.

This body of document includes:

- macro-processes and/or processes that describe activities from beginning to end, identifying the persons and tools involved;
- procedures which document process flows to implement processes;
- working methods used by the business lines in their daily activities and which provide details of transactions under their responsibility, self-checks, or level one operational controls (including hierarchical) that must be carried out.

CHANGES IN THE MECHANISM IN 2018

In 2018, the Group continued its efforts on accounting standardization and the streamlining of working methods for the production of consolidated accounting and financial data, while adapting them to internal and regulatory changes, in particular:

- the finalization of work on the Business Line View program, aimed at providing the Finance Control department with a system to consolidate and steer Groupe BPCE's financial performances by allocating scarce Group resources for each business segment and for all entities according to liquidity, capital adequacy and profitability. The new mechanism was gradually rolled out in 2018 for the chosen process. The Budget/Medium-Term Plan process was launched mid year in order to consolidate the 2019 budget and the related Medium-Term Plan in a collaborative process with the entities. The new mechanism is interfaced with local information systems and central calculators (solvency, liquidity, ALM, accounting). It is based on shared standards and management rules and an innovative technological platform;
- the updating of information systems and Group processes in preparation for the implementation of IFRS 9 – Financial Instruments, applicable as of accounting production during the first quarter of 2018;
- the adaptation of information systems and Group processes in preparation for the implementation of IFRS 16 – Leases, applicable to leases as of January 1, 2019. This will mainly include the recognition in lessees' balance sheets:
  - under assets: of a right to use the leased assets,
  - under liabilities: of a debt corresponding to the present value of lease payments;
- the implementation of requirements set out in Recommendation No. 239 published by the Basel Committee on Banking Supervision on January 9, 2013 relating to the necessity for banks to introduce measures aimed at improving risk data aggregation processes and their reporting, in particular through:
  - continuing work carried out on a plan (EDGAR: Exactitude des Données Gouvernance – Analyse & Reporting; Accuracy of Governance Data – Analysis & Reporting) aimed at adapting the Group to regulatory requirements as part of its digital transformation and data valuation objective,
  - drawing up a framework for the drafting and publication of reports and oversight indicators which defines the rules and usages aimed at harmonizing and improving oversight reporting practices and thus strengthening governance;
- the migration of Crédit Coopératif's information systems to Caisses d'Epargne's IT platform (ITCE) in May 2018 and the launch of a project to migrate Banque Palatine's information systems to Banques Populaires' IT platform (IBP), scheduled for April 2020;
- the establishment of a technical platform and service center for processing the financial transactions of Groupe BPCE companies for the Caisse d'Epargne network, BPCE SA, CASDEN, Crédit Coopératif and Crédit Foncier de France. The goal is to standardize the processing and quality of information on financial transactions within the Group, to improve controls on financial transactions and to provide a platform that addresses Groupe BPCE's management and reporting issues. The migration for the Banques Populaires banks is scheduled for May 2019.

5.8.3 Control process for accounting and financial data

GENERAL SYSTEM

Groupe BPCE's internal control system contributes to the management of all types of risk and enhances the quality of accounting and financial information.

It is organized in accordance with legal and regulatory requirements, including those arising from the Ministerial Order of November 3, 2014 on internal control and texts governing BPCE. It concerns all Group companies, which are monitored on a consolidated basis.

The system is managed by an Umbrella Charter governing the organization of Group internal control which represents the main principles, defines the scope of application, lists all actors concerned and their role to ensure the correct operation of the internal control system of each company and the Group.

The Umbrella Charter covering the organization of Group internal control is accompanied by:

- a charter covering the Periodic Control department;
- a risk, Compliance and Permanent Control Charter covering the Permanent Control departments;
- frameworks and standards including one covering the accounting and financial information quality control system.

APPLICATION OF THE CONTROL FRAMEWORK WITH REGARD TO ACCOUNTING AND FINANCIAL DATA

The control of accounting and financial reporting quality is defined in accordance with the requirements of the Ministerial Order of November 3, 2014 concerning internal control, particularly Article 11c), which requires the "verification of accounting and financial reporting quality, related to information addressed to either the executive managers or the supervisory body, whether submitted to the supervisory and control authorities or appearing in documents intended for publication."

Within the central institution, the Risk, Compliance and Permanent Control division (DRCCP) coordinates the permanent control system for accounting and financial reporting as part of an Operational "Review" function, the rules of which are set out in the "Accounting and financial information quality control framework" approved by the Group Internal Control Coordination Committee on June 9, 2016.

In accordance with the regulatory obligations set out by the Ministerial Order of November 3, 2014 on internal control (and in particular Article 11 c) and Title III), this framework defines the interaction of the system's first and second level, the management of the mechanism within the Group, and takes into account changes in the regulatory provisions, as well as in the Group's internal control system, since it was created.

This single framework applies to all Groupe BPCE entities monitored on a consolidated basis. The entities were required to implement the new principles introduced by this framework by December 31, 2017.

In addition to this framework, the control mechanism is also governed:

- at the first level, by the body of standards, the uniformity of the information consolidation system and the body of documents described in Section 5.8.2 above;
- at the second level, by Group review standards which constitute the operational version of the framework, Group review guidelines which provide specific methodology information and the standard for accounting and financial information controls that can be carried out by the entities and upon which the institute-wide control approach is based with results reported to the central institution.

Within the institutions

Reflecting the decentralized nature of Groupe BPCE, internal control procedures are tailored to the organization of each consolidated entity. In all cases, these procedures include three levels of controls:

- a basic level, *i.e.* "first level controls" (control), relating to operational departments and integrated into accounting treatment procedures;
- an intermediate level, *i.e.* "second-level controls" (review), organized and managed by a Specialist Audit function dedicated to second-level controls on accounting and financial data: the Review. This function performs independent controls of operating processes to ensure the reliability and exhaustive nature of the accounts, in co-operation with the other permanent control functions;
- an upper level, *i.e.* "third-level controls" (audit), involving periodic controls organized under the authority of the Local Internal Audit department or the Group's *Inspection Générale* division, or controls performed by parties external to Groupe BPCE (particularly Statutory Auditors, the *Autorité de contrôle prudentiel et de résolution* and the European Central Bank).

Within the central institution

Supervision and "Review" function relations

Within the Risks, Compliance and Permanent Control division, the Operational Review function is managed by the Financial Review division. Its head, who reports to the head of Permanent Control Coordination, is a standing guest member of the Group Internal Control Coordination Committee and has been granted powers to set standards for the process.

In conjunction with the shareholder institutions and Group subsidiaries, the Financial Review division maintains a strong functional link between the offices within the Group institutions and that of the central institution. This is to guarantee the quality of the Group's accounting and financial reporting.

Its main duties are to:

- facilitate sharing of best practices within a special-purpose committee (Auditors' Committee) and working groups;
- organize the drafting and distribution of the set of standards and documents for the process;
- coordinate each entity's system for reporting to the central institution so that it can assess their system for producing and controlling accounting and financial information;
- visiting entities whose systems are falling behind those of others.

Control of the central institution's accounting and financial information production system

In addition to monitoring and coordinating the Review process, the Financial Review division is also tasked with:

- second-level control of the work of the Accounting function and in particular financial and regulatory statements published under the responsibility of the Group Finance and Strategy division;
- coordinating the permanent control mechanism for key reports and/or key steering indicators produced by the central institution including, on one hand, the organization and updating of the document library for these reports and indicators (report mapping, key steering indicators, key report handbook) and, on the other hand, the definition and implementation of controls to be carried out on the latter;
- monitoring the Statutory Audit system and on behalf of the Audit Committee, tracking the services of the Statutory Auditors and publishing their fees (Audit Committee and registration document).

In addition to the self-checking and external control procedures performed in the entities responsible for preparing individual or consolidated financial statements, the quality of accounting and financial controls is verified by:

- the Group Accounting division, which coordinates the system for producing accounting and financial information. In this respect, this division:
  - sets accounting and prudential standards at the Group level for the production of individual and consolidated accounts to French and IFRS accounting standards and the production of regulatory reports to national or supranational oversight and control authorities,
  - coordinates the Accounting function, thereby increasing the quality of the first-level control system,
  - examines the reports covering accounting and regulatory data that it receives as part of the production of statutory accounts and regulatory consolidated financial statements, by conducting multiple controls using data received through the consolidation packages sent by the entities that fall within the Group's scope of consolidation,
  - conducting, as part of the duties of the central institution that fall under Article L. 511-31 of the French Monetary and Financial Code, a routine review of the regulatory reports of affiliates before they are submitted to the *Autorité de contrôle prudentiel et de résolution* and in accordance with the rules agreed to with that Authority (multiple consistency checks and analyses),
  - checking, as part of the tax consolidation regime for cooperative banking groups (Article 223 A et seq. of the French General Tax Code), tax consolidation packages sent to the central institution by entities that fall within the scope of that regime;
- the Group's Statutory Auditors, which work on a panel basis and base their opinions partly on the conclusions of each consolidated entity's Statutory Auditors, particularly regarding compliance with the Group's standards as laid down by BPCE and partly on the effectiveness of local internal control procedures. To make the certification process as efficient as possible, the "Framework for Statutory Auditor Assignments at Groupe BPCE" recommends that each fully-consolidated entity in the scope of consolidation has at least one representative of the Group's Statutory Auditors on its panel;
- Groupe BPCE's *Inspection Générale* division as part of its assignments at Group institutions.

Finally, under the Ministerial Order of November 3, 2014 governing internal control, Groupe BPCE's *Inspection Générale* division presents to the Audit Committee and the Supervisory Board an annual report summarizing Group internal control. On the basis of detailed questionnaires, this report assesses internal control procedures, particularly in the accounting and financial areas.

CHANGES IN THE MECHANISM IN 2018

In 2018, actions intended to strengthen the accounting and financial information control system continued with:

- the first visits of Group institutions in line with the supervision and alert procedure introduced in 2017 and which relies on key indicators from the reporting mechanism. This procedure enables an assessment, for each institution, of accounting and financial information quality control system risks (Quantitative Risk Assessment);
- efforts to strengthen the mechanism for second-level controls of regulatory reports with, in particular, the continued collection of the results of controls of local modifications in certain areas (solvency and leverage ratios, FINREP, scope, etc.);
- the introduction of a project aimed at defining controls as part of the fraud, corruption and influence-peddling prevention and detection plan;
- the implementation of a project aimed at improving the control mechanism on the application of IFRS 9 which includes:
  - an assessment of the internal control environment and controls carried out under the first-time application of the standard,
  - the introduction of a standardized second-level accounting review framework for financial instruments;
- in relation to the Statutory Audit, the effective implementation of new European rules and the completion of a qualitative survey of the Group's Statutory Auditors.

ROLE OF SUPERVISORY BODIES IN ACCOUNTING AND FINANCIAL DISCLOSURE

Once per quarter, the BPCE Management Board finalizes the consolidated financial statements and presents them to the Supervisory Board for verification and control.

Individual financial statements are prepared once per year, in accordance with regulations in force.

The Supervisory Board of BPCE checks and controls the individual and consolidated financial statements prepared by the BPCE Management Board and presents its observations about the financial statements for the fiscal year at the Ordinary General Shareholders' Meeting. For this purpose, the Supervisory Board has set up a specialist committee in charge of preparing its decisions and formulating recommendations: the Audit Committee.

Details on this committee's duties, including monitoring the process for preparing accounting and financial information, the statutory audit of the annual and consolidated financial statements, as well as the Statutory Auditors' independence, are defined in Chapter 2 "Corporate governance".

The Finance Committee is composed of executives from each of the two networks and is tasked with reviewing all financial subjects relating to the shareholder community. It examines these subjects in keeping with Group committees covering these areas and provides an advisory opinion.

In addition, BPCE's Management Board assigns the Group Finance, Strategy, Corporate Secretary and Legal Affairs division the task of organizing the process of coordinating, disclosing and forming a decision on the financial and accounting sphere through the Finance function's supervisory bodies, organized around three categories:

- permanent bodies (or committees);
- coordination and reporting bodies: these comprise key managers from the Finance function or key managers from each business line department with Finance duties (Finance Control, Accounting, Cash Management, Asset/Liability Management and Tax);
- temporary bodies that manage and coordinate projects with well-defined time frames.

In order to ensure the transparency and security of the system, these bodies are formally governed by regulations that define the operation, organization, composition and role of each committee, along with the rules for reporting on the discussions held by these committees. The Group Finance, Strategy, Corporate Secretary and Legal Affairs division's committees always involve representatives from the shareholder institutions and, if applicable, Groupe BPCE's subsidiaries.

The Group Steering and Accounting Standards and Methods Committee is chaired by the Chief Executive Officer in charge of Finance, Strategy, Corporate Secretary and Legal Affairs division. Its main duties are to validate:

- the regulatory framework and management standards needed for Group oversight;
- strategic accounting guidelines and Groupe BPCE's framework of accounting standards, including Groupe BPCE's choices, where options are given by the texts.

5.9 Persons responsible for auditing the financial statements

5.9.1 Statutory Audit system

Within the Group, the main rules that govern the Statutory Audit system and aim to guarantee Statutory Auditor independence in Groupe BPCE companies are defined in the "Framework for Statutory Auditor Assignments at Groupe BPCE," (the "Framework") validated by BPCE's Supervisory Board on November 7, 2017.

Applicable to all Group businesses the "Framework" primarily defines:

- the rules governing the selection of Statutory Auditors for the Group and its entities;
- the rules governing the services that may be provided by Statutory Auditors (or their networks);
- the role of Audit Committees with respect to monitoring the system.

On the appointment of Group Statutory Auditors: in line with the new regulation, the Group recommends that each Group company continues to designate at least one network of Statutory Auditors to certify BPCE's consolidated and individual financial statements to ensure there is a consistent, harmonized financial audit system available within the Group. However, the company's Audit Committee retains the authority to select Statutory Auditors subject to the approval of the company's Annual General Shareholders' Meeting.

On the prior approval of services other than financial statement certification: in line with the opinion provided by the Haut Conseil du Commissariat aux Comptes (H3C) on July 26, 2017, BPCE's Audit Committee introduced a prior approval procedure, for a one year period, of an exhaustive list of categories of services other than financial statement certification. These provisions are stated in the appendices to the "Framework" have been the subject of an annual review validated by BPCE's Audit Committee on November 6, 2018 and have been distributed to all Group entities.

On the control of the system: the Audit Committee of each company

- takes a greater role in examining services rendered by the Statutory Auditors. Aside from the prior approval of *services other than financial statement certification* in compliance with provisions that have been defined in the "Framework", the Committee examines the fees and type of services rendered that appear on the income statement of each company;
- ensure compliance with the principles laid out in the "Framework", rules governing the rotation of Statutory Auditors and the rotation of signing partners and the implementation of a Statutory Auditor selection procedure at the end of each maximum term of office;
- relies, in this approach, on the function that controls the quality of accounting and financial information (review function). A Group standard on the control of the independence of Statutory Auditors specifies the role of this function in this area and the main procedures it must implement. The work carried out within this framework is presented to each company's Audit Committee and, on a consolidated basis, to the Group Audit Committee.

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5.9.2 Statutory Auditors of BPCE

BPCE's Statutory Auditors are responsible for auditing the individual financial statements of BPCE and the consolidated financial statements of Groupe BPCE and BPCE SA group. At December 31, 2018, the Statutory Auditors were:

PricewaterhouseCoopers Audit	Deloitte & Associés	Mazars
63, rue de Villiers 92208 Neuilly-sur-Seine Cedex	6, place de la Pyramide 92908 Paris-La Défense Cedex	61, rue Henri-Regnault 92075 Paris-La Défense Cedex

PricewaterhouseCoopers Audit (672006483 RCS Nanterre), Deloitte et Associés (572028041 RCS Nanterre) and Mazars (784824153 RCS Nanterre) are registered as Statutory Auditors, members of the Compagnie Régionale des Commissaires aux Comptes de Versailles and under the authority of the Haut Conseil du Commissariat aux Comptes.

PRICEWATERHOUSECOOPERS AUDIT

The Annual General Shareholders' Meeting of BPCE of May 22, 2015, voting under the conditions of quorum and majority applicable to Ordinary General Shareholders' Meetings, resolved to renew the term of PricewaterhouseCoopers Audit for a period of six fiscal years, i.e. until the Ordinary General Shareholders' Meeting to be held in 2021, convened to approve the financial statements for the year ending December 31, 2020.

PricewaterhouseCoopers Audit is represented by Agnès Hussherr and Nicolas Montillot.

Substitute: Jean-Baptiste Deschryver, residing at 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, for a period of six fiscal years, i.e. until the Ordinary General Shareholders' Meeting to be held in 2021, convened to approve the financial statements for the year ending December 31, 2020.

DELOITTE & ASSOCIES

The Annual General Shareholders' Meeting of BPCE of May 22, 2015, voting under the conditions of quorum and majority applicable to Ordinary General Shareholders' Meetings, resolved to appoint Deloitte & Associés for a period of six fiscal years, i.e. until the Ordinary General Shareholders' Meeting to be held in 2021, convened to approve the financial statements for the year ending December 31, 2020.

Deloitte & Associés is represented by Sylvie Bourguignon

Substitute: BEAS, represented by Mireille Berthelot, located at 195, avenue Charles De Gaulle, 92524 Neuilly-sur-Seine Cedex, for a period of six fiscal years, i.e. until the Ordinary General Shareholders' Meeting to be held in 2021, convened to approve the financial statements for the year ending December 31, 2020.

MAZARS

The Annual General Shareholders' Meeting of BPCE of May 24, 2013, voting under the conditions of quorum and majority applicable to Ordinary General Shareholders' Meetings, resolved to appoint Mazars for a period of six fiscal years, i.e. until the Ordinary General Shareholders' Meeting to be held in 2019, convened to approve the financial statements for the year ending December 31, 2018.

Mazars is represented by Charles De Boisriou.

Substitute: Anne Veaute, residing at 61, rue Henri-Regnault, 92075 Paris-La Défense Cedex, for a period of six fiscal years, i.e. until the Ordinary General Shareholders' Meeting to be held in 2019, convened to approve the financial statements for the year ending December 31, 2018.

6 RISK REPORT

Some disclosures required under IFRS 7 on the nature and the extent of various risks are presented in this report and covered by the Statutory Auditor's opinion on the consolidated financial statements. Such disclosures are flagged by the statement "Information provided in the respect of IFRS 7" and should be interpreted as an integral part of the notes to the consolidated financial statements.

The Pillar III report is available in the "Results" section of Groupe BPCE website (www.groupebpce.fr), under "Registration document".

6.1 Summary of risks

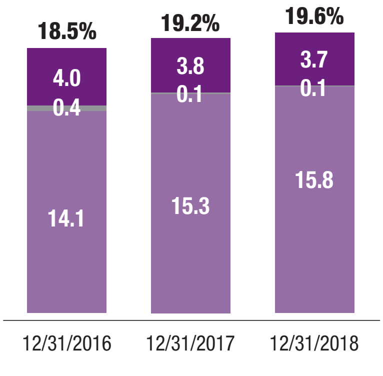
6.1.1 Types of risk

Given the diversity and developments in Groupe BPCE's activities, risk management is centered on the following main categories:

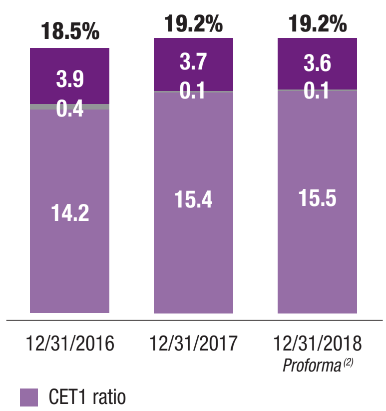
- credit and counterparty risk (including country risk): risk of loss resulting from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes counterparty risk related to market transactions (replacement risk) and securitization activities. Moreover, credit risk may be exacerbated by concentration risk, resulting from high exposure to a given risk, to one or more counterparties, or to one or more groups of similar counterparties.
- country risk arises when an exposure is liable to be adversely affected by changes in the political, economic, social and financial conditions of the country of exposure;
- market risks: risk of loss in value of financial instruments resulting from changes in market inputs, from the volatility of these inputs or from the correlations between these inputs. Inputs include exchange rates, interest rates and prices of securities (equities, bonds), commodities, derivatives or any other assets, such as real estate assets;
- liquidity risk: risk that the Group cannot meet its cash requirements or collateral requirements when they fall due and at a reasonable cost;
- structural interest rate and foreign exchange risks: risk of loss in interest income or in the value of a fixed-rate structural position in the event of changes in interest rates and exchange rates. Structural interest rate and foreign exchange risks are associated with commercial activities and proprietary transactions;
- legal risk: risk of legal, administrative or disciplinary sanction or material financial loss arising from a failure to comply with the provisions governing the Group's activity;
- non-compliance risk: risk of a legal, administrative or disciplinary penalty, material financial loss or reputational risk arising from a failure to comply with the provisions specific to banking and financial activities (whether these are stipulated by directly applicable national or European laws or regulations), with professional or ethical standards, or instructions from the executive body, notably issued in accordance with the policies of the supervisory body;
- operational risk: risk of loss resulting from inadequacies or malfunctions attributable to procedures, employees and internal systems (including in particular information systems) or external events, including events with a low probability of occurrence, but with a risk of high loss;
- risk related to insurance activities: the Group is also exposed to a series of risks inherent to this business through its insurance subsidiaries or equity interests. In addition to asset-liability risk management (interest rate, valuation, counterparty and foreign exchange risks), these risks include pricing risk in respect of mortality risk premiums and structural risks related to life and non-life insurance activities, including pandemics, accidents and disasters (earthquakes, hurricanes, industrial accidents, terrorist acts or military conflicts);
- climate risk: the vulnerability of banking activities to climate change, where a distinction can be made between physical risk directly relating to climate change and transition risk associated with efforts to combat climate change.

6.1.2 Key figures

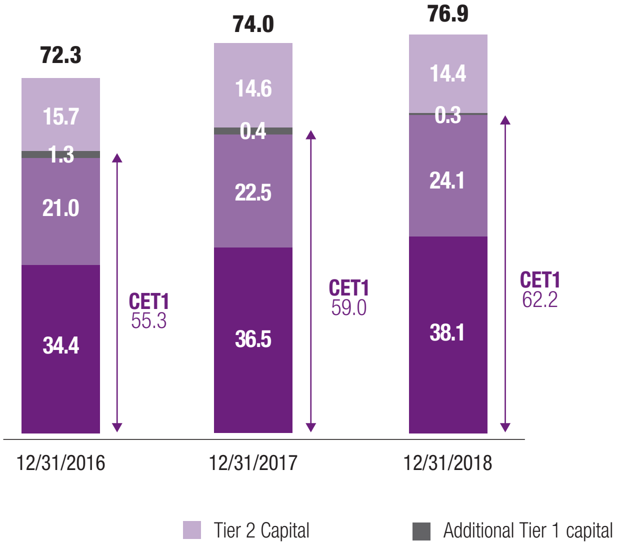
PHASED-IN CAPITAL RATIOS *(AS A %)*



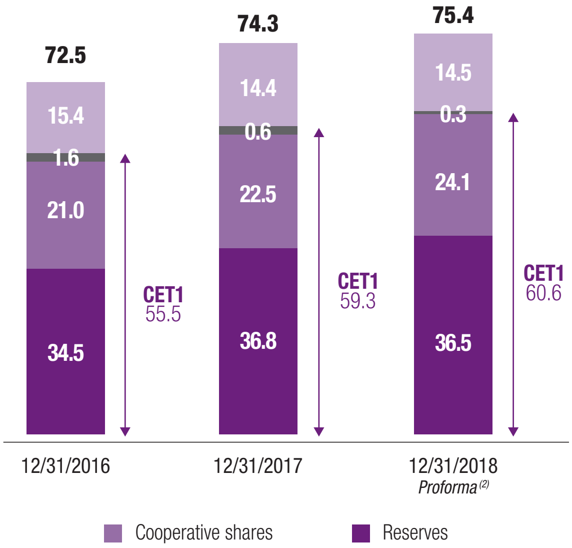
FULLY-LOADED CAPITAL RATIOS[1] *(AS A %)*



PHASED-IN REGULATORY CAPITAL
(IN BILLIONS OF EUROS)

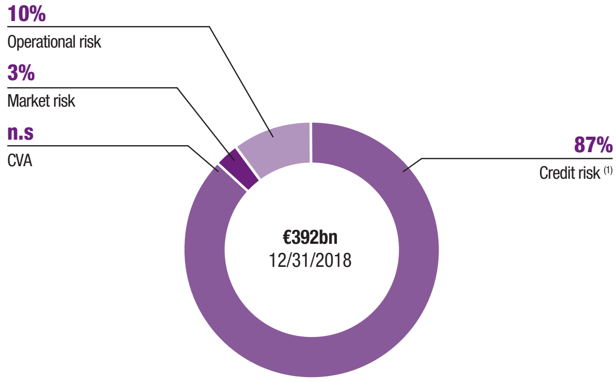


FULLY-LOADED[1] **REGULATORY CAPITAL**
(IN BILLIONS OF EUROS)



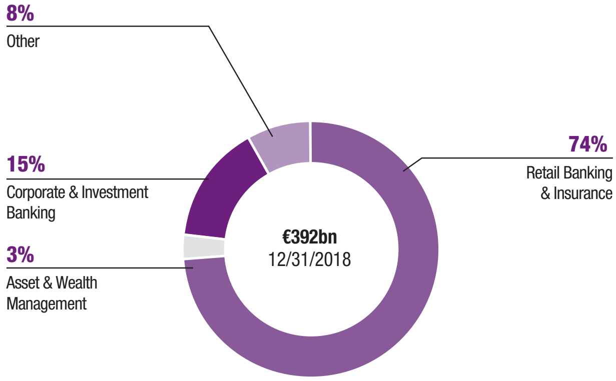
(1) CRR/CRD IV without transitional measures; additional Tier-1 capital takes account of subordinated debt issues that have become ineligible at the phase-out rate in force.
(2) Proforma: impact of -38 bp on CET1 ratio and -€1.6 billion on own funds

BREAKDOWN OF RISK-WEIGHTED ASSETS BY TYPE OF RISK



(1) Including settlement/delivery risk

BREAKDOWN OF RISK-WEIGHTED ASSETS BY BUSINESS LINE



ADDITIONAL INDICATORS

	12/31/2018	12/31/2017
Cost of risk *(in basis points)*	19 (1)	20
Non-performing/gross outstanding loans (2)	2.8%	3.3%
Impairment recognized/non-performing loans (2)	45.0%	51.4%
Groupe BPCE's consolidated VaR (in millions of euros)	14.2	5.3
LCR	> 110%	> 110%
Liquidity reserves (in billions of euros)	204	214

(1) Excluding non-recurring items.
(2) IFRS 9 applied as from January 1, 2018.

6.1.3 Regulatory changes

Several major regulatory changes were on the horizon by the end of 2018 on both the international and European fronts.

At the international level, the Basel Committee on Banking Supervision (BCBS) finalized its recalibration of the regulatory framework governing market risks – the Fundamental Review of the Trading Book (FRTB) – and announced it would be overseeing the transposition of the entire Basel III reform, both in terms of content and timeline.

The "Finalization of Basel III" involves the revision of methods used to measure credit risk, CVA risk and operational risk, as well as the application of an RWA floor. The finalization was published in December 2017 and calls for all reforms, including the FRTB, to take effect in 2022.

The BCBS also commented on the risks of leverage ratio window dressing, and stated that it was planning a revision for the purposes of modifying disclosure requirements, particularly for securities financing transactions and derivatives.

There were also several developments at the European level, including the review of the Risk Reduction Measures (RRM) package relating to draft directives and regulations (CRR2, CRD5, BRRD2, SRMR2) and the introduction of prudential backstops to CRR.

Other developments are in progress, but are unlikely to be completed before the end of the legislative term, such as the review of the European Supervisory Authorities (ESAs), harmonization of regulations governing investment firms, transposition of the Basel III package (draft CRR3/CRD6) and review of the European Deposit Insurance Scheme (EDIS).

REVIEW OF RISK REDUCTION MEASURES ("BANKING PACKAGE")

The Austrian Presidency of the European Union submitted a compromise to the Committee of Permanent Representatives (COREPER) and to the ECOFIN Council comprising the Economy and Finance Ministers of the EU Member States on November 30 and December 4, respectively.

Pending the plenary vote on the draft CRR2, CRD5, BRRD2 and SRMR on an as-yet unannounced date, the financial center is expecting to obtain a certain number of positive concessions (still to be confirmed): the Danish Compromise (on the weighting of insurance investments by banks) has been extended, fairness was introduced in terms of subordination requirements (re: Resolution) between the 37 Top Tier Banks and GSIBs, a reporting requirement was established only with respect to market risk (FRTB) before the finalization of Basel III, the deduction of software investments from capital was eliminated (although prudential treatment of software investments will continue to be governed by the EBA), and repo/trade finance/factoring activities will receive more favorable treatment with respect to the NSFR.

A compromise was reached regarding leverage ratio window dressing, a practice labeled unacceptable by the BCBS: the calculation will remain unchanged, with banks simply required to submit additional reports (on average daily) on Securities Financing Transactions (SFTs) and derivatives to supervisors (2019 program).

It should be noted that regulatory texts refer to the implementation of EBA RTS (Regulatory Technical Standards) or ITS (Implementing Technical Standards) for certain subjects.

INVESTMENT FIRMS (IFS)

The Austrian Presidency compromise, aimed at ensuring fair competition between banks and IFs, has been hotly contested not only by the United Kingdom – still at the negotiation table despite Brexit – but also by Germany and Luxembourg.

France's position is that the text should not be adopted until Brexit negotiations have been finalized.

NON-PERFORMING LOANS (NPLS)

The Commission has proposed a new regulation which would set a mandatory minimum provision for any newly originated loans that become non-performing.

Legislators want to move very quickly, notably to finalize efforts to reduce risks in Europe (specifically to reduce NPL books), thus paving the way for progress on the European Deposit Insurance Scheme (EDIS). As a result, the proposed regulation on NPLs is likely to be adopted in its current form (or close): the Council and Parliament wish to clarify the principle of line-by-line application for each transaction (and not at book level) and the implementation of the text at the effective date (as opposed to retroactively at the publication date of the draft version).

CALL FOR ADVICE TO THE EBA

On May 4, the European Commission issued a Call for Advice to the EBA, seeking technical advice to assess the potential impact of the various elements of the Basel package of reforms on the European banking sector, determine any possible implementation challenges, and propose adjustments to inputs or methodologies (*e.g.* on the application of the output floor or treatment of specialized lending) where applicable.

In response, the EBA shall prepare a draft report in early 2019 and submit a final report to the European Commission in June 2019.

To that end, the EBA called on banks to complete two surveys: a quantitative survey (June 2018) and a qualitative survey (January 11, 2019).

BPCE considers CRR3/CRD6 (transposition of Basel IV) and EDIS to be the priorities for 2019.

There is a strong risk in France that the Governor of the Banque de France will recommend a 25-bp increase in the countercyclical capital buffer (to 50 bp) to the Economy Minister, applicable to all French exposures as from July 1, 2019.

In addition, the Financial Sector Assessment Process (FSAP) required by the IMF every five years was initiated in June 2018 and will end in July 2019.

The purpose of the process is to assess the strength and stability of the French financial system as a whole. The FSAP will be based on liquidity and solvency stress tests conducted on 7 French banks (including BPCE) using prudential data (COREP, FINREP, etc.) and public information.

The IMF takes a top-down approach to stress tests. Banks are not asked to contribute technically by way of additional reports.

Interviews were held with the banks in December 2018 and on-site audits will be performed in March 2019. Deliverables will be discussed between March and July 2019. The report will then be submitted to the IMF Board for approval.

The Directorate General of the French Treasury is in charge of coordinating the process between the French authorities. It plans to take the opportunity to promote the French legislative and supervisory framework.

6.1.4 Main risks and emerging risks

MAIN RISKS

Credit and counterparty risk: at €1.3 billion in 2018, Groupe BPCE's cost of risk decreased 6.1% compared to 2017. Average annual cost of risk (expressed in basis points *versus* customer outstandings at the start of the period) reached a record low of 19 bp in 2018, down 1 bp from 2017.

Market risks: market risk indicators are monitored and analyzed at various position aggregation levels, giving an overview of total exposure and risk consumption by risk factor. VaR and stress indicators were kept very low for the Group in 2018 (VaR of €14.2 million at end-2018 and stress test at -€95 million for the most adverse scenario).

Operational risk: considering the nature of its businesses, 51% of Groupe BPCE's operating losses fall into the Basel category "execution, delivery and process management".

Liquidity, interest rate and foreign exchange risks: Groupe BPCE maintained a strong liquidity position over the course of 2018 thanks to robust coverage of stress scenarios. At December 31, 2018, liquidity reserves covered 160% of all short-term funding as well as short-term maturities of MLT debt. Groupe BPCE also conducted an "Economic Value of Equity" review to ensure it would be able to incorporate future regulatory changes involving interest rate risk in the banking book.

EMERGING RISKS

Groupe BPCE places great importance on anticipating and managing emerging risks in today's constantly changing environment.

The international geopolitical environment is continuously under watch in light of the political instability and budget imbalances affecting certain geographic regions. In Europe, the rise of populism in many countries, tensions in Italy over the sustainability of the country's debt, and post-Brexit negotiations with the United Kingdom have brought risks to bear on the stability of the European Union and its currency, generating risks for the Group's exposures.

Ultra-low interest rates are weighing on the profitability of commercial banking activities, due to the predominance of fixed-rate home loans, and on life insurance activities as well. Interest rate hikes, already under way in the United States, hold great significance for Groupe BPCE, calling for preparation and diversification of funding sources.

With the increasing digitization of the economy and banking transactions at Group level, cyber-risks are on the rise for information systems and customers alike, calling for heightened vigilance in order to anticipate and guard against hacking.

Misconduct risk is monitored with operational risks and has been written into Compliance Charters, the Group code of conduct and ethics, and conflicts of interest management systems at all levels of Groupe BPCE.

Regulatory developments are another area of permanent supervision, as the banking industry is subject to increasingly strict requirements and close regulatory supervision.

Climate change and Corporate Social Responsibility are a growing concern for financial institutions, as addressed in their risk management policies (especially at BPCE), but also from a commercial standpoint in regards to demanding customer expectations.

6.1.5 Risk factors

The banking and financial environment in which Groupe BPCE operates is exposed to numerous risks, calling for the implementation of an increasingly strict, demanding policy to control and manage these risks.

Some of the risks to which Groupe BPCE is exposed are set out below. However, this is not a comprehensive list of all of the risks incurred by Groupe BPCE in the course of conducting its business or given the environment in which it operates. The risks presented below are those identified to date as significant and specific to Groupe BPCE, and which are liable to have a material adverse impact on its business, financial position and/or results.

CREDIT AND COUNTERPARTY RISKS

Default and counterparty risks

A substantial increase in asset impairment expenses recorded on Groupe BPCE's outstanding loans and receivables may have an adverse impact on its results and financial position.

In the course of its lending activities, Groupe BPCE regularly recognizes charges for asset impairments in order to reflect, if necessary, actual or potential losses on its portfolio of loans and receivables. Such impairments are expensed under "Cost of risk". Groupe BPCE's total charges for asset impairments are based on the Group's measurement of past losses on loans, volumes and types of loans granted, industry standards, loans in arrears, economic conditions and other factors associated with the recoverability of various types of loans. While Groupe BPCE makes every effort to set aside a sufficient level of provisions for asset impairment expenses, its lending activities may cause it in the future to have to increase its expenses for losses on loans, due to a rise in non-performing loans or for other reasons, such as the deterioration of market conditions or factors affecting certain countries. Any substantial increase in charges for losses on loans, material change in Groupe BPCE's estimate of the risk of loss associated with its portfolio of unimpaired loans, or any loss on loans exceeding past impairment expenses, could have an adverse impact on Groupe BPCE's results and financial position.

The financial strength and performance of other financial institutions and market players may have an adverse impact on Groupe BPCE.

Groupe BPCE's ability to execute transactions may be affected by the financial strength of other financial institutions and market players. Financial institutions are closely interconnected owing to their trading, clearing, counterparty and financing operations. A default by a sector player, or even mere rumors or concerns regarding one or more financial institutions or the financial industry in general, may lead to a general contraction in market liquidity and subsequently to losses or further defaults in the future. Groupe BPCE is directly or indirectly exposed to various financial counterparties, such as investment service providers, commercial or investment banks, clearing houses and CCPs, mutual funds, hedge funds, and other institutional clients, with which it regularly conducts transactions. The default or failure of any such counterparties may have an adverse impact on Groupe BPCE's financial position. Moreover, Groupe BPCE may be exposed to the risk associated with the growing involvement of operators subject to little or no regulation in its business sector and to the emergence of new products subject to little or no regulation (including, in particular, crowdfunding and trading platforms). This risk would be exacerbated if the assets held as collateral by Groupe BPCE could not be sold or if their selling price would not cover all of Groupe BPCE's exposure to loans or derivatives in default, or in the event a key market operator such as a CCP defaults.

Country risks

Groupe BPCE may be vulnerable to political, macroeconomic and financial environments or to specific circumstances in its countries of operation.

Some Groupe BPCE entities are exposed to country risk, which is the risk that economic, financial, political or social conditions in a foreign country (particularly in countries where the Group conducts business) may affect their financial interests. A significant change in the political or macroeconomic environment of such countries or regions may generate additional expenses or reduce profits earned by Groupe BPCE. Natixis operates worldwide, including in parts of the world that are developing, commonly referred to as emerging markets. In light of these operations in emerging markets (particularly in Russia and other Central and Eastern European countries, as well as Africa and the Mediterranean Basin), any material adverse change in the political, macroeconomic or financial environment of these countries may negatively impact the results and financial position of Groupe BPCE. In the past, many countries classified as emerging have experienced serious economic and financial instability, including devaluations of their local currencies, currency exchange and capital controls, and weak or negative economic growth. It is therefore likely that major uncertainties will continue to weigh on these various markets, making them an ongoing risk for Groupe BPCE. Though limited, Groupe BPCE's activities and revenues from operations and transactions conducted outside the European Union and the United States are exposed to a risk of loss due to unfavorable political, economic and legal developments, in particular currency fluctuations, social instability, changes in government or central bank policies, expropriation, nationalization, asset confiscation and changes to laws governing property rights. Capital markets activities conducted in emerging countries represent a considerable percentage of Groupe BPCE's net income and may be more volatile than those conducted in developed countries given their higher exposure to the specific risks addressed above.

FINANCIAL RISKS

Liquidity risk

Groupe BPCE is dependent on its access to funding and other sources of liquidity, which may be limited for reasons outside its control.

Access to short-term and long term funding is critical for the conduct of Groupe BPCE's business. Unsecured sources of funding for Groupe BPCE include deposits, issues of long-term debt and short/medium-term notes, banks loans and credit lines. Groupe BPCE also uses funding secured in particular by reverse repurchase agreements. If Groupe BPCE were unable to access the secured and/or unsecured debt market at conditions deemed acceptable, or incurred an unexpected outflow of cash or collateral, including a significant decline in customer deposits, its liquidity may be negatively affected. Furthermore, if Groupe BPCE were unable to maintain a satisfactory level of customer deposits (*e.g.* in the event its competitors offer higher rates of return on deposits), Groupe BPCE may be forced to obtain funding at higher rates, which would reduce its net interest income and results.

Groupe BPCE's liquidity may also be affected by unforeseen events outside its control, such as general market disruptions, operational hardships affecting third parties, negative opinions on financial services in general or on the short/long-term outlook for Groupe BPCE, changes in Groupe BPCE's credit rating, or even the perception of the position of Groupe BPCE or other financial institutions among market operators.

Groupe BPCE's access to the capital markets, and the cost of long-term unsecured funding, are directly related to changes in its credit spreads on the bond and credit derivatives markets, which it can neither predict nor control. Liquidity constraints may have a material adverse impact on Groupe BPCE's financial position, results and ability to meet its obligations to its counterparties.

Interest rate risk

Significant interest rate variations may have an adverse impact on Groupe BPCE's net banking income and profitability.

Net interest income earned by Groupe BPCE during a given period has a material influence on net banking income and profitability for that period. In addition, material changes in credit spreads may influence Groupe BPCE's earnings. Interest rates are highly sensitive to various factors that may be outside the control of Groupe BPCE. In the last decade, interest rates have tended to be low but are on the rise, and Groupe BPCE may not be able to immediately pass on the impacts of this change. Changes in market interest rates may have an impact on the interest rate applied to interest-bearing assets, different from those of interest rates paid on interest-bearing liabilities. Any adverse change in the yield curve may reduce net interest income from associated lending and funding activities and thus negatively impact Groupe BPCE's profitability.

Market risks

Market fluctuations and volatility expose Groupe BPCE, and in particular Natixis, to losses in its trading and investment activities, which may adversely impact Group's BPCE's results and financial position.

With respect to its trading and investment activities, Natixis holds positions in the bond, currency, commodity and equity markets, as well as in unlisted securities, real estate assets and other asset classes (this is also true of other Groupe BPCE entities, but to a lesser extent). These positions may be affected by volatility on the markets (especially the financial markets), *i.e.* the degree of price fluctuations over a given period on a given market, regardless of the levels on the market in question. Volatility may also trigger losses on a vast range of other trading and hedging products used by Natixis, including swaps, futures, options and structured products, if prices or price variations are lower or higher than Natixis' estimates.

As Natixis holds assets or has net long positions in these markets, any market correction would lead to losses stemming from a decrease in the value of these net long positions. Conversely, as Natixis has disposed of assets which it does not own or in which it held net short positions on these markets, any rebound in these markets may expose it to losses due to measures taken to hedge these net short positions with long positions in a bullish market. Natixis may, on occasion, implement a trading strategy involving a long position in one asset and a short position in another, from which it intends to generate net gains on the opposing change in the relative value of both assets. However, if the relative value of both assets records the same change (*i.e.* both relative values increase or decrease), or they change to an extent not anticipated by Natixis, or for which no hedging transaction has been set up, the company could record a loss on its arbitrage positions. If material, these losses may weigh on the results of Natixis' transactions and financial position, and thus on Groupe BPCE's results and financial position.

The hedging strategies implemented by Groupe BPCE do not eliminate all risk of loss.

Groupe BPCE may incur losses if any of the different hedging instruments or strategies that it uses to hedge its exposure to various types of risks prove ineffective. Many of its strategies are based on historic market trends and correlations. For example, if Groupe BPCE holds a long position in an asset, it may hedge the associated risk by taking a short position in another asset whose past performance offsets the changes in the long position. However, Groupe BPCE may only have a partial hedge, or these strategies may not effectively mitigate its total risk exposure in all market configurations or may not be effective against all types of future risks. Any unforeseen trend in the markets may also reduce the effectiveness of Groupe BPCE's hedging strategies. Moreover, the accounting recognition of gains and losses from ineffective hedges may increase the volatility of results published by Groupe BPCE.

Changes in the fair value of Groupe BPCE's portfolios of securities and derivative products, and its own debt, are liable to have an adverse impact on the carrying amount of these assets and liabilities, and as a result on Groupe BPCE's net income and equity.

The carrying amount of Groupe BPCE's securities, derivative products and other types of assets, and of its own debt, is adjusted (in the balance sheet) at the date of each new financial statement. These adjustments are predominantly based on changes in the fair value of assets and liabilities during an accounting period, *i.e.* changes taken to profit or loss or directly to other comprehensive income. Changes recorded in the income statement, but not offset by corresponding changes in the fair value of other assets, have an impact on net banking income and thus on net income. All fair value adjustments have an impact on equity and thus on Groupe BPCE's capital adequacy ratios. The fact that fair value adjustments are recorded over an accounting period does not mean that additional adjustments will not be necessary in subsequent periods.

Groupe BPCE's revenues from brokerage and other activities associated with fee and commission income may decrease in the event of market downturns.

A market downturn is liable to lower the volume of transactions (particularly financial services and securities transactions) executed by Groupe BPCE entities for their customers and as a market maker, thus reducing net banking income from these activities. A market downturn is liable to lower the volume of transactions executed by Groupe BPCE for its customers and the corresponding fees, thus reducing revenues earned from these activities. Furthermore, as management fees invoiced by Groupe BPCE entities to their customers are generally based on the value or performance of portfolios, any decline in the markets causing the value of these portfolios to decrease or generating an increase in the amount of redemptions would reduce the revenues earned by these entities through the distribution of mutual funds or other investment products (for the Caisses d'Epargne and the Banque Populaire banks) or through asset management activities (for Natixis).

Even if there is no market decline, in the event mutual funds and other Groupe BPCE products underperform the market, redemptions may increase and inflows decrease as a result, with a potential corresponding impact on revenues from the Group's asset management business, which could adversely impact the financial position of Groupe BPCE.

Trading and banking book illiquidity risks

Extended market declines may reduce market liquidity and thus make it difficult to sell certain assets, in turn generating material losses.

In some of Groupe BPCE's activities, extended market trends (in particular downturns in asset prices) may reduce the level of business on the market or its liquidity. Such trends may result in material losses if Groupe BPCE is unable to unwind positions whose value is falling when necessary and incurs continuous losses on these positions. This may be the case, for example, for assets held by Groupe BPCE in markets that naturally tend to be illiquid. The valuation of these assets, which are not traded on stock exchanges or other public markets (*e.g.* derivatives traded between banks), is determined using models rather than official quoted prices. Groupe BPCE has high exposures to these assets and, given the number of open positions, any extended market decline may generate material losses. It is difficult to monitor declines in the prices of such assets and, consequently, Groupe BPCE runs the risk of incurring unexpected losses on high volumes of OTC derivatives.

Credit spread risks

BPCE must maintain high credit ratings to avoid affecting its profitability and business continuity.

Credit ratings have a significant impact on the liquidity of BPCE and its affiliates active in the financial markets (including Natixis). A ratings downgrade may affect the liquidity and competitive position of BPCE or Natixis, increase borrowing costs, limit access to financial markets and trigger obligations under some bilateral contracts governing trading, derivative and collateralized funding transactions, thus affecting its profitability and business continuity. BPCE and Natixis' unsecured long-term funding cost is directly linked to their respective credit spreads (the yield spread over and above the yield on government issues with the same maturity that is paid to bond investors), which in turn are heavily dependent on their ratings. An increase in credit spreads may materially raise BPCE and Natixis' funding cost. Shifts in credit spreads are correlated to the market and sometimes subject to unforeseen and highly volatile changes. Credit spreads are also influenced by market perception of issuer solvency. Moreover, credit spreads may be caused by changes in the price of credit default swaps backed by certain BPCE or Natixis debt securities. This price may in turn be influenced by the credit quality of these bonds and a number of other market factors over which BPCE and Natixis have no control.

Foreign exchange risk

Exchange rate fluctuations may adversely impact Groupe BPCE's net banking income or net income.

Groupe BPCE entities carry out a large share of their activities in currencies other than the euro, in particular the US dollar, and changes in exchange rates may adversely affect their net banking income and results. The fact that Groupe BPCE records costs in currencies other than the euro only partly offsets the impact of exchange rate fluctuations on net banking income. Natixis is particularly exposed to fluctuations between the euro and US dollar, as a major share of its net banking income and operating income is generated in the United States. However, these transactions may not fully offset the impact of unfavorable exchange rates on operating income. In some cases, they may even amplify their effect.

INSURANCE RISKS

A deterioration in market conditions, and in particular excessive interest rate increases or decreases, could have a material adverse impact on Groupe BPCE's life insurance business and net income.

The main risk to which Groupe BPCE insurance subsidiaries are exposed in their life insurance business is market risk. Exposure to market risk relates mainly to capital guarantee and return commitments on euro-denominated investment funds.

Among market risks, interest rate risk is structurally significant for Natixis, as its general funds consist primarily of bonds.

Interest rate fluctuations may:

- in the case of higher rates: reduce the competitiveness of the euro-denominated offer (by making new investments more attractive) and trigger waves of redemptions on unfavorable terms with unrealized capital losses on outstanding bonds;
- in the case of lower rates: in the long term, make the return on general funds too low to enable them to meet their capital guarantees.

Due to the allocation of the general funds, a widening of spreads and a fall in the equity markets could also have a material adverse impact on the results of Groupe BPCE's life insurance business.

A mismatch between the insurer's projected loss ratio and the actual benefits paid by Groupe BPCE to policyholders could have a material adverse impact on its non-life insurance business, results and financial position.

The main risk to which Groupe BPCE's insurance subsidiaries are exposed in their non-life insurance business is underwriting risk. This risk results from a mismatch between i) claims actually recorded and benefits actually paid as compensation for these claims and ii) the assumptions used by the subsidiaries to set the prices for their insurance products and to establish technical reserves for potential compensation.

Groupe BPCE uses both its own experience and industry data to develop estimates of future policy benefits, including information used in pricing insurance products and establishing the related actuarial liabilities. However, there can be no assurance that actual experience will match these estimates, and unforeseen risks such as pandemics or natural disasters could result in higher-than-expected payments to policyholders.

To the extent that the actual benefits paid by Groupe BPCE to policyholders are higher than the underlying assumptions used in initially establishing the future policy benefit reserves, or if events or trends were to cause Groupe BPCE to change the underlying assumptions, Groupe BPCE may be exposed to greater-than-expected liabilities, which may adversely affect its non-life insurance business, results and financial position.

NON-FINANCIAL RISKS

Legal and reputational risks

Reputational and legal risks could unfavorably impact Groupe BPCE's profitability and business outlook.

Groupe BPCE's reputation is of paramount importance when it comes to attracting and retaining customers. Use of inappropriate means to promote and market Group products and services, inadequate management of potential conflicts of interest, legal and regulatory requirements, ethics issues, money laundering laws, economic sanctions, data security policies, and sales and trading practices could adversely affect Groupe BPCE's reputation. Its reputation could also be harmed by inappropriate employee behavior, fraud, misappropriation of funds or other misconduct committed by financial sector participants to which Groupe BPCE is exposed, any decrease, restatement or correction of financial results, or any legal ruling or regulatory action with a potentially unfavorable outcome. Any such harm to Groupe BPCE's reputation may have a negative impact on its profitability and business outlook.

Ineffective management of reputation risk could also increase Groupe BPCE's legal risk, the number of legal disputes in which it is involved and the amount of damages claimed, or may expose the Group to regulatory sanctions.

IT security and information system risk

Any interruption or failure of the information systems belonging to Groupe BPCE or a third party may lead to losses, including commercial losses.

As is the case for the majority of its competitors, Groupe BPCE is highly dependent on information and communication systems, as a large number of increasingly complex transactions are processed in the course of its activities. Any failure, interruption or malfunction in these systems may cause errors or interruptions in the systems used to manage customer accounts, general accounts, deposits, transactions and/or to process loans. For example, if Groupe BPCE's information systems were to malfunction, even for a short period, the affected entities would be unable to meet their customers' needs in time and could thus lose transaction opportunities. Similarly, a temporary failure in Groupe BPCE's information systems despite back-up systems and contingency plans could also generate substantial data recovery and verification costs, or even a decline in its proprietary activities if, for example, such a failure were to occur during the implementation of a hedging transaction. The inability of Groupe BPCE's systems to adapt to an increasing volume of transactions may also limit its ability to develop its activities.

Groupe BPCE is also exposed to the risk of malfunction or operational failure by one of its clearing agents, foreign exchange markets, clearing houses, custodians or other financial intermediaries or external service providers that it uses to carry out or facilitate its securities transactions. As interconnectivity with its customers continues to grow, Groupe BPCE may also become increasingly exposed to the risk of the operational malfunction of customer information systems. Groupe BPCE's information and communication systems, and those of its customers, service providers and counterparties, may also be subject to failures or interruptions resulting from cybercriminal or cyberterrorist acts. For example, as a result of its digital transformation, Groupe BPCE's information systems are becoming increasingly open to the outside (cloud computing, big data, etc.) and many of its processes are gradually going digital. Use of the Internet and connected devices (tablets, smartphones, apps used on tablets and mobiles, etc.) by employees and customers is on the rise, increasing the number of channels serving as potential vectors for attacks and disruptions, and the number of devices and applications vulnerable to attacks and disruptions. Consequently, the software and hardware used by Groupe BPCE's employees and external agents are constantly and increasingly subject to cyberthreats. Groupe BPCE cannot guarantee that such malfunctions or interruptions in its own systems or in third party systems will not occur or that, if they do occur, that they will be adequately resolved. Any interruption or failure of the information systems belonging to Groupe BPCE or third parties may generate losses (including commercial losses) due to the disruption of its operations and the possibility that its customers may turn to other financial institutions during and/or after any such interruptions or failures.

Unforeseen events may interrupt Groupe BPCE's operations and generate losses and additional costs.

Unforeseen events, such as a serious natural disaster, climate risk-related events (physical risk directly associated with climate change), pandemics, attacks or any other emergency situation can cause an abrupt interruption in the operations of Groupe BPCE entities, affecting in particular the Group's core business lines (liquidity, payment instruments, securities services, loans to individual and corporate customers, and fiduciary services) and trigger material losses, if the Group is not covered or not sufficiently covered by an insurance policy. These losses could relate to material assets, financial assets, market positions or key personnel, and have a direct and potentially material impact on Groupe BPCE's net income. Moreover, such events may also disrupt Groupe BPCE's infrastructure, or that of a third party with which Groupe BPCE does business, and generate additional costs (relating in particular to the cost of re-housing affected personnel) and increase Groupe BPCE's costs (such as insurance premiums). Such events may invalidate insurance coverage of certain risks and thus increase Groupe BPCE's overall level of risk.

Execution, delivery and process management risks

The failure or inadequacy of Groupe BPCE's risk management policies, procedures and strategies may expose it to unidentified or unforeseen risks, which may in turn generate losses.

The risk management techniques and strategies employed by Groupe BPCE may not succeed in effectively limiting its exposure to all types of market environments or all kinds of risks, and may even prove ineffective for some risks that the Group was unable to identify or anticipate. Furthermore, Groupe BPCE's risk management techniques and strategies may not effectively limit its exposure to risk and do not guarantee that overall risk will actually be lowered. These techniques and strategies may prove ineffective against certain types of risk, in particular risks that Groupe BPCE had not already identified or anticipated, given that the tools used by Groupe BPCE to develop risk management procedures are based on assessments, analyses and assumptions that may prove inaccurate. Some of the indicators and qualitative tools used by Groupe BPCE to manage risk are based on the observation of past market performance. To measure risk exposures, the heads of risk management carry out a statistical analysis of these observations.

There is no guarantee that these tools or indicators will be capable of predicting future exposure to risk. For example, risk exposures may stem from factors that Groupe BPCE may not have anticipated or correctly assessed in its statistical models or from unexpected or unprecedented shifts in the market. This would limit Groupe BPCE's risk management capability. As a result, losses incurred by Groupe BPCE may be higher than those estimated on the basis of historic measurements. Moreover, the Group's quantitative models cannot factor in all risks. Some risks are subject to a more qualitative analysis, which may prove inadequate and thus expose Groupe BPCE to material unexpected losses. In addition, while no significant problem has been identified to date, the risk management systems are subject to the risk of operational failure, including fraud.

STRATEGIC, BUSINESS AND ECOSYSTEM RISKS

Ecosystem risks

MACROECONOMIC RISKS

Over the last ten years, economic and financial conditions in Europe have had and may continue to have an impact on Groupe BPCE and its markets of operation.

The European markets have experienced major upheavals over the past ten years which have affected economic growth, particularly during the 2008 financial crisis. Initially originating from concerns over the ability of certain euro zone countries to refinance their debt securities, these disruptions have created uncertainties more generally regarding the short-term economic outlook of European Union countries as well as the quality of the debt securities of sovereign European Union issuers. There has also been an indirect impact on financial markets in Europe and worldwide.

While the impact on its sovereign bond holdings has remained limited, Groupe BPCE has been indirectly affected by the consequences of the financial crisis spreading to most countries in the euro-zone, including France, the Group's historic domestic market. In the wake of these crises, anti-austerity sentiment has triggered political uncertainties in a number of European companies, while the financial and banking markets have been impacted by other factors, including the many unconventional economic stimulus measures launched by the European Central Bank (the "ECB") along with other central banks around the world. The financial markets have also been subject to strong volatility in response to various events, including but not limited to the decline in oil and commodity prices, the slowdown in emerging economies and turbulence on the equity markets, which have directly or indirectly impacted several Groupe BPCE businesses (primarily securities transactions and financial services). If economic or market conditions in France or elsewhere in Europe were to deteriorate further, Groupe BPCE's markets of operation could be more significantly disrupted, and its business, results and financial position could be adversely affected.

A persistently low interest rate environment may be detrimental to the profitability and financial position of Groupe BPCE.

The global markets have been subject to low interest rates in recent years, and it appears this situation will not be changing anytime soon. When interest rates are low, credit spreads tend to tighten, meaning Groupe BPCE may not be able to sufficiently lower interest rates paid on deposits to offset the drop in revenues associated with issuing loans at lower market rates. Groupe BPCE's efforts to reduce the cost of deposits may be restricted by the high volumes of regulated products, especially on the French market, including in particular Livret A passbook savings accounts and PEL home savings plans, which earn interest above the current market rate. In addition, Groupe BPCE may incur an increase in prepayments and renegotiations of home loans and other fixed-rate loans to individuals and corporates, as customers seek to take advantage of lower borrowing costs. Combined with the issuance of new loans at low interest rates prevailing on the markets, Groupe BPCE may see an overall decrease in the average interest rate in the loan book. Reduced credit spreads and weaker retail banking revenues stemming from this decrease may undermine the profitability of the retail banking activities and overall financial position of Groupe BPCE. Furthermore, if market rates begin climbing again and Groupe BPCE's hedging strategies prove ineffective or only partially offset this fluctuation in value, its profitability may be affected. An environment of persistently low interest rates may also cause the market yield curve to flatten more generally, which in turn may lower the premium generated by Groupe BPCE's financing activities and negatively impact its profitability and financial position. The flattening of the yield curve may also encourage financial institutions to enter into higher-risk activities in an effort to obtain the targeted level of return, which may heighten risk and volatility on the market.

POLITICAL RISK

The United Kingdom's vote to leave the European Union could have an adverse impact on Groupe BPCE and its markets of operation.

On June 23, 2016, the United Kingdom held a referendum that saw the majority of voters choose to exit the European Union ("Brexit"). On March 29, 2017, the government of the United Kingdom invoked Article 50 of the Treaty on the European Union (the "Lisbon Treaty") relating to withdrawal. Negotiations have begun to determine future relations between the United Kingdom and the European Union, particularly in terms of commercial, financial and legal agreements. The nature, timetable and economic/political impacts of a potential Brexit are still highly uncertain and will depend on the outcome of negotiations between the United Kingdom and the European Union. Brexit has sparked uncertainties, volatility and major disturbances on the European markets, and more broadly on the global economic and financial markets, and may well continue to do so, potentially harming the credit rating, activity, results and financial position of Groupe BPCE.

REGULATORY RISK

Groupe BPCE is subject to significant regulation in France and in several other countries of operation around the world; regulatory measures and changes could adversely affect Groupe BPCE's business and results.

The business and results of Group entities may be materially impacted by the policies and actions of various regulatory authorities in France, other governments of the European Union, the United States, foreign governments and international organizations. Such constraints may limit the ability of Groupe BPCE entities to expand their businesses or conduct certain activities. The nature and impact of future changes in such policies and regulatory measures are unpredictable and are beyond Groupe BPCE's control. Moreover, the general political environment has evolved unfavorably for banks and the financial industry, resulting in additional pressure on the part of legislative and regulatory bodies to adopt more stringent regulatory measures, despite the fact that these measures may have adverse consequences on lending and other financial activities, and on the economy. Because of the continuing uncertainty surrounding the new legislative and regulatory measures, it is not possible to predict what impact they will have on Groupe BPCE; however, this impact may be highly adverse.

For example, legislation and regulations have recently been enacted or proposed with a view to introducing a number of changes – some permanent – in the global financial environment. While the objective of these new measures is to prevent another global financial crisis, the impact of the new measures could substantially change, and may continue to change, the environment in which Groupe BPCE and other financial institutions operate.

The measures that have been or may be adopted include more stringent capital and liquidity requirements for internationalized institutions or groups such as Groupe BPCE, taxes on financial transactions, limits or taxes on variable pay over specified levels, limits on the types of activities that commercial banks can undertake (particularly proprietary trading and investment and ownership in private equity funds and hedge funds), new ring-fencing requirements relating to certain activities, restrictions on the types of entities permitted to trade in swaps, restrictions on certain types of financial activities or products such as derivatives, the mandatory write-down or conversion into equity of certain debt instruments, enhanced resolution and recovery mechanisms, new risk-weighting methods (especially in insurance businesses), periodic stress tests and the creation of new regulatory bodies or the enhancement of resources used by existing regulatory bodies, including the transfer of certain supervisory functions to the ECB. Some of these new measures are proposals currently under discussion, which are subject to revision and interpretation, notably to allow national regulators to adapt them to each country's framework.

As a result of some of these measures, Groupe BPCE has downsized, and may further downsize, certain activities in order to comply with the new requirements. These measures are also liable to increase the cost of compliance with new regulations. This could cause revenues and consolidated profit to decline in the relevant business lines, sales to decline in certain activities and asset portfolios, and asset impairment expenses.

Some of these measures could also raise Groupe BPCE's financing costs. For example, on November 9, 2015, the Financial Stability Board finalized international standards requiring systemically important banks to maintain large sums of loans subordinated (by law, contract or structure) to certain secured operating liabilities, such as guaranteed or insured deposits. The purpose of these requirements, relative to the TLAC (Total Loss Absorbing Capacity) ratio, is to ensure that losses are absorbed by shareholders or creditors (excluding creditors in respect of secured operating liabilities) and thus without calling on public funds.

On November 23, 2016, the European Commission issued several legislative proposals aimed at amending a number of key EU banking directives and regulations, including the CRD IV Directive, the CRD IV Regulation, the BRRD and the Single Resolution Mechanism Regulation (as these terms are defined below). If adopted, these legislative proposals would, among other things, give effect to the FSB TLAC Term Sheet and modify the requirements applicable to the "minimum requirement for own funds and eligible liabilities" (MREL). The implementation of the current texts and the new proposals, and their application to Groupe BPCE or the taking of any action thereunder is currently uncertain.

On November 16, 2018, the Financial Stability Board (FSB), in consultation with Basel Committee on Banking Supervision and national authorities, published the 2018 list of global systemically important banks (G-SIBs). Groupe BCPE is classified as a G-SIB by the FSB. Groupe BPCE also appears on the list of global systematically important financial institutions (G-SIFIs).

These regulatory measures, which may apply to various Groupe BPCE entities, and any changes in such measures may impact the business and results of Groupe BPCE.

Tax legislation and its application in France and Groupe BPCE's other countries of operation are liable to have an adverse impact on Groupe BPCE's profits.

As a multinational banking group that carries out large and complex international transactions, Groupe BPCE (particularly Natixis) is subject to tax legislation in a large number of countries throughout the world, and structures its activity in compliance with applicable tax rules. Changes in tax schemes by the competent authorities in these countries could materially impact Groupe BPCE's profits. Groupe BPCE manages its activities with a view to creating value from the synergies and sales capabilities of its various constituent entities. It also works to structure financial products sold to its customers from a tax efficiency standpoint. The structure of intra-group transactions and financial products sold by entities of Groupe BPCE are based on its own interpretations of applicable tax regulations and laws, generally based on opinions given by independent tax experts, and, as needed, on decisions or specific interpretations by the competent tax authorities. It is possible that in the future tax authorities may question some of these interpretations, as a result of which the tax positions of Groupe BPCE entities may be disputed by the tax authorities, potentially resulting in tax re-assessments.

Investors in BPCE securities could incur losses if BPCE were subject to resolution proceedings.

The EU Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (defined below), as transposed into French law by Ministerial Decree No. 2015-2024 of August 20, 2015, provide resolution authorities with the power to write down BPCE's securities or, in the case of debt securities, to convert them into capital.

Resolution authorities may write down or convert capital instruments, such as BPCE's Tier 2 subordinated debt securities, if the issuing institution or the group to which it belongs is failing or likely to fail (and there is no reasonable prospect that another measure would avoid such failure within a reasonable time period), becomes non-viable, or has to be bailed out (subject to certain exceptions). They must write down or convert capital instruments before opening a resolution proceeding, or if doing so is necessary to maintain the viability of an institution. Any write-down or conversion of capital instruments must be effected in order of seniority, so that Common Equity Tier 1 instruments are to be written down first, then Additional Tier 1 instruments written down or converted to capital, followed by Tier 2 instruments. If the write-down or conversion of capital instruments is not sufficient to restore the financial health of the institution, the bail-in power held by the resolution authorities may be applied to write down or convert eligible liabilities, such as BPCE's senior non-preferred and senior preferred debt.

A resolution proceeding may be initiated against an institution, such as BPCE, if (i) it or the group to which it belongs is failing or likely to fail, (ii) there is no reasonable prospect that another measure would avoid such failure within a reasonable time period, and (iii) a resolution measure is required, to achieve the objectives of the resolution: (a) to ensure the continuity of critical functions, (b) to avoid a significant adverse effect on the financial system, (c) to protect public funds by minimizing reliance on bail-outs, and (d) to protect customer funds and assets, in particular those of depositors. Failure of an institution means that it no longer meets accreditation requirements, is unable to pay its debts or other liabilities when they fall due, has to be bailed out (subject to limited exceptions), or the value of its liabilities exceeds the value of its assets.

In addition to bail-in power, resolution authorities are provided with broad powers to apply other resolution measures to failing institutions or, under certain circumstances, their groups, including but not limited to: the sale, in part or in whole, of the institution's business to a third party or a bridging institution, segregation of assets, replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), suspension of listing and admission to trading of financial instruments, dismissal of managers or appointment of a temporary administrator *(administrateur spécial)* and issuance of new equity or own funds.

The exercise of the powers described above by resolution authorities could result in the partial or total write-down or conversion of the capital instruments and debt instruments issued by BPCE, or may substantially affect the amount of resources available to BPCE to make payments such on instruments.

Strategic and business risks

Groupe BPCE's reported results are liable to vary from the targets set in the 2018-2020 strategic plan for a number of reasons, including the materialization of one or more of the risk factors described in this section. If Groupe BPCE does not meet its targets, its financial position and the value of its financial instruments may be adversely affected.

Groupe BPCE will implement a strategic plan for the 2018-2020 period focusing on a combination of (i) digital transformation in order to seize opportunities created by the ongoing technological revolution, (ii) commitments to its customers, employees and cooperative shareholders, and (iii) growth in all of the Group's core businesses. This document contains forward-looking information, which is necessarily subject to uncertainty. In particular, in connection with the 2018-2020 Strategic Plan, Groupe BPCE announced certain financial targets, including revenue synergies between Natixis and the Banque Populaire and Caisse d'Epargne networks and cost cutting targets. In addition, Groupe BPCE also disclosed targets for regulatory capital and TLAC ratios, strategic initiatives and priorities, and information on how cost of risk on outstandings is managed. The financial targets were established primarily for planning and resource allocation purposes, are based on a number of assumptions, and do not constitute projections or forecasts of forecast results. Groupe BPCE's reported results are liable to vary from these targets for a number of reasons, including the materialization of one or more of the risk factors described in this section. If Groupe BPCE does not meet its targets, its financial position and the value of its financial instruments may be adversely affected.

Actual results may vary compared to assumptions used to prepare Groupe BPCE's financial statements, which may expose it to unexpected losses.

In accordance with current IFRS standards and interpretations, Groupe BPCE must base its financial statements on certain estimates, in particular accounting estimates relating to the determination of provisions for non-performing loans and receivables, provisions for potential claims and litigation, and the fair value of certain assets and liabilities. If the values used by Groupe BPCE for these estimates prove to be materially inaccurate, in particular in the event of major and/or unexpected market trends, or if the methods used to calculate these values are modified due to future changes in IFRS standards or interpretations, Groupe BPCE may be exposed to unexpected losses.

BPCE may have to help entities belonging to the financial solidarity mechanism in the event they experience financial hardships, including entities in which BPCE holds no economic interest, which may adversely impact Groupe BPCE's results and financial position.

As the central institution of Groupe BPCE, BPCE is responsible for ensuring the liquidity and solvency of each regional bank (Banque Populaire banks and Caisses d'Epargne) and the other members of the group of affiliates, which are credit institutions subject to French regulations. The group of affiliates includes BPCE subsidiaries, such as Natixis, Crédit Foncier de France and Banque Palatine. While the regional banks and some other members of the group of affiliates are required to provide BPCE with similar support, there is no guarantee that the benefits of the financial solidarity mechanism will outweigh the costs.

The regional banks and entities belonging to the group of affiliates are obligated to make additional contributions to the guarantee fund on their future profits. While the guarantee fund represents a substantial source of resources to fund the solidarity mechanism, there is no guarantee these revenues will be sufficient. Should the guarantee fund prove insufficient, BPCE will have to make up the deficit in its capacity as the central institution.

Intense competition in France, Groupe BPCE's main market, or internationally, may cause its net income and profitability to decline.

Groupe BPCE's main business lines operate in a very competitive environment both in France and other parts of the world where it is does substantial business. This competition is heightened by consolidation, either through mergers and acquisitions or cooperation and arrangements. Consolidation has created a certain number of companies which, like Groupe BPCE, can offer a wide range of products and services ranging from insurance, loans and deposits to brokerage, investment banking and asset management. Groupe BPCE is in competition with other entities based on a number of factors, including the execution of transactions, products and services offered, innovation, reputation and price. If Groupe BPCE is unable to maintain its competitiveness in France or in its other major markets by offering a range of attractive and profitable products and services, it may lose market share in certain key business lines or incur losses in some or all of its activities. Moreover, a slowdown in the global economy or the economic environment of Groupe BPCE's main markets is likely to increase competitive pressure, in particular through greater pricing pressure and a slowdown in business volume for Groupe BPCE and its competitors. New and more competitive players, which are subject to separate or more flexible regulations or to other requirements in terms of capital adequacy ratios, may also enter the market. Such new market participants would thus be able to offer more competitive products and services. Advances in technology and the growth of e-commerce have made it possible for institutions other than custodians to offer products and services that were traditionally banking products, and for financial institutions and other companies to provide electronic and Internet-based financial solutions, including e-trading. These new entrants may put downward pressure on the price of Groupe BPCE's products and services or affect Groupe BPCE's market share. Advances in technology could lead to rapid and unexpected changes on Groupe BPCE's markets of operation. Groupe BPCE's competitive position, net earnings and profitability may be adversely affected should it prove unable to adequately adapt its activities or strategy in response to such changes.

Groupe BPCE's ability to attract and retain skilled employees is paramount to the success of its business and failing to do so may affect its performance.

The employees of Groupe BPCE entities are the Group's most valuable resource. Competition to attract qualified employees is fierce in many areas of the financial services sector. Groupe BPCE's earnings and performance depend on its ability to attract new employees and retain and motivate existing employees. Changes in the economic environment (in particular tax and other measures aimed at limiting the pay of banking sector employees) may compel Groupe BPCE to transfer its employees from one unit to another, or reduce the workforce in certain business lines, which may cause temporary disruptions due to the time required for employees to adapt to their new duties, and may limit Groupe BPCE's ability to benefit from improvements in the economic environment. This may prevent Groupe BPCE from taking advantage of potential opportunities in terms of sales or efficiency.

Risk associated with strategic investments

Groupe BPCE may encounter difficulties in adapting, implementing and incorporating its policy when taking part in acquisitions or joint ventures.

Although acquisitions are not a major part of Groupe BPCE's current strategy, the Group may nonetheless consider acquisition or partnership opportunities in the future. Although Groupe BPCE carries out an in-depth analysis of any potential acquisitions or joint ventures, in general it is impossible to carry out an exhaustive appraisal in every respect. As a result, Groupe BPCE may have to manage initially unforeseen liabilities. Similarly, the results of the acquired company or joint venture may prove disappointing and the expected synergies may not be realized in whole or in part, or the transaction may give rise to higher-than-expected costs. Groupe BPCE may also encounter difficulties with the consolidation of new entities. The failure of an announced acquisition or failure to consolidate a new entity or joint venture may place a material strain on Groupe BPCE's profitability. This situation may also lead to the departure of key personnel. In the event that Groupe BPCE is obliged to offer financial incentives to its employees in order to retain them, this situation may also lead to an increase in costs and a decline in profitability. Joint ventures expose Groupe BPCE to additional risks and uncertainties in that it may depend on systems, controls and persons that are outside its control and may, in this respect, see its liability incurred, incur losses or suffer damage to its reputation. Moreover, conflicts or disagreements between Groupe BPCE and its joint venture partners may have a negative impact on the targeted benefits of the joint venture.

6.2 General structure of Groupe BPCE'S internal control system

The Group control system relies on three levels of controls, in accordance with banking regulations and sound management practices – two levels of permanent controls and one level of periodic control – as well as the establishment of consolidated control processes in accordance with provisions approved by BPCE's Management Board.

6.2.1 Participants in the control system

PERMANENT CONTROL BY LINE MANAGEMENT (LEVEL 1)

Level 1 permanent control is the first link in internal control and is primarily performed by operational or support departments under the supervision of their line management.

These departments are responsible for:

- implementing formalized, documented and reportable self-checks;
- documenting and verifying compliance with transaction processing procedures, detailing the responsibility of those involved and the types of checks carried out;
- verifying the compliance of transactions;
- implementing recommendations drawn up by Level 2 control functions on the Level 1 control system;
- reporting to and alerting Level 2 control functions.

Depending on the situation and activit(ies) in question, Level 1 controls are performed, jointly if applicable, by a special-purpose Middle Office-type control unit or accounting control entity, by the operational staff themselves, or by line managers.

Level 1 controls are formally reported to the relevant Permanent Control divisions or functions.

PERMANENT CONTROL BY DEDICATED ENTITIES (LEVEL 2)

Level 2 permanent controls, within the meaning of Article 13 of Ministerial Order A-2014-11-03 on internal control, are performed by entities dedicated exclusively to this duty within the Group's Risk, Compliance and Permanent Control division.

Other central functions also contribute to the permanent control system, such as the Legal Affairs division and the Group Human Resources division for certain issues affecting the pay policy.

6.2.2 Permanent and Periodic Control departments

Integrated Permanent and Periodic Control departments have been set up throughout Groupe BPCE. Two Permanent and Periodic Control divisions are established within the central institution, under its authority: the Group Risk, Compliance and Permanent Control division for permanent controls and the Group *Inspection Générale* division for periodic controls. The permanent and periodic control functions, which are located at affiliates and subsidiaries subject to banking supervision, are functionally subordinate, as consolidated control departments, to BPCE's corresponding Central Control divisions and report to their entity's executive body. This subordination link includes approval of the appointment and dismissal of managers responsible for permanent or periodic control at affiliates and direct subsidiaries; reporting, disclosure and alert obligations; standards implemented by the central institution and laid out in a body of standards; and the definition or approval of control plans. These links have been formally defined in charters covering each department.

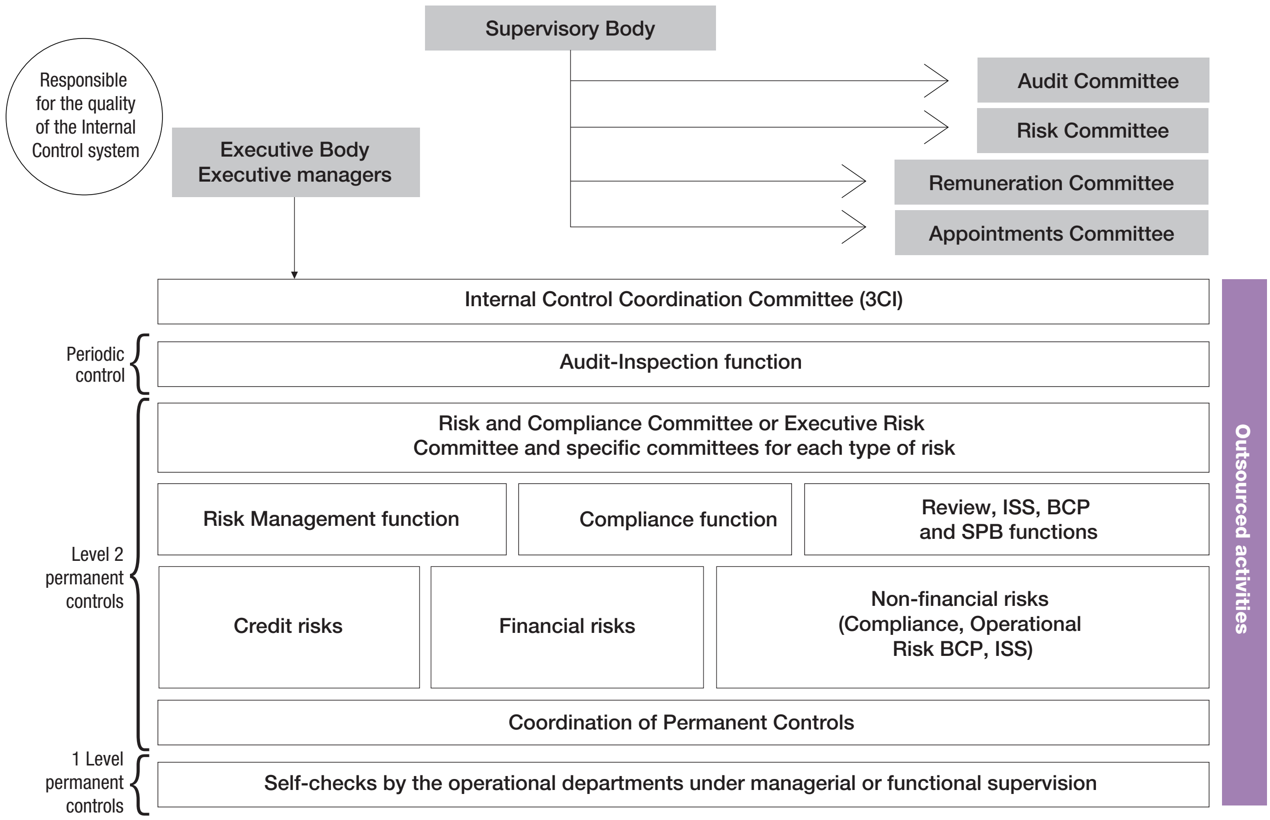
The entire system was approved by the Management Board on December 7, 2009 and presented to the Audit Committee on December 16, 2009. It was also presented to the Supervisory Board of BPCE. The Risk Charter was reviewed in 2017 and the body of standards consists of three Group charters covering all activities:

- the Group's Internal Control Charter: an umbrella charter based on the following two separate charters:
  - the Internal Audit Charter,
  - and the Risk, Compliance and Permanent Control Charter.

As mentioned above, the system also includes the Information System Security department and, to a certain extent, the Human Resources and Legal Affairs departments.

6.2.3 Structure of Groupe BPCE's internal control system

ORGANIZATION CHART – GROUPE BPCE INTERNAL CONTROL SYSTEM



INTERNAL CONTROL COORDINATION COMMITTEE

The Chairman of the central institution's Management Board is responsible for ensuring the consistency and effectiveness of the internal control system.

A Group Internal Control Coordination Committee (CCCIG), chaired by the Chairman of the Management Board or his representative, meets periodically.

This committee is responsible for dealing with all issues relating to the consistency and effectiveness of the Group internal control system, as well as the results of risk management and internal control work and follow-up work.

The committee's main responsibilities include:

- validating the Group's Internal Control Charter, Risk, Compliance and Permanent Control Charter and Audit Charter;
- reviewing dashboards and reports on group control results, and presenting permanent control coordination initiatives and results;
- validating action plans to be implemented in order to achieve a consistent and efficient Group permanent control system, and assessing progress made on corrective measures adopted subsequent to recommendations issued by the Group *Inspection Générale* division, the national or European supervisory authorities, and the permanent control functions;
- reviewing the Group's internal control system, identifying any shortcomings, and suggesting appropriate solutions to further secure the institutions and the Group;
- reviewing the allocation of resources with respect to risks incurred;
- presenting the results of institution controls or benchmarks;
- deciding on any cross-business initiatives or measures aimed at strengthening the Group's internal control system;
- ensuring consistency between measures taken to strengthen permanent control and risk areas identified during the consolidated macro-level risk mapping exercise.

This committee's members include the member of the Executive Management Committee in charge of Risk, Compliance and Permanent Control and the Group Head of Internal Audit, who is a member of the Group's Executive Committee. The Management Board member in charge of Retail Banking and Insurance is a standing member. If applicable, the Internal Control Coordination Committee may hear reports from operational managers about measures they have taken to apply recommendations made by internal and external control bodies.

GROUP RISK MANAGEMENT AND COMPLIANCE COMMITTEE: UMBRELLA COMMITTEE

Its scope covers the entire Group (central institution, networks and all subsidiaries).

It sets the broad risk policy, decides on the global ceilings and limits for Groupe BPCE and for each institution, validates the authorization limits of other committees, examines the principal risk areas for Groupe BPCE and for each institution, reviews consolidated risk reports and approves risk action plans for the measurement, supervision and management of risks, as well as Groupe BPCE's principal risk standards and procedures. It monitors limits (Ministerial Order of November 3, 2014 on internal control, Article 226), particularly when overall limits are likely to be reached (Ministerial Order of November 3, 2014 on internal control, Article 229).

The committee also examines matters relating to non-financial risks, specifically including risks associated with the compliance of banking and insurance activities, investment services and financial security.

Overall risk limits are reviewed at least once a year and presented to the Group Risk Management and Compliance Committee (Ministerial Order of November 3, 2014 on internal control, Article 224). The Umbrella Committee provides the Risk Management Committee of the Supervisory Board with proposed criteria and thresholds for the identification of incidents to be brought to the attention of the supervisory body (Ministerial Order of November 3, 2014 on internal control, Articles 98 and 244). The Group Risk Management Committee is notified twice a year of the conditions under which the established limits were observed (Ministerial Order of November 3, 2014 on internal control, Article 252).

At the same time, several committees are responsible either for defining groupwide methodology standards for measuring, managing, reporting and consolidating all risks throughout the Group, or for making decisions about risk projects with an IT component.

COMMITTEES SPECIFIC TO EACH DEPARTMENT

Credit Risk/Commitment Committees

Several kinds of committees have been established to manage credit risk for the full Group scope, meeting at varying frequencies depending on their roles (*ex-post* or decision-making analysis) and their scope of authority.

Financial Risk Committees

The Group has also established Decision-Making and Supervisory Committees for both market and structural ALM risk. The frequency of their meetings is tailored to institutional and Group needs.

Non-Financial Risk Committee

This committee meets quarterly and includes the various Groupe BPCE business lines affected by non-compliance and operational risks, while incorporating Information System Security, Business Continuity and Accounting Review issues. Its objective is to validate action plans targeting these risks, which are included in the single map covering all risks incurred across Groupe BPCE. It also performs consolidated supervision of losses, incidents and alerts, including reports made to the ACPR under Article 98 of Ministerial Order A-2014-11-03 in respect of non-financial risks.

6.3 Capital management and capital adequacy

6.3.1 Regulatory framework

Regulatory monitoring of credit institutions' capital is based on regulations defined by the Basel Committee.

These regulations were reinforced following the introduction of Basel III, with an increase in the level of regulatory capital requirements and the introduction of new risk categories.

Basel III recommendations were incorporated in EU Directive 2013/36/EU (Capital Requirements Directive – CRD IV) and Regulation No. 575/2013 (Capital Requirements Regulation – CRR) of the European Parliament and of the Council. As of January 1, 2014, all EU credit institutions are subject to compliance with the prudential requirements set out in these texts.

Credit institutions subject to CRD and CRR are thus required to continuously observe:

- the Common Equity Tier 1 (CET1) ratio;
- the Tier 1 ratio, *i.e.* CET1 plus additional Tier 1 capital (AT1);
- the total capital ratio, *i.e.* Tier 1 plus Tier 2 capital;
- and, as of January 1, 2016, the capital buffers which can be used to absorb losses in the event of tensions.

  These buffers include:

  - a capital conservation buffer, comprised of Common Equity Tier 1, aimed at absorbing losses in times of serious economic stress,
  - a countercyclical buffer, aimed at protecting the banking sector from periods of excess aggregate credit growth. This common equity surcharge is supposed to be adjusted over time in order to increase capital requirements during periods in which credit growth exceeds its normal trend and to relax them during slowdown phases,
  - a systemic risk buffer for each Member State aimed at preventing and mitigating the systemic risks that are not covered by regulations (negligible for Groupe BPCE),
  - the different systemic risk buffers aimed at reducing the risk of failure of systemically important financial institutions. These buffers are specific to each bank. Groupe BPCE is on the list of other systemically important institutions (O-SIIs) and global systemically important banks (G-SIBs). As these buffers are not cumulative, the highest buffer applies.

The ratios are equal in terms of the relationship between capital and the sum of:

- credit and dilution risk-weighted assets; and
- capital requirements for the prudential supervision of market risk and operational risk, multiplied by 12.5.

They are subject to a phase-in calculation aimed at gradually transitioning from Basel 2.5 to Basel III. These phase-in arrangements mainly cover:

- changes in capital ratios before buffers: since 2015, the minimum Common Equity Tier 1 ratio has been 4.5%, the minimum Tier 1 capital ratio 6%, and the minimum total capital ratio 8%;
- changes in capital buffers, applied gradually from fiscal year 2016 until 2019:
  - the capital conservation buffer, comprised of Common Equity Tier 1, is set for 2019 at 2.5% of the total amount of risk exposures (0.625% as from January 1, 2016, plus 0.625% per year until 2019),
  - Groupe BPCE's countercyclical buffer is the EAD-weighted average of the buffers defined for each of the Group's countries of operation. Groupe BPCE's maximum countercyclical buffer as from January 1, 2016 is 0.625%. As most of Groupe BPCE's exposures are located in countries whose countercyclical buffer has been set at 0%, the Group considers that this rate will be very close to 0%,
  - the G-SIB buffer is currently set at 1% for the Group by 2019 (0.25% as from January 1, 2016, plus an additional 0.25% per year until 2019);
- the gradual incorporation of Basel III provisions:
  - the new regulation has eliminated the majority of the prudential filters, and in particular those relating to unrealized capital gains and losses on equity instruments and debt securities at fair value through other comprehensive income. This elimination is being implemented gradually each year in 20% increments for Common Equity Tier 1 capital. Accordingly, unrealized capital gains have been fully included since January 1, 2018. Unrealized capital losses have been included since 2014,
  - in accordance with Articles 14 and 15 of ECB Regulation (EU) No. 2016/445 of March 14, 2016, unrealized capital gains and losses on sovereign securities are no longer subject to an exemption. They have been fully deducted since January 1, 2018,
  - the capped or excluded share of non-controlling interests has been gradually deducted from each capital tier in 20% increments every year since 2014, and has therefore been fully deducted since January 1, 2018,
  - deferred tax assets (DTAs) that rely on future profitability and linked to tax loss carryforwards have been gradually deducted in 10% increments since 2015. In accordance with Article 19 of ECB Regulation (EU) No. 2016/445 of March 14, 2016, deferred tax assets have been deducted at a rate of 80% since January 1, 2018 and will be fully deducted in 2019,

- DTAs assets that rely on future profitability and arise from temporary differences have been gradually deducted in 20% increments since 2014 (and have therefore been fully deducted since January 1, 2018) for the share exceeding the common allowance for equity interests of more than 10%. In 2017, the remaining 20% was still accounted for in accordance with CRD III; the items covered by the allowance are weighted at 250%,
- Common Equity Tier 1 instruments held in equity interests of more than 10% have been fully deducted since January 1, 2018: the residual amount of the share exceeding the allowance, applicable to DTAs as referred to in the previous point, is deducted using the same methods as in the point above. The items covered by the allowance are weighted at 250%,
- hybrid debt instruments eligible to be included in capital under Basel II, and which are no longer eligible under the new regulation, may under certain conditions be eligible for the grandfathering clause. In accordance with this clause, they are gradually excluded over an eight-year period, with a 10% decrease each year. Since January 1, 2018, 40% of all such instruments declared at December 31, 2013 have been recognized, then 30% in 2019 and so forth in subsequent years. The unrecognized share may be included in the lower equity tier if it meets the relevant criteria.

Credit institutions must comply with prudential requirements, which are based on three pillars that form an indivisible whole:

PILLAR I

Pillar I sets minimum requirements for capital. It aims to ensure that banking institutions hold sufficient capital to provide a minimum level of coverage for their credit risk, market risk and operational risk. The bank can use standardized or advanced methods to calculate its capital requirement.

REVIEW OF MINIMUM CAPITAL REQUIREMENTS UNDER PILLAR I

	2014	2015	2016	2017	2018	From 2019
Minimum regulatory capital requirements						
Common Equity Tier 1 (CET1)	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Total Tier 1 capital (T1 = CET1 + AT1)	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Regulatory capital (T1 + T2)	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Additional requirements						
Capital conservation buffer			0.625%	1.250%	1.875%	2.5%
G-SIB buffer applicable to Groupe BPCE (1)			0.25%	0.50%	0.75%	1.0%
Maximum countercyclical buffer applicable to Groupe BPCE (2)			0.625%	1.250%	1.875%	2.5%
Maximum total capital requirements for Groupe BPCE						
Common Equity Tier 1 (CET1)	4.0%	4.5%	6.0%	7.5%	9.0%	10.5%
Total Tier 1 capital (T1 = CET1 + AT1)	5.5%	6.0%	7.5%	9.0%	10.5%	12.0%
Regulatory capital (T1 + T2)	8.0%	8.0%	9.5%	11.0%	12.5%	14.0%

(1) G-SIB buffer: buffer for global systemically important banks

(2) The countercyclical buffer is calculated quarterly. It was virtually nil in 2018, as Groupe BPCE's activities are mainly carried out in France or in countries which have set this buffer at 0%.

PILLAR II

Pillar II establishes a process of prudential supervision that complements and strengthens Pillar I.

It consists of:

- an analysis by the bank of all of its risks, including those already covered by Pillar I;
- an estimate by the bank of the capital requirement for these risks;
- a comparison by the banking supervisor of its own analysis of the bank's risk profile with the analysis conducted by the bank, in order to adapt its choice of prudential measures where applicable, which may take the form of capital requirements exceeding the minimum requirements or any other appropriate technique.

For fiscal year 2018, the total capital ratio in force for Groupe BPCE under Pillar II (P2R) was 9.5%, plus a 1.875% capital conservation buffer and a 0.75% G-SIB buffer.

PILLAR III

The purpose of Pillar III is to establish market discipline through a series of reporting requirements. These requirements – both qualitative and quantitative – are intended to improve financial transparency in the assessment of risk exposure, risk assessment procedures and capital adequacy.

6.3.2 Scope of application

REGULATORY SCOPE

Groupe BPCE is required to submit consolidated regulatory reports to the European Central Bank (ECB), the supervisory authority for euro zone banks. Pillar III is therefore prepared on a consolidated basis.

The regulatory scope of consolidation is established based on the statutory scope of consolidation. The main difference between these two scopes lies in the consolidation method for insurance companies, which are accounted for by the equity method within the regulatory scope, regardless of the statutory consolidation method.

The following insurance companies are accounted for by the equity method within the regulatory scope of consolidation:

- Surassur;
- Muracef;
- Coface;
- Natixis Assurances;
- Compagnie Européenne de Garanties et de Cautions;
- Prépar-Vie;
- Prépar-IARD;
- Nexgen Reinsurance Limited.

The following insurance companies are accounted for by the equity method within both the statutory and regulatory scopes of consolidation:

- CNP Assurances;
- Caisse de Garantie Immobilière du Bâtiment;
- Parnasse Garanties.

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION

The table below shows the transition from an accounting balance sheet to a regulatory balance sheet for Groupe BPCE at December 31, 2018.

Assets at 12/31/2018 *in millions of euros*	**BPCE statutory scope**	**Prudential restatements**	**BPCE prudential scope**
Cash and amounts due from central banks	76,458	95	76,553
Financial assets at fair value through profit or loss	200,516	(4)	200,512
– o/w debt instruments	22,322	20	22,342
– o/w equity instruments	25,713	-	25,713
– o/w loan book	7,590	(30)	7,560
– o/w repurchase agreements	83,115	-	83,115
– o/w derivative financial instruments	45,867	6	45,872
– Security deposits paid	15,909	0	15,910
Hedging derivatives – Positive FV	8,160	-	8,160
Financial assets at fair value through other comprehensive income	40,088	89	40,177
Debt securities at amortized cost	31,776	24	31,800
Loans and receivables due from credit institutions	91,142	(1,041)	90,100
Loans and receivables due from customers	659,281	2,934	662,216
Revaluation differences on interest rate risk-hedged portfolios	5,480	0	5,480
Insurance business investments	110,295	(109,536)	759
Current tax assets	873	(74)	799
Deferred tax assets	3,174	(199)	2,975
Accrued income and other assets	29,123	(234)	28,889
Non-current assets held for sale	2,639	-	2,639
Deferred profit-sharing	-	-	-
Investments in associates	4,033	3,552	7,585
Investment property	783	0	783
Property, plant and equipment	4,419	(49)	4,370
Intangible assets	1,198	(242)	957
Goodwill	4,489	(331)	4,157
TOTAL	**1,273,926**	**(105,014)**	**1,168,912**

Liabilities at 12/31/2018 *in millions of euros*	**BPCE statutory scope**	**Prudential restatements**	**BPCE prudential scope**
Amount due to central banks	9	-	9
Financial liabilities at fair value through profit or loss	194,867	(2,513)	192,354
– o/w securities sold short	21,167	2	21,169
– o/w other liabilities held for trading	90,472	-	90,472
– o/w derivative financial instruments	46,614	1	46,615
– o/w security deposits received	7,717	3	7,720
– o/w portfolio measured under the market value option	28,897	(2,519)	26,377
Hedging derivatives – Negative FV	13,589	-	13,589
Debt securities	216,878	1,143	218,021
Amounts due to credit institutions	85,662	(4,561)	81,100
Amounts due to customers	530,323	1,659	531,982
Revaluation differences on interest rate risk-hedged portfolios	221	-	221
Current tax liabilities	262	(39)	224
Deferred tax liabilities	884	(308)	576
Accrued expenses and other liabilities	32,701	18	32,719
Liabilities associated with non-current assets held for sale	2,096	-	2,096
Liabilities related to insurance policies	98,855	(98,855)	-
Provisions	6,574	(112)	6,463
Subordinated debt	17,598	(637)	16,961
Equity attributable to equity holders of the parent	**66,194**	**10**	**66,204**
Share capital and additional paid-in capital	23,513	0	23,513
Retained earnings	39,044	9	39,052
Gains and losses recognized directly in other comprehensive income	612	1	612
Net income for the period	3,026	0	3,026
Non-controlling interests	7,212	(819)	6,392
TOTAL	**1,273,926**	**(105,014)**	**1,168,912**

The differences between the statutory and regulatory scopes of consolidation can be attributed to restatements for subsidiaries excluded from the regulatory scope of consolidation (see description of regulatory scope of consolidation below) and the reincorporation of intra-group transactions associated with these subsidiaries.

6.3.3 Composition of regulatory capital

REGULATORY CAPITAL

Regulatory capital is determined in accordance with Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms.

It is divided into three categories: Common Equity Tier 1, Additional Tier 1 capital and Tier 2 capital. Deductions are made from these categories.

These categories are broken down according to decreasing degrees of solidity and stability, duration and degree of subordination.

PHASED-IN REGULATORY CAPITAL

in millions of euros	**12/31/2018 Basel III phased-in (1)**	**12/31/2017 Basel III phased-in (1)**
Share capital and additional paid-in capital	23,513	22,722
Retained earnings	39,052	36,894
Income	3,026	3,024
Gains and losses recognized directly in other comprehensive income	613	1,400
Consolidated equity attributable to equity holders of the parent	**66,204**	**64,039**
Perpetual deeply subordinated notes classified as other comprehensive income	(683)	(683)
Consolidated equity attributable to equity holders of the parent excluding perpetual deeply subordinated notes classified as other comprehensive income	**65,521**	**63,356**
Non-controlling interests	4,859	4,568
– o/w prudential filters	-	229
Deductions	(5,098)	(4,912)
– o/w goodwill (2)	(4,138)	(3,962)
– o/w intangible assets (2)	(960)	(951)
Prudential restatements	(3,104)	(3,970)
– o/w shortfall of credit risk adjustments to expected losses	(252)	(1,285)
– o/w prudent valuation	(545)	(409)
Common Equity Tier 1 (3)	**62,178**	**59,042**
Additional Tier 1 capital	344	448
Tier 1 capital	**62,522**	**59,490**
Tier 2 capital	14,360	14,557
TOTAL REGULATORY CAPITAL	**76,882**	**74,047**

(1) Phased-in: after taking phase-in measures into account.
(2) Including non-current assets and entities held for sale classified as held for sale.
(3) Common Equity Tier 1 included €24,128 million in cooperative shares (after taking allowances into account) at December 31, 2018 and €22,477 million in 2017.

COMMON EQUITY TIER 1 (CET1)

Core capital and deductions

Common Equity Tier 1 consists of:

- share capital;
- reserves, including revaluation differences and gains or losses recognized directly in equity;
- additional paid-in capital or merger premiums;
- retained earnings;
- net income attributable to equity holders of the parent;
- unrealized gains and losses recognized directly in other comprehensive income;
- non-controlling interests in banking or related subsidiaries for the share after CET1 eligibility caps.

The following deductions are made:

- treasury shares held and measured at their carrying amount;
- intangible assets, including set-up costs and goodwill;
- deferred tax assets and liabilities that rely on future profitability;
- prudential filters arising from CRR Articles 32, 33, 34 and 35: gains or losses on cash flow hedges, gains on transactions in securitized assets, own credit risk;
- negative amounts arising from the comparison between provisions and expected losses (in this calculation, performing loans are clearly separated from loans in default);
- equity interests in eligible banking, financial and insurance institutions, according to the rules on allowances for these holdings and the phase-in period;
- value adjustments arising from the prudent valuation of assets and liabilities measured at fair value according to a prudential method, deducting any value adjustments.

CHANGES IN CET1 CAPITAL

in millions of euros	**CET1 capital**
12/31/2017	**59,042**
Cooperative share issues	1,404
Income net of proposed dividend payout	2,680
Other items	(948)
12/31/2018	**62,178**

BREAKDOWN OF NON-CONTROLLING INTERESTS (MINORITY INTERESTS)

in millions of euros	**Non-controlling interests**
Carrying amount (regulatory scope) – 12/31/2018	**6,392**
Perpetual deeply subordinated notes classified as non-controlling interests	(152)
Ineligible non-controlling interests	(736)
Proposed dividend payout	0
Caps on eligible non-controlling interests	(334)
Other items	(312)
Prudential amount – 12/31/2018	**4,859**

ADDITIONAL TIER 1 (AT1) CAPITAL

Additional Tier 1 capital includes:

- subordinated instruments issued in compliance with the restrictive eligibility criteria set forth by CRR Article 52;
- additional paid-in capital related to these instruments.

The following deductions are made:

- equity interests in eligible banking, financial and insurance institutions, according to the rules on allowances for these holdings and the phase-in period.

CHANGES IN AT1 CAPITAL

in millions of euros	AT1 capital
12/31/2017	**448**
Redemptions	(266)
Issues	0
Foreign exchange effect	31
Phase-in adjustments	130
12/31/2018	**344**

TIER 2 CAPITAL

Tier 2 capital consists of:

- subordinated instruments issued in compliance with the restrictive eligibility criteria set forth by CRR Article 63;
- additional paid-in capital related to Tier 2 items;
- the amount arising from provisions in excess of expected losses (in this calculation, performing loans are clearly separated from loans in default).

The following deductions are made:

- equity interests in eligible banking, financial and insurance institutions, according to the rules on allowances for these holdings and the phase-in period.

CHANGES IN TIER 2 CAPITAL

in millions of euros	Tier 2 capital
12/31/2017	**14,557**
Redemption of subordinated notes	(9)
Prudential haircut	(387)
New subordinated note issues	0
Phase-in deductions and adjustments	(152)
Foreign exchange effect	351
12/31/2018	**14,360**

6.3.4 Regulatory capital requirements and risk-weighted assets

In accordance with Regulation No. 575/2013 (CRR) of the European Parliament, credit risk exposure can be measured using two approaches:

- the "standardized" approach, based on external credit ratings and specific risk weightings according to Basel exposure classes;
- the "internal ratings based" (IRB) approach, based on the financial institution's internal ratings system, broken down into two categories:
  - the Foundation IRB approach – banks use only their Probability of Default estimates for this approach,
  - the Advanced IRB approach – banks use all their internal component estimates for this approach, *i.e.* Probability of Default, Loss Given Default, Exposure at Default and maturity.

The methodology applied for IRB approaches is described in greater detail in section 3.5 "Credit risk".

In addition to requirements related to counterparty risk in market transactions, the Directive of June 26, 2013 provides for the calculation of an additional charge to hedge against the risk of loss associated with counterparty credit risk (CCR). Capital requirements for the CVA (Credit Valuation Adjustment) are determined using the Standardized Approach.

OVERVIEW OF RWAS

The table below complies with the CRR format, presenting capital requirements for credit and counterparty risks, before the CVA and after the application of risk mitigation techniques.

	12/31/2018		12/31/2017
in millions of euros	**RWA amounts**	**Capital requirements**	**RWA amounts**
Credit risk (excluding Counterparty credit risk)	**318,497**	**25,480**	**313,064**
– o/w standardized approach (SA)	134,949	10,796	126,916
– o/w foundation IRB (F-IRB) approach	48,135	3,851	51,357
– o/w advanced IRB (A-IRB) approach	97,055	7,764	94,978
– o/w equity IRB under the simple risk-weighted approach or the IMA	38,357	3,069	39,813
Counterparty credit risk	**10,803**	**864**	**10,281**
– o/w mark-to-market	8,075	646	8,096
– o/w original exposure	-	-	-
– o/w standardized approach	-	-	-
– o/w internal model method (IMM)	-	-	-
– o/w risk exposure amount for contributions to the default fund of a CCP	411	33	337
– o/w CVA	2,317	185	1,848
Settlement risk	**6**	**-**	**10**
Securitization exposures in the banking book	**5,134**	**411**	**5,310**
– o/w IRB approach	1,695	136	1,392
– o/w IRB supervisory formula approach (SFA)	-	-	-
– o/w standardized approach (SA)	3,439	275	3,918
Market risk	**10,604**	**848**	**10,700**
– o/w standardized approach (SA)	6,159	493	6,471
– o/w IMA	4,444	356	4,229
Operational risk	**38,057**	**3,045**	**38,055**
– o/w basic indicator approach	-	-	-
– o/w standardized approach	38,057	3,045	38,055
– o/w advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**9,319**	**746**	**8,911**
Floor adjustment	-	-	-
TOTAL	**392,420**	**31,394**	**386,331**

Note: risk-weighted assets (RWAs) and capital requirements for counterparty risk are presented according to the model recommended by the EBA in its final report dated December 14, 2016 (excluding counterparty credit risk apart and including CVA and risk linked to the contribution to the default fund).

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RWAS BY TYPE OF RISK AND BY BUSINESS LINE

Groupe BPCE redefined its business lines in the TEC 2020 strategic plan announced on November 29, 2017. The Group now has three core business lines: Retail Banking & Insurance, Asset & Wealth Management, and Corporate & Investment Banking.

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

		Basel III phased-in				
in millions of euros		Credit risk [(1)]	CVA	Market risk	Operational risk	Total
	December 31, 2017	250,837	393	962	26,266	278,458
Retail Banking & Insurance	**December 31, 2018**	**262,922**	**564**	**1,154**	**25,804**	**290,444**
	December 31, 2017	6,935	-	-	4,424	11,359
Asset & Wealth Management	**December 31, 2018**	**7,041**	**-**	**-**	**4,656**	**11,697**
	December 31, 2017	42,930	1,162	7,577	6,866	58,535
Corporate & Investment Banking	**December 31, 2018**	**43,755**	**1,660**	**7,292**	**7,053**	**59,760**
	December 31, 2017	35,026	293	2,161	499	37,979
Other	**December 31, 2018**	**27,724**	**93**	**2,158**	**544**	**30,519**
	December 31, 2017	335,728	1,848	10,700	38,055	386,331
TOTAL RISK-WEIGHTED ASSETS	**DECEMBER 31, 2018**	**341,442**	**2,317**	**10,604**	**38,057**	**392,420**

(1) *including settlement-delivery risk.*

NON-DEDUCTED PARTICIPATIONS IN INSURANCE UNDERTAKINGS

Insurance subsidiary *in millions of euros*	Siren	VaR	RWA amount
PREPAR VIE	323087379	322	1,192
COFACE	552069791	644	1,866
PREPAR IARD	343158036	33	122
BPCE ASSURANCES	350663860	449	1,661
MURACEF	324154863	55	204
CNP ASSURANCES	341737062	2,430	7,048
BPCE VIE	349004341	1,753	6,487
BPCE PRÉVOYANCE	352259717	57	213
BPCE IARD	401380472	87	321
SURASSUR	484066980	80	295
NEXGEN	200343668	10	36

6.3.5 Management of capital adequacy

The methods used by Groupe BPCE to calculate risk-weighted assets are described in section 3.4 "Regulatory capital requirements and risk-weighted assets".

REGULATORY CAPITAL AND CAPITAL RATIOS

REGULATORY CAPITAL AND BASEL III PHASED-IN CAPITAL RATIOS

in millions of euros	12/31/2018 Basel III phased-in	12/31/2017 Basel III phased-in
Common Equity Tier 1 (CET1)	62,178	59,042
Additional Tier 1 (AT1) capital	344	448
TOTAL TIER 1 (T1) CAPITAL	**62,522**	**59,490**
Tier 2 (T2) capital	14,360	14,557
TOTAL REGULATORY CAPITAL	**76,882**	**74,047**
Credit risk exposure	341,436	335,718
Settlement/delivery risk exposure	6	10
CVA risk exposure	2,317	1,848
Market risk exposure	10,604	10,700
Operational risk exposure	38,057	38,055
TOTAL RISK EXPOSURE	**392,420**	**386,331**
Capital adequacy ratios		
Common Equity Tier 1 ratio	15.8%	15.3%
Tier 1 ratio	15.9%	15.4%
Total capital ratio	19.6%	19.2%

Changes in Groupe BPCE'S capital adequacy in 2018

Groupe BPCE's capital adequacy was strengthened in 2018: despite the impact of -17 basis points stemming from the entry into force of IFRS 9, the Common Equity Tier 1 ratio, which takes into account phase-in measures set out in CRR/CRD IV, was 15.8% at December 31, 2018, improving on the ratio of 15.3% at December 31, 2017.

The 56 bp gain in the Common Equity Tier 1 ratio in 2018 can be primarily attributed to the increase of approximately €3 billion in CET1 capital, largely driven by retained earnings.

Risk-weighted assets amounted to €392 billion at end-2018, an increase of €6 billion compared to end-2017, consistent with business expansion.

At end-2018, the Tier 1 ratio stood at 15.9%, representing an increase compared with end-2017.

Finally, the total capital ratio stood at 19.6% at December 31, 2018, as no Tier 2 issues were carried out in 2018.

Excluding the CRR/CRD IV phase-in measures, the Common Equity Tier 1 ratio was 15.9% at December 31, 2018 *versus* 15.4% at end-2017.

Groupe BPCE capital adequacy management policy

Capital and Total Loss Absorbing Capacity (TLAC) objectives are determined according to Groupe BPCE's target ratings, in line with prudential constraints.

Capital adequacy management is therefore subject to a high management buffer which not only greatly exceeds prudential constraints on capital adequacy ratios, but is also well below the trigger for the Maximum Distribution Amount.

Capital and TLAC management is thus less sensitive to prudential changes (*e.g.* not dependent on G-SIB classification). As a result, the Group very predominantly builds its Total Loss Absorbing Capacity from CET1 and additionally from TLAC-eligible debt (mainly Tier 2 capital and senior non-preferred debt). Moreover, taking a "single point of entry" (SPE) approach, BPCE issues TLAC-eligible debt.

Finally, in addition to TLAC, Groupe BPCE carries debt eligible for bail-in, the majority of which is accepted for the calculation of MREL when deemed by the supervisory authority to have a high capacity for activation: by that definition, senior preferred debt issued by BPCE is eligible for MREL, with Groupe BPCE leaving open the possibility of meeting MREL requirements, beyond its Total Loss Absorbing Capacity, with any "bail-inable" debt instrument.

The Single Resolution Board set the Group's MREL requirement in 2018 (equivalent to 24.97% of risk-weighted assets at end-2016), which has now been met with room to spare. As a result, the Group does not need to modify or increase its issuance program.

Capital allocation measures and capital adequacy supervision

The Group implemented action plans over the course of 2018 aimed specifically at ensuring the capital adequacy of its networks and its subsidiaries. BPCE subscribed for shares issued in a capital increase carried out by BPCE International (€70 million), perpetual deeply subordinated notes (ADT1) issued by Banque Palatine (€100 million) and BPCE International (€100 million), and a Tier 2 issue by Natixis (€300 million).

Leverage ratio

The main purpose of the leverage ratio is to serve as an additional risk measurement for determining regulatory capital requirements. CRR Article 429, which sets forth the calculation method for the leverage ratio, was amended by Commission Delegated Regulation (EU) 2015/62 of October 10, 2014.

The leverage ratio has been subject to mandatory disclosure since January 1, 2015, with a gradual implementation timetable. The ratio has been under review by the supervisory authority since 2014 and will not be officially implemented until CRR II comes into force, *i.e.* not before 2019.

The leverage ratio is determined by dividing Tier 1 capital by exposures, which consist of assets and off-balance sheet items, restated to account for derivatives, securities financing transactions and items deducted from capital.

The minimum leverage ratio requirement is currently set at 3%.

Groupe BPCE's leverage ratio, as calculated under the rules of Commission Delegated Regulation No. 2015/62 of October 10, 2014, was 5.3% at December 31, 2018 based on phased-in Tier 1 capital.

TRANSITION FROM THE STATUTORY BALANCE SHEET TO LEVERAGE RATIO EXPOSURE

in millions of euros	12/31/2018	12/31/2017
TOTAL CONSOLIDATED ASSETS AS PER PUBLISHED FINANCIAL STATEMENTS	**1,273,926**	**1,259,850**
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(105,014)	(99,239)
Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	
Adjustments for derivative financial instruments	(33,528)	(36,598)
Adjustment for securities financing transactions (*i.e.* repos and similar secured lending)	(20,356)	(13,400)
Adjustment for off-balance sheet items (*i.e.* conversion to credit equivalent amounts of off-balance sheet exposures)	74,055	73,177
Other adjustments	(5,672)	(6,377)
LEVERAGE RATIO EXPOSURE	**1,183,411**	**1,177,414**

Without applying the phase-in measures (except for the 10% deduction of deferred tax assets on tax loss carryforwards) and without taking into account subordinated debt issues not eligible as additional Tier 1 capital, Groupe BPCE leverage ratio came to 5.3% at December 31, 2018 *versus* 5.1% at December 31, 2017.

Financial conglomerate ratio

As an institution exercising banking and insurance activities, Groupe BPCE is also required to comply with a financial conglomerate ratio. This ratio is determined by comparing the financial conglomerate's total capital against all the regulatory capital requirements for its banking and insurance activities.

The financial conglomerate ratio demonstrates that the institution's prudential capital sufficiently covers the total regulatory capital requirements for its banking activities (in accordance with CRR) and insurance activities, based on the solvency margin established under *Solvency 1.*

The calculation of surplus capital is based on the statutory scope. Insurance company capital requirements, determined for the banking capital adequacy ratio by weighting the equity-method value, are replaced with capital requirements based on the solvency margin. Capital requirements within the banking scope are determined by multiplying risk-weighted assets by the rate in force under Pillar II, *i.e.* 12.13% at December 31, 2018 *versus* 11.25% at December 31, 2017.

At December 31, 2018, Groupe BPCE's surplus capital amounted to €27 billion.

SUPERVISORY REVIEW AND EVALUATION PROCESS

SREP-ICAAP process

As the supervisory authority under Pillar II, the ECB conducts an annual assessment of banking institutions. This assessment, referred to as the Supervisory Review and Evaluation Process (SREP), is primarily based on:

- an evaluation based on information taken from prudential reports;
- documentation established by each banking institution, including in particular the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP);
- an assessment of the institution's governance, business model and information system.

Based on the conclusions of the SREP carried out by the ECB in 2018, Groupe BPCE must maintain a consolidated Common Equity Tier 1 ratio of 9.75% as from March 1, 2019, including:

- 1.75% in respect of Pillar II requirements (excluding Pillar II guidance);
- 2.50% in respect of the capital conservation buffer;
- 1.00% in respect of the buffer for global systemically important banks (G-SIB buffer).

The corresponding total capital requirement will be 13.25% (excluding Pillar II guidance).

In addition to these buffers, over the course of 2019, the counter-cyclical buffer will be determined according to the distribution of Group risks by country and regulations in force in each country.

With a Common Equity Tier 1 ratio of 15.8% at end-2018 (with phase-in measures), Groupe BPCE has exceeded the specific capital requirements set by the ECB.

As regards the internal capital adequacy assessment under Pillar II, the principles defined in the ICAAP/ILAAP guidelines published by the ECB in February 2018 were applied as of this year in Groupe BPCE's ICAAP. The assessment is thus carried out using two different approaches:

- a "normative" approach aimed at measuring the impact of internal stress tests within three years of the initial Pillar I regulatory position;
- an "economic" approach aimed at identifying, quantifying and hedging risks using internal capital over the short term (one year) and using internal methodologies. The methodologies developed by Groupe BPCE provide a better assessment of risks that are already covered under Pillar I, and also an additional assessment of risks that are not covered by Pillar I.

The results obtained using these two approaches confirmed the Group's financial soundness and no capital buffer is necessary in addition to the existing regulatory buffers.

OUTLOOK

As at December 31, 2018, Groupe BPCE had already achieved the targets set for the Common Equity Tier 1 ratio (> 15.5%) and TLAC ratio (> 21.5%) in the 2018-2020 strategic plan. Even so, the Group as a whole will remain focused on continuously improving its financial strength in 2019.

The Group was added back to the list of G-SIBs (Global Systemically Important Banks) in November 2018, with effect in 2020.

MREL – TLAC

The regulatory framework for bank resolution and bail-in was stabilized in 2015. New complementary indicators for capital adequacy and leverage ratios will be implemented *via* the Minimum Requirement for own funds and Eligible Liabilities (MREL) and Total Loss Absorbing Capacity (TLAC). Groupe BPCE has already established internal oversight of these indicators.

The MREL (Minimum Requirement for own funds and Eligible Liabilities) ratio was introduced by BRRD. Senior unsecured debt with a maturity of more than one year and the Group's own funds make up the numerator of the MREL ratio. In November 2015, the Single Resolution Board published a provisional methodology for setting the MREL requirement under the current regulatory framework. This methodology sets the MREL requirement based on risk-weighted assets equal to double the sum of total capital requirements, including buffers, minus 125 basis points. The Single Resolution Board set Groupe BPCE's MREL requirement in 2018. The Group currently meets this requirement, and in fact exceeds it; accordingly, it is not required to modify or increase its issuance plan.

Draft changes to the MREL regulatory framework and introduction of the TLAC ratio in Europe

The regulatory text is currently being finalized and should be published in 2019. It will introduce the transposition of the TLAC principles, which the Group expects to meet without being required to modify its issuance plan, as it has already adequately prepared to satisfy its requirements.

6

6.4 Risk governance and management system

6.4.1 Governance of risk management

The Group Risk Management and Compliance Committee, chaired by the Chairman of the Management Board, met eight times during fiscal year 2018 to review the adequacy of Groupe BPCE's risk supervision mechanisms, and validated the annual review of the Group's risk policies and limits.

The committee found that credit, financial and operational risks (including compliance) are adequately covered, in line with the Group's risk appetite framework validated by the BPCE Management Board and Supervisory Board, as presented in the "Risk Appetite" section, and closely related to the Group strategy as described in this document. From a more global standpoint, this system covers all risks referred to in the Ministerial Order of November 3, 2014 on internal control.

The Risk, Compliance and Permanent Control division regularly ensures the effective application of risk and compliance standards *via* its control system, in particular those concerning prudential regulations. For example, the Risk Management department is notified of any new regulation with a prudential impact and information is shared with the department in charge of calculating the capital adequacy ratio. Similarly, all regulatory matters pertaining to compliance are incorporated and communicated to the relevant departments of the Groupe BPCE institutions.

As for the nature of the risk assessment and reporting systems, the Group capitalizes on regulatory reports and reports specific to Groupe BPCE. Moreover, the Group uses risk maps which are regularly updated. These cover risk portfolios and the different types of risks, *e.g.* operational risks or non-compliance risks. All this work is presented at meetings of Group committees.

A twofold assessment of a) Risk Management functions and b) Compliance functions is conducted every six months by the Risk Committee of the Groupe BPCE Supervisory Board.

GROUPE BPCE'S RISK, COMPLIANCE AND PERMANENT CONTROL DIVISION

Groupe BPCE's Risk, Compliance and Permanent Control division (DRCCP) measures, monitors and manages risks, including non-compliance risks, pursuant to the Ministerial Order of November 3, 2014 on internal control.

It ensures that the risk management system is efficient, complete and consistent, and that risk-taking is consistent with the guidelines for the business (particularly targets and resources of the Group and its institutions, including the Risk Management and Compliance functions or those contributing to Level 2 permanent control).

Groupe BPCE's Head of Risk Management, Compliance and Permanent Control, Deputy Chief Executive Officer of Groupe BPCE and member of the Executive Management Committee, is functionally subordinate to the Heads of Risk Management and Compliance of Group institutions. This strategic positioning enables risk controls to be performed objectively, as each Group entity's operational functions are independent from its Risk and Compliance functions. It also promotes a risk management and compliance culture and the application of shared risk management standards, and ensures that managers are given independent, objective and detailed information on the Group's risk exposures and any possible deterioration in its risk profile.

Groupe BPCE places a strong focus on efficient organization of risk management across all Group entities, which is applied to all business lines, financing activities, customer segments, markets and regions where it operates. The governance structure is based on a series of Risk and Compliance Committees, coordinated by the DRCCP.

The DRCCP will implement a new organizational structure in January 2019 for even greater efficiency.

STANDARD RISK GOVERNANCE STRUCTURE AT A GROUP INSTITUTION

Within its remit and across its entire scope, the Risk, Compliance and Permanent Control division:

- presents the Management Board and Supervisory Board with a risk appetite framework for the Group and ensures its implementation and roll-out at each major entity;
- helps draw up risk policies on a consolidated basis, examines overall risk limits, takes part in discussions on capital allocation and ensures that portfolios are managed in accordance with these limits and allocations;
- helps the Groupe BPCE Management Board to identify emerging risks, concentration of risk and other various developments, and to devise strategy and adjust risk appetite; performs stress tests with the goal of identifying areas of risk and the Group's resilience under various predetermined shock scenarios;
- defines and implements standards and methods for consolidated risk measurement, risk-taking approval, risk control and reporting and compliance with laws and regulations;
- assesses and controls the level of risk across the Group;
- conducts permanent supervision, including detecting and resolving limit breaches, and centralized forward-looking risk reporting on a consolidated basis;
- conducts controls to ensure that the operations and internal procedures of Group companies comply with legal, professional, or internal standards that apply to banking, financial and insurance activities;
- performs Level 2 controls of certain processes used to prepare financial information and implements a Group Level 2 permanent risk control system;
- manages risk information systems, working closely with the IT departments, while defining the standards to be applied for the measurement, control, reporting and management of risks;
- is functionally subordinate to the Risk and Compliance functions, contributing to the work of local Risk Management Committees or receiving the results of their work, coordinating department operations and approving the appointment or dismissal of all new Heads of Risk Management, Heads of Compliance, or Heads of Risk and Compliance, and meeting with the relevant managers and/or teams at national or local meetings and during checks performed on-site or at BPCE;
- helps disseminate risk and compliance awareness and promote the sharing of best practices throughout the Group;
- carries out the annual macro-level risk mapping exercise, factoring in the overall risk policy, risk appetite and annual permanent control plan, which is part of the internal control system.

RISK AND COMPLIANCE FUNCTIONS

Groupe BPCE's Risk, Compliance and Permanent Control division (DRCCP) oversees the Group's risk management, compliance and permanent control functions, focusing on the management of credit, financial, operational and non-compliance risks, extended to business continuity and Financial Audit functions, and information system security. It ensures that the risk policies of the affiliates and subsidiaries comply with those of Groupe BPCE.

The Risk Management and Compliance departments of the Banque Populaire banks and Caisses d'Epargne are functionally subordinate to Groupe BPCE's Risk Management division, as are those of subsidiaries including Natixis, Crédit Foncier, Banque Palatine and BPCE International. The Risk Management and Compliance departments of subsidiaries not subject to the banking supervision regulatory framework are functionally subordinate to Groupe BPCE's DRCCP.

Group institutions are responsible for defining, monitoring and managing their risk levels, as well as producing reports and data for submission to the central institution's DRCCP. They ensure the quality, reliability and completeness of the data used to control and monitor risks at the company level and on a consolidated basis, in line with Group risk standards and policies.

In the course of their work, the Group's institutions rely on the Group Risk, Compliance and Permanent Control Charter. The charter specifies that each institution's supervisory body and executive managers promote the risk management culture at all levels of their organization.

GOVERNANCE AND COORDINATION

Organization

The Group Risk, Compliance and Permanent Control division (DRCCP) coordinates and oversees all Groupe BPCE Risk and Compliance functions. The Risk, Compliance and Permanent Control Charter calls for the DRCCP to participate, at its own initiative, in the annual performance assessment of the heads of the permanent control functions, particularly risk and/or compliance, in consultation with the Chairman of the Management Board or the Chief Executive Officer.

More specifically, to coordinate cross-business projects, the DRCCP relies on the Governance and Coordination department. This department also handles day-to-day coordination of the entire system, which is supported by the functional subordination of the institutions' Risk Management and Compliance divisions to Groupe BPCE's Risk, Compliance and Permanent Control division, and contributes to the overall monitoring of Group risk, mainly through:

- oversight and updates of key Risk and Compliance function documents such as charters and standards;
- Executive Committee analyses of risks incurred by the Banque Populaire banks, the Caisses d'Epargne and the subsidiaries;
- coordination of Risk Management and Compliance function events through a series of national Risk Management and Compliance Days, including discussions and exchanges on risk- and compliance-related issues, presentations on the work done by the functions, training and sharing of best practices in the credit, financial, operational and compliance fields between all Group institutions. Risk Management and Compliance Days also provide opportunities to strengthen group-wide solidarity in the risk management and/or compliance professions in today's ever-changing regulatory environment. In addition, audioconferences and regional meetings are attended by the Heads of Risk Management and Compliance of the networks and subsidiaries to address current topics and events;
- a document library dedicated to the risk, compliance and permanent control functions;
- operational efficiency initiatives (headcount benchmark standards, risk and compliance half-year reporting, risk appetite framework and institution macro-level risk mapping);
- oversight of all recommendations issued by the supervisory authorities and by the Group's *Inspection Générale* division covering Risks, Compliance and Permanent Control;
- support for new Heads of Risk Management and/or Compliance of Groupe BPCE institutions *via* a special program;
- frequent on-site meetings with the Heads of Risk Management and/or Compliance and teams of the Banque Populaire banks and the Caisses d'Epargne;
- in addition to the operational committee meetings attended by the Group DRCCP, general meetings held with each of the main BPCE subsidiaries (Natixis, Crédit Foncier, Banque Palatine and BPCE International) for a comprehensive review with the Head of DRCCP;
- distribution of a newsletter ("Mag R&C") to the heads of Group institutions, the heads of the various functions (including Sales) and the employees of the Risk, Compliance and Permanent Control functions, as well as all Group employees. Rounding out these communications, two additional letters are sent out more frequently: one summarizing regulatory changes and another summarizing the work conducted by all Group Risk, Compliance and Permanent Control departments;
- an annual training program offered to all Risk and Compliance function employees, in conjunction with the Group Human Resources division. In addition, a university training course on "internal control and risk management at financial institutions" is given at Université Paris-Dauphine. Participants earn a degree upon successful completion of the course. Two workshops focused on compliance and permanent control have also been added;
- and, in general, the practice of risk and compliance awareness and sharing of best practices throughout the Group, in particular *via* a digital document library (the "Kiosk") for all employees of the Group Risk, Compliance and Permanent Control functions.

The Regulation division conducts a regulatory watch covering the scope of the DRCCP and assists in Group projects involving a regulatory component. It participates in industry-wide efforts in coordination with the Group's other Regulatory divisions. The division also dispenses training and organizes awareness-building campaigns for Group employees on regulatory issues. It supports the institutions during on-site audits conducted by the supervisory authorities, particularly those addressing compliance issues.

The Supervision division is tasked with coordinating all dealings with supervisory bodies, working closely alongside the Group's *Inspection Générale* division.

This primarily concerns the relationship with the European Central Bank and the Joint Supervisory Team in charge of the continuous supervision of Groupe BPCE, as well as the ACPR and the other French supervisory (AMF) or regulatory authorities (Banque de France, French Treasury department), and foreign authorities (*e.g.* US Federal Reserve).

The team attends all supervisory meetings within the Risk and Compliance scope. It also follows up on the primary on-site audits conducted by the supervisory bodies and the resulting recommendations. Finally, it coordinates all *ad hoc* or one-time requests received from the ECB or ACPR by the central institution.

For coordination purposes, the DRCCP relies on a half-yearly report drawn up by the institutions, aimed at ensuring that the various components of the local systems are properly implemented and operate under satisfactory conditions, particularly with respect to banking regulations and Group charters. The findings of this report improve operational efficiency and optimize best practices throughout Groupe BPCE.

Activities specifically focused on the Lagarde report are being monitored in conjunction with the Group's institutions. There is also a system in place to monitor anomalies observed at Group institutions, aimed at ensuring that business is conducted properly.

Activities in 2018

In 2018, the DRCCP carried out several initiatives that strengthened the Risk and Compliance oversight and coordination system, including in particular:

- annually reviewing the Group risk appetite system and its interaction with the single risk mapping system, and implementing Article 98 of the Ministerial Order of November 3, 2014 on internal control. The risk appetite system is reviewed on a quarterly basis to ensure it remains consistent with the Group system;
- enhancing and expanding the function's regulatory briefings and half-yearly reports submitted by the DRCCP to the directors and Heads of Risk Management for the Banque Populaire banks, Caisses d'Epargne and subsidiaries;
- performing an enhanced analysis of the half-yearly summaries prepared by all Executive Committees covering the risks incurred by the Banque Populaire banks and Caisses d'Epargne, for the purpose of sharing best practices and detecting potential areas of risk, for discussion when visiting the institutions;
- ensuring close coordination and oversight during the preparation of regulatory reports (Lagarde report, Ministerial Order of November 3, 2014 on internal control, Management Board's quarterly report to the Supervisory Board, etc.);
- preparing a summary of all reports issued by the Group *Inspection Générale* division or by the supervisory and control authorities, used to identify trends and shared with the entire function during Risk Management and Compliance days;
- contributing to Group institution risk assessments;
- making the rounds of all Group institutions over the course of the year;
- acclimating new Heads of Risk Management and Compliance by putting them through special training courses;
- organizing regional platforms to exchange best practices and address collective efficiency issues concerning the Risk and Compliance functions;
- overseeing governance of the Risk and Compliance functions;
- defining benchmark standards applicable to all Risk, Compliance and Permanent Control division employees;
- establishing an assessment of the Risk Management functions and compliance certification separately on a semi-annual basis.

RISK MANAGEMENT AND COMPLIANCE CULTURE

Strict risk management is one of the core principles observed by BPCE, which has always placed a risk management and control culture at the top of its priorities. To contribute to the expansion of the Group's activities, in accordance with its risk appetite, BPCE has decided to allocate additional resources to promoting and strengthening the risk and compliance culture at all levels.

To this end, the Governance and Coordination department's Risk and Compliance Culture division is tasked with:

- developing risk and compliance training and awareness programs, at all Group levels;
- overseeing macro-level risk mapping for the institutions and BPCE SA group;
- assisting the institutions with changes pertaining to risk and compliance in their operations (sharing best practices, new procedures, structures, etc.);
- including the risk and compliance culture in human resources management processes, such as employee career management and mobility;
- coordinating the preparation of the risk and compliance sections of the Groupe BPCE registration document and Pillar III report – for the DRCCP;
- coordinating the operations of the Group Credit function;
- establishing the Groupe BPCE code of conduct and ethics;
- offering the benefit of its risk management expertise to the Sales functions, particularly during meetings of the New Products Committee, and implementing/updating the sales processes of Group institutions.

Macro-level risk mapping – group institutions

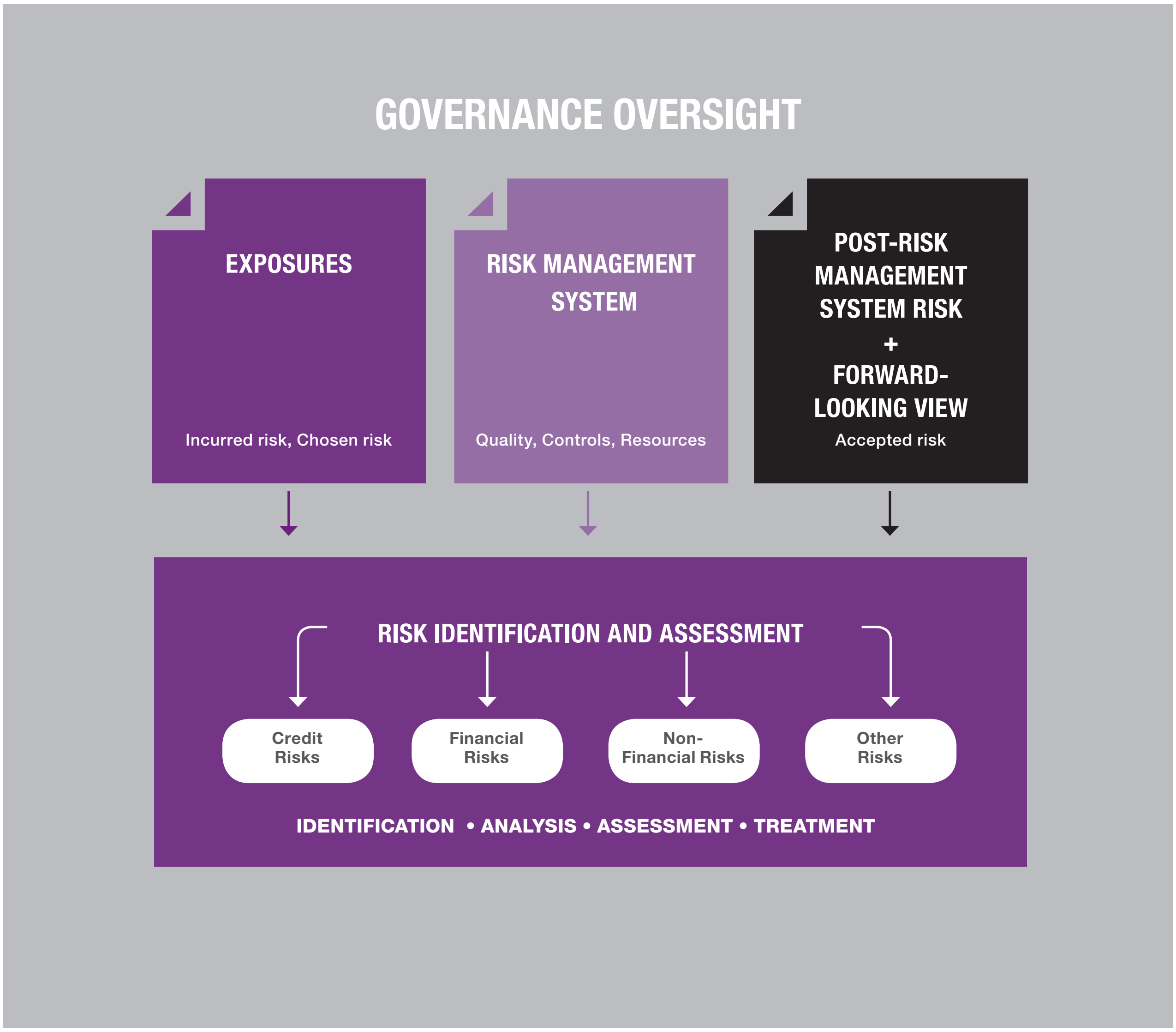
Established in 2017, macro-level mapping of the risks incurred by Group institutions complies with regulations, and specifically with the Ministerial Order of November 3, 2014 on internal control which stipulates, in Articles 100, 101 and 102, the requirement of a "risk mapping system that identifies and assess risks incurred due to internal and external factors".

The aim of this system is to secure the operations of its institutions and support their long-term financial profitability and growth. By identifying and rating its risks, each Group institution establishes its own risk profile and priority risks. This risk-driven approach, based on the rating of the risk management system, lays the groundwork for the implementation and follow-up of targeted action plans.

Macro-level risk mapping plays a central role in an institution's overall risk management system:

- it is closely linked to the risk appetite system by establishing the institution's risk profile and determining its priority risks;
- it contributes to the Group's SREP (Supervisory Review and Evaluation Process) by identifying its main risks from a risk management and supervisory standpoint;

- it assesses the risk management system, in particular by examining the results produced by the internal control system (permanent and periodic controls). Identifying potential areas of risk helps strengthen the internal control system and allocate permanent and periodic control resources where they are needed;
- it serves as a source of information for various documents, including the internal control annual report, ICAAP report, documentation for JST meetings, etc.



Activities in 2018

Macro-level risk mapping – Group institutions

- consolidation of 2017 macro-level risk mapping by network. Each institution is able to compare the results of its own macro-level risk mapping with those of its network;
- consolidation of action plans set up by the institutions on their priority risks;
- formalization of links between PILCOP permanent controls established by each institution and its priority risks;
- review of the 2018 version of the macro-level risk mapping methodology, covering all main Group institutions, with key changes including the alignment with the Group's internal risk standards, the automated incorporation of non-financial risks (*osirisk* version), and the inclusion of back-testing, stress testing and risk materiality exercises;
- in the 2018 macro-level risk mapping exercise, each institution was also able to determine the materiality of its own risks.

Training programs

A large number of training programs and materials were rolled out or enhanced in 2018:

- annual training plan for the Group Risk and Compliance function: the "risk and compliance academy";
- roll-out at all Group institutions of the banking risk awareness quiz, called "Risk Pursuit", designed in gaming format and available for multiple devices, including tablets;
- design of the training materials on the Group code of conduct and ethics;
- launch of the three-day Compliance training course for the Risk, Compliance and Audit functions;
- establishment of a new risk and compliance training program specifically designed for inspectors of the Group's *Inspection Générale* division.

Coordination and exchange of best practices

Coordination of credit exposure managers, initially rolled out on the Banque Populaire network in 2017, expanded to include the Caisse d'Epargne network and the subsidiaries.

Measurement of risk management and compliance culture at Group institutions

A project is under way to establish a self-assessment system *via* risk management and compliance culture indicators at Group institutions, and is scheduled to be launched in 2019.

6.4.2 Groupe BPCE's risk management system

All credit, financial and non-financial risks, including non-compliance risks, are covered by central and local mechanisms serving to ensure the adequacy of risk management systems linked to Groupe BPCE's risk appetite and strategy.

Groupe BPCE's Supervisory Board unanimously approved Groupe BPCE's risk appetite framework at its meeting of June 19, 2015. In addition, at its meeting of July 30, 2015, Groupe BPCE's Supervisory Board unanimously approved the quantitative indicators used for Groupe BPCE's risk appetite and the associated governance framework, and approved the resilience limit for each of the indicators. The most recent annual review of the Group's risk appetite was conducted by Groupe BPCE's Supervisory Board on November 6, 2018 to unanimous approval.

RISK APPETITE

As a decentralized and united cooperative group, Groupe BPCE structures its activity around share capital, held predominantly by the regional institutions, and centralized market funding optimizing the resources allocated to the entities.

Groupe BPCE:

- through its cooperative nature, is firmly committed to generating recurring and resilient income for its cooperative shareholders and investors by offering the best service to its customers;
- must preserve the solvency, liquidity and reputation of each Group entity – a duty assumed by the central institution through the oversight of consolidated risks, a risk policy and shared tools;
- consists of regional entities and banks, which own the Group and its subsidiaries. In addition to normal management operations, in the event of a crisis, solidarity mechanisms between Group entities ensure the circulation of capital and prevent the entities or the central institution from defaulting;
- focuses on the structural risks of its full-service banking business model, with a predominant retail banking component in France, while incorporating other business lines necessary to provide quality service to all of its customers;
- diversifies its exposures by developing certain activities in line with its strategic plan:
  - development of the bancassurance and asset management businesses,
  - international expansion (predominantly corporate & investment banking and asset management, with a more targeted approach for retail banking customers).

In terms of risk profile, Groupe BPCE incurs risks intrinsically associated with its retail banking and corporate & investment banking activities.

Risk profile

The following risks are incurred by the Group because of its business model:

- credit risk generated by the Group's predominant business, *i.e.* lending to individual and corporate customers, which is managed under risk policies applied to all Group entities, concentration limits defined by counterparty, country and sector, and finally extensive oversight of loan books;
- structural interest rate risk, primarily linked to fixed-rate home loans and regulated liabilities. It is managed under group-wide standards and limits set for each entity;
- liquidity risk, steered centrally by allocating budget-defined liquidity to round out customer deposits raised by the entities;
- non-financial risks, managed under group-wide standards. These standards cover non-compliance, fraud, information system security and misconduct risks, as well as other operational risks. Accordingly:
  - operational risks are subject to groupwide data collection standards applicable to all Group entities, tools used to annually map out operational risks and report associated losses and incidents as they arise, monitor major risks, and monitor action plans targeting specific risks,
  - non-compliance risks are governed by permanent controls based on groupwide standards, a software tool used to consolidate data at Group level, compliance-specific governance and group-wide principles aimed at mitigating these risks.

Finally, aligning the requirements of individual customers (cooperative shareholders whose funds comprise the Group's share capital) and credit investors necessitates very strong aversion to reputational risk.

The following risks are concentrated in specific scopes of activity:

- market risks;
- emerging country risk;
- securitization risk.

Changes to our business model are increasing our exposure to some types of risks, particularly risks related to asset management and international businesses.

Groupe BPCE does not conduct business unless it has the associated risks strictly under control, nor does it exercise proprietary trading activities. Activities with high risk-reward profiles are strictly controlled.

In all activities, entities and regions of operation, the Group undertakes to meet the highest standards of ethics, conduct, best execution and transaction security.

Groupe BPCE's risk appetite is defined as the level of risk it is willing to accept with the goal of increasing its profitability while maintaining solvency. This risk appetite must be aligned with the institution's operating environment, strategy and business model, while incorporating customer interests. In determining its risk appetite, Groupe BPCE aims to steer clear of any major pockets of concentration and to optimize capital allocation.

Risk appetite framework

Groupe BPCE's general risk appetite framework was validated by the BPCE Supervisory Board, as was its 2018 annual review. It is consistent with the "TEC 2020" strategic plan, as applied to the entire risk governance structure, including the Risk Management Umbrella Committee.

More specifically, this general framework draws in turn on a framework document that gives both a qualitative and quantitative description of risks the Group is willing to take. It also describes the governance and operational principles currently in force at Groupe BPCE.

The operational risk appetite framework is based on indicators broken down by major risk category. There are six major risk categories: solvency risk, credit risk (credit and counterparty risk, concentration risk and securitization risk), non-financial risks, financial risks (market risks), liquidity risk and interest rate risk. These six categories are subject to indicators at the highest level of Group governance.

Groupe BPCE enjoys high liquidity and solvency levels:

- in terms of solvency, the Group is able to absorb, if need be, the occurrence of a risk at entity or Group level;
- in terms of liquidity, the Group has a significant reserve consisting of cash and securities enabling it meet regulatory requirements, pass stress tests and access central bank unconventional financing mechanisms. It also has high-quality assets eligible for market funding mechanisms and those offered by the ECB.

The Group ensures the robustness of this system by conducting comprehensive stress tests on a regular basis, designed to verify the Group's resilience in the event of a major crisis.

The implementation of the risk appetite framework is centered on four key components: (i) the definition of groupwide standards, (ii) the existence of a set of limits in line with those defined by regulations, (iii) the distribution of expertise and responsibilities between the entities and the central institution and (iv) the operation of the governance process within the Group and the different entities, enabling the efficient and resilient application of the risk appetite framework.

The Group's risk appetite framework is regularly updated, notably during the annual review, and is centered on a series of successive limits associated with separate respective authorization levels, *i.e.:*

- a limit which, if breached, calls for BPCE Management Board members to decide either to require the breach to be corrected or to allow the transaction to go ahead on an exceptional basis;
- a resilience limit: breaching this limit exposes the Group to potential business continuity and/or stability risk. Any such breach must be reported to the BPCE Supervisory Board and addressed by a specific action plan validated by the Board;
- an extreme limit in conjunction with the Group's resolution and recovery plan mechanism, which, if breached, could jeopardize the Group's very survival. This extreme limit concerns certain indicators adopted in respect of the Group's risk appetite.

A quarterly dashboard is prepared by the Group's Risk, Compliance and Permanent Control division, for the purpose of regularly and extensively monitoring all risk indicators and reporting to the supervisory body or/and any committee thereof.

The risk appetite framework has been adapted by the entities for consistent group-wide implementation.

STRESS TESTING SYSTEM

Groupe BPCE has been developing a stress testing system since 2011, complementing the business stress tests that can already be performed using each of the risk modules for Group strategic analysis purposes and regulatory purposes.

There are two types of stress tests:

- internal stress tests;
- regulatory stress tests (including in particular the EBA's 2018 stress test published on November 2, 2018).

Governance of the Group's stress testing system is based on a comprehensive approach covering all Group entities, taking into consideration their specific characteristics, and covering the following risks:

- credit risk: change in cost of risk and risk-weighted assets;
- securitization portfolios and counterparty risk: change in impairment and risk-weighted assets;
- market risks: market shocks, change in securities portfolios and risk-weighted assets;
- operational risk;
- insurance risk.

The Group also examines scenarios on NII, all profit and loss items, and income, with the final impact on solvency.

Risks associated with sovereign exposures are addressed according to their accounting classification under market risk or credit risk.

Models are used for each risk category to determine the impacts of scenarios on the various profit and loss items and capital requirements.

The methodologies used to calculate projections vary for an internal stress test *versus* a regulatory stress test:

- the methodology is stipulated by the ECB and the EBA for regulatory stress tests;
- internal methodologies are used for internal stress tests, making the results easier to use for oversight, risk management and budget planning purposes: stress tests are taken into consideration in identifying the areas of vulnerability of the Group and its constituent entities, and also serve to guide management decisions.

The following types of scenarios are tested:

- a baseline scenario serving as the budget scenario;
- two stress scenarios which are both severe and plausible, used to provide relevant information on the Group's resilience in crisis situations with a high probability of occurrence;
- two reverse scenarios, *i.e.* based on areas of vulnerability, used to explore highly adverse conditions for the Group or some of the regions it serves, one for ICAAP and the other for the recovery plan;
- specific scenarios for the Preventive Recovery Plan (PRP) and the recovery and resolution options.

CROSS-BUSINESS RISK ANALYSIS

Organization

In addition to the risk supervision conducted both individually and by type of risk, Groupe BPCE's Risk, Compliance and Permanent Control division (DRCCP) also consolidates the Group's risks. It calculates and consolidates credit risk-weighted assets at Group level, produces regulatory reports (particularly COREP statements on loans, large exposures, etc.) and internal dashboards. In particular, it produces a quarterly consolidated risk dashboard, which is used to monitor the risk appetite defined by the Group as well as for comprehensive monitoring of risks based on an analysis of the Group's risk profile in each area (mapping of risk-weighted assets, credit risks and counterparty risks – by customer segment –, market risks, structural ALM risks, operational risk and risks related to insurance activities).

The DRCCP also conducts or coordinates cross-business risk analyses on the Group's main portfolios or activities and, if needed, for the entities. It has also developed half-yearly forward-looking risk analyses aimed at identifying economic risk factors (known and emerging; international, national and regional), circumstantial threats (regulations, etc.) and their potential impact on the Group. These prospective analyses are presented at Group Supervisory Board Risk Management Committee meetings.

It also develops internal credit risk measures targeting counterparties and transactions, used to make lending decisions, as well as portfolio-based risk measures (statistical collective provisions, etc.) and, when authorized by the supervisory body, for the calculation of credit risk-weighted assets. It reviews and validates risk models developed internally. Finally, it contributes to efforts to define internal capital requirements as well as internal and external solvency stress tests aimed at measuring the Group's sensitivity to a series of risk factors and its resilience in the face of a severe shock, by determining impacts in terms of cost of risk.

Activities in 2018

As part of its consolidated risk monitoring system, the Risk, Compliance and Permanent Control division has produced several cross-business analyses for Group governance bodies (Umbrella Committee, Risk Management Committee of the Supervisory Board, Supervisory Board):

- enhancement of consolidated risk management by carrying out Groupe BPCE's annual risk appetite review and developing an appropriate system of indicators and limits tracked operationally *via* the Group consolidated risk dashboard;
- the Group risk dashboard (produced quarterly), used to supervise cross-business risks, which is continuously improved in terms of coverage and granularity. In addition, the Executive Management Committee is provided with monthly analyses;
- two forward-looking risk analyses (produced semi-annually), aimed at identifying the main risk factors and quantifying their impacts for Groupe BPCE based on its exposures;
- several in-depth cross-business analyses of loan book risks (loans to Large Corporates & ISEs, professional retail loans and retail home loans) were conducted in 2018.

For the purposes of risk supervision and operational management of rating models, a new model reserved for Small Enterprises (revenue of €3 million to €10 million) and another for Professional customers (launched in July 2018) were examined during the TRIM (target review of internal models).

The Group was also very busy in 2018 with the application of IFRS 9, and specifically Phase 2 "Impairments", EBA stress tests and the ongoing implementation of Basel III/Basel IV regulatory requirements.

COORDINATION OF PERMANENT CONTROLS

Organization

The DRCCP:

- is responsible for Level 2 controls of certain processes used to prepare financial information and implements a Group Level 2 permanent risk control system covering matters of governance, risk, organization, the work of the Risk Management and Compliance functions, and the implementation of standards, norms and charters. The main role of the DRCCP's Permanent Control Coordination department is to coordinate the Group's Level 1 and 2 permanent control system;
- manages a Group-level permanent control tool (Pilcop) in close collaboration with the Group's institutions; oversees the Level 1 control standards with the business lines;

- uses Pilcop to implement, centralize and capitalize on the permanent controls carried out by the Risk, Compliance and Permanent Control divisions. The various permanent control standards are overseen and constantly updated and expanded in Pilcop.

Activities in 2018

In 2018, the DRCCP carried out several structure-building projects aimed at reinforcing the Group's permanent control system:

- the Permanent Control Coordination department monitored the application of control standards, *i.e.* the framework document governing the Group's permanent control system (operational adaptation of the internal control charter) and the control sampling standard, which is based on random, representative samples;
- The main permanent control forms in Pilcop were finalized, with the aim of continuing to converge the Banque Populaire banks and the Caisses d'Epargne towards a single control framework and optimize the number of items covered by controls;
- the DRCCP also worked on the annual control plan and the risk-based approach, with a focus on harmonizing the system.

6.4.3 Recovery Plan

BPCE's Supervisory Board approved the Group's Recovery Plan (RP) for 2018.

The plan is in line with European regulatory measures on the recovery and resolution of banks and investment firms and the provisions of the French Monetary and Financial Code.

The objective of the Recovery Plan is to identify measures to restore the Group's financial solidity in the event it deteriorates significantly.

The plan presents the options available to the Group to launch a crisis management system. It assesses the relevance of the different options in various crisis scenarios and the methods and resources available for their implementation.

The Recovery Plan is mainly based on the:

- the Group's organization and the specific implications of its cooperative status;
- identification of the Group's critical responsibilities;
- capital and liquidity management systems;
- analysis of financial crisis scenarios;
- mapping of the main entities and an analysis of their contribution in terms of capital adequacy, liquidity and earnings capacity;
- identification of the options that will have a significant impact on the Group's financial recovery;
- preventative monitoring of leading indicators on the financial and economic situation;
- establishment of the organizational structures needed to implement the recovery.

This system is monitored and coordinated by a permanent office at BPCE.

The Recovery Plan is kept up to date and approved by the Supervisory Board, aided by its Risk Management Committee for these purposes.

The Recovery Plan is updated annually.

In addition to updating its Recovery Plan, the Group ran a test to make sure it would be able to mobilize quickly to handle a financial crisis impacting its solvency. During the simulation, the Group successfully rallied several of teams and its Executive Management Committee. This test, recommended by the supervisory authorities, will be periodically reiterated with the aim of improving the Group's crisis readiness.

6.5 Credit risk

6.5.1 Credit risk management

CREDIT RISK GOVERNANCE

The systems in place to govern credit approval and to manage and classify credit risks are all based on the following governance:

- each standard, policy, system or method is the focus of workshops, organized and led by the DRCCP teams, comprising representatives of the Risk Management, Credit Exposure and Development divisions of each network and subsidiary. The purpose of these workshops is to define the rules and expectations for each topic addressed, as it relates to the Group's risk appetite and regulatory constraints, for each Group institution;
- the topic addressed by the workshop is then presented to a Group committee, consisting of company directors of the networks and/or subsidiaries, who reach a decision on the proposed solution;
- for the main risk supervision and/or management systems, a final decision is made on the solution chosen by these committees by one of the Groupe BPCE umbrella committees, *i.e.* either the Group Credit and Counterparty Risk Committee or the Group Market Risk Committee, for credit and counterparty risk.

The Risk Management function is structured in accordance with the principle of subsidiarity:

- each Groupe BPCE institution has a Risk Management division addressing all categories of risk, including credit and counterparty risk. Each institution manages its risks in accordance with Group standards and presents a semi-annual report to Groupe BPCE's Risk, Compliance and Permanent Control division;
- each Head of Risk Management is functionally subordinate to the Head of DRCCP, who reports to the Chairman of the Groupe BPCE Management Board and is a member of the Executive Management Committee;
- the DRCCP has a division in charge of coordinating Level 1 and 2 permanent controls at the institutions. The Credit Risk function helps ensure that each institution's permanent control system is complete.

The credit approval process is based on Group risk policies, which in turn draw on internal rating systems tailored to each type of customer and transaction.

Groupe BPCE's Risk, Compliance and Permanent Control division is responsible for:

- overseeing and defining guidelines for risk management policies, in accordance with the Group's risk appetite;
- defining, deploying and verifying the performance of internal rating systems;
- producing reports containing the relevant information on these measures;

It also defines the framework for all Level 2 permanent controls that it wants each institution to apply in terms of credit risk. The Group Internal Control Committee (3CIG) is regularly notified of control results. At the end of the fiscal year, 3CIG is informed of the action plan on Level 2 permanent controls for the following year, based on the results observed during the fiscal year.

Each institution determines its priority risks *via* the macro-level risk mapping process, which serves as a guide for its annual permanent control plan. The decision not to incorporate some or all of the Groupwide framework belongs to the institution's Internal Control Committee.

The Level 2 permanent control system thus consists of an auditable base, available to the periodic control teams, on the control topics included and not included by each institution.

For credit risk oversight purposes, Groupe BPCE manages the following risks:

- the creditworthiness of the main portfolios or activities (home loans, consumer loans, loans to professional customers, SMEs/ISEs) at Group level, on a consistent and in-depth basis. Depending on the observations made, this oversight may call for the establishment and/or review of risk policies or risk management processes, and for updated risk coverage by specific mechanisms (*e.g.* policies, limits, sector rules);
- concentration risks, by setting individual limits on major counterparties (corporates, banks, sovereigns), and by sector and country;
- oversight of the consolidated amounts of loan outstandings by counterparty (on- and off-balance-sheet, non-retail customers and customers above a minimum level) and changes in these outstandings;
- average risk-weighted assets by entity and by asset class;
- counterparty risk using a Group-level consolidated approach through various regulatory measurements (CVA, EEPE and IRC in particular).

The results of these management initiatives are presented to the Group Risk and Compliance Committee, the Group Credit and Counterparty Risk Committee and the Group Credit Risk and Permanent Control Committee.

Furthermore, special reviews, particularly sector- and portfolio-based reviews, are carried out at Group level to obtain a consolidated view of the credit quality of a given sector or asset class and, where applicable, to propose changes to risk policies or the corresponding management procedures.

At Group level, credit approval decisions are subject to:

- Group risk management policies taken up, adapted or expanded on a more restrictive basis, where applicable, by each Group institution;
- Group sector policies adapted locally;
- regulatory caps, Group internal caps, internal caps for Banque Populaire banks, Caisses d'Epargne and subsidiaries CFF and Banque Palatine;
- a set of Group internal limits covering the major groups of counterparties (a company made up of a parent and its subsidiaries) on a consolidated basis, for the main asset classes excluding retail, complemented if necessary by local limits; individual limits are defined on the basis of methodologies specific to each asset class. Predominantly based on the internal rating (a synthetic indicator), these methodologies are used to define the maximum risk limit that

Groupe BPCE is willing to take, based on updated information at its disposal at the time of its decision;

- at each Group institution, a counter-analysis involving the Risk Management function, which holds veto power. Use of this power may result in escalation to the higher-level Credit Committee, or a duly authorized delegate. Decision-making at each Groupe BPCE entity is carried out within the framework of authorization procedures, and a veto may only be lifted by one of the institution's company directors in accordance with the provisions of the Group's risk management, Compliance and Permanent Control Charter;
- a permanent control system, subject to a review that began in 2017 and is still under way, with the aim of ensuring that these elements are being applied. The DRCCP monitors compliance with regulatory caps at Group level for the Group Risk Management Committee, in accordance with Regulation No. 93-05 of December 21, 1993 governing oversight of large risk exposures. Monitoring of compliance with Group internal caps and limits is regularly checked by the Group Risk Management Executive Committee and the Audit and Risk Committees of the Supervisory Board. Each institution is responsible for ensuring compliance with internal limits.

Finally, the DRCCP coordinates the credit risk process, particularly through monthly audioconferences, national credit risk days, regional platforms or theme-based working groups. It also oversees change management with respect to standards to ensure the operational adoption of Group rules at the local level and to harmonize practices within the Group's institutions.

Activities in 2018

With regulations undergoing significant changes, all institutions are required to implement applicable standards, rules and policies in their operations, in order to ensure consistent implementation throughout the Group.

Risk policies and limits

A private banking risk policy was established with the aim of governing credit approval in this business line.

Individual risk policies and limits were reviewed and updated. This system was expanded to include a focus on the rest home and private clinic sector.

Corporate and LBO policies were adjusted to incorporate the rules of leveraged finance regulations.

The Group's credit risk appetite indicators were reviewed but not amended.

Rating

The TRIM (ECB's target review of Groupe BPCE internal models) was continued in 2018, resulting in the validation of the Small Enterprises (SE) model and a review of the retail and corporate models.

The method for classifying parent-subsidiary ties in the small enterprises model was redefined.

The project finance rating model was rolled out at the end of 2018 to all Group institutions.

Standards and tools

IFRS 9 was rolled out across all asset classes. Calculations are performed centrally by the DRCCP, except for Natixis: a consistency check is conducted on the results of methods employed, in order to ensure that a shared counterparty is subject to the same accounting treatment across the entire Group.

The standard used to identify and perform calculations on counterparties whose leverage ratio has been reached, in accordance with leveraged finance regulations, was rolled out across all Group institutions.

The supervisory system in place at each institution was strengthened by increasing the number of best practices and implementing new regulatory risk indicators (triggers).

The Watchlist standard was enhanced in terms of the contagion risk associated with counterparties shared by multiple institutions.

Group BPCE's Syndication and Transaction-sharing Charter was reviewed and updated. The escalation criteria for obtaining central decisions on Group syndicated loans were strengthened.

The pricing process applied to the main credit applications decided by the umbrella committees was clarified, in connection with the implementation of IFRS 9.

Efforts to adapt Non-Performing Loan (NPL) regulations were continued and efforts to implement the new default standard by 2021 were initiated.

In relation to regulations governing default and NPL standards, clarifications were made to the rules of the forbearance standard allowing forborne loans to be put back on probation before being reclassified as performing.

Controls

An ex-post control was performed on a sample of LBO transactions.

The Level 2 permanent control system on credit processes was reviewed and will be rolled out in 2019 in the permanent control tool (Pilcop).

Reporting

Initiatives were undertaken to establish a report on syndicated loans and loans shared by multiple Group entities, with the aim of identifying all such transactions across the Group.

The report requested by the European Central Bank on exposures for which the leverage ratio has been reached was deployed.

The monthly Group exposure consolidation tool was linked to the new target IT architecture, as provided for in BCBS 239.

CREDIT POLICY

The overall risk policy is governed in particular by the risk appetite system, structured around the definition of the level of risk established by the Supervisory Board and risk appetite indicators.

The balance between profitability and risk tolerance is reflected in Groupe BPCE's risk profile and is written into the Group's risk management policies.

Groupe BPCE does not conduct business unless it has the associated risks strictly under control, nor does it exercise proprietary trading activities. Activities with high risk-reward profiles are strictly controlled.

From a structural standpoint, Groupe BPCE's business model incurs a lower-than-average cost of risk for the French market.

In general, Groupe BPCE's credit approval process is based first and foremost on the customer's ability to repay the loan, *i.e.* the customer's capital flows, with clearly identified sources and channels.

RATING POLICY

Credit risk measurement relies on internal rating systems adapted to each category of customer and transaction. The Risk, Compliance and Permanent Control division is responsible for defining and controlling the performance of these rating systems.

Groupe BPCE applies an internal rating methodology, shared by both networks and the main subsidiaries (specific to each customer segment), for individual and professional retail customers, as well as for corporate customers, "real estate professionals", "central banks and other sovereign exposures", "central governments", "public-sector and similar debt" and "financial institutions" segments. As of end-2018, the project finance rating system is now applied groupwide.

CAPS AND LIMITS

The system of internal caps used across the Group, which are lower than the regulatory caps, is applied to all Group entities.

Likewise, the internal caps system used by the institutions is lower than or equal to the Group internal caps, and is applied to all entities of the Banque Populaire and Caisse d'Epargne networks.

A groupwide set of limits has also been established for the major asset classes, major counterparty groups within each asset class, and exposure levels for countries and industries. These limits apply to all Group institutions.

The risk supervision mechanisms have been strengthened since the establishment of the general credit risk policy for the Group, as well as the risk policy specific to corporates.

Lastly, risk supervision is adapted to each sector *via* a monthly sector watch, which is a responsibility shared with all Group institutions. The sector watch has resulted in policies setting forth recommendations for all Group institutions on "at-risk" sectors.

On behalf of the Group Risk Management and Compliance Committee, the DRCCP measures and verifies that these risk supervision mechanisms (individual and topical limits) are correctly implemented at each institution.

The Group Supervisory Board is kept informed as Group internal limits are monitored, and of any breaches of the limits defined in accordance with the risk appetite framework.

Method used to assign operational limits on internal capital

Groupe BPCE's risk appetite defines a set of limits used to oversee the allocation of capital associated with securitization exposures, with respect to potential and past volatility on this point.

The quarterly Group risk dashboard is used to monitor consumption of RWA in the Group's main asset classes: it compares any differentials in terms of changes between gross exposures and consumption of RWA.

By using these systems, the Group is able to accurately monitor the change in capital needed to cover risks in each asset class, while also observing any changes in the quality of the asset classes in question.

Correlation risk policy

Correlation risk is governed by a special decision-making process, where a counterparty offers its own shares as collateral. A top-up clause is systematically required on such transactions.

For wrong-way risk, usually associated with collateral swaps between credit institutions, BPCE's liquidity reserve procedure defines this criterion as follows: "the counterparty to the repo and the securities received as collateral for that repo shall not be included in the same regulatory group."

However, these transactions may be reviewed on a case-by-case basis, under a special decision-making process, where the collateral consists exclusively of retail loans for residential real estate.

CREDIT RISK MONITORING AND SUPERVISION SYSTEM

Within its remit and across its entire scope, the Risk, Compliance and Permanent Control division:

- presents the Management Board and Supervisory Board with a risk appetite framework for the Group and ensures its implementation and roll-out at each major entity;
- helps draw up risk policies on a consolidated basis, examines overall risk limits, takes part in discussions on capital allocation and ensures that portfolios are managed in accordance with these limits and allocations;
- helps the Groupe BPCE Management Board identify emerging risks, concentration of risk and other adverse developments and devise strategy and adjust risk appetite; performs any specific analyses and stress tests with the goal of identifying areas of risk and the Group's resilience under various predetermined shock scenarios;
- defines and implements risk taking and management standards and methods for consolidated risk measurement, risk mapping, risk-taking approval, risk control and reporting, and compliance with laws and regulations;
- assesses and controls the level of risk across the Group;
- conducts permanent supervision, including detecting and resolving limit breaches and centralized forward-looking risk reporting on a consolidated basis;
- conducts controls – or ensures through the principle of subsidiarity that controls are conducted – to verify that the operations and internal procedures of Group companies comply with legal, professional, or internal standards that apply to banking, financial and Insurance activities;
- performs Level 2 controls of certain processes used to prepare financial information and implements a Group Level 2 permanent risk control system;

- manages risk information systems in accordance with an annual IT plan, working closely with the IT departments, while defining the standards to be applied for the measurement, control, reporting and management of credit risks.

The different levels of control at Groupe BPCE operate under the supervision of the DRCCP, which is also responsible for consolidated summary reporting to the various decision-making bodies and committees, in particular the Group Watchlist and Provisions Committee.

The aim of risk supervision is to:

- improve the identification of various degrees of situations that are stressed or becoming stressed, which may worsen and veer into default. A set of indicators used to identify incidents on customer accounts (past due payments, irregular payments, etc.) or external events (rejected notes, external ratings, customer life events) contributes to this supervisory system. This system was enhanced in 2018, with the inclusion of new supervisory triggers;
- enhance the quality of customer data through a data quality supervision and improvement system, in addition to seeking out high-quality exposures;
- use observed results to adjust the framework of permanent controls performed by each institution, based on its own macro-level risk mapping. The business line heads in charge of the content of the Level 2 permanent control framework and the heads of periodic control can then work together to cross-check the risk areas identified from the results of their own investigations, and complete:
  - the self-assessments of Groupe BPCE institutions,
  - decisions on how to change the control systems within their remit.

  The Credit Risk business line, which is in charge of the content of the Level 2 permanent control framework, receives summaries of the audit reports from the periodic control teams, and can also determine whether the Level 2 periodic control framework needs to be adjusted for the institutions.

Risk prevention and monitoring at Groupe BPCE focuses on the quality of information, which is a heightened concern under the requirements of Regulation BCBS 239 and is necessary for proper risk assessment, as well as the amount of risk taken and changes in these risks.

The application of the "gross leverage ratio" to non-investment grade corporate counterparties (revenue > €50 million) strengthens oversight of potential overindebtedness.

The supervision teams are responsible for ensuring that the sector watch is updated by focusing on "high-risk" business sectors and for analyzing portfolios to help identify the main concentrations of risk. This system is enhanced with a set of industry-based limits.

High-risk loans and counterparties (on the watchlist) and the provisioning policy for the main risks shared by several entities (including Natixis) are regularly examined by the Group Watchlist and Provisions Committee.

Groupe BPCE performs three main types of stress test on credit risk:

- the EBA stress test, performed every 2 years, aimed at testing the resilience of credit institutions to simulated shocks, and comparing their results. The outcome of the EBA stress test may result in stronger capital requirements or other mandatory measures imposed by the supervisor, which has not been the case for Groupe BPCE to date;
- Groupe BPCE's internal stress test. This test is performed once a year and its results are applied to ICAAP and the Recovery Plan. It covers several more scenarios than the EBA stress test, and includes changes in projections on the entire balance sheet. The baseline scenario is also used to challenge Groupe BPCE's medium-term plan. For the purposes of the Recovery Plan, an additional test is conducted on the real estate portfolio;
- specific stress tests. These tests may be performed at the request of an external authority (supervisor) or an internal body. For example, in 2016, the ACPR requested a stress test on the commercial real estate portfolio, focusing specifically on office space.

The results, particularly those of the latest EBA stress tests, have always demonstrated Groupe BPCE's resilience to the shocks simulated in the test scenarios. They are consistently used with the aim of learning as much as possible from the stress tests.

QUALITY ASSESSMENT OF LOAN OUTSTANDINGS AND IMPAIRMENT POLICY

System governance

From a regulatory standpoint, Article 118 of the Ministerial Order of November 3, 2014 on internal control specifies that "at least once each quarter, supervised companies must perform an analysis of changes in the quality of their loan commitments. In particular, this review should determine, for material transactions, whether any reclassifications need to be conducted among the internal risk credit risk assessment categories and, if necessary, the appropriate allocations to non-performing loans and charges to provisions."

When a counterparty is placed on either a local Watch List (WL) or the Group WL, supervision of the counterparty in question is enhanced (Performing WL) or the decision is made to record an appropriate provision (Default WL).

Statistical provisions for performing loans, calculated at Group level for the networks in accordance with IFRS 9 requirements, are measured using a methodology validated by Group committees (reviewed by an independent unit and validated by the Group Models Committee and the Group Standards & Methods Committee). These provisions include scenarios of changes in the economic environment determined each year by the Group's Economic Research team and validated by the Executive Management Committee, coupled with probabilities of occurrence reviewed quarterly by the Group Watchlist and Provisions Committee.

Provisions for loans in default are calculated at the individual institution level, with the exception of shared loans in default exceeding €15 million and subject to central coordination as decided by the Group Watchlist and Provisions Committee on a quarterly basis. The amount of the provision is calculated by incorporating the present value of collateral (prudent valuation), without systematically applying a haircut at this point: a methodology aimed at deploying a haircut policy will be established when the NPL guidance is implemented.

Any defaulted exposures not covered by provisions shall be subject to enhanced justification requirements to explain why no provision has been recorded.

The individual limits system in place, aimed at evenly distributing risks and making them individually acceptable in terms of each institution's beneficiary and capital position, *i.e.* without including the value of collateral, to define the maximum amount of acceptable risk for a given counterparty. The aim of this position is to neutralize the operational risk associated with the recognition of collateral and with execution in the event the institution is required to call in the collateral.

Netting of on-balance sheet and off-balance sheet transactions

For credit transactions, Groupe BPCE is not required to carry out netting of on-balance sheet and off-balance sheet transactions.

Recognition of provisions and impairment under IFRS 9

Provisioning methods

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, loan commitments and financial guarantees given that are not recognized at fair value through profit or loss, as well as lease receivables and trade receivables, shall be systematically impaired or covered by a provision for expected credit losses (ECL).

For financial assets not showing objective evidence of impairment on an individual basis, impairment recognition is based on observed losses as well as reasonable and supportable DCF forecasts.

Financial instruments are divided into three categories (Stages) depending on the increase in credit risk observed since initial recognition. A specific credit risk measurement method applies to each category of instrument:

- Stage 1 (S1): performing exposures for which credit risk has not increased materially since initial recognition. The impairment or provision for credit risk amounts to 12-month expected credit losses;
- Stage 2 (S2): performing exposures for which credit risk has increased materially since initial recognition are transferred to this category. The impairment or provision for credit risk is determined on the basis of the instrument's lifetime expected credit losses;
- Stage 3 (S3): impaired exposures, within the meaning of IFRS 9, for which there is objective evidence of impairment loss due to an event which represents a known credit risk occurring (*e.g.* non-repayment of the loan at its normal term, collective proceeding, past due payments recorded by the customer, customer unable to finance an investment in new equipment, etc.) after the initial recognition of the instrument in question. This category covers receivables for which a default event has been identified, as defined in Article 178 of the EU Regulation of June 26, 2013 on prudential requirements for credit institutions.

In order to specify which individual provisioning mechanism is used, and to incorporate the approaches taken during the 2014 asset quality review, where they are considered appropriate, a Group provisioning policy for corporates was established. In terms of collateral valuation, this policy lays the foundations for the calculation of loan impairment and defines the methodology for determining individual impairment based on expert opinion.

It also defines concepts (credit risk measurement, accounting principles on the impairment of customer receivables under IFRS and French GAAP) and data to include in a non-performing loan or disputed loan assessment, as well as essential items to include in a provisioning record.

The methodology section for determining individual impairment based on expert opinion defines impairment approaches:

- going concern (the company can continue operating, and is generating repayment flows that generally require the existing debt to be restructured);
- gone concern (the company has ceased operations and the repayment of the loans depends on the value of the collateral held);
- combined approach (the company will substantially reduce its activity, and in order to recover its money the bank must combine a collection strategy based on operating cash flows with a strategy that involves calling in collateral).

Finally, the policy defines other items that affect the calculation of collection flows and covers the special circumstances of loans to real estate professionals.

The operational implementation of this methodology is being reviewed to ensure it is being applied by the institutions.

Groupe BPCE applies the contagion principle, which holds that, given the ties between entities of a single group, contagion must be recognized for a company undergoing hardships if those hardships are expected to result in another company struggling to meet its commitments. This principle is applied early in the process, when KYC data are collected on groups of customer counterparties, through the ties binding the groups together.

Impairment under IFRS 9

Impairment for credit risk amounts to 12-month expected credit losses or lifetime expected credit losses, depending on the level of increase in credit risk since initial recognition (Stage 1 or Stage 2 exposure). A set of qualitative and quantitative criteria is used to assess the increase in credit risk.

A significant increase in credit risk is measured on an individual basis by taking into account all reasonable and supportable information and by comparing the default risk on the financial instrument at the reporting date with the default risk on the financial instrument at the date of initial recognition. Any significant increase in credit risk shall be recognized before the transaction is impaired (Stage 3).

In order to assess a significant increase in credit risk, the Group implemented a process based on rules and criteria which apply to all Group entities:

- for the individual customer, professional customer and SME loan books, the quantitative criterion is based on the measurement of the change in the 12-month Probability of Default since initial recognition (Probability of Default measured as a cycle average);
- for the large corporate, bank and specialized financing loan books, it is based on the change in rating since initial recognition;
- these quantitative criteria are accompanied by a set of qualitative criteria, including the existence of a payment more than 30 days past due, the classification of the contract as at-risk, the identification of forbearance exposure or the inclusion of the portfolio on a Watch List;

- exposures rated by the large corporates, banks and specialized financing software tool are also downgraded to Stage 2 depending on the sector rating and the level of country risk.

Exposures for which there is objective evidence of impairment loss due to an event representing a counterparty risk and occurring after initial recognition will be considered as impaired and will be classified as Stage 3. Identification criteria for impaired assets are similar to those under IAS 39 and are aligned with the default criterion. The accounting treatment of restructuring operations due to financial hardships is similar to their treatment under IAS 39.

Expected credit losses on Stage 1 or 2 financial instruments are measured as the product of several inputs:

- cash flows expected over the lifetime of the financial instrument, discounted at the valuation date - these flows are determined according to the characteristics of the contract, its effective interest rate and the level of prepayment expected on the contract;
- Loss Given Default (LGD);
- probabilities of default (PD), for the coming year in the case of Stage 1 financial instruments and through to maturity in the case of Stage 2 financial instruments.

The Group draws on existing concepts and mechanisms to define these inputs, and in particular on internal models developed to calculate regulatory capital requirements and on projection models used in the stress test system. Certain adjustments are made to comply with the specific provisions of IFRS 9. IFRS 9 inputs:

- aim to provide an accurate estimate of expected credit losses for accounting provision purposes, whereas prudential inputs are more cautious for regulatory framework purposes. Several of the safety buffers applied to prudential inputs are therefore restated;
- shall allow lifetime expected credit losses to be estimated, whereas prudential inputs are defined to estimate 12-month expected losses. 12-month inputs are thus projected over long periods;
- shall be forward-looking and reflect forecasts of future economic conditions over the estimated period, whereas prudential inputs consist of cycle-average estimates (for PD) or cycle-trough estimates (for LGD and EAD). Prudential PD and LGD inputs are therefore also adjusted to reflect forecasts of future economic conditions.

Inputs are adjusted to economic conditions by defining three economic scenarios over a three-year period. The variables defined in each of these scenarios allow for the distortion of the PD and LGD inputs and the calculation of an expected credit loss for each economic scenario. Projections of inputs for periods longer than three years are based on the mean reversion principle. For consistency purposes, the models used to distort PD and LGD inputs are based on those developed for the stress test system. The economic scenarios are associated with probabilities of occurrence, ultimately making it possible to calculate an average probable loss used as the IFRS 9 impairment amount.

These scenarios are defined using the same organization and governance as those defined for the budget process, requiring an annual review based on proposals from the Economic Research department and approval by the Executive Management Committee. For consistency purposes, the baseline scenario serves as the budget scenario. Two variants – an optimistic view and a pessimistic view – are also developed around this scenario. The probability of occurrence of each scenario is reviewed on a quarterly basis by the Group's Watch List and Provisions Committee. The inputs thus defined are used to measure expected credit losses for all rated exposures, whether they were subject to the IRB or the standardized approach for the calculation of risk-weighted assets. For unrated exposures (insignificant for Groupe BPCE), prudent valuation rules are applied by default, assigning the last rating on the scale before "at risk" status.

The IFRS 9 input validation process is fully aligned with the Group's existing model validation process. Inputs are reviewed by an independent unit responsible for internal model validation, the unit's conclusions are then examined by the Group Models Committee, and subsequent recommendations followed up by the validation unit.

FORBEARANCE, PERFORMING AND NON-PERFORMING EXPOSURES

Forbearance results from the combination of a concession and financial hardship, and may involve performing or non-performing loans.

Two types of concessions can be made when restructuring a loan (performing forborne exposures):

- a contractual modification, which is formalized through a rider or waiver;
- refinancing, which is formalized by setting up a new loan agreement at the same time as or in the seven days preceding the full or partial repayment of another loan agreement.

Groupe BPCE recognizes financial hardship when:

- a payment has been past due for more than 30 days (excluding payments past due for technical reasons); or
- an overdraft authorization has been exceeded for more than 60 days in the three months preceding the rider or refinancing operation;
- a loan has been rated "at-risk".

The decision to downgrade a loan from the "performing forborne exposure" to the "non-performing forborne exposure" category is subject to a different set of rules than the rules for default (new concession or payment more than 30 days past due) and, like the decision to move a loan out of the "forborne" category, is subject to probationary periods.

Forced restructuring, overindebtedness proceedings, or any kind of default as defined by the Group standard, which involves a forbearance measure as previously defined, results in classification as a non-performing forborne exposure.

Retail forborne exposures are identified in the information systems. In addition, there is a guide for using expert opinion to identify forbearance exposures, particularly for short-, medium-, and long-term loans to non-retail counterparties. Permanent controls are performed on any non-retail forborne exposures.

Disclosures on "forbearance, performing and non-performing exposures" are made in addition to disclosures on default and impairment.

6.5.2 Risk measurement and internal ratings

CURRENT SITUATION

SCOPE OF STANDARDIZED AND IRB METHODS USED BY THE GROUP

Customer segment	Banque Populaire network	Caisse d'Epargne network	Crédit Foncier/ Banque Palatine/ BPCE International	Natixis	BPCE SA group
Central banks and other sovereign exposures	F-IRB	Standardized	Standardized	A-IRB	F-IRB
Central governments	F-IRB	Standardized	Standardized	A-IRB	F-IRB
Public sector and similar entities	Standardized	Standardized	Standardized	Standardized	Standardized
Financial institutions	F-IRB	Standardized	Standardized	A-IRB/ Standardized	F-IRB
Corporates (Revenue > €3 million)	F-IRB/ Standardized	F-IRB/ Standardized	Standardized	A-IRB/ Standardized	Standardized
Retail customers	A-IRB	A-IRB	Standardized	Standardized	

BREAKDOWN OF EAD BY APPROACH FOR THE MAIN CUSTOMER SEGMENTS

	12/31/2018			12/31/2017		
	EAD			EAD		
% breakdown	Standardized	F-IRB	A-IRB	Standardized	F-IRB	A-IRB
Central banks and other sovereign exposures	35%	46%	20%	30%	45%	25%
Central governments	48%	31%	21%	53%	27%	20%
Public sector and similar entities	99%	0%	1%	99%	0%	1%
Financial institutions	56%	9%	35%	37%	24%	39%
Corporates	40%	19%	41%	37%	24%	39%
Retail customers	14%	0%	86%	15%	0%	85%

RATING SYSTEM

Information provided in respect of IFRS 7

Internal rating system models are developed based on historical data for observed defaults and losses. They are used to measure the credit risks to which Groupe BPCE is exposed, expressed as a one-year Probability of Default (PD), as a Loss Given Default (LGD) and as Credit Conversion Factors (CCF), depending on the characteristics of the transactions. The models are generally built and validated based on internal historical data from as far back as possible, in accordance with prudent valuation and representativeness constraints (affected portfolios and economic conditions).

These internal rating systems are also applied to risk supervision, authorization systems, internal limits on counterparties, etc., and may also serve as a basis for other processes, such as statistical provisioning.

The resulting risk metrics are then used to calculate capital requirements, once they have been validated by the supervisory authority in compliance with regulatory requirements.

INTERNAL RATING SYSTEM GOVERNANCE

The internal governance of rating systems is centered on the development, validation, monitoring and modification of these systems. The DRCCP is completely independent from the rest of the Group (Banque Populaire and Caisse d'Epargne networks, Natixis, Crédit Foncier and the other subsidiaries) in conducting performance and adequacy reviews of models for credit risks, counterparty risks, and structural ALM and market risks. This role assigned to the DRCCP is based on governance defined in a model validation charter, a Model Governance Committee and on a map of models used throughout the Group.

The model validation charter models encompasses all types of quantitative models, and defines and specifies the duties and responsibilities of those involved throughout the model life cycle. It also specifies the conditions for delegating validation, within a specific scope, to another entity besides the DRCCP validation team: the entity in question must have the necessary expertise, be independent of the team developing the model, and have appropriate validation governance. Under these rules, the validation of certain specific PD and LGD models, IMM models for counterparty risk, IMA and standard models for market risk and prudent valuation models has been delegated to the independent validation team at Natixis.

The internal validation process for new models or for changes to existing models is broken down into three steps:

- a review of the model and its adequacy, conducted independently of the entities having worked on the model;
- a review by the Group Models Committee, comprised of quantitative experts (modeling specialists and validators) and business line experts who issue a technical opinion on the model;
- validation by the DRCCP Standards and Methods Committee, based on the technical opinion issued by the Group Models Committee, which decides to implement the necessary changes, particularly in terms of processes and operational adaptation. These changes are submitted, where applicable, to the European supervisory authority for prior approval, in accordance with Commission Delegated Regulation No. 529/2014 on changes of the Internal Ratings Based Approach used in determining capital requirements.

After the completion of this governance process, internal control reports and statements of decisions are made available to Group management (and supervisory authorities for internal models used to determine capital requirements). Each year, a summary of the performances and adequacy of internal models is presented to the Risk Management Committee of the Group Supervisory Board.

MODEL DEVELOPMENT PROCESS

The DRCCP relies on a formalized process describing the main steps taken in developing any new model. This document, which serves as a guide for the entire documentation and validation process, is based on:

- a literary and general description of the model, indicating its scope of application (counterparty type, product type, business line, etc.), the main assumptions on which it is based, and any aspects not covered;
- a descriptive diagram summarizing how the ultimately chosen model works, indicating the various inputs, processes and outputs;
- a detailed description of the modeling steps and approach:
  - setting up the working environment,
  - building a modeling sample,
  - creating samples, out-of-sample tests and out-of-time tests, where applicable,
  - comparing proposed models, where applicable,
  - justifying the choice of model (expert opinions, level of discrimination, stability, consistency, robustness, etc.);
- a literary description of the model's main risk factors.

Internally developed models are required to meet strict risk discrimination and qualification criteria.

REVIEW OF INTERNAL RATINGS-BASED MODELS

The DRCCP is responsible for reviewing the Group's internal models whenever a new model is being developed or an existing model changed. It also performs the annual review of backtests on credit, market and ALM risk models.

The validation team conducts independent analyses in compliance with a charter and procedures that describe interactions with the modeling entities and the steps of the review. This review is based on a set of qualitative and quantitative criteria, and mainly addresses the following points:

- documentation;
- methodology, including the validity of assumptions;
- performance;
- robustness;
- compliance with regulations.

The level of detail in the review is adjusted for the type of work examined. In any event, it must at least include a document review focusing on the quantitative aspects of rating systems. For a new model or a major change to an existing model, in addition to this review, the computer codes are checked and additional tests are run (comparative calculations).

The scope of the Validation division's involvement may be expanded before and after an investigation of data quality, system implementation and operational integration.

In conclusion, the review generates an opinion on the validity of the models and the associated inputs for credit and counterparty risks, and for models authorized for use in determining capital requirements. It also generates an opinion on compliance with prudential regulations. Where necessary, the review is accompanied by recommendations.

MODEL MAPPING

The DRCCP maps out all Group internal rating models, clearly indicating their scope in terms of Group segments and entities, as well as their main features, including a general score derived from the annual model review characterizing the performance and freshness of each model (age/year of development).

New models have been added to the system to better reflect the specific nature of certain scopes of operation. In particular, two rating models were introduced for small enterprises (€3 million < Revenue < €10 million) in October 2017. These models draw on account behavior variables and the company's financial data. Separate LGD models have also been introduced for commodities trade financing agreements and financing with listed equities.

The following table lists the internal credit models used by the Group for risk management purposes and, where authorized by the supervisor, to calculate capital requirements for the Banque Populaire and Caisse d'Epargne networks, Natixis and its subsidiaries, Crédit Foncier and Banque Palatine.

PD (PROBABILITY OF DEFAULT) MODELS

Exposure class	Portfolio	Number of models	Description/Methodology
Sovereigns, central governments and central banks	Sovereigns and affiliates	1	Expert criteria including quantitative and qualitative variables/economic and descriptive variables Portfolio with low default risk
	Multilateral development banks	1	Expert criteria Portfolio with low default risk
Public sector	Municipalities (communes), departments, regions, social housing agencies, hospitals, etc.	10 (NA*)	Expert criteria/statistical modeling (logistic regression) Portfolio with low default risk
Financial institutions	OECD or non-OECD banks, brokers/dealers	3	Expert criteria Portfolio with low default risk
Corporates	Large corporates (Revenue > €1 billion)	5	Expert criteria including quantitative and qualitative variables, depending on the business sector Portfolio with low default risk
	SMEs (Revenue > €3 million)	11 (o/w 2 NA)	Statistical models (logistic regression) or flat scores, on companies publishing parent company or consolidated financial statements, mainly based on balance sheet data depending on the business sector, and banking behavior/history
	Non-profits and Insurance companies	2	Expert criteria including quantitative and qualitative variables Portfolio with low default risk
	Specialized lending (real estate, asset pool, aircraft, etc.)	8 (o/w 1 NA)	Expert criteria based on features of financed goods/projects Portfolio with low default risk
Retail	Individual customers	7	Statistical models (logistic regression) including behavioral and socioeconomic variables, differentiated by customer profile
	Professional customers (socioeconomic category, differentiated according to certain sectors)	10	Statistical models (logistic regression) including balance sheet and behavioral variables
	Residential real estate	5 (o/w 2 NA)	Statistical models (logistic regression) including behavioral and socioeconomic variables, or project description variables (quota, etc.), differentiated by customer profile
	Revolving loans	1	Statistical models (logistic regression) including behavioral and socioeconomic variables

* *NA refers to models not yet approved for the determination of capital requirements.*

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LGD (LOSS GIVEN DEFAULT) MODELS

Exposure class	Portfolio	Number of models	Description/Methodology
Sovereigns, central governments and central banks	Sovereigns and affiliates	1	Expert criteria including quantitative and qualitative variables
Financial institutions	Banks	1	Expert criteria including quantitative and qualitative variables
Corporates	Specialized lending (aircraft, real estate, etc.)	5	Models based on estimates of asset resale conditions or future cash flows
	Other contracts (general, pre-export financing, property investment companies, etc.)	8 (o/w 3 NA)	Models based on estimated losses, segmented by type of contract and guarantee, or expert criteria
	Lease financing	1	Models based on estimates of asset resale conditions, segmented by type of asset financed
Retail	Residential real estate	3 (o/w 1 NA)	Models based on estimated losses, segmented by type of contract and guarantee
	Other individual and professional customers	2	Models based on estimated losses, segmented by type of contract and guarantee
	Lease financing	2	Models based on estimates of asset resale conditions, segmented by type of asset financed
	Revolving loans	1	Models based on estimated losses, segmented by type of contract

* *NA refers to models not yet approved for the determination of capital requirements.*

CCF/EAD (EXPOSURE AT DEFAULT) MODELS

Exposure class	Portfolio	Number of models	Description/Methodology
Sovereigns, central governments and central banks	Sovereigns and affiliates	1	Application of regulatory inputs
Financial institutions	Banks	1	Application of regulatory inputs
Corporates	All companies	2 (o/w 1 NA)	Conversion factors, segmented by type of contract
Retail	Residential real estate	3 (o/w 1 NA)	Conversion factors, segmented by type of contract
	Other individual and professional customers	2	Conversion factors and flat-rate values, segmented by type of contract
	Revolving loans	1	Conversion factors, segmented by type of contract

* *NS refers to non-standardized models used in determining capital requirements.*

INTERNAL RATINGS-BASED APPROACHES – RETAIL CUSTOMERS

For retail customers, Groupe BPCE has established standardized internal ratings-based methods and centralized ratings applications used to assess the credit quality of its loan books for better risk supervision. In the Banque Populaire and Caisse d'Epargne networks, they are also used to determine capital requirements according to the Advanced IRB method.

The Probability of Default of retail customers is modeled by the DRCCP, based in large part on the banking behavior of the counterparties. The models are segmented by type of customer, distinguishing between individual and professional customers (with or without balance sheets) and according to products owned. The counterparties in each segment are automatically classified using statistical models (usually logistic regression models) into similar and statistically separate risk categories. Probability of default is estimated for each of these categories, based on the observation of average default rates over the longest period possible. These estimates are systematically adjusted to factor in a safety buffer for the uncertainty of the estimates. Where past internal data do not cover a full economic cycle, an additional safety buffer is determined in order to maintain a TTC (through the cycle) approach. For comparison purposes, risk reconciliation is carried out between internal ratings and agency ratings.

Loss given default (LGD) is an economic loss measured by incorporating all inherent factors in a transaction as well as the costs incurred during the collection process. LGD estimation models for retail customers are applied specifically to each network. LGD values are first estimated by product and based on whether or not any collateral has been provided. Other factors may also be considered secondarily, where they can be used to statistically distinguish between degrees of loss. The estimation method employed is based on the observation of marginal collection rates, depending on how long the customer has been in default. The advantage of this method is that it can be directly used to estimate LGD rates applied to performing loans and ELBE[1] rates applied to loans in default. Estimates are based on internal collection histories for exposures at default over an extended period. Two safety buffers are then systematically added: the first to cover estimate uncertainties and the second to mitigate any economic slowdown effect.

Groupe BPCE uses three models to estimate EAD. The first estimates a Credit Conversion Factor (CCF) for off-balance sheet exposures. This model is automatically applied depending on the type of product, where the off-balance sheet has a non-zero balance. A multiplying factor is specifically applied to the balance sheet for account overdrafts, where the balance sheet has a non-zero balance but the off-balance sheet has a zero balance. Furthermore, a standard EAD is applied for accounts with credit balances and no overdrafts (authorized or unauthorized).

Internal ratings-based approaches – Non-retail customers

Groupe BPCE has comprehensive systems for measuring non-retail customer risks, using either the Foundation IRB or Advanced IRB approach depending on the network and the customer segment. These systems can also be used to assess the credit quality of its loan books for better risk supervision.

The rating system consists in assigning a score to each counterparty. Given the Group's cooperative structure, a network of officers is responsible for using the uniqueness of the score to determine the customer's rating for the Group. The score assigned to a counterparty is usually suggested by a model, then adjusted and validated by Risk function experts after they perform an individual analysis. The counterparty rating models are mainly structured according to the type of counterparty (corporates, financial institutions, public entities, etc.) and size of the company (measured by its annual revenue). When volumes are sufficient (SMEs, ISEs, etc.), the models rely on statistical modeling (logistic regression methods) of customer defaults, combined with qualitative questionnaires. Otherwise, expert criteria are used, consisting of quantitative factors (financial ratios, solvency, etc.) derived from financial data, and qualitative factors assessing the customer's economic and strategic components. With respect to country risk, the system is based on sovereign ratings and country ratings that limit the ratings that can be given to non-sovereign counterparties. The Non-Retail rating scale is built using the past Standard & Poor's ratings to ensure the direct comparability in terms of risks with the rating agencies.

LGD models (excluding retail customers) are predominantly applied by type of counterparty, type of asset, and whether or not any collateral has been provided. Similar risk categories are then defined, particularly in terms of collections, procedures and type of environment. LGD estimates are assessed on a statistical basis if the number of defaults is high enough (e.g. for the Corporate customers asset class). Past internal data on collections covering the longest possible period are used. If the number of defaults is not high enough, external databases and benchmarks are used to determine expert rates (e.g. for banks and sovereigns). Finally, some values are based on stochastic model, for loans in collection. Downturn LGD is checked and safety buffers are added if necessary.

Groupe BPCE uses three models to estimate EAD for corporates. The first estimates a Credit Conversion Factor (CCF) for off-balance sheet exposures. This model is automatically applied depending on the type of product, where the off-balance sheet has a non-zero balance. A multiplying factor is specifically applied to the balance sheet for account overdrafts, where the balance sheet has a non-zero balance but the off-balance sheet has a zero balance. Otherwise, a standard EAD is applied for accounts with credit balances and no overdrafts (authorized or unauthorized).

Rating methodologies for low-default loan books are based on expert appraisals. Qualitative and quantitative criteria (comprising the characteristics of the counterparty being rated) are assessed to determine a score and rating for the counterparty. That rating is then linked to the counterparty's Probability of Default (PD), which is calibrated using observed external default data and internal ratings-based data. A PD range cannot be quantified due to the low number of internal defaults.

Results are backtested in accordance with Group PD and LGD backtesting standards. Statistical indicators are then calculated and qualitative analyses performed on internal defaults recorded.

Depending on scope, LGD models for low-default books are based on:

- statistical modeling incorporating internal collections data, where the Group has a sufficient data history on observed defaults (e.g. Corporate Unsecured LGD);
- statistical modeling incorporating internal data (e.g. Institution LGD and Sovereign LGD);
- stochastic modeling of collateral value distribution (e.g. Specialized Financing LGD).

In any event, internal defaults are subsequently backtested.

(1) Expected Loss Best Estimate.

Standardized approach

The "risk measurement and internal ratings" section describes the various approved models used by Groupe BPCE for the different exposures classes. Where the Group does not have an internal model authorized for use in determining capital requirements for a given exposure class, they have to be estimated based on corresponding inputs under the standardized approach. These inputs are based in particular on the credit assessments (ratings) performed by rating agencies recognized by the supervisory authority as meeting ECAI (External Credit Assessment Institutions) requirements, in particular Moody's, Standard & Poor's, Fitch Ratings and the Banque de France for Groupe BPCE.

In accordance with Article 138 of Regulation No. 575/2013 (the Capital Requirements Regulation or CRR) on prudential requirements for credit institutions and investment firms, where a counterparty has been rated by several rating agencies, the counterparty's rating is determined on the basis of the second highest rating.

When an external credit rating directly applicable to a given exposure is required and exists for the issuer or for a specific issuance program, the procedures used to determine the weighting are applied in accordance with CRR Article 139.

For fixed-income securities (bonds), short-term external ratings of the bond take precedence over external ratings of the issuer. If there are no external ratings for the bond, the issuer's long-term external rating is taken into account for senior debt only, except in the specific case of exposure to institutions whose risk weight is derived from the credit rating of the sovereign country in which it is established.

Backtesting

All information used to measure the Group's exposure to all counterparties bearing credit risk is saved. Furthermore, all information on counterparties in default (collections, deterioration, write-offs) for the period is archived. Validity tests are conducted once a year on each of these internally-estimated inputs.

All three credit risk inputs are subject to yearly backtesting in order to verify the performance of the rating system. More specifically, backtesting is aimed at measuring the overall performance of models used, primarily to ensure that the model's discriminating power has not declined significantly relative to the modeling period. The average of estimated and observed values is calculated over several years using the information available for each model. Observed default rates are then compared with estimated default rates for each rating. Ratings are checked for through-the-cycle applicability. More specifically, for portfolios with low default rates (large corporates, banks, sovereigns and specialized lending), a detailed analysis is carried out using additional indicators such as severity differences, adjustments to agency ratings and changes in ratings before default. A more qualitative analysis is also performed.

The scope of LGD values is consistent with the values observed, *i.e.* limited exclusively to exposures at default. Estimated values therefore cannot be directly compared with LGD values measured in the outstanding portfolio. The average of estimated and observed values is calculated over several years using the information available for each model. Actual collections are compared with estimated collections. Downturn LGDs are also verified.

Backtesting results may call for the implementation of action plans if the system is deemed not sufficiently prudent or effective. Backtesting results and the associated action plans are discussed by the Group Models Committee, then reviewed by the DRCCP Group Standards & Methods Committee (see governance of the internal rating system).

On the basis of these exercises, the rating system has been deemed satisfactory overall in terms of effective risk management. The calibrations are conservative with respect to observed risk: observed default rates are lower than expected default rates over the entire cycle and over the most recent period. Observed losses on assets in default are lower than expected losses.

Reports on credit risk models

Since the Single Supervisory Mechanism (SSM) was implemented in 2014, the European Central Bank (ECB) has been working to strengthen governance of internal model supervision through various investigations. These include the TRIM (Targeted Review of Internal Models), aimed at assessing the regulatory compliance of internal models specifically targeted by the ECB. To that end, TRIM investigations are based on a set of standardized inspection methodologies and techniques, which the teams mandated by the ECB use on-site. BPCE has been subject to TRIM reviews covering several scopes of operation since December 2015, giving rise to reports prepared by the ECB. As a result, several new initiatives were launched with the aim of further improving the existing system.

TRIM - General Topics

The "General Topics" TRIM focused on principles not specific to the models (overall governance) and took place over a short period (December 2015 to January 2016). At the end of the review, Groupe BPCE globally updated its roll-out/permanent partial use (PPU) plan, primarily to better formalize PPU inputs.

TRIM - Corporate Exposures

The "Corporate Exposures" TRIM took place on-site from July 2017 to November 2017 and covered Probability of Default (PD) models for corporate exposures, targeting companies publishing consolidated financial statements as well as small enterprises generating revenue of less than €10 million and publishing parent company balance sheets. This review covered the Banque Populaire network, the Caisse d'Epargne network and Natixis. It should be noted that a request for approval was submitted to allow the Small Enterprises (SE) model to be used for the Caisse d'Epargne network. In its final decision letter, the ECB validated the use of the new SE models for the entire audited scope and confirmed its approval of the model applied to companies publishing a consolidated balance sheet.

TRIM - Professional Retail Exposures

The "Professional Retail exposures" TRIM was carried out on-site from September 2017 to December 2017 and covered Probability of Default (PD) models for retail exposures in the professional customers segment. This review covered the Banque Populaire network, the Caisse d'Epargne network and Natixis. Note: a request for a material change in the calibration of PD scales was made. In its final decision letter, the ECB validated the use of PD models for the entire audited scope and confirmed the material change in the calibration of PD scales.

TRIM - Retail exposures

The "Retail exposures" TRIM took place from February 2018 to May 2018 and covered Probability of Default (PD) models for retail exposures, targeting individual customers, as well as Exposure at Default (EAD) and Loss Given Default (LGD) models for all retail exposures (professional and individual customers). This review covered the Banque Populaire and Caisse d'Epargne networks. Note: a request for a material change in LGD and EAD models was made. In its final decision letter, the ECB validated the use of PD, LGD and EAD models for the entire audited scope and confirmed the material change in LGD and EAD models.

Impacts on the amount of guarantees the institution is required to give in the event its credit rating is downgraded

The CRR and the Delegated Act require institutions to report to the competent authorities any contracts the conditions of which lead to additional liquidity outflows following a material deterioration of the credit quality of the institution (*e.g.* a downgrade in its external credit assessment by three notches). The institution shall regularly review the extent of this deterioration in light of what is relevant under the contracts it has entered into and shall notify the result of its review to the competent authorities (CRR 423.2/AD 30.2).

The competent authorities decide the weighting to be assigned to contracts deemed to have a material impact.

For contracts containing early exit clauses on master agreements (framework agreements between the bank and a counterparty for OTC derivative transactions without collateral), the early termination clause allows one counterparty to terminate the contract early following the deterioration of the credit quality of the other counterparty. Accordingly, the number of early terminations generated by credit quality deterioration shall be estimated.

It was agreed that the Group would measure outflows generated by reviewing all the Group's master agreements on the OTC market with CSA, in order to assess the amount of the deposit/collateral required following a downgrade of three notches in the institution's long-term credit rating by the three rating agencies (Moody's, S&P, Fitch). The calculation also includes the amount of the deposit/collateral required following a downgrade of one notch in the institution's short-term credit rating, with the Group considering such a downgrade inevitable if the institution's LT credit rating is downgraded three notches.

At Groupe BPCE level, the calculation covers BPCE SA group, Natixis, Crédit Foncier and their funding vehicles: BP CB, GCE CB, BPCE SFH, FCT HL, SCF and VMG. Some intragroup contracts generate outflows at the individual institution level, but are neutralized at the Groupe BPCE consolidated level.

The Group uses a conservative approach in its calculation:

- the impact for each contract is the maximum amount between the three rating agencies between a 1-notch downgrade in the ST rating and a 3-notch downgrade in the LT rating;
- the amount of ratings triggers reported is the sum of all impacts of a one-notch downgrade in the ST rating and a three-notch downgrade in the MLT rating;
- the assumption is made that all external ratings are downgraded simultaneously by the 3 agencies and for all rated entities;
- as the national competent authority has not issued a recommendation, a weight of 100% is applied to reported outflows for the calculation of the LCR.

6.5.3 Credit risk mitigation techniques

Information provided in respect of IFRS 7

Credit risk mitigation techniques are widely used within the Group and are divided into real guarantees and personal guarantees.

A distinction is made between guarantees having an actual impact on collections in the event of hardships and guarantees recognized by the supervisory authority in the weighing of exposures used to reduce capital consumption. For example, a personal and joint guarantee provided in due form by a company director who is a customer of the Group, and collected in accordance with regulations, will be effective without being eligible as a statistical risk mitigation factor.

In some cases, the Group's institutions choose, in addition to employing right mitigation techniques, to take opportunities to sell portfolios of disputed loans, particularly when the techniques used are less effective or non-existent.

Credit derivatives are also used to reduce risks, and apply almost exclusively to the Corporate customers asset class (and mainly Natixis).

DEFINITION OF GUARANTEES

A real guarantee involves one or more solidly appraised movable or immovable assets that belong to the debtor or a third party. Such guarantees consist in granting the creditor a real right to said asset (mortgage, pledge of real property, pledge, third party guarantee, etc.). The effect of this collateral is to:

- reduce the credit risk incurred on an exposure, given the rights of the institution subject to exposure, in the event of default or other specific credit events affecting the counterparty;
- obtain the transfer of ownership of certain amounts or assets.

A personal guarantee is collateral that reduces the credit risk on an exposure, due to the commitment provided by a third party to pay a set amount if the counterparty defaults or due to any other specific event.

ACCOUNTING RECOGNITION UNDER THE STANDARDIZED OR IRB APPROACH

Under the standardized approach, personal guarantees and real guarantees are accounted for, subject to eligibility, using an enhanced weighting of the collateral portion of the exposure. Real guarantees such as cash or liquid collateral are deducted from the gross exposure.

Under the IRB approach, excluding retail customers, real guarantees are recognized, subject to eligibility, by decreasing the Loss Given Default applicable to the transactions. Personal guarantees are recognized, subject to eligibility, by substituting a third party's PD with that of a guarantor.

Under the A-IRB approach for retail customers, personal guarantees and real guarantees are recognized, subject to eligibility, by decreasing the Loss Given Default applicable to the transactions in question.

CONDITIONS FOR THE RECOGNITION OF GUARANTEES

Articles 207 to 210 of Capital Requirements Regulation (CRR) No. 575/2013 set out the conditions for the recognition of guarantees, in particular:

- the credit quality of the obligor and the value of the collateral shall not have a material positive correlation. Securities issued by the obligor shall not qualify as eligible collateral;
- the institution shall properly document the collateral arrangements and have in place clear and robust procedures for the timely liquidation of collateral;
- the institution shall have in place documented policies and practices concerning the types and amounts of collateral accepted;
- the institution shall calculate the market value of the collateral, and revalue it accordingly, whenever it has reason to believe that a significant decrease in the market value of the collateral has occurred.

RISK DIVERSIFICATION

Risk diversification is one technique for mitigating credit risk. In practice, individual or topical limits are defined, thus reducing the bank's sensitivity to risks deemed excessive, either individually or industry-wide, in the event of a major incident.

Risk supervision mechanisms can reduce risk exposures if the risk is deemed too high, thus also contributing to good risk diversification.

GUARANTORS

The Banque Populaire network has historically used professionals and Mutual Guarantee Companies (such as SOCAMAs, which guarantee loans to craftsmen) to secure its loans, in addition to the real guarantees used.

For loans to individual customers, it also turns to CASDEN Banque Populaire to back loans to civil servants in the French national education system, Crédit Logement, and increasingly Compagnie Européenne de Garanties et de Cautions (CEGC, a subsidiary of Natixis).

For home loans, the Caisse d'Epargne network mainly calls on CEGC, FGAS (Fonds de garantie à l'accession sociale à la propriété) and, to a lesser extent, Crédit Logement (a financial institution and a subsidiary of most of the main French banking networks). These institutions specialize in the provision of guarantees for bank loans (predominantly home loans).

FGAS offers guarantees from the French government for secured loans. Loans covered by FGAS guarantees granted before December 31, 2006 are given a 0% risk weight and loans covered by guarantees granted after that date have a risk weight of 15%.

Crédit Logement has a long-term rating of Aa3 from Moody's, with a stable outlook.

For their home loans, the Banque Populaire and Caisse d'Epargne networks also use several mutual insurers, such as MGEN, Mutuelle de la Gendarmerie, etc.

For professional and corporate customers, the entire Group still uses Banque Publique d'Investissement, while calling on the European Investment Fund or European Investment Bank for guarantee packages in order to substantially reduce credit risk.

In some cases, organizations such as Auxiga are used for the seizure of inventory and the transfer of its ownership to the bank as collateral for commitments made in the event of financial hardships.

Finally, on an occasional basis, Natixis purchases credit Insurance for certain transactions and in some circumstances, from private (SCOR) or public (Coface, Hermes, other sovereign agencies) reinsurance companies, while also making use of Credit Default Swaps (CDSs).

Credit derivatives serving as currency or interest rate hedges are entrusted to approved clearing houses in Europe or the US for Natixis operations in this country.

CONCENTRATION OF COLLATERAL VOLUMES

By type of guarantor

For home loan exposures, most collateral takes the form of mortgages (risk diversified by definition, bank better protected by basing credit approval decisions on customer income), Insurance-oriented guarantees such as those provided by CEGC (a subsidiary of Groupe BPCE, subject to regular stress testing), Crédit Logement (providing guarantees to multiple banks subject to the same constraints) and FGAS (controlled by the French State, considered equivalent to sovereign risk). The CASDEN guarantee, issued to government employees, currently offers solid resilience according to a model based on the robust income of this particular customer base.

For professional customer exposures, the most common guarantees are those provided by the Banque Publique d'investissement (BPI), subject to strict formal constraints, and mortgages. Guarantees provided by institutions such as SOCAMAs, whose solvency depends on the credit institutions of Groupe BPCE, are also used.

For corporate customers, the main guarantees used are Banque Publique d'investissement mortgages and guarantees.

By credit derivative providers

Regulations call for the use of clearing houses for interest rate risk on new exposures, which does not cover counterparty default risk, however (a granular risk). Volumes of collateral provided by clearing houses are gradually on the rise, generating a regulated and supervised risk.

Currency risk is hedged for each CONTRACT by setting up margin calls at a frequency appropriate to the risk in question: these transactions are secured by using specialist interbank counterparties, subject to individual limits authorized by the Group Credit and Counterparties Committee.

By credit business sector

Groupe BPCE has established sector-specific mechanisms to guide the guarantee policy based on the business sector in question. Appropriate recommendations are issued to the institutions.

By geographic area

Groupe BPCE is mainly exposed to France and, *via* Natixis, to other countries to a lesser extent. Accordingly, most guarantees are located in France.

VALUATION AND MANAGEMENT OF COLLATERAL COMPRISING REAL GUARANTEES

Groupe BPCE has an automatic valuation tool for real guarantees available to all its networks.

Across the Banque Populaire network, in addition to real guarantees, the valuation tool also takes into account pledges of vehicles, equipment and tools, pleasure craft, and business assets.

The Caisse d'Epargne network uses the appraisal tool in all risk segments.

At Groupe BPCE, guarantees from Mutual Guarantee Companies recognized as providers of sureties considered equivalent to mortgages by the supervisory body are subject to a credit Insurance valuation.

An enhanced Group valuation process was established to measure real guarantees above certain amounts. Crédit Foncier Expertise, a subsidiary of CFF, is certified to issue such guarantees, generating more synergies for the Group.

Guarantees other than those referred to above are assessed and validated on the basis of a systematic valuation, either marked-to-market where the guarantees are quoted on liquid markets (*e.g.* exchange-traded securities), or based on expert opinion demonstrating the value of the guarantee used to hedge risks (*e.g.* the value of recent deals involving aircraft or ships, depending on their features, the value of commodity holdings, the value of a pledge given on merchandise, or the value of a business based on its location, etc.).

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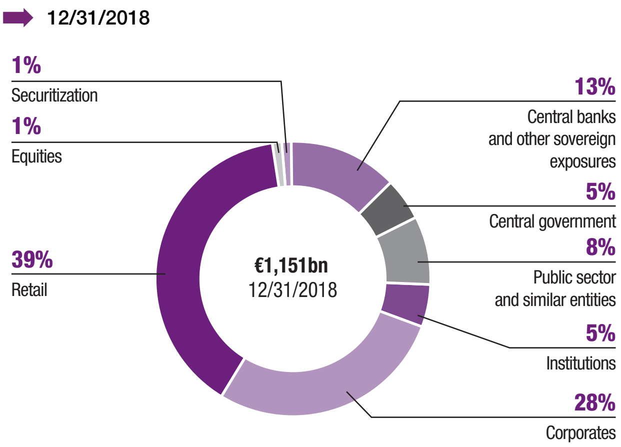
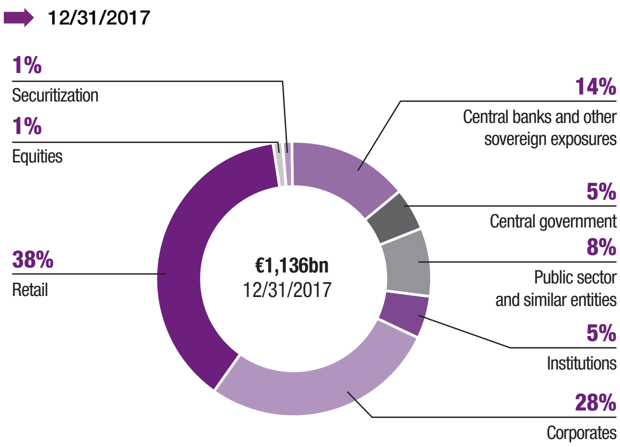
6.5.4 Quantitative disclosures

EXPOSURE TO CREDIT AND COUNTERPARTY RISKS

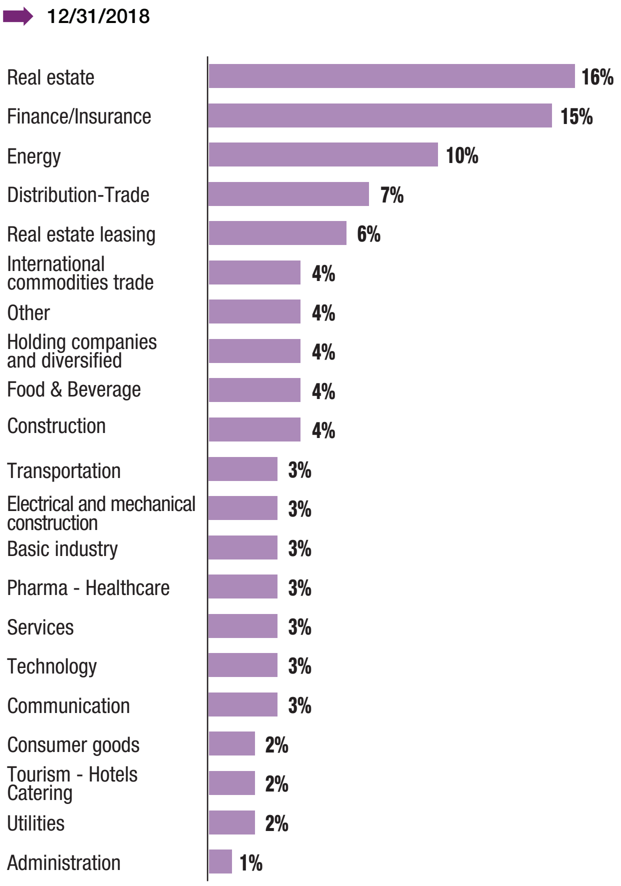
Portfolio breakdown by exposure class (excluding other assets)





Groupe BPCE's total gross exposures amounted to more than €1,151 billion at 12/31/2018, up €15 billion.

Breakdown of gross exposures to corporate customers by economic sector

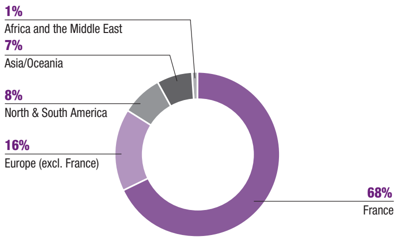


The top three sectors are real estate, finance/Insurance and energy. Concentration of exposures in the three top sectors remains moderate.

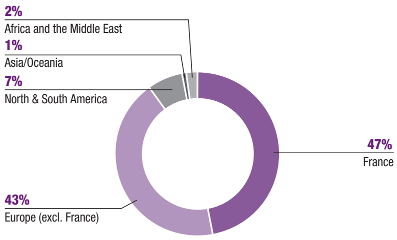
Geographic breakdown of gross exposures

12/31/2018

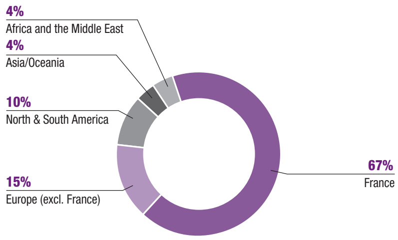
Institutions



Central governments/Central banks and other sovereign exposures

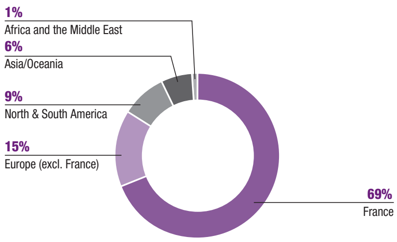


Corporates

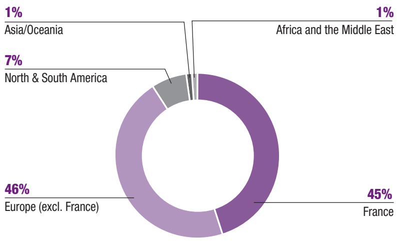


12/31/2017

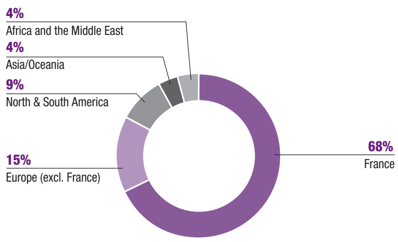
Institutions



Central governments/Central banks and other sovereign exposures



Corporates



Gross exposures are very predominantly located in Europe, especially in France, for all asset classes (66% of corporates).

Concentration

CONCENTRATION BY BORROWER

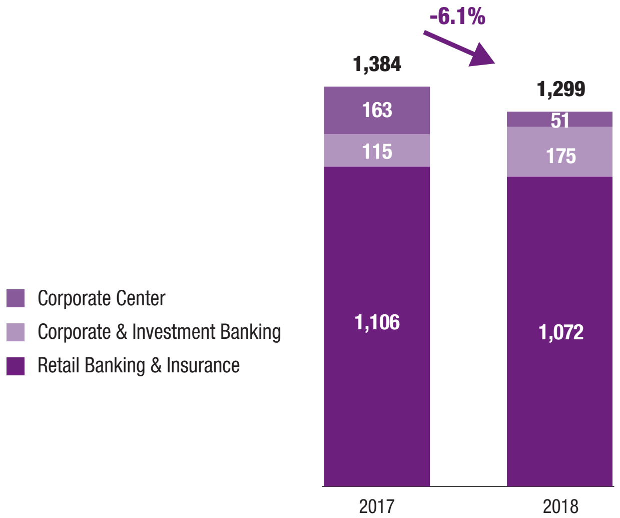
	12/31/2018		12/31/2017	
Concentration by borrower	**Breakdown Gross amount/Total large risk exposures[1]**	**Percentage of capital Gross amount/ Capital[2]**	**Breakdown Gross amount/Total large risk exposures[1]**	**Percentage of capital Gross amount/ Capital[2]**
No. 1 borrower	3.4%	7.1%	4.2%	8.6%
Top 10 borrowers	21.3%	44.2%	21.5%	43.9%
Top 50 borrowers	54.8%	113.6%	55.7%	113.8%
Top 100 borrowers	74.9%	155.5%	76.3%	155.9%

(1) Total large risks excluding Groupe BPCE sovereign exposures (€159.6 bn at 12/31/2018).
(2) Groupe BPCE regulatory capital (Corep CA4 row 11 at 12/31/2018): €76.8 bn.

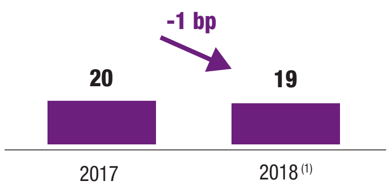
The percentage of the Top 100 borrowers held relatively steady in 2018 and did not show any particular concentration.

PROVISIONS AND IMPAIRMENTS

CHANGE IN GROUP COST OF RISK *(IN €M)*



COST OF RISK IN BP (GROUPE BPCE)



(1) Excluding non-recurring items

At €1.3 billion, Groupe BPCE's cost of risk decreased 6.1% in 2018 compared to 2017. Average annual cost of risk (expressed in basis points *versus* customer exposures at the start of the period) reached a record low of 19 bp in 2018, down 1 bp from 2017.

In Retail Banking and Insurance, cost of risk fell 3% year-on-year. Cost of risk averaged 23 bp for the Banque Populaire banks in 2018 (stable compared to 2017) *versus* 15 bp for the Caisses d'Epargne (also stable).

For Corporate & Investment Banking, cost of risk (excluding non-recurring items) averaged 18 bp, down 2 bp *versus* 2017.

COVERAGE OF NON-PERFORMING LOANS

in billions of euros	12/31/2018	01/01/2018
Gross loan outstandings - customers and banks	763.1	730.1
o/w S3 exposures	21.5	23.2
Non-performing loans/gross loans	2.8%	3.2%
Total S3 impairments	9.7	10.5
Impairments/non-performing loans	45.0%	45.1%

NON-IMPAIRED LOANS SHOWING PAST DUE BALANCES

Assets with past due payments are performing exposures on which a payment incident has been recorded.

For example:

- a debt instrument is considered past due if the bond issuer is no longer making interest payments;
- a loan is considered past due if a payment or installment has been missed and recorded as such on the books;
- a current account overdraft carried in "Loans and advances" is considered past due if the overdraft period or authorized limit has been exceeded at the reporting date.

The amounts disclosed in the statement below do not include past due payments resulting from the time difference between the settlement date and the recognition date.

Past due loans and receivables (past due principal and accrued interest in the case of loans and total overdrawn balance in the case of current accounts) can be broken down by due date as follows:

AGING OF PAST-DUE EXPOSURES

Past-due exposures amounted to €13.4 billion at 31/12/2018. Exposures no more than 30 days past due made up 74% of total exposures *versus* 25% for exposures between 30 and 90 days past due.

	Gross carrying amounts		
in millions of euros	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans	6,441	2,184	115
Debt securities	-	-	-
TOTAL EXPOSURES	**6,441**	**2,184**	**115**

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RESTRUCTURED LOANS

ADJUSTMENTS DUE TO FINANCIAL HARDSHIPS

	12/31/2018			12/31/2017		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Impaired restructured loans	6,575	16	6,591	6,625	93	6,718
Performing restructured loans	2,354		2,354	2,542	73	2,615
TOTAL RESTRUCTURED LOANS	**8,929**	**16**	**8,945**	**9,167**	**166**	**9,333**
Impairment	**(1,884)**	**4**	**(1,880)**	**(1,976)**	**2**	**(1,974)**
Collateral received	**5,872**	**18**	**5,890**	**5,341**	**23**	**5,364**

BREAKDOWN OF GROSS LOAN OUTSTANDINGS

in millions of euros	12/31/2018			12/31/2017		
	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Restructuring: amendments to terms and conditions	5,189	12	5,201	5,848	113	5,961
Restructuring: refinancing	3,741	4	3,745	3,319	53	3,372
TOTAL RESTRUCTURED LOANS	**8,929**	**16**	**8,945**	**9,167**	**166**	**9,333**

COUNTERPARTIES BY GEOGRAPHIC AREA

in millions of euros	12/31/2018			12/31/2017		
	Loans and receivables	Off-balance sheet commitments	Total	Off-balance sheet commitments	Loans and receivables	Off-balance sheet commitments
France	7,494	8	7,502	7,189	139	7,328
Other countries	1,435	8	1,443	1,978	27	2,005
TOTAL RESTRUCTURED LOANS	**8,929**	**16**	**8,945**	**9,167**	**166**	**9,333**

NON-PERFORMING AND FORBORNE EXPOSURES

NON-PERFORMING AND FORBORNE EXPOSURES

	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fairvalue adjustments due to credit risk				Collaterals received and financial guarantees received	
		o/w Performing		o/w Non-Performing				o/w Performing		o/w Non-Performing			
in millions of euros	Total gross carrying value of exposures	o/w performing past due > 30 days < = 90 days	o/w performing forborne	Total gross carrying value of non-performing exposures	o/w defaulted	o/w impaired	o/w forborne	Accumulated impairment and provisions on performing exposures	o/w forborne	Accumulated impairment and provisions on non-performing exposures	o/w forborne	On non-performing exposures	o/w forborne
Debt securities	76,305	-	47	346	337	327	116	(26)	(6)	(207)	(42)	57	57
Loans and advances	842,565	2,058	2,307	23,999	21,767	21,571	6,459	(2,841)	(116)	(9,932)	(1,721)	12,927	5,815
Off-balance sheet exposures	173,205	-	-	1,697	1,402	-	16	354	0	323	4	22	18

CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

in millions of euros	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment[2]
Opening balance	**13,735**	
Increases due to amounts set aside for estimated loan losses during the period	2,112	
Decreases due to amounts reversed for estimated loan losses during the period	(1,860)	
Decreases due to amounts taken against accumulated credit risk adjustments	(1,234)	
Transfers between credit risk adjustments	705	
Other adjustments (incl. IFRS 5)	(456)	
Closing balance[1]	**13,003**	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(68)	
Specific credit risk adjustments directly recorded to the statement of profit or loss	226	

(1) Differences in the total amount of provisions between the above Table 34 (Credit quality of exposures by exposure class) and Table 35 (Credit quality of exposures by industry) can be predominantly attributed to differences in scope. The above table does not show impairments on equity interests or provisions on guarantee commitments given.

(2) The heading "Accumulated general credit risk adjustment" cannot be used under current IFRS.

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6.6 Counterparty risk

6.6.1 Counterparty risk management

Information provided in respect of IFRS 7

Counterparty risk is the credit risk generated on market, investment and/or settlement transactions. It is the risk of the counterparty not being able to meet its obligations to Group institutions.

Counterparty risk is also linked to the cost of replacing a derivative if the counterparty defaults. It is similar to market risk in the event of default.

Counterparty risk arises on cash management and market activities conducted with customers, and on clearing activities *via* a clearing house or external clearing agent.

Exposure to counterparty risk is measured using the internal ratings-based approach and standardized approach. BPCE SA group manages counterparty risk daily using a standardized approach, given the nature of vanilla transactions.

MEASURING COUNTERPARTY RISK

Information provided in respect of IFRS 7

In economic terms, Groupe BPCE and its subsidiaries measure counterparty risk for derivative instruments (swaps or structured products, for instance) using the IRB method for Natixis, or the mark-to-market method for other institutions. In order to perfect the economic measurement of the current and potential risk inherent in derivatives, a tracking mechanism based on a standardized economic measurement is currently being instituted throughout Groupe BPCE.

Natixis uses an internal model to measure and manage its own counterparty risk. Using Monte Carlo simulations for the main risk factors, this model measures the positions on each counterparty and for the entire lifespan of the exposure, taking netting and collateralization criteria into account.

The model thus determines the EPE (Expected Positive Exposure) profile and the PFE (Potential Future Exposure) profile, the latter being the main indicator used by Natixis for assessing counterparty risk exposure. This indicator is calculated as the 97.7% percentile of the distribution of exposures for each counterparty.

With respect to the Group's other entities, the counterparty risk base for market transactions is calculated using a mark-to-market approach.

COUNTERPARTY RISK MITIGATION TECHNIQUES

Information provided in respect of IFRS 7

Counterparty risk is subject to groupwide caps and limits, which are validated by the Group Credit and Counterparty Committee.

Use of clearing houses and futures contracts (daily margin calls under ISDA agreements, for example) govern relations with the main customers (mainly Natixis). Accordingly, the Group has implemented EMIR requirements.

The principles of counterparty risk management are based on:

- a risk measurement determined according to the type of instrument in question, the term of the transactions, and whether or not any netting and collateralization agreements are in place;
- counterparty risk limits and allocation procedures;
- a value adjustment in respect of counterparty risk: the CVA (Credit Value Adjustment) represents the market value of a counterparty's default risk (see CVA section below);
- incorporation of wrong-way risk: wrong-way risk refers to the risk that a given counterparty exposure is heavily correlated with the counterparty's Probability of Default.

From a regulatory standpoint, this risk is represented by:

- specific wrong-way risk, *i.e.* the risk generated when, due to the nature of the transactions entered into with a counterparty, there is a direct link between its credit quality and the amount of the exposure;
- general wrong-way risk, *i.e.* the risk generated when there is a correlation between the counterparty's credit quality and general market factors.

Natixis complies with Article 291.6 of the European Regulation of June 26, 2013 including the obligation to report wrong-way risk (WWR). The article states that "institutions shall provide senior management and the appropriate committee of the management body with regular reports on both Specific and General Wrong-Way risks and the steps being taken to manage those risks."

Specific wrong-way risk is subject to a specific capital requirement (Article 291.5 of the European Regulation of June 26, 2013 on prudential requirements for credit institutions and investment firms), while general wrong-way risk is assessed using the WWR stress scenarios defined for each asset class.

In the event the Bank's external credit rating is downgraded, it may be required to provide additional cash or collateral to investors under agreements that include rating triggers. In particular, in calculating the liquidity coverage ratio (LCR), the amounts of these additional cash outflows and additional collateral requirements are measured. These amounts comprise the payment the bank would have to make within 30 calendar days in the event its credit rating were downgraded by as much as three notches.

CVA

The valuation of financial instruments traded over-the-counter by Groupe BPCE with external counterparties in its capital markets businesses (mainly Natixis) and ALM activities include credit valuation adjustments. The CVA is an adjustment to the valuation of the trading book aimed at factoring in counterparty credit risks. It thus reflects the expectation of loss in fair value terms on the existing exposure to a counterparty due to the potential positive value of the contract, the counterparty's Probability of Default and the estimated collection rate.

The level of the CVA varies according to changes in exposure to existing counterparty risk and in the counterparty's credit rating, which may trigger changes in the CDS spread used to determine Probability of Default.

6.6.2 Quantitative disclosures

BREAKDOWN OF GROSS COUNTERPARTY RISK EXPOSURES BY ASSET CLASS (EXCLUDING OTHER ASSETS) AND METHOD

	12/31/2018							31/12/2017		
	Standardized			IRB			Total	Total		
in millions of euros	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	Exposure	EAD	RWA
Central banks and other sovereign exposures	-	-	-	3,938	3,938	161	3,938	4,086	4,086	91
Central governments	130	130	-	2,610	2,574	27	2,740	2,283	2,248	13
Public sector and similar entities	967	1,042	273	135	135	1	1,102	1,050	1,050	200
Institutions	20,338	18,931	1,397	14,193	14,193	3,213	34,530	41,559	39,993	4,459
Corporates	1,511	1,423	931	15,963	15,946	4,400	17,473	17,998	15,266	4,928
Retail	3	3	2	3	3	2	7	7	7	6
Equity exposures	-	-	-	-	-	-	-	-	-	-
Securitization	47	47	14	1,613	1,613	267	1,660	1,489	1,489	285
TOTAL	**22,996**	**21,578**	**2,617**	**38,455**	**38,402**	**8,072**	**61,451**	**68,471**	**64,138**	**9,983**

The majority of counterparty risk is incurred in the "Institutions" asset class (61% of exposures).

BREAKDOWN BY EXPOSURE CLASS OF RISK-WEIGHTED ASSETS FOR THE CREDIT VALUATION ADJUSTMENT (CVA)

in millions of euros	12/31/2018	12/31/2017
Central banks and other sovereign exposures	-	-
Central governments	-	-
Public sector and similar entities	-	-
Institutions	1,807	1,418
Corporates	509	430
Retail	-	-
Equity exposures	-	-
Securitization	-	-
Other assets	-	-
TOTAL	**2,317**	**1,848**

COUNTERPARTY RISK RELATED TO DERIVATIVE AND REPURCHASE AGREEMENT EXPOSURES

	12/31/2018			12/31/2017		
in millions of euros	Standardized	IRB	Total	Standardized	IRB	Total
Derivatives						
Central banks and other sovereign exposures	-	692	692	-	342	342
Central governments	61	462	524	8	1,335	1,343
Public sector and similar entities	921	135	1,055	827	146	973
Institutions	16,568	6,631	23,199	17,518	6,141	23,659
Corporates	547	7,312	7,858	401	7,524	7,926
Retail	3	3	7	4	3	7
Securitization	47	1,613	1,660	0	1,489	1,489
TOTAL	**18,147**	**16,849**	**34,996**	**18,759**	**16,980**	**35,739**
Repurchase agreements						
Central banks and other sovereign exposures	-	3,246	3,246	-	3,743	3,743
Central governments	69	2,147	2,216	130	810	940
Public sector and similar entities	47	-	47	77	-	77
Institutions	3,770	7,561	11,331	3,875	14,024	17,900
Corporates	964	8,651	9,615	3,051	7,021	10,072
Retail	-	-	-			
Securitization	-	-	-			
TOTAL	**4,850**	**21,606**	**26,456**	**7,133**	**25,599**	**32,732**

6.7 Securitization transactions

6.7.1 Regulatory framework and accounting methods

REGULATORY FRAMEWORK

This section presents information on Groupe BPCE's securitization activities in accordance with applicable definitions and treatments, as stipulated in Chapter 5 of the CRR.

Prudential requirements relating to securitization positions are governed by Articles 242 to 266 of European Regulation No. 575/2013 (Capital Requirements Regulation – CRR) and are separate from conventional loans. The Group uses two methods to measure exposure to securitization risk: the standardized approach and the internal ratings-based approach with specific weighting categories.

The CRR defines a securitization as a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having the following characteristics:

- the transaction results in significant risk transfer, in the case of origination;
- payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

In line with the Basel Committee's end-2014 publications, the European Commission is working to restore simple, transparent and standardized (STS) securitization markets, without repeating the mistakes made before the 2008 financial crisis. The introduction of an STS market is a key component of the Capital Markets Union (CMU). The Union intends to strengthen the legislative framework introduced in the wake of the financial crisis, with the aim of better distinguishing between different types of securitization (STS securitizations *versus* complex, non-transparent and high-risk instruments) and applying a more risk-sensitive prudential framework.

The Securitization Regulation, defining the new general framework for securitization and creating a clear set of criteria for Simple, Transparent and Standardized (STS) securitizations, as well as the related amendments to the CRR, were published in the Official Journal of the European Union on December 28, 2017, with an effective date of January 2019. However, the methods used to determine capital requirements in force in 2018 will continue to apply to pre-01/01/2019 issues throughout 2019.

ACCOUNTING METHODS

Securitization transactions in which Groupe BPCE is an investor (i.e. the Group invests directly in some securitization positions, provides liquidity, and is a counterparty for derivatives exposures or guarantees) are recognized in accordance with the Group's accounting principles, as referred to in the notes to the consolidated financial statements.

Securitization positions are predominantly recorded under "Securities at amortized cost" and "Financial assets at fair value through other comprehensive income".

Securitization positions classified as "Securities at amortized cost" are measured after their initial recognition at amortized cost based on the effective interest rate. Any position booked to "Securities at amortized cost" is impaired under "Cost of credit risk" in respect of Stage 1 or Stage 2 expected credit losses following a significant increase in credit risk.

Where a position booked to "Securities at amortized cost" is transferred to Stage 3 (defaulted exposures), the impairment is recorded under "Cost of credit risk" (Note 7.1.2 to the financial statements - "Change in gross carrying amounts and expected credit losses on financial assets and commitments").

If a position is sold, the Group recognizes capital gains or losses on disposal in profit or loss under "Net gains or losses resulting from derecognition of financial assets at amortized cost", unless the debt is in default: in such case, it is booked to "Cost of credit risk".

Securitization positions classified as "Financial assets at fair value through other comprehensive income" are remeasured at their fair value at the closing date. Interest income accrued or received on debt instruments is recognized in income based on the effective interest rate under "Interest and similar income" in net banking income (NBI), while changes in fair value (excluding revenues) are recorded on a separate line in other comprehensive income under "Gains and losses recognized directly in other comprehensive income". They are impaired in respect of Stage 1, 2 or 3 expected credit losses, in accordance with the same methodology used for positions classified as "Securities at amortized cost". This impairment is recorded on the liabilities side of the balance sheet under other comprehensive income that may subsequently be reclassified to profit or loss, with a corresponding entry to "Cost of credit risk" on the income statement (Note 7.1.2 to the financial statements - "Change in gross carrying amounts and expected credit losses on financial assets and commitments").

If the position is sold, the Group recognizes the capital gains or losses on disposal in profit or loss under "Net gains or losses on financial instruments at fair value through other comprehensive income" unless the position is in Stage 3. In such case, the loss is recognized in "Cost of credit risk".

Securitization positions classified as "Financial assets at fair value through profit or loss" are measured at fair value, at both the initial recognition date and the reporting date. Changes in fair value over the period, interest, and gains or losses on disposals related to securitization positions are recognized in "Net gains or losses on financial instruments at fair value through profit or loss".

Synthetic securitizations such as Credit Default Swaps are subject to accounting recognition rules specific to trading derivatives (Note 5.2 to the financial statements - "Financial assets and liabilities at fair value through profit or loss").

In accordance with IFRS 9, securitized assets are derecognized when Groupe BPCE has transferred substantially all of the risks and rewards of ownership of the asset.

If the Group transfers the cash flows of a financial asset but neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has not retained control of the financial asset, the Group derecognizes the financial asset and then recognizes separately, if necessary, as assets or liabilities any rights and obligations created or retained in the transfer. If the Group retains control of the financial asset, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

When a financial asset at amortized cost or at fair value through other comprehensive income is fully derecognized, a gain or loss on disposal is recorded in the income statement. The amount is equal to the difference between the carrying amount of the asset and the value of the consideration received, corrected for impairment, and where applicable for any unrealized profit or loss previously recognized directly in other comprehensive income.

Given the relatively low value of the assets in question and relative infrequency of securitization transactions, assets pending securitization continue to be recognized in their original portfolio. Specifically, they continue to be recognized under "Loans and receivables due from customers at amortized cost" when that is their original classification.

For synthetic securitizations, assets are not derecognized as long as the institution retains control over them. The assets continue to be recognized in accordance with their original classification and valuation method. Consolidation or non-consolidation of securitization vehicles is analyzed in accordance with IFRS 10 based on the institution's ties with the vehicle. These principles are reiterated in Note 3.2.1 to the financial statements - "Entities controlled by the Group".

TERMINOLOGY

Traditional securitization: this consists of the economic transfer to investors of financial assets such as loans or receivables, transforming these loans into financial securities issued on the capital market *via* SSPEs (securitization special purpose entities).

Synthetic securitization: in a synthetic transaction, ownership of the asset is not transferred but the associated risk is transferred through a financial instrument such as a credit derivative.

Resecuritization: a securitization in which the credit risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitization position.

Tranche: a contractually established segment of the credit risk associated with an exposure or number of exposures.

Securitization position: an exposure to a securitization.

Liquidity facility: the securitization position arising from a contractual agreement to provide funding to ensure timeliness of cash flows to investors.

Originator: either an entity which, itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitized on its own or through affiliates, was directly or indirectly involved in the original agreement which created the obligations of the debtor or potential debtor and which gave rise to the securitization transaction or arrangement; or an entity that purchases a third party's on-balance sheet exposures and then securitizes them.

Sponsor: an institution other than an originator institution that establishes and manages an asset-backed commercial paper program or other securitization scheme that purchases exposures from third-party entities.

Investor: the Group's position when it holds securitization positions in which it has invested, but in which it does not act as originator or sponsor. These are mainly tranches acquired in programs initiated or managed by external banks.

6.7.2 Securitization management at Groupe BPCE

Banking book EAD amounted to €14.9 billion at December 31, 2018 (up €0.7 billion year-on-year).

The positions were mainly carried by Natixis (€10.2 billion) and BPCE (€3.3 billion, positions arising from the transfer of a portfolio of home loan and public asset securitizations from Crédit Foncier in September 2014).

The EAD increase can primarily be attributed to:

- the business lines comprising Natixis' roll-out plan (+€1.8 billion), and particularly sponsoring and origination;
- the decrease in exposures comprising BPCE SA group's workout portfolio (-€1.1 billion).

The workout portfolio exposures of the Corporate & Investment Banking division (formerly GAPC – workout portfolio management) and BPCE are managed under a run-off method, whereby positions are gradually amortized but still managed (including disposals) in order to safeguard the Group's interests by actively reducing positions under acceptable pricing conditions.

Note:

- Crédit Foncier's securitization positions, which boast solid credit quality, were sold to BPCE at their balance sheet value, with no impact on the Group's consolidated financial statements (over 90% of the securitization portfolio was transferred to BPCE on September 25, 2014). These exposures are recognized in loans and receivables ("L&R") and do not present a significant risk of loss on completion, as confirmed by the external audit carried out at the time of the transfer. This audit confirmed the robustness of the quarterly internal stress test carried out and the credit quality of the securitization portfolio, consisting predominantly of European Investment Grade RMBS;
- residual Natixis workout portfolio positions, transferred at end-June 2014 to the Corporate & Investment Banking division, are managed on a run-off basis;
- BRED also holds investments in securitization vehicles outside Groupe BPCE in the form of debt securities amounting to €1.3 billion, mostly in the Consolidated Management of Investments (GCI) business line. This portfolio's investment objective is to generate recurring income or unrealized capital. NJR is a GCI subsidiary that invests mainly in securitized assets eligible for Central Bank refinancing and in real estate.

The various relevant portfolios are specially monitored by the entities and subsidiaries, and by the central institution. Depending on the scope involved, special management or steering committees regularly review the main positions and management strategies.

The central institution's DRCCP regularly reviews securitization exposures (quarterly mapping), changes in portfolio structure, risk-weighted assets and potential losses. Regular assessments of potential losses are discussed by the Umbrella Committee, as are disposal opportunities.

At the same time, special purpose surveys are conducted by the teams on potential losses and changes in risk-weighted assets through internal stress scenarios (risk-weighted assets and loss on completion).

Risk-weighted assets are monitored according to changes in ratings and impacts associated with methodology adjustments made by the rating agencies. In addition, performance is also monitored with the aim of anticipating rating changes and credit risk. RWA is calculated on the basis of ratings issued by authorized agencies, which rate the transactions in which the Group invests.

Finally, the DRCCP controls risks associated with at-risk securitization positions by identifying ratings downgrades and monitoring changes in exposures (valuation, detailed analysis). Major exposures are systematically submitted to the Group Watchlist and Provisions Committee, which meets quarterly to determine the appropriate level of provisioning.

6.7.3 Quantitative disclosures

BREAKDOWN OF EXPOSURES AND RISK-WEIGHTED ASSETS

BREAKDOWN OF EXPOSURES BY TYPE OF SECURITIZATION

	12/31/2018		12/31/2017	
in millions of euros	**Exposures**	**EAD**	**Exposures**	**EAD**
Banking book	**15,055**	**14,886**	**15,710**	**14,180**
Traditional securitization	12,307	12,289	13,388	11,984
Synthetic securitization	2,748	2,597	2,322	2,195
Trading book	**603**	**603**	**663**	**663**
TOTAL	**15,658**	**15,489**	**16,373**	**14,843**

Note: Post-guarantee exposures.

BREAKDOWN OF EAD AND RWA BY TYPE OF PORTFOLIO

	12/31/2018		12/31/2017		Change	
in millions of euros	**EAD**	**RWAs**	**EAD**	**RWAs**	**EAD**	**RWAs**
Banking book	**14,886**	**5,135**	**14,180**	**5,310**	**706**	**(175)**
Investor	6,124	2,545	7,048	3,485	(924)	(940)
Originator	2,928	620	2,421	324	507	296
Sponsor	5,833	1,970	4,711	1,501	1,122	469
Trading book	**603**	**254**	**663**	**259**	**(60)**	**(5)**
Investor	603	254	663	259	(60)	(5)
Sponsor	0	0	0	0	0	0
TOTAL	**15,489**	**5,389**	**14,843**	**5,569**	**646**	**(180)**

Note: Post-guarantee exposures.

BREAKDOWN BY RATING

BREAKDOWN OF INVESTOR SECURITIZATION EXPOSURES IN THE BANKING BOOK BY RATING

	12/31/2018		12/31/2017	
	Equivalent rating		Equivalent rating	
as a %	Standard & Poor's	Banking book	Standard & Poor's	Banking book
	AAA	29%	AAA	19%
	AA+	6%	AA+	2%
	AA	18%	AA	22%
	AA-	7%	AA-	8%
	A+	10%	A+	11%
	A	8%	A	11%
	A-	8%	A-	13%
	BBB+	8%	BBB+	9%
	BBB	0%	BBB	0%
Investment Grade	BBB-	0%	BBB-	0%
	BB+	0%	BB+	0%
	BB	0%	BB	1%
	BB-	0%	BB-	0%
	B+	0%	B+	0%
	B	0%	B	0%
	B-	0%	B-	0%
	CCC+	0%	CCC+	0%
	CCC	0%	CCC	0%
	CCC-	0%	CCC-	0%
	CC	0%	CC	0%
Non-Investment Grade	C	0%	C	0%
Not rated	Not rated	6%	Not rated	4%
Default	D	0%	D	0%
TOTAL		**100%**		**100%**

BREAKDOWN OF INVESTOR AND SPONSOR SECURITIZATION EXPOSURES IN THE TRADING BOOK

	12/31/2018		12/31/2017	
	Equivalent rating		Equivalent rating	
as a %	Standard & Poor's	Banking book	Standard & Poor's	Banking book
	AAA	80%	AAA	64%
	AA+	5%	AA+	4%
	AA	3%	AA	17%
	AA-	1%	AA-	1%
	A+	1%	A+	2%
	A	3%	A	1%
	A-	1%	A-	1%
	BBB+	0%	BBB+	2%
	BBB	2%	BBB	3%
Investment Grade	BBB-	0%	BBB-	1%
	BB+	0%	BB+	1%
	BB	3%	BB	2%
	BB-	1%	BB-	0%
	B+	0%	B+	0%
	B	0%	B	0%
	B-	0%	B-	0%
	CCC+	0%	CCC+	0%
	CCC	0%	CCC	0%
	CCC-	0%	CCC-	0%
	CC	0%	CC	0%
Non-Investment Grade	C	0%	C	0%
Not rated	Not rated	0%	Not rated	0%
Default	D	0%	D	0%
TOTAL		**100%**		**100%**

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6.8 Market risks

6.8.1 Market risk policy

Risk policies governing market transactions are defined by the Risk Management divisions of institutions with trading activities. These policies are based on a qualitative and forward-looking perspective.

For banking book activities, investment policies at Group level are defined and reviewed centrally for group institutions with market risk activities. The risk management framework related to this activity is defined in accordance with investment policies and is reviewed annually.

6.8.2 Market risk management

ORGANIZATION

The Risk, Compliance and Permanent Control division (DRCCP) works in the areas of risk measurement, definition and oversight of limits, and supervision of market risks. It is tasked with the following duties:

Risk measurement:

- establishing the principles of market risk measurement, which are then validated by the various appropriate Risk Management Committees;
- implementing the tools needed to measure risk on a consolidated basis;
- producing risk measurements, including those corresponding to operational market limits, or seeing that they are produced as part of the risk management process;
- determining value adjustment policies or delegating them to the Risk Management divisions of the relevant institutions and centralizing the information;
- performing Level 2 validation of operating results and cash valuation methods.

Definition and oversight of limits:

- examining the limit framework and setting limits (global caps and, where necessary, operational limits) adopted by the various appropriate Risk Management Committees, as part of the comprehensive risk management process;
- examining the list of authorized products for the relevant institutions and the conditions to be observed, and submitting them for approval to the appropriate Market Risk Committee;
- examining requests for investments in financial products, or in new capital market products or activities, by the relevant banking institutions *via* the New Market Product Committee;
- harmonizing processes used to manage trading book allocations and medium- to long-term portfolios of the Banque Populaire and Caisse d'Epargne networks (indicators, definition of indicator limits, oversight and control process, and reporting standards);

Market risk supervision:

- consolidating the mapping of Group market risks and contributing to the macro-level mapping of Group and institution risks;
- performing or overseeing daily supervision of positions and risks with respect to allocated limits (overall and operational limits) and established resilience thresholds, organizing the decision-making framework for limit breaches and performing or overseeing permanent supervision of limit breaches and their resolution;
- preparing the consolidated dashboard for the various decision-making bodies.

In addition, the DRCCP coordinates the market risk management process through national market risk days, or through theme-based working groups.

Activities in 2018

In the changing regulatory environment of 2018, the DRCCP carried out several major organizational projects for the Group:

- two regulatory stress tests (EBA) and internal stress tests (ICAAP and SRB) were conducted;
- Group governance was established for the calculation of fair value levels, with the creation of a Group Fair Value Committee and the deployment of a process for standardizing and improving the accuracy of fair value levels throughout the Group;
- an investment policy was drafted on institution banking books, aimed at defining the scope of operation and establishing investment rules for entities capable of reinvesting their surplus capital;
- oversight of non-operational property investments was initiated, and the private equity/real estate oversight system was improved by defining a stress test for the two asset classes. The supervisory limits applied to both activities will include this stress test measurement going forward;
- an IT and function-oriented project on "financial risks" was launched, aimed at revising the architecture of market risk monitoring systems with the ultimate goal of pooling IT resources with Natixis. Other objectives include:
  - expanding the scope of production for market risk indicators, and economic indicators for counterparty and CVA risk,
  - reducing production times for banking book market risk indicators,
  - rolling out an application to provide an overview of financial product exposures for all Group institutions, including Natixis;
- the new Level 1 and 2 collateral controls were reviewed and rolled out both locally and centrally.

RISK MONITORING

Information provided in respect of IFRS 7

The Risk, Compliance and Permanent Control division (DRCCP) is responsible for the permanent control of market activities across Groupe BPCE, which is subject to regular review by the Group Market Risk Committee.

Within the scope of the trading book, market risk is monitored daily by measuring Group Value at Risk (VaR) and performing global and historic stress tests. Groupe BPCE uses the proprietary VaR calculation system developed by Natixis. This system provides a tool for the measurement, monitoring and control of market risk at the consolidated level and for each company in the Caisse d'Epargne and Banque Populaire networks and the BPCE subsidiaries, on a daily basis and taking account of correlations between the various portfolios. There are certain distinctive characteristics of Groupe BPCE that must be considered, in particular:

- for Natixis: given the significance of its capital market activities, Natixis' risk management system is specifically tailored to this entity;
- for the Banque Populaire network: only BRED Banque Populaire has a capital markets business. It monitors the financial transactions carried out by the Banque Populaire network trading floor and Finance division daily, using 99% 1-day value-at-risk, sensitivity, volume and stress scenario indicators;
- for Banque Palatine: daily monitoring of trading book activities is based on supervision by the DRCCP of 99% 1-day value-at-risk, stress tests and compliance with regulatory limits.

All limits (operational indicators, VaR, and stress tests) are monitored daily by each institution's Risk Management division. Any limit breaches must be reported and, where applicable, are subject to a Management decision concerning the position in question (close, hedge, hold, etc.).

These supervisory mechanisms also have operational limits and resilience thresholds that determine the Group's risk appetite for trading operations.

Banking book risk is monitored by asset class: bonds, securitizations, private equity and UCITS. The bond portfolio is monitored monthly through the supervision of credit risk (limit per issuer) and market risk (stress test limit).

The Group's single treasury and central bank collateral management pool is subject to daily monitoring of risks and economic results for all of its activities, which are mainly related to the banking book. In particular, a 99% 1-day Monte Carlo VaR is calculated and analyzed by risk factor. Compliance with operational limits in terms of sensitivity to interest rates, both overall and by time buckets, as well as by counterparty, is monitored daily. Supervision of this activity also includes specific stress scenarios as well as exposure limits per operator (for both individual and cumulative transactions processed per day).

6.8.3 Market risk measurement methods

Information provided in respect of IFRS 7

The market risk monitoring system relies on three types of indicators used to manage activity, on an overall basis and by similar activity, by focusing on more directly observable criteria, including:

- sensitivity to variations in the underlying instrument, variations in volatility or to correlation, nominal amounts, and diversification indicators. The limits corresponding to these qualitative and quantitative operational indicators thus complement the VaR limits and stress tests;
- daily assessment of global market risk measurement through a 99% 1-day VaR;
- stress tests to measure potential losses on portfolios in extreme market conditions. The Group system relies on comprehensive stress tests and specific stress tests for each activity.

Special reports on each business line are sent daily to the relevant operational staff and managers. The DRCCP also provides a weekly report summarizing all of the Group's market risk, with a detailed breakdown for Natixis, BRED Banque Populaire and Banque Palatine.

Moreover, for Natixis, a global market risk report is submitted daily to the central institution, covering the scope of the BPCE guarantee.

When significant changes are detected, Natixis sends detailed controls and appropriate justifications to the DRCCP.

Finally, a global review of Groupe BPCE's consolidated market risks (covering VaR measures and hypothetical/historic stress scenarios) is presented to the Group Market Risk Committee, in addition to risk reports prepared for the entities.

In response to the Revised Pillar III Disclosure Requirements (Table MRB: Qualitative disclosures for banks using the Internal Models Approach), the main characteristics of the various models used for market risk are presented in the Natixis registration document.

SENSITIVITIES

Each institution's Risk Management division monitors and verifies compliance with sensitivity limits on a daily basis. If a limit is breached, an alert procedure is triggered in order to define the measures required to return within operational limits.

VAR

Market risk is also monitored and assessed *via* synthetic VaR calculations, which determine potential losses generated by each business line at a given confidence level (99%) and over a given holding period (one day). For calculation purposes, changes in market inputs used to determine portfolio values are modeled using statistical data.

All decisions relating to risk factors using the internal calculation tool are revised regularly by committees involving all of the relevant participants (DRCCP, Front Office and Results department). Quantitative and objective tools are also used to measure the relevance of risk factors.

VaR is based on numerical simulations, using a Monte Carlo method which takes into account possible non-linear portfolio returns based on the different risk factors. It is calculated and monitored daily for all of the Group's trading books, and a VaR limit is defined on a global level and per business line. The calculation tool generates 10,000 scenarios, which provides satisfactory precision levels. For certain complex products, which account for a minor share of the trading books, their inclusion in the VaR is obtained by using sensitivities. VaR backtesting is carried out on approved scopes and confirms the overall robustness of the model used. Extreme risks, which are not included in VaR, are accounted for using stress tests throughout the Group.

This internal VaR model used by Natixis was approved by the ACPR in January 2009. Natixis thus uses VaR to calculate capital requirements for market risks in approved scopes.

STRESS TESTS

Stress tests are calibrated according to severity and occurrence levels, which are consistent with the portfolio management objectives:

- trading book stress tests are calibrated over a 10-day period and a 10-year probability of occurrence. They are based on:
  - historic scenarios which reproduce changes in market conditions observed during past crises, their impacts on current positions and P&Ls. They can be used to assess the exposure of the Group's activities to known scenarios. Eleven historic stress tests have been in place since 2010,
  - hypothetical scenarios which consist in simulating changes in market conditions in all activities on the basis of plausible assumptions concerning the dissemination of an initial shock. These shocks are based on scenarios defined according to economic criteria (real estate crisis, economic crisis, etc.), geopolitical considerations (terrorist attacks in Europe, toppling of a regime in the Middle East, etc.) or other factors (bird flu, etc.). Six theoretical stress tests have been in place since 2010;
- banking book stress tests are calibrated over a longer period (three months) in line with the banking book's management periods:
  - a bond stress test calibrated using a mixed hypothetical-historic approach which reproduces a stress on European sovereigns (similar to the 2011 crisis),
  - a bond stress test calibrated using a mixed hypothetical-historic approach which reproduces a stress on corporates (similar to the 2008 crisis),
  - an equity stress test calibrated over the 2011 historic period, applied to equity investments for the purpose of the liquidity reserve.

The various stress tests are subject to limits adapted by each institution, which are monitored through recurring controls and regular reports.

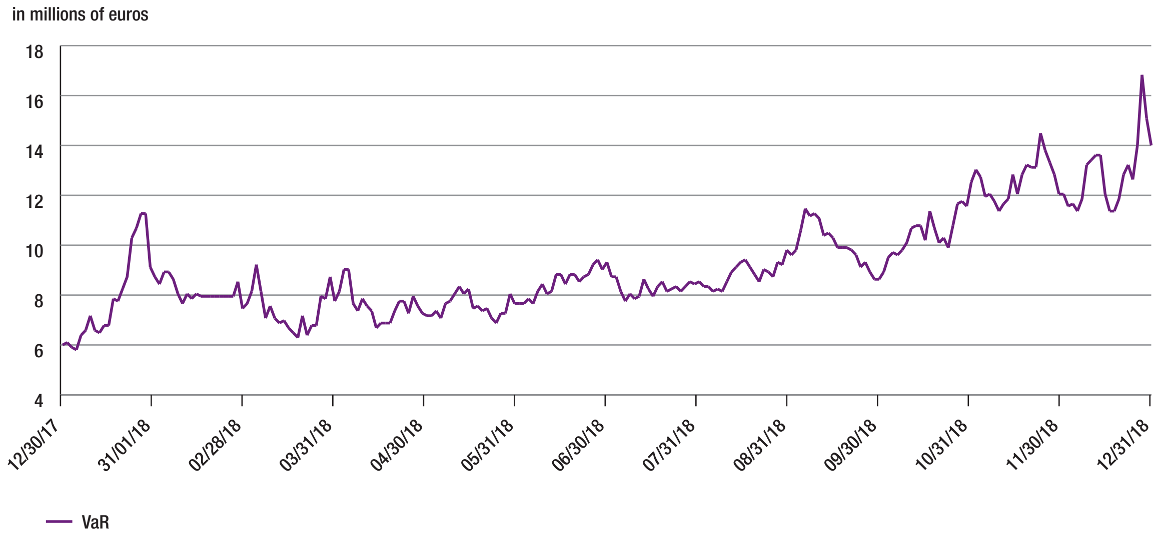
6.8.4 Quantitative disclosures

GROUPE BPCE VAR

BREAKDOWN BY RISK CLASS

	Monte Carlo 99% 1-day VaR				
in millions of euros	31/12/2018	Average -2018	Min -2018	Max -2018	31/12/2017
Interest rate risk	3.7	4.3	2.7	8.1	2.8
Credit risk	1.1	2.0	0.8	3.6	2.1
Equity risk	13.4	7.3	2.3	16.3	3.5
Foreign exchange risk	2.4	2.2	0.8	6.7	1.3
Commodity risk	0.5	0.5	0	6.7	0.4
TOTAL	**21.1**				**10.1**
Netting	(6.9)				(4.8)
Consolidated VaR	**14.2**	**9.3**	**5.8**	**17.1**	**5.3**

CHANGE IN MILLIONS OF EUROS



Consolidated VaR for Groupe BPCE's trading operations (99% one-day Monte Carlo VaR) amounted to €14.2 million at December 31, 2018, up €8.9 million over the fiscal year. Group VaR ranged from €5.8 million to €17.1 million over the year.

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STRESS TEST RESULTS

MAIN HYPOTHETICAL STRESS TESTS

in millions of euros	12/31/2018					
	Liquidity crisis	Increase in interest rates	Default by a bank	Commodities	Emerging market crisis	Default by an influential corporation
Natixis trading	(79)	(34)	10	(36)	(13)	(1)
BRED trading	7.4	27.6	(0.7)	12.1	(1.1)	(3.2)
BPCE subsidiaries trading	0	0	0	0	0	0
OVERALL TRADING BOOK	(71.6)	(6.4)	9.3	(23.9)	(14.1)	(4.2)

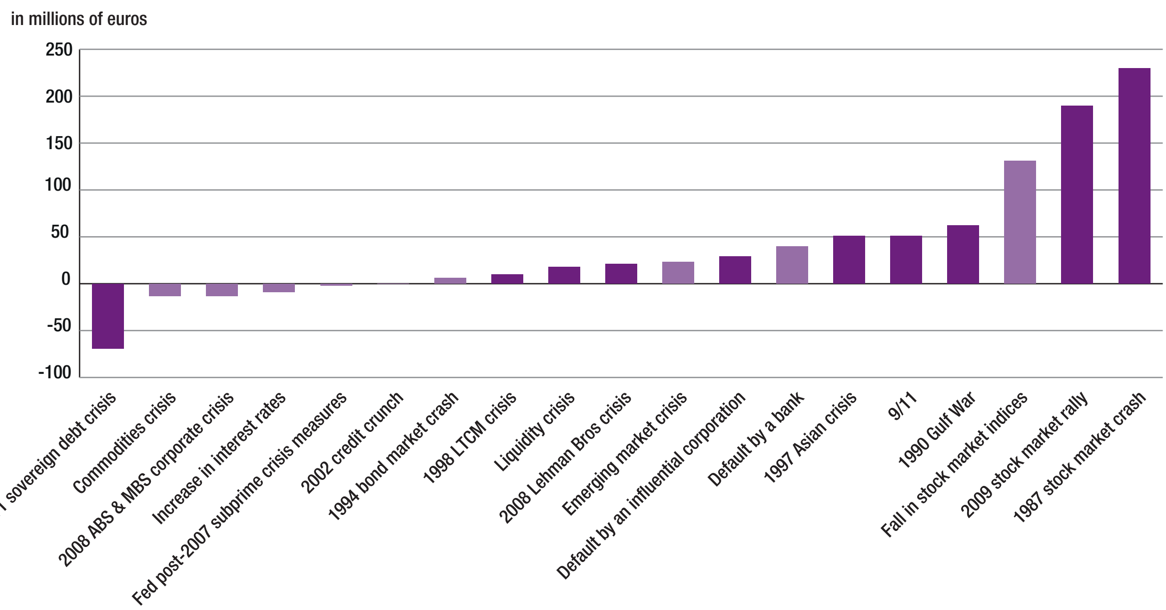
The highest-risk hypothetical stress test is the Liquidity Crisis scenario.

MAIN HISTORIC STRESS TESTS

in millions of euros	12/31/2018				
	2011 sovereign debt crisis	Fed post-2007 subprime crisis measures	2008 ABS & MBS corp. Crisis	2008 Lehman Bros crisis	9/11
Natixis trading	(82)	(40)	(48)	(39)	(40)
BRED trading	(13.5)	(35.2)	(16.2)	(24)	(13.7)
BPCE subsidiaries trading	0	0	0	0	0
OVERALL TRADING BOOK	(95.5)	(75.2)	(64.2)	(63)	(53.7)

The highest-risk historic stress test is the 2011 sovereign crisis, mainly within the scope of Natixis CIB.

GROUP STRESS TEST AVERAGE FOR 2018



RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

RWA AND CAPITAL REQUIREMENTS BY TYPE OF RISK

in millions of euros	12/31/2018 RWAs	12/31/2018 Capital requirements	12/31/2017 RWAs	12/31/2017 Capital requirements
Interest rate risk	2,115	169	2,150	172
Equity risk	671	54	443	35
UCI position risk	41	3	46	4
Foreign exchange risk	2,699	216	2,853	228
Commodity risk	612	49	720	58
Settlement/delivery risk	6	0	10	1
Major trading book risks	-	-	-	-
Specific risk on securitization positions	20	2	259	21
IMA risk	4,444	356	4,229	338
TOTAL	**10,609**	**849**	**10,710**	**856**

CHANGE IN RISK-WEIGHTED ASSETS BY IMPACT

in billions of euros	
Market risks – 12/31/2017	**10.71**
VaR impact	0.30
Interest rate risk	(0.04)
Foreign exchange risk	(0.15)
Other	(0.21)
Market risks – 12/31/2018	**10.61**

6.9 Liquidity, interest rate and foreign exchange risks

6.9.1 Governance and structure

Information provided in respect of IFRS 7

Like all credit institutions, Groupe BPCE is exposed to structural liquidity, interest rate and foreign exchange risks. These risks are closely monitored by the Group and its institutions to secure immediate and future income, balance the balance sheets and promote the Group's development.

Groupe BPCE's Audit Committee and Supervisory Board are consulted on general ALM policy and are informed of major decisions taken regarding liquidity, interest rate and foreign exchange risk management. The implementation of the chosen policy is entrusted to the Group Asset and Liability Management Committee.

Each year, Groupe BPCE's Supervisory Board validates the main lines of the ALM policy, *i.e.* the principles of market risk measurements and the degree of risk accepted. It also reviews the risk limit system each year.

Each quarter, BPCE Group's Audit Committee is informed of the Group's position through management reports containing the main risk indicators.

The Group Asset and Liability Management Committee, chaired by the Chairman of BPCE's Management Board, is responsible for the operational implementation of the established policy, and for the management of the structure and operation of the risk management system. This committee notably sets the rules and limits governing the management of the three major risk categories applicable at the consolidated level and to each institution, as well as the main guidelines in terms of funding policy, allocation of liquidity to the business lines and management of risk indicators. It regularly monitors the risk indicators and changes to the main structural balance sheet aggregates of the Group and its main institutions.

The structural liquidity, interest rate and foreign exchange risk management policy is also jointly implemented by the Asset-Liability Management function (oversight of funding plan implementation, management of liquidity reserves, cash management, calculation and monitoring of the various risk indicators) and the Risk Management function (validation of the control framework, validation of models and agreements, controls of compliance with rules and limits). The Group Finance division and the Group Risk Management division are responsible for adapting this framework to their respective functions.

The adaptation of the operational management framework within each institution is subject to validation by the Board of Directors, the Steering Board and/or the Supervisory Board. Each institution has a special operational committee that oversees implementation of the funding strategy, asset and liability management and management of liquidity, interest rate and foreign exchange risks for the institution, in line with rules and limits set at Group level. The Banque Populaire and Caisse d'Epargne networks implement the risk management system using a shared asset/liability management tool.

6.9.2 Liquidity risk management policy

Structural liquidity risk is defined as the risk of the Group not having sufficient funds to meet its commitments or to settle or offset a position due to market conditions within a specified period and at a reasonable cost. This could occur, for example, in the event of a run on the bank or a general crisis of confidence on the markets.

OBJECTIVES AND POLICIES

The main aim of the Group's liquidity risk management system is to always be in a position to cope with a prolonged, highly intense liquidity crisis while keeping costs under control, promoting the balanced development of the business lines and complying with regulations in force.

To this end, the Group relies on three mechanisms:

- supervision of each business line's liquidity consumption, predominantly by maintaining a balance between growth in the credit segment and customer deposit inflows;
- centralized funding management aimed primarily at supervising the use of short-term funding, spreading out the maturity dates of medium- and long-term funds and diversifying sources of liquidity;
- establishment of liquidity reserves.

In addition to these measures, a consistent set of indicators, limits and management rules are combined in a centralized framework of standards and rules. These indicators and rules allow for the measurement and consolidated management of liquidity risk.

OPERATIONAL MANAGEMENT

Operational liquidity risk management

Liquidity risk is managed at the consolidated Group level and at each entity. Liquidity risk is assessed differently over the short, medium and long term:

- in the short term, it involves assessing an institution's ability to withstand a crisis;
- in the medium term, liquidity is measured in terms of cash requirements;
- in the long term, it involves monitoring the institution's maturity transformation level.

Consequently, BPCE has defined a set of indicators and limits:

- one-day and one-week liquidity gap indicators measure the Group's very short-term funding requirements. These gaps are subject to Group and individual entity limits;
- stress scenarios measure the Group's ability to meet its commitments and continue its regular commercial activities during a crisis depending on short-term funding volumes, medium- and long-term debt maturities and liquidity reserves. Internal stress test indicators are aimed at ensuring short-term liquidity security beyond the one-month horizon required by regulations. These stress tests, based on bank- and/or market-specific scenarios, are broken down into various levels of stress in order to forecast the impact on the Group's liquidity position. Adaptation of liquidity stress rules to all business lines takes assumptions unique to each activity into account;
- the customer loan/deposit ratio is a relative measurement of the Group's autonomy with respect to the financial markets;
- the Group's market footprint measures its overall dependence to date on bond and money market funding. The contribution of the institutions to this coverage is managed by a liquidity budget system. These budgets are reviewed on an annual basis and govern the maximum liquidity consumption for each entity in line with the Group's budget process;
- the liquidity gap, which compares the amount of remaining liabilities with remaining assets over a ten-year period, enables the Group to manage medium- and long-term debt maturities and anticipate its funding requirements. It is governed by Group and individual entity limits;
- measurement of resource diversification, allowing the Group to avoid excessive dependence on a single creditor;
- the pricing policy, which ensures the performance of liquidity allocation.

The definition of these indicators and any associated limits is covered in a body of consolidated standards that is reviewed and validated by the decision-making bodies of the Group and its institutions.

Centralized funding management

The Group Finance division organizes, coordinates and supervises the funding of Groupe BPCE on the markets.

The short-term funding of Groupe BPCE is carried out by a single treasury and central bank collateral management team, created following the merger of the BPCE and Natixis cash management teams. This integrated treasury team is capable of managing the Group's cash position more efficiently, particularly during a credit crunch. The Group has access to short-term market funding through its two main issuers: BPCE and its subsidiary Natixis.

For medium and long-term funding requirements (more than one year), in addition to deposits from Banque Populaire and Caisse d'Epargne network customers, which are the primary source of funding, the Group also issues bonds through two main operators:

- BPCE, either directly as BPCE or through BPCE SFH, which issues legal covered bonds (*obligations de financement de l'habitat* – OH), a category of secured bond backed by French legislation; and
- Compagnie de Financement Foncier, a subsidiary of Crédit Foncier, which issues covered bonds known as *obligations foncières* (OF), also backed by French legislation.

Note that BPCE is also responsible for the medium and long-term funding activities of Natixis, which no longer carries out public issues on the markets, and Crédit Foncier.

BPCE has short-term funding programs (short-term notes, Euro Commercial Paper and US Commercial Paper) and MLT funding programs (Medium-Term Notes (MTNs), Euro Medium-Term Notes (EMTNs), US MTNs, AUD MTNs and a covered bond program backed by Banque Populaire and Caisse d'Epargne home loans).

All Group assets and liabilities are subject to internal liquidity pricing, whose guidelines are decided by the Group's Asset and Liability Management Committee and aim to reflect changes in market liquidity costs and asset/liability matching.

Centralized collateral management

Collateral management is one of the key components of the Group's liquidity management system. It is based on the following principles:

- the central institution defines the collateral management indicators. These indicators are monitored by the Group's ALM Committee;
- investment- and management-related decisions are made by the entities and subsidiaries following rules set out by the central institution;
- entity collateral is pooled with the central institution with the aim of improving oversight and operationality of collateral management.

For entities with a 3G Pool (Natixis, SCF, BRED, Crédit Coopératif, Banque Palatine), each entity is responsible for its own collateral. Nonetheless, these entities cannot directly participate in ECB refinancing operations without prior approval from the central institution.

6.9.3 Quantitative disclosures

Liquidity reserves include cash placed with central banks and securities and receivables eligible for central bank funding. Management of liquidity reserves, composed of deposits with central banks and the most liquid assets, allows the Bank to adjust its cash position. Loan securitization, which transforms less liquid assets into liquid or available securities, is another method of strengthening this liquidity reserve.

The table below presents changes in the liquidity reserve:

in billions of euros	12/31/2018	12/31/2017
Cash placed with central banks	67	83
LCR securities	62	58
Assets eligible for central bank funding	74	73
TOTAL	**204**	**214**

At December 31, 2018, liquidity reserves covered 160% of the Group's short-term funding and the short-term maturities of MLT debt (€127 billion at December 31, 2018 compared with €123 billion at December 31, 2017). The coverage ratio was 174% at December 31, 2017.

LIQUIDITY GAPS

The Group's liquidity gap (liabilities – assets) complies with internal limits.

in billions of euros	1/1/2019 to 12/31/2019	1/1/2020 to 12/31/2022	1/1/2023 to 12/31/2026
Liquidity gap	19.8	11.5	9.7

A liquidity gap arises from a mismatch between assets and liabilities with different maturity dates, as viewed at a static point in time.

CUSTOMER LOAN-TO-DEPOSIT RATIO

The Group's LTD (Loan-to-Deposit) ratio[1] was 124% at December 31, 2018 (*versus* 120% at December 31, 2017).

TABLE 82 – SOURCES AND USES OF FUNDS BY MATURITY

in millions of euros	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity	Total at 12/31/2018
Cash and amounts due from central banks	76,456	2					76,458
Financial assets at fair value through profit or loss						200,516	200,516
Financial assets at fair value through other comprehensive income	1,486	1,034	3,115	20,676	10,452	3,325	40,088
Hedging derivatives						8,160	8,160
Securities at amortized cost	1,060	129	5,309	8,791	12,905	3,581	31,776
Loans and receivables due from credit institutions and similar items at amortized cost	74,830	7,786	5,090	1,127	1,303	1,005	91,142
Loans and receivables due from customers at amortized cost	57,177	18,521	51,998	204,304	315,912	11,369	659,281
Revaluation differences on interest rate risk-hedged portfolios						5,480	5,480
Financial assets by maturity	**211,009**	**27,473**	**65,513**	**234,898**	**340,572**	**233,436**	**1,112,901**
Amounts due to central banks	9						9
Financial liabilities at fair value through profit or loss	1,954	373	1,685	6,113	14,419	170,323	194,867
Hedging derivatives						13,589	13,589
Debt securities	17,594	30,236	44,520	63,401	56,590	4,537	216,878
Amounts due to credit institutions and similar items	21,503	10,112	8,444	31,998	9,060	4,545	85,662
Amounts due to customers	416,023	17,786	27,314	51,911	16,799	489	530,323
Subordinated debt	368	615	8	2,431	12,313	1,863	17,598
Revaluation differences on interest rate risk-hedged portfolios						221	221
Financial liabilities by maturity	**457,451**	**59,122**	**81,972**	**155,854**	**109,181**	**195,567**	**1,059,147**
Loan commitments given to credit institutions	111	107	305	309		533	1,365
Loan commitments given to customers	27,752	5,413	19,029	49,424	16,369	355	118,343
TOTAL LOAN COMMITMENTS GIVEN	**27,863**	**5,520**	**19,335**	**49,734**	**16,369**	**888**	**119,708**
Guarantee commitments given to credit institutions	207	408	321	1	920	44	1,902
Guarantee commitments given to customers	5,397	3,642	7,700	11,438	5,479	4,420	38,077
TOTAL GUARANTEE COMMITMENTS GIVEN	**5,603**	**4,051**	**8,021**	**11,440**	**6,399**	**4,464**	**39,978**

Financial instruments marked to market on the income statement and held in the trading book, variable-income available-for-sale financial assets, non-performing loans, hedging derivatives and revaluation differences on interest rate risk-hedged portfolios are placed in the "No fixed maturity" column. These financial instruments are:

- either held for sale or redeemed prior to their contractual maturity;
- or held for sale or redeemed at an indeterminable date (particularly where they have no contractual maturity);
- or measured on the balance sheet for an amount impacted by revaluation effects.

Accrued interest not yet due is shown in the "Less than 1 month" column.

The amounts shown are contractual amounts excluding projected interest.

The technical provisions of Insurance companies, which, for the most part are equivalent to demand deposits, are not shown in the Table above.

FUNDING STRATEGY AND CONDITIONS IN 2018

One of the Group's priorities in terms of medium- and long-term funding on the markets is to ensure that sources of funding are properly diversified, in terms of types of investors, vehicles, geographic regions and currencies.

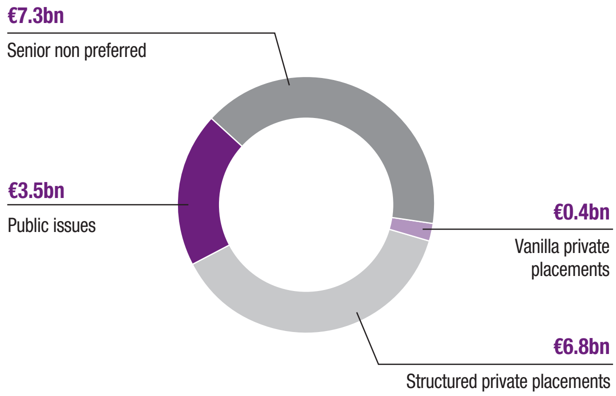
(1) Excluding SCF (Compagnie de Financement Foncier, the Group's "société de crédit foncier", a French covered bond issuer).

Another priority is extending the average maturity of its liabilities to help strengthen Groupe BPCE's funding structure.

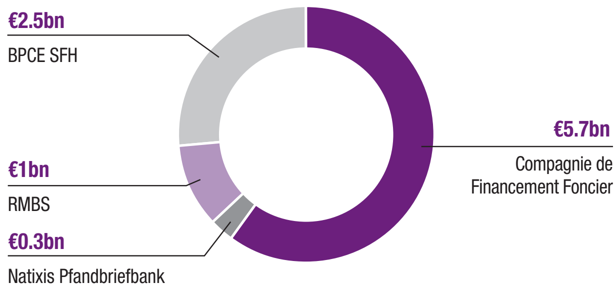
In recent years, Groupe BPCE has also implemented a policy designed to control the percentage of encumbered assets so as to protect its creditors holding unsecured debt. As a result, secured MLT funding is limited to about one-third of total MLT funding.

Under the 2018 wholesale medium- and long-term funding plan, Groupe BPCE raised a total of €27.5 billion; public issues made up 66% of this amount and private placements 34%.

UNSECURED BOND SEGMENT



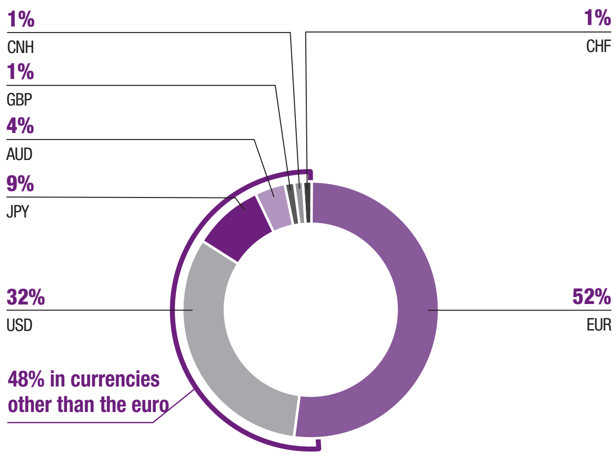
COVERED BOND SEGMENT



In 2018, funds raised in the unsecured bond segment stood at €18.1 billion, of which €10.8 billion in senior preferred debt and €7.3 billion in senior non-preferred debt; funds raised in the covered bond segment amounted to €8.4 billion and €1 billion in RMBS backed by with home loans issued by the Banque Populaire and Caisse d'Epargne networks.

The breakdown by currency of unsecured issues is a good indicator of the diversity of the Group's medium- and long-term funding sources. In all, 48% were issued in currencies other than the euro; the two largest currencies were the USD (32%) and the JPY (9%). The breakdown of 2018 issues by currency is as follows:

DIVERSIFICATION OF INVESTOR BASE



The average maturity at issuane for Groupe BPCE as a whole was 7.4 years in 2018 compared with an average maturity of 7.1 years in 2017.

The unsecured bond segment (senior preferred + senior non-preferred) accounted for 66% of funds raised and the covered bond segment 34% (31% covered bonds and 4% RMBS). Groupe BPCE therefore met the guidance it gave the market in early 2018 (70% unsecured/30% covered bond).

The vast majority of medium- and long-term funding raised in 2018 was at a fixed rate. In general, the fixed rate is swapped to a floating rate in accordance with the Group's interest rate risk management policy.

New solutions to meet new investor priorities: "sustainable development" bonds

Groupe BPCE issued 3 social bonds in 2018 totaling €2.3 billion:

- 2 "humanitarian" bonds totaling €1 billion issued on the Samurai market;
- 1 "local economic development" bond for €1.25 billion, the first of its kind issued on the Euro market.

In January 2019, the Group issued €404 million in "local economic development" social bonds on the Samurai market.

6.9.4 Management of structural interest rate risk

OBJECTIVES AND POLICIES

Structural interest rate risk (or overall interest rate risk) is defined as the risk incurred in the event of a change in interest rates due to all balance sheet and off-balance sheet transactions, except for – if applicable – transactions subject to market risks. This risk is an intrinsic component of the business and profitability of credit institutions.

The objective of the Group's interest rate risk management system is to monitor each institution's maturity transformation level in order to contribute to the growth of the Group and the business lines while evening out the impact of any unfavorable interest rate changes on the value of the Group's banking books and future income.

INTEREST RATE RISK OVERSIGHT AND MANAGEMENT SYSTEM

Structural interest rate risk is controlled by a system of indicators and limits defined by the Group Asset and Liability Management Committee. It measures structural risks on the balance sheet, excluding any kind of independent risk (trading, own accounts, etc.). The indicators used are divided into two approaches: a static approach that only takes into account on-balance sheet and off-balance sheet positions at a set date and a dynamic approach which includes commercial and financial forecasts. They can be classified into two sets:

- gap indicators that compare the amount of liability exposures against asset exposures on the same interest rate index and over different maturities. These indicators are used to validate the main balance sheet aggregates to ensure the sustainability of the financial results achieved. Gaps are calculated based on contractual debt schedules and the results of the common behavioral models for various indexes as well as for the fixed rate;
- sensitivity indicators measure the change in the net present value of a portfolio or projected net interest income where there are differences between the change in the market interest rate and the central scenario established quarterly by the Group's economists. In addition to the Basel II regulatory indicator on the sensitivity of the balance sheet's net present value to interest-rate shocks of +/-200 basis points, the Group has introduced sensitivity indicators on the net interest income of all its commercial banking activities. These indicators aim to estimate the sensitivity of its institutions' results to uncertainties surrounding interest rates, business forecasts (new business and customer behavior) and sales margins.

Instruments authorized to hedge this risk are strictly vanilla (non-structured), excluding written options and favoring accounting treatment that does not impact the Group's consolidated results.

Groupe BPCE also improved its oversight of interest rate risk in the banking book to ensure a dynamic multi-scenario approach, better suited to managing this risk. Future regulatory changes relating to IRRBB are also currently being added to the management system.

QUANTITATIVE DISCLOSURES

TABLE 83 – INTEREST RATE GAP

Most of the Group's interest rate gap is carried by retail banking and Insurance and primarily by the networks. This gap is relatively stable over time and complies with internal limits.

in billions of euros	01/01/2019 au 31/12/2019	01/01/2020 au 31/12/2022	1/1/2023 to 12/31/2026
Interest rate gap (fixed-rate)*	22.8	(20.3)	(20.4)

* *The indicator takes into account all asset and liability positions and floating-rate positions until the next interest rate reset date.*

6

Sensitivity indicators

The sensitivity of the net present value of the Group's balance sheet to a +/-200 bp variation in interest rates is much lower than the 20% regulatory limit. Groupe BPCE's sensitivity to interest rate rises was -7.8% at December 31, 2018.

The change in the Group's projected one-year net interest income calculated under four scenarios (increase in rates, decrease in rates, steepening of the curve, flattening of the curve) compared to the central scenario showed, at September 30, 2018, the decrease in rates to be the most adverse scenario, with expected losses of €203 million year-on-year.

6.9.5 Management of structural foreign exchange risk

Structural foreign exchange risk is defined as the risk of a realized or unrealized loss due to an unfavorable fluctuation in foreign currency exchange rates. The management system distinguishes between the structural exchange risk policy and the management of operational foreign exchange risk.

FOREIGN EXCHANGE RISK OVERSIGHT AND MANAGEMENT SYSTEM

For Groupe BPCE (excluding Natixis), foreign exchange risk is monitored using regulatory indicators (measuring corresponding capital adequacy requirements by entity). The residual foreign exchange positions held by the Group (excluding Natixis) are not material because virtually all foreign currency assets and liabilities are match-funded in the same currency.

As regards international trade financing transactions, risk-taking is limited to counterparties in countries with freely-translatable currencies, provided that translation can be technically carried out by the technically managed by the entity's information system.

Natixis' structural exchange rate positions on net investments in foreign operations funded with currency forwards are tracked on a quarterly basis by its Asset and Liability Management Committee in terms of sensitivity as well as solvency. The resulting risk indicators are submitted to the Group Asset and Liability Management Committee on a quarterly basis.

QUANTITATIVE DISCLOSURES

For the period ended December 31, 2018, Groupe BPCE, subject to regulatory capital requirements for foreign exchange risk, saw its foreign exchange position decrease to €2,597 million *versus* €2,792 million at end-2017, with €212 million for foreign exchange risk compared to €228 million at end-2017. The foreign exchange position is mainly carried by Natixis.

6.10 Legal risks

Outstanding legal risks at December 31, 2018 likely to have a negative influence on the Group's assets, were subject to provisions in line with the Group's best estimate based on available information.

To date, there are no other governmental, legal or arbitration procedures of which the Group is aware that are likely to have, or have had during the past twelve months, any significant effect on the financial position or profitability of either the company or the Group.

10.1 Legal and arbitration proceedings – BPCE

CHECK IMAGING EXCHANGE (*ÉCHANGE IMAGE CHÈQUES*) COMMISSIONS

Marketplace antitrust case initially involving Banques Populaires Participations (BP Participations) and Caisses d'Epargne Participations (CE Participations) and BPCE since it merged with and absorbed BP Participations and CE Participations.

On March 18, 2008, BFBP and CNCE received, as was the case for other banks on the marketplace, a notice of grievance from the French anti-trust authority. The banks are accused of having established and mutually agreed on the amount of the check imaging exchange commission, as well as related check commissions.

The anti-trust authority delivered its decision on September 20, 2010 to fine the banks found guilty (€90.9 million for BPCE). These banks (except for the Banque de France) lodged an appeal.

On February 23, 2012, the Paris Court of Appeals overruled the anti-trust authority's decision and the €90.9 million fine paid by BPCE was refunded.

On March 23, 2012, the anti-trust authority launched an appeal of the Court of Appeals' ruling.

On the referral of the anti-trust authority, on April 14, 2015, the Court of Cassation overturned the Court of Appeals' 2012 ruling due to breach of procedure. The banks were once again required to pay the fine.

BPCE, along with the other accused banks, referred this ruling to the Paris Court of Appeals requesting that it purge this breach of procedure and uphold its 2012 decision, ensuring that BPCE will ultimately be reimbursed.

The Second Court of Appeals ruled on December 21, 2017 and confirmed the 2010 analysis of the anti-trust authority, thus contradicting the initial decision by the Paris Court of Appeals in 2012.

The Court considered that the introduction of the EIC commission and CSCs constitute anti-competitive practice in its nature and upheld the conviction to pay the fine set by the ADLC. However, the Court reduced the amount of the Caisse d'Epargne's fine by €4.07 million, by canceling the 10% increase to the fine imposed by ADLC on certain banks for their key roles in negotiations. BPCE, standing in for CE Participations, should retrieve this amount of €4.07 million from the Treasury.

On January 22, 2018, the banks filed an appeal with the Court of Cassation.

Proceedings are currently underway before the Court of Cassation.

6.10.2 Legal and arbitration proceedings – Natixis

Like many banking groups, Natixis and its consolidated subsidiaries are involved in litigation before the courts and may be investigated by regulatory authorities.

As assessed at December 31, 2018, the financial consequences of litigation deemed likely to have, or which have in the recent past had, a material impact on the financial situation of Natixis and/or Natixis and its consolidated subsidiaries as a whole, or on their profitability or their business, have been included in Natixis' consolidated financial statements.

The most significant disputes are described below. Their inclusion in the list does not indicate that they will necessarily have an impact on Natixis and/or its consolidated subsidiaries. The other disputes are deemed unlikely to have a material impact on Natixis' financial situation or profitability and/or that of Natixis and its consolidated subsidiaries as a whole, or have not reached a stage where it can be determined whether they will have such an impact.

MADOFF FRAUD

Outstanding Madoff assets were estimated at €543.4 million at December 31, 2018, and were fully provisioned at this date. The actual impact of this exposure will depend on both the extent of recovery of assets invested in Natixis' name and the outcome of the (primarily legal) measures taken by the bank. Furthermore, in 2011 a dispute emerged over the application of the Insurance policy for professional liability in this case, which had been taken out with successive insurers for a total amount of €123 million. In November 2016, the Paris Court of Appeal confirmed (like the Commercial Court before it) the liability of the first-line insurers, in the amounts of the policies taken out, for the losses incurred by Natixis as a result of the Madoff fraud; however on September 19, 2018, the Court of Cassation reversed the contested ruling and returned the case to the Paris Court of Appeal to be heard by a different panel.

Irving H. Picard, the court-appointed trustee for Bernard L. Madoff Investment Securities LLC (BMIS), submitted a restitution claim concerning the liquidation of amounts received prior to the discovery of the fraud through a complaint filed with the United States Bankruptcy Court for the Southern District of New York against several banking institutions, including a $400 million claim against Natixis. Natixis denies the allegations made against it and has taken the necessary steps to defend its position and protect its rights. Natixis has launched appeals, including a motion to dismiss, requesting that the case be dismissed on a preliminary basis or prior to any ruling on merit, and a motion to withdraw the reference to transfer certain matters to the United States district court. These proceedings have been subject to numerous rulings and appeals and are still ongoing. A November 2016 ruling by the bankruptcy court dismissed a number of restitution claims initiated by the trustee on the grounds of extraterritoriality. In September 2017, the Second Circuit Court granted the BMIS liquidator and the defendants the right to appeal the bankruptcy court's ruling on the grounds of extraterritoriality directly with the Second Circuit, thus avoiding the submission of an intermediate appeal to the district court. The case is still in progress.

Furthermore, the trustees for the liquidation of Fairfield Sentry Limited and Fairfield Sigma Limited have initiated a large number of proceedings against investors having previously received payment from these funds for redemptions of shares (over 200 proceedings have been filed in New York). Some Natixis entities have been named as defendants in some of these proceedings. Natixis deems these proceedings to be entirely unfounded and is vigorously defending its position. These proceedings have been suspended for several years, and in October 2016 the bankruptcy court authorized the trustees to modify their initial claim. The defendants issued a consolidated response in May and June 2017. In August 2018, the bankruptcy court issued a ruling on the Motion to Dismiss filed by the defendants. The judge ruled on only one aspect of the motion, namely that of personal jurisdiction, which was found to be lacking in the proceeding against the defendants. In December 2018, the judge issued a ruling on the Motion to Dismiss, dismissing the liquidators' common law claims (unjust enrichment, money had and received, mistaken payment and constructive trust) and the contractual proceedings, but rejecting the Motion to Dismiss concerning the proceedings based on British Virgin Islands law while maintaining the option of arguing for the application of section 546(e) (safe harbor). The judge is awaiting the defendants' arguments on the applicability of section 546(e).

CRIMINAL COMPLAINTS COORDINATED BY ADAM

In March 2009, the Paris public prosecutor's office (Parquet de Paris) launched a preliminary investigation into a complaint filed by Natixis minority shareholders and coordinated by the Association de Défense des Actionnaires Minoritaires (ADAM – Association for the Defense of Minority Shareholders). As the plaintiffs have initiated civil proceedings, a judicial investigation opened in 2010. On February 14, 2017, Natixis came under investigation for two messages sent in the second half of 2007, at the beginning of the subprime crisis.

The judicial investigation is still in progress.

MMR CLAIM

In 2007, Ixis Corporate & Investment Bank (the predecessor of Natixis) issued EMTNs (Euro Medium Term Notes) indexed to a fund that invested in the Bernard Madoff Investment Securities fund. Renstone Investments Ltd (the apparent predecessor of MMR Investment Ltd) is alleged to have subscribed, *via* a financial intermediary acting as the placement agent, for these bonds in the amount of $50 million.

In April 2012, MMR Investment Ltd filed a joint claim against Natixis and the financial intermediary before the Commercial Court of Paris, claiming not to have received the bonds, despite having paid the subscription price to the financial intermediary. The claim mainly concerns the reimbursement of the subscription price of the bonds and, as an alternative, the annulment of the subscription on the grounds of defect in consent. On February 6, 2017, the Commercial Court of Paris dismissed all of MMR Investment Ltd's claims. This ruling was upheld by the Paris Court of Appeal on October 22, 2018.

UNION MUTUALISTE RETRAITE

In June 2013, Union Mutualiste Retraite (UMR) filed three complaints against AEW SA (previously AEW Europe) in relation to the acquisition and management of two real estate portfolios in Germany between 2006 and 2008. The amounts claimed by UMR total €149 million.

On October 25, 2016, the Commercial Court of Paris ordered the two Insurance schemes involved to honor, in respect of AEW SA, the sanctions covered by the policies that may be ruled in favor of UMR in connection with the litigation and to cover the defense costs incurred by AEW SA. Several of the insurers concerned appealed this decision.

On June 26, 2018, the Paris Court of Appeal ordered a stay of proceedings opposing AEW SA and its insurers, until a final ruling is issued on the case opposing UMR and AEW SA, currently before the Commercial Court of Paris. The matter of the Insurance cover provided by the insurers, as set by the ruling issued by the Commercial Court of Paris on October 25, 2016, and the coverage of AEW SA's legal fees, were not challenged by the Paris Court of Appeal.

The proceeding opposing UMR and AEW SA is ongoing.

SECURITIZATION IN THE UNITED STATES

Since 2012, five separate legal proceedings regarding residential mortgage-backed security (RMBS) transactions executed between 2001 and mid-2007 have been initiated against Natixis Real Estate Holdings LLC before the New York Supreme Court.

Two of these proceedings relate to accusations of fraud. One was dismissed in 2015 as time-barred as were some of the claims related to the second proceeding, and in 2018 Natixis settled the outstanding claims before the court issued a final ruling on the merits of the case.

Three of these proceedings have been brought against Natixis, purportedly on behalf of certificate holders, alleging that Natixis failed to repurchase defective mortgages from certain securitizations. Natixis considers the claims brought against it before the New York Supreme Court to be without merit for multiple reasons, including that they are time-barred under applicable statute of limitations (two proceedings have already been dismissed for these reasons but are open to appeal) and that the claimants do not have the legal standing to file the suit, and intends to defend itself vigorously.

EDA – SELCODIS

On June 18, 2013, through two separate complaints, Selcodis and EDA brought proceedings before the Commercial Court of Paris against Compagnie Européenne de Garanties et Cautions for the sudden termination of commercial relations following the refusal by the latter to grant EDA a guarantee.

Through two new complaints filed on November 20, 2013, Selcodis and EDA also brought claims before the Commercial Court of Paris against Natixis, BRED and CEGC for unlawful agreements, alleging that such actions led to the refusal by CEGC to grant a guarantee to EDA and to the termination of various loans by BRED.

Selcodis is asking for compensation for the losses purportedly suffered as a result of the court-ordered liquidation of its EDA subsidiary, and is requesting that the defendants be ordered to pay damages and interest, which it assesses to be €32 million. For its part, EDA is requesting that the defendants be ordered to bear the asset shortfall in its entirety, with its amount being calculated by the court-appointed receiver.

Natixis and CEGC consider all of these claims to be unfounded.

On December 6, 2018, the Commercial Court of Paris, after the joining of cases, ruled that the statute of limitations had been reached and the cases are now closed. The plaintiffs filed an appeal against this ruling in January 2019.

MPS FOUNDATION

In June 2014, MPS Foundation (Fondazione Monte dei Paschi di Siena), an Italian foundation, filed a claim against 11 banks, including Natixis, which granted it financing in 2011 at the request of its previous officers, on the grounds that the financing thus granted was in violation of its bylaws, which state that MPS Foundation cannot hold debt exceeding 20% of its total balance sheet. The damages claimed by MPS Foundation against the banks and former directors amount to €285 million.

Natixis considers these accusations to be unfounded.

Following an objection as to jurisdiction, the Tribunal of Siena referred the case to the Tribunal of Florence on February 23, 2016. The case is still in progress before the Tribunal of Florence.

FORMULA FUNDS

Following an inspection by the AMF (French financial markets authority) in February 2015 on Natixis Asset Management's (now Natixis IM International) compliance with its professional obligations, particularly the management of its formula funds, the AMF's Enforcement Committee delivered its decision on July 25, 2017, issuing a warning and a fine of €35 million. The Enforcement Committee found a number of failings concerning the redemption fees charged to funds and structuring margins.

Natixis IM International is mounting a rigorous defense against this decision and has filed an appeal with the French Council of State. The case is still in progress.

In addition, UFC-QUE CHOISIR, in its capacity as a consumer rights non-profit, brought claims before the Paris District Court (Tribunal de Grande Instance de Paris) on March 5, 2018, against the asset management company to obtain compensation for the financial losses suffered by the holders of the formula funds in question. The case is still in progress.

SOCIÉTÉ WALLONNE DU LOGEMENT

On May 17, 2013, Société Wallonne du Logement (SWL) filed a complaint against Natixis before the Charleroi Commercial Court (Belgium), contesting the legality of a swap agreement entered into between SWL and Natixis in March 2006 and requesting that it be annulled.

All of SWL's claims were dismissed in a ruling by the Charleroi Commercial Court on November 28, 2014. On September 12, 2016, the Mons Court of Appeal annulled the contested swap agreement and ordered Natixis to repay to SWL the amounts paid by SWL as part of the swap agreement, less any amounts paid by Natixis to SWL under the same agreement and taking into account any amounts that would have been paid had the previous swap agreement not been terminated. The Court of Cassation of Belgium overturned this ruling on June 22, 2018.

SWL filed an appeal in February 2019.

SFF/CONTANGO TRADING SA

In December 2015 the South African Strategic Fuel Fund (SFF) entered into agreements to sell certain oil reserves to several international oil traders. Contango Trading SA (a subsidiary of Natixis) provided funding for the deal.

In March 2018, SFF launched a proceeding before the South African Supreme Court (Western Cape Division, Cape Town) primarily against Natixis and Contango Trading SA to have the agreements invalidated, declared null and void, and to obtain fair and equitable compensation.

LUCCHINI SPA

In March 2018 Natixis SA was summoned, jointly and severally with other banks, by Lucchini Spa (under extraordinary administration) to appear before the Court of Milan, with Lucchini Spa's receiver alleging improprieties in the implementation of the loan restructuring agreement granted to Lucchini Spa. The case is still in progress.

6.10.3 Dependency

BPCE is not dependent upon any specific patents, licenses, industrial procurement contracts, or commercial or financial agreements.

6.11 Non-compliance, security and operational risks

The Compliance, Security and Operational Risk division works independently of the operational divisions, as well as of the other Internal Control divisions with which it cooperates. It has three major divisions:

- a Compliance department which covers three areas: banking compliance, investment services and financial security, notably ensured by BPCE's Tracfin officers;
- a Security department covering all areas: personal and property safety, business continuity, information system security, cyber security and fraud watch, as well as coordination of the new DPO (Data Protection Officer) function;
- an Operational Risk Management department.

The Compliance, Security and Operational Risk division carries out its duties within the framework of business line operations. To this end, it helps guide and motivate the Heads of the Compliance, Security and Operational Risk functions of the affiliates and subsidiaries. The Compliance Officers appointed by the various affiliates, including the Caisse d'Epargne and Banque Populaire parent companies and direct subsidiaries covered by the regulatory system of banking and financial supervision, are functionally subordinate to the Compliance, Security and Operational Risk division.

The Compliance, Security and Operational Risk department conducts any necessary initiatives to strengthen compliance, security and operational risk management throughout Groupe BPCE. As such, it sets out standards, shares best practices and coordinates working groups consisting of departmental representatives.

Promoting a culture of risk management and taking into account the legitimate interests of customers is also achieved through employee training.

Consequently, the Compliance, Security and Operational Risk department:

- creates the content for the training materials used for the Compliance function and manages interactions with the Group Human Resources division and the Governance and Coordination department of the DRCCP, which coordinates the annual work schedule for the Risk and Compliance functions;
- helps train Compliance staff, mainly through specialized annual seminars (financial security, ethics and compliance, banking compliance, coordination of permanent compliance controls, cybersecurity, etc.);
- coordinates the training program for heads of compliance and Compliance Officers;
- coordinates the Compliance, Security and Operational Risk functions of the institutions, primarily by organizing national compliance, security and operational risk days;
- draws on the expertise of the Compliance functions of Group institutions *via* theme-based working groups.

Moreover, BPCE's corporate compliance as well as the compliance of the Group's Insurance businesses is handled by a dedicated team in the DRCCP Secretary's Office.

6.11.1 Compliance

ORGANIZATION

The Compliance function covers two main fields of expertise:

- Banking Compliance, aimed at preventing risks of failure to comply with laws, regulations and professional standards governing KYC and the banking industry. To that end, it encompasses support for operational departments in their compliance with regulatory changes, dissemination of standards (including ACPR recommendations and EBA guidelines), compliance expertise for the purpose of helping approve new products or sales processes, supervision of document and challenge approval processes, and oversight of the Group's outsourced critical or essential services. It also strengthens the management of non-compliance risk through oversight of complaints analysis, use of compliance controls and mapping of non-compliance risks reported by Groupe BPCE institutions within the scope of banking and KYC compliance;
- Investment Services Compliance, which covers compliance and ethics in the conduct of financial activities, as defined by the AMF General Regulations. More broadly, it includes the prevention of conflicts of interests, ensuring that customer interests prevail, compliance with market rules and professional standards in the banking and financial sectors, and, finally, regulations and internal standards governing business ethics. It also includes oversight of investment services and the operating procedures of investment services compliance officers (RCSIs). Since the end of 2016, Investment Services Compliance has also included SRAB commitments (Separation and Regulation of Banking Activities) – Volcker office.

MEASUREMENT AND SUPERVISION OF NON-COMPLIANCE RISK

Non-compliance risks are analyzed, measured, monitored and managed in accordance with the Ministerial Order of November 3, 2014, with the aim of:

- ensuring a permanent overview of non-compliance risks and the associated risk prevention and mitigation system, including updated identification under the new non-compliance risk-mapping exercise;
- ensuring that the largest risks, if necessary, are subject to controls and action plans aimed at supervising them more effectively.

Groupe BPCE manages non-compliance risk by mapping out its non-compliance risks and implementing mandatory Level 1 and 2 compliance controls common to all Group retail banking institutions. These control frameworks were reviewed in 2018 for the purpose of adapting them to the risks and systems in place, and will be rolled out in the first half of 2019.

The impact of non-compliance risk was measured with the Group's operational risk teams, with the aid of OSIRISK, covering the risk management systems established by the institutions aimed at reducing gross risk levels.

PRODUCT GOVERNANCE AND SUPERVISION

All new products and services, regardless of their distribution channels, as well as sales materials that fall within the Compliance function's remit, are reviewed by Compliance beforehand. The purpose of this review is to ensure that applicable regulatory requirements are met and that targeted customers – and the public at large – receive clear and fair information. Product supervision is carefully conducted over the entire product life cycle.

Compliance also coordinates the approval of national sales challenges, ensures that conflicts of interest are managed properly and guarantees that customer interests always come first.

Compliance is careful to ensure that sales procedures, processes and policies guarantee that the rules of compliance and ethics are observed at all times for all customer segments, and in particular that the advice given to customers is appropriate to their needs.

CUSTOMER PROTECTION

The Group's reputation and the trust of its customers grow stronger when the products and services it sells comply with regulations and the information it supplies is reliable. To maintain this trust, the Compliance division makes customer protection a top priority.

To that end, Group employees regularly receive training on customer protection issues to maintain the required level of customer service quality. These training sessions are aimed first and foremost at promoting awareness of compliance and customer protection among new hires and/or sales team employees. Additionally, ethics and compliance training, entitled "Fundamentals of professional ethics", has been set up for all Group employees.

The new Markets in Financial Instruments Directive (MiFID 2) and PRIIPS Regulation (Packaged Retail Investment and Insurance-based Products), both of which are subject to careful consideration by Groupe BPCE, are specifically designed to strengthen market transparency and investor protection. They have an impact on the Group in its role as a distributor of financial instruments by enhancing the quality of the customer experience in terms of financial savings and Insurance products:

- adjustments to customer and KYC data collection (customer profile, characteristics of customer plans in terms of objectives, risks and investment horizons), but also an updated questionnaire on each customer's financial investment knowledge and experience to ensure that suitable advisory services are provided;
- adaptation of offers associated with the financial services and products sold;
- formalization of customer advice (suitability report) and the customer's acceptance of said advice (issuance of customer alerts where necessary);
- organization of relations between the Group's manufacturers and distributors;
- inclusion of provisions related to the transparency of fees and charges at the required level of detail;
- production of value-added reports for customers and recording of conversations for customer relations and advisory purposes;
- disclosure of transaction reports to regulators and the market, best-execution and best-selection requirements;
- participation in the development of employee training and the change management program related to these new provisions.

ACTIVITIES IN 2018

Several regulatory projects were carried out in 2018:

- implementation of the Payment Accounts Directive, incorporating standard terminology and definitions in advertising, precontractual and contractual documentation, and organizing initiatives to define the new annual fee statement;
- overhaul of the Level 2 oversight system covering critical or essential services, in connection with the European Banking Authority's draft guidelines;
- strengthening of the regulatory KYC system, with the launch of an initiative aimed at improving the reliability of addresses for customers listed as "not living at the indicated address", digitization and automation of onboarding due diligence reviews, implementation of anti-tax evasion obligations (second amended French Finance Act for 2017, laying down provisions in terms of Automatic Exchange of Information);
- review of the offer specifically targeting customers facing financial hardships, in accordance with the Group's commitments to the OIB (Banking Inclusion Observatory) and standard professional practices in the industry.

Special areas of focus included:

- the non-compliance risk management system, including a non-compliance risk mapping campaign in accordance with the new methodology defined in 2017 and a review of the Level 2 permanent control framework targeting compliance;
- utilization of customer complains in conjunction with the Customer Quality Management function of the Retail Banking and Insurance division.

Within the scope of investment services, BPCE has adapted its sales procedures for financial savings products to incorporate the impacts of the Markets in Financial Instruments Directive and Regulation (MiFID 2), the Insurance Distribution Directive and PRIIPs. Some processes are transitional, with ongoing IT developments and a remediation plan aimed at securing these processes.

Accordingly, product governance and supervision under MiFID 2 has resulted in the establishment of:

- a committee in charge of validating model portfolios of financial instruments, meeting semi-annually to monitor the performance of risk asset allocations, perform a macroeconomic review and analyses, and prepare an allocation outlook;
- a product governance and supervision committee, working alongside manufacturers: exchanging information between manufacturers and distributors, and overseeing distribution strategy, product changes and investor protection.

In response to the enactment of the Market Abuse Directive and Regulation, the Group uses a market abuse alert analysis and reporting tool. This tool covers the Banque Populaire banks, the Caisses d'Epargne and their subsidiaries. BPCE conducted a feasibility study on the implementation of a virtual assistant for employees, designed to facilitate the analysis of alerts reported by the Group tool: the virtual assistant is in the process of being implemented.

Software tool NORMA (market abuse) was updated and special training was dispensed on the analysis of market abuse alerts. This training was offered to the employees of the Compliance function in charge of market abuse oversight, in the interest of heightening due diligence in this area.

Lastly, the SRAB indicator measurement methods recommended by the AMF and ACPR were implemented throughout the Group.

FRENCH BANKING SEPARATION AND REGULATION ACT (SRAB)

Groupe BPCE regularly updates the mapping of its market activities, calling for the creation of internal units subject to an exemption within the meaning of act No. 2013-672 of July 26, 2013 on the separation and regulation of banking activities.

Since May 2015, the Group has used the mapping of its market activities to calculate, on a quarterly basis, the required indicators referred to in Article 6 of the Ministerial Order of September 9, 2015. It also calculates additional annual indicators for documentation purposes and quantitative indicators such as the economic NBI or VaR of the internal units.

Based on the work carried out by the Group, it has not been necessary to create a ring-fenced subsidiary, and mandates have been implemented at the institutions in order to handle the various activities.

In July 2017, the AMF and the ACPR published directives on market-making indicators aimed at harmonizing the calculation methodologies of banking institutions in the French marketplace. These harmonized methodologies are now implemented across the entire Group.

In conjunction with the calculations and other work done in accordance with the SRAB, an enhanced compliance program was adopted and implemented as from July 2015 in response to the Volcker Rule (a sub-section of the US Dodd-Frank Act) within the scope of BPCE SA group and its subsidiaries. Taking a broader approach than that of the French Banking Separation and Regulation Act, this program aims to map out all the financial and commercial activities of BPCE SA group, notably to ensure that they comply with the two major bans imposed by the Volcker Rule: the ban on proprietary trading and on certain activities related to covered funds.

In March 2018, the Group certified its compliance with the Volcker Rule with the US regulator, as it has every year since July 2015. Note: in early 2017, Groupe BPCE appointed a SRAB-Volcker officer, responsible for the security of banking segregation mechanisms. This officer also oversees the requirements set forth by US regulations on Legal Entity Management (LEM).

6.11.2 Financial security

ORGANIZATION

Financial security covers anti-money laundering and terrorist financing (AML-TF) measures as well as adherence to international sanctions aimed at individual persons, entities or countries.

BPCE's Involvement in the prevention of money laundering and terrorist financing

Groupe BPCE works to prevent money laundering and terrorist financing through:

Corporate culture

Promoted across all levels of the company, corporate culture is built on:

- principles governing relationships with customers that avert risk and document KYC for each institution;
- a harmonized, biannual training program for Group employees, which has been expanded over the past few years to include specialized training for the Financial Security function;
- regular staff information and coordination on the risk of money laundering and terrorist financing.

Organizational structure

In accordance with Groupe BPCE's charters, each institution has its own financial security division or unit. DRCCP has a specialized division that coordinates AML-CTF processes, defines the financial security policy for the entire Group, establishes the various standards and guidelines, and ensures consistency across all of the decisions made for each project. The division also performs a regulatory watch, oversees relevant transactions and ensures that the risk of money laundering and terrorist financing is taken into account when new commercial products and services are approved by BPCE.

Specialized processes

In accordance with regulations on the organization of internal control at credit institutions and investment companies, banks have methods for detecting unusual transactions that are specific to their risk classification. These can be used, if needed, to conduct closer analysis and to submit the required reports to Tracfin (French financial intelligence agency) as promptly as possible. The Group's risk classification system takes into account "high-risk" countries (listed by the FATF, the OECD Global Forum on Transparency and Exchange of Information for tax purposes, Transparency International, the Directorate General of the French Treasury responsible for areas controlled by terrorist organizations, etc.).

As regards compliance with restrictive measures related to international sanctions, Group institutions are kept informed by BPCE's Group Financial Security division and equipped with screening tools that generate alerts on customers (asset freezes on certain individuals or entities) and international flows (asset freezes and countries subject to European and/or US embargoes).

Supervision of operations

Internal reports on the prevention of money laundering and terrorist financing are submitted to company directors and governing bodies, as well as to the central institution.

The DRCCP Financial Security division also meets regularly to closely monitor each institution's activities in this area.

ACTIVITIES IN 2018

While updating their joint guidelines in 2018, the ACPR and Tracfin highlighted the importance of the anti-terrorist financing plan deployed for the last several years by the Ministry of Finance. Accordingly, the institutions of Groupe BPCE strengthened their anti-terrorist financing system in 2018, based on a set of standards and automated scenarios tailored to the specific circumstances of terrorist financing (weak signals, relatively low amounts, importance of cross-checking several indices), and meeting enhanced agility and fast-response requirements.

Group anti-corruption commitments

Corruption, which is defined as an act in which a person offers or grants an undue reward to another person in exchange for an act falling within that person's remit, is a fraudulent and unethical behavior subject to severe criminal and administrative sanctions.

Groupe BPCE denounces corruption in all forms and in all circumstances. It is a signatory of the United Nations Global Compact, whose tenth principle states that "Businesses should work against corruption in all its forms, including extortion and bribery."

Anti-corruption measures

The Group strives to prevent corruption in order to guarantee the financial security of its activities, including in particular:

- by taking measures against money laundering & terrorist financing and fraud, supervising "politically exposed persons", and complying with embargoes;
- ensuring that employees observe professional rules of compliance and ethics by applying policies governing conflicts of interest, exchanges of gifts, benefits and invitations, confidentiality and professional secrecy. Disciplinary sanctions have been defined for any failure to respect professional rules governing the activities conducted by Group companies;
- exercising due diligence when making contributions to political campaigns or to government agents, donations, patronage and sponsorship, and lobbying;
- supervising relations with intermediaries and business introducers *via* groupwide standardized contracts describing the reciprocal services and obligations and contractually establishing compensation terms;
- mapping out exposure to corruption risks through Group activities;
- providing regulatory training on the rules of ethics in the industry and against corruption (an e-learning course).

A whistleblowing system is available to employees and included in the internal rules. Employees have a procedure in place for implementing the whistleblowing system.

The Group has also defined standards and procedures governing KYC and due diligence procedures used for customer classification and supervision purposes. In the interest of organizing the internal control system, whistleblowing/detection tools and permanent control plans serve to bolster the security of this system.

BPCE also has accounting policies and procedures in place in line with professional standards. The purpose of the Group's internal control system for accounting information is to check the conditions in which such information is assessed, recorded, stored and made available, in particular by verifying the existence of the audit trail, within the meaning of the Ministerial Order of November 3, 2014 on internal control. This control system is part of the fraud, corruption and influence-peddling prevention and detection plan.

From a more general standpoint, these systems are formalized and detailed in the umbrella charter governing the organization of Group internal control and the Risk, Compliance and Permanent Control Charter. Parent company affiliates and all BPCE subsidiaries have adopted these charters.

6.11.3 Business continuity

The management of business interruption risk is handled from a cross-business perspective. This includes the analysis of the Group's main critical business lines, notably liquidity, payment instruments, securities, individual and corporate loans and fiduciary activities.

ORGANIZATION

As of September 1, 2017, the Group Head of Business Continuity, responsible for the Group Business Continuity division, reports to the Security division, which in turn reports to the Compliance, Security and Operational Risk division.

The Group Business Continuity division performs its tasks independently of operational divisions. These include:

- managing Group business continuity and coordinating the Group Business Continuity division;
- coordinating Group crisis management;
- managing the implementation of the Group Contingency and Business Continuity Plans (CBCPs) and keeping them operational;
- ensuring compliance with regulatory provisions governing business continuity;
- participating in Groupe BPCE's internal and external bodies.

ACTIVITIES IN 2018

Cybercrime risk was the main focus of the year: development of a cybercrime plan, complete with exercises organized internally or by third parties (Digital Economy Directorate of French Polynesia, Banque de France Robustness Group).

Improved understanding of the business continuity plans of the Group's main providers was the second major focus, which will be continued in 2019: overhaul of the approach, rolled out *via* a Group tool currently under development.

Continued efforts to strengthen the overall business continuity system: a new Groupwide business continuity policy is being developed, coverage of cross-business incidents has been improved and a crisis management decision-making tool has been deployed.

The main business lines are also subject to regular review.

Furthermore, the Group also took part in the resolution of major crises, from the flooding of the Seine riverbank to the many crises associated with global warming. Health-related crises are also closely monitored.

6.11.4 Information System Security (ISS)

ORGANIZATION

The Group Security division (DS-G) establishes and adapts Group Information System Security policies. It provides continuous and consolidated oversight of information system security, along with technical and regulatory oversight. It initiates and coordinates Group projects aimed at reducing risks in its field.

Within its remit, DS-G represents Groupe BPCE vis-à-vis banking industry groups and public authorities.

As a contributor to the permanent control system, the Group Head of Security reports to the Compliance, Security and Operational Risk division. Within the central institution, the Group ISS division also works regularly with the Group's Inspection Générale division.

Groupe BPCE has established a groupwide Information System Security function comprising the Head of Group Information System Security (RSSI-G), who coordinates the function, and the Heads of Information System Security for all of the companies.

The heads of Information System Security for parent company affiliates, direct subsidiaries and EIGs are functionally subordinated to the RSSI-G through coordinated actions. This means that:

- The RSSI-G is notified of the appointment of any heads of information system security;
- The Group's information system security policy is adopted by the individual entities, and each company's application methods of the Group information system security policy must be presented for validation to the Group's Head of Information System Security prior to approval by Executive Management and presentation to the Board of Directors or the Management Board;
- A report on the institutions' compliance with the Group's information system security policy, permanent controls, risk level, primary incidents and actions is submitted to the Group Head of Information System Security.

ACTIVITIES IN 2018

Groupe BPCE's information system security policy (PSSI-G) incorporates the Group's security requirements. It is comprised of an Information System Security framework associated with the Group's Risk, Compliance and Permanent Control Charter, 391 rules divided into 19 categories, and three organizational instruction documents[1]. It is revised annually according to an ongoing process of improvement. The 2018 revision of the PSSI-G incorporated the results of the assessment of compliance and estimation of the criticality level of each rule in the PSSI-G, conducted over the course of the year with all institutions, as well as the change in the Group's organizational structure and governance.

Moreover, the ISS permanent control Group standards were entirely revised and will be rolled out to all companies in 2019.

Oversight of ISS governance and risks was enhanced in 2018, mainly by incorporating new features in the Group's Archer platform (mapping of ISS risks):

- management of the PSSI-G for oversight and coordination purposes;
  - identification by each institution of the PSSI-G rules applicable to its scope of operation,
  - assessment by each institution of its compliance with applicable PSSI-G rules,
  - feedback by each institution on exemptions to established rules for which a compliance breach was observed;
- management of ISS action plans;
- classification of IS assets.

Furthermore, under the GDPR (General Data Protection Regulation) compliance program, a GDPR project support system was established, including digital projects, conducted in accordance with an agile development cycle.

6

(1) Operating procedures of the Groupe BPCE Information System Security function, ISS permanent control, classification of at-risk IS assets.

Anti-cybercrime mechanisms

As a result of its digital transformation, the Group's information systems are becoming increasingly open to the outside (cloud computing, big data, etc.) and many of its processes are gradually going digital. Employees and customers are also increasingly using the Internet and interconnected technologies such as tablets, smartphones and mobile applications.

Consequently, the Group's assets are constantly more exposed to cyber threats. The targets of these attacks are much broader than the information systems alone. They aim to exploit the potential vulnerabilities and weaknesses of customers, employees, business processes, information systems and security mechanisms at Group buildings and datacenters.

In 2016, the ECB carried out a cybersecurity audit of Groupe BPCE, addressing governance of risks, cybersecurity and information technology, with a special focus on online banking security for the Banque Populaire banks and Caisses d'Epargne. Recommendations were made to Groupe BPCE in summer 2017.

A number of anti-cybercrime enhancement initiatives were continued in 2018.

Strengthened application entitlement controls

In conjunction with Natixis, the Group strengthened the system launched in 2015 and used to review entitlements to cross-business information systems (Natixis and BPCE) granted to the institutions. The number of applications in the review scope was increased to 58 in 2018.

Reinforced detection of unusual data flows and events in information systems (cyberattack detection)

- creation of a unified Group Security Operation Center (SOC), including a Level 1 supervisor, operating 24/7;
- integration of a Groupe BPCE CERT (Computer Emergency Response Team) in the InterCERT-FR community run by the ANSSI;
- initiative in progress to strengthen the Group's presence in the European CERT community;
- plans to expand, as of early 2019, the VIGIE community (Groupe BPCE's collective due diligence system) to include the Banque Populaire banks and the Caisses d'Epargne, in order to improve communications and oversight of their private information systems.

Raising employee awareness of cybersecurity

In addition to maintaining the Groupwide program to raise employee awareness of ISS, 2018 saw the development of a new ISS training/awareness-raising plan to be implemented in 2019 and the Group's participation in "European Cyber Security Month".

Within BPCE SA 's scope of operations, the massive "user entitlements" project defined in 2010 was continued. As of 2018, 194 applications have now been included in the scope of review of user rights and authorization management procedures. Not only are applications reviewed, but also user entitlements to IS resources (distribution lists, shared mailboxes, shared files, etc.).

Moreover, new employee awareness-raising campaigns were launched:

- GDPR awareness;
- phishing test and phishing awareness-raising campaign;
- participation in new employee acclimation meetings.

6.11.5 Operational risks

ORGANIZATION

The Group Operational Risk department (DROG), part of the Risk, Compliance and Permanent Control division, is in charge of identifying, measuring, monitoring and managing the operational risks incurred in all activities and functions undertaken by Group institutions and subsidiaries.

The operational risk system consists of:

- central organization and a network of operational risk managers and officers, working in all activities, entities and subsidiaries of Group institutions and subsidiaries;
- a methodology based on a set of standards and an OR tool used throughout the Group.

The operational risk management system is part of the Risk Assessment Statement (RAS) and Risk Assessment Framework (RAF) systems defined by the Group. These systems and indicators are adapted at the level of each Group institution and subsidiary.

The Operational Risk function operates:

- in all structures consolidated or controlled by the institution or the subsidiary (banking, financial, Insurance, etc.);
- in all activities exposed to operational risks, including outsourced activities, within the meaning of Article 10 q and Article 10 r of the Ministerial Order of November 3, 2014 "outsourced activities and services or other critical or essential operational tasks".

The Group Non-Financial Risk Committee (CRNFG) defines the operational risk policy (in accordance with the Risk, Compliance and Permanent Control Charter), rolled out to the institutions and subsidiaries, and the DROG ensures that the policy is applied throughout the Group.

BPCE's Operational Risk function ensures that the structure and systems in place at the institutions and subsidiaries allow them to achieve their objectives and fulfill their duties. To that end, it:

- coordinates the function and performs risk supervision and controls at the institutions/subsidiaries and their subsidiaries, on an individual and consolidated basis. To that end, it determines Group standards and methods, in coordination with the institutions and subsidiaries, and disseminates methodologies to be applied, standard controls to be performed and best practices;
- centralizes and analyzes the Group's exposure to non-financial risks, verifies the implementation of corrective actions decided by the Operational Risk Committee, and reports any excessive implementation times to senior management;
- performs controls to ensure that Group standards and methods are observed by the institutions and subsidiaries;
- performs a regulatory watch, distributes and relays operational risk alerts due to incidents with the potential to spread to the appropriate institutions/subsidiaries;
- prepares reports, by institution or subsidiary, for the Group and the regulatory authorities (COREP OR), analyzes the reports and content of the OR committees of the institutions and subsidiaries, and notifies the Group Non-Financial Risk Committee of any inadequate systems and/or excessive risk exposure, which in turn notifies the institution in question.

ACTIVITIES IN 2018

The fiscal year saw the appropriation of a new OR tool and the new methodology by all Group institutions, along with new and revised standards, procedures and working methods defining rules and a forward-looking operational risk management methodology. This tool offers data consolidation and forward-looking management of OR exposure.

The scope and methodology of operational risk-mapping were revised to measure entity risk exposure in greater detail. This new methodology is part of the Group's permanent control system and includes the operational risk, compliance, information system security, personal and property safety and permanent control functions.

Measurement of risk exposure is based on a forward-looking model, which quantifies and classes risk scenarios and thus provides the Non-Financial Risk Committees with the necessary elements to define their risk tolerance.

The system was rounded out with an overhaul of predictive risk indicators. These indicators are produced from the main risks identified in the non-financial risk map.

Finally, risk supervision and monitoring were improved through the drafting of reports aimed at providing a uniform measurement of the entire Group's risk exposure and cost of risk.

The OR function's production staff perform two types of Level 2 controls on operational risks:

- Comprehensive automated controls:
  - each month, the OR teams of Group institutions receive an OR system control report, generated automatically and addressed to the institutions and subsidiaries by the central institution.
  - this report covers any discrepancies in terms of operational risk standards within the scope of the various issues of operational risk management: organizational structure of OR management, incidents, risk mapping, predictive risk indicators, corrective actions.
  - the results of the controls, and the corrections made by the OR teams, are regularly presented to the Group Non-Financial Risk Committee.
- Manual sample-based controls:
  - the Groupe BPCE OR division and Natixis Group Risk division perform Level 2 controls of the Operational Risk function.
  - these controls are based on the institutions' OR system control reports and thus cover the same scope as the reports: OR system, incidents, risk mapping, predictive risk indicators, corrective actions.
  - the results of the Level 2 controls are recorded in the permanent control tool by the Groupe BPCE OR division.

Operational risk oversight

Operational risk oversight within the Group is coordinated at two levels:

- At the level of each Group institution:

  The Operational Risk Committee, whose meetings are prepared by the Operational Risk function, may be combined with the Non-Compliance Risk Committee to form a Compliance and

Operational Risk Committee. For Group governance purposes, it can also be a sub-committee of the Executive Risk Committee.

This committee is responsible for adapting the operational risk management policy and ensuring the relevance and effectiveness of the operational risk management system. Accordingly, it:

- examines major and recurring incidents (and validates corrective actions to be taken), determines risk tolerance (based on the Top 10 risks: 99.9% VaR exposure, 95% VaR exposure and expected losses), validates the local OR risk mapping campaign and decides on corrective actions aimed at reducing exposure to excessive risks;
- examines indicator breaches, decides on corrective actions to be taken, and monitors progress on risk mitigation initiatives following major incidents and risks deemed excessive (determined from the risk-mapping campaign) or decided after thresholds have been breached; is notified in the event of excessive delays in implementing corrective actions;
- examines permanent controls carried out by the Operational Risk function and in particular any excessive delays in implementing corrective actions;
- helps organize the network of operational risk officers, monitors awareness-raising and training initiatives, and monitors awareness-raising initiatives specifically targeting a given business line or function;
- examines, at least twice a year, any incidents liable to trigger claims (reconciliation between the OR incident database and the local and group claim databases) to highlight the net residual loss after the application of Insurance coverage and notes any necessary changes in local Insurance policies;
- determines if any changes need to be made in local Insurance policies.

The frequency of meetings depends on the intensity of the institution's risks, in accordance with three operational schemes reviewed once a year by the CRNFG and communicated to the entities.

- At Groupe BPCE level:

The committee meets quarterly and is chaired by a member of the Executive Management Committee.

Its main duties are to define the OR standard, ensure that the OR system is deployed at the Group entities, and define the Group OR policy. To that end, the committee:

- examines major risks incurred by the Group and defines its tolerance level, decides on the implementation of corrective actions affecting the Group and monitors their progress;
- assesses the level of resources to be allocated;
- reviews major incidents within its remit, validates the aggregated map of operational risks at Group level, which is used for the macro-level risk mapping campaign;
- monitors major risk positions across all Group businesses, including risks relating to non-compliance, financial audits, personal and property safety, contingency and business continuity planning, financial security and information system security (ISS);
- lastly, validates Group RAF indicators related to non-financial risks as well as their thresholds.

INCIDENT AND LOSS DATA COLLECTION

Incident data are collected to build knowledge of the cost of risks, continuously improve management systems, and meet regulatory objectives.

An incident log (incident database) was created to:

- broaden risk analysis and gain the knowledge needed to adjust action plans and assess their relevance;
- produce COREP regulatory half-year operational risk statements;
- produce reports for the executive and governing bodies and for non-management personnel;
- establish a record that can be used for operational risk modeling.

Incidents are reported as they occur, as soon as they are detected, in accordance with Group procedure.

OPERATIONAL RISK OVERSIGHT

Mapping

The operational risk management system relies on a mapping process which is updated annually by all Group entities.

Mapping enables the forward-looking identification and measurement (using expert opinion and combined with quantitative analysis which includes scenarios taken from external events) of high-risk processes. For a given scope, it allows the Group to measure its exposure to risks for the year ahead. This exposure is then assessed and validated by the relevant committees in order to launch action plans aimed at reducing exposure. The mapping scope includes emerging risks, IS risks (including cyber risk), and non-compliance risks.

This same mapping mechanism is used during the Group's ICAAP to identify and measure its main operational risks. The operational risk map also serves as a basis for the macro-level risk mapping campaign covering the institutions, and thus for the Group overall.

Action plans and monitoring of corrective actions

Corrective actions are implemented to reduce the frequency, impact or spread of operational risks. They may be introduced following operational risk mapping, breaches of risk indicator thresholds or specific incidents.

Progress on key actions is monitored by each entity's Operational Risk Management Committee.

At Group level, progress on action plans for the principal risk areas is also specifically monitored by the Non-Financial Risk Management Committee.

INCIDENT ALERT PROCEDURE

The alert procedure for serious incidents has been extended to the entire scope of Groupe BPCE. The aim of this system is to enhance and reinforce the system for collecting loss data across the Group.

An operational risk incident is deemed to be serious when the potential financial impact at the time of detection is over €300,000, or over €1 million for Natixis. Operational risk incidents with a material impact on the image and reputation of the Group or its subsidiaries are also deemed to be serious.

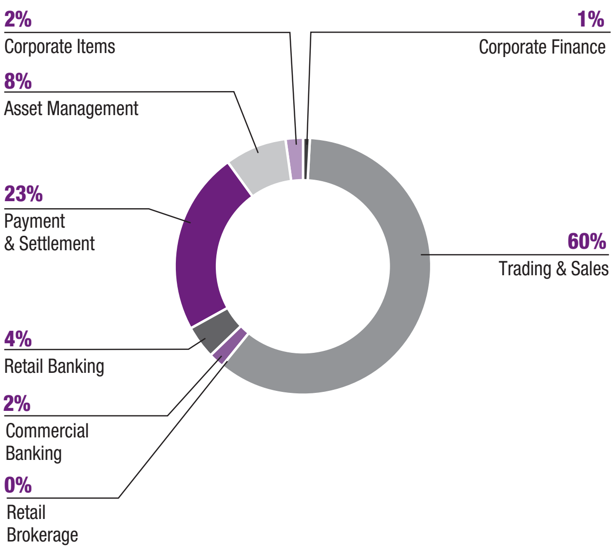
There is also a procedure in place covering material operational risks, within the meaning of Article 98 of the Ministerial Order of November 3, 2014, for which the minimum threshold is set at 0.5% of Common Equity Tier 1.

OPERATIONAL RISK MEASUREMENT

Groupe BPCE applies the standardized approach to calculate its capital requirements. Moreover, elements of internal control are considered in the assessment of the Group's net risk exposures.

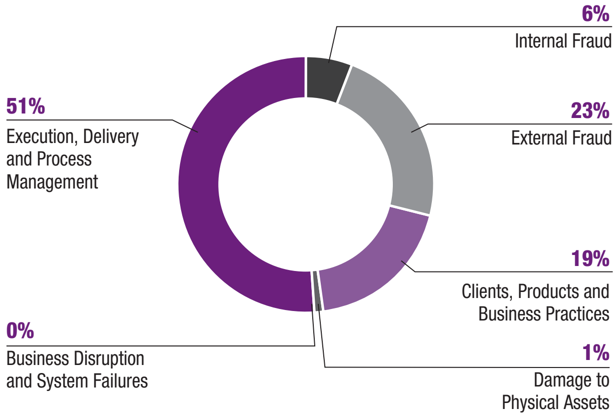
Breakdown of losses

BREAKDOWN OF LOSSES BY BASEL BUSINESS LINE



60% of the biggest losses (including losses associated with model risk) were recorded under "Trading and Sales".

BREAKDOWN OF LOSSES BY BASEL LOSS EVENT CATEGORY



51% of gross losses (including losses associated with model risk) were recorded under "Execution, delivery and process management".

OPERATIONAL RISK MITIGATION TECHNIQUES

In terms of Insurance, the networks and subsidiaries benefit from coverage of their insurable operational risks under group Insurance policies contracted from leading Insurance companies. In addition, the Group has set up its own captive Insurance company.

Coverage of insurable risks

At January 1, 2018, BPCE SA group had taken out (for itself):

- and for its subsidiaries, with the exception of Natixis concerning the Insurance coverage described in point A.a) below, with Natixis also holding its own similar coverage with a maximum payout of €15 million per year;
- and for the Banque Populaire and Caisse d'Epargne networks, except for Caisse d'Epargne Rhône-Alpes, covering:
  - the "Fraud" component of the Insurance coverage described in point A.a) below,
  - the "Global Banking" Insurance coverage described in point A.b) below,
  - the "Global Banking" component of the Insurance coverage described in point A.d) below,
  - and the Insurance coverage for "Property Damage" to "Registered Offices & Similar" and to their contents (including IT equipment) and the consecutive losses in banking activities described in point E below;

  the following main Insurance policies to cover its insurable operational risks and protect its balance sheet and income statement:

  A. A combined "Global Banking (Damage to Valuables and Fraud)" &"Professional Civil Liability" policy with a total maximum payout of €178 million per year of Insurance, of which:

a) €30 million per year, combined "Fraud/Professional Civil Liability" Insurance available, subordinate to the amounts guaranteed set out in b) and/or c) and/or d) below (with Natixis also holding its own similar coverage with a maximum payout of €15 million per year);

b) €38 million per claim and per year, solely reserved for "Global Banking" risk;

c) €25 million per claim and per year, solely reserved for "Professional Civil Liability" risk;

d) €70 million per claim and per year, combined "Global Banking/Professional Civil Liability" Insurance available in addition to or after use of the amounts guaranteed set out in b) and/or c) above.

The maximum amount that can be paid out for any one claim under this arrangement is €109.75 million under "Professional Civil Liability" coverage and €109.75 million under "Fraud" coverage in excess of the applicable deductibles.

B. "Regulated Intermediation Liability" (in three areas: Financial Intermediation, Insurance Intermediation, Real Estate Transactions/Management) with a total maximum payout of €10 million per claim and per year.

C. "Operating Civil Liability" covering €100 million per claim, as well as a "Subsidiary Owner Civil Liability"/"Post Delivery-Reception Civil Liability" coverage extension for up to €35 million per claim and per year of Insurance.

D. "Company Directors Civil Liability" for up to €200 million per claim and per year of Insurance.

E. "Property Damage" to "Registered Offices & Similar" and to their content (including IT equipment) and the consecutive "losses in banking activities", for up to €400 million per claim.

F. "Protection of Digital Assets against Cyber-Risks" & the consecutive "losses in banking activities", for up to €140 million per claim and per year of Insurance.

This coverage extends worldwide for initial risk or umbrella risk, subject to certain exceptions, mainly in terms of "Professional Civil Liability" where the policy does not cover permanent institutions based in the United States (where coverage is obtained locally by Natixis' US operations).

All the Insurance policies mentioned above were taken out with reputable, creditworthy Insurance companies and in excess of the deductibles and Groupe BPCE's risk-retention capacity.

6.11.6 Compliance and Risks – Insurance & Non-Banking Operations

INSURANCE COMPLIANCE AND RISKS

Groupe BPCE's three Level 2 control teams were merged in the Risk, Compliance and Permanent Control division (DRCCP) in the interest of combining Insurance, risk and compliance expertise.

Insurance risks

The DRCCP, in coordination with Natixis' Insurance division, ensures the effective implementation and operation of Insurance risk oversight processes (including underwriting risk) at the main Insurance companies in which the Group is the major shareholder: Natixis Assurances (including its subsidiary BPCE Assurances), Compagnie Européenne de Garanties et de Cautions (CEGC), Prépar-Vie and Coface. Insurance risk oversight committees have been formally set up for each company and meet on a quarterly basis. CNP Assurances, in which the Group is a minority shareholder, is also subject to DRCCP supervision due to its materiality, *via* a mechanism specific to financial conglomerates (CNP additional supervisory committee).

The principle of subsidiarity applies within this framework, with controls carried out first by the Insurance companies, then at the level of the Risk divisions of the banking parent companies (Natixis and BRED Banque Populaire) and then by Groupe BPCE's DRCCP, which reports to the Group Risk and Compliance Committee every six months.

Insurance compliance

The aim of Insurance compliance is to ensure that sales of Insurance products comply with all applicable laws, regulations and ACPR recommended best practices, reflected in standards set for distributing institutions. Insurance Compliance also drafts "imperatives", pre-specifying expectations on new products for manufacturers and relevant staff at BPCE SA group. Banking institutions authorized to operate as Insurance brokers are subject to brokerage law and required to comply in full. Accordingly, standards are disseminated and operationally implemented, an approval processes is carried out for new products distributed by the Group, sales processes and professional ethics are monitored, training modules are reviewed and updated and, lastly, content, advertisements and documents intended for the networks and training activities are validated.

ADDITIONAL SUPERVISION OF FINANCIAL CONGLOMERATES

Groupe BPCE has been identified by the ACPR/ECB as a financial conglomerate, based on the absolute and relative size of its banking and Insurance businesses. Since the launch of the Single Supervisory Mechanism (SSM), the ECB has coordinated the supervision of financial conglomerates predominantly focused on banking.

A mission statement on additional supervision, highlighting the work already undertaken by the DRCCP over the last several years, was validated by the Management Board in December 2017.

A committee in charge of additional supervision of financial conglomerates was formally established and will meet three to four times a year, reporting on conglomerate-related matters to the Group Risk Management and Compliance Committee.

Furthermore, as BPCE is a minority shareholder of CNP, in the interest of rounding out the "Insurance risk" system, the decision was made with the CNP Risk division to establish an additional supervisory committee, meeting quarterly, focused on the obligations of CNP as a financial conglomerate ("CSC CNP").

The Financial Conglomerates Directive requires insight into the entire scope of consolidation (banking, Insurance, asset management and non-financial sector). The main focuses of additional supervision are:

- "financial conglomerate" capital adequacy;
- intragroup transactions between different entities of the conglomerate;
- monitoring of risk concentration;
- risk management and the internal control system.

In terms of risk monitoring:

- the financial conglomerate approach seeks to consolidate banking and Insurance sector-based metrics, particularly capital requirements;
- additional supervision is primarily based on the banking system as a whole and the Group Insurance Risk function.

In order to provide forward-looking insight into the Group's capital adequacy from a financial conglomerate standpoint, the Capital Management function defines multi-year forecasts for surplus capital. The conglomerate's surplus capital is tracked using the Level 1 indicators derived from the Group RAF (risk appetite framework).

All three aspects of the system (Insurance, banking and financial conglomerates) are presented to and discussed with the ECB/ACPR joint supervisory team (JST). Governance is reviewed, as are the main management reports or analyses that have been provided to BPCE Executive Management over the course of the year.

ASSET MANAGEMENT RISKS AND COMPLIANCE

In line with the system implemented for the Insurance business, this system is based on subsidiarity with the risk and Compliance divisions of the banking parent companies and business lines; in particular Natixis Investment Managers (NIM), which consolidates most of the Group's assets under management.

The DRCCP pursues the following main objectives *via* the Asset Management risk and compliance system:

1. identifying major risks liable to impact the solvency performance of Groupe BPCE as a financial conglomerate in terms of the coverage of its banking or conglomerate capital adequacy ratios;
2. being involved in the function's contributions during Group assessments (ICAAP, PRP, stress tests, etc.) in order to identify business model risks on the contribution to results and capital, and to quantify and prioritize these risks;
3. organizing the coordination of the system by specifying a risk and compliance review and setting up a formal quarterly meeting;
4. keeping executive management informed by presenting a summary of the Asset Management risk and compliance review to the Group Risk Management and Compliance Committee.

In the asset management business, the DRCCP is formally in charge of: coordinating the risk and compliance system (cross-business or focused workshops); organizing cross-business projects within the banking scope of operations; keeping executive management informed *via* a summary report to the members of the CRCG.

The system consists of contributions from the asset management companies and their work on risk, compliance and permanent controls. It is based in large part on Natixis Investment Managers, which accounts for the large majority of the Asset Management business. Groupwide supervision draws heavily on locally existing work and methodologies.

The DRCCP works with Natixis or NIM to anticipate the impacts of regulatory consultations and changes.

ACTIVITIES IN 2018

Insurance risks

In 2018, the main projects undertaken were aimed at expanding stress tests and forecasting under Solvency II, Basel III, and the Financial Conglomerates Directive, and at strengthening governance:

- coordination of the Group's approach to Insurance stress tests, particularly the 2018 ORSAs (own risk and solvency assessments);
- establishment of detailed financial assumptions shared by the companies (ORSAs), as well as an analysis of results and recommendations;
- oversight of major risks and contagion mechanisms;
- analysis of regulatory interactions (Basel III, Solvency II[1], Financial Conglomerates Directive).

After adding the Group's Insurance companies to the bank ISTs (internal stress tests), as set out under the 2018 ICAAP (internal capital adequacy assessment process), the model was expanded to include:

- commissions paid by Insurance companies to the retail networks, as well as fees paid to the Group's asset managers;
- stressed Insurance inputs (based on ORSAs) in addition to the economic and financial inputs used by the Group;
- the simulation of SCR and MCR SII sector ratios based on ICAAP scenarios, to document any capital requirements under stress;
- the integration of CNP Assurances in the Group's ICAAP approach, following the establishment of the additional supervisory committee (CSC CNP).

The DRCCP was tasked with building an Insurance economic capital model to reassess the bank capital used by Insurance on an economic basis. This was done in coordination with the BPCE/Natixis Finance divisions and the risk management divisions of the Insurance companies.

Insurance compliance

In terms of Insurance compliance, a regulatory project was launched in 2017 and will be completed in 2018 with the Investment Services Compliance function. The project pertains to IDD, PRIIPs and MiFID 2. BPCE's Compliance department is responsible for monitoring the operational application of these regulations and directives throughout the Group.

(1) The DRCCP exercises caution in terms of changes to Solvency II. The standard version is still being revised as of end-2018 and the LTG package will be reviewed in 2020.

In addition to the MiFID 2, IDD and PRIIPs projects, manufacturer/distributor working groups were held throughout the year to address the five Pillars of the Insurance Distribution Directive:

- Pillar I "*Product governance and distribution rules*": this Pillar ensures consistency between the level of risk, the target market and the distribution strategy of a product;
- Pillar II "*Customer information and prevention of conflicts of interest*": the aim of this Pillar is to improve customer information on Insurance and investment products;
- Pillar III "*Advice and long-term customer service*": this Pillar addresses the duty to advise and the updating of advice over the customer's life and over the term of the business relationship;
- Pillar IV "*Price transparency*": the aim of this Pillar is full transparency for the customer regarding the prices charged by Insurance distributors and rebates on Insurance products (life and non-life);
- Pillar V "*Continuous training*": the purpose of this Pillar is to ensure the continuous training of sales teams, taking into account both regulatory developments and best practices. A training plan was defined in conjunction with the manufacturers, so as to meet the regulatory deadline of February 23, 2019.

BPCE is taking part in financial center initiatives in progress on "costs and expenses" and on product governance.

Additional Supervision of Financial Conglomerates

The purpose of "additional supervision of financial conglomerates" is to formally combine the initiatives directly undertaken in respect of financial conglomerates as well as inter-sector initiatives.

Initial meetings addressed the function topics and needs of the main participants:

- financial conglomerate liquidity risk;
- changes in regulatory deliverables;
- streamlined management of PRPs throughout the Group;
- design of an analysis chart specifically tailored to financial conglomerate oversight.

Asset Management risks and compliance

The Asset Management risk and compliance system is in the process of being rolled out. The mission statement, validated this year by the CRCG, includes the creation of an asset management risk and compliance oversight committee (CSRC GA) that will meet quarterly.

The DRCCP supervises risks arising from the interdependence of the asset management business and other

banking and Insurance divisions, through an analysis of potentially cumulative risks.

6.11.7 Technical Insurance risks

Insurance risk is the risk of any difference between expected and actual claims. Depending on the Insurance product in question, the risk varies according to macroeconomic changes, changes in customer behavior, changes in public healthcare policy, pandemics, accidents and natural disasters (such as earthquakes, industrial accidents or acts of terrorism or war). The Credit Insurance activity is also exposed to credit risk.

Insurance risk management requires solid comprehension of technical Insurance risks in order to meet commitments to insurers and policyholders. Particular attention must also be paid to the financial risks borne through assets held to back commitments.

In addition to protecting the balance sheet and income statement of Insurance companies, the aim is to guarantee the solvency and liquidity of the Insurance companies.

To this end, Groupe BPCE's companies have set up effective risk measurement, reporting and supervisory procedures. The extensive preparations that went into these procedures have allowed the Group to meet the new regulatory requirements that came into effect on January 1, 2016 with the application of Solvency II (Pillar I Quantitative Solvency Requirements, Pillar II Governance & ORSA, Pillar III Prudential reporting and public information).

The Group created an Insurance Risk function in 2011. This function meets the requirements set out in the Financial Conglomerates Directive (FICOD) 2002/87/EC and its transposition in France by the Ministerial Order of November 3, 2014 governing the additional supervision of financial conglomerates, through the cross-divisional Group Insurance risk monitoring system.

NATIXIS ASSURANCES

Natixis Assurances is the Insurance division of the Natixis group and is divided into two businesses:

- the personal Insurance business, focused on developing portfolios of life insurance and endowment policies for investment and retirement purposes, as well as provident Insurance portfolios;
- the non-life insurance business, focused on developing portfolios for auto and multi-risk home Insurance, personal accident Insurance, legal protection, healthcare and property and casualty Insurance.

Given the predominance of the Investment Solutions activity, the main risks to which Natixis Assurances is exposed are financial. The company is also exposed to underwriting risks (life and non-life), as well as counterparty risk.

Market risk

Market risk is in large part borne by the subsidiary BPCE Vie on the financial assets that underpin its capital guarantee and guaranteed return products (euro-denominated policies: €53.8 billion on the main fund balance sheet). The company is exposed to asset impairment risk (fall in the equity or real estate market, widening spreads, interest rate hikes) and to the risk of lower interest rates which would generate insufficient income to meet its capital and return guarantees. To deal with this risk, BPCE Vie has only sold policies with a minimum guaranteed return in recent years: more than 94% of the policies have a zero minimum guaranteed return. The minimum guaranteed return averages 0.15%.

To manage market risk, sources of return have been diversified, namely *via* investments in new asset classes (funding of the economy, low-volatility equities, etc.). This diversification is governed by a strategic allocation, defined on a yearly basis, that takes into account regulatory constraints, commitments to policyholders and commercial requirements.

Credit risk

Credit risk is monitored and managed in compliance with Natixis Assurances' standards and internal limits. At December 31, 2018, 63% of the fixed-income portfolio was invested in securities rated higher than A-.

Life insurance underwriting risk

The main life insurance underwriting risk is related to the Investment Solutions activity. In an especially low interest-rate environment, the biggest risk is that of fewer redemptions and/or excessive inflows in euro-denominated vehicles, as reinvestments in securities dilute the main fund's return. Measures have been taken to prioritize unit-linked inflows, such as the creation of unit-linked products and communication campaigns, and a communication campaign targeting customers and the network.

Non-life insurance underwriting risk

Natixis Assurances' non-life insurance underwriting risk is predominantly borne by its subsidiary BPCE Assurances:

- premium risk: in order to ensure that the premiums paid by policyholders match the transferred risk, BPCE Assurances implemented a portfolio supervision policy whereby each policy is given a score based on its track record over three years. Factored in are types of claims, number of claims, their cost and other variables specific to the activity in question (degree of liability and bonuses/penalties for auto Insurance, for instance). This supervision policy also helps to detect potential risks arising from large claims, and to arrange adequate reinsurance coverage;
- risk of loss: each time inventory is taken, an actuarial assessment of the reserves for claims to be paid is conducted based on methods widely recognized by the profession and required by the regulator;
- catastrophe risk: catastrophe risk is the exposure to an event of significant magnitude generating a multitude of claims (storms, civil liability risk, etc.). This risk is therefore reinsured either through the government in the event of a natural disaster or an attack, for example, or through private reinsurers, specifically in the event of a storm or a civil liability claim, or through reinsurance pools.

Counterparty risk

The counterparty risk to which Natixis Assurances is exposed mainly concerns reinsurance counterparties. A sound reinsurer selection process is key to managing this risk:

- Natixis Assurances deals with reinsurers that are subject to a financial rating by at least one of the three internationally recognized rating agencies, and that have a Standard & Poor's equivalent rating of A- or higher;
- reliance on multiple reinsurers ensures counterparty diversification and limits counterparty risk.

COFACE

Through its activities, Coface is exposed to five types of risk: strategic risk, credit risk, financial risk, operational risk and non-compliance risk, and reinsurance risk. The two main types of risk are credit risk and financial risk.

Credit risk

Credit risk is defined as the risk of loss, due to non-payment by a debtor, of a receivable owed to a policyholder of the Group. Coface manages credit risk through a number of procedures, whose scope includes the approval of the terms of product policies, pricing, monitoring of credit risk hedges and portfolio diversification. Credit risk can be exacerbated due to the concentration of exposure (country, sector, debtor, etc.) and is modeled as premium risk, reserve risk and disaster risk. Traditionally, Coface makes a distinction between frequency risk and event risk:

- frequency risk represents the risk of a sudden material increase in delinquency by a large number of debtors. This risk is measured for each region and country by monitoring the instantaneous loss ratio[(1)] and the monthly indicator that breaks down the changes in domestic/export credit by DRA[(2)] and business sector, by acceptance rate on the DRA scale, or by product line (deposit, single risks). As regards exposure and portfolio monitoring, the Group has set up detailed risk oversight based on a sector/country; breakdown. Accordingly, delinquent payments are analyzed weekly by the Senior Management Committee and monthly by Coface's Underwriting Committee. This risk is mitigated by Coface Re SA reinsurance. Loss ratios for the different underwriting regions are also monitored at the consolidated Coface level;
- event risk represents the risk of abnormally high losses recorded for the same debtor or group of debtors, or of an accumulation of losses for the same country. Event risk is covered by Coface Re SA reinsurance.

In addition to weekly and monthly monitoring of each region and country, Coface has implemented a system based on:

- the centralization of reserves for claims exceeding a certain amount per debtor which are then analyzed *ex-post* to improve the information, underwriting and collection activity's performance;
- oversight of underwriting risk, which, above a given level of DRA-based outstandings, generates an approval and the establishment of an overall budget by Coface's Underwriting department; and
- a DRA-based risk assessment system covering all debtors.

(1) The instantaneous loss ratio is a weekly indicator that reproduces the change in the loss ratio. It is monitored for each region and each country and is reported weekly by Coface, particularly so that underwriters can monitor the change in their portfolio and detect any deterioration in order to introduce corrective actions as early as possible.

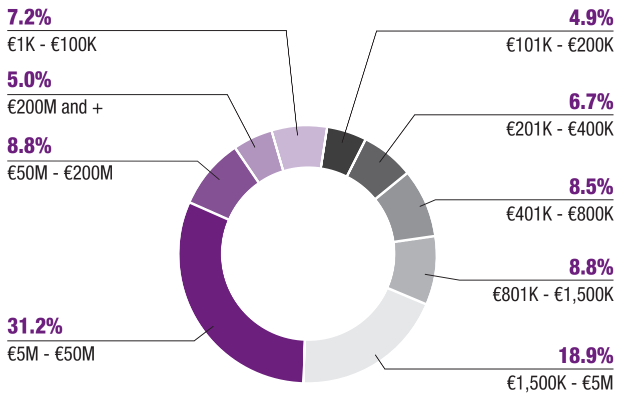
(2) Debtor Risk Assessment: Assessment of debtors using a Group-wide scale.

Diversification of the credit risk portfolio

Coface maintains a diversified credit risk portfolio, in order to minimize the risk of debtor default, a slowdown in a given business sector, or an adverse event in a given country having a disproportionate impact on its overall loss ratio. The Insurance policies also contain clauses allowing credit limits to be changed mid-contract. Furthermore, the fact that the great majority of Coface's risks are short-term (95% of total outstandings) allows it to reduce the risk covered for a debtor or a group of debtors relatively quickly and to anticipate a decrease in their solvency.

Level 2 controls are set up to ensure that the Group's credit risk standards are observed.

The following chart analyzes the breakdown of debtors by total credit risk exposure incurred by Coface at December 31, 2018:



Financial risk

Coface has implemented an investment policy that incorporates the management of financial risk through the definition of its strategic allocation, regulations governing Insurance companies and constraints related to the management of its liabilities. Management of financial risks is thus based on a rigorous system of standards and controls which is regularly reviewed:

- interest rate risk and credit risk: the majority of Coface's allocations are in fixed-income products, ensuring stable and recurring revenues. The modified duration of the bond portfolio has been deliberately capped at 4 and stood at 3.5 at December 31, 2018. Coface still has no exposure to Greek sovereign debt, but did make investments in Portugal during the year. The Group expanded its international diversification in 2018, particularly in Asian developed countries, in order to capture higher rates of return and to accommodate the various interest rate hikes or reduce currency hedging costs. Interest rate hedges were applied to a portion of European sovereign debt exposure;
- foreign exchange risk: the majority of Coface's investment instruments are denominated in euros. Subsidiaries and branches using other currencies must observe the same principles of congruence. In 2018, Coface systematically set up hedges against the euro in the portfolio combining its European entities, to protect investments in bonds denominated in dollars, Pound sterling, Canadian dollars and Australian dollars;
- equity risk: exposure is capped at less than 10% of the portfolio and is concentrated in the euro zone, in connection with its core business. At December 31, 2018, exchange-traded equities represented 6% of the investment portfolio. 30% of the portfolio was hedged through the purchase of Eurostoxx 50 put options. These hedges can be adjusted in line with investments and the amount of unrealized capital gains or losses on equity holdings;
- counterparty risk: maximum exposure to any given counterparty is set at 5% of assets under management, with exceptional exemptions for short-term exposures. More than 90% of bond holdings are Investment Grade and therefore have a median rating equal to at least BBB-;
- liquidity risk: 51% of the bond portfolio had maturities of less than 3 years at December 31, 2018. The vast majority of the portfolio is listed on OECD markets and carries a liquidity risk that is currently considered as low.

Level 2 controls on compliance with Coface's investment policy are also carried out.

CEGC

Compagnie Européenne de Garanties et Cautions is the Group's multiple business line security and guarantee platform. It is exposed to underwriting risk, market risk, reinsurer default risk and operational risk.

In 2018 underwriting risk was managed effectively, reflected by a loss ratio of 21% of earned premiums. The loss ratio on individual loan guarantees was particularly low this year.

Under the Solvency II supervisory regime, which came into effect on January 1, 2016, CEGC uses a partial internal model. The ACPR (French Prudential Supervisory Authority for the Banking and Insurance Sector) approved the model in March 2017. CEGC therefore meets the specific requirement applicable to mortgage loan guarantors to improve the robustness of the French banking system for home loans. Major changes to the model were submitted to the Board of Directors and validated in November 2018.

Prices on individual loan guarantees were raised and implemented in April 2018.

Underwriting risk

Underwriting risk is the main risk incurred by CEGC. It is essentially a counterparty risk, as the commitments given by CEGC to beneficiaries of guarantees result in direct exposure to underwriters. These regulated commitments recorded on the liabilities side of the balance sheet amounted to €2.01 billion at December 31, 2018 (up 8.7% year-on-year). This increase was in line with fiscal year 2017, driven mainly by mortgage guarantees for individual customers.

CEGC OUTSTANDINGS *(IN MILLIONS OF EUROS)*

CEGC activities	December 2018	Change December 2018 *versus* December 2017
Individual customers	1,798	8.4%
Single-family home builders	21	5.0%
Property administrators – Realtors	14	27.3%
Corporates	30	3.4%
Real estate developers	15	0.0%
Professional customers	75	7.1%
Social economy – Social housing	47	11.9%
Run-off activities	10	100.0%
TOTAL	**2,010**	**8.7%**

Market risk

CEGC's investment portfolio totaled around €2.02 billion on its balance sheet at December 31, 2018, hedging underwriting provisions; representing an increase of +5.50% since the end of 2017. Market risk from the investment portfolio is limited by the company's investment choices.

The company's risk limits are set out in the asset management agreement established with Ostrum. By collecting surety Insurance premiums at the time of commitment, CEGC does not require funding. Nor does CEGC carry transformation risk: the investment portfolio is entirely backed by equity and technical reserves.

	12/31/2018					
	Balance sheet value, net of provision	% breakdown	Mark to market	Balance sheet value, net of provision	% breakdown	Mark to market
Equity exposures	150	7.4%	144	137	7.2%	164
Bonds	1,451	71.8%	1,547	1,338	69.8%	1,476
Diversified	113	5.6%	112	131	6.8%	137
Cash	111	5.5%	111	124	6.5%	124
Real estate	182	9.0%	179	169	8.8%	174
FCPR	12	0.6%	19	14	0.7%	19
Other	2	0.1%	2	3	0.2%	2
TOTAL	**2,021**	**100%**	**2,114**	**1,915**	**100%**	**2,096**

Reinsurance risk

CEGC hedges its liability portfolio by implementing a reinsurance program tailored to its activities.

In loan guarantees, reinsurance is used as a tool for regulatory capital management. It protects guarantee beneficiaries in the event of an economic recession leading to a loss of up to 2% of outstanding guaranteed loans.

In the Corporate segments, the program is used to protect CEGC's capital by hedging against high-intensity risks. It has been calibrated to protect against three individual loss events (loss related to a counterparty or a group of counterparties) with the potential to significantly impact Corporate segment P&L.

Any modification of the reinsurance program (reinsurers, pricing, structure) is subject to validation by the Capital and Solvency Management Committee chaired by a director.

Reinsurer default risk is governed by counterparty concentration and rating limits. CEGC's reinsurance programs are underwritten by a broad panel of international reinsurers with a minimum rating of A on the S&P scale.

6.12 Climate risks

6.12.1 Organization

Mindful of its responsibility to promote a lower carbon footprint economy, Groupe BPCE works tirelessly to incorporate climate risk and implement measures to reduce this risk. The Group endeavors to identify and manage climate change risk as it does all other risks incurred in its activities, and has included it in the 2018-2020 strategic plan.

Like all French banking groups, Groupe BPCE takes part in the work of the ACPR, in accordance with Article 173, paragraph V, of the French Energy Transition for Green Growth Act.

The general credit risk policy includes climate risk and incorporates Corporate Social Responsibility.

One of the objectives of the Group's strategic plan is to reduce its direct and indirect environmental impacts. Groupe BPCE has rolled out measures aimed at reducing these risks in all aspects of its business:

Indirect impacts:

- a review of green growth markets, through the identification and assessment of each of the economic sectors affected, the analysis of the current positioning and performance of the Group's banks on these markets, and the assessment of the business development potential for the Group's banks;
- internal CSR policies have been drawn up and included in the risk policies of the Natixis business lines working with the highest-risk sectors (defense, nuclear, energy/mining, and palm oil). On October 15, 2015, Natixis also committed to no longer financing coal-fired power plants or thermal coal mines anywhere in the world, given the current state of technologies;
- the financing of renewable energy and thermal renovations, through all of the Group's main sales networks;
- a range of green savings and lending products offered to its customers.

Direct impacts:

- annual measurement of carbon emissions stemming from energy, travel, real estate and procurement for all Group companies;
- establishment of action plans aimed, for example, at improving the energy efficiency of office buildings and reducing the impact of employee travel.

Details on these actions are given in Chapter 2, "Non-Financial Performance Report", of the 2018 registration document.

6.12.2 Activities in 2018 and strategic guidelines

Groupe BPCE's objective in making CSR a priority in its business lines and decision-making processes (Cooperative & CSR Committee, etc.) is to become a benchmark for green growth in the banking industry. To achieve this goal, it can draw on the complementary areas of expertise of its business lines, extensive regional knowledge and a network of staff fully capable of disseminating best practices.

Groupe BPCE has confirmed its commitment to doing an even better job of incorporating climate change issues into its risk management system, with the aim of mitigating or adapting to climate change, by drafting transparent sector policies and including ESG (environmental, social, governance) criteria.

Accordingly:

- the Group made this one of the ambitions of the "financing a responsible economy" project in the 2018-2020 strategic plan entitled "Promoting green growth:
  - reducing the Group's carbon emissions;
  - expanding the funding of the energy transition in terms of outstandings and commitments;
  - increasing responsible deposits and savings;
  - developing the brokerage of sustainable financing (green or social);
  - incorporating ESG criteria in credit risk policies and drafting transparent sector policies on controversial activities.
- awareness raising campaigns have been conducted, including the preparation and distribution of Regulatory Briefs and featuring of special articles in the regulatory workbooks in 2017 and 2018; and more specifically:
  - training, summary reports and presentation of past and future initiatives;
  - coordination within the DRCCP and with other relevant divisions of BPCE SA group and other Group entities during Group events on these topics;
  - initiation, organization and coordination of working groups, for application at the institutions and subsidiaries on a common foundation or standard.

The directors of the institutions took part in plenary sessions held by the federations (FNBP and FNCE), including progress reports on the working groups. Connected tools, such as web apps and sites, including in particular the KiosK (sharepoint between the 3000 employees of the RCCP functions), are used to share information *via* posts, and a special group was formed on the internal social network (Yammer).

Climate risk and green finance were the subject of:

- a day-long seminar for the risk and compliance functions in 2017, attended by renowned experts in the field, including the ACPR, Banque de France, and members of the European Commission's High Level Expert Group on Sustainable Finance and Finance for Tomorrow (Paris Europlace);
- a conference for the risk, compliance and finance functions in 2018, to present the Group's areas of focus and accomplishments in recent months.

The Group took part, alongside other French banks, in the ClimINvest research program on the analysis of physical climate risk (i.e. an extr*eme* or continuous climate-related event) on the banking book. The program also involves experts from Météo France, I4CE and Carbone4 in France. It is headed by CICERO, a climate research center based in Oslo, in collaboration with Alterra and Wageningen UR. Furthermore, the Group is still contributing to financial center initiatives on Provision V of Article 173 of the French Energy Transition for Green Growth Act; it is furthering the analysis of its exposure to physical and transition risk at the local level, in order to better adapt its risk policy.

After including CSR and climate risk in the Group's general credit risk policy, Groupe BPCE reiterated its commitment by incorporating ESG criteria in its sector risk policies. The following policies were amended and validated by the Risk Management Committee in 2018: transportation, food & beverage/agriculture, communication & media, automotive, construction and the tourism, hotels and catering sectors. At the end of 2018, all the Group's sector lending policies incorporated CSR criteria.

As these criteria are implemented, counterparties will be analyzed in terms of their involvement in climate change, whether such involvement represents a risk or an opportunity. The process has common features for all sectors, but performance indicators are specific to each sector.

From a financing standpoint, Natixis will be incorporating climate issues in a dedicated analysis tool, aimed at assessing the most prevalent non-financial risks associated with customers and their financing projects. In 2018, Natixis was named "Most Innovative Investment Bank for Climate & Sustainability" by The Banker. Moreover, its expertise was acknowledged in Euromoney's annual survey on Fixed Income, where it took first place in the "Green bonds/ESG" category.

Exclusion policies have been publicly announced and implemented in different sectors: controversial weapons (since March 2009), coal (since October 15, 2015), financing of oil derived from oil sands and exploration/production of oil in the Arctic (since December 2017), tobacco industry financing (since December 2017).

In Insurance, Natixis Assurances is involved in initiatives supporting the fight against global warming announced by the French Insurance Federation (the FFA) on December 7, 2017.

For the purposes of the Non-Financial Reporting Directive, the Group mapped out gross risks:

- in terms of governance, products & services, internal operations;
- by defining its main impact (financial, operational, legal, reputational and HR);
- by setting a trend for the future (higher severity, higher occurrence, or combination of both).

The methodology employed was developed by the CSR division and the DRCCP, using the mapping principles already implemented by the Group for consistency purposes, as a number of risks are already monitored. Risks are rated, commitments defined and KPIs monitored for each Group entity: the Banque Populaire and Caisse d'Epargne networks and the subsidiaries, and for the Group as a whole. This work is audited by an independent third party appointed by each Group entity. The disclosure of results for the Group may be consulted in Chapter 2 of the 2018 registration document ("Non-Financial Performance Report") and in the annual management reports of the institutions.

Through its macro-level risk mapping, one of the institutions reported climate risk as a priority, subsequent to an extreme climate event in a specific geographic area. Consequently, risk management systems will be established or improved, ensuring that they incorporate demonstrated risks. Similarly, in its forward-looking risk analysis, the Group has clearly identified climate risk in conjunction with reputational risk, and as a risk in its own right.

7 LEGAL INFORMATION

7.1 Memorandum and articles of association

7.1.1 General information

BPCE

50, avenue Pierre-Mendès-France – 75013 Paris

Tel.: 33 (0)1 58 40 41 42 – www.bpce.fr.

A French limited liability company *(société anonyme)* with a Management Board and a Supervisory Board, governed by its articles of association, the regulations applicable to commercial companies, and the French Monetary and Financial Code *(Code monétaire et financier)*.

The company was incorporated on January 22, 2007, the date on which BPCE, a non-trading company, was formed to hold the assets contributed by Groupe Banque Populaire and Groupe Caisse d'Epargne. The company's duration is 99 years.

Paris Trade and Companies Register Number 493 455 042 (this number is listed on Page 1 of BPCE's articles of association)

NAF (business activity) code: 6419Z – LEI number: 9695005MSX10YEMGDF46

The company's fiscal year runs from January 1 to December 31.

BPCE, founded by the French Act of June 18, 2009, is the central institution of Groupe BPCE, a cooperative banking group.

As such, it represents the credit institutions affiliated with it. The affiliated institutions, within the meaning of Article L. 511-31 of the French Monetary and Financial Code, are:

- the 14 Banque Populaire banks and their 44 Mutual Guarantee Companies, whose sole corporate purpose is to guarantee loans issued by the Banque Populaire banks;
- the 15 Caisses d'Epargne, whose share capital is held by 226 Local Savings Companies (LSCs);
- Natixis; two Caisses Régionales de Crédit Maritime Mutuel; Banque BCP SAS (France); Banque de Tahiti; Banque de Nouvelle-Calédonie; Banque Palatine; Crédit Foncier de France; Compagnie de Financement Foncier; Locindus; Cicobail; Société Centrale pour le Financement de l'Immobilier (SOCFIM); BPCE International; Batimap; Batiroc Bretagne Pays de Loire; Capitole Finance-Tofinso; Comptoir Financier de Garantie; Océor Lease Nouméa; Océor Lease Réunion; Océor Lease Tahiti; Sud-Ouest Bail.

The company's role is to guide and promote the business and expansion of the cooperative banking group comprising the Banque Populaire network, Caisse d'Epargne network, the affiliated entities and, in general, the other entities under its control.

The purpose of the company is:

- **to be the central institution for the Banque Populaire network, the Caisse d'Epargne network and the affiliated entities,** as provided for by the French Monetary and Financial Code. Pursuant to Articles L. 511-31 et seq. and Article L. 512-107 of the French Monetary and Financial Code, it is responsible for:
  - defining the Group's policy and strategic guidelines as well as those of each of its constituent networks,
  - coordinating the sales policies of each of its networks and taking all measures necessary for the Group's development, including acquiring or holding strategic equity interests,
  - representing the Group and each of its networks to assert its shared rights and interests, including before the banking sector institutions, as well as negotiating and entering into national and international agreements,
  - representing the Group and each of its networks as an employer to assert its shared rights and interests, as well as negotiating and entering into collective industry-wide agreements,
  - taking all measures necessary to guarantee the liquidity of the Group and each of its networks and, to that end, to determine rules for managing the Group's liquidity, including by defining the principles and terms and conditions of investment and management of the cash flows of its constituent entities and the conditions under which these entities may carry out transactions with other credit institutions or investment companies and carry out securitization transactions or issue financial instruments, and performing any financial transaction necessary for liquidity management purposes,
  - taking all measures necessary to guarantee the solvency of the Group and each of its networks, including implementing the appropriate Group internal financing mechanisms and setting up a Mutual Guarantee Fund shared by both networks, for which it determines the rules of operation, the terms and conditions of use in addition to the funds provided for in Articles L. 512-12 and L. 512-86-1, as well as the contributions of affiliates for its initial allocation and reconstitution,
  - defining the principles and conditions for organizing the internal control system of Groupe BPCE and each of its networks, as well as controlling the organization, management and quality of the financial position of affiliated institutions, including through on-site checks within the scope defined in paragraph 4 of Article L. 511-31,
  - defining risk management policies and principles and the limits thereof for the Group and each of its networks, and ensuring permanent risk supervision on a consolidated basis,
  - approving the Articles of Association of affiliated entities and Local Savings Companies and any changes thereto,
  - approving the persons called upon, in accordance with Article L. 511-13, to determine the business orientation of its affiliated entities,
  - calling for the financial contributions required to perform its duties as a central institution,
  - ensuring that the Caisses d'Epargne duly fulfill the duties provided for in Article L. 512-85;
- to be a credit institution, officially approved to operate as a bank. On this basis, it exercises, both in France and other countries, the prerogatives granted to banks by the French Monetary and Financial Code, and provides the investment services described in Articles L. 321-1 and L. 321-2 of said Code; it also oversees the central banking, financial and technical organization of the network and the Group as a whole;

- to act as an insurance intermediary, and particularly as an insurance broker, in accordance with the regulations in force;
- to act as an intermediary for real estate transactions, in accordance with the regulations in force;
- to acquire stakes, both in France and abroad, in any French or foreign companies, groups or associations with similar purposes to those listed above or with a view to the Group's expansion, and more generally, to undertake any transactions relating directly or indirectly to these purposes that are liable to facilitate the achievement of the company's purposes or its expansion.

The information presented on Groupe BPCE's institutional website is not included in the Groupe BPCE registration document, unless explicitly incorporated for reference purposes.

7.1.2 Appropriation of earnings

Distributable income is comprised of the income for the fiscal year, less any losses brought forward and any sums allocated to the legal reserve, plus any retained earnings.

The sums distributed are comprised of the distributable income plus any reserves available to the company.

If the full amount of a preferred dividend for a given year has not been distributed, no dividend may be paid to shareholders of category "A" or "B" shares during the incorporation period, or to any shareholders after the end of the incorporation period.

The Ordinary General Shareholders' Meeting, upon a proposal by the Management Board, is entitled to deduct any sums it deems suitable to be carried forward to the following year or to be allocated to one or more extraordinary, general, or special reserve funds. Any sums decided on by the Annual General Shareholders' Meeting upon a proposal by the Management Board may be allocated to these funds. In addition, the Annual General Shareholders' Meeting may decide, upon a proposal by the Management Board, to distribute a dividend from all or part of the sums available for distribution, under the terms and conditions set forth in the company's articles of association.

The Ordinary General Shareholders' Meeting, upon a proposal by the Management Board, may opt to grant shareholders the option of receiving some or all of their dividend in cash or in shares. This option may also be offered for interim dividends.

DIVIDEND POLICY

In 2018

The Ordinary General Shareholders' Meeting of BPCE, which met on May 25, 2018, resolved that a dividend of €403,005,056.92 would be paid out in respect of fiscal year 2017 to category A and B shareholders, equal to €12.9382 per share.

At its meeting of December 20, 2018, the Management Board of BPCE resolved to pay an interim dividend totaling €201,537,903.42 in respect of fiscal year 2018 to the 31,539,578 category A and B shares comprising BPCE's share capital, amounting to €6.39 per share. The Supervisory Board had approved this payment in principle at its meeting of December 20, 2018.

The classification of category A and B shares is defined in point 7.2.2 of the 2018 registration document.

In 2017

The Ordinary General Shareholders' Meeting of BPCE, which met on May 19, 2017, resolved that a dividend of €383,499,888.77 would be paid out in respect of fiscal year 2016 to category A and B shareholders, equal to €12.312 per share.

At its meeting of December 21, 2017, the Management Board of BPCE resolved to pay an interim dividend totaling €201,502,528.46 in respect of fiscal year 2017 to the 31,148,464 category A and B shares comprising BPCE's share capital, amounting to €6.4691 per share. The Supervisory Board had approved this payment in principle at its meeting of December 21, 2017.

In 2016

The Ordinary General Shareholders' Meeting of BPCE, which met on May 27, 2016, resolved that a dividend of €349,996,600.88 would be paid out in respect of fiscal year 2015 to category A and B shareholders, equal to €11.2364 per share.

At its meeting of December 19, 2016, the Management Board of BPCE resolved to pay an interim dividend totaling €174,998,300.44 in respect of fiscal year 2016 to the 31,148,464 category A and B shares comprising BPCE's share capital, amounting to €5.6182 per share. The Supervisory Board had approved this payment in principle at its meeting of December 14, 2016.

In 2015

The Ordinary General Shareholders' Meeting of BPCE, which met on May 22, 2015, resolved that a dividend of €174,998,300.44 would be paid out in respect of fiscal year 2014 to category A and B shareholders, equal to €5.6182 per share.

At its meeting of December 21, 2015, the Management Board of BPCE resolved to pay an interim dividend totaling €174,998,300.44 in respect of fiscal year 2015 to the 31,148,464 category A and B shares comprising BPCE's share capital, amounting to €5.6182 per share. The Supervisory Board had approved this payment in principle at its meeting of December 16, 2015.

7.1.3 Annual General Shareholders' Meetings

Annual General Shareholders' Meetings are called and convened in accordance with regulations in force. Annual General Shareholders' Meetings take place at the registered office or at any other location specified in the notice of the meeting.

The Ordinary General Shareholders' Meeting called to approve the annual financial statements for the previous fiscal year convenes within five months of the end of the fiscal year.

Only the category "A" shareholders, the category "B" shareholders and the owners of ordinary shares are entitled to take part in the Annual General Shareholders' Meetings. Their participation is subject to the registration of the shares in the name of the shareholder by the second business day preceding the Annual General Shareholders' Meeting at twelve midnight, Paris time, in the registered share accounts maintained by the company.

Shareholders unable to personally attend the Annual General Shareholders' Meeting may select one of the following three options:

- to grant a proxy to another shareholder or to their spouse; or
- to vote by absentee ballot; or
- to send a power of attorney to the company without designating a representative.

Annual General Shareholders' Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice-Chairman. In the absence of both, Annual General Shareholders' Meetings are chaired by a member of the Supervisory Board specially appointed for this purpose by the Supervisory Board. Failing this, the Annual General Shareholders' Meeting elects its own Chairman.

The Annual General Shareholders' Meeting appoints its officers.

The duties of scrutineer are performed by two consenting shareholders representing, themselves or as proxies, the greatest number of shares. The officers of the Annual General Shareholders' Meeting appoint a Secretary, who may be selected from outside the shareholders' ranks.

A register of attendance is kept in accordance with regulations in force.

The Ordinary General Shareholders' Meeting convened on first notice may validly transact business only if the shareholders present or represented own at least one-fifth of the voting shares. The Ordinary General Shareholders' Meeting convened on second notice may validly transact business regardless of the number of shareholders present or represented.

Resolutions of the Ordinary General Shareholders' Meeting are carried by majority vote of the shareholders present or represented, including shareholders who have voted by absentee ballot.

The Extraordinary Shareholders' Meeting convened on first notice may validly transact business only if the shareholders present or represented own at least one-fourth of the voting shares. The Extraordinary Shareholders' Meeting, convened on second notice, may validly transact business only if the shareholders present or represented own at least one-fifth of the voting shares.

Resolutions of the Extraordinary Shareholders' Meeting are carried by a two-thirds majority of the votes of the shareholders present or represented, including shareholders who have voted by absentee ballot.

Ordinary and Extraordinary Shareholders' Meetings exercise their respective powers in accordance with regulations in force.

Copies or extracts of the minutes of the Annual General Shareholders' Meeting are validly certified by the Chairman of the Supervisory Board, by the Vice-Chairman, a member of the Management Board, or by the Secretary of the Annual General Shareholders' Meeting.

The details concerning the participation of shareholders at the Annual General Shareholders' Meeting are listed in Chapter 3.4.5.

7.1.4 Company documents

Documents relating to the company, such as its articles of association, financial statements and the Management Board and Statutory Auditor reports presented at Annual General Shareholders' Meetings may be viewed at the company's registered office and are also available on BPCE's website: www.bpce.fr.

7.2 Share capital

7.2.1 Share capital at December 31, 2018

The share capital amounts to one hundred and fifty-seven million six hundred and ninety-seven thousand eight hundred and ninety euros (€157,697,890). It is divided into 31,539,578 fully paid-up shares with a nominal value of five euros (€5) each, divided into two categories:

- 15,769,789 category "A" shares;
- 15,769,789 category "B" shares.

Regulation (EC) No. 809/2004 requires the following disclosures for each share category:

The 15,769,789 category "A" shares are authorized and fully paid up, they were issued at a nominal value of €5 each, and there was no reconciliation of the number of category "A" shares outstanding at the beginning and end of the year.

The 15,769,789 category "B" shares are authorized and fully paid up, they were issued at a nominal value of €5 each, and there was no reconciliation of the number of category "B" shares outstanding at the beginning and end of the year.

There are no shares not representing capital, no shares held as treasury shares by BPCE and no convertible securities, exchangeable securities or securities with warrants.

Shares in BPCE are neither listed nor traded on any market.

The company did not pledge its own shares over the course of 2018.

In the absence of a BPCE stock option plan within the meaning of Article R. 225-138 of the French Commercial Code and in the absence of any share buyback transactions referenced in Articles R. 228-90 and R. 228-91 of the French Commercial Code, the disclosures arising thereunder are not applicable to BPCE.

Similarly, as no stock options or bonus shares were granted, the provisions of Articles L. 225-185 and L. 225-197-1 of the French Commercial Code do not apply to BPCE.

It should be noted that, in the wake of the decision taken by the Annual General Shareholders' Meeting on December 16, 2010, BPCE held 3,860,000 category "C" treasury shares bought back from *Société de Prise de Participation de l'État* (SPPE) until January 5, 2011, at which time it cancelled said shares and reduced its share capital to €505,831,755.

At its meeting of March 14, 2011, the Management Board recorded the buyback of the last shares held by SPPE, *i.e.* 2,573,653 category "C" shares for a total of €1,220,208,723.54. These shares were held as treasury shares by BPCE until April 18, 2011, at which time it cancelled said shares and reduced its share capital to €467,226,960. During this same period, BPCE also redeemed the deeply subordinated notes held by SPPE for a total of €1,072,070,137.

Subsequent to these transactions, BPCE's category "C" shares have lapsed, and the company's share capital continues to be equally divided between the Caisses d'Epargne (category "A" shares) and the Banque Populaire banks (category "B" shares).

On September 28, 2012, Banque Populaire Lorraine Champagne bought back 9,431 category "B" BPCE shares held by Segimlor.

One of the steps in the simplification of the Group's structure consisted in 2013 of an increase in BPCE's stake in the Banque Populaire banks and in the Caisses d'Epargne for an amount of €2 billion *via* a reduction in BPCE's capital and the exceptional payment of a cash dividend deducted from "Additional paid-in capital."

The increase in this stake had to be approved by a decision of BPCE's Extraordinary General Shareholders' Meeting, which met on July 11, 2013. The implementation of this decision was subject to a condition precedent, namely the permanent buyback of all Cooperative Investment Certificates (CICs), followed by their cancellation and the corresponding reduction of the share capital of each of the Banque Populaire banks and Caisses d'Epargne.

At its meeting of August 6, 2013, BPCE's Management Board formally acknowledged noted that the conditions precedent had been met and decided to carry out a capital reduction of €311,484,640 by decreasing the nominal value of the company's shares from €15 to €5, and by paying a dividend of €311,484,640 consisting of the amount of the capital reduction, *i.e.* €10 per share held.

The Management Board formally acknowledged the permanent reduction of the company's share capital by a nominal amount of €311,484,640, *i.e.* from €467,226,960 to €155,742,320, and also decided to pay an exceptional cash dividend to shareholders, in proportion to their equity investment in the company, totaling €1,688,515,360 deducted from "Additional paid-in capital."

On November 28, 2013, BRED Banque Populaire bought back 15,812 category "B" BPCE shares held by Cofibred.

On November 27, 2014, Banque Populaire Lorraine Champagne absorbed Banque Populaire d'Alsace and adopted the new name Banque Populaire Alsace Lorraine Champagne.

On November 20, 2015, Banque Populaire Rives de Paris bought back 23 category "B" BPCE shares held by the Doitteau estate.

On December 3, 2015, Banque Populaire Rives de Paris bought back 8 category "B" BPCE shares held by Claude Raffetin.

On March 18, 2016, Banque Populaire Alsace Lorraine Champagne bought back 7 category "B" BPCE shares held by Robert Arnaud.

On November 22, 2016, Banque Populaire Provençale et Corse absorbed Banque Populaire Côte d'Azur and adopted the new name Banque Populaire Méditerranée.

On December 7, 2016, Banque Populaire des Alpes absorbed Banque Populaire Loire et Lyonnais and Banque Populaire du Massif Central and adopted the name Banque Populaire Auvergne Rhône Alpes.

On December 22, 2016, CASDEN transferred 178,833 category "B" shares to Banque Populaire Aquitaine Centre Atlantique, 89,416 category "B" shares to Banque Populaire Bourgogne Franche-Comté and Banque Populaire du Sud and 44,708 category "B" shares to BRED, for a total of 402,373 category "B" BPCE shares.

On May 1, 2017, Caisse d'Epargne Picardie absorbed Caisse d'Epargne Nord France Europe and adopted the new name Caisse d'Epargne Hauts de France.

On July 28, 2017, CASDEN transferred 110,000 category "B" shares to Banque Populaire Auvergne Rhône Alpes and 89,416 category "B" shares to Banque Populaire du Sud, for a total of 199,416 category "B" BPCE shares.

On December 7, 2017, Banque Populaire Atlantique absorbed Banque Populaire de l'Ouest, Caisse Régionale de Crédit Maritime Mutuel Atlantique and Caisse Régionale de Crédit Maritime Mutuel Bretagne-Normandie and adopted the new name Banque Populaire Grand Ouest.

On June 23, 2018, Caisse d'Epargne Lorraine Champagne Ardenne absorbed Caisse d'Epargne d'Alsace and adopted the name Caisse d'Epargne Grand Est Europe.

At its meeting of June 25, 2018, BPCE's Management Board noted that 16 category "A" shareholders and 15 category "B" shareholders had opted for the payment of the balance of the 2017 dividend in shares, equivalent to subscribing for 391,114 shares with a nominal value of €5 (*i.e.* 15 category "A" shares, the merger of Caisse d'Epargne Grand Est Europe having taken place on June 23, 2018) and that the amount of the capital increase resulting from the exercise of the option of a dividend payment in shares totaled €1,955,570, thus increasing the share capital from €155,742,320 to €157,697,890 on June 27, 2018.

In accordance with Regulation (EC) No. 809/2004, it should be noted that BPCE's articles of association do not have any specific provisions governing changes in share capital that are more stringent than is required by law.

7.2.2 Category "A" and "B" shares

DEFINITION

Category "A" shares are shares held by category "A" shareholders, which are the Caisses d'Epargne, and issued by the company in accordance with Articles L. 228-11 et seq. of the French Commercial Code.

Category "B" shares are shares held by category "B" shareholders, which are the Banque Populaire banks and minority shareholders, and issued in accordance with the articles of the French Commercial Code.

LEGAL FORM AND REGISTRATION OF SHARES

The shares issued by the company may only be held in registered form. They are recorded in a register and shareholder accounts and are held by either the company or an approved intermediary.

RIGHTS OF CATEGORY "A" AND "B" SHARES

Category "A" and "B" shares have the same rights, with the exception of the special rights attributed during the incorporation period, as set forth in the company's articles of association.

These special rights are attached to each share category, and can be exercised at Ordinary General Shareholders' Meetings.

The special rights expire at the end of the incorporation period. Consequently, at the end of that period, category "A" and "B" shares will be automatically converted into ordinary shares bearing equivalent rights.

Each category "A" and "B" share entitles its holder to one vote at Annual General Shareholders' Meetings.

The rights of category "A" and "B" shareholders may not be changed without the approval of a General Shareholders' Meeting convened specifically for this purpose, in accordance with applicable laws.

INCORPORATION PERIOD

When BPCE was first established on July 31, 2009, two distinct share categories were created – one for former CNCE shareholders and one for former BFBP shareholders – in order to guarantee parity for the shareholders of the two companies owning BPCE during the five-year incorporation period. The incorporation period could be extended by the Annual General Shareholders' Meeting. After the incorporation period, category "A" and "B" shares would be automatically converted into ordinary shares.

Until the end of the incorporation period, in the event of a cash capital increase with pre-emptive subscription rights during which certain holders of category "A" or "B" shares did not exercise all of their subscription rights, the other holders of category "A" or "B" shares (as the case may be) would be entitled to exercise the non-exercised subscription rights, in excess of their own subscription rights, before other shareholders.

In addition, category "A" and "B" shares could not be transferred during the incorporation period, except for transfers among category "A" shareholders and among category "B" shareholders, subject to the pre-emptive rights held by other shareholders of the same category.

During the incorporation period, seven members of the company's Supervisory Board were appointed from among candidates proposed by category "A" shareholders, and seven members of the company's Supervisory Board were appointed from among candidates proposed by category "B" shareholders. The Supervisory Board was only able to validly conduct business if at least two of the members proposed by category "A" shareholders and at least two of the members proposed by category "B" shareholders were present.

The company's General Shareholders' Meeting of December 20, 2012 decided to abolish the incorporation period, which was scheduled to end on the date of the Annual General Shareholders' Meeting in May 2015.

The Annual General Shareholders' Meeting decided to preserve the equal ownership structure of BPCE's share capital and to maintain the Supervisory Board's current composition of seven members proposed by category "A" shareholders, seven members proposed by category "B" shareholders and four external members.

An equal split is also applied to the appointment of non-voting directors, with three appointed from candidates proposed by category "A" shareholders and three appointed from candidates proposed by category "B" shareholders, plus Natixis, which is a non-voting director as of right.

The Combined General Shareholders' Meeting of July 11, 2013 reduced the number of non-voting directors proposed by category "A" and category "B" shareholders to two, and decided that the Chairman of the Fédération Nationale des Caisses d'Epargne and the Chairman of the Fédération Nationale des Banques Populaires, who cannot be members of the Supervisory Board, be non-voting directors as of right.

The Annual General Shareholders' Meeting of December 20, 2012 also decided to introduce a 10-year period of non-transferability from July 31, 2009 to July 31, 2019. During this period, only free conveyance within the same network is possible.

The new articles of association have already defined the system for the period commencing August 1, 2019: free conveyance of shares within the same network will remain possible and transfers other than free conveyance (*i.e.* to shareholders of another category or to third parties) will also become possible.

Transfers of shares will be subject to a pre-emptive right that may be exercised by shareholders of the same category. The transfer of any shares that are not covered by the pre-emptive right will require the prior approval of the Supervisory Board deliberating with a qualified majority (12 out of 18 members). In the event approval is not obtained, the Management Board will have to find a solution.

The Annual General Shareholders' Meeting also decided to shift Groupe BPCE's solidarity mechanism towards a greater pooling of resources by changing the order of priority in terms of coverage (network funds and the Mutual Guarantee Fund ahead of capacity-based contributions).

Finally, the Annual General Shareholders' Meeting decided to improve the Group's solvency support mechanism by establishing a bonus and netting system that encourages shareholder institutions to contribute to the achievement of the Group target.

7.3 Ownership structure and distribution of voting rights

7.3.1 Ownership structure over the past three years

Shareholders	Share capital at 04/02/2019			Share capital at 12/31/2017			Share capital at 12/31/2016		
	No. of shares	% share capital	% voting rights	No. of shares	% share capital	% voting rights	No. of shares	% share capital	% voting rights
CE Alsace	-	-	-	401,759	1.29%	1.29%	401,759	1.29%	1.29%
CE Aquitaine Poitou-Charentes	1,272,417	3.78%	3.78%	1,176,510	3.78%	3.78%	1,176,510	3.78%	3.78%
CE d'Auvergne et du Limousin	662,055	1.97%	1.97%	612,154	1.97%	1.97%	612,154	1.97%	1.97%
CE de Bourgogne Franche-Comté	881,067	2.62%	2.62%	814,658	2.62%	2.62%	814,658	2.62%	2.62%
CE Bretagne Pays de Loire	1,173,093	3.48%	3.48%	1,084,672	3.48%	3.48%	1,084,672	3.48%	3.48%
CE Côte d'Azur	676,325	2.01%	2.01%	625,348	2.01%	2.01%	625,348	2.01%	2.01%
CE Grand Est Europe	1,553,378	4.61%	4.61%	-	-	-	-	-	-
CE Hauts de France	1,897,852	5.63%	5.63%	1,754,804	5.64%	5.64%	-	-	-
CE Ile-de-France	2,343,685	6.96%	6.96%	2,167,033	6.96%	6.96%	2,167,033	6.96%	6.96%
CE Languedoc-Roussillon	718,120	2.13%	2.13%	663,993	2.13%	2.13%	663,993	2.13%	2.13%
CE Loire-Centre	781,499	2.32%	2.32%	722,595	2.32%	2.32%	722,595	2.32%	2.32%
CE Loire Drôme Ardèche	536,534	1.59%	1.59%	496,094	1.59%	1.59%	496,094	1.59%	1.59%
CE Lorraine Champagne-Ardenne	-	-	-	1,034,535	3.32%	3.32%	1,034,535	3.32%	3.32%
CE de Midi-Pyrénées	818,236	2.43%	2.43%	756,562	2.43%	2.43%	756,562	2.43%	2.43%
CE Nord France Europe	-	-	-	-	-	-	1,207,197	3.88%	3.88%
CE Normandie	852,002	2.53%	2.53%	787,783	2.53%	2.53%	787,783	2.53%	2.53%
CE Picardie	-	-	-	-	-	-	547,607	1.76%	1.76%
CEPAC Caisse d'Epargne	1,296,429	3.85%	3.85%	1,198,712	3.85%	3.85%	1,198,712	3.85%	3.85%
CE Rhône Alpes	1,381,120	4.10%	4.10%	1,277,020	4.10%	4.10%	1,277,020	4.10%	4.10%
Total category "A" shares	**16,843,812**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**
BP Alsace Lorraine Champagne	1,891,329	5.61%	5.61%	1,748,773	5.61%	5.61%	1,748,773	5.61%	5.61%
BP Aquitaine Centre Atlantique	1,060,692	3.15%	3.15%	980,743	3.15%	3.15%	980,743	3.15%	3.15%
BP Atlantique	-	-	-	-	-	-	681,543	2.19%	2.19%
BP Auvergne Rhône Alpes	1,868,311	5.55%	5.55%	1,727,490	5.55%	5.55%	1,617,490	5.19%	5.19%
BP Bourgogne Franche-Comté	1,167,061	3.46%	3.46%	1,079,095	3.46%	3.46%	1,079,095	3.46%	3.46%
BRED Banque Populaire	1,666,222	4.95%	4.95%	1,540,578	4.95%	4.95%	1,540,578	4.95%	4.95%
BP Grand Ouest	1,549,867	4.60%	4.60%	1,433,048	4.60%	4.60%	-	-	-
BP Méditerranée	682,036	2.02%	2.02%	630,629	2.02%	2.02%	630,629	2.02%	2.02%
BP du Nord	470,582	1.40%	1.40%	435,113	1.40%	1.40%	435,113	1.40%	1.40%
BP Occitane	1,341,510	3.98%	3.98%	1,240,395	3.98%	3.98%	1,240,395	3.98%	3.98%
BP de l'Ouest	-	-	-	-	-	-	751,505	2.41%	2.41%
BP Rives de Paris	1,504,716	4.47%	4.47%	1,391,300	4.47%	4.47%	1,391,300	4.47%	4.47%
BP du Sud	885,709	2.63%	2.63%	818,950	2.63%	2.63%	729,534	2.34%	2.34%
BP Val de France	1,451,889	4.31%	4.31%	1,342,454	4.31%	4.31%	1,342,454	4.31%	4.31%
CASDEN Banque Populaire	964,305	2.86%	2.86%	891,621	2.86%	2.86%	1,091,037	3.50%	3.50%
Crédit Coopératif	339,557	1.01%	1.01%	313,964	1.01%	1.01%	313,964	1.01%	1.01%
Mr. Guy Bruno	0	0.00%	0.00%	55	0.00%	0.00%	55	0.00%	0.00%
Mr. Jacques Galiegue	17	0.00%	0.00%	17	0.00%	0.00%	17	0.00%	0.00%
Mr. Jean-Michel Laty	8	0.00%	0.00%	7	0.00%	0.00%	7	0.00%	0.00%
Unallocated shares	1	0.00%	0.00%	1	0.00%	0.00%	1	0.00%	0.00%
Total category "B" shares	**16,843,812**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**
TOTAL	**33,687,624**	**100.00%**	**100.00%**	**31,148,464**	**100.00%**	**100.00%**	**31,148,464**	**100.00%**	**100.00%**

Changes in BPCE's share capital are set out under point 7.2.1 (*above*).

SHAREHOLDERS OWNING MORE THAN 5% OF THE SHARE CAPITAL OR VOTING RIGHTS

Shareholders	No. of shares	% share capital	% voting rights
CE Ile-de-France	2,194,243	6.96%	6.96%
CE Hauts de France	1,776,838	5.63%	5.63%
BP Alsace Lorraine Champagne	1,770,731	5.61%	5.61%
BP Auvergne Rhône Alpes	1,749,181	5.55%	5.55%

BPCE currently has no employee share ownership agreements in place.

7.3.2 Improper control

The company is controlled as described in Chapter 7.3.1; however, the company believes there is no risk of said control being exercised improperly.

7.3.3 Changes of control

To BPCE's knowledge, and in accordance with European regulations, there are no agreements that could lead to a change in control of the company at a subsequent date.

In accordance with Article L. 512-106 of the French Monetary and Financial Code, "the central institution of the Caisses d'Epargne and the Banque Populaire banks (…) is incorporated as a public limited company in which the Banque Populaire banks and the Caisses d'Epargne together hold the absolute majority of the share capital and voting rights."

7.4 Material contracts

As of the date of publication of this financial information, with the exception of the agreements referred to in Chapter 7.6 (related-party agreements), BPCE has not entered into any material contracts other than those entered into in the normal course of business.

7.5 Material changes

The financial statements of BPCE SA, BPCE SA group and Groupe BPCE for the 2018 fiscal year were approved by the Management Board on February 7, 2019. Since that date, there have been no material changes in the financial or trading position of BPCE SA, BPCE SA group or Groupe BPCE.

7.6 Statutory Auditors' special report on related-party agreements and commitments

Shareholder's Meeting called to approve the financial statements for the fiscal year ended December 31, 2018

BPCE

Registered office: 50, avenue Pierre-Mendès-France 75013 Paris

Share capital: €157,697,890

To the shareholders,

In our capacity as Statutory Auditors of your company, we hereby present our report on related-party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the key features, terms and conditions and purpose of the contractual agreements and commitments indicated to us or that we may have identified in the performance of our assignment. It is not our role to comment as to whether they are beneficial or to ascertain whether any other agreements or commitments exist. It is your responsibility, in accordance with Article R. 225-58 of the French Commercial Code, to assess the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required to inform you in accordance with Article R. 225-58 of the French Commercial Code concerning the execution during the year of the agreements and commitments already approved by the Annual General Shareholders' Meeting.

We performed the procedures we considered necessary to comply with the professional code of the *Compagnie nationale des commissaires aux comptes* (France's National Association of Statutory Auditors) relating to this assignment. Our work consisted in verifying that the information provided to us is consistent with the underlying documents from which it was extracted.

For the purposes of this report:

- "BPCE" designates the central institution resulting from the combination of the networks of Caisse d'Epargne and Banque Populaire, a French limited liability company *(société anonyme)* with a Management Board and a Supervisory Board since July 31, 2009;
- "CE Participations" designates the former Caisse Nationale des Caisses d'Epargne (CNCE), a French limited liability company *(société anonyme)* with a Management Board and a Supervisory Board, renamed CE Participations on July 31, 2009 in the modified form of a French limited liability company *(société anonyme)* with a Board of Directors, as the holding company for all of the Caisse d'Epargne network's equity interests not transferred to BPCE in 2009, and which was merged with BPCE through absorption on August 5, 2010;
- "BP Participations" designates the former Banque Fédérale des Banques Populaires (BFBP), a French limited liability company *(société anonyme)* with a Board of Directors, renamed BP Participations on July 31, 2009 as the holding company for all of the Banque Populaire network's equity interests not transferred to BPCE in 2009 and which was merged with BPCE through absorption on August 5, 2010.

7.6.1 Agreements and commitments to be submitted for the approval of the Annual General Shareholders' Meeting

AGREEMENTS AND COMMITMENTS AUTHORIZED AND ENTERED INTO DURING THE YEAR

In accordance with Article L. 225-88 of the French Commercial Code, we were informed of the following agreements and commitments approved by the Supervisory Board.

Agreements with company directors

Employment contract entered into between BPCE and one member of the Management Board

Director concerned on the applicable date (May 17, 2018): Nicolas Namias, member of the Management Board of BPCE

It was determined that it would be in BPCE's best interest to enter into an employment contract with one member of the Management Board in the context of the rollout of Groupe BPCE's TEC 2020 strategic plan, which requires the development of the technical skills needed to implement projects in a more complex, more digital environment, with a strengthened regulatory framework, and given the financial conditions attached to this contract.

The Supervisory Board also noted that, in accordance with the rules of the group health, benefits and pension plans (Articles 83 and 39 of the French General Tax Code), the pay used to calculate these group benefits is that which is subject to social security charges (*i.e.*, received under the employment contract and for holding a corporate office).

At its meeting of May 17, 2018, the Supervisory Board, having examined the main provisions of the employment contract (pay, eligibility for mechanisms provided for in the collective bargaining agreement, continued payment of compensation for a period of 12 months in the event of medical leave, seniority, paid vacation, etc.), approved and authorized BPCE's entry into the employment contract with Nicolas Namias.

Employment contract entered into between BPCE and one member of the Management Board

Director concerned on the applicable date (October 4, 2018): Christine Fabresse, member of the Management Board of BPCE

It was determined that it would be in BPCE's best interest to enter into an employment contract with one member of the Management Board in the context of the rollout of Groupe BPCE's TEC 2020 strategic plan, which requires the development of the technical skills needed to implement projects in a more complex, more digital environment, with a strengthened regulatory framework, and given the financial conditions attached to this contract.

At its meeting of October 4, 2018, the Supervisory Board, having examined the main provisions of the employment contract (pay, eligibility for mechanisms provided for in the collective bargaining agreement, pension and benefits, continued payment of compensation for a period of 12 months in the event of medical leave, seniority and paid vacation), approved and authorized BPCE's entry into the employment contract with Christine Fabresse.

Amendments to the employment contracts entered into between BPCE and two members of the Management Board

Directors concerned on the applicable date (October 4, 2018): Catherine Halberstadt and Nicolas Namias, members of the Management Board of BPCE

It was determined that it would be in BPCE's best interest to enter into these amendments to the employment contracts with these members of the Management Board in the context of the rollout of Groupe BPCE's TEC 2020 strategic plan, which requires the development of the technical skills needed to implement projects in a more complex, more digital environment, with a strengthened regulatory framework, and given the financial conditions.

At its meeting of October 4, 2018, the Supervisory Board approved and authorized BPCE's entry into an amendment to the employment contract entered into between BPCE and Catherine Halberstadt on May 14, 2018 and Nicolas Namias on May 25, 2018.

Commitments maturing or likely to mature because of a termination or change of position

COMMITMENTS RELATED TO THE CHAIRMAN OF THE MANAGEMENT BOARD

Director concerned on the applicable date (May 17, 2018): Laurent Mignon, Chairman of the Management Board of BPCE

Director concerned on the applicable date (October 4, 2018): Laurent Mignon, Chairman of the Management Board of BPCE

INVOLUNTARY-TERMINATION SEVERANCE PAY

The Chairman of the Management Board of BPCE will be entitled to involuntary-termination severance pay under the following conditions.

a) Conditions for receiving involuntary-termination severance pay

The severance may not be paid unless termination of the duties of Chairman of the Management Board of BPCE SA is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE.

This severance is not paid if the Chairman of the Management Board leaves the Group at his own initiative.

Payment of involuntary-termination severance causes the Chairman of the Management Board to lose any entitlement to the retirement bonus he otherwise may have claimed (it being specified that he does not benefit from a defined-benefit pension plan).

If he is re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after he is forcibly removed from his corporate office, entitles him – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after he is forcibly removed from corporate office, he is entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation required by law and provided for in the applicable collective bargaining agreement liable to be paid in respect of the termination of the employment contract.

b) Performance conditions

Involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office.

Moreover, in compliance with the rules for determining involuntary-termination severance pay, payment is subject to the condition of the Chairman of the Management Board having been awarded on average at least 33.33% of the maximum variable component during the last three years of the current term of office.

c) Determination of involuntary-termination severance pay

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work preceding the termination of the position and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the position. Amounts paid in respect of the relevant corporate office are taken into account.

The amount of the indemnity is equal to the Monthly benchmark pay x (12 months +1 month per year of seniority within the Group). Seniority is calculated in years and fractions of a year.

The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group.

Where at least 50% of the maximum variable component is awarded on average during the last three years of the corporate office in progress (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full.

Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the company's governing body.

Regardless, any compensation paid for an employment contract is deducted from the amount of involuntary-termination severance pay.

RETIREMENT BONUS

Upon a decision made by the Supervisory Board, the Chairman of the Management Board of BPCE may also receive a retirement bonus under the following conditions.

a) Conditions for receiving a retirement bonus

Payment of a retirement bonus is subject to the same performance conditions as those applicable to involuntary-termination severance pay mentioned above, *i.e.:*

- the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and
- beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office.

The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn.

Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Appointments and Remuneration Committee.

Payment of the retirement bonus is excluded from payment of any other departure bonus. As such, if involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus.

b) Amount of the retirement bonus

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work.

The amount of the bonus is equal to the Monthly benchmark pay x (6 + 0.6A), where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA).

The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years.

Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

The Supervisory Board has found that implementing involuntary-termination severance pay and a retirement bonus is of genuine interest for BPCE since it is a means of involving the Chairman of the Management Board in the company's performance by requiring him to meet certain performance conditions.

COMMITMENTS RELATED TO MEMBERS OF THE MANAGEMENT BOARD

Director concerned on the applicable date (May 17, 2018): Nicolas Namias, member of the Management Board of BPCE.

Directors concerned on the applicable date (October 4, 2018): Christine Fabresse, Catherine Halberstadt and Nicolas Namias, members of the Management Board of BPCE.

INVOLUNTARY-TERMINATION SEVERANCE PAY

Members of the Management Board of BPCE will be entitled to involuntary-termination severance pay under the following conditions.

a) Conditions for receiving involuntary-termination severance pay

The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE.

This severance is not paid if the member of the Management Board concerned leaves the Group at his or her own initiative.

Persons receiving involuntary-termination severance pay lose any entitlement under the defined-benefit plan, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code, and/or to any retirement bonus they may claim.

The termination of the employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract.

b) Performance conditions

Involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office.

Moreover, in compliance with the rules for determining involuntary-termination severance pay, payment is subject to the condition of the member of the Management Board concerned having been awarded on average at least 33.33% of the maximum variable component during the last three years of the current term of office. This variable component is the amount that may be received by the member of the Management Board concerned in respect of his or her corporate office and employment contract.

c) Determination of involuntary-termination severance pay

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work preceding the termination of the corporate office or the employment contract and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the corporate office or the employment contract. Amounts paid in respect of the relevant corporate office and employment contract are taken into account.

The amount of the indemnity is equal to the Monthly benchmark pay x (12 months +1 month per year of seniority within the Group).

Seniority is calculated in years and fractions of a year.

The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group. Where at least 50% of the maximum variable component is awarded on average during the last three years of the corporate office in progress (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full.

Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the company's governing body.

This variable component is the amount that may be received by the member of the Management Board concerned in respect of his or her corporate office and employment contract.

Regardless, any compensation paid for termination of the employment contract is deducted from the amount of involuntary-termination severance pay.

RETIREMENT BONUS

Upon a decision made by the Supervisory Board, the members of the Management Board of BPCE may receive a retirement bonus under the following conditions.

a) Conditions for receiving a retirement bonus

Payment of a retirement bonus is subject to the same performance conditions as those applicable to involuntary-termination severance pay mentioned above, *i.e.:*

- the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and
- beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office.

The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn.

Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Appointments and Remuneration Committee.

If involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus.

b) Amount of the retirement bonus

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work preceding the termination of the corporate office or the employment contract and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the corporate office or the employment contract. Amounts paid in respect of the relevant corporate office and employment contract are taken into account.

The amount of the bonus is equal to the Monthly benchmark pay x (6 + 0.6A), where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA).

The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years.

Regardless, any compensation paid for termination of the employment contract is deducted from the retirement bonus.

The Supervisory Board has found that implementing involuntary-termination severance pay and a retirement bonus is of genuine interest for BPCE since it is a means of involving the members of the Management Board in the company's performance by requiring them to meet certain performance conditions.

This commitment resulted in the recognition of an expense of €2,012,541.00 on BPCE's 2018 financial statements.

SOCIAL PROTECTION PLANS APPLICABLE TO ALL EMPLOYEES AND IN FAVOR OF CERTAIN CATEGORIES OF EMPLOYEES

Directors concerned on the applicable date (October 4, 2018): Laurent Mignon, Christine Fabresse, Catherine Halberstadt and Nicolas Namias, members of the Management Board of BPCE.

Members of the BPCE Management Board may, under the same conditions as employees of BPCE SA, benefit from the implementation of the social protection plans applied within BPCE SA in favor of all employees and certain categories of employees:

- CGP Article 83 supplementary pension plan: the contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; 70% of this contribution is paid by the company and 30% by the employee;
- IPRICAS Article 83 supplementary pension plan: the contribution rate is 3.5% of total pensionable pay. This contribution is funded entirely by the company;
- IPBP supplementary protection plan;
- CNP TD supplementary protection plan;
- BPCE MUTUELLE supplementary health plan.

Members of the Management Board may benefit from the rules governing the maintenance of rights to receive pay for a period of 12 months in the case of temporary work disability applicable to executive directors of Groupe BPCE companies.

The Supervisory Board has found that implementing these plans is of genuine interest for BPCE SA since it is a means of incentivizing and retaining these members of the Management Board.

PENSION PLAN FOR EXECUTIVE DIRECTORS OF GROUPE BPCE

Director concerned on the applicable date (October 4, 2018): Christine Fabresse, member of the Management Board of BPCE.

Beneficiaries' eligibility for the plan is subject to meeting the following conditions on the day of their departure:

- they must end their career with Groupe BPCE. This condition is met when beneficiaries are Group employees on the day before their social security pension is drawn following voluntary retirement;
- they must have served in an eligible position as identified in the rules for at least the required minimum period (seven years) at the date on which their social security pension is drawn.

Beneficiaries who meet the above conditions are entitled to an annuity set at 15% of benchmark pay, *i.e.* their average annual pay earned in the three highest-paid years during the five calendar years before the date on which their social security pension is drawn.

Annual pay refers to the sum of the following types of pay received for the year in question:

- fixed pay, excluding benefits in kind or duty-related bonuses;
- variable pay – not exceeding 100% of fixed pay – and defined as the total variable amount paid, including the portion that may have been deferred over several years and subject to attendance and performance requirements, in accordance with regulations on variable pay granted by credit institutions.

The annuity is capped at four times the annual ceiling for social security annuities.

Once drawn, this supplementary pension may be paid to a spouse or former non-remarried spouse, at a rate of 60%.

This plan is governed by the provisions of the AFEP-MEDEF Code. It complies with the principles governing the capacity of beneficiaries, overall establishment of base pay, seniority conditions, the progressive increase in potential entitlements depending on seniority, the reference period used to calculate benefits and the prevention of artificially inflated pay.

The Supervisory Board has given the authorization to maintain the Pension Plan for Executive Directors of Groupe BPCE dated July 1, 2014, governed by Article L. 137-11 of the French Social Security Code and has decided to subordinate the benefit of the conditional rights provided for by that plan to the attainment by Groupe BPCE of positive net income for the applicable period.

The Supervisory Board duly noted the compliance with the provisions of paragraph 8 of Article L. 225-90-1 of the French Commercial Code which provides that conditional rights may not increase, year on year, by an amount in excess of 3% of the annual benchmark pay for the calculation of plan benefits, since the pension plan for executive directors of Groupe BPCE of which Christine Fabresse has the benefit enables the acquisition of a pension equal to 15% of the benchmark pay, assuming membership of the plan for a minimum of 7 years.

The Supervisory Board believes that maintaining this commitment helps incentivize and retain this member of the Management Board.

Agreements with Natixis and its subsidiaries

Negotiation Agreement for the Smith transaction

Directors concerned on the applicable date: Laurent Mignon, Chairman of the Board of Directors of Natixis and Chairman of the Management Board of BPCE, Catherine Halberstadt, permanent representative of BPCE on the Board of Directors of Natixis and member of the Management Board of BPCE and François Riahi, Chief Executive Officer of Natixis, member of the Management Board of BPCE, Thierry Cahn, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Françoise Lemalle, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Stéphanie Paix, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Alain Condaminas, a Board Member of Natixis and a member of the Supervisory Board of BPCE, and Bernard Dupouy, a Board Member of Natixis and a member of the Supervisory Board of BPCE.

This project involves BPCE's acquisition from Natixis of the specialized financing activities of Natixis' SFS business line, namely factoring (Natixis Factor), sureties and guarantees (CEGC), leasing (Natixis Lease), consumer finance (Natixis Financement) and the custodial services activities (Natixis' Eurotitres department).

It has multiple objectives: simplify the structure of the Group's local banking activities; reposition BPCE SA as the lead operational subsidiary and expert in local banking activities; increase the value that BPCE SA brings to the Group's clients; and more effectively structure the Group's capital by positioning the Group's various entities – and the BPCE SA group in particular – at satisfactory and sustainable capital adequacy levels.

First, Natixis would see approximately €2 billion in capital freed up in connection with the asset sale and would pay out to its shareholders a special dividend calibrated to position Natixis at a CET1 ratio of about 11%.

BPCE would also carry out a €2 billion capital increase, of which €1.2 billion would be freed up when the transaction is completed, to finance the acquisition of the targeted assets and provide capital support for any external growth transactions Natixis might wish to make in its asset-light business lines (up to €1.5 billion), in addition to the €1 billion currently anticipated and financed in the New Dimension plan.

At its meeting of September 12, 2018, the Supervisory Board authorized the entry into the Negotiation Agreement between BPCE and Natixis.

Agreements and commitments authorized and entered into since the fiscal year-end

We have been informed of the following agreements and commitments authorized by the Supervisory Board since the end of the fiscal year.

Agreements with Natixis and its subsidiaries

Purchase agreements in connection with the Smith transaction

Directors concerned on the applicable date: Laurent Mignon, Chairman of the Board of Directors of Natixis and Chairman of the Management Board of BPCE, Catherine Halberstadt, permanent representative of BPCE on the Board of Directors of Natixis and member of the Management Board of BPCE and François Riahi, Chief Executive Officer of Natixis, member of the Management Board of BPCE, Thierry Cahn, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Françoise Lemalle, a Board Member of Natixis and a member of the Supervisory Board of BPCE, and Bernard Dupouy, a Board Member of Natixis and a member of the Supervisory Board of BPCE.

The Supervisory Board was again called upon, in connection with the Smith transaction, to authorize BPCE's acquisition of the shares of Natixis Lease, Natixis Factor, Natixis Financement and CEGC, known as the "SFS Subsidiaries," and the acquisition of the Eurotitres business.

- The purchase price for the SFS Subsidiaries is €2.6 billion, which breaks down into €351 million for Natixis Financement, €178 million for Natixis Factor, €953 million for Natixis Lease and about €1.1 billion for CEGC.

  An adjustment to the estimated price of the subsidiaries sold is provided for in the agreements, in proportion to any upward or downward difference between the final 2018 IFRS capital of the subsidiaries sold and the estimated 2018 IFRS capital used to set the initial price.

  This transaction will be finalized subject to the condition precedent that BPCE complete the capital increase in an amount equal to at least €1.2 billion and that the ECB recognize it as CET1.

- The purchase price for the Eurotitres business is €87 million. An adjustment to the estimated price is provided for in proportion to the increase or decrease in the amount corresponding to Eurotitres' net tangible assets (*i.e.* the value of the business assets less the value of liabilities and the value of intangible assets).

- To ensure business continuity, transitional service agreements (TSAs) and service-level agreements (SLAs) will also be implemented at the closing, under which Natixis will provide transitional and long-term services to BPCE. These TSAs and SLAs cover about 500 identified services, mainly concerning the Risk, Finance, Compliance and HR functions.

  These agreements, which are characterized as "related," will take the form of:

  - three cost-sharing and service agreements appended to the sale agreement for the SFS Subsidiaries ("Reverse TSA/SLA," "IT" and "TSA");
  - one custody agreement, the "extended mandate," appended to the sale agreement for the Eurotitres business.

At its meeting of February 12, 2019, the Supervisory Board of BPCE authorized BPCE to sign the agreement for the sale of the shares of the SFS Subsidiaries and the sale of the Eurotitres business, as well as the "related" agreements.

7.6.2 Agreements and commitments already approved by the Annual General Shareholders' Meeting

AGREEMENTS AND COMMITMENTS APPROVED IN PREVIOUS YEARS FOR WHICH EXECUTION WAS CONTINUED IN 2018

In accordance with Article R. 225-57 of the French Commercial Code, we were informed that the execution of the following agreements and commitments, already approved by the Annual General Shareholders' Meeting in previous years, was continued in 2018.

Agreements with shareholders

Collateral remuneration agreement between BPCE and the Caisses d'Epargne

Directors concerned on the applicable date: Yves Toublanc, Chairman of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Rhône Alpes, Jean Arondel, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Loire-Centre, Jean-Charles Boulanger, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Aquitaine Poitou-Charentes, Jean-Claude Cette, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Provence Alpes Corse, Francis Henry, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Lorraine Champagne-Ardenne, Philippe Lamblin, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Nord France Europe, Pierre Mackiewicz, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Côte d'Azur, Bernard Roux, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Midi-Pyrénées, Pierre Valentin, a member of the Supervisory Board and Chairman of the Steering and Supervisory Board of CE Languedoc-Roussillon, Maurice Bourrigaud, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE d'Auvergne et du Limousin, Joël Chassard, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Normandie, Bernard Comolet, Vice-Chairman of the Supervisory Board of CNCE and Chairman of the Management Board of CE Ile-de-France, Alain Denizot, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Picardie, Jean-Pierre Deramecourt, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE d'Alsace, Alain Maire, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Bourgogne Franche-Comté, Philippe Monéta, a member of the Supervisory Board of CNCE and Chairman of CE Loire Drôme Ardèche and Didier Patault, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Bretagne Pays de Loire.

CNCE and the Caisses d'Epargne have implemented, and may continue to implement in the future, with the Banque de France, GCE group refinancing arrangements involving the direct or indirect use of assets belonging to the Caisses d'Epargne.

The purpose of the collateral remuneration agreement is to determine the bases for calculation and payment under which the Caisses d'Epargne will receive a payment from CNCE in return for transferring assets that are eligible for ECB Monetary Policy Operations not otherwise eligible for specific remuneration as securities lending or repo transactions.

The agreement is entered into for three years and is renewable automatically for another three-year period, unless terminated in advance.

At its meeting of June 24, 2009, the CNCE Supervisory Board authorized the signing with each of the Caisses d'Epargne of this agreement.

This transaction resulted in the recognition of an expense of €2,916,792.86 on BPCE's 2018 financial statements.

Collateral remuneration agreement between BPCE and the Banque Populaire banks

Directors concerned on the applicable date: Gérard Bellemon, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of Banque Populaire Val de France, Thierry Cahn, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of Banque Populaire d'Alsace, Pierre Desvergnes, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of CASDEN Banque Populaire, Stève Gentili, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of BRED, Jean Criton, a member of the Supervisory Board of BPCE and Managing Director of Banque Populaire Rives de Paris and Bernard Jeannin, a member of the Supervisory Board of BPCE and Managing Director of Banque Populaire Bourgogne Franche-Comté.

BPCE and the Banque Populaire banks have implemented, and may continue to implement in the future, with the Banque de France, Groupe BPCE refinancing arrangements involving the direct or indirect use of assets belonging to the Banque Populaire banks.

The purpose of the collateral remuneration agreement is to determine the bases for calculation and payment under which the Banque Populaire banks will receive a payment from BPCE in return for directly or indirectly transferring assets that are eligible for ECB Monetary Policy Operations.

At its meeting of February 24, 2010, the Supervisory Board authorized BPCE to sign this agreement with each of the Banque Populaire banks.

It was entered into on July 15, 2010 for an indefinite period.

This transaction resulted in the recognition of an expense of €1,326,666.34 on BPCE's 2018 financial statements.

Agreement with Natixis and its subsidiaries

Framework and specific agreements covering the new partnership arrangements between the CNP and BPCE groups

At its meeting of August 6, 2013, the Supervisory Board authorized François Pérol to constitute an Insurance division at the level of Natixis and engage in negotiations with CNP Assurances with a view to allocating the responsibility for the Group's future life insurance business to Natixis Assurances.

The negotiations with CNP undertaken between October 2013 and July 2014 resulted in the definition of the fundamental principles applicable to the future partnership between BPCE, Natixis and CNP which were duly approved by the Supervisory Board at its meeting of July 31, 2014.

The discussions with CNP continued and resulted, first, in an agreement of principle between CNP Assurances, BPCE and Natixis authorized by the Supervisory Board on November 4, 2014 and then in a Final Framework Agreement complemented by specific application contracts (the "New Partnership Agreements") authorized by the Supervisory Board on February 18, 2015 and approved by the Annual General Shareholders' Meeting held on May 22, 2015.

The new partnership agreements with CNP Assurances represent a major strategic development for BPCE that is perfectly integrated within the Group's overall bancassurance business model while at the same time preserving the interests of customers, the level of fees and commissions, and service quality during the transitional period.

Final Framework Agreement and its addendum

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, a Board Member of CNP Assurances and Chairman of the Board of Directors of Natixis, Jean-Yves Forel, a member of the Management Board of BPCE and a Board Member of CNP Assurances, Laurent Mignon, a member of the Management Board of BPCE and Managing Director of Natixis, Pierre Valentin, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Didier Patault, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Thierry Cahn, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Catherine Halberstadt, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Alain Condaminas, a Board Member of Natixis and a member of the Supervisory Board of BPCE and Gérard Bellemon, a Board Member of Natixis Assurances and a member of the Supervisory Board of BPCE.

The Final Framework Agreement was executed between CNP Assurances (acting in its name and on behalf of itself and in the name and on behalf of its subsidiaries), BPCE (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and/or in the name and on behalf of the members of the Banque Populaire network as central institution of the Banque Populaire network, and/or in the name and on behalf of its subsidiaries), Natixis (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of its subsidiaries), Natixis Assurances, ABP Vie and ABP Prévoyance.

The purpose of the Final Framework Agreement is:

- to note the non-renewal of the Existing Agreements;
- to define, organize and delimit the contractual whole formed by the New Partnership Agreements of which it is the umbrella agreement;
- to determine the term of the New Partnership Agreements, namely seven years as from January 1, 2016. At the end of this seven-year period, BPCE will be able to either extend the New Partnership Agreements for a period of three years as from January 1, 2023 or purchase CNP's insurance deposit inventory. BPCE will have the option of acquiring the existing portfolio at December 31, 2020 and CNP the option, in 2020 and 2022, of notifying BPCE of its desire to initiate discussions with a view to such sale;
- to define and organize the functioning of the Partnership Committee and any sub-committees subsequently formed by the Partnership Committee; and
- more generally, to organize and monitor the relationships between the Parties for the purposes of the Renewed Partnership.

An addendum to the Final Framework Agreement was signed on December 30, 2015 between BPCE, CNP Assurances and Natixis in order to determine a new time limit for the signature of certain of the intended New Partnership Agreements not already signed before December 31, 2015.

The addendum was also designed to amend certain agreements to reflect regulatory or operating developments requiring the modification of certain appendices, and also provides for the deferral to January 1, 2016 of the constitution of the Partnership Committee.

Agreements between CNP Assurances, BPCE, Natixis and ABP Vie (a subsidiary of Natixis Assurances)

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances, Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances, Daniel Karyotis, a member of the Management Board of BPCE and permanent representative of BPCE at Natixis, Alain Condaminas, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Catherine Halberstadt, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Thierry Cahn, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Pierre Valentin, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis and Gérard Bellemon, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis Assurances.

- Tranche 2 new business reinsurance treaty between ABP Vie and CNP Assurances in the presence of BPCE and Natixis: 90% reinsurance by CNP Assurances for new business involving ex-CNP customers.
- Tranche 2 reinsurance administration contract between ABP Vie, CNP Assurances and BPCE in the presence of Natixis, designed to define administrative arrangements:
  - the supply by BPCE to CNP Assurances of the list of customers insured, in accordance with the periodicity and other provisions of the contract, in the event of the observance of any interest rate or behavioral market shock; and
  - deployment of the necessary tests to ensure the proper functioning of the procedures (including the exchange of information) provided for by the contract.
- EuroCroissance administration contract between CNP Assurances, BPCE and ABP Vie in the presence of Natixis, designed to define administrative arrangements on similar bases to those applying to the tranche 2 reinsurance administration contract.

EuroCroissance contract between CNP Assurances and ABP Vie in the presence of BPCE

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances and Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances.

The EuroCroissance contract has been executed between CNP Assurances (acting in its name and on behalf of itself and in the name and on behalf of its subsidiaries), BPCE (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and/or in the name and on behalf of the members of the Banque Populaire network as central institution of the Banque Populaire network, and/or in the name and on behalf of its subsidiaries) and ABP Vie, in the presence of Natixis.

The EuroCroissance contract provides for compensation for the technical commitments arising as a result of payments by insured customers into EuroCroissance funds (an investment vehicle providing for the constitution of a Technical Provision for Diversification) with effect from January 1 of the calendar year of observance of any interest rate or behavioral market shock, independently of the date of subscription of the corresponding policy with ABP Vie.

Pension Savings agreements between CNP Assurances and BPCE

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances and Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances.

- Retirement savings plan partnership agreement between CNP Assurances and BPCE mentioning in particular the termination of the distribution of the life insurance and capitalization products of CNP Assurances by the Caisse d'Epargne network with effect from January 1, 2016 (subject to certain contractual exceptions).

  The agreement has been signed between CNP Assurances (acting in its name and on behalf of itself and of its subsidiaries) and BPCE (acting in its name and on behalf of itself and, as central institution, in the name and on behalf of the members of the Caisse d'Epargne network and of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle Calédonie, Banque de Saint-Pierre et Miquelon and Banque de Tahiti).
- Implementation of a Savings Mechanism between CNP Assurances and BPCE involving two contracts: a contract providing the assurance of a stable portfolio level for CNP Assurances, acting in the event of additional redemptions, or reduced subsequent payments, compared to the anticipated amounts and conversely, a contract providing for remuneration of BPCE's outperformance if the reverse applies. Both contracts will apply to all retirement savings plan life insurance and capitalization policies issued by CNP Assurances; they will be deactivated in the event of any interest rate or behavioral market shock and would then be renegotiated. BPCE has guaranteed CNP Assurances against any additional tax burden induced by the Savings Mechanism which is intended to be fiscally neutral for CNP Assurances.
- Addendum to the retirement savings plan life insurance commissioning agreement designed to extend the agreement until maturity of the last such policy issued by CNP Assurances. Distributors are remunerated on the basis of a contractual percentage applied to movements and outstandings subject eventually to increase based on the type of policy involved.

  The agreement has been signed between CNP Assurances and BPCE acting, as central institution, in the name and on behalf of the members of the Caisse d'Epargne network and of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle Calédonie, Banque de Saint-Pierre et Miquelon and Banque de Tahiti.

Agreements relating to borrowers' insurance and providence policies

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances and Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances.

In respect of individual providence policies:

- individual providence policies commissioning agreement between CNP Assurances and BPCE acting in its name and on behalf of itself, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and on behalf of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle Calédonie, Banque de Saint-Pierre et Miquelon and Banque de Tahiti. Distributors are remunerated on the basis of the premiums paid by policyholders or on the technical results for each distributing institution and type of policy.

In respect of payment protection insurance:

- An exclusive partnership for seven years between CNP Assurances, BPCE, ABP Vie and ABP Prévoyance subject to coinsurance by CNP Assurances and two subsidiaries of Natixis Assurances (ABP Vie and ABP Prévoyance) amounting respectively to 66% and 34% for all policies distributed by the networks of Banque Populaire (with the exception of BRED, Crédit Coopératif and CASDEN), Caisse d'Epargne, Banque Palatine and Crédit Foncier. In the event of renewal of the agreement, the coinsurance ratio would be adjusted to an equal balance for CNP Assurances (50%) and the two subsidiaries of Natixis Assurances (50%).
- A management and service level agreement between CNP Assurances and BPCE defining the relationships between the beneficiaries (namely the networks of Banque Populaire (with the exception of BRED, Crédit Coopératif and CASDEN), Caisse d'Epargne, Banque Palatine and Crédit Foncier) and the insurer (CNP Assurances) and setting out the duties of each party with regard to the management of insurance requests, claims and the associated financial flows. The applicable financial terms and conditions will be defined by type of policy and for each institution.
- A remuneration agreement between BPCE, CNP Assurances (acting in its name and in the name and on behalf of CNP IAM), ABP Vie and ABP Prévoyance defining the financial terms and conditions prevailing between the insurer and the lending institutions (namely the networks of Banque Populaire (with the exception of BRED, Crédit Coopératif and CASDEN), Caisse d'Epargne, Banque Palatine and Crédit Foncier) with regard to the distribution of payment protection insurance policies with effect from January 1, 2016 and for the duration of the Agreement. The applicable financial terms and conditions will be defined by type of policy and for each institution.

Conclusion of a shareholders' agreement for Ecureuil Vie Développement ("EVD") between CNP Assurance, Natixis Assurances and BPCE in the presence of Ecureuil Vie Développement

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances, Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances and Gérard Bellemon, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis Assurances.

The shareholders' agreement for Ecureuil Vie Développement (EVD) has been executed between CNP Assurances, Natixis Assurances and BPCE in the presence of Ecureuil Vie Développement.

EVD's mission is to provide proper interfacing between the Caisse d'Epargne network, Natixis Assurances and CNP.

On March 23, 2015 but taking effect on January 1, 2016, CNP sold to Natixis Assurances 2% of the share capital and voting rights of EVD thereby providing Natixis Assurances with 51% of the share capital of EVD. The sale was performed on the basis of a price of €48 per share or a total of €3,552 for the 74 shares representing 2% of the share capital.

These agreements had no impact on BPCE's 2018 financial statements.

Amendment to the agreement governing BPCE's 3(a) (2) US MTN program

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Daniel Karyotis, a member of the Management Board of BPCE and permanent representative of BPCE, a Board Member of Natixis, Alain Condaminas, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Thierry Cahn, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Catherine Halberstadt, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis and Pierre Valentin, a member of the Supervisory Board of BPCE and a Board Member of Natixis.

On April 9, 2013, BPCE established a medium-term notes ("Notes") program in the United States within the framework of a scheme defined in Section 3(a) (2) of the Securities Act of 1933 (the "3(a) (2) Program"). The maximum total nominal amount of the program is $ 10 billion.

It was proposed to change the limits of the Agreement concerning the guarantee:

- notes issued under the 3(a) (2) Program cannot exceed a total nominal amount of $ 6 billion per year;
- of which a maximum of $ 3 billion may not be loaned by BPCE to Natixis (so where applicable, based on Natixis' funding needs, the proceeds from the Notes issued can be loaned by BPCE to Natixis at shorter maturities than those of the Notes).

On February 19, 2014, the Supervisory Board approved the signing of an amendment to the Agreement aimed at changing the sub-limits called for in Article 4 of the Agreement. Furthermore, the proceeds loaned to Natixis can be made available by BPCE for shorter maturities than those of the notes issued, depending on Natixis' funding needs.

This transaction resulted in the recognition of an expense of €615,716.51 on BPCE's 2018 financial statements.

Invoicing agreement related to the affiliation of Natixis

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Jean Criton, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Olivier Klein, a member of the Management Board of BPCE and a Board Member of Natixis, Philippe Queuille, a member of the Management Board of BPCE and a Board Member of Natixis, Nicolas Duhamel, a member of the Management Board of BPCE and permanent representative of BPCE, a Board Member of Natixis.

CNCE, central institution of the former Groupe Caisse d'Epargne, and BFBP, central institution of the former Groupe Banque Populaire, authorized the affiliation of Natixis with CNCE and BFBP, which, in that capacity, were responsible for ensuring the smooth functioning of Natixis and received in consideration remuneration calculated in accordance with the invoicing agreement executed on May 31, 2007.

As BPCE replaced CNCE and BFBP as the central institution, effective from July 31, 2009, and decided to revise the amount of the contribution remunerating the services provided by BPCE in connection with the affiliation of Natixis, a further agreement was executed on December 21, 2010, triggering the termination of the invoicing agreement executed in 2007 (the latter was in force until March 31, 2010), effective from April 1, 2010, providing for an annual flat-rate amount of €22,000,000 with an indexation clause effective from 2011.

When the 2012 budget was set, in order to take the overall context into account, a decision was made to revise the amount of the contribution based on the actual cost of the policy assignments carried out by BPCE on behalf of Natixis.

The parties decided to enter into a new invoicing agreement for that purpose, which outright replaced the agreement of December 21, 2010. The new agreement became effective from January 1, 2012.

At its meeting of February 22, 2012, the Supervisory Board approved the terms and conditions of the new invoicing agreement with Natixis and authorized the execution thereof.

The agreement resulted in the recognition of income of €40,500,000 on BPCE's 2018 financial statements.

Purchase of Natixis securities and the issue and purchase of perpetual deeply subordinated notes

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Francis Henry, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis.

The transaction is intended to allow BPCE to issue new Tier 1 instruments in exchange for the old Tier 1s issued by Natixis, NBP Capital Trust I and NBP Capital Trust III. Natixis' Tier 1 investors were therefore given the option of exchanging their securities for new Tier 1 securities issued by BPCE.

The Natixis securities collected by BPCE in this exchange were then transferred to Natixis, which cancelled them, with all earnings from the transaction transferred to Natixis. This transaction helped Natixis maintain its Tier 1 status.

Under the terms of the contract:

- Natixis bought from BPCE all of the bonds and other securities that Natixis, NBP Capital Trust I and NBP Capital Trust III had issued, which were contributed to the exchange offers made by BPCE; the securities tendered to the offers were acquired by BPCE in exchange for the delivery of new bonds it had issued;
- BPCE underwrote perpetual deeply subordinated notes that were issued by Natixis for a total nominal amount equal to the price at which the securities tendered to the offers were acquired by BPCE.

At the July 31, 2009 meeting, the Supervisory Board of BPCE authorized the signing of the Natixis securities purchase contract and authorized BPCE to underwrite deeply subordinated notes issued by Natixis.

This transaction resulted in the recognition of an expense of €93,815,383.96 on BPCE's 2018 financial statements.

Protection mechanism in favor of Natixis concerning a portion of the workout portfolio assets

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Alain Lemaire, a member of the Management Board of BPCE and a Board Member of Natixis, Yvan de la Porte du Theil, a member of the Management Board of BPCE and a Board Member of Natixis, Nicolas Duhamel, a member of the Management Board of BPCE and permanent representative of BPCE, a Board Member of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Francis Henry, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a Board Member of Natixis and Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis.

BPCE and Natixis jointly agreed to establish a mechanism to protect Natixis against future losses and the volatility of income generated from its workout portfolio assets.

On November 12, 2009, the BPCE Supervisory Board approved the following agreements concerning the guarantee on a portion of the workout portfolio assets:

- a financial guarantee (risk pooling) and its rider No. 1 granted by BPCE to Natixis;
- two total return swaps – one for assets denominated in euros and one for assets denominated in US dollars – and the ISDA master agreement (and its appendix) governing the relationship between the parties to the swaps; and
- a call option granted by BPCE to Natixis.

This transaction resulted in the recognition of income of €30,859,631.15 on BPCE's 2018 financial statements.

On May 11, 2011, the BPCE Supervisory Board approved the signature of a total return swap concerning Chapel's equity, in parallel to the purchase by Natixis of the assets of Chapel previously held by Sahara (included in the workout portfolio assets).

In order to re-establish the equivalent of the guarantee by Neptune of which Natixis previously had the benefit *via* Sahara, it was thus proposed that in parallel to the purchase by Natixis of the assets of Chapel, BPCE should guarantee Chapel's equity by means of a total return swap, in practice substantially equating with the sale of 85% of Chapel's equity to BPCE at a price of €81.10 per share, with Natixis bearing the full cost of financing the asset.

This agreement had no impact on BPCE's 2018 financial statements.

Joint and several guarantee agreement between CNCE and Natixis

Directors concerned on the applicable date: Charles Milhaud, Chairman of the Management Board of CNCE, Nicolas Mérindol, a member of the Management Board of CNCE, Anthony Orsatelli, a member of the Management Board of CNCE, Pierre Servant, a member of the Management Board of CNCE and Francis Meyer, a member of the Supervisory Board of CNCE (representing CDC).

On October 1, 2004, CNCE and CDC IXIS Capital Markets entered into an agreement by which CNCE provides a joint and several guarantee on the debts of CDC IXIS Capital Markets to third parties.

The guarantee was granted for an indefinite period. CNCE may unilaterally terminate this agreement provided that it announces its intention six months before the termination becomes effective.

The agreement was granted prior approval by the Supervisory Board during its September 30, 2004 meeting.

Following the merger of Ixis Corporate & Investment Bank with Natixis, this guarantee was renewed in favor of Natixis.

The agreement resulted in the recognition of income of €1,099.63 on BPCE's 2018 financial statements. The debts guaranteed amounted to €193,236,078.00 as at December 31, 2018.

Two agreements entered into within the scope of the new guarantee granted by CNCE (representing the rights of CDC Ixis following the Refondation project of December 31, 2004) to Natixis Structured Products to create a special purpose vehicle (SPV)

These agreements were signed following the sale of Labouchère Bank to allow Natixis Capital Markets (formerly IXIS Corporate and Investment Bank) to carry out transactions on the secondary market, and particularly for Japan, as part of a €10 billion EMTN program. The creation of this SPV, which is located in Jersey, required the following guarantee:

- an amendment to the commitment letter signed on May 28, 2003 by CNCE and Natixis Capital Markets to include the SPV within the scope of the letter;
- a joint and several guarantee between CNCE and Natixis Structured Products enabling the guarantee provided by CNCE to be transferred to Natixis Structured Products.

These agreements had no impact on BPCE's 2018 financial statements.

Agreements with other subsidiaries

Invoicing agreement related to the affiliation of Crédit Foncier de France

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Crédit Foncier de France, Nicolas Duhamel, a member of the Management Board of BPCE and permanent representative of BPCE, a member of the Board of Crédit Foncier de France, Olivier Klein, a member of the Management Board of BPCE and a member of the Board of Crédit Foncier de France, Pierre Desvergnes, a member of the Supervisory Board of BPCE and a member of the Board of Crédit Foncier de France and Francis Henry, a member of the Supervisory Board of BPCE and a member of the Board of Crédit Foncier de France.

CNCE, central institution of the former Groupe Caisse d'Epargne, authorized the affiliation of Crédit Foncier de France with CNCE which, in the said capacity, was responsible for ensuring the smooth functioning of its subsidiary and received in consideration remuneration calculated in accordance with the invoicing agreement executed on December 11, 2007.

As BPCE replaced CNCE as central institution, effective from July 31, 2009, and decided to revise the amount of the contribution remunerating the services supplied by CNCE in connection with the affiliation of Crédit Foncier de France, a further agreement was executed on August 5, 2011 (effective retroactively from January 1, 2011) for an annual flat-rate amount of €6,700,000 with an indexation clause effective from 2012.

When the 2012 budget was set, in order to take the overall context into account, a decision was made to revise the amount of the contribution based on the actual cost of the policy assignments carried out by BPCE on behalf of Crédit Foncier de France.

The parties decided to enter into a new invoicing agreement for that purpose, which outright replaced the agreement of August 5, 2011. The new agreement became effective from January 1, 2012.

At its meeting of February 22, 2012, the Supervisory Board approved the terms and conditions of the new invoicing agreement with Crédit Foncier de France and authorized the execution thereof.

The agreement resulted in the recognition of income of €10,400,000 on BPCE's 2018 financial statements.

Amendment 6 to the CNP Assurances shareholders' agreement

Director concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and member of the Board of Directors of CNP Assurances.

The French government, Caisse des dépôts et consignations, CNCE and La Banque Postale, as shareholders together owning the majority of CNP Assurances' shares and voting rights, entered into a shareholders' agreement on September 2, 1998.

The agreement was concluded in the framework of the intended sale by the French government of the major part of its shareholding in CNP Assurances, of the transfer of part of the company's share capital to the private sector and of the company's stock market flotation. The parties wished to show their intention to remain invested in the capital in the long term and to set certain share-transfer rules between themselves as well as to express their shared intention to reinforce the business development of CNP in France and abroad.

On February 8, 2017, the parties signed Amendment 6 to the shareholders' agreement, as successively amended, as they wished, first, to comply with the legislative provisions on appointing two directors representing employees and thereby eliminate the power to appoint one director for employee shareholders and, second, to maintain some measure of flexibility in the operation of the Board of Directors and to terminate the appointment of three non-voting directors.

Amendment 6 to the shareholders' agreement with CNP Assurances, signed at a late date (on February 8, 2017), was authorized by the Annual General Shareholders' Meeting on May 19, 2017.

The shareholders' agreement, initially entered into on September 2, 1998, has been tacitly renewed for two years, in accordance with the mechanism provided for by the parties, *i.e.,* until the next expiration date on December 31, 2019.

This agreement had no impact on BPCE's 2018 financial statements.

Amendment to MiFID agreement

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Alain Lemaire, a member of the Management Board of BPCE and a member of the Board of Directors of Natixis, Yvan de la Porte du Theil, a member of the Management Board of BPCE and a member of the Board of Directors of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Francis Henry, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis and Jean-Marc Carcéles, a member of the Supervisory Board of CNCE and a member of the Board of Crédit Foncier de France.

The CNCE lending activity managed in 2005 was sold to various Groupe Caisse d'Epargne subsidiaries. To this end, CNCE sold to IXIS Corporate & Investment Bank on November 18, 2005 its mid- and long-term French regional public sector financing activities, under a partial transfer of business assets.

Following approval from the Supervisory Board on December 14, 2006, a memorandum of understanding between CNCE, IXIS CIB and Crédit Foncier de France regarding the transfer of outstanding regional public-sector loans from IXIS CIB to Crédit Foncier de France was signed on February 19, 2007.

On November 20, 2009, BPCE (taking over the rights of CNCE), Natixis (taking over the rights of IXIS CIB) and Crédit Foncier de France signed an amendment to the agreement specifying the obligations resulting from MiFID for derivatives activities and concerning the categorization of Natixis' counterparties and the notification of their category.

This agreement had no impact on BPCE's 2018 financial statements.

Amendment to the "PLS Package – PLI Package" agreement with Crédit Foncier de France

Directors concerned on the applicable date: Alain Lemaire, a member of the Management Board of CNCE and a member of the Board of Crédit Foncier de France, Guy Cotret, a member of the Management Board of CNCE and a member of the Board of Crédit Foncier de France and Jean-Marc Carcéles, a member of the Supervisory Board of CNCE and a member of the Board of Crédit Foncier de France.

On December 14, 2005, CNCE and Crédit Foncier de France entered into a PLS Package (state-sponsored rental accommodation loans) and PLI Package (intermediate rental loans) partnership agreement to implement a new regulated loan distribution strategy.

After four years of trials, it became desirable to simplify the agreement in response to the evolution in the financial markets, given that it appeared possible to simplify the basis of remuneration of the loan distribution networks and recognize the additional funding in the balance sheet of Crédit Foncier de France.

The agreement was thus amended as follows with effect from July 31, 2009: the scope of the loans in question was extended to PLSs, PLIs, PSLAs (social lease ownership loans) and open-ended loans for new flows and similar transactions, as were the fee calculation rules.

This agreement had no impact on BPCE's 2018 financial statements.

Financial intermediary agreement for Local Authorities and Institutions

Directors concerned on the applicable date: Alain Lemaire, a member of the Management Board of CNCE and a member of the Board of Crédit Foncier de France, Guy Cotret, a member of the Management Board of CNCE and a member of the Board of Crédit Foncier de France and Jean-Marc Carcéles, a member of the Supervisory Board of CNCE and a member of the Board of Crédit Foncier de France.

On June 19, 2008, CNCE, Crédit Foncier de France and Compagnie de Financement Foncier signed a financial intermediary agreement for local authorities and institutions which took effect on January 1, 2007. The main aim of this agreement was to define the terms of fees and commissions paid to the Caisses d'Epargne in their role as financial intermediaries for Groupe Crédit Foncier which holds the loans granted to local authority and institutional clients on its balance sheet.

Given the banking and financial context of the prevailing absence, with effect from September 2008, of market references for medium- and long-term bond issues, the parties met to assess the implications for fees and commissions.

In order to restore an economic balance between the parties and in their mutual interest, it was agreed that an exceptional waiver would be granted uniquely for the primary fees and commissions for financial intermediaries on the new flows due for 2008.

An amendment was signed in fiscal year 2011. This agreement was renewed in fiscal year 2016. This agreement had no impact on BPCE's 2018 financial statements.

Agreements and commitments approved during the year

We were also informed of the execution during the year of the following agreements and commitments, already approved by the Annual General Shareholders' Meeting on May 25, 2018 based on the Statutory Auditors' special report of March 25, 2018 and the Statutory Auditors' supplementary special report of May 23, 2018.

Employment contracts entered into between BPCE and three members of the Management Board

Directors concerned on the applicable date (February 13, 2018): Catherine Halberstadt, François Riahi and Laurent Roubin, members of the Management Board of BPCE

It was determined that it would be in BPCE's best interest to enter into employment contracts with three members of the Management Board in the context of the rollout of Groupe BPCE's TEC 2020 strategic plan, which requires the development of the technical skills needed to implement projects in a more complex, more digital environment, with a strengthened regulatory framework, and given the financial conditions attached to these contracts.

At its meeting of February 13, 2018, the Supervisory Board, having examined the main provisions of the employment contracts (pay, eligibility for mechanisms provided for in the collective bargaining agreement, continued payment of compensation for a period of 12 months in the event of medical leave, continuation of Groupe BPCE seniority, entry into force of contracts after approval by the Annual General Shareholders' Meeting of the new pay policy), approved and authorized BPCE's entry into three employment contracts with Catherine Halberstadt, François Riahi and Laurent Roubin, respectively.

The Supervisory Board also noted that, in accordance with the rules of the group health, benefits and pension plans (Articles 83 and 39 of the French General Tax Code), the pay used to calculate these group benefits is that which is subject to social security charges (*i.e.*, received under the employment contract and for holding a corporate office).

Commitments maturing or likely to mature because of a termination or change of position

Commitments related to the Chairman of the Management Board

Director concerned on the applicable date (March 29, 2018): François Pérol, Chairman of the Management Board of BPCE

Involuntary-termination severance pay

The Chairman of the Management Board of BPCE will be entitled to involuntary-termination severance pay under the following conditions.

a) Conditions for receiving involuntary-termination severance pay

The severance may not be paid unless termination of the duties of Chairman of the Management Board of BPCE SA is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE.

This severance is not paid if the Chairman of the Management Board leaves the Group at his own initiative.

Payment of involuntary-termination severance causes the Chairman of the Management Board to lose any entitlement to the retirement bonus he otherwise may have claimed (it being specified that he does not benefit from a defined-benefit pension plan).

If he is re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after he is forcibly removed from his corporate office, entitles him – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after he is forcibly removed from corporate office, he is entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation required by law and provided for in the applicable collective bargaining agreement liable to be paid in respect of the termination of the employment contract.

b) Performance conditions

Involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office.

Moreover, in compliance with the rules for determining involuntary-termination severance pay, payment is subject to the condition of the Chairman of the Management Board having been awarded on average at least 33.33% of the maximum variable component during the last three years of the current term of office.

c) Determination of involuntary-termination severance pay

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work preceding the termination of the position and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the position. Amounts paid in respect of the relevant corporate office are taken into account.

The amount of the indemnity is equal to the Monthly benchmark pay x (12 months +1 month per year of seniority within the Group). Seniority is calculated in years and fractions of a year.

The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group.

Where at least 50% of the maximum variable component is awarded on average during the last three years of the corporate office in progress (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full.

Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the company's governing body.

Regardless, any compensation paid for an employment contract is deducted from the amount of involuntary-termination severance pay.

Retirement bonus

Upon a decision made by the Supervisory Board, the Chairman of the Management Board of BPCE may also receive a retirement bonus under the following conditions.

a) Conditions for receiving a retirement bonus

Payment of a retirement bonus is subject to the same performance conditions as those applicable to involuntary-termination severance pay mentioned above, *i.e.:*

- the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and
- beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office.

The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn.

Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Appointments and Remuneration Committee.

Payment of the retirement bonus is excluded from payment of any other departure bonus. As such, if involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus.

b) Amount of the retirement bonus

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work.

The amount of the bonus is equal to the Monthly benchmark pay x (6 + 0.6A), where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA).

The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years.

Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

The Supervisory Board has found that implementing involuntary-termination severance pay and a retirement bonus is of genuine interest for BPCE since it is a means of involving the Chairman of the Management Board in the company's performance by requiring him to meet certain performance conditions.

This agreement had no impact on BPCE's 2018 financial statements.

Commitments related to members of the Management Board

Directors concerned on the applicable date (March 29, 2018): Catherine Halberstadt, François Riahi and Laurent Roubin, members of the Management Board of BPCE

Involuntary-termination severance pay

Members of the Management Board of BPCE will be entitled to involuntary-termination severance pay under the following conditions.

a) Conditions for receiving involuntary-termination severance pay

The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE.

This severance is not paid if the member of the Management Board concerned leaves the Group at his or her own initiative.

Persons receiving involuntary-termination severance pay lose any entitlement under the defined-benefit plan, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code, and/or to any retirement bonus they may claim.

The termination of the employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract.

b) Performance conditions

Involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office.

Moreover, in compliance with the rules for determining involuntary-termination severance pay, payment is subject to the condition of the member of the Management Board concerned having been awarded on average at least 33.33% of the maximum variable component during the last three years of the current term of office. This variable component is the amount that may be received by the member of the Management Board concerned in respect of his or her corporate office and employment contract.

c) Determination of involuntary-termination severance pay

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work preceding the termination of the corporate office or the employment contract and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the corporate office or the employment contract. Amounts paid in respect of the relevant corporate office and employment contract are taken into account.

The amount of the indemnity is equal to the Monthly benchmark pay x (12 months +1 month per year of seniority within the Group).

Seniority is calculated in years and fractions of a year.

The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group.

Where at least 50% of the maximum variable component is awarded on average during the last three years of the corporate office in progress (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full.

Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the company's governing body.

This variable component is the amount that may be received by the member of the Management Board concerned in respect of his or her corporate office and employment contract.

Regardless, any compensation paid for termination of the employment contract is deducted from the amount of involuntary-termination severance pay.

Retirement bonus

Upon a decision made by the Supervisory Board, the members of the Management Board of BPCE may receive a retirement bonus under the following conditions.

a) Conditions for receiving a retirement bonus

Payment of a retirement bonus is subject to the same performance conditions as those applicable to involuntary-termination severance pay mentioned above, *i.e.:*

- the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and
- beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office.

The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn.

Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Appointments and Remuneration Committee.

If involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus.

b) Amount of the retirement bonus

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work preceding the termination of the corporate office or the employment contract and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the corporate office or the employment contract. Amounts paid in respect of the relevant corporate office and employment contract are taken into account.

The amount of the bonus is equal to the Monthly benchmark pay x (6 + 0.6A), where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA).

The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years.

Regardless, any compensation paid for termination of the employment contract is deducted from the retirement bonus.

The Supervisory Board has found that implementing involuntary-termination severance pay and a retirement bonus is of genuine interest for BPCE since it is a means of involving the members of the Management Board in the company's performance by requiring them to meet certain performance conditions.

These commitments had no impact on BPCE's 2018 financial statements.

Paris La Défense and Neuilly-sur-Seine April 2, 2019

The Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars
Sylvie Bourguignon	Nicolas Montillot Emmanuel Benoist	Charles de Boisriou

8 STATEMENT BY THE PERSON RESPONSIBLE

8.1 Statement by the person responsible for the registration document and for the annual financial report

Laurent Mignon

Chairman of the BPCE Management Board

Statement by the person responsible

Having taken all reasonable care to ensure that such is the case, to the best of my knowledge, all of the information contained in the registration document is in accordance with the facts and contains no omission likely to affect its import.

To the best of my knowledge, I certify that the financial statements of Groupe BPCE, BPCE SA group and BPCE have been prepared in accordance with applicable accounting standards and give a true and fair view of their respective assets, financial position and profit or loss, as well as those of all affiliated companies, and that the management report (the content of which is presented in a cross-reference table in Chapter 9) gives a true and fair picture of the development of their respective business, results and financial position, as well as those of all affiliated companies, along with a description of the main risks and uncertainties to which they are exposed.

I have obtained a letter from the Statutory Auditors certifying that they have verified the information concerning the financial position and the financial statements of Groupe BPCE, BPCE SA group and BPCE as set out in the registration document and have read the entire document.

Paris, April 2, 2019

Laurent Mignon

Chairman of the BPCE Management Board

9 ADDITIONAL INFORMATION

9.1 Documents on display

This document is available from the "Investors" Section of the Group's website (www.bpce.fr), or from the AMF website (www.amf-france.org).

All regulated information published in the last 12 months is available online at https://www.groupebpce.fr/en/Investors/Regulated-information.

Any person wanting further information about Groupe BPCE may, with no commitment and free of charge, request documents by mail at the following address:

BPCE

Département Émissions et Communication Financière

50, avenue Pierre Mendès-France

75013 Paris

9.2 Cross-reference table for the registration document

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9.3 Cross-reference table for the annual financial report and the management report

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In accordance with Article 28 of European Regulation No. 809/2004 of April 29, 2004, the following information is incorporated by reference in this registration document:

- Groupe BPCE's consolidated financial statements for the fiscal year ended December 31, 2017 and the Statutory Auditors' report, presented on pages 350 to 357 of the registration document filed with the AMF on March 28, 2018 under number D.18-0197;
- BPCE SA group's consolidated financial statements for the fiscal year ended December 31, 2017 and the Statutory Auditors' report, presented on pages 450 to 457 of the registration document filed with the AMF on March 28, 2018 under number D.18-0197;
- BPCE's annual financial statements for the fiscal year ended December 31, 2017 and the Statutory Auditors' report, presented on pages 503 to 506 of the registration document filed with the AMF on March 28, 2018 under number D.18-0197;
- Groupe BPCE's consolidated financial statements for the fiscal year ended December 31, 2016 and the Statutory Auditors' report, presented on pages 224 to 329 of the registration document filed with the AMF on March 23, 2017 under number D.17-0211;

- BPCE SA group's consolidated financial statements for the fiscal year ended December 31, 2016 and the Statutory Auditors' report, presented on pages 330 to 415 of the registration document filed with the AMF on March 23, 2017 under number D.17-0211;
- BPCE's annual financial statements for the fiscal year ended December 31, 2016 and the Statutory Auditors' report, presented on pages 422 to 460 of the registration document filed with the AMF on March 23, 2017 under number D. 17-0211.

9.4 Cross-reference table of the main social, environmental and societal information

Major gross ESG risks[1]	GRI 4 equivalent	Article 173 LTECV[2]	*Global Compact*	Sustainable Development Goals	Page No.
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Lasting relations with customers	FS3; FS5; G4-PR8; G4-24; G4-26				92-94
Financing for the energy transition, green and blue growth and solidarity-based growth	G4-EC2; FS1; G4-EN27; FS15	III IV VI[3]	8, 9	6, 7, 8, 9, 11, 12, 13, 14, 15	56-63 65-66
Working conditions	G4-LA4; G4-LA5; G4-LA6; G4-LA8; G4-HR4;G4-HR5; G4-HR6		3	3, 4, 8, 16	97-112
Employability and transformation of jobs	G4-LA9; G4-LA10		3	4, 8, 13	97-112
Integration of ESG criteria in lending/investment decisions	G4-EC2; G4-EN27; FS1; FS2; FS3; FS11;	III V	7, 8	6, 7, 8, 9, 10, 11, 12, 14	76-79
Financing for local regions	G4-EN27; G4-EN28; G4-EN29; G4-EN30; G4-EC7; FS8; FS7			2, 4, 7, 8, 11, 12, 13, 14, 16	66
Regional footprint	G4-SO1; G4-SO2; G4-9; FS13; G4-EC1; G4-EC9			1, 2, 8, 9	81
Accessibility of products and services & inclusive finance	FS7; FS14; FS16; G4-9			1, 8, 10, 11	68-72
Customer protection and transparency of the range of products and services	G4-PR5				92-93
Diversity among employees	G4-10; G4-LA1; G4-HR3; G4-HR8		1, 2, 3, 4, 5, 6	5, 8, 10	99-100
Involvement in the governance of investment targets	G4-16; FS5				57-58

(1) *According to the risk analysis in Chapter 2.2 in respect of Directive 2014/95/EU enacted into French law by ordinance No. 2017-1180 of July 19, 2017 and Decree No. 2017-1265 of August 9, 2017 which amends Articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code established initially by Article 225 of the Grenelle 2 Act of 2010 and its 2012 implementing decree.*

(2) *French Energy Transition for Green Growth Act*

(3) *Information required in accordance with the provisions of Article 173, Section VI, LTECV, available on the reports published by the companies in question.*

9.5 Glossary

Acronyms	
ABS	See securitization
ACPR	*Autorité de Contrôle Prudentiel et de Résolution*, the French prudential supervisory authority for the banking and Insurance sector (formerly the CECEI, or Comité des établissements de crédit et des entreprises d'investissement/Credit Institutions and Investment Firms Committee)
AFEP-MEDEF	Association Française des Entreprises Privées – Mouvement des Entreprises de France/French Association of Private Sector Companies – French Business Confederation
AFS	Available For Sale
A-IRB	Advanced IRB approach
ALM	Asset and Liability Management
AMF	*Autorité des Marchés Financiers*/French financial markets authority
AML-CTF	Anti-Money Laundering and Counter-Terrorism Financing
AQR	Asset Quality Review, which involves the supervisory assessment of risks, the actual review of the quality of assets and stress tests
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision, an organization comprised of the central bank governors of the G20 countries, tasked with strengthening the global financial system and improving the efficacy of prudential supervision and cooperation among bank regulators
BCP	Business Continuity Plan
BRRD	Bank Recovery and Resolution Directive
CCF	Credit Conversion Factor
CDO	See securitization
CDPC	Credit Derivatives Products Company, *i.e.* a business specializing in providing protection against credit default through credit derivatives
CDS	Credit Default Swap, a credit derivative contract under which the party wishing to buy protection against a credit event (e.g. counterparty default) makes regular payments to a third party and receives a pre-determined payment from this third party should the credit event occur
CEGC	Compagnie Européenne de Garanties et de Cautions;
CET1	Common Equity Tier 1
CLO	See securitization
CMBS	See securitization
CNCE	Caisse Nationale des Caisses d'Epargne
CPM	Credit Portfolio Management
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment, *i.e.* the expected loss related to the risk of default by a counterparty. The CVA aims to take into account the fact that the full market value of the transactions may not be recovered. The method for determining the CVA is primarily based on the use of market inputs in connection with the practices of market professionals
CVaR	Credit Value-at-Risk, *i.e.* the worst loss expected to be suffered after eliminating the 1% worst-case scenarios, used to determine individual counterparty limits
DVA	Debit Valuation Adjustment, symmetrical to the CVA. Represents the expected loss, from the counterparty's perspective, on valuations of derivative liabilities. It reflects the impact of the entity's own credit quality on the valuation of these instruments
EBA	The European Banking Authority, established by EU Regulation on November 24, 2010. It came into being on January 1, 2011 in London, superseding the Committee of European Banking Supervisors (CEBS). This new body has an expanded mandate. It is in charge of harmonizing prudential standards, ensuring coordination among the various national supervisory authorities and performing the role of mediator. The goal is to establish a Europe-wide supervision mechanism without compromising the ability of the national authorities to conduct the day-to-day supervision of credit institutions.
ECB	European Central Bank
EAD	Exposure at Default, *i.e.* the amount owed by the customer at the effective default date. It is the sum of the remaining principal, past due payments, accrued interest not yet due, fees and penalties
EDTF	Enhanced Disclosure Task Force, an international task force formed at the initiative of the Financial Stability Board (FSB) in May 2012 to consider ways to enhance banks' financial disclosures. The EDTF is made up of representatives from the private sector and of users and preparers of financial disclosures. In October 2012, it published a report containing 32 recommendations aimed at enhancing disclosures on risk management, capital adequacy, and exposure to liquidity, funding, market, credit and other risks
EIB	European Investment Bank
EL	Expected Loss, i.e. the value of the loss likely to be incurred given the quality of the structure of the transaction and any measures taken to mitigate risk, such as collateral. It is calculated by multiplying exposure at risk (EAD) by Probability of Default (PD) and by Loss Given Default (LGD)
EURIBOR	Euro Interbank Offered Rate, the benchmark interest rate on the eurozone's money market

Acronyms	
FBF	Fédération Bancaire Française (French Banking Federation), a professional body representing all banking institutions in France
FCPR	*Fonds Commun de Placement à Risque*/Venture capital investment fund
FGAS	*Fonds de Garantie à l'Accession Sociale*/French state guarantee fund for subsidized loans
FINREP	FINancial REPorting
F-IRB	Foundation IRB approach
FSB	The Financial Stability Board, whose mandate is to identify vulnerabilities in the global financial system and to implement principles for regulation and supervision in the interest of financial stability. Its members are central bank governors, finance ministers and supervisors from the G20 countries
GAPC	*Gestion Active des Portefeuilles Cantonnés*/Workout portfolio management
G-SIBs	Global Systemically Important Banks are financial institutions whose distress or failure, because of their size, complexity and systemic inter-dependence, would cause significant disruption to the financial system and economic activity. These institutions meet the criteria established by the Basel Committee and are identified in a list published in November 2011 and updated every year. The constraints applicable to G-SIBs increase with their level of capital
HQLA	High-Quality Liquid Assets
IARD	*Incendie, Accidents et Risques Divers*/property and casualty Insurance
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process: a process required under Pillar II of the Basel Accords to ensure that firms have sufficient capital to cover all their risks
IFRS	International Financial Reporting Standards
IRB	Internal-Ratings Based, an approach to capital requirements based on the financial institution's internal rating systems
IRC	Incremental Risk Charge: the capital requirement for an issuer's credit migration and default risks, covering a period of one year for fixed income and loan instruments in the trading book (bonds and CDSs). The IRC is a 99.9% value-at-risk measurement; *i.e.* the greatest risk obtained after eliminating the 0.1% worst-case scenarios
IS	Information System
L&R	Loans and Receivables
LBO	Leveraged Buyout
LCR	Liquidity Coverage Ratio: a measurement introduced to improve the short-term resilience of banks' liquidity risk profiles. The LCR requires banks to maintain a reserve of risk-free assets that can be converted easily into cash on the market in order to cover its cash outflows minus cash inflows over a 30-day stress period without the support of central banks
LGD	Loss Given Default, a Basel II credit risk indicator corresponding to loss in the event of default
LTD	Loan-to-Deposit ratio, i.e. a liquidity indicator that enables a credit institution to measure its autonomy with respect to the financial markets
MDA	Maximum Distributable Amount, a new provision for banks placing restrictions on their dividend, AT1 coupon and bonus payments (under a rule that tightens restrictions as banks deviate from their requirements), if the capital buffers are not met. As these buffers are on top of Pillars I and II, they apply immediately if the bank fails to comply with the combined requirements
MREL	Minimum Requirement for own funds and Eligible Liabilities
MTN	Medium Term Note
NPE	Non-Performing Exposure
NRE	*Loi sur les Nouvelles Réglementations Economiques*/New Economic Regulations Act
NSFR	Net Stable Funding Ratio: this ratio is intended to strengthen the longer-term resilience of banks through additional incentives meant to encourage banks to finance their operations using more structurally stable resources. This long-term structural liquidity ratio, applicable to a one-year period, was formulated to provide a viable structure for asset and liability maturities
OFR	Own Funds Requirements: *i.e.* 8% of risk-weighted assets (RWA)
OH	*Obligations de financement de l'Habitat*/Housing financing bond
ORSA	Own Risk and Solvency Assessment. As part of European efforts to reform prudential regulation of the Insurance industry, ORSA is an internal process undertaken by the institution to assess risk and solvency. It must show its ability to identify, measure and manage factors liable to have an impact on its solvency or financial position
PD	Probability of Default, *i.e.* the likelihood that a counterparty of the bank will default within a one-year period
RMBS	See securitization
RSSI	*Responsable de la Sécurité des Systèmes d'Information*/Head of information system security
RWA	Risk-Weighted Assets. The calculation of credit risks is further refined using a more detailed risk weighting that incorporates counterparty default risk and debt default risk
S&P	Standard & Poor's
SCF	*Société de Crédit Foncier*/a French covered bond issuer
SEC	US Securities and Exchange Commission
Socama	*Sociétés de Cautionnement Mutuel Artisanales*/Mutual Guarantee Companies for small businesses

Acronyms	
SREP	Supervisory Review and Evaluation Process: Methodology for assessing and measuring the risks for each bank. SREP gives the prudential authorities a set of harmonized tools to analyze a bank's risk profile from four different angles: business model, governance and risk management, risk to capital, and risk to liquidity and funding. The supervisor sends the bank the SREP decisions at the end of the process and sets key objectives. The bank must then "correct" these within a specific time
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism: an EU-level system to ensure an orderly resolution of non-viable banks with a minimal impact on taxpayers and the real economy. The SRM is one of the pillars of the European Banking Union and consists of an EU-level resolution authority (Single Resolution Board – SRB) and a common resolution fund financed by the banking sector (Single Resolution Fund – SRF)
SSM	Single Supervisory Mechanism
SVaR	Stressed Value at Risk: the SVaR calculation method is identical to the VaR approach (historical or Monte Carlo method, scope – position – risk factors – choices and modeling – model approximations and numerical methods identical to those used for VaR) and involves a historical simulation (with "one-day" shocks) calculated over a one-year stressed period, at a 99% confidence level scaled up to 10 days. The goal is to assess the impacts of stressed scenarios on the portfolio and current market levels
T1/T2	Tier 1/Tier 2 capital
TLAC	Total Loss Absorbing Capacity: a ratio applicable to G-SIBs that aims to ensure that each G-SIB has the capacity to continue its essential operations for the economy even after a loss has consumed all of its capital. In November 2015, the FSB published the final TLAC calibration: all TLAC-eligible instruments will have to be equivalent to at least 16% of risk-weighted assets at January 1, 2019 and at least 6% of the leverage ratio denominator. TLAC will subsequently have to be equivalent to 18% of risk-weighted assets and 6.75% of the leverage ratio denominator from January 1, 2022
TRS	Total Return Swap, *i.e.* a transaction whereby two parties exchange the income generated and any change in value on two different assets over a given time period
TSS	*Titres supersubordonnés*/Deeply subordinated notes, *i.e.* perpetual bonds with no contractual redemption commitment that pay interest in perpetuity. In the event of liquidation, they are repaid after other creditors (subordinated loans). These securities pay annual interest contingent on the payment of a dividend or the achievement of a specific result
VaR	Value at Risk: a measurement of market risk on a bank's trading book expressed as a monetary value. It allows the entity performing the calculation to appraise the maximum losses liable to be incurred on its trading book. A statistical variable, VaR is always associated with a confidence interval (generally 95% or 99%) and a specific time frame (in practice, one day or 10 days, as the trading positions involved are meant to be unwound within a few days)

Key technical terms	
"Bank acting as investor"	See securitization
"Bank acting as originator"	See securitization
"Bank acting as sponsor"	See securitization
Basel II (the Basel Accords)	A supervisory framework aimed at better anticipating and limiting the risks borne by credit institutions. It focuses on banks' credit risk, market risk and operational risk. The terms drafted by the Basel Committee were adopted in Europe through a European directive and have been applicable in France since January 1, 2008
Basel III (the Basel Accords)	Changes in the supervisory framework for banks, incorporating the lessons drawn from the 2007-2008 financial crisis, meant to complement the Basel II accords by enhancing the quality and quantity of the minimum capital requirements applicable to financial institutions. Basel III also establishes minimum requirements for liquidity risk management (quantitative ratios), defines measures aimed at limiting procyclicality in the financial system (capital buffers that vary according to the economic cycle) and reinforces requirements for financial institutions deemed to be systemically important
Bond	A portion of a loan issued in the form of an exchangeable security. For a given issue, a bond grants the same debt claims on the issuer for the same nominal value, the issuer being a company, a public sector entity or a government
Collateral	A transferable asset or guarantee pledged to secure reimbursement on a loan in the event the borrower fails to meet its payment obligations
Common Equity Tier 1 ratio	Ratio of Common Equity Tier 1 (CET1) capital to risk-weighted assets. The CET1 ratio is a solvency indicator used in the Basel III prudential accords
Cost/income ratio	A ratio indicating the portion of net banking income used to cover operating expenses (the company's operating costs). It is calculated by dividing operating costs by net banking income
CRD IV/CRR	(see Acronyms) Directive 2013/36/EU (CRD IV) and Regulation (EU) No. 575/2013 (CRR), which transpose Basel II in Europe. In conjunction with the EBA's (European Banking Authority) technical standards, they define European regulations for the capital, major risk, leverage and liquidity ratios
Credit and counterparty risk	The risk of loss from the inability of clients, issuers or other counterparties to honor their financial commitments. Credit risk includes counterparty risk related to market transactions and securitization
Credit derivative	A financial product whose underlying asset is a credit obligation or debt security (bond). The purpose of the credit derivative is to transfer credit risk without transferring the asset itself for hedging purposes. One of the most common forms of credit derivatives is the credit default swap (CDS)
Derivative	A financial security or financial contract whose value changes based on the value of an underlying asset, which may be either financial (equities, bonds, currencies, etc.) or non-financial (commodities, agricultural products, etc.) in nature. This change may coincide with a multiplier effect (leverage effect). Derivatives can take the form of either securities (warrants, certificates, structured EMTNs, etc.) or contracts (forwards, options, swaps, etc.). Exchange-traded derivatives contracts are called futures
Fair value	The price that would be received to sell an asset or paid to transfer a liability in a standard arm's length transaction between market participants at the measurement date. Fair value is therefore based on the exit price
Gross exposure	Exposure before the impact of provisions, adjustments and risk mitigation techniques
Haircut	The percentage by which a security's market value is reduced to reflect its value in a stressed environment (counterparty risk or market stress)
Leverage ratio	Tier 1 capital divided by exposures, which consist of assets and off-balance sheet items, after restatements of derivatives, funding transactions and items deducted from capital. Its main goal is to serve as a supplementary risk measurement for capital requirements
Liquidity	In a banking context, liquidity refers to a bank's ability to cover its short-term commitments. Liquidity also refers to the degree to which an asset can be quickly bought or sold on a market without a substantial reduction in value
Liquidity risk	The risk that a bank will be unable to honor its payment commitments as they fall due and replace funds when they are withdrawn
Market risks	The risk of loss of value on financial instruments resulting from changes in market inputs, from the volatility of these inputs or from the correlations between these inputs
Net value	Total gross value less allowances/impairments
Pillar I	Pillar I sets minimum requirements for capital. It aims to ensure that banking institutions hold sufficient capital to provide a minimum level of coverage for their credit risk, market risk and operational risk. The bank can use standardized or advanced methods to calculate its capital requirement
Pillar II	Pillar II establishes a process of prudential supervision that complements and strengthens Pillar I. It consists of: – an analysis by the bank of all of its risks, including those already covered by Pillar I; – an estimate by the bank of the capital requirement for these risks; a comparison by the banking supervisor of its own analysis of the bank's risk profile with the analysis conducted by the bank, in order to adapt its choice of prudential measures where applicable, which may take the form of capital requirements exceeding the minimum requirements or any other appropriate technique
Pillar III	Pillar III is concerned with establishing market discipline through a series of reporting requirements. These requirements – both qualitative and quantitative – are intended to improve financial transparency in the assessment of risk exposure, risk assessment procedures and capital adequacy

Key technical terms	
Rating	An appraisal by a financial rating agency (Fitch Ratings, Moody's, Standard & Poor's) of the creditworthiness of an issuer (company, government or other public entity) or a transaction (bond issue, securitization, covered bond). The rating has a direct impact on the cost of raising capital
Rating agency	An organization that specializes in assessing the creditworthiness of issuers of debt securities, *i.e.* their ability to honor their commitments (repayment of capital and interest within the contractual period)
Resecuritization	The securitization of an exposure that is already securitized where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitization position
Risk appetite	Level of risk, expressed through quantitative or qualitative criteria, by type of risk and business line, that the Group is prepared to accept given its strategy. The risk appetite exercise is one of the key strategic oversight tools available to the Group's management team
Share	An equity security issued by a corporation, representing a certificate of ownership and entitling the holder (the "shareholder") to a proportional share in the distribution of any profits or net assets, as well as a voting right at the Annual General Shareholders' Meeting
Securitization	A transaction whereby credit risk on loan receivables is transferred to investors by an entity through the issuance of negotiable securities. This may involve the transfer of receivables (physical securitization) or the transfer of risks only (credit derivatives). Some securitization transactions are subordinated through the creation of tranches: – ABS – Asset-Backed Securities, *i.e.* instruments representing a pool of financial assets (excluding mortgage loans), whose performance is linked to that of the underlying asset or pool of assets; – CDOs – Collateralized Debt Obligations, *i.e.* debt securities backed by a pool of assets which can be either bank loans (mortgages) or corporate bonds. Interest and principal payments may be subject to subordination (*i.e.* through the creation of tranches); – CLOs – Collateralized Loan Obligations, *i.e.* credit derivatives backed by a homogeneous pool of commercial loans; – CMBS – Commercial Mortgage-Backed Securities; – RMBS – Residential Mortgage-Backed Securities, *i.e.* debt securities backed by a pool of assets consisting of residential mortgage loans; – Bank acting as originator: the securitization exposures are the retained positions, even where not eligible for the securitization framework due to the absence of significant and effective risk transfer; – Bank acting as investor: investment positions purchased in third-party deals. Bank acting as sponsor: a bank is considered a "sponsor" if it, in fact or in substance, manages or advises the program, places securities into the market, or provides liquidity and/or credit enhancements. The program may include, for example, asset-backed commercial paper (ABCP) conduit programs and structured investment vehicles. The securitization exposures include exposures to ABCP conduits to which the bank provides program-wide enhancements, liquidity and other facilities
Structural interest rate and exchange rate risk	The risk of losses or impairment on assets arising from changes in interest rates or exchange rates. Structural interest rate and foreign exchange risks are associated with commercial activities and proprietary transactions
Swap	An agreement between two counterparties to exchange different assets, or revenues from different assets, until a given date
Tier 1 capital	Core capital including the financial institution's consolidated shareholders' equity minus regulatory deductions
Tier 2 capital	Supplementary capital mainly consisting of subordinated securities minus regulatory deductions
Total capital ratio	Ratio of total capital (Tier 1 and 2) to risk-weighted assets (RWA)
Volatility	A measurement of the magnitude of an asset's price fluctuation and thus a measurement of its risk. Volatility corresponds to the standard deviation of the asset's immediate returns over a given period

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50, avenue Pierre Mendès-France
75 201 Paris Cedex 13
Tel.: 33 (0) 1 58 40 41 42
Paris Trade and Companies Register N°493 455 042

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www.groupebpce.fr