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REGISTRATION DOCUMENT AND FULL-YEAR FINANCIAL REPORT

GROUPE BPCE

Bankers and insurers with a different perspective

Contents

2016 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 has been 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 March 23, 2017, 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 539 and 540.

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 Presentation of Groupe BPCE

Groupe BPCE is the second largest banking group in France(1), with its two leading brands, Banque Populaire and Caisse d'Epargne. Its 108,000 employees serve 31.2 million customers, 9 million of whom are cooperative shareholders. The Group's companies adapt their banking business as closely as possible to the needs of individuals and regions.

With 15 Banque Populaire banks, 17 Caisses d'Epargne, Natixis, Crédit Foncier, Banque Palatine and BPCE International, Groupe BPCE offers its customers an extensive range of products and services, including solutions in savings, placement, cash management, financing, insurance and investment. 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 over 20% of the French economy.

Its full-service banking model is based on a three-tier structure:

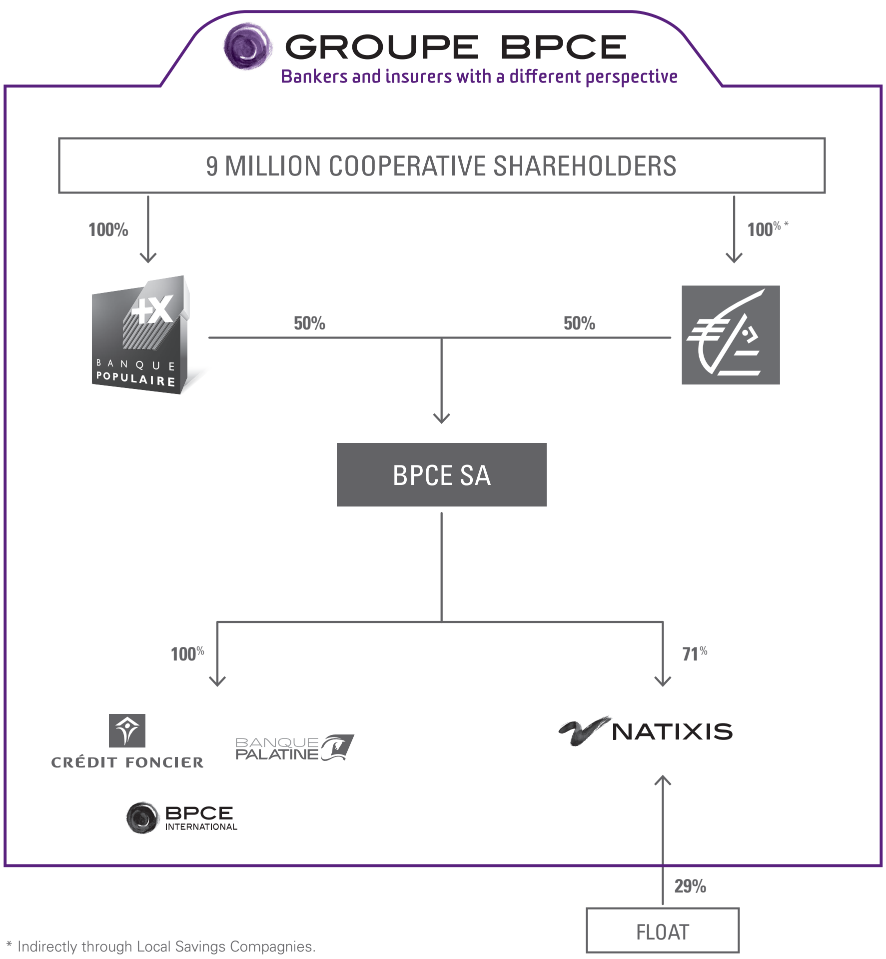
- the two cooperative networks with the Banque Populaire banks and Caisses d'Epargne, which are central players in their respective regions;
- BPCE, the central institution, responsible for the Group's strategy, control and coordination;
- the BPCE subsidiaries, including Natixis, Crédit Foncier, Banque Palatine and BPCE International.

In addition, all credit institutions affiliated with BPCE are covered by a guarantee and solidarity mechanism.

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

GROUPE BPCE SIMPLIFIED ORGANIZATION CHART

ORGANIZATION CHART OF GROUPE BPCE AT DECEMBER 31, 2016



BPCE SA's ownership interests and voting rights in Natixis were identical at December 31, 2016.

(1) Market share: 21.6% in on-balance sheet customer deposits & savings and 20.7% in customer loans (Source: Banque de France Q3 2016 – all non-financial customers combined).

1.2 History of the Group

Banque Populaire banks

1878 The first Banque Populaire bank is created in Angers, by and for entrepreneurs, the goal being to pool funds to allow them to finance their projects themselves.

1917 Having achieved cooperative status, the Banque Populaire banks rapidly become major players in their regional economies, serving craftsmen, small retailers and SMEs.

1962 The Banque Populaire banks open their services to individual customers.

1998 The acquisition of Natexis provides Groupe Banque Populaire with a publicly listed vehicle.

2008 The Group strengthens its presence in the heart of France's regions with the acquisition of seven regional banks from HSBC France.

Caisses d'Epargne

1818 The first Caisse d'Epargne is founded in Paris to promote, collect and manage general public savings.

1835 The Caisses d'Epargne are recognized as "private establishments of public utility".

1895 The Caisses d'Epargne conduct operations of general public interest.

1950 The Caisses d'Epargne are awarded the status of not-for-profit credit institutions.

1999 The Caisses d'Epargne become cooperative banks, prompting Groupe Caisse d'Epargne to embark upon a multi-brand strategy with the creation and acquisition of businesses, including the takeover of Crédit Foncier in the same year, which enables the Group to further develop its real estate activities.

2003 With the acquisition of Banque Palatine (formerly Banque San Paolo), the Group establishes closer ties to corporate customers.

2004 By purchasing Ixis, the Group branches out into investment banking.

In 2006, Groupe Banque Populaire and Groupe Caisse d'Epargne took the first step towards a business combination, with the creation of their jointly-owned subsidiary, Natixis.

Groupe BPCE

2009 On July 31, 2009, the combination of Groupe Banque Populaire and Groupe Caisse d'Epargne gives rise to Groupe BPCE.

2010 "Together", Groupe BPCE's strategic plan for 2010-2013, mobilizes all Group companies with the aim of making them the preferred banking institutions of the French and of their companies.

2013 Simplification of the Group's organizational structure completed on August 6, 2013 with the buyback and subsequent cancellation by the Banque Populaire banks and Caisses d'Epargne of the cooperative investment certificates (CICs) held by Natixis. The Banque Populaire banks and the Caisses d'Epargne are now entirely owned by their cooperative shareholders.

Launch of the "Another way to grow" strategic plan for 2014-2017, focused 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.

2014 On November 4, 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.

2015 The Annual General Shareholders' Meeting of May 22, 2015 approves the Framework Protocol Agreement and the specific contracts provided for in this agreement ("the New Partnership Agreements") between Groupe BPCE and CNP.

The new agreements were required owing to the expiry of existing distribution agreements between CNP Assurances and Groupe BPCE on December 31, 2015, and Groupe BPCE's decision to call on Natixis Assurances to design and manage all savings and pension funds distributed by the Caisse d'Epargne network as of January 1, 2016.

2016 Three regional bank mergers are completed or initiated:

- on November 22, 2016, Banque Populaire Côte d'Azur, Banque Populaire Provençale et Corse and Banque Chaix merge, giving rise to Banque Populaire Méditerranée;
- on December 7, 2016, Banque Populaire Auvergne Rhône Alpes is established from the merger of Banque Populaire des Alpes, Banque Populaire Loire et Lyonnais and Banque Populaire du Massif Central;
- Caisse d'Epargne Picardie and Caisse d'Epargne Nord France Europe initiate a merger in February 2016, with the aim of establishing Caisse d'Epargne Hauts de France by April 2017.

1.3 Organization of Groupe BPCE

1.3.1 Banque Populaire banks and Caisses d'Epargne

The Group has a distinctly cooperative character, with cooperative shareholders owning the Banque Populaire banks and the Caisses d'Epargne, the two networks that form the foundation of the Group's retail banking operations.

The Banque Populaire banks and the Caisses d'Epargne are credit institutions. Their governance comprises a Board of Directors for the Banque Populaire banks, and a Steering and Supervisory Board and a Management Board for the Caisses d'Epargne.

BANQUE POPULAIRE BANKS

The Banque Populaire banks are wholly-owned by their cooperative shareholders.

Cooperative shareholders are individuals (including Banque Populaire bank employees) and legal entities. Cooperative shareholder customers play an active part in the life, ambitions and development of their bank. The cooperative shareholder base is coordinated at two levels: locally through the initiatives of each Banque Populaire bank as well as nationally through those of the Fédération Nationale des Banques Populaires. The Annual General Shareholders' Meeting provides an opportunity for cooperative shareholders to contribute to the operation of their Banque Populaire bank.

CAISSES D'EPARGNE

The Caisses d'Epargne are wholly-owned by the local savings companies (LSCs).

The LSCs are cooperative companies with open-ended capital stock, which is wholly owned by cooperative shareholders. Any individual or legal entity that is a customer of a Caisse d'Epargne may acquire cooperative shares in an LSC, thereby becoming a cooperative shareholder. Caisses d'Epargne employees are also entitled to become cooperative shareholders. Lastly, local and regional authorities, and French inter-municipal cooperation institutions (*Établissements publics de coopération intercommunale*) within the local savings company's territorial constituency are also entitled to become cooperative shareholders, but their shareholdings, taken together, may not exceed 20% of the capital of a given local savings company.

The local savings companies are tasked with coordinating the cooperative shareholder base, within the framework of the general objectives defined by the individual Caisse d'Epargne with which they are affiliated. Each LSC convenes its cooperative shareholders at an Annual General Shareholders' Meeting at least once a year to approve the financial statements for the fiscal year. Each LSC is run by a Board of Directors, elected by the Annual General Shareholders' Meeting from among the LSC's cooperative shareholders. The Board of Directors appoints a Chairman, who is responsible for representing the local savings company at the Annual General Shareholders' Meeting of the Caisse d'Epargne with which it is affiliated. Local savings companies are not authorized to carry out banking business.

1.3.2 BPCE: the central institution of Groupe BPCE

BPCE, founded by a law dated June 18, 2009, is the central institution of Groupe BPCE, a cooperative banking group. As such, it represents the credit institutions that are affiliated with it.

The affiliated institutions, within the meaning of Article L. 511-31 of the French Monetary and Financial Code, are:

- the 15 Banque Populaire banks and their 45 Mutual Guarantee Companies, whose sole corporate purpose is to guarantee loans issued by the Banque Populaire banks;
- the 17 Caisses d'Epargne, whose share capital is held by 228 local savings companies (LSCs);
- Natixis; five 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.

ACTIVITIES

The company's role is to guide and promote the business and expansion of the cooperative banking group comprising the Caisse d'Epargne network, the Banque Populaire network, the affiliated entities and, more generally, 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 their 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 their 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 as such 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, carry out securitization transactions or issue financial instruments, and

perform 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 its permanent 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 effective business orientation of its affiliated entities,
- requesting the 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 the above-mentioned 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**, 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.

DIVIDEND POLICY

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.

The classification of category A and B shares is defined in point 7.2.2 of the registration document.

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.

In 2014

The Ordinary General Shareholders' Meeting of BPCE, which met on May 16, 2014, resolved that no dividends would be paid out to category A and B shareholders in respect of fiscal year 2013.

It nonetheless resolved to make an extraordinary payment of €149,998,543.23 to the 31,148,464 category A and B shareholders, amounting to €4.8156 per share. This amount was charged in full against additional paid-in capital.

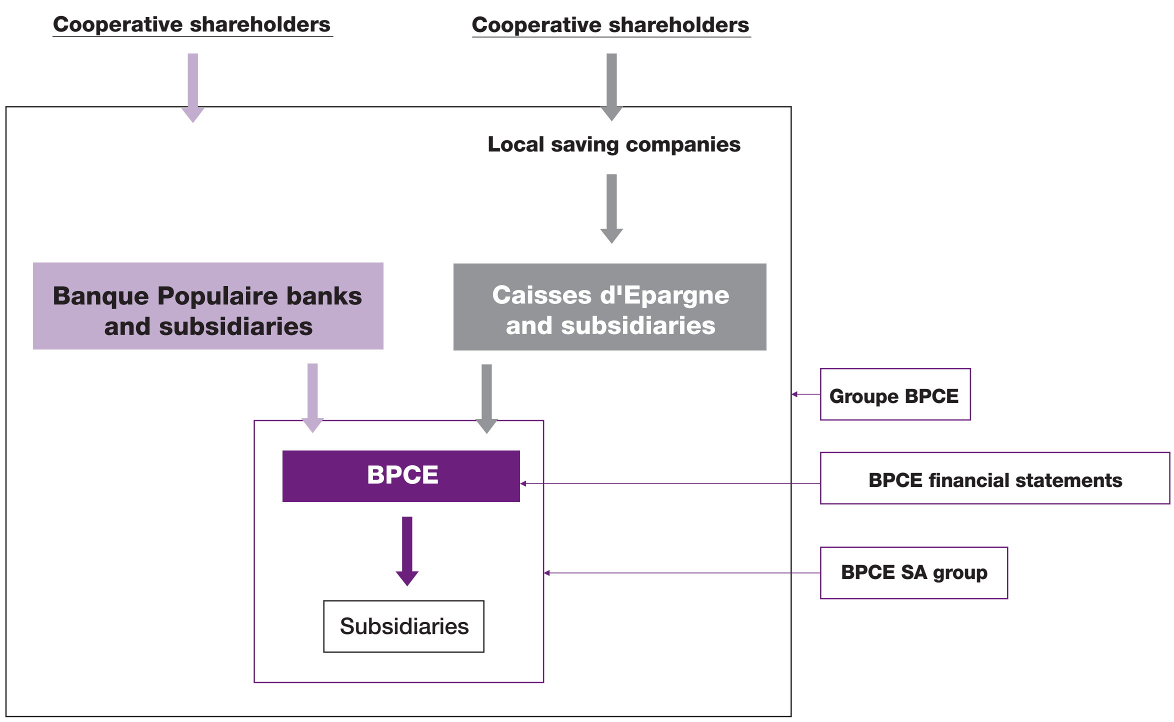
The Combined General Shareholders' Meeting of BPCE, which met on December 17, 2014, resolved to make an extraordinary payment of €174,998,300.44 to the 31,148,464 category A and B shareholders, amounting to €5.6182 per share. This amount was charged in full against additional paid-in capital.

1.3.3 Scopes of consolidation of Groupe BPCE and BPCE SA group

The scopes of consolidation of the two groups, built around the central institution, are described in the following chart.

Apart from BPCE SA group, Groupe BPCE comprises the Banque Populaire banks, the Caisses d'Epargne and their respective subsidiaries.

BPCE SA group includes BPCE and its subsidiaries. The main difference relates to the fact that the parent companies do not contribute to the results of BPCE SA group.



1.4 Key figures 2016

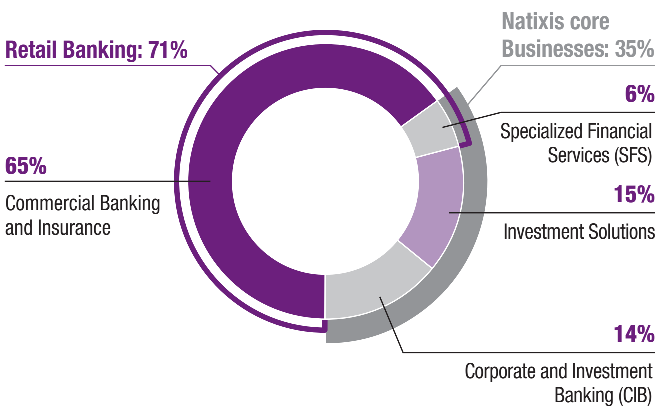
108,000 employees	31.2 million customers	9 million cooperative shareholders	8,000 bank branches

Groupe BPCE

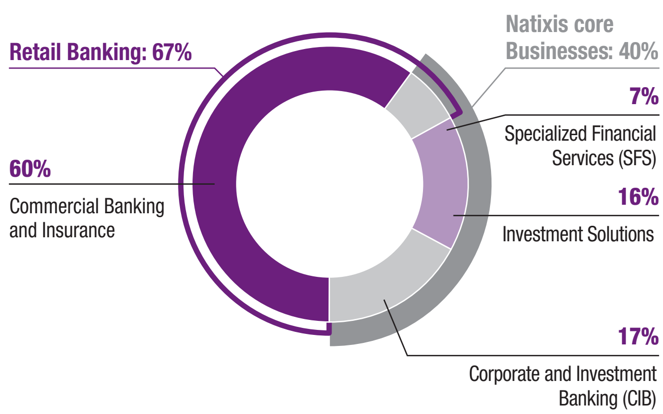
SUMMARY INCOME STATEMENT

in millions of euros	2016	2015	2014
Net banking income	**24,158**	**23,868**	**23,257**
Gross operating income	**7,485**	**7,620**	**6,927**
Cost/income ratio	69.0%	68.1%	70.2%
Cost of risk	1,423	1,832	1,776
Cost of risk in basis points[1]	22	29	29
Income before tax	**6,370**	**6,123**	**5,279**
Net income attributable to equity holders of the parent	**3,988**	**3,242**	**2,907**
ROE	6.9%	5.9%	5.4%

BUSINESS LINE CONTRIBUTION TO GROUP NBI[2] IN 2016 *(as a %)*



BUSINESS LINE CONTRIBUTION TO GROUP INCOME BEFORE TAX[2] IN 2016 *(as a %)*



(1) *Cost of risk in annualized bp on gross customer loan outstandings at the start of the period.*

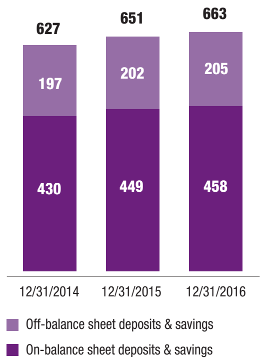
(2) *Excluding the Corporate Center.*

ACTIVITY

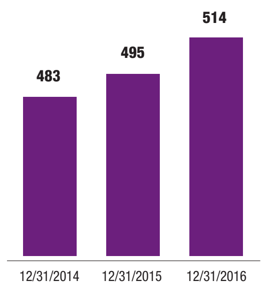
In billions of euros	12/31/2016	12/31/2015	12/31/2014
Balance sheet total	1,235.2	1,166.5	1,223.3
Customer loans (gross loan outstandings)	679.2	629.8	623.3

COMMERCIAL BANKING AND INSURANCE ACTIVITY

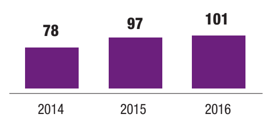
DEPOSITS & SAVINGS *(in €bn)*



LOAN OUTSTANDINGS *(in €bn)*



NEW LOAN PRODUCTION *(in €bn)*

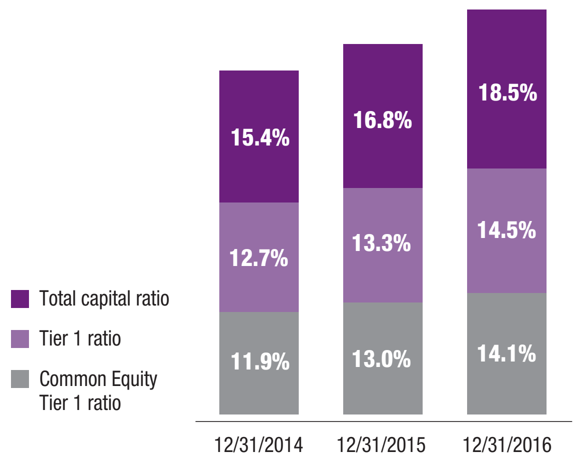


FINANCIAL STRUCTURE AND LIQUIDITY RESERVE

In billions of euros	12/31/2016	12/31/2015	12/31/2014
Equity attributable to equity holders of the parent	61.5	57.6	55.3
Common Equity Tier 1 capital	55.3	50.9	46.6
Tier 1 capital	56.6	52.2	50.0
Total regulatory capital	72.3	65.8	60.5
Liquidity reserve	230	196	192

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

CAPITAL RATIOS



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

CREDIT RATINGS AT DECEMBER 31, 2016

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

	FitchRatings	Moody's	R&I	Standard & Poor's
Long-term rating	A	A2	A	A
Short-term rating	F1	P-1	–	A-1
Outlook	Stable	Stable	Stable	Stable

BPCE SA group

SUMMARY INCOME STATEMENT

in millions of euros	2016	2015	2014
Net banking income	10,781	9,923	8,779
Gross operating income	3,076	2,728	2,119
Income before tax	2,823	2,313	1,745
Net income attributable to equity holders of the parent	**1,664**	**803**	**724**

FINANCIAL STRUCTURE

In billions of euros	12/31/2016	12/31/2015	12/31/2014
Equity attributable to equity holders of the parent	20.2	20.0	21.2
Tier 1 capital	19.4	18.9	20.8
Tier 1 ratio	10.2%	9.8%	10.3%
Total capital ratio	18.4%	16.6%	15.5%

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

1.5 Contacts

www.bpce.fr "Investor Relations" section

Roland Charbonnel,

Head of Group Funding and Investor Relations

1.6 Calendar

May 9, 2017	After market close – Publication of the first quarter 2017 results
May 19, 2017	BPCE Annual General Shareholders' Meeting
August 1, 2017	After market close – Publication of second-quarter and first-half 2017 results
November 7, 2017	After market close – Publication of third-quarter 2017 results
November 29, 2017	Presentation of the new strategic plan for 2018-2020

Calendar pending modification.

1.7 2014-2017 strategic plan: "Another way to grow"

Groupe BPCE's first strategic plan, "Together", was focused on the recovery and construction of the new Group for the 2010 to 2013 period. Groupe BPCE is now a major cooperative banking group, fully dedicated to its customers in the banking and insurance activities and serving economic operators.

The 2014-2017 "Another way to grow" plan is focused on development and transformation, centered on the goal of constantly striving to better meet the expectations and needs of our customers, while reaffirming the Group's cooperative roots.

Our banking and insurance business is entering a new phase in its history, one which requires new growth models in a rapidly-changing banking and economic environment: new regulations, new technologies, new customer behaviors, the globalized economy and changing employee expectations. Groupe BPCE is a decentralized, multi-brand group with the strengths to develop these new business models.

Groupe BPCE has set four development priorities and will be implementing three levers for action.

FOUR DEVELOPMENT PRIORITIES

Creating local banks commanding leading positions in interpersonal and digital customer relations

For our customers, online banking and the physical network are complementary. Both provide the basis of a new innovative relationship model that will offer them a simple, practical and personalized experience. The banks will offer their customers a fully connected banking relationship, with customer advisors continuing to play an essential role, supported by all the modern and innovative resources of a digital enterprise. Processes will be optimized to make them more efficient, user-friendly, helpful and simple for the customer.

Customers will be able to choose how they sign contractual agreements (electronically or on paper, with or without advisor support) and will be able to track credit applications, which will require a commitment on turnaround times. The Group plans to make the entire product range available online. Lastly, each regional bank will adapt its network by opening different branch formats for different customers and regions.

Major projects are underway to achieve the Group's target relationship model, namely a multi-channel approach, online technology (in-branch and remote contract signing, new in-branch technology, mobile internet, etc.), modernization of the physical network, process optimization, effective use of customer data and the human resources impact of transformations, etc.

2016 achievements

- 84% of products and services offered by the Banque Populaire and Caisse d'Epargne network could be subscribed for electronically with the CRM and 58.5% remotely at December 31, 2016
- 74.6% of customers of the Banque Populaire and Caisse d'Epargne network had signed up for online banking at December 31, 2016
- New initiatives in digital banking and payments: launch of the mobile payment solution, Apple Pay; acquisition by S-money, a wholly-owned subsidiary of Groupe BPCE, of a 54.9% stake in Serenipay (which markets Depopass, an alternative solution to bank checks) and a 54.7% stake in E-Cotiz SAS (which markets an online fee management solution for non-profits); and BPCE's acquisition of German digital bank Fidor Bank AG.

Financing our customers, establishing the Group as a major player in savings, and moving away from a "loan-based" approach to an approach based on "financing"

As far-reaching regulatory changes sweep the industry, savings inflows are again becoming a key determining factor in the Group's lending capacity. Groupe BPCE is an important player, with outstanding savings of €640 billion[(1)] at December 31, 2016, and has ambitions to become a major player on the different market segments:

- strong ambition to gain new customers at the Banque Populaire banks and Caisses d'Epargne, particularly in the private banking segment, with an annual growth target for deposits and savings received from private banking customers and a new structure for the Group's wealth management activities, drawing in particular on Banque Privée 1818;
- development of third-party asset management at Natixis, particularly in the international market;
- strategic decision to consolidate the Caisses d'Epargne network's new life insurance business within Natixis as of January 1, 2016 while remaining a long-term partner and shareholder of CNP Assurances.

This ambition goes hand-in-hand with the determination to be able to offer customers a full array of financing solutions in addition to credit offers:

- implementation of the Originate to Distribute model in Natixis' Corporate and Investment Banking division;
- use of Compagnie de Financement Foncier[(2)] by Group companies to provide funding for their long-term loans (loans to local authorities, home loans);
- development of specialized financing solutions (factoring, leasing).

To enhance customer loyalty and increase resources, the retail banking network plans to innovate and expand its day-to-day banking offer, including electronic payment acceptance, international services, payments, value-added services, etc.

2016 achievements

- €48.7 billion in asset management net inflows since 2013[(3)]
- +5.3% annual growth in private banking customer assets[(4)]

(1) Banque Populaire and Caisse d'Epargne network.

(2) SCF: the Group's "société de crédit foncier" – a French covered bond issuer.

(3) Net inflows from 2014 to 2016 at constant scope (excluding DNCA).

(4) CAGR 2013-2016 for the Banque Populaire and Caisse d'Epargne network.

Becoming a fully-fledged bancassurance specialist

Insurance is an integral part of Groupe BPCE's business. In order to capture the full potential of this market, the Group is working to consolidate its position as a fully-fledged bancassurance specialist.

By 2017, the plan provides for an increase in the number of individual customers with non-life, health, or provident insurance coverage. For professional customers, the aim is to create a comprehensive range of insurance products and apply a distribution model drawing first and foremost on the entire sales force, with support from the technical sales teams. For business customers, efforts will focus on sales of employee health insurance and company directors' liability insurance.

The Group has created a single, comprehensive platform within Natixis providing insurance products for the customers of the Banque Populaire banks and the Caisses d'Epargne, and is extending its positioning along the insurance value chain. As part of this drive, Natixis acquired 60% of BPCE Assurances. On February 18, 2015, Groupe BPCE and CNP Assurances signed a definitive agreement to renew their partnership as of January 1, 2016. As of this date, Natixis Assurances will take over all the life insurance policies sold by the Caisse d'Epargne network, while an exclusive partnership for collective payment protection insurance will be set up with Natixis Assurances, as well as specific partnerships in individual and collective provident insurance. Groupe BPCE has confirmed its intention to remain a stable shareholder of CNP Assurances under existing shareholders' agreements.

2016 achievements

- 25% of customers hold non-life, provident, or health insurance coverage
- Non-life, provident and health insurance portfolios: +9.1% in 2016
- Roll-out of the new Natixis life and provident insurance range at all Caisses d'Epargne

Stepping up the pace of the Group's international expansion

In its search for new growth drivers, Groupe BPCE aims to position itself as a global player in asset management, increase Natixis Corporate and Investment Banking's international presence and further develop international retail banking.

Corporate and Investment Banking will favor selective international expansion, with half of its personnel working abroad by 2017. Investment Solutions will continue its international expansion by developing its platform in the United States through investments in new expertise and access to new distribution channels, and with enhanced distribution in dynamic growth regions (Asia, Latin America, Middle East), both through organic growth and *via* local partnerships.

In retail banking, the Group is preparing to seize growth opportunities in the international market, for limited investment amounts. The Group will build its capacity to support international customers through products and services for expatriates, an offer for cross-border commuters and trade finance arrangements.

2016 achievements

- CIB: revenues up 17% in the Asia-Pacific region in 2016
- Acquisition of a 51% stake in US company Peter J. Solomon Company, specializing in independent consulting on mergers & acquisitions and restructuring
- Asset management: inflows of €7bn in Europe in 2016 and stable in the United States

The strategic plan aims to consolidate the Group's main financial ratios by:

- continuing to reinforce the Group's capital in respect of capital adequacy ratios;
- anticipating regulatory deadlines in terms of liquidity. The Group intends to further strengthen its balance sheet structure;
- setting different profitability targets for each entity, depending on their business model.

2016 achievements

- Capital adequacy: Common Equity Tier 1 ratio: 14.3%(1) at December 31, 2016
- Liquidity: LCR > 110% at December 31, 2016
- Cost/income ratio: 70.5% at December 31, 2016(2)
- Further disposals of non-controlling interests in non-core activities: disposal of the remaining stake in Nexity.

(1) *CRR/CRD IV without phase-in measures (except for deferred tax assets on tax loss carryforwards); additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force.*

(2) *Excluding non-economic and non-recurring items.*

TO IMPLEMENT THESE FOUR DEVELOPMENT PRIORITIES, THE GROUP IS DRAWING ON THREE MAJOR LEVERS FOR ACTION

Collective efficiency

The Group is continuing to tap the revenue and cost synergy potential generated under the “Together” plan. In particular, the “Another way to grow” strategic plan includes two new flagship programs for revenue and cost synergies:

- a program of €870 million in revenue synergies between the Banque Populaire banks, the Caisses d’Epargne and Natixis. This program capitalizes on the success of the “Natixis serving network customers” project developed in the previous plan and relates to Specialized Financial Services (consumer credit, employee benefits planning, etc.), Investment Solutions and Insurance businesses (life insurance, private banking and asset management) and Corporate and Investment Banking businesses (fixed income products and loan syndication for SMEs and the public sector);
- a €900 million cost-cutting program that includes several components aimed at simplifying organizations and structures, the efficiency of operational processes, and the pooling of resources. Optimization and streamlining measures are ongoing for information systems, procurement and real estate. This program supports the efforts made in each Group company to ensure the strict management, or reduction, of their cost/income ratios.

2016 achievements

- €623 million in additional revenues between the Banque Populaire banks, the Caisses d’Epargne and Natixis since December 31, 2013
- €686 million in cost synergies since December 31, 2013
- Ongoing reduction in the number of IT platforms with the migration of Banque de la Réunion, Banque des Antilles Françaises and Banque de Saint-Pierre-et-Miquelon to the Mysys platform shared with the Caisses d’Epargne

Individual talents of the men and women in the Group

The involvement of human resources in the implementation of the plan will be enhanced by giving managers a key role to play in achieving collective success. The second priority is to prepare the teams for future changes in the business activities in order to facilitate the success and personal growth of every employee (internal mobility, development of training, particularly training in digital solutions, etc.). In terms of diversity, the Group’s target is for one in every four company directors to be a woman by 2017.

2016 achievements

- Overhaul of the Caisse d’Epargne classification system
- Agreements signed on working conditions for the Banques Populaire banks and Caisses d’Epargne as well as Natixis
- Over 37,000 employees trained in virtual classes
- Diversity qualification

Assertion of Groupe BPCE’s essential difference as a cooperative banking group

Three major initiatives are being undertaken by the Banque Populaire banks, including Crédit Coopératif, CASDEN Banque Populaire and the Caisses d’Epargne: focusing on local presence as a strategic differentiator, making customer advisors the representatives of the Group’s cooperative model and showing proof of our cooperative commitment through quality of service.

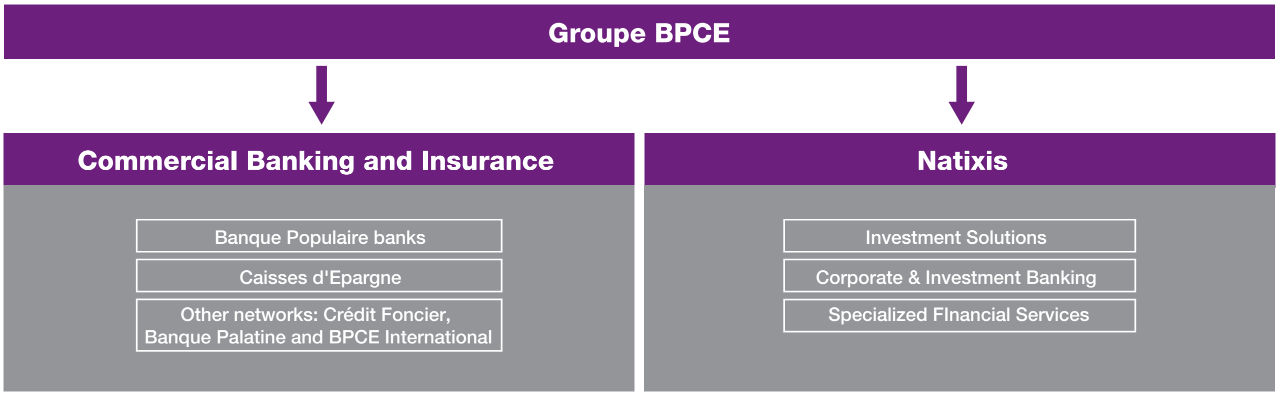
This model is based on a three-way approach involving Group employees (independence of advisors, strengthening of the role played by branch managers, etc.), customers and cooperative shareholders (active involvement in quality control groups, creation of cooperative shareholder clubs, etc.), and the institutions themselves (active involvement in local solidarity and social change, etc.).

2016 achievements

- Launch of a Group CSR strategic approach, in conjunction with the Fédération Nationale des Banques Populaires and the Fédération Nationale des Caisses d’Epargne
- Development of a strategic green-growth plan, detailing the business potential in the environmental transition
- Roll-out of an employee feedback process at key points in their career
- Delivery of the first results of the “Management and Cooperative Governance” Chair at IAE de Paris, funded by Groupe BPCE

1.8 Groupe BPCE's business lines

The economic and regulatory environment in which Groupe BPCE conducts its business is described in Chapters 3 and 4 of the registration document.



1.8.1 Commercial Banking and Insurance

Banque Populaire banks

The Banque Populaire banks were created by and for entrepreneurs. They form the fourth largest banking network in France[1] with 13 Banque Populaire regional banks, CASDEN Banque Populaire, which serves public sector workers, and Crédit Coopératif, a major player in the social and solidarity-based economy. As the No. 1 bank for business customers[2] and franchise-holders[3], the No. 2 bank for craftsmen and small retailers[4], and the No. 3 bank for farmers[1], the Banque Populaire banks continue to "join forces, expand opportunities" alongside their customers.

KEY FIGURES

- **15** Banque Populaire banks
- **4.1** million cooperative shareholders
- **9.2** million customers
- **31,582** employees
- **3,269** branches
- **€241**bn in deposits & savings
- **€182**bn in loan outstandings
- **€6.3**bn in net banking income

IN 2016

- Two major regional banks were established in 2016: Banque Populaire Méditerranée, created from the merger of Banque Populaire Côte d'Azur, Banque Populaire Provençale et Corse and Banque Chaix; and Banque Populaire Auvergne Rhône Alpes, created from the merger of Banque Populaire des Alpes, Banque Populaire Loire et Lyonnais and Banque Populaire du Massif Central.
- The Banque Populaire banks consolidated their momentum with a 6% rise in loan outstandings and a 5% rise in deposits and savings.
- The Banque Populaire mobile app was expanded to include payment solutions such as *Apple Pay* and *Touch ID* technology, allowing customers to access their accounts using their fingerprint.

Individual customers

Always working to expand its digital services and solutions, Banque Populaire now offers *Apple Pay*, a contactless payment solution launched nationwide in 2016, a new mobile banking app with an account aggregator, electronic contract signatures with document transfer by mobile and an express auto insurance simulator. For students participating in study abroad programs, Banque Populaire launched the *Erasmus +x* loan in partnership with the EIF[5], along with a website to help them plan their budget. The number of active and insured individual customers increased by 9.2%, while non-life, provident and health insurance portfolios grew by over 10%.

€28.3bn in new loans, +5.9%

€110bn in loan outstandings, +7%

€143bn in deposits & savings, +5%

339,000 new property and casualty insurance policies

165,000 new provident and health insurance policies

CASDEN Banque Populaire

As of December 2015, CASDEN Banque Populaire, originally created by and for teachers, is the cooperative bank that serves all civil servant customers. To spread the word about its affinity model and dedicated offer, CASDEN worked with the Banque Populaire banks to organize the first Civil Servant Meet-and-Greets, modeled after the National Education Meet-and-Greets held for the past 10 years.

It also developed a partnership-driven strategy, entering into nationwide partnership agreements with mutual insurers and civil service organizations. Over 164,000 new cooperative shareholders joined CASDEN in 2016, including 115,000 outside the national education system.

1.5 million cooperative shareholders

(1) Internal analysis.

(2) TNS SOFRES survey, "Les PME-ETI et les banques" (SMEs/ISEs and their banks), 2015.

(3) 13th annual franchise survey, CSA 2016.

(4) 2013-2014 CSA Pépites survey.

(5) European Investment Fund.

Private Banking

The Private Banking arm of the Banque Populaire banks has built up its teams, optimized its range of products and services, and set up a new private banking website.

It has established ranges of simplified UCITS enriched with funds offered by renowned asset management firms, securing robust inflows in high-end financial products and offers qualifying the business line for a lower wealth tax[1]. It has also developed a specific approach and a tailored offer for company directors with Crédit Foncier Immobilier.

Assets under management are up 4%. Since it was launched at the end of 2014, high-end life insurance policy *Quintessa* has recorded over €2.5 billion in inflows.

351,300 private banking customers[2]

€68bn in assets under management, +4%

Professional customers

Banque Populaire has consolidated its position with professional customers, increasing new customer relationships by 5.1% and by 8.5% for independent professionals.

- Financing

New medium and long-term loans picked up 9.7% to €7.2 billion. €900 million are secured by Socama[2] and the EIF[3], which entered into a new €1 billion agreement for 2017-2018. Banque Populaire can issue loans without personal collateral or with reduced collateral to finance business start-ups, equipment loans and acquisitions.

- New services

The Banque Populaire professional customer app has been downloaded 100,000 times. Customers can access their accounts through digital authentication and send documents to their advisor digitally. Banque Populaire launched *Apple Pay* and *Paiement Express* with small retailers, allowing them to accept debit card payments by sending an e-mail with an embedded link to their customers. The *Liberaletvous* website was overhauled and expanded.

- Partnerships

Banque Populaire entered into a partnership with the CSOEC (French National Chartered Accountants Board) with the aim of helping entrepreneurs. It renewed its partnerships with the *Fédération Française de la Franchise* (French Franchise Federation) and launched a range of banking products and services for CUMAs (French farming equipment cooperatives), supported by a partnership with their national federation.

- Promotion

The *Stars et Métiers* Awards, celebrating talented French craftsmen, is now in its tenth year. The second annual *L'+xpérience* event promoted the expertise of 400 craftsmen and small retailers in 29 cities.

1.1 million professional customers

411,000 craftsmen and small retailers

148,000 self-employed professionals

68,000 farmers

€48.2bn in loan outstandings, +2.4%

Crédit Maritime

Crédit Maritime comprises five regional banks serving the fishing and fish farming industries and yachtsmen with tailored offers, but also individual customers, professional customers and SMEs operating along the coast.

No. 1 bank in the fishing and fish farming industries

(1) *Impôt de solidarité sur la fortune (French wealth tax).*

(2) *AuM of more than €150,000.*

(3) *Mutual Guarantee Companies for the small business sector, of which Banque Populaire is the exclusive partner.*

(4) *European Investment Fund.*

Business and institutional customers

As the leading bank for SMEs[1], Banque Populaire has established a network of some 1,000 specialist employees offering financing solutions to make their plans a reality.

In 2016, the Banque Populaire banks strengthened their commitment to SMEs, with new medium and long-term loans to business customers up 12%.

More than 263,000 associations and organizations working in the social and solidarity-based economy do business with the Banque Populaire banks and Crédit Coopératif, representing an increase of 4%.

- **Innovative companies**

Rolled out in 2016, *Next Innov* is the No. 1 banking network for start-ups and innovative companies, made up of 50 certified business centers, 100 specially trained advisors and regional partners. Rounding out the offer is the *Innov&Plus*[2] loan for innovative companies at attractive conditions and Pramex International's[3] *Implant-up*, designed to promote the international expansion of young innovative companies.

- **Financial engineering and equity investments**

Established in 2016, Banque Populaire Ingénierie Financière provides support to advisors. This onboarding platform draws on specialist areas of expertise across the Banque Populaire network and its subsidiaries to assist SMEs with mergers and acquisitions, strengthening their capital and structured lending.

Entities operating in the social and solidarity-based economy also need capital and quasi-equity for development, mergers and business transmission. Crédit Coopératif provides them with tailored solutions such as *Esfin Gestion*, *Esfin Participations* and investment fund *Impact Coopératif*.

- **International development**

Banque Populaire and Pramex International have become the exclusive banking partners of Stratexio, an association created by MEDEF (French Business Confederation) and the International Chambers of Commerce and Industry to promote the international expansion of SMEs and ISEs.

BRED Banque Populaire, which boasts a substantial international business customer base, is also driving ahead with dynamic growth outside France. In 2016, it opened a bank in Cambodia and a branch in the Salomon Islands.

138,000 business customers

263,000 associations and institutional customers

No. 1 bank for SMEs, with a 38% penetration rate[1]

155 business centers

€24bn in outstanding medium and long-term loans

Crédit Coopératif

A different type of bank: Crédit Coopératif's new slogan clearly reflects its commitment. The bank is determined to work together with its customers to build an economy that **makes a strong contribution to society**.

Two products launched in 2016 reflect this objective admirably: the *Agir* life insurance product, with 20% of its assets invested in the open-ended mutual fund *Choix Solidaire* offered by Ecofi, a subsidiary of Crédit Coopératif, and the *Coopération pour ma région* passbook savings account aimed at funding companies operating in the social and solidarity-based economy in the region of its choice.

Nearly 100,000 cooperative shareholders

336,000 customers

Donations to 53 associations from *Agir* products in 2016: €3.2m

(1) *TNS-Sofres 2015 survey.*

(2) *Via a partnership entered into with the European Investment Fund: a budget of €300 million in EIF-secured loans.*

(3) *A subsidiary of BPCE International, Pramex International is the French leader in consultancy services for SMEs and ISEs looking to set up and conduct operations abroad, and the leading manager of SME/ISE foreign subsidiaries.*

Caisses d'Epargne

Since 1818, the Caisses d'Epargne have represented confidence, solidarity and modernity. The Caisses d'Epargne form the second largest retail banking network in France[1], supporting individual customers and all regional economic players. As the leading bank working to fund the social and solidarity-based economy and the public sector[2], and a key partner in the social housing sector, the Caisses d'Epargne constantly endeavor to earn new customers and promote innovation.

KEY FIGURES

17 Caisses d'Epargne
4.8 million cooperative shareholders
20.6 million customers
36,102 employees
4,182 branches
€399bn in deposits & savings
€236bn in loan outstandings
€7,2bn in net banking income

IN 2016

- In 2016, the Caisses d'Epargne ramped up their development in banking and insurance, consolidating their positions in all markets. Loan outstandings rose 5% and off-balance sheet deposits and savings 2%.
- With *Apple Pay* and *Banxo*, its new mobile banking app, Caisse d'Epargne is constantly innovating to meet the needs of its customers. Highly active on the social networks, it is also in daily contact with its 800,000 fans on its Facebook pages and 107,000 followers on Twitter, with 14 million videos viewed on Youtube.

Individual customers

Caisse d'Epargne has stepped up its bancassurance strategy with a new life and provident insurance range from Natixis Assurances and a new healthcare offer.

It has also expanded its digital services with *Apple Pay*, *SEPAmail* payments, withdrawals by text, online simulators and *Banxo*, the new banking app with an account aggregator and budget management features.

It launched a collateral-free student loan and broadened its range of financial investments to include OPCIs[3] and SCPIs[4].

Home loans, consumer loans and insurance had another strong year in 2016. Inflow momentum remained strong, especially in demand deposits and life insurance products.

€27.9bn in new home loans

€7.1bn in new consumer loans

€11.4bn in life insurance inflows

€329bn in deposits and savings, +1%

€137bn in loan outstandings, +4%

4.7 million non-life, provident and healthcare insurance policies outstanding

Professional customers

The number of active customers grew 5% in 2016, while professional customers who also hold personal accounts picked up 9%. Payment processing flows and new loans increased by 10% and 5%, respectively. Caisse d'Epargne rolled out property and casualty insurance for professionals, launched *Car Lease*, an all-digital long-term vehicle lease financing offer, and *DiagEntrepreneur*, a quick and easy business diagnostics app. In its commitment to support entrepreneurs, Caisse d'Epargne entered into partnerships with the *Les Pionnières* women entrepreneur incubators and the BGE support network.

343,000 craftsmen, small retailer, self-employed professional and small business customers

€2.6bn in new MLT loans

€10.3bn in loan outstandings

Private Banking

Caisse d'Epargne's private banking arm serves 410,000 customers with an approach tailored to each segment: 1,500 wealth management advisors at the branches and 670 specialized account managers backing them up locally. Relations with affluent customers are handled by 35 private bankers, 25 wealth management engineers, and 19 portfolio managers for discretionary portfolio management.

As the No. 2 player in France[5], Caisse d'Epargne continuously works to expand its range and add new digital information tools.

410,000 customers

35 dedicated Private Banking Areas

€112bn in assets under management, +4.7%

(1) *Internal analysis.*
(2) *Banque de France – 12/31/2015.*
(3) *Real estate investment funds.*
(4) *Real estate investment trusts.*
(5) *Xerfi/Precepta survey, June 2014.*

Business customers

The Caisses d'Epargne are funding a growing number of companies, adding 4,184 new business customers in 2016. New loans rose 40.1%. New offers were developed for the insurance (credit insurance with Coface), financing (*Prêt Innovation*) and customer base management (*Vision Dév*) ranges. *Néo Business*, a product for innovative start-ups and companies, is gradually being rolled out across the entire Caisse d'Epargne network with 50 Innovation account managers. 14 private equity entities are operating in the regions.

+15.7% in loan outstandings

+10% in payment processing flows

Nearly 4,200 new business customers

14 private equity entities

Real estate professionals

The Caisses d'Epargne offer financing and signed agreements for all types of projects. They also work alongside regional real estate developers to invest capital via *sociétés foncières* (real estate holding companies).

MLT loan outstandings climbed 8.6%, and short-term loan outstandings 12.8%, as the market made a major comeback in 2016.

€2.8bn in new short-term loans

€1.5bn in MLT loans issued

Public sector

Caisse d'Epargne is a major partner of local authorities and public healthcare institutions, accounting for nearly one-third of their outstanding loans. The network receives funds from the EIB[1] to provide subsidized loans for projects supported by Europe. It relies on Natixis and Crédit Foncier to offer payment solutions, cards, service vouchers, lease financing, financial engineering and public-private partnership solutions. In 2016, it launched a loan on *Livret A* passbook savings accounts and a new website, *Développement & Collectivités*. With all the changes taking place in today's environment, this tool provides local decision-makers with a map that summarizes information on municipalities and inter-municipal organizations, along with simulators to shed light on the decision-making process.

€4bn in new financing for local authorities, groups of local authorities and public-sector hospitals, +28.4%

€34.1bn in loan outstandings

Social housing and semi-public entities

As longstanding partners of social housing organizations, having established relations with 87% of social housing operators, the Caisses d'Epargne are well-versed in meeting the needs of this segment: everyday banking with an extensive set of digital, financing and investment solutions.

They are also private operators in social housing *via* Habitat en Région, which manages 244,000 homes.

Caisse d'Epargne is the leading bank for local public-sector companies as well[2], investing in conjunction with local authorities in renewable energy, water and waste treatment, transportation, digital infrastructures and major tourism projects.

€3.8bn in new loans

€8.9bn in loan outstandings, +5%

€8.1bn in savings deposit outstandings, o/w €4.6 billion in *Livret A* passbook savings account deposits

(1) *European Investment Bank.*

(2) *Survey conducted by Fédération des EPL on local public-sector companies (April 2015).*

Social and solidarity-based economy

The Caisses d'Epargne support nearly 19,000 companies and institutions in the social and solidarity-based economy. New loans increased 16.1% and flows 20% in 2016. Online fund-raising platform *Espace Dons*, launched in 2015, is already used by over 150 regional and national associations.

The social and solidarity-based economy is evolving and opening up more to private-sector funding. In an effort to encourage this trend, Caisse d'Epargne joined the Impact Invest Lab, a marketplace initiative set up to promote innovative projects with a positive social impact.

No. 1 lender in the social and solidarity-based economy, with 20% market share[1]

170 specialist account managers

€773m in new loans, +16.1%

Protected persons

The Caisses d'Epargne offer personalized support and assistance to protected persons and their legal representatives.

150 specialists work directly with legal representatives or assist local advisors at the branches. Their bespoke offer covers the provision of banking products and services, savings solutions, insurance and wealth management services.

No. 1 bank for protected persons[2]

€8.4bn in assets under management for protected persons

324,000 protected persons are customers

(1) *Banque de France/ISBLM scope.*

(2) *French Ministry of Justice – 12/31/2013.*

Other networks

Crédit Foncier

Founded in 1852, Crédit Foncier specializes in real estate loans and services in France. Its objective: to make all real estate projects possible.

KEY FIGURES

- 2,437 employees
- 246 branches
- 7,000 professional real estate partners
- €9.6bn in new loans
- €92.5bn in loan outstandings(1)
- €5.2bn in covered bonds issued by Compagnie de Financement Foncier(2)

IN 2016

- 2016 was the last year of Crédit Foncier's 2012-2016 strategic plan, divided into five major pillars: developing sales, reducing the international assets portfolio, cutting down on operating expenses, diversifying refinancing solutions and building synergies within Groupe BPCE.
- Crédit Foncier forged ahead with its communication strategy, with TV commercials, large-scale institutional events in the provinces and in Paris, and publications of real estate market data and surveys.

Individual customers

Crédit Foncier is a leading player in subsidized and interest-free loans, thereby expanding access to home ownership for low-to-moderate-income families.

In 2016, it set up online services to help individual customers complete the various steps in the home-buying process. Customers can save their property searches and loan simulation results in their personal space. Crédit Foncier also established the first interest-free eco-loan for commonhold properties, to fund energy efficiency renovations in common areas.

€46.4bn in loan outstandings(1)

Professional customers and investors/Community facilities

Together with three Caisses d'Epargne and Banque Palatine, Crédit Foncier helped fund the acquisition of Gécina in the public health asset segment. Of the €70 million contribution, Crédit Foncier handled €19 million in direct funding.

Crédit Foncier also entered into a public-private partnership for the restoration of École Normale Supérieure de Lyon, co-funded with Caisse d'Epargne Rhône Alpes.

€46.1bn in loan outstandings(1)

Real estate services

Crédit Foncier Immobilier leads the market in real estate appraisals in France. In 2016, it became BPCE's sole provider of appraisals for residential properties under litigation.

(1) *Management data adjusted for accounting purposes (IFRS 7).*

(2) *Excluding non-recurring loan repurchases.*

Banque Palatine

Banque Palatine has supported ISEs[1] and their management for over 230 years. Through high value-added consulting services and solutions tailored to their needs, it has forged deep-rooted partnerships and strong relations with each of its customers.

KEY FIGURES

11,600 business customers
70,000 private banking customers
1,208 employees
50 branches
€16.5bn in deposits & savings
€8.1bn in loan outstandings

IN 2016

- In 2016, Banque Palatine boasted robust sales momentum in both markets and continued to modernize.
- Its mobile account-viewing app was optimized. Through a personalized browsing experience, the new institutional website launched in May highlights the tailored support and wide range of expertise offered to its customers.
- The life insurance process and documentary credit sales were partially digitalized.
- Banque Palatine received Gender Equality in the Workplace certification from AFNOR and renewed its commitment to supporting the Sciences-Po "convention d'éducation prioritaire" program aimed at increasing diversity and equal opportunity in higher education.

Business customers

Banque Palatine substantially developed its financing arrangement range and distribution platform in 2016. It also actively supported business lending, with increased synergies benefiting its customers.

In addition, Banque Palatine launched a real estate engineering offer for ISEs.

Finally, its penetration rate in the business customer segment (with customers generating revenue of more than €15 million) topped 10% in 2016, up 1 point per year over the past 4 years.

Banque Palatine is a leading bank for property administrators, helping them navigate the new saving obligations for future commonhold construction by the established deadlines.

Private banking customers

Banque Palatine had an excellent year in terms of core private banking customer acquisition in 2016, boasting robust new loans and financial savings, and rolling out new tax optimization offers in the real estate segment.

Asset management

Palatine Asset Management has built up over €4 billion in assets under management, offering award-winning conviction-based asset management strategies.

In 2016, *Uni Hoche*, a French equity mutual fund launched in 1978; once again took the *Excellences 10 ans* award handed out by *Patrimoine Privé* magazine for the consistency of its performance over a 10-year period.

(1) Intermediate-sized enterprises.

BPCE International

International commercial banking is predominantly developed by BPCE International and its subsidiaries operating in Africa, the Indian Ocean, Vietnam, New Caledonia and Tahiti.

KEY FIGURES

2,964 employees
159 branches
€5.7 bn loan outstandings
€5.3 bn deposits & savings

IN 2016

- The digital transformation has been launched, together with in-house Innovation Awards. Some of the first concrete achievements include BMOI's dynamic bank statement in Madagascar, complete with a visual analysis of available transactions on all screens, and the development of the partnership with Orange Money in Madagascar, Mauritius and Cameroon.
- In Tunisia, BTK received €25 million from the IFC[1] to fund the Tunisian economy. It was also named Most Active Issuing Bank by the EBRD[2] for its remarkable contribution to the EBRD Trade Facilitation Program.
- In Cameroon, Proparco granted a €40 million credit line to BICEC to develop MLT lending to businesses.
- In New Caledonia, where Ingépar opened a branch, Banque de Nouvelle-Calédonie (BNC) entered into a micro-loan partnership with ADIE (French association for the right to economic initiative).
- BNC also joined forces with BPCE International and the AFD (French Development Agency) to provide bank financing of €6.1 million for the construction of a €7.2 million solar power plant.

Ingépar and Pramex International

- Ingépar arranges loans for projects in infrastructure, ship-building, industry, hotels and real estate. It did brisk business in the social housing and transportation assets segments.
- Pramex International is the French leader in consultancy services for start-ups, SMEs and ISEs looking to set up operations and conduct acquisitions abroad. It assists some one thousand French companies each year. Pramex launched its new business plan, set up a subsidiary in Singapore and opened offices in Barcelona and San Francisco in 2016.

BPCE International entities

Africa, Indian Ocean: Banque des Mascareignes (Mauritius), BMOI (Madagascar), BTK (Tunisia), BICEC (Cameroon), BCI (Congo), BNDA[3] (Mali), BCP[3] (Morocco).

Asia-Pacific: Ho Chi Min City branch (Vietnam), Banque de Nouvelle-Calédonie, Banque de Tahiti (French Polynesia).

Europe: Fransabank France[3], Proparco[3] (France), Banca Carige[3] (Italy).

Specialized subsidiaries: Ingépar (financial engineering), Pramex International (international development advisory services).

(1) *International Finance Corporation.*

(2) *European Bank for Reconstruction and Development.*

(3) *Minority holdings.*

1.8.2 Natixis

NATIXIS

Natixis provides international financing, asset management, insurance and financial services to large corporates, financial institutions and institutional investors. It also shares its expertise with Groupe BPCE's retail banking networks and develops products and solutions for their customers in line with the leading standards on the market.

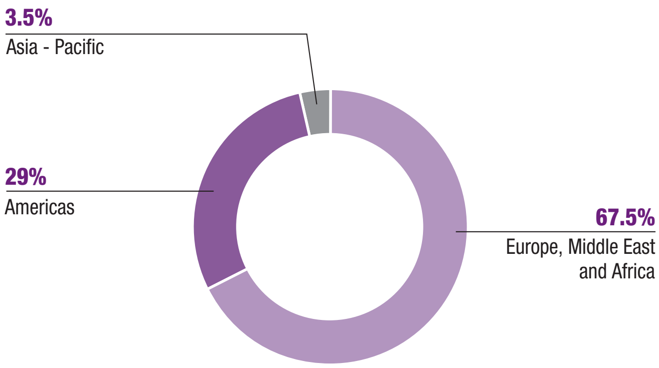
KEY FIGURES

- Over 16,000 employees
- Operating in 36 countries
- €8,7 billion in net banking income(1)
- Listed on Euronext Paris CAC next 20
- Net income before tax – Core businesses(1) €2,7bn

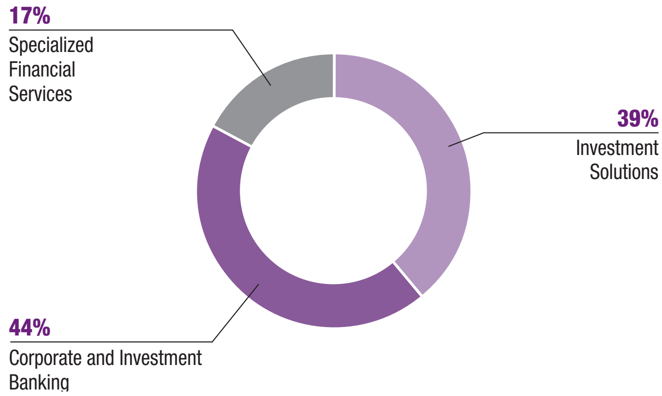
IN 2016

- Natixis furthered the development of its core businesses, in line with its 2014-2017 New Frontier strategic plan, centered on the implementation of value-added solutions, a less capital-intensive business model in Corporate and Investment Banking, and the expansion of asset management and insurance activities. It strengthened synergies with Groupe BPCE's retail banking networks and stepped up the internationalization of its global businesses.
- Year 3 of the New Frontier plan was focused on ramping up the Investment Solutions business lines, with growth in assets under management, particularly in Europe, and fast-tracking the development of insurance business lines. Under the *Assurément#2016* program, Natixis successfully rolled out a new life and provident insurance range across the entire Caisse d'Epargne network.
- In 2016, the Corporate and Investment Banking division developed its international platforms, recording robust growth in Mergers & Acquisitions businesses and strong momentum in the Global Markets, Global Finance and Investment Banking business lines, confirming the validity of the new structure implemented in the first semester.
- Specialized Financial Services continued to expand its activity with the Banque Populaire banks, the Caisses d'Epargne and the other Groupe BPCE networks, with a keen focus on the digital transition.

CONTRIBUTION TO 2016 NBI BY GEOGRAPHIC REGION



CONTRIBUTION TO 2016 INCOME BEFORE TAX(1) BY CORE BUSINESS LINES(1)



(1) *Excluding non-recurring items.*

Investment Solutions

The Investment Solutions division met its strategic development objectives in 2016. With €832 billion in assets under management at end-2016, Natixis Global Asset Management is one of the top asset managers in the world. The year also saw the robust development of the insurance business lines.

- **Asset Management.** Natixis Global Asset Management (NGAM) runs an original multi-boutique model, comprising some 20 different asset management firms worldwide and a global distribution platform. NGAM posted a 4% rise in assets under management in 2016 despite an increasingly challenging environment. Net outflows were recorded in the United States until the fourth quarter, offset by positive inflows in Europe.

The AEW Europe-Ciloger merger (60%-owned by NGAM, 40% by La Banque Postale) in 2016 created a European leader in real estate asset management with over €26 billion in assets under management.

Mirova, a subsidiary specializing in responsible investment, broadened its range in the United States and set up a partnership with the United Nations Convention to Combat Desertification in order to structure the first LDN (Land Degradation Neutrality) fund.

No. 16 asset manager in the world[1]

€831.5bn in assets under management at end-2016

Mirova, No. 2 European SRI open-ended fund manager[2]

- **Insurance.** Offered to the Group networks and their customers, Natixis Assurances rolled out its personal insurance range across the entire Caisse d'Epargne network. It is now the insurer for all of Groupe BPCE.

Natixis Assurances advanced in its digital transformation, with claim submission by text message, personalized videos on life insurance, and an innovative Customer Relations Center.

Revenues, €8.0bn (excluding reinsurance treaty with CNP)

Non-life insurance, +9%

Life insurance, +42%

Personal protection insurance, +4%

Payment protection insurance, +9%

- **Private Banking.** La Banque Privée 1818 and Natixis Private Banking serve the Group networks, independent advisors and their own customers. Net inflows amounted to €1.5bn in 2016.

€29bn in assets under management

Corporate & Investment Banking

Corporate and Investment Banking ended the year on a strong note, posting robust earnings growth rooted in an intelligent asset-light development model and expanding its range of customer solutions. NBI grew 11%, drawing on the efficiency of the new structure implemented in July 2016, centered on three objectives: providing better customer service by encouraging a more extensive strategic dialogue, enhancing the Originate-to-Distribute model, and ramping up the international development of its major global businesses. This success can also be attributed to solid momentum on all three international platforms.

- **Advisory Services.** With the acquisition of a 51% stake in Peter J. Solomon Company in the United States and a very strong showing from Natixis Partners in France, Natixis consolidated its Merger & Acquisitions advisory performance.

No. 4 in Merger & Acquisitions advisory services in France (by number of deals completed in 2016)[3]

- **Financing.** New loans totaled €34 billion in 2016. Major deals included the funding of a 22-strong fleet for aircraft leasing company Goshawk Aviation Limited in Hong Kong, the Merkur offshore wind farm in the North Sea (€1.6bn), modernization of the Toulouse-Blagnac Airport (€102m loan syndicated with Caisse d'Epargne de Midi-Pyrénées, Banque Populaire Occitane and insurer AGEAS).

Natixis expanded its infrastructure lending platform to include non-European investors (South Korean companies KB Insurance and Samsung) and aircraft assets. It also opened a representative office in Geneva to build up its origination capacities in commodity financing.

In real estate lending, Natixis carried out a $1.9bn CMBS securitization deal in the United States.

Furthermore, Natixis funded strategic deals such as FNAC's acquisition of Darty (€1.4bn) and ChemChina's takeover of Syngenta (€12.7bn).

No. 1 Mandated Lead Arranger in Europe and No. 5 worldwide in renewable energy infrastructure financing in 2016[4]

No. 10 Mandated Lead Arranger in project financing worldwide in 2016[3]

- **Capital Markets.** Named "Most Innovative Bank for Equity Derivatives" by *The Banker* magazine in 2016, Natixis has done extensive work developing its wealth management offer and a platform consisting of around 50 different indices.

It consolidated its international development in 2016, particularly on the primary bond market in Asia, where it oversaw the coordination of its first USD bond issue ($500m) for Chinese publicly-listed company Chalco, and on the equity market in the United Kingdom as co-Lead Arranger of a £735 million capital increase for Phoenix Group aimed at funding the acquisition of Abbey Life.

No. 6 arranger of US CLOs[3]

No. 1 bookrunner in France for capital increases, with pre-emptive subscription rights (in terms of amount and number)[5]

No. 2 bookrunner on the Euro primary bond market (in terms of number of issues) for French corporate bond issuers in 2016[6].

(1) Cerulli ranking, July 2016, based on AuM at end-December 2015.
(2) Source: Feri Lipper at 12/31/2015 (excluding money market funds).
(3) Thomson Reuters.
(4) IJ Global.
(5) Bloomberg.
(6) Dealogic.

Specialized Financial Services

Specialized Financial Services boasted another year of solid growth, driven by the roll-out of the Natixis offer across the Group's networks and the addition of new digital services.

- **Consumer Finance.** Natixis Financement develops revolving loan solutions and manages consumer loans. New loans topped €10 billion, up +10% year-on-year, with expanded distance selling. Assets under management neared €20.7 billion at end-2016.

No. 3 in consumer finance in France[1]

- **Lease Financing.** Natixis Lease provides a full range of non-real estate and real estate leasing, long-term vehicle leasing, IT leasing and renewable energy financing through its subsidiary Natixis Energeco. Altogether, it posted €11.7 billion in lease outstandings, up 4% year-on-year with over 121,000 leases.
- **Factoring.** Natixis Factor provides solutions tailored to business customers of all sizes and profiles. New offers were rolled out to construction companies in the Groupe BPCE networks in 2016. Factored receivables amounted to €46.8 billion, up 35% year-on-year, with international business doubling over the year.
- **Film and Audiovisual Financing.** Natixis Coficiné finances the full range of audio-visual professions. New loans exceeded €560 million, predominantly in France and several European countries.

No. 1 in film and audiovisual financing in Europe

- **Employee Benefits Planning.** Natixis Interépargne manages over 2.8 million employee savings accounts in France, totaling €24.4 billion.

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

No. 1 issuer of prepaid cards in France

- **Payments.** Natixis Payment Solutions provides comprehensive payment instrument management services on the domestic, European and international markets, with 21.6 million cards managed and over 4 billion transactions processed in 2016.

As it moved ahead with the transformation of its business model, in November 2016 Natixis announced the establishment of a single Payments business line covering all payment activities for Groupe BPCE: Natixis Payment Solutions, S-money and its subsidiaries (Le Pot Commun, E-Cotiz, Depopass and Payplug). This new business line will roll out new digital business models on the fast-growing mobile payment, e-commerce and point-of-sale solutions markets.

- **Sureties and Guarantees.** Compagnie Européenne de Garanties et Cautions (CEGC) secures €127.7 billion in home loans for individuals, up 12% compared to 2015, and €2 billion for real estate managers (+11%). It also issued over 80,000 guarantees to companies in 2016.

No. 2 provider of home loan guarantees[1]

- **Securities Services.** EuroTitres is No. 2 in retail custody in France[1] and the leading custody sub-contractor[1] for retail and private banking institutions, managing over 3.4 million securities accounts.

(1) Internal analysis.

(2) AFG (French Asset Management Association) at June 30, 2016.

2 CORPORATE GOVERNANCE

2.1 Introduction

In preparing this report, BPCE referred to the Corporate Governance Code for listed companies published in December 2008 and updated in November 2016 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 a cooperative Group's central institution 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 staggered renewal of Board Member terms, Board Member ownership of a material number of shares 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.

Similarly, renewals of BPCE Board Member terms are not yet staggered, in the interest of providing a degree of stability and balanced representation of both Groupe BPCE networks (Banque Populaire and Caisse d'Epargne).

Groupe BPCE's cooperative structure also explains why the Appointments Committee's recommendations regarding the appointment of Board Members only concern members from outside Groupe BPCE.

Regarding a Supervisory Board Member's ownership of a material number of shares, BPCE's Articles of Association take into account the fact that, in accordance with act No. 2008-776 of August 4, 2008, Supervisory Board Members are no longer required to own shares in the company. As a result, BPCE Supervisory Board Members do not own a material number of shares and are not shareholders in a personal capacity, but the two categories of shareholders are represented through their appointment, which ensures that the company's interests are respected.

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.

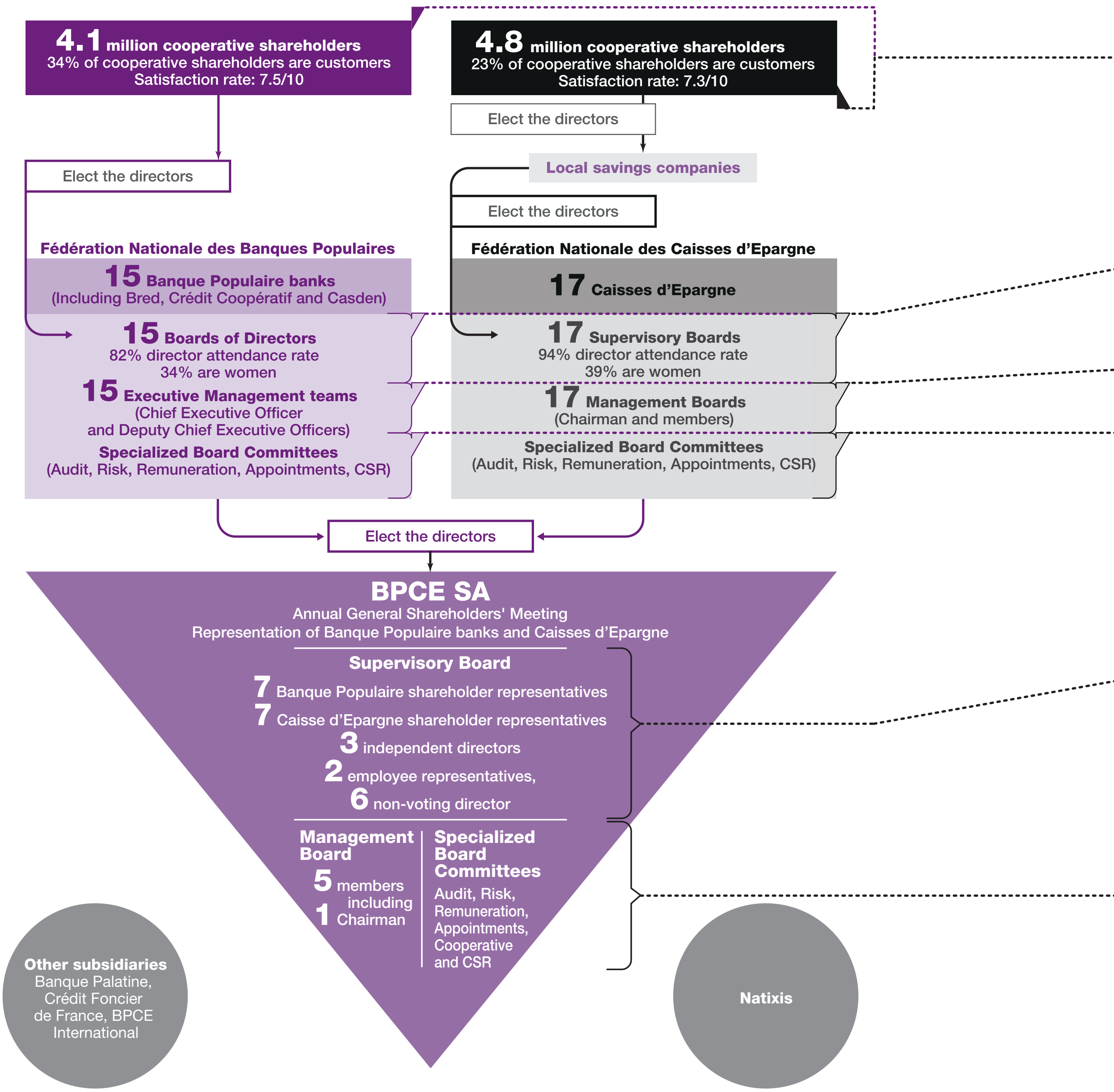
STATEMENT OF COMPLIANCE WITH AFEP-MEDEF CODE RECOMMENDATIONS[1]

Board of Directors: governing body	Recommendations implemented
Board of Directors and the market	Recommendations implemented
Separation of the offices of Chairman of the Board of Directors and Chief Executive Officer	N/A
Board of Directors and strategy	Recommendations implemented
Board of Directors and Annual General Shareholders' Meeting	Recommendations implemented
Composition of the Board of Directors: guidelines	Recommendations implemented
Employee representation	Recommendations implemented
Minority shareholders	N/A
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 not implemented (six-year term, no staggered terms and no ownership of a material number of shares)
Board committees	Recommendations implemented
Audit Committee	Recommendations partly implemented (not followed regarding proportion of independent directors on the committee)
Committee responsible for selection or 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
Company director pay	Recommendations implemented
Transparency regarding company director pay	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.

2.2 Management and Supervisory Bodies

2.2.1 Groupe BPCE governance structure



Cooperative shareholders:
- hold 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;
- oversee the management provided by Management Boards and Chief Executive Officers.

Executive Management teams of the Banque Populaire banks and Management Boards of the Caisses d'Epargne:
- attend Board of Directors/SSB meetings, on invitation;
- run the company;
- manage budgets.

Specialized Board Committees:
- prepare the Board's decisions and provide recommendations.

BPCE SA Supervisory Board:
- approves the policy and strategic guidelines of Groupe BPCE and each of the networks;
- checks and controls the financial statements.

Audit Committee:
- responsible for preparing financial information, the statutory audit of the annual and consolidated financial statements by the Statutory Auditors, and their independence.

Risk Committee:
- responsible for assessing the effectiveness of internal control and risk management systems.

Appointments Committee:
- makes recommendations to the Supervisory Board regarding the selection of Supervisory Board members, non-voting directors and individuals from outside the Group, and the appointment of the Chairman of the Management Board.

Remuneration Committee:
- makes recommendations to the Board regarding the amounts and conditions of pay granted to members of the Management Board, the pay granted to the Chairman of the Board and the distribution of attendance fees among Board members.

Cooperative and CSR Committee:
-in charge of making proposals and recommendations aimed at promoting the cooperative and social values of long-term commitment, and professional and interpersonal ethics, while also ensuring that Group and network activities represent these values, thereby strengthening the cooperative banking model of the Group and each of the networks.

2.2.2 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 by the Extraordinary Shareholders' Meeting of December 17, 2014, 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 may not 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.

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. BPCE Supervisory Board Member duties will therefore end at the close of the Ordinary General Shareholders' Meeting held in 2021 to rule on the financial statements for the fiscal year ending December 31, 2020.

Supervisory Board Members may be re-elected, subject to no limitations other than age (age limit: 70) contained in the Articles of Association, in accordance with Article 21 of BPCE's Articles of Association. However, 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.

GENDER EQUALITY

At December 31, 2016, six out of the total 19 members of the BPCE Supervisory Board were women (*i.e.* over 35.29%). 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, 2016, BPCE was therefore in compliance with the provisions of the Copé Zimmermann act of January 27, 2011 on the balanced representation of women and men on Boards of Directors and Supervisory Boards. The composition of the Board complies with the 20% representation requirement, which by law must have been reached by 2014. The Supervisory Board's compliance in terms of its composition will be appraised at the end of the Annual General Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2016.

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 December 16, 2015, Supervisory Board Members:

- take care to maintain their independence of judgement, 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).

(1) A complete description of the shareholder categories is provided in section 7.2.2 "Category A and B shares".

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 judgement."

An independent member must not:

- be an employee or 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 a government representative, a civil servant or an employee of Société de Prise de Participation de l'État (SPPE) or any other entity in which the government has a direct or indirect controlling interest;
- be a corporate officer of a company in which the company directly or indirectly holds a directorship or in which a designated employee or a 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 judgement;
- have a close family link with a 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 corporate officer of the company for more 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 term "corporate officer" refers to any person who assumes, in the company or in any of Groupe BPCE's companies, executive management duties, *i.e.* any Chairman, Chairman of the Board of Directors or Management Board, member of the Management Board, Chief Executive Officer or Deputy Chief Executive Officer of the company or any Groupe BPCE companies, except for members of the Board of Directors or Supervisory Board, provided they do not collect any form of pay from the company or any Groupe BPCE companies other than the attendance fees paid by the company or their pay as Chairman or Vice-Chairman of the Supervisory Board.

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 May 6, 2015, the Appointments Committee reviewed the independent status of Maryse Aulagnon, Marwan Lahoud and Marie-Christine Lombard, based on the criteria defined by the Supervisory Board's internal rules.

MEMBERS

The table below lists the members of the Supervisory Board as at December 31, 2016[(1)].

With regard to the Chairman:

- on May 22, 2015, the Supervisory Board appointed Pierre Valentin as its Chairman and Stève Gentili as its Vice-Chairman for a two-year term ending with the adjournment of the Annual General Shareholders' Meeting convened to approve the financial statements for 2016, which is scheduled to take place in May 2017.

With regard to members:

- at its meeting on December 16, 2015, the Supervisory Board appointed Alain Condaminas as a member of the Supervisory Board and as a member of the Risk Committee for the remaining term of Catherine Halberstadt, who was appointed as a member of the Management Board of BPCE in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE.

At December 31, 2016

SB: Supervisory Board

BD: Board of Directors

SSB: Steering and Supervisory Board

(1) The biographies of Supervisory Board Members are available in section 2.2.4.

Office	Date of appointment renewal	Term of office ends in	Business address
Chairman of the Supervisory Board	**05/22/2015**	**2017**	
Pierre Valentin Member of the Supervisory Board of BPCE Chairman of the Steering and Supervisory Board 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
Vice-Chairman of the Supervisory Board	**05/22/2015**	**2017**	
Stève Gentili Member of the Supervisory Board of BPCE Chairman of BRED Banque Populaire	05/22/2015	2021	BRED Banque Populaire 18, quai de la Rapée – 75604 Paris Cedex 12
Banque Populaire bank representatives			
Thierry Cahn Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne	05/22/2015	2021	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
Pierre Desvergnes Chairman of the Board of Directors of CASDEN Banque Populaire	05/22/2015	2021	CASDEN Banque Populaire 91, cours des Roches – Noisiel – 77424 Marne-la-Vallée Cedex 2
Yves Gevin Chief Executive Officer of Banque Populaire Rives de Paris	05/22/2015	2021	Banque Populaire Rives de Paris Immeuble Sirius – 76-78, avenue de France 75204 Paris Cedex 13
Michel Grass Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté	05/22/2015	2021	Banque Populaire Bourgogne Franche-Comté 5, avenue de Bourgogne – BP 63 21802 Quetigny Cedex
André Joffre Chairman of the Board of Directors of Banque Populaire du Sud	05/22/2015	2021	Banque Populaire du Sud 38, bd Georges-Clemenceau 66966 Perpignan Cedex 09
Caisses d'Epargne representatives			
Catherine Amin-Garde Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche	05/22/2015	2021	Caisse d'Epargne Loire Drôme Ardèche Espace Fauriel – 17, rue P et D Pontchardier – BP 147 42012 Saint-Étienne Cedex 02
Astrid Boos Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace	05/22/2015	2021	Caisse d'Epargne Alsace 1, avenue du Rhin – 67925 Strasbourg Cedex 9
Françoise Lemalle Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur	05/22/2015	2021	Caisse d'Epargne Côte d'Azur 455, promenade des Anglais – BP 3297 – 06205 Nice Cedex 03
Stéphanie Paix Chairman of the Management Board of Caisse d'Epargne Rhône Alpes	05/22/2015	2021	Caisse d'Epargne Rhône Alpes 42, boulevard Eugène-Deruelle – BP 3276 69404 Lyon Cedex 3
Didier Patault Chairman of the Management Board of Caisse d'Epargne Ile-de-France	05/22/2015	2021	Caisse d'Epargne Ile-de-France 26, 28 rue Neuve Tolbiac – 75013 Paris
Nicolas Plantrou Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie	05/22/2015	2021	Caisse d'Epargne Normandie 151, rue d'Uelzen – 76230 Bois-Guillaume
Independent members			
Maryse Aulagnon Chairman of the Board of Directors of Affine Group	05/22/2015	2021	Affine 39 rue de Washington – 75008 Paris
Marwan Lahoud Member of the Executive Committee, Deputy Chief Executive Officer in charge of Corporate Strategy and Marketing at Airbus Group	05/22/2015	2021	Airbus Group SAS 5 quai Marcel-Dassault – 92152 Suresnes Cedex
Marie-Christine Lombard Chairman of the Management Board of Geodis	05/22/2015	2021	Geodis 26 quai Michelet – 92309 Levallois Cedex
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
Dominique Martinie(1) Chairman of Fédération Nationale des Banques Populaires	03/12/2014	2017	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(2) Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes	11/08/2016	2021	Banque Populaire Auvergne Rhône Alpes 4 boulevard Eugène Deruelle – 69003 Lyon
Alain Lacroix Chairman of the Management Board of Caisse d'Epargne Provence-Alpes-Corse	05/22/2015	2021	Caisse d'Epargne Provence-Alpes-Corse Place Estrangin-Pastré – 13254 Marseille Cedex 06
Gonzague de Villèle Chief Executive Officer of Banque Populaire Val de France	05/22/2015	2021	Banque Populaire Val de France 9, avenue Newton 78183 Saint-Quentin-en-Yvelines Cedex

(1) Non-Voting Director as of right.

(2) At the Supervisory Board Meeting of November 8, 2016, Daniel Karyotis, Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes, was appointed as a Non-Voting Director on the Supervisory Board (replacing Pascal Marchetti, who resigned).

COMPOSITION OF BOARD COMMITTEES

Audit Committee

The Audit Committee has been chaired, since May 22, 2015, by Marwan Lahoud, independent member, member of the Executive Committee and Deputy Chief Executive Officer in charge of Corporate Strategy and Marketing at Airbus Group;

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;
- Marie-Christine Lombard, independent member, Chairman of the Management Board of Geodis;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Ile-de-France;
- Nicolas Plantrou, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie.

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 2.2.5.

Risk Committee

The Risk Committee has been chaired, since May 22, 2015, by Marie-Christine Lombard, independent Board Member and Chairman of the Management Board of Geodis.

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;
- Michel Grass, Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté;
- Marwan Lahoud, independent member, member of the Executive Committee and Deputy Chief Executive Officer in charge of Corporate Strategy and Marketing at Airbus Group;
- Françoise Lemalle, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur;
- Stéphanie Paix, Chairman of the Management Board of Caisse d'Epargne Rhône Alpes.

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 2.2.5.

Appointments Committee

The Appointments Committee has been chaired, since May 22, 2015, by Maryse Aulagnon, independent Board Member and Chairman of the Board of Directors of Affine.

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;
- Astrid Boos, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace;
- Pierre Desvergnes, Chairman of the Board of Directors of CASDEN Banque Populaire;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- André Joffre, Chairman of the Board of Directors of Banque Populaire du Sud;
- 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 2.2.5.

Remuneration Committee

The Remuneration Committee has been chaired, since May 22, 2015, by Maryse Aulagnon, independent Board Member and Chairman of the Board of Directors of Affine.

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;
- Astrid Boos, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace;
- Pierre Desvergnes, Chairman of the Board of Directors of CASDEN Banque Populaire;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Vincent Gontier, employee representative;
- André Joffre, Chairman of the Board of Directors of Banque Populaire du Sud;
- 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 2.2.5.

Cooperative and CSR Committee

The Cooperative and CSR Committee has been chaired since July 30, 2015 by Dominique Martinie, Chair of FNBP and Non-Voting Director as of right.

The other members of the Cooperative and CSR Committee were selected on the basis of their expertise and professional experience:

- Jean Arondel, Chairman of FNCE and a Non-Voting Director as of right;

- Stève Gentili, Vice-Chairman of the Supervisory Board of BPCE and Chairman of the Board of Directors of BRED Banque Populaire;
- 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;
- Pierre Valentin, Chairman of the Supervisory Board of BPCE and Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon.

The biographies of Cooperative and CSR Committee members are available in section 2.2.5.

2.2.3 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

At its meeting on April 22, 2016, the Supervisory Board:

- accepted the resignation, effective May 2, 2016, of Daniel Karyotis as a member of the Management Board and CEO in charge of Finance, Risks and Operations, following his appointment as Chief Executive Officer of Banque Populaire du Massif Central;
- accepted the resignation, effective May 17, 2016, of Jean-Yves Forel as a member of the Management Board and CEO in charge of Commercial Banking and Insurance, following his appointment as Chief Executive Officer in charge of Transformation and Operational Excellence at BPCE;
- appointed Marguerite Bérard-Andrieu, on the recommendation of the Chairman of the Management Board, as a member of the Management Board and CEO in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies, effective May 2, 2016 and for the remainder of Daniel Karyotis' term of office, expiring at the adjournment of the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2019;
- appointed Laurent Roubin, on the recommendation of the Chairman of the Management Board, as a member of the Management Board and CEO in charge of Commercial Banking and Insurance, effective May 17, 2016 and for the remainder of Jean-Yves Forel's term of office, expiring at the adjournment of the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2019.

From January 1, 2016 to May 2, 2016

François Pérol, Chairman of the Management Board
Jean-Yves Forel, Member of the Management Board in charge of Commercial Banking and Insurance
Catherine Halberstadt, Member of the Management Board in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE
Daniel Karyotis, Member of the Management Board in charge of Finance, Risks and Operations
Laurent Mignon, Member of the Management Board, Chief Executive Officer of Natixis

From May 2, 2016 to May 17, 2016

François Pérol, Chairman of the Management Board
Marguerite Bérard-Andrieu, Member of the Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies of BPCE
Jean-Yves Forel, Member of the Management Board in charge of Commercial Banking and Insurance
Catherine Halberstadt, Member of the Management Board in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE
Laurent Mignon, Member of the Management Board, Chief Executive Officer of Natixis

Since May 17, 2016

François Pérol, Chairman of the Management Board
Marguerite Bérard-Andrieu, 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 Mignon, Member of the Management Board, Chief Executive Officer of Natixis
Laurent Roubin, Member of the Management Board in charge of Commercial Banking and Insurance

2.2.4 BPCE Management bodies

EXECUTIVE MANAGEMENT COMMITTEE

François Pérol, Chairman of the Management Board

Marguerite Bérard-Andrieu, Chief Executive Officer[1] in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies of BPCE

Catherine Halberstadt, Chief Executive Officer[1] in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE

Laurent Mignon, Chief Executive Officer of Natixis

Laurent Roubin, Chief Executive Officer[1] in charge of Commercial Banking and Insurance

Jacques Beyssade, Deputy Chief Executive Officer in charge of Risk, Compliance and Permanent Control

Jean-Yves Forel, Chief Executive Officer[1] in charge of Transformation and Operational Excellence

Yves Tyrode, Group Chief Digital Officer[1]

EXECUTIVE COMMITTEE

In addition to the members of the Executive Management Committee, the Executive Committee includes:

Géraud Brac de La Perrière, Head of Group Inspection Générale

Frédéric Chenot, Head of Development for the Banque Populaire banks

Bruno Deletré, Chief Executive Officer of Crédit Foncier

Pierre-Yves Dréan, Chief Executive Officer of Banque Palatine

Nicolas Duhamel, Advisor to the Chairman of the Management Board, in charge of Public Affairs

Pierre Foucry, Head of Financial Planning and Strategy

Céline Haye-Kiousis, Head of Group Legal Affairs and Corporate Secretary's Office of the Group Supervisory Board

Olivier Irisson, Group Chief Financial Officer

Jean-Pierre Levayer, Chief Executive Officer of BPCE International

Yves Messarovitch, Head of Group Communications

Cédric Mignon, Head of Development for the Caisses d'Epargne

Pascale Parquet, Corporate Secretary of the Risk, Compliance and Permanent Control division

(1) The title of Chief Executive Officer is not governed by Article L. 225-66 of the French Commercial Code.

2.2.5 Directorships and offices held by corporate officers

SUPERVISORY BOARD

The composition of the Supervisory Board at December 31, 2016 was as follows.

For the Caisse d'Epargne network

Pierre VALENTIN
Born February 6, 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 has 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 the 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 on May 22, 2015.

Offices held at December 31, 2016

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** (formerly Clinique Bonnefon)

Legal Manager: SCI Les Trois Cyprès**

Terms of office expired in 2016

Legal Manager: SCI Les Amandiers** (until December 29, 2015)

Offices held at December 31 in previous years

2015	2014	2013	2012
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** (formerly Clinique Bonnefon) **Legal Manager**: SCI Les Trois Cyprès**, SCI Les Amandiers**	**Member of the Supervisory Board and the 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** (formerly Clinique Bonnefon) **Legal Manager**: SCI Les Trois Cyprès**, SCI Les Amandiers**	**Member of the Supervisory Board and the 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, Association Maison de Santé Protestante d'Alès** (formerly Clinique Bonnefon), Pierre et Lise Immobilier**, FNCE, Natixis* **Legal Manager**: SCI Les Trois Cyprès**, SCI Les Amandiers**	**Member of the Supervisory Board of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon** **Chairman of the Board of Directors**: SLE Vallée des Gardons **Vice-Chairman of the Supervisory Board**: Banque Palatine **Member of the Supervisory Board**: Banque Palatine **Director**: CE Holding Promotion, Association Maison de Santé Protestante d'Alès** (formerly Clinique Bonnefon), Pierre et Lise Immobilier**, FNCE **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.

Catherine AMIN-GARDE
Born March 8, 1955

Ms. Amin-Garde holds advanced degrees in both History and European Studies. She joined Groupe Caisse d'Epargne in 1984.

She is currently a representative of the Prefect in the Drôme region and Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche.

Offices held at December 31, 2016

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 (since January 9, 2016)

Director: FNCE, CE Holding Participations (formerly CE Holding Promotion), Natixis Interépargne

Terms of office expired in 2016

Chairman: Fondation Loire Drôme Ardèche (until January 1, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
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	**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	**Member of the Supervisory Board 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
Born November 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, 2016

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)**, a simplified joint stock company (since July 22, 2016)

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)

Terms of office expired in 2016

Legal Manager: BOOS Expertise Comptable et Audit (BEC)** (until July 22, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
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	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors**: Fondation CE Solidarité, Maison de Santé Amreso-Bethel** **Legal Manager**: BOOS Expertise Comptable et Audit (BEC)** **Director**: Banque Privée 1818, Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**, FNCE	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors**: Fondation CE Solidarité, Maison de Santé Amreso-Bethel** **Legal Manager**: BOOS Expertise Comptable et Audit (BEC)** **Director**: Banque Privée 1818, 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.

Françoise LEMALLE
Born January 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 first sat on the Steering and Supervisory Board as a Non-Voting Director and since 2009 has served as Chairman of the LSC. She also became a member of the Audit Committee that same year.

Since 2013, she has also been a director at IMF Créa-Sol** and a member of its Audit Committee.

Offices held at December 31, 2016

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

Terms of office expired in 2016

-

Offices held at December 31 in previous years

2015	2014	2013	2012
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**	**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**	**Member of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors**: SLE CECAZ (SLE Cannes)

* *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
Born March 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 has been Chairman of the Management Board of Caisse d'Epargne Rhône Alpes since end-2011.

Offices held at December 31, 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 (since July 26, 2016)

Director: Natixis*, Siparex Associés**, CE Holding Participations (formerly 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, ERILIA (since June 3, 2016), 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

Terms of office expired in 2016

Director: Crédit Foncier (until May 10, 2016)

Offices held at December 31 in previous years

2015

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)

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

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

2013

Chairman of the Management Board of Caisse d'Epargne Rhône Alpes

Chairman of the Board of Directors: Banque du Léman (Switzerland)

Chairman: Agence Lucie**

Chairman of the Supervisory Board: Rhône Alpes PME Gestion**

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

2012

Chairman of the Management Board of Caisse d'Epargne Rhône Alpes

Chairman: Agence Lucie**

Chairman of the Supervisory Board: Rhône Alpes PME Gestion**

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

** 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 February 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 in charge of Group development strategy in CNCE's 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).

Offices held at December 31, 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 (since January 1, 2016)

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 2016

Permanent Representative of CEIDF, Director: Immobilière 3F** (until April 26, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
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)	**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	**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) **Member of the Supervisory Board**: GCE Capital **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	**Member of the Supervisory Board of BPCE** **Chairman of the Management Board of Caisse d'Epargne Bretagne Pays de Loire** **Chairman and Chief Executive Officer**: SODERO **Chairman of the Supervisory Board**: SODERO Gestion, BATIROC Bretagne Pays de Loire **Chairman of the Board of Directors**: SODERO Participations, SA des Marchés de l'Ouest **Member of the Supervisory Board**: GCE Capital **Director**: Natixis*, Natixis Coficiné, Mancelle Habitation, Compagnie de Financement Foncier – SCF, CE Holding Promotion **Permanent Representative of CEBPL, Director**: Pays de la Loire Développement, SEMITAN, NAPF, FNCE **Permanent Representative of CEBPL, Member of the Supervisory Board**: IT-CE (formerly GCE Technologies)

* *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.

Nicolas PLANTROU
Born December 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 a BPCE Supervisory Board Member.

Offices held at December 31, 2016

Member of the Supervisory Board and the Audit Committee of BPCE

Chairman of the Steering and Supervisory Board of Caisse d'Epargne et de Prévoyance 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, Fil Seine

Terms of office expired in 2016

Director: Banque Privée 1818 (until September 12, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
Member of the Supervisory Board and the Audit Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne et de Prévoyance 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, Fil Seine	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne et de Prévoyance 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**	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne et de Prévoyance 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, Coface SA, Banque Privée 1818, Fil Seine **Legal Manager**: Cabinet Plantrou – de La Brunière et Associés SELARL**, SCPP Sarl**, CMA Audit Sarl**	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne et de Prévoyance 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, Coface SA, Banque Privée 1818, Fil Seine, Sodifroid** **Legal Manager**: Cabinet Plantrou – de La Brunière et Associés SELARL**, SCPP Sarl**, CMA Audit Sarl**

* *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.

For the Banque Populaire network

Stève GENTILI
Born June 5, 1949

Stève Gentili has been Chairman of BRED Banque Populaire since 1998. Until 2004, he was CEO of a major agribusiness company.

He is also Chairman of the Agence des Banques Populaires de France pour la Coopération et le Développement (ABPCD – Banque Populaire Agency for Cooperation and Development) and President of the economic organization for the summit of the Heads of State of French-speaking countries.

Offices held at December 31, 2016

Vice-Chairman of the Supervisory Board and Member of the Cooperative and CSR Committee of BPCE

Chairman of the Board of Directors of BRED Banque Populaire

Chairman of the Board of Directors: Banque Internationale de Commerce – BRED, COFIBRED, Natixis Institutions Jour, Pramex International

Director: BCI Mer Rouge, Prépar IARD, Promepar Gestion, BICEC, BRED Cofilease, SPIG, BRED Gestion

Member of the Supervisory Board: Prépar-Vie

Permanent Representative of BRED, Chairman of the Board of Directors: NJR Invest

Terms of office expired in 2016

Chairman of the Board of Directors: BRED Gestion (until May 23, 2016), BRED Cofilease (until May 19, 2016), SPIG (until May 14, 2016)

Director: Natixis Algérie (until June 14, 2016), Société des Eaux du Touquet Paris Plage et Extensions** (until May 20, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
Vice-Chairman of the Supervisory Board and Member of the Cooperative and CSR Committee of BPCE **Chairman of the Board of Directors of BRED Banque Populaire** **Chairman of the Board of Directors**: Banque Internationale de Commerce – BRED, BRED Cofilease, BRED Gestion, COFIBRED, SPIG, Natixis Institutions Jour, Pramex International (formerly Natixis Pramex International Milan) **Director**: Natixis Algérie, BCI Mer Rouge, Prépar IARD, Promepar Gestion, BICEC, Société des Eaux du Touquet Paris Plage et Extensions** **Member of the Supervisory Board**: Prépar-Vie **Permanent Representative of BRED, Chairman of the Board of Directors**: NJR Invest	**Chairman of the Supervisory Board of BPCE** **Chairman of the Board of Directors of BRED Banque Populaire** **Chairman of the Board of Directors**: Banque Internationale de Commerce – BRED, BRED Cofilease, BRED Gestion, COFIBRED, SPIG, Natixis Institutions Jour **Director**: Natixis Algérie, Natixis Pramex International Milan, BCI Mer Rouge, Prépar IARD, Promepar Gestion, BICEC, Veolia**, Société des Eaux du Touquet Paris Plage et Extensions** **Member of the Supervisory Board**: Prépar-Vie **Permanent Representative of BRED, Chairman of the Board of Directors**: NJR Invest	**Vice-Chairman of the Supervisory Board of BPCE** **Chairman of the Board of Directors of BRED Banque Populaire** **Chairman of the Board of Directors**: Banque Internationale de Commerce – BRED, BRED Cofilease, BRED Gestion, COFIBRED, SPIG, Natixis Institutions Jour **Director**: Natixis*, Natixis Algérie, Natixis Pramex International Milan, BCI Mer Rouge, Bercy Gestion Finances +**, Thales**, Prépar IARD, Promepar Gestion, BICEC, Veolia**, Société des Eaux du Touquet Paris Plage et Extensions** **Member of the Supervisory Board**: Prépar-Vie **Permanent Representative of BRED, Chairman of the Board of Directors**: NJR Invest	**Vice-Chairman of the Supervisory Board of BPCE** **Chairman of the Board of Directors of BRED Banque Populaire** **Chairman of the Board of Directors**: Banque Internationale de Commerce – BRED, BRED Cofilease, BRED Gestion, COFIBRED, SPIG, Natixis Institutions Jour **Director**: Natixis*, Natixis Algérie, Natixis Pramex International Milan, BCI Mer Rouge, Bercy Gestion Finances +**, Thales**, Prépar IARD, Promepar Gestion, BICEC, Veolia**, Banca Carige **Member of the Supervisory Board**: Prépar-Vie **Permanent Representative of BRED, Chairman of the Board of Directors**: NJR Invest

** 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.

Thierry CAHN
Born September 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 President 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, 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*

Terms of office expired in 2016

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Offices held at December 31 in previous years

2015	2014	2013	2012
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*	**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*	**Member of the Supervisory Board and Audit and Risk Committee of BPCE** **Chairman of the Board of Directors of Banque Populaire d'Alsace** **Member of the Board of Directors**: Natixis*	**Member of the Supervisory Board of BPCE** **Chairman of the Board of Directors of Banque Populaire d'Alsace** **Member of the Supervisory Board**: Banque Palatine

* *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 April 6, 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, 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

Permanent Representative of Banque Populaire Occitane: IRDI**

Permanent Representative of Banque Populaire Occitane, Member of the Supervisory Board: IRDI GESTION**

Permanent Representative of Banque Populaire Occitane, Member of the Supervisory Board: 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

Terms of office expired in 2016

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Offices held at December 31 in previous years

2015	2014	2013	2012
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 **Permanent Representative of Banque Populaire Occitane**: IRDI** **Permanent Representative of Banque Populaire Occitane, Member of the Supervisory Board**: IRDI GESTION** **Permanent Representative of Banque Populaire Occitane, Member of the Supervisory Board**: 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	**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 **Permanent Representative of Banque Populaire Occitane**: IRDI** **Permanent Representative of Banque Populaire Occitane, Member of the Supervisory Board**: 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	**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, Vice-Chairman of the Board of Directors**: CELAD SA** **Permanent Representative of Banque Populaire Occitane, Director**: i-BP **Permanent Representative of Banque Populaire Occitane**: IRDI** **Permanent Representative of Banque Populaire Occitane, Member of the Supervisory Board**: 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	**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, Vice-Chairman of the Board of Directors**: CELAD SA** **Permanent Representative of Banque Populaire Occitane, Director**: i-BP **Permanent Representative of Banque Populaire Occitane**: IRDI** **Permanent Representative of Banque Populaire Occitane, Member of the Supervisory Board**: 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

* *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 DESVERGNES
Born November 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 subsequently Chairman and Chief Executive Officer of CASDEN Banque Populaire from 2002 to 2015. Currently, he is Chairman of the Board of Directors of CASDEN Banque Populaire.

He is Vice-Chairman of ESPER 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, 2016

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE

Chairman of the Board of Directors of CASDEN Banque Populaire

Chairman of the Board of Directors: 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

Permanent Representative of CASDEN Banque Populaire, Director: Parnasse Services

Legal Manager: Inter Promo

Terms of office expired in 2016

Director: Union Mutualiste Retraite (UMR)** (until June 22, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE **Chairman of the Board of Directors of 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 of 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	**Member of the Supervisory Board and the Appointments and Remuneration Committee of BPCE** **Chairman and Chief Executive Officer of CASDEN Banque Populaire** **Chairman of the Board of Directors**: Parnasse Finance **Director**: Crédit Foncier, Banque Monétaire Financière, Parnasse MAIF SA, Union Mutualiste Retraite (UMR)** **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 of BPCE** **Chairman and Chief Executive Officer of CASDEN Banque Populaire** **Chairman of the Board of Directors**: Parnasse Finance **Director**: Crédit Foncier, Banque Monétaire Financière, Parnasse MAIF SA, Union Mutualiste Retraite (UMR)** **Permanent Representative of CASDEN Banque Populaire, Chairman**: SAS Finance, SAS Parnasse Espace 1, SAS Parnasse Espace 2 **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.

Yves GEVIN
Born September 2, 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 EMLYON 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, 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)

Terms of office expired in 2016

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Offices held at December 31 in previous years

2015	2014	2013	2012
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	**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	**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**: Sociétariat Banque Populaire Rives de Paris **Member of the Supervisory Board**: Naxicap Partners **Director**: Compagnie Européenne de Garanties et Cautions (CEGC), Natixis Private Equity **Permanent Representative of Banque Populaire Rives de Paris, Director**: i-BP	**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**: Sociétariat Banque Populaire Rives de Paris **Director**: Compagnie Européenne de Garanties et Cautions (CEGC), Natixis Private Equity, FNBP **Permanent Representative of Banque Populaire Rives de Paris, Director**: i-BP

* *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.

Michel GRASS
Born November 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.

Offices held at December 31, 2016

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*, SA HLM Brennus Habitat**

Terms of office expired in 2016

Director: Natixis Global Asset Management (until September 13, 2016), Banque Palatine (until September 13, 2016)

Deputy Mayor of the City of Sens (until October 21, 2016)

Vice-Chairman: Sénonais combined district council (until January 4, 2016)

Associate Member: Yonne Chamber of Commerce and Industry (until November 15, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
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** **Deputy Mayor** of the City of Sens **Vice-Chairman**: 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*, NGAM, Banque Palatine **Deputy Mayor** of the City of Sens **Associate Member**: Yonne Chamber of Commerce and Industry **Commercial Court Judge,** Sens **Secretary**: Conference of Banques Populaires Chairmen	**Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté** **Vice-Chairman**: FNBP **Member of the Supervisory Board of**: Banque Palatine **Director**: Natixis*, NGAM **Commercial Court Judge,** Sens **Associate Member**: Yonne Chamber of Commerce and Industry **Secretary**: Conference of Banques Populaires Chairmen	**Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté** **Vice-Chairman**: FNBP **Director**: NGAM **Legal Manager**: SARL 2G Conseil **Commercial Court Judge,** Sens **Associate Member**: Yonne Chamber of Commerce and Industry **Secretary**: Conference of Banques Populaires 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.

André JOFFRE
Born December 31, 1953

After earning a Bachelor's Degree in Mathematics and Technology André Joffre obtained a postgraduate degree (DEA) in Mechanical and Energy Engineering before earning a Master of Science in Engineering at ENSAM.

Twenty-five years ago, Mr. Joffre founded Tecsol, one of the leading French engineering firms specializing in solar power, where he currently serves as Chairman and Chief Executive Officer. He is also Chairman of the DERBI (development of renewable energy) competitive cluster and Chairman of Qualit'Enr (certification of professionals in the renewable energy sector).

Offices held at December 31, 2016

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE

Chairman of the Board of Directors of Banque Populaire du Sud

Chairman and Chief Executive Officer: Tecsol**

Vice-Chairman: Banque Dupuy, de Parseval, Banque Marze

Director: Natixis Factor

Legal Manager: Tecsol Presse**

Permanent Representative of Banque Populaire du Sud, Director: Caisse Régionale du Crédit Maritime La Méditerranée

Terms of office expired in 2016

Director: Banque Privée 1818 (until September 12, 2016), FNBP (until June 9, 2015)

Offices held at December 31 in previous years

2015	2014	2013	2012
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE	**Chairman of the Board of Directors of Banque Populaire du Sud**	**Chairman of the Board of Directors of Banque Populaire du Sud**	**Chairman of the Board of Directors of Banque Populaire du Sud**
Chairman of the Board of Directors of Banque Populaire du Sud	**Chairman and Chief Executive Officer**: Tecsol**	**Chairman and Chief Executive Officer**: Tecsol**	**Chairman and Chief Executive Officer**: Tecsol**
Chairman and Chief Executive Officer: Tecsol**	**Vice-Chairman**: Banque Dupuy, de Parseval, Banque Marze	**Vice-Chairman**: Banque Dupuy, de Parseval, Banque Marze	**Vice-Chairman**: Banque Dupuy, de Parseval, Banque Marze
Vice-Chairman: Banque Dupuy, de Parseval, Banque Marze	**Director**: Banque Privée 1818, Natixis Factor, FNBP	**Director**: Banque Privée 1818, Natixis Factor, FNBP	**Director**: Banque Privée 1818, Natixis Factor, FNBP
Director: Banque Privée 1818, Natixis Factor, FNBP	**Permanent Representative of Banque Populaire du Sud, Chairman**: SAS Sociétariat	**Permanent Representative of Banque Populaire du Sud, Chairman**: SAS Sociétariat	**Permanent Representative of Banque Populaire du Sud, Chairman**: SAS Sociétariat
Legal Manager: Tecsol Presse**	**Permanent Representative of Banque Populaire du Sud, Director**: Caisse Régionale du Crédit Maritime La Méditerranée	**Permanent Representative of Banque Populaire du Sud, Director**: Caisse Régionale du Crédit Maritime La Méditerranée	**Permanent Representative of Banque Populaire du Sud, Director**: Caisse Régionale du Crédit Maritime La Méditerranée
Permanent Representative of Banque Populaire du Sud, Director: Caisse Régionale du Crédit Maritime La Méditerranée	**Legal Manager**: Tecsol Presse**	**Legal Manager**: Tecsol Presse**	**Legal Manager**: Tecsol Presse**

** 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 July 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 as a member of a capital markets advisory team.

Offices held at December 31, 2016

Member of the Supervisory Board and the Remuneration Committee of BPCE – Employee representative

Terms of office expired in 2016

-

Offices held at December 31 in previous years

2015	2014	2013	2012
Member of the Supervisory Board and the Remuneration Committee of BPCE – Employee representative	None	None	None

Frédéric HASSAINE
Born May 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, 2016

Member of the Supervisory Board of BPCE – Employee representative

Terms of office expired in 2016

-

Offices held at December 31 in previous years

2015	2014	2013	2012
Member of the Supervisory Board – Employee representative	None	None	None

* *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.

Independent Members

Maryse AULAGNON
Born April 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, 2016

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** (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, Liquidator: 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 2016

Chairman and Chief Executive Officer: Affine R.E.*/** (until December 31, 2016)

Chairman of the Management Board: MAB-Finances** (until June 30, 2016)

Offices held at December 31 in previous years

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, Liquidator: 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, Liquidator: 2/4 Haussmann**

Permanent Representative of ATIT, Legal Manager: Parvis Lille**

2013

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**

Permanent Representative of Affine, Chairman: Banimmo*/**, Capucine Investissements**, Les 7 Collines**, Promaffine**

Permanent Representative of Affine, 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, Liquidator: 2/4 Haussmann**

Permanent Representative of ATIT, Legal Manager: Parvis Lille**

Permanent Representative of MAB-Finances, Member of the Executive Committee: Concerto Développement**

2012

Member of the Supervisory Board of BPCE – Independent Member

Chairman and Chief Executive Officer: Affine SA.*/**

Chairman: MAB-Finances**

Director: Air France KLM*/**, Veolia Environnement*/**, Affiparis*/**, Holdaffine**

Permanent Representative of Affine, Chairman: Banimmo**, Gesfimmo SAS**, Capucine Investissements**, Les 7 Collines**, Promaffine**

Permanent Representative of Affine, Legal Manager: Nevers Colbert**, ATIT**, Brétigny**, Les Jardins des Quais**

Permanent Representative of Promaffine, Legal Manager: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**

Permanent Representative of ATIT, Liquidator: 2/4 Haussmann**

Permanent Representative of ATIT, Legal Manager: Parvis Lille**

Permanent Representative of MAB-Finances, Member of the Executive Committee: Concerto Développement**

Marwan LAHOUD
Born March 6, 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-President in charge of mergers and acquisitions.

Since 2007, he has been Deputy Chief Executive Officer in charge of Corporate Strategy and Marketing and a member of the Executive Committee of Airbus Group.

Offices held at December 31, 2016

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**

Terms of office expired in 2016

Member of the Executive Committee: Airbus Group*/** (until February 28, 2017)

Chairman: Airbus Group SAS*/** (until February 28, 2017)

Offices held at December 31 in previous years

2015	2014	2013	2012
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**	**Member of the Supervisory Board and Chairman of the Audit and Risk Committee of BPCE – Independent Member** **Member of the Executive Committee**: EADS*/** **Chairman**: EADS France*/** **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**: EADS*/** – Head of Corporate Strategy and Marketing **Director**: Technip*/** (Independent Member), 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
Born December 6, 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, 2016

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**

Terms of office expired in 2016

-

Offices held at December 31 in previous years

2015	2014	2013	2012
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 and the Audit and Risk Committee of BPCE – Independent Member** **Chairman of the Management Board**: Geodis SA** **Member of the Supervisory Board**: Groupe Keolis SAS** **Member of the Board of Directors**: BMVirolle** **Member of the Executive Committee**: Fondation EMLYON Entrepreneurs pour le Monde** **Director and Member of the Steering Committee**: Union TLF**	**Member of the Supervisory Board of BPCE – Independent Member** **Chief Executive Officer**: Geodis SA** **Member of the Supervisory Board**: Groupe Keolis SAS**

**   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.

Non-Voting Directors

Jean ARONDEL
Born April 12, 1950

Offices held at December 31, 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)
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: Coface SA*

Terms of office expired in 2016

Permanent Representative of Caisse d'Epargne Loire-Centre, Director: Natixis Lease (until August 24, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
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 **Observer**: Annual General Shareholders' Meeting and the Board of Directors of the European Savings Banks Group (ESBG) **Permanent Representative of Caisse d'Epargne Loire-Centre, Director**: Natixis Lease, Coface SA*	**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, Coface SA*, FNCE	**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, Coface SA (formerly SAS Coface Holding), FNCE	**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, SAS Coface Holding, 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.

Pierre CARLI
Born August 21, 1955

Offices held at December 31, 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

Terms of office expired in 2016

Director: Midi Capital (until January 11, 2016)
Member of the Board of Directors: Fondation Caisse d'Epargne pour la Solidarité (until January 16, 2016)
Permanent Representative of CEMP, Director: SEM Tourisme** (until February 16, 2016)

Offices held at December 31 in previous years

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: Regional Committee (Midi-Pyrénées) of the Fédération Bancaire Française**
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**

2013

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: Capital Finance Tofinso, Midi 2I**, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne, Ecureuil Immo
Chairman: Sorepar
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
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: SEM Tourisme**, SEMECCEL**
Permanent Representative of Midi Foncière: Saint-Exupéry Montaudran**
Permanent Representative of SOREPAR, Member of the Board of Directors: SEM OPPIDEA

2012

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: Capital Finance Tofinso, Midi 2I**, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne
Chairman: Sorepar
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, SAS Coface Holding
Member of the Supervisory Board: Ecureuil Service SAS
Permanent Representative of CEMP, Member of the Supervisory Board: CE Syndication Risque, IT-CE, Tofinso Investissement
Permanent Representative of CEMP, Member: Association Promo Accueil**, Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEM Tourisme**, SEMECCEL**
Permanent Representative of Midi Foncière: Saint-Exupéry Montaudran**

Daniel KARYOTIS (since November 8, 2016)
Born February 9, 1961

Offices held at December 31, 2016

Non-Voting Director on the Supervisory Board of BPCE (since November 8, 2016)

Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes (formerly Banque Populaire des Alpes) (since October 11, 2016)

Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Vice-Chairman: Banque de Savoie (since October 11, 2016)

Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director: i-BP (since October 11, 2016), Compagnie des Alpes (since October 11, 2016), Pramex International (since October 11, 2016)

Terms of office expired in 2016

Chief Executive Officer of Banque Populaire du Massif Central (May 2-December 7, 2016)

Chief Executive Officer of Banque Populaire Loire et Lyonnais (October 28-December 7, 2016)

Member of the Management Board of BPCE, CEO in charge of Finance, Risks and Operations (until May 2, 2016)

Deputy Chief Executive Officer: CE Holding Participations (formerly CE Holding Promotion) (until May 3, 2016)

Permanent Representative of BPCE, Director: Natixis* (until May 1, 2016), Crédit Foncier (until May 1, 2016), CE Holding Participations (formerly CE Holding Promotion) (until May 3, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
Member of the Management Board of BPCE, CEO in charge of Finance, Risks and Operations	**Member of the Management Board of BPCE – Finance, Risks and Operations**	**Member of the Management Board of BPCE – Finance, Risks and Operations**	**Member of the Management Board of BPCE – Finance, Risks and Operations**
Deputy Chief Executive Officer: CE Holding Promotion	**Deputy Chief Executive Officer**: CE Holding Promotion	**Deputy Chief Executive Officer**: CE Holding Promotion	**Director**: Coface SA
Permanent Representative of BPCE, Director: Natixis*, Crédit Foncier, CE Holding Promotion	**Member of the Board of Directors**: Nexity*	**Member of the Board of Directors**: Nexity*	**Permanent Representative of BPCE, Director**: Crédit Foncier
	Permanent Representative of BPCE, Director: Natixis*, Crédit Foncier, CE Holding Promotion	**Permanent Representative of BPCE, Director**: Natixis*, Crédit Foncier, CE Holding Promotion	

* *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 LACROIX
Born March 25, 1953

Offices held at December 31, 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, Logirem
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)
Full Member of the Strategy Committee: Averroes**
Member of the Executive Board: UPE 13
Elected Member: CCIMP**
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade
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, Member of the Supervisory Board: IT-CE
Permanent Representative of CEPAC, Member of the Management Board: PRIMAVERIS
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA, Erilia (since June 3, 2016)

Terms of office expired in 2016

Director: Erilia (until June 3, 2016), Erixel (until January 22, 2016)
Member of the Supervisory Board: CE Capital (until November 16, 2016)
Permanent Representative of CEPAC, Chairman of the Board of Directors: Banque de la Réunion (until May 1, 2016), Banques des Antilles Françaises (until May 1, 2016), Banque de Saint-Pierre et Miquelon (until May 1, 2016), CEFIM (until December 16, 2015)

Offices held at December 31 in previous years

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 of the Executive Board: UPE 13
Elected Member: 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 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

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
Elected Member: 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

2013

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 (formerly GCE Capital)
Member of the Executive Board: UPE 13
Elected Member: 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, GCE Syndication Risque
Permanent Representative of CEPAC, Member of the Management Board: Primaveris
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA

2012

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, Natixis Financement, Natixis Consumer Finance, FNCE, Habitat en Région** (association)
Full Member of the Strategy Committee: Averroes**
Member of the Supervisory Board: GCE Capital
Member of the Executive Board: UPE 13
Elected Member: 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, GCE Syndication Risque
Permanent Representative of CEPAC, Member of the Management Board: Primaveris
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA, Habitat Guyanais

Pascal MARCHETTI (until November 8, 2016)
Born June 13, 1964

Offices held at December 31, 2016

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Terms of office expired in 2016

Non-Voting Director on the Supervisory Board of BPCE (until November 8, 2016)

Chief Executive Officer of Banque Populaire des Alpes (until October 10, 2016)

Director: Banque Palatine (until September 5, 2016), Coface SA* (until October 10, 2016)

Member of the Supervisory Board: NAXICAP Partners (until October 10, 2016)

Permanent Representative of Banque Populaire des Alpes, Chairman: SAS Sociétariat Banque Populaire des Alpes (until October 10, 2016), SAS BPA Atout Participations (until October 10, 2016)

Permanent Representative of Banque Populaire des Alpes, Vice-Chairman: Banque de Savoie (until October 10, 2016)

Permanent Representative of Banque Populaire des Alpes, Member of the Steering and Supervisory Board: Innovafonds (until October 10, 2016)

Permanent Representative of Banque Populaire des Alpes, Director: Priam Banque Populaire (until October 10, 2016), i-BP (until October 10, 2016), Compagnie des Alpes (until October 10, 2016), Pramex (until October 10, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
Non-Voting Director on the Supervisory Board of BPCE **Chief Executive Officer of Banque Populaire des Alpes** **Director**: Banque Palatine, Coface SA* **Member of the Supervisory Board**: NAXICAP Partners **Permanent Representative of Banque Populaire des Alpes, Chairman**: SAS Sociétariat Banque Populaire des Alpes, SAS BPA Atout Participations **Permanent Representative of Banque Populaire des Alpes, Vice-Chairman**: Banque de Savoie **Permanent Representative of Banque Populaire des Alpes, Member of the Steering and Supervisory Board**: Innovafonds **Permanent Representative of Banque Populaire des Alpes, Director**: Priam Banque Populaire, i-BP, Compagnie des Alpes, Pramex	**Chief Executive Officer of Banque Populaire des Alpes** **Director**: Banque Palatine, Coface SA* **Member of the Supervisory Board**: NAXICAP Partners **Permanent Representative of Banque Populaire des Alpes, Chairman**: SAS Sociétariat Banque Populaire des Alpes, SAS BPA Atout Participations **Permanent Representative of Banque Populaire des Alpes, Vice-Chairman**: Banque de Savoie **Permanent Representative of Banque Populaire des Alpes, Member of the Board of Directors**: Compagnie des Alpes **Permanent Representative of Banque Populaire des Alpes, Member of the Steering and Supervisory Board**: Innovafonds **Permanent Representative of Banque Populaire des Alpes, Director**: GIE Priam Banque Populaire, i-BP	**Chief Executive Officer of Banque Populaire des Alpes** **Director**: Banque Palatine, Coface SA (formerly SAS Coface Holding) **Member of the Supervisory Board**: NAXICAP Partners **Permanent Representative of Banque Populaire des Alpes, Chairman**: SAS Sociétariat Banque Populaire des Alpes, SAS BPA Atout Participations **Permanent Representative of Banque Populaire des Alpes, Vice-Chairman**: Banque de Savoie **Permanent Representative of Banque Populaire des Alpes, Member of the Board of Directors**: Compagnie des Alpes **Permanent Representative of Banque Populaire des Alpes, Member of the Steering and Supervisory Board**: Innovafonds **Permanent Representative of Banque Populaire des Alpes, Director**: GIE Priam Banque Populaire, i-BP	**Chief Executive Officer of Banque Populaire des Alpes** **Director**: Banque Palatine, SAS Coface Holding **Member of the Supervisory Board**: NAXICAP Partners **Permanent Representative of Banque Populaire des Alpes, Chairman**: SAS Sociétariat Banque Populaire des Alpes, SAS BPA Atout Participations **Permanent Representative of Banque Populaire des Alpes, Vice-Chairman**: Banque de Savoie **Permanent Representative of Banque Populaire des Alpes, Member of the Board of Directors**: Compagnie des Alpes **Permanent Representative of Banque Populaire des Alpes, Member of the Steering and Supervisory Board**: Innovafonds **Permanent Representative of Banque Populaire des Alpes, Director**: GIE Priam Banque Populaire, i-BP

*　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 MARTINIE
Born December 19, 1947

Offices held at December 31, 2016

Non-Voting Director on the Supervisory Board and Chairman of the Cooperative & 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)

Terms of office expired in 2016

Chairman of the Board of Directors of Banque Populaire du Massif Central (until December 7, 2016)
Director: Université d'Auvergne (foundation) (until February 29, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
Non-Voting Director on the Supervisory Board and Chairman of the Cooperative & 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)	**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)	**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**: Banque Populaire Corporate Foundation, BENAC (SAS) **Vice-Chairman**: THEA (SA) **Director**: Natixis Assurances, Natixis Private Equity, BPCE IOM, BP Développement (SA), Institut Français de Mécanique Avancée, Université d'Auvergne (foundation)	**Chairman of the Board of Directors of Banque Populaire du Massif Central** **Chairman of the Board of Directors**: BCI (CONGO) **Chairman**: Banque Populaire Corporate Foundation, BENAC (SAS) **Vice-Chairman**: THEA (SA) **Director**: Natixis Assurances, Natixis Private Equity, BPCE IOM, BP Développement (SA), Institut Français de Mécanique Avancée, Université d'Auvergne (foundation)

* *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.

Gonzague DE VILLÈLE
Born January 23, 1953

Offices held at December 31, 2016

Non-Voting Director on the Supervisory Board of BPCE
Chief Executive Officer of Banque Populaire Val de France
Chairman: Sociétariat Banque Populaire Val de France, Val de France Transactions
Chairman of the Supervisory Board: Ouest Croissance Gestion
Member of the Supervisory Board: Patrimoine et Commerce**
Director: Banque Privée 1818, i-BP, BPCE IT, Banque Tuniso-Koweitienne
Permanent Representative of BPVF, Chairman: Ouest Ingénierie Financière
Permanent Representative of BPVF, Member: Ouest Croissance Gestion

Terms of office expired in 2016

Member of the Supervisory Board: Banque Palatine (until September 13, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
Non-Voting Director on the Supervisory Board of BPCE **Chief Executive Officer of Banque Populaire Val de France** **Chairman**: Sociétariat Banque Populaire Val de France, Val de France Transactions **Chairman of the Supervisory Board**: Ouest Croissance Gestion **Member of the Supervisory Board**: Banque Palatine, Patrimoine et Commerce** **Director**: Banque Privée 1818, i-BP, BPCE IT, Banque Tuniso-Koweitienne **Permanent Representative of BPVF, Chairman**: Ouest Ingénierie Financière **Permanent Representative of BPVF, Member**: Ouest Croissance Gestion	**Chief Executive Officer of Banque Populaire Val de France** **Chairman**: Sociétariat Banque Populaire Val de France, Val de France Transactions **Chairman of the Supervisory Board**: Ouest Croissance Gestion **Member of the Supervisory Board**: Banque Palatine, Patrimoine et Commerce**, Ouest Croissance **Director**: Banque Privée 1818, i-BP, Banque Tuniso-Koweitienne **First Vice-Chairman**: FNBP **Permanent Representative of BPVF, Member**: Ouest Croissance Gestion	**Chief Executive Officer of Banque Populaire Val de France** **Chairman**: Sociétariat Banque Populaire Val de France, Val de France Transactions **Chairman of the Supervisory Board**: Ouest Croissance Gestion **Member of the Supervisory Board**: Banque Palatine, Patrimoine et Commerce** **Director**: Banque Privée 1818, i-BP, Banque Tuniso-Koweitienne **First Vice-Chairman**: FNBP **Permanent Representative of BPVF, Member**: Ouest Croissance Gestion	**Chief Executive Officer of Banque Populaire Val de France** **Chairman**: Sociétariat Banque Populaire Val de France, Val de France Transactions **Chairman of the Supervisory Board**: Ouest Croissance Gestion **Member of the Supervisory Board**: Banque Palatine, Patrimoine et Commerce** **Director**: Banque Privée 1818, i-BP, FNBP, Banque Tuniso-Koweitienne

* *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.

Management Board

François PÉROL
Born November 6, 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 in charge of 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.

On July 31, 2009, he became Chairman of the Management Board of Groupe BPCE and was re-appointed on November 21, 2012 and November 16, 2015. He is also Chairman of the Board of Directors of Natixis and Crédit Foncier.

Offices held at December 31, 2016

Chairman of the BPCE Management Board

Chairman of the Board of Directors: Natixis*, Crédit Foncier

Chairman: CE Holding Participations (formerly CE Holding Promotion), a simplified joint stock company

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*

Terms of office expired in 2016

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Offices held at December 31 in previous years

2015	2014	2013	2012
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*	**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*	**Chairman of the BPCE Management Board** **Chairman of the Board of Directors**: Natixis*, Crédit Foncier **Chairman**: CE Holding Promotion, Groupement Européen des Caisses d'Epargne **Vice-Chairman**: Fédération Bancaire Française** **Director**: CNP Assurances*/**, Sopassure, Natixis*, Crédit Foncier, CE Holding Promotion, Musée d'Orsay** (until September 21, 2013) **Permanent Representative of BPCE, Chairman**: Banque Populaire Création **Permanent Representative of BPCE, Legal Manager**: SCI Ponant + **Permanent Representative of BPCE, General Partner**: SCA Ecufoncier **Permanent Representative of BPCE Maroc, Director**: Banque Centrale Populaire*	**Chairman of the BPCE Management Board** **Chairman of the Board of Directors**: Natixis*, Crédit Foncier **Chairman**: CE Holding Promotion, Groupement Européen des Caisses d'Epargne **Director**: CNP Assurances*/**, Sopassure, Natixis*, Crédit Foncier, Musée d'Orsay** **Permanent Representative of BPCE, Chairman**: Banque Populaire Création **Permanent Representative of BPCE, Legal Manager**: SCI Ponant + **Permanent Representative of BPCE, General Partner**: SCA Ecufoncier **Permanent Representative of BPCE Maroc, Director**: Banque Centrale Populaire* **Member of the Executive Committee**: Fédération Bancaire Française**

* *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.

Marguerite BÉRARD-ANDRIEU (since May 2, 2016)

Born December 31, 1977

Ms. Bérard-Andrieu is a graduate of the Institut d'Études Politiques in Paris and Princeton University and an alumnus of the École Nationale d'Administration. She began her career in 2004 as an Inspector General in the French Finance Ministry (Inspection Générale des Finances). From 2007 to 2010, she served as a technical advisor and, subsequently, advisor to the President of the French Republic, with responsibility for employment and social protection issues. She then ran the Office of the Minister of Labor, Employment and Health in the French government from November 2010 to May 2012. Since July 2012, she has been the member of the Executive Management Committee in charge of Strategy, Legal Affairs, the Corporate Secretary's Office and Compliance.

Since May 2016, Marguerite Bérard-Andrieu has been the member of the BPCE Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies. She is also a Director of SCOR*/** and HAVAS*/** and a member of the Steering Committee of Institut Montaigne.

Offices held at December 31, 2016

Member of the Management Board of BPCE, Chief Executive Officer – Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies

Chairman of the Board of Directors: S-money

Deputy Chief Executive Officer: CE Holding Participations (formerly CE Holding Promotion) (effective May 3, 2016)

Director: SCOR*/**, Havas*/** (effective May 10, 2016)

Permanent Representative of BPCE, Director: Coface SA*, Crédit Foncier (effective May 1, 2016), Natixis* (effective May 1, 2016)

Permanent Representative of BPCE: CE Holding Participations (formerly CE Holding Promotion) (effective May 3, 2016)

Terms of office expired at December 31, 2016

Chairman of the Board of Directors: Issoria (until May 10, 2016)

Chairman: Issoria (until May 10, 2016)

Director: BPCE International (until May 25, 2016), Natixis Coficiné (until May 11, 2016), Maisons France Confort*/** (until May 11, 2016)

Permanent Representative of BPCE, Director: Banque Palatine (until May 24, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
Deputy Chief Executive Officer* in charge of Strategy, Legal Affairs, Corporate Secretary's Office and Compliance and Member of the Executive Management Committee of BPCE.** **Chairman of the Board of Directors**: S-money, Issoria **Chairman**: Issoria **Director**: BPCE International, Natixis Coficiné, Maisons France Confort*/**, SCOR*/** **Permanent Representative of BPCE, Director**: Coface SA*, Banque Palatine	**Deputy Chief Executive Officer*** in charge of Strategy, Legal Affairs, Corporate Secretary's Office and Compliance and Member of the Executive Management Committee of BPCE** **Chairman of the Board of Directors**: S-money, Issoria **Chairman**: Issoria, Issoria International Trading, S-money **Director**: BPCE International, Natixis Coficiné, Maisons France Confort*/** **Permanent Representative of BPCE, Director**: Coface SA*, Banque Palatine **Permanent Representative of CE Holding Promotion, Director**: Nexity*	**Deputy Chief Executive Officer*** in charge of Strategy, Legal Affairs, Corporate Secretary's Office and Compliance and Member of the Executive Management Committee of BPCE** **Chairman of the Board of Directors**: S-money, BPCE Domaines **Chairman**: Issoria, Issoria International Trading, S-money, BPCE Domaines **Director**: BPCE IOM, Natixis Coficiné, Maisons France Confort*/** **Permanent Representative of BPCE, Director**: Coface SA* (formerly SAS Coface Holding) **Permanent Representative of BPCE, Member of the Supervisory Board**: Banque Palatine **Permanent Representative of CE Holding Promotion, Director**: Nexity*	**Deputy Chief Executive Officer*** in charge of Strategy, Legal Affairs, Corporate Secretary's Office and Compliance and Member of the Executive Management Committee of BPCE** **Chairman of the Board of Directors**: Meilleurtaux, S-money **Chairman**: Oterom Holding, S-money **Director**: BPCE IOM, Natixis Coficiné **Permanent Representative of BPCE, Chairman of the Board of Directors**: BPCE Domaines **Permanent Representative of BPCE, Chairman**: Issoria, Issoria International Trading **Permanent Representative of BPCE, Director**: SAS Coface Holding **Permanent Representative of BPCE, Member of the Supervisory Board**: Banque Palatine **Permanent Representative of BPCE, Member of the Supervisory Board**: FLCP **Permanent Representative of CE Holding Promotion, Director**: Nexity* **Permanent Representative of GCE Participations, Director**: Demain SA

** Listed company.*

*** Non-group company.*

**** The title of Chief Executive Officer is not governed by Article L. 225-66 of the French Commercial Code.*

SLE: Société locale d'épargne (local savings company).

FNCE: Fédération Nationale des Caisses d'Epargne.

FNBP: Fédération Nationale des Banques Populaires.

Catherine HALBERSTADT
Born October 9, 1958

Ms. 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.

Between September 1, 2010 and 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.

Offices held at December 31, 2016

Member of the Management Board of BPCE in charge of Group Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE (since January 1, 2016)

Director: Crédit Foncier, Bpifrance Financement**

Terms of office expired in 2016

Chief Executive Officer of Banque Populaire du Massif Central (until March 31, 2016)

Director: Caisse Générale de Prévoyance (CGP) (from January 12, 2016 to April 21, 2016)

Permanent Representative of Banque Populaire du Massif Central, Chairman: SAS Sociétariat BPMC (until March 31, 2016)

Permanent Representative of Banque Populaire du Massif Central, Director: i-BP (until March 31, 2016), Association des Banques Populaires pour la Création d'Entreprise (until March 31, 2016)

Permanent Representative of Banque Populaire du Massif Central, Member: Comité des Banques d'Auvergne (until March 31, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
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	**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	**Member of the Supervisory Board of BPCE (since April 4, 2012)** **Chief Executive Officer of Banque Populaire du Massif Central** **Director**: Natixis*, Crédit Foncier, Compagnie Européenne de Garanties et Cautions (CEGC), 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

* *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.

Jean-Yves FOREL (until May 17, 2016)
Born May 17, 1961

Mr. Forel is a graduate of the Institut d'Études Politiques de Grenoble and holds a Bachelor's Degree in Economics. He began his career in 1983 at Banque Populaire des Alpes. Having worked at the branch, he was appointed Chief Operations Officer in 1992 and then Central Director in 1995. In 1997, he joined Banque Populaire Atlantique as Central Director. He was responsible for Development as well as subsidiaries dedicated to Group business lines. In 2000, he was appointed Head of Development for Banque Fédérale des Banques Populaires and became a member of the Executive Management Committee in 2001. In 2003, he joined Natexis Banques Populaires, where he was a member of the Executive Management Committee and Head of the Banking, Financial and Technological Services department. In 2005, he became Head of Specialized Financial Services. In November 2006, he was appointed as a member of the Executive Management Committee and Head of Specialized Financial Services at Natixis (providing Corporate and Investment Banking, Investment Solutions and Specialized Financial Services for Groupe BPCE).

At its November 21, 2012 meeting, BPCE's Supervisory Board appointed Jean-Yves Forel as a member of the BPCE Management Board and Chief Executive Officer*** in charge of Commercial Banking and Insurance, effective December 1, 2012. This term was renewed on November 16, 2015 and ended on May 17, 2016, when Mr. Forel was appointed to the Executive Management Committee as CEO in charge of Transformation and Operational Excellence.

Offices held at December 31, 2016

Member of the Executive Management Committee of BPCE, Chief Executive Officer in charge of Transformation and Operational Excellence (since May 17, 2016)

Chairman of the Board of Directors: Natixis Algérie, i-BP (since September 29, 2016), NEFER (since September 29, 2016), BPCE IT (since November 30, 2016), Albiant-IT (since November 30, 2016)

Chairman of the Supervisory Board: IT-CE (since July 18, 2016)

Director: CNP Assurances*/**, Sopassure, BPCE Achats (since September 22, 2016)

Permanent Representative of BPCE, Director: BPCE Immobilier Exploitation (since August 31, 2016)

Director: Natixis Coficiné, Média Consulting & Investment

Terms of office expired in 2016

Member of the Management Board of BPCE, CEO in charge of Commercial Banking and Insurance (until May 17, 2016)

Chairman of the Board of Directors: Banque Palatine (until May 24, 2016), BPCE International (until May 25, 2016)

Chairman and Chief Executive Officer: Sopassure (until February 22, 2016)

Director: Crédit Foncier (until June 9, 2016)

Permanent Representative of BPCE, Director: Ecureuil Vie Développement (until December 31, 2015)

Offices held at December 31 in previous years

2015	2014	2013	2012
Member of the Management Board of BPCE, CEO in charge of Commercial Banking and Insurance **Chairman of the Board of Directors**: Banque Palatine, BPCE International, Natixis Algérie **Chairman and Chief Executive Officer**: Sopassure **Director**: Crédit Foncier, CNP Assurances*/**, Sopassure **Permanent Representative of BPCE, Director**: Ecureuil Vie Développement **Director**: Natixis Coficiné, Média Consulting & Investment	**Member of the Management Board of BPCE, CEO in charge of Commercial Banking and Insurance** **Chairman of the Board of Directors**: Banque Palatine, BPCE International, Natixis Algérie **Chairman and Chief Executive Officer**: Sopassure **Director**: Crédit Foncier, CNP Assurances*/**, Sopassure **Permanent Representative of BPCE, Director**: Ecureuil Vie Développement **Director**: Natixis Coficiné, Média Consulting & Investment, Partecis	**Member of the Management Board of BPCE, CEO in charge of Commercial Banking and Insurance** **Chairman of the Supervisory Board**: Banque Palatine **Chairman of the Board of Directors**: BPCE IOM, Natixis Algérie **Chairman and Chief Executive Officer**: Sopassure **Director**: Crédit Foncier, CNP Assurances*/**, Sopassure **Permanent Representative of BPCE, Director**: Ecureuil Vie Développement **Chairman and Chief Executive Officer**: Natixis Algérie **Director**: Natixis Coficiné, Média Consulting & Investment, Partecis	**Member of the Management Board of BPCE, CEO in charge of Commercial Banking and Insurance** **Chairman of the Supervisory Board**: Banque Palatine **Chairman of the Board of Directors**: BPCE IOM, Natixis Algérie **Director**: CNP Assurances*/**, Sopassure, Crédit Foncier **Permanent Representative of BPCE, Director**: Ecureuil Vie Développement **Director**: Natixis Algérie, Natixis Coficiné, Média Consulting & Investment, CACEIS, Partecis, Algiers Business Centers, CONECS **Vice-Chairman of the Board**: Association Française des Sociétés Financières (ASF) **Permanent Representative of Natixis, Director**: SICOVAM Holding

* *Listed company.*

** *Non-group company.*

*** *The title of Chief Executive Officer is not governed by Article L. 225-66 of the French Commercial Code.*

SLE: Société locale d'épargne (local savings company).

FNCE: Fédération Nationale des Caisses d'Epargne.

FNBP: Fédération Nationale des Banques Populaires.

Laurent MIGNON
Born December 28, 1963

Laurent Mignon has been CEO of Natixis since May 14, 2009.

A graduate of the HEC business school and Stanford Executive Program, Laurent Mignon worked in several divisions of Banque Indosuez over 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. Between September 2007 and May 2009, he was a managing partner at Oddo et Cie.

At its August 6, 2013 meeting, the Supervisory Board of BPCE appointed Laurent Mignon as a member of the BPCE Management Board. His appointment was renewed on November 16, 2015.

Offices held at December 31, 2016

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*/**, Peter J. Solomon Company LLC (since June 8, 2016), AROP (Association pour le Rayonnement de l'Opéra de Paris)

Terms of office expired in 2016

Director: Lazard Ltd*/** (until April 19, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
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*/**	**Member of the Management Board of BPCE** **Chief Executive Officer of Natixis*** **Chairman of the Board of Directors**: Natixis Global Asset Management, Coface SA (formerly SAS Coface Holding) **Director**: Arkema*/**, Lazard Ltd*/**	**Permanent Representative of Natixis, Non-Voting Director as of right on the Supervisory Board of BPCE** **Chief Executive Officer of Natixis*** **Chairman of the Board of Directors**: Natixis Global Asset Management **Chairman**: SAS Coface Holding **Director**: Sequana*/**, Arkema*/**, Lazard 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.

Laurent ROUBIN (since May 17, 2016)
Born November 2, 1969

Laurent Roubin is a graduate of the Ecole Centrale Paris school of engineering, of the Stanford Executive Program, with a postgraduate degree (DESS) from Université Paris-Dauphine. He began his career at Groupe Compagnie Bancaire in 1992, first in 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 Risks. 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'Epargnes 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.

Since May 2016, Laurent Roubin has been the member of the Management Board of BPCE in charge of Commercial Banking and Insurance.

Offices held at December 31, 2016

Member of the Management Board of BPCE, CEO in charge of Commercial Banking and Insurance

Chairman of the Board of Directors: Banque Palatine (effective May 24, 2016), BPCE International (effective May 25, 2016)

Director: Crédit Foncier (effective July 26, 2016)

Permanent Representative of BPCE, Non-Voting Director: Erilia (effective June 3, 2016)

Terms of office expired at December 31, 2016

Chairman of the Management Board of Caisse d'Epargne Picardie (until May 17, 2016)

Chairman: Triton (until May 16, 2016), Picardie Foncière (until May 16, 2016), NSAVADE (until May 16, 2016), Picardie Mezzanine (until May 16, 2016)

Chairman of the Supervisory Board: CE Capital (until July 5, 2016), Caisse d'Epargne Développement (until July 5, 2016)

Member of the Supervisory Board: Palatine Asset Management (until July 5, 2016), SIA Habitat (until July 5, 2016), Seventure Partners (until July 5, 2016), Alliance Entreprendre (until July 5, 2016)

Director: Banque Privée 1818 (until June 16, 2016), Coface SA* (until October 25, 2016), FNCE (until May 16, 2016)

Permanent Representative of Caisse d'Epargne Picardie, Member of the Supervisory Board: IT-CE (until May 16, 2016)

Permanent representative of Caisse d'Epargne Picardie, Director: BPCE-IT (until May 16, 2016)

Offices held at December 31 in previous years

2015	2014	2013	2012
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	**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	**Chairman of the Management Board of Caisse d'Epargne Picardie** **Chairman**: Triton, CEPICINVESTISSEMENT, NSAVADE **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, GCE Capital **Permanent Representative of Caisse d'Epargne Picardie, Member of the Supervisory Board**: IT-CE	**Chairman of the Management Board of Caisse d'Epargne Picardie** **Chairman**: Triton, CEPICINVESTISSEMENT, NSAVADE **Member of the Supervisory Board**: Palatine Asset Management, SIA Habitat **Director**: Banque Privée 1818, FNCE **Permanent Representative of Caisse d'Epargne Picardie, Member of the Supervisory Board**: IT-CE

* *Listed company.*

** *Non-group company.*

SLE: Société locale d'épargne (local savings company).

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2.3 Role and operating rules of governing bodies

2.3.1 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;
- checks and controls 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 company and subsidiary positions and their activities during the past year;
- presents its comments on the Management Board's report and the year's financial statements at the Ordinary General Shareholders' Meeting.

In accordance with the law, the following transactions may not be performed by the Management Board without prior authorization from the Supervisory Board, acting by simple majority of its present or represented members:

- disposal of buildings by type and total or partial disposals of equity interests (with the understanding that the Board set the annual amount for disposals of buildings by type at €100 million and the amount for total or partial disposals of equity interests at €100 million; the Board's authorization for these transactions is not required if the previous limits were not exceeded);
- the provision of company property as collateral.

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 proposals 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 the proposal of 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;
- decide to move the registered office 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;
- 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;

(1) Refers to any proposed 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.

(2) Same as above.

- 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;
- adoption of the Board's internal rules as set out in sections 2.2 to 2.5.

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 type 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 type 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 preemptive rights;
- 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 merger, demerger, spin-off, or related decision involving the company;
- any decision to appoint the Chairman or remove the Chairman of the company's Management Board from office;
- 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 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 December 16, 2015, form the Supervisory Board's Governance Charter, which sets its internal operating procedures, notably with respect to 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 company's laws and 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 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 judgement;
- incompatibility with the duties performed on their own behalf in other investment banks or investment companies outside Groupe BPCE (unless explicitly agreed to 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 nine times between January 1 and December 31, 2016. In 2016, the average attendance rate for Supervisory Board Members was 90.64%. 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

- approval of the Supervisory Board Chairman's report;
- determination of the variable pay of Management Board Members for 2015 and establishment of fixed pay and the criteria (amount, trigger, qualitative and quantitative criteria) for determining the variable pay of Management Board Members for 2016;
- monitoring of pay policy guidelines for persons belonging to the "regulated population" within BPCE as well as Groupe BPCE's credit institutions, pursuant to Article 266 of the Ministerial Order of November 3, 2014 on the internal control of banking sector companies;
- acceptance of the resignation of Pascal Marchetti as Non-Voting Director on the Supervisory Board and appointment of Daniel Karyotis, subject to ratification by the Annual General Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2016;
- acceptance of the resignations of Daniel Karyotis and Jean-Yves Forel as Management Board members and, on the recommendation of François Pérol, appointment of Marguerite Bérard-Andrieu and Laurent Roubin for their remaining terms of office, set to expire at the adjournment of the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2019;
- establishment of fixed pay and the criteria (amount, trigger, qualitative and quantitative criteria) for determining the variable pay of the new Management Board members for 2016, the commitments owed or likely to be owed due to the cessation or change of duties of the new Management Board members (involuntary-termination severance pay, retirement bonus, supplementary pension plans and defined-benefit pension obligations) and other remuneration for new Management Board members (unemployment insurance, retention of entitlement to compensation in the event of a temporary inability to work and social security plan benefits);
- monitoring, by an outside firm, of the Board's assessment process, based on interviews conducted with all Supervisory Board members as well as Non-Voting Directors and members of the Management Board. This evaluation highlighted areas in which the Supervisory Board has made progress as well as areas for further improvement;
- monitoring of the policy on employment and wage equality.

Strategic operations

- authorization of the disposal of all Nexity shares held by Groupe BPCE under a private placement by means of an accelerated bookbuilding process reserved for institutional investors, representing 12.7% of Nexity's capital and voting rights;
- authorization of Natixis' acquisition of a majority stake in US advisory firm Peter J. Solomon Company;
- authorization of BPCE's acquisition of German digital bank Fidor Bank;
- authorization of S-money's acquisition of start-up E-Cotiz, which developed the leading contribution management solution for athletic associations in France.

Finance

- presentation of BPCE's annual financial statements for the year ended December 31, 2015;
- presentation of BPCE's 2016 quarterly and half-year financial statements;
- approval of the 2017 budget;
- review of impacts relating to Basel III;
- review and monitoring of Groupe BPCE's solvency and liquidity ratios;
- validation of Pillar III objectives, as defined by the CRR and pertaining to changes in Groupe BPCE's financial communications, with the publication of two documents: the registration document, including a chapter on risk management recapping the required disclosures under Pillar III, and a Pillar III Report containing the detailed disclosures recommended by the regulator.

Audit – Compliance – Risks

- monitoring of the reports and investigations of the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority for the banking and insurance sector) 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 approach to risk, monitoring of the Group's market and credit limits;
- approval of the Supervisory Board Chairman's report on internal control;
- 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;
- management of the independence and fees of Statutory Auditors;
- additions to the Group's Recovery and Restructuring Plan, now the Groupe BPCE Preventive Recovery Plan;
- monitoring of Groupe BPCE's risk governance and risk appetite;
- monitoring of ICAAP (Internal Capital Adequacy Assessment Process) update, capital adequacy for risks and review of EBA stress-testing methods;
- annual review and reconsideration of Groupe BPCE's risk appetite;
- monitoring of the Supervisory Review and Evaluation Process (SREP);
- monitoring of the implementation of the law on the separation and regulation of banking activities (SRAB) and application of the principles of the Volcker Rule throughout Groupe BPCE.

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.

The Supervisory Board committee met three times during the year. One meeting was dedicated to reviewing an important strategic project. One of the other two meetings was held before the financial statements were presented to the Board on December 31, 2015. The other was held before the presentation of the 2016 earnings forecasts and the 2017 budget.

2.3.2 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 it 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 enable the committee to carry out its work and formulate its opinions, recommendations and proposals relating to the Supervisory Board's planned discussion.

Committee members are chosen by the Supervisory Board based on a proposal made by the Chairman of the Board from among its members. They 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's report on the company's business.

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.

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 monitors:

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 to it 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 significant 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 respected 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 monitoring, 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.

Activities

The Audit Committee met five times between January 1 and December 31, 2016. The average attendance at these meetings was 93.33%.

The main issues that it addressed were as follows:

- presentation of BPCE's annual financial statements for the year ended December 31, 2015 and review of the 2017 Budget;
- presentation of BPCE's 2016 quarterly and H1 financial statements;
- analysis and follow-up of the Supervisory Board Chairman's report on internal control and risk management;
- monitoring of the implementation of audit reform (the "Barnier reform");
- monitoring of the implementation of IFRS 9;
- review and monitoring of Groupe BPCE's solvency and liquidity ratios;
- monitoring of the management of intra-group capital adequacy ratio requirements;
- regular reporting on Crédit Foncier's earnings;
- follow-up on the work performed by the Statutory Auditors and review of their independence and fees.

RISK COMMITTEE

Duties

The Risk Committee assists the Supervisory Board with respect to BPCE's overall strategy and risk appetite, both current and future and when the Supervisory Board oversees 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 the Board reviews the implementation of this strategy by the members of the Management Board and by 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. These are the criteria and thresholds used to identify incidents that must be brought to the Board's attention;
- ensuring that Groupe BPCE's Inspection Générale division is independent, 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.

Activities

The Risk Committee met nine times between January 1 and December 31, 2016. The average attendance rate at these meetings was 87.04%.

The main issues that it addressed were as follows:

- follow-up of the *Autorité de contrôle prudentiel et de résolution* reports and investigations;
- 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 2017 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 approach to risk, monitoring of the Group's market and credit limits);
- analysis of the risk measurement and quantification systems within the Group and monitoring 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 and risk appetite;
- review of the architecture and tools used to monitoring 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 Crédit Foncier's various exposures;
- analysis of EBA stress testing methods and review of the results of the 2016 internal stress tests carried out to assess BPCE's resilience under certain extreme scenarios;
- monitoring of the implementation of the Eckert law;
- monitoring of the implementation of the Automatic Exchange of Information standard (FATCA/CRS/DAC);
- review of ICAAP (Internal Capital Adequacy Assessment Process) status and the related report and review of capital adequacy relative to Group risks;
- annual review and reconsideration of Groupe BPCE's risk appetite;
- monitoring of internal caps (monitoring of Group limits, credit risks, market risks, interest rate risks and liquidity risks);

- review of the Supervisory Review and Evaluation Process (SREP);
- review of the implementation of the law on separation and regulation of banking activities (SRAB);
- review of the BPCE SA senior management report on the effectiveness of the enhanced compliance scheme in accordance with the Volcker Rule;
- approval of the emergency preparedness and business continuity plan (PUPA);
- monitoring of the implementation of the BCBS 239 regulatoryprovisions on data quality, risk data aggregation and risk reporting;
- review of cybersecurity throughout Groupe BPCE;
- review of the update of the Groupe BPCE Preventive Recovery Plan (formerly known as the Group's Recovery and Restructuring Plan).

APPOINTMENTS COMMITTEE

Duties

The Appointments Committee is in charge of making proposals 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 proposed 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:

- 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;
- periodically and at least once per 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 one person or a small group of people under conditions that are detrimental to the company's interests;
- examines the draft of the Chairman's corporate governance report.

Activities

The Appointments Committee met four times between January 1 and December 31, 2016. The average attendance rate at these meetings was 96.43%.

The main issues that it addressed were as follows:

- assessment of the Supervisory Board in coordination with an outside firm and monitoring of the results of the report;
- information on the appointment of two new members of the BPCE Management Board;
- monitoring of changes in the regulated population;
- review and follow-up of the Supervisory Board Chairman's report on internal control (governance section).

REMUNERATION COMMITTEE

Duties

The Remuneration Committee is in charge of making proposals 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 if applicable, the Head of Compliance;
- reports regularly on its work to the Supervisory Board;
- examines the draft of the Chairman'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 the Board an opinion on the section of the annual report covering issues within the remit of the Remuneration Committee.

Activities

The Remuneration Committee met four times between January 1 and December 31, 2016. The average attendance rate at these meetings was 96.88%.

The main issues that it addressed were as follows:

- variable pay of Management Board members for 2015 and the amounts and conditions of fixed and variable pay for Management Board members for 2016 (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 2016, 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);
- changes to fixed pay for the Management Board and of the variable pay system for 2017;
- pay policy for persons belonging to the "regulated population" at BPCE and Groupe BPCE's credit institutions;
- total amount of attendance fees and conditions for distributing attendance fees among the members of the Cooperative and CSR Committee;
- review of the report on internal control of Groupe BPCE credit institutions regarding the policy and practices governing pay in respect of 2015 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;
- review and follow-up of the report of the Supervisory Board Chairman on internal control addressing matters within the remit of the Remuneration Committee.

COOPERATIVE AND CSR COMMITTEE

Duties

The Cooperative and CSR Committee is in charge of making proposals 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.

Activities

The Cooperative and CSR Committee met once between January 1 and December 31, 2016. The average attendance rate of committee members was 100%.

The main issues that it addressed were as follows:

- cooperative shares;
- Group CSR approach and action plan;
- progress report on the cooperative component (MOCO) of the Group 2014-2017 strategic plan.

2.3.3 Attendance of Board and Specialized Committee meetings

Members of the Supervisory Board	Supervisory Board	Specialized Committees	Total	Individual attendance rate
	Meetings attended/number of meetings			
Pierre Valentin, Chairman of the Board	8/9	1/1	9/10	90%
Stève Gentili, Vice-Chairman of the Board	9/9	1/1	10/10	100%
Caisse d'Epargne representatives				
Catherine Amin-Garde	9/9	8/8	17/17	100%
Didier Patault	9/9	14/14	23/23	100%
Astrid Boos	7/9	7/8	14/17	82.35%
Françoise Lemalle	8/9	8/9	16/18	88.89%
Stéphanie Paix	9/9	8/9	17/18	94.44%
Nicolas Plantrou	9/9	5/5	14/14	100%
Banque Populaire bank representatives				
Thierry Cahn	8/9	4/5	12/14	85.71%
Alain Condaminas	9/9	7/9	16/18	88.89%
Pierre Desvergnes	8/9	8/8	16/17	94.12%
Yves Gevin	9/9	14/14	23/23	100%
Michel Grass	9/9	9/9	18/18	100%
André Joffre	9/9	7/8	16/17	94.12%
Independent members				
Marwan Lahoud	5/9	10/14	15/23	65.22%
Maryse Aulagnon	5/9	8/8	13/17	76.47%
Marie-Christine Lombard	7/9	14/14	21/23	91.30%
Employee representatives				
Vincent Gontier	9/9	4/4	13/13	100%
Frédéric Hassaine	9/9	NA	9/9	100%
Non-Voting Directors				
Jean Arondel (FNCE)	NA	1/1	1/1	100%
Dominique Martinie (FNBP)	NA	1/1	1/1	100%
Pierre Carli	NA	NA	NA	NA
Daniel Karyotis (since November 8, 2016)	NA	NA	NA	NA
Alain Lacroix	NA	NA	NA	NA
Pascal Marchetti (until November 8, 2016)	NA	NA	NA	NA
Gonzague de Villèle	NA	NA	NA	NA
AVERAGE	**90.64%**	**94.76%**		**92.19%**

2.3.4 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, in accordance with the law or the Articles of Association governing the Supervisory Board and Annual General Shareholders' Meetings.

In particular, the Management Board:

- performs duties as the company's central institution as specified by law and, if 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 relating to 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;
- 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 on powers pursuant to 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.

2.3.5 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 for 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 Shareholder's name by midnight, Paris time, of the third business day preceding the Annual General Shareholders' Meeting, 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 shareholders having 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, decide 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.

2.4 Rules and principles governing the determination of pay and benefits

2.4.1 Pay policy[1]

MEMBERS OF THE SUPERVISORY BOARD

At the Combined General Meeting on May 22, 2015, the total amount of attendance fees payable by BPCE was set at €690,000. This pay is detailed in section 2.4.2 "Pay, benefits in kind, loans, guarantees and attendance fees received by BPCE company directors".

At its May 6, 2015 meeting, the Supervisory Board set the remuneration for the Chairman and Vice-Chairman of the Supervisory Board.

At its meetings of May 6 and May 22, 2015, the Supervisory Board set the terms for the distribution of attendance fees between members of the Supervisory Board.

Aside from the Chairman, who receives annual fixed pay, Supervisory Board Members are paid in the form of attendance fees.

Pay granted to Pierre Valentin, Chairman of the Supervisory Board

- annual fixed pay: €400,000;
- attendance fees: €0.

Attendance fees paid to Supervisory Board Members

Stève Gentili, Vice-Chairman of the Supervisory Board:

- 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:

- 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:

- 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 Risk 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.

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.

Pay granted to Non-Voting Directors

Pursuant to Article 28.3 of the Articles of Association, the Supervisory Board has decided to compensate Non-Voting Directors by making a deduction from the attendance fees allocated to Supervisory Board members by 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.

MEMBERS OF THE MANAGEMENT BOARD

In accordance with Article 19 of BPCE's Articles of Association and on the recommendation of the Remuneration Committee, the Supervisory Board approved the pay granted to the Chairman and members of the Management Board, as well as the criteria used to determine the amount of variable pay granted to Management Board members in respect of 2016, at its meetings on February 10, 2016 and April 22, 2016.

(1) *The figures presented in this section are gross amounts.*

Pay received by the Chairman and members of the Management Board:

François Pérol:

- fixed pay: €550,000;
- variable pay: target at 150%, with a maximum of 200%;
- annual housing allowance: €60,000 (for information purposes: François Pérol has waived this allowance).

Catherine Halberstadt:

- fixed pay: €500,000;
- variable pay: target at 80%, with a maximum of 100%;
- annual housing allowance: €40,000.

Daniel Karyotis, member of the Management Board until May 1, 2016:

- fixed pay: €500,000 (includes a housing allowance);
- variable pay: target at 80%, with a maximum of 100%.

Jean-Yves Forel, member of the Management Board until May 16, 2016:

- fixed pay: €500,000;
- variable pay: target at 80%, with a maximum of 100%.

Marguerite Bérard-Andrieu, member of the Management Board as of May 2, 2016:

- fixed pay: €500,000;
- variable pay: target at 80%, with a maximum of 100%.

Laurent Roubin, member of the Management Board as of May 17, 2016:

- fixed pay: €500,000;
- variable pay: target at 80%, with a maximum of 100%;
- annual housing allowance: €40,000.

Laurent Mignon:

Laurent Mignon is not paid for his duties as a member of the BPCE Management Board. The pay that he receives is for his duties as Chief Executive Officer of Natixis.

The following criteria were used for determining variable pay:

- the criterion for triggering variable pay was to keep the Group's Basel III Common Equity Tier 1 ratio (COREP regulatory view, *i.e.* using phase-in measures) above 9.75% at December 31, 2016. This percentage is equal to the ECB's Pillar II requirement as set out in its letter of December 4, 2015 (9.50%) plus the systemic risk buffer for 2016 (0.25%). No variable portion was paid if this criterion was not met;
- quantitative criteria account for 60% of variable pay. These quantitative criteria are defined as follows:
  - net income attributable to equity holders of the parent, calculated after neutralizing the impact of the revaluation of own debt, accounts for 30% of variable pay. If the target for this criterion as set by the Supervisory Board is reached, Management Board members would be entitled to receive the entire 30%[1],
  - the Group's cost/income ratio, calculated after neutralizing the impact of the revaluation of own debt, accounts for 20% of variable pay. If the target for this criterion as set by the Supervisory Board is reached, Management Board members would be entitled to receive the entire 20%[1],
  - the Group's net banking income, calculated after neutralizing the impact of the revaluation of own debt, accounts for 10% of variable pay. If the target for this criterion as set by the Supervisory Board is reached, Management Board Members would be entitled to receive the entire 10%[1];
- qualitative criteria account for 40% of variable pay. These criteria comprise the following duties:
  - commercial development: promotion,
  - human resources,
  - financing/operations/risk,
  - governance,
  - digital transformation of the banks.

With regard to the terms of payment for variable pay in respect of 2012:

- deferred for a fraction representing 60% in 2014, 2015 and 2016 (20% each year) for François Pérol;
- the deferred portion, calculated after neutralizing the impact of the revaluation of own debt, is indexed to the change in net income attributable to equity holders of the parent, 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 in respect of 2013:

- deferred for a fraction representing 60% in 2015, 2016 and 2017 (20% each year) for François Pérol;
- deferred for a fraction representing 50% in 2015, 2016 and 2017 (16.66% each year) for Daniel Karyotis and Jean-Yves Forel;
- the deferred portion, calculated after neutralizing the impact of the revaluation of own debt, is indexed to the change in net income attributable to equity holders of the parent, 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 in respect of 2014:

- deferred for a fraction representing 60% in 2016, 2017 and 2018 (20% each year) for François Pérol;
- deferred for a fraction representing 50% in 2016, 2017 and 2018 (16.66% each year) for Daniel Karyotis and Jean-Yves Forel;
- the deferred portion, calculated after neutralizing the impact of the revaluation of own debt, is indexed to the change in net income attributable to equity holders of the parent, 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 in respect of 2015:

- deferred for a fraction representing 60% in 2017, 2018 and 2019 (20% each year) for François Pérol;
- deferred for a fraction representing 50% in 2017, 2018 and 2019 (16.66% each year) for Daniel Karyotis and Jean-Yves Forel;
- the deferred portion, calculated after neutralizing the impact of the revaluation of own debt, is indexed to the change in net income attributable to equity holders of the parent, assessed as a rolling average over the last three calendar years preceding the allocation year and the payment year;

(1) *The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not being publicly disclosed.*

- 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 that will be applied to the variable pay in respect of 2016:

- deferred for a fraction representing 60% in 2018, 2019 and 2020 (20% each year), for François Pérol;
- deferred for a fraction representing 50% in 2018, 2019 and 2020 (16.66% each year) for Catherine Halberstadt, Daniel Karyotis, Jean-Yves Forel, Marguerite Bérard-Andrieu and Laurent Roubin;
- the deferred portion, calculated after neutralizing the impact of the revaluation of own debt, is indexed to the change in net income attributable to equity holders of the parent, 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.

The terms of payment for the variable pay in respect of 2016 were approved by the Supervisory Board at its meeting of February 9, 2017.

In accordance with Article L. 511-73 of the French Monetary and Financial Code, the BPCE Annual General Shareholders' Meeting will be consulted in 2017 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.

In accordance with the AFEP-MEDEF recommendations, the BPCE Annual General Shareholders' Meeting will be consulted in 2017 on the components of pay due or granted for the fiscal year ended to each company director.

In accordance with Article L. 511-78 of the French Monetary and Financial Code, the approval of the BPCE Annual General Shareholders' Meeting will be required in 2017 in order to implement variable pay for the Chairman of the Management Board liable to exceed 100% of the fixed pay component in 2017.

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 Management Committee members and Supervisory Board members for the 2017 fiscal year, as compensation for fulfilling their duties, will be covered in a resolution submitted for the approval of the BPCE Annual General Shareholders' Meeting in 2017.

2.4.2 Pay, benefits in kind, loans, guarantees and attendance fees received by BPCE company directors

The figures shown below comply with the rules and guidelines for determining pay and benefits adopted by the BPCE Supervisory Board and detailed in section 2.4.1, "Pay Policy".

STATEMENT OF PAY, STOCK OPTIONS AND SHARES GRANTED TO EACH COMPANY DIRECTOR FROM JANUARY 1 TO DECEMBER 31, 2016 (TABLE 1)

		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)
	2015	€1,382,744	€1,287,844	€0	€0	€0
François Pérol	**2016**	**€1,247,125**	**€1,405,160**	**€0**	**€0**	**€0**
	2015	€901,191	€783,586	€0	€0	€0
Daniel Karyotis	**2016**	**€280,500**	**€530,698**	**€0**	**€0**	**€0**
	2015	€905,540	€787,935	€0	€0	€0
Jean-Yves Forel	**2016**	**€316,184**	**€552,530**	**€0**	**€0**	**€0**
	2015	NA	NA	NA	NA	NA
Catherine Halberstadt	**2016**	**€882,080**	**€544,080**	**€0**	**€0**	**€0**
	2015	NA	NA	NA	NA	NA
Marguerite Bérard-Andrieu	**2016**	**557,322**	**€331,989**	**€0**	**€0**	**€0**
	2015	NA	NA	NA	NA	NA
Laurent Roubin	**2016**	**548,255**	**€336,774**	**€0**	**€0**	**€0**
	2015	€2,059,372	€1,886,542	€0	€0	€0
Laurent Mignon[2]	**2016**	**€1,914,761**	**€1,787,082**	**€0**	**€0**	**€0**

(1) No multi-year variable pay or bonus share plan during the 2015 and 2016 fiscal years; except for Laurent Mignon, by Natixis, for his duties as Chief Executive Officer of Natixis.

(2) Laurent Mignon 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. On February 18, 2015, Laurent Mignon received 27,321 performance shares valued at €160,000 and on July 28, 2016, he received 47,463 performance shares valued at €160,000.

STATEMENT OF PAY GRANTED TO BPCE COMPANY DIRECTORS (TABLE 2)

Amounts due in respect of 2015[1]: all remuneration granted on a pro rata basis in respect of duties performed in 2015, regardless of the date of payment.

Amounts paid in 2015[2]: all remuneration actually paid and received in 2015 (due in 2011 and paid in 2015 + due in 2012 and paid in 2015 + due in 2013 and paid in 2015 + due in 2014 and paid in 2015 + due in 2015 and paid in 2015) in respect of duties performed during the period.

Amounts due in respect of 2016[1]: all remuneration granted on a pro rata basis in respect of duties performed in 2016, regardless of the date of payment.

Amounts paid in 2016[2]: all remuneration actually paid and received in 2016 (due in 2012 and paid in 2016 + due in 2013 and paid in 2016 + due in 2014 and paid in 2016 + due in 2015 and paid in 2016 + due in 2016 and paid in 2016) in respect of duties performed during the period.

PAY STATEMENT: FRANÇOIS PÉROL

	Fiscal year 2015		Fiscal year 2016	
Chairman of the Management Board	**Amount due[1]**	**Amount paid[2]**	**Amount due[1]**	**Amount paid[2]**
Base pay	-	-	-	-
Corporate office	€550,000	€550,000	€550,000	€550,000
Variable pay	€827,457[a]	€732,556[b]	€697,125[c]	€855,160[d]
Multi-year variable pay	€0	€0	€0	€0
Exceptional pay	€0	€0	€0	€0
Benefits in kind (company car, housing[e] and other benefits)	€5,288	€5,288	€0	€0
Attendance fees	€0	€0	€0	€0
Other pay	-	-	-	-
TOTAL	**€1,382,744**	**€1,287,844**	**€1,247,125**	**€1,405,160**

(a) *Variable pay in respect of 2015, of which €330,983 (40%) paid in 2016 and the balance (60%) deferred over three years in equal shares of €165,491. For 2017, the final amount paid will be €184,655 (after application of the indexing factor).*
(b) *Amount paid in 2015 for variable pay in respect of 2014 (€340,743), for the deferred portion of variable pay in respect of 2013 (€190,762), for the deferred portion of variable pay in respect of 2012 (€110,207) and for the deferred portion of variable pay in respect of 2011 (€90,844).*
(c) *Variable pay in respect of 2016, of which €278,850 (40%) in 2017 and the balance (60%) deferred over three years in equal shares of €139,425.*
(d) *Amount paid in 2016 for variable pay in respect of 2015 (€330,983), for the deferred portion of variable pay in respect of 2014 (€189,470), for the deferred portion in respect of 2013 (€212,146) and for the deferred portion in respect of 2012 (€122,561).*
(e) *François Pérol has waived his annual housing allowance since 2010.*

PAY STATEMENT: DANIEL KARYOTIS

	Fiscal year 2015		Fiscal year 2016	
Management Board Member, Chief Executive Officer – Finance, Risk and Operations (until May 1, 2016)	**Amount due[1]**	**Amount paid**	**Amount due[1]**	**Amount paid[2]**
Base pay	-	-	-	-
Corporate office[a]	€500,000	€500,000	€167,833	€167,833
Variable pay	€401,191[b]	€283,586[c]	€112,667[d]	€362,865[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	**€901,191**	**€783,586**	**€280,500**	**€530,698**

(a) *The housing allowance (€66,000 for 2015 and €22,000 for 2016) is included in fixed pay received as a corporate officer.*
(b) *Variable pay in respect of 2015, of which €200,596 (50%) paid in 2016 and the balance (50%) deferred over three years in equal shares of €66,865. For 2017, the final amount paid will be €74,608 (after application of the indexing factor).*
(c) *Amount paid in 2015 for variable pay in respect of 2014 (€206,511) and for the deferred portion of variable pay in respect of 2013 (€77,075).*
(d) *Variable remuneration in respect of 2016, of which €56,333 (50%) paid in 2017 and the balance (50%) deferred over three years in equal shares of €18,778.*
(e) *Amount paid in 2016 for variable pay in respect of 2015 (€200,596), for the deferred portion of variable pay in respect of 2014 (€76,554) and for the deferred portion of variable pay in respect of 2013 (€85,715).*

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PAY STATEMENT: JEAN-YVES FOREL

Member of the Management Board, Chief Executive Officer – Commercial Banking and Insurance (until May 16, 2016)	Fiscal year 2015		Fiscal year 2016	
	Amount due(1)	Amount paid(2)	Amount due(1)	Amount paid(2)
Base pay	-	-	-	-
Corporate office	€500,000	€500,000	€188,172	€188,172
Variable pay	€401,191(a)	€283,586(b)	€126,519(c)	€362,865(d)
Multi-year variable pay	€0	€0	€0	€0
Exceptional pay	€0	€0	€0	€0
Benefits in kind (company car, housing and other benefits)	€4,349	€4,349	€1,493	€1,493
Attendance fees	€0	€0	€0	€0
Other pay	-	-	-	-
TOTAL	**€905,540**	**€787,935**	**€316,184**	**€552,530**

(a) *Variable pay in respect of 2015, of which €200,596 (50%) paid in 2016 and the balance (50%) deferred over three years in equal shares of €66,865. For 2017, the final amount paid will be €74,608 (after application of the indexing factor).*
(b) *Amount paid in 2015 for variable pay in respect of 2014 (€206,511) and for the deferred portion of variable pay in respect of 2013 (€77,075).*
(c) *Variable pay in respect of 2016, of which €63,260 (50%) paid in 2017 and the balance (50%) deferred over three years in equal shares of €21,087.*
(d) *Amount paid in 2016 for variable pay in respect of 2015 (€200,596), for the deferred portion of variable pay in respect of 2014 (€76,554) and for the deferred portion of variable pay in respect of 2013 (€85,715).*

PAY STATEMENT: CATHERINE HALBERSTADT

Management Board Member, Chief Executive Officer – Human Resources, Internal Communications, Corporate Secretary's Office of BPCE	Fiscal year 2015		Fiscal year 2016	
	Amount due(1)	Amount paid(2)	Amount due(1)	Amount paid(2)
Base pay	-	-	-	-
Corporate office	NA	NA	€500,000	€500,000
Variable pay	NA	NA	€338,000(a)	€0
Multi-year variable pay	NA	NA	€0	€0
Exceptional pay	NA	NA	€0	€0
Benefits in kind (company car, housing and other benefits)	NA	NA	€44,080(b)	€44,080(b)
Attendance fees	NA	NA	€0	€0
Other pay	-	-	-	-
TOTAL	**NA**	**NA**	**€882,080**	**€544,080**

(a) *Variable remuneration in respect of 2016, of which €169,000 (50%) paid in 2017 and the balance (50%) deferred over three years in equal shares of €56,333.*
(b) *Of which €40,000 in housing allowance.*

PAY STATEMENT: MARGUERITE BERARD ANDRIEU

Management Board Member, Chief Executive Officer – Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies (as of May 2, 2016)	Fiscal year 2015		Fiscal year 2016	
	Amount due(1)	Amount paid	Amount due(1)	Amount paid(2)
Base pay	-	-	-	-
Corporate office	NA	NA	€331,989	€331,989
Variable pay	NA	NA	€225,333(a)	€0
Multi-year variable pay	NA	NA	€0	€0
Exceptional pay	NA	NA	€0	€0
Benefits in kind (company car, housing and other benefits)	NA	NA	€0	€0
Attendance fees	NA	NA	€0	€0
Other pay	-	-	-	-
TOTAL	**NA**	**NA**	**€557,322**	**€331,989**

(a) *Variable pay in respect of 2016, of which €112,667 (50%) paid in 2017 and the balance (50%) deferred over three years in equal shares of €37,556.*

PAY STATEMENT: LAURENT ROUBIN

Member of the Management Board, Chief Executive Officer – Commercial Banking and Insurance (as of May 17, 2016)	Fiscal year 2015		Fiscal year 2016	
	Amount due(1)	Amount paid(2)	Amount due(1)	Amount paid(2)
Base pay	-	-	-	-
Corporate office	NA	NA	€311,828	€311,828
Variable pay	NA	NA	€211,481(a)	€0
Multi-year variable pay	NA	NA	€0	€0
Exceptional pay	NA	NA	€0	€0
Benefits in kind (company car, housing and other benefits)	NA	NA	€24,946(b)	€24,946(b)
Attendance fees	NA	NA	€0	€0
Other pay	-	-	-	-
TOTAL	**NA**	**NA**	**€548,255**	**€336,774**

(a) *Variable pay in respect of 2016, of which €105,740 (50%) paid in 2017 and the balance (50%) deferred over three years in equal shares of €35,247.*
(b) *Housing allowance.*

PAY STATEMENT: LAURENT MIGNON(a)

Member of the Management Board – Chief Executive Officer of Natixis	Fiscal year 2015		Fiscal year 2016	
	Amount due(1)	Amount paid	Amount due(1)	Amount paid(2)
Base pay	-	-	-	-
Corporate office	NA	NA	NA	NA
Variable pay	NA	NA	NA	NA
Multi-year variable pay(b)	NA	NA	NA	NA
Exceptional pay	NA	NA	NA	NA
Benefits in kind (company car, housing and other benefits)	NA	NA	NA	NA
Attendance fees	NA	NA	NA	NA
Other pay(c)	€2,059,372	€1,886,542	€1,914,761	€1,787,082
TOTAL(C)	**€2,059,372**	**€1,886,542**	**€1,914,761**	**€1, 787,082**

(a) *Laurent Mignon is not paid for his duties as a member of the BPCE Management Board.*
(b) *No multi-year variable pay or bonus share plan during the 2015 and 2016 fiscal years.*
(c) *Laurent Mignon 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. On February 18, 2015, he received 27,321 performance shares valued at €160,000 and on July 28, 2016, he received 47,463 performance shares valued at €160,000.*

STATEMENT OF ATTENDANCE FEES AND OTHER PAY RECEIVED BY BPCE NON-EXECUTIVE DIRECTORS FROM JANUARY 1 TO DECEMBER 31, 2016 (TABLE 3)

Rules for the awarding of attendance fees

Article 6 of the Finance Act for 2013 changed the methods for assessing income tax and social security charges on attendance fees received on or after January 1, 2013 by directors and members of the Supervisory Boards of French limited liability companies (*sociétés anonymes*).

Attendance fees received on or after January 1, 2013 remain subject to the progressive income tax scale as before, but are now also subject to:

- a mandatory flat-rate withholding tax, serving as income tax, at a rate of 21%. This deduction gives entitlement to a tax credit applicable to the income tax calculated using the progressive scale for the year the attendance fees were received;
- social security charges withheld at source, at rates applicable on the date of the levy (15.5% since January 1, 2013, including a CSG [*contribution sociale généralisée* – general social security tax] of 5.1% deductible from taxable income for the year of payment).

The amounts presented above do not include these withholding taxes.

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.

	Fiscal year 2015		Fiscal year 2016	
	Amount due(1)	Amount paid(2)	Amount due(1)	Amount paid(2)
Pierre Valentin Chairman of the Supervisory Board (since May 22, 2015)				
Annual fixed pay	€266,666.64	€266,666.64	€399,999.96	€399,999.96
BPCE director attendance fees	€9,708.33	€9,708.33	NA	NA
Other pay	€17,666.00	€17,066.00	€3,000.00	€3,600.00
Stève Gentili (Chairman of the Supervisory Board from January 1 to May 22, 2015) (Vice-Chairman of the Supervisory Board since May 22, 2015)				
Annual fixed pay	€96,666.69	€96,666.69	€80,000.04	€80,000.04
BPCE director attendance fees	€12,000.00	€12,000.00	€13,500.00	€13,500.00
Other pay	NA	€1,524.49	NA	NA
Yves Toublanc (Vice-Chairman of the Supervisory Board from January 1 to May 22, 2015)				
Annual fixed pay	€33,333.35	€33,333.35	NA	NA
BPCE director attendance fees	€4,500.00	€4,500.00	NA	NA
Other pay	€3,000.00	€2,400.00	NA	NA
CAISSES D'EPARGNE REPRESENTATIVES				
Catherine Amin-Garde				
BPCE director attendance fees	€24,700.00	€24,700.00	€24,700.00	€24,700.00
Other pay	€5,700.00	€5,700.00	€6,600.00	€6,600.00
Astrid Boos				
BPCE director attendance fees	€19,666.67	€19,666.67	€21,700.00	€21,700.00
Other pay	€9,000.00	€8,400.00	€7,800.00	€8,400.00
Alain Denizot (until May 22, 2015)				
BPCE director attendance fees	€10,391.67	€10,391.67	NA	NA
Other pay	€22,799.00	€21,599.00	NA	NA
Francis Henry (until May 22, 2015)				
BPCE director attendance fees	€7,016.67	€7,016.67	NA	NA
Other pay	€12,500.00	€14,500.00	NA	NA
Françoise Lemalle				
BPCE director attendance fees	€13,866.67	€13,866.67	€22,050.00	€22,050.00
Other pay	€14,400.00	€13,800.00	€26,400.00	€27,000.00
Pierre Mackiewicz (until May 22, 2015)				
BPCE director attendance fees	€10,041.67	€10,041.67	NA	NA
Other pay	€1,500.00	€1,500.00	NA	NA
Stéphanie Paix				
BPCE director attendance fees	€23,391.67	€23,391.67	€23,250.00	€23,250.00
Other pay	€51,500.00	€51,500.00	€45,300.00	€51,300.00
Didier Patault				
BPCE director attendance fees	€22,400.00	€22,400.00	€29,550.00	€29,550.00
Other pay	€20,899.00	€20,299.00	€3,900.00	€4,500.00
Nicolas Plantrou				
BPCE director attendance fees	€23,391.67	€23,391.67	€23,250.00	€23,250.00
Other pay	€15,000.00	€12,900.00	€18,000.00	€15,600.00
BANQUE POPULAIRE BANK REPRESENTATIVES				
Gérard Bellemon (until May 22, 2015)				
BPCE director attendance fees	€10,041.67	€10,041.67	NA	NA
Other pay	€4,500.00	€4,500.00	NA	NA
Thierry Cahn				
BPCE director attendance fees	€23,625.00	€23,625.00	€22,050.00	€22,050.00

	Fiscal year 2015		Fiscal year 2016	
	Amount due(1)	Amount paid(2)	Amount due(1)	Amount paid(2)
Other pay	€24,000.00	€24,000.00	€24,000.00	€24,000.00
Alain Condaminas				
BPCE director attendance fees	€7,016.67	€7,016.67	€23,250.00	€23,250.00
Other pay	€35,857.00	€35,857.00	€38,800.00	€38,800.00
Pierre Desvergnes				
BPCE director attendance fees	€25,300.00	€25,300.00	€24,700.00	€24,700.00
Other pay	€7,500.00	€7,500.00	€7,500.00	€7,500.00
Philippe Dupont (until February 18, 2015)				
BPCE director attendance fees	€1,366.67	€1,366.67	NA	NA
Other pay	€0	€0	NA	NA
Yves Gevin				
BPCE director attendance fees	€22,800.00	€22,800.00	€29,550.00	€29,550.00
Other pay	€1,800.00	€1,800.00	€2,400.00	€2,400.00
Michel Grass				
BPCE director attendance fees	€20,266.67	€20,266.67	€24,125.00	€24,125.00
Other pay	€31,800.00	€31,800.00	€27,600.00	€27,600.00
Catherine Halberstadt (until November 16, 2015)				
BPCE director attendance fees	€26,816.67	€26,816.67	NA	NA
Other pay	€43,333.00	€43,333.00	NA	NA
André Joffre				
BPCE director attendance fees	€19,666.67	€19,666.67	€24,100.00	€24,100.00
Other pay	€7,800.00	€7,800.00	€7,200.00	€7,200.00
INDEPENDENT MEMBERS				
Maryse Aulagnon				
BPCE director attendance fees	€52,093.33	€52,093.33	€51,950.00	€51,950.00
Marwan Lahoud				
BPCE director attendance fees	€49,625.00	€49,625.00	€51,950.00	€51,950.00
Marie-Christine Lombard				
BPCE director attendance fees	€51,233.33	€51,233.33	€57,950.00	€57,950.00
EMPLOYEE REPRESENTATIVES				
Vincent Gontier(5)				
BPCE director attendance fees	€17,966.67	€17,966.67	€22,150.00	€22,150.00
Frédéric Hassaine(5)				
BPCE director attendance fees	€15,066.67	€15,066.67	€19,000.00	€19,000.00
NON-VOTING DIRECTORS				
Jean Arondel (FNCE)				
BPCE director attendance fees	€8,066.67	€8,066.67	€10,000.00	€10,000.00
Other pay	€58,440.88	€58,440.88	€86,374.56	€86,374.56
Pierre Carli				
BPCE director attendance fees	€9,400.00	€9,400.00	€8,800.00	€8,800.00
Other pay	€9,000.00	€12,400.00	€3,000.00	€19,600
Daniel Karyotis				
BPCE director attendance fees	NA	NA	€1,266.67	€1,266.67
Other pay	NA	NA	NA	NA
Alain Lacroix				
BPCE director attendance fees	€9,400.00	€9,400.00	€8,800.00	€8,800.00
Other pay	€8,496.00	€7,896.00	€9,000.00	€9,600.00

	Fiscal year 2015		Fiscal year 2016	
	Amount due(1)	Amount paid(2)	Amount due(1)	Amount paid(2)
Pascal Marchetti (from May 22, 2015 to November 8, 2016)				
BPCE director attendance fees	€8,066.67	€8,066.67	€5,733.33	€5,733.33
Other pay	€33,000.00	€33,000.00	€28,334.00	€28,334.00
Dominique Martinie (FNBP)				
BPCE director attendance fees	€9,400.00	€9,400.00	€11,050.00	€11,050.00
Other pay	€6,300.00	€12,300.00	€4,500.00	€10,500.00
Michel Sorbier (FNCE) (until May 6, 2015)				
BPCE director attendance fees	€2,533.33	€2,533.33	NA	NA
Other pay	€3,000.00	€7,500.00	NA	NA
Gonzague de Villèle				
BPCE director attendance fees	€8,066.67	€8,066.67	€9,400.00	€9,400.00
Other pay	€7,500.00	€7,500.00	€6,000.00	€6,000.00
Dominique Wein (until May 22, 2015)				
BPCE director attendance fees	€3,466.67	€3,466.67	NA	NA
Other pay	€1,200.00	€9,200.00	NA	NA
TOTAL PAY	**€1,436,517.61**	**€1,455,042.10**	**€1,399,533.56**	**€1,428,733.56**

(1) Amounts due in respect of 2015: all amounts owed in respect of 2015, regardless of the date of payment.
(2) Amounts paid in respect of 2015: all amounts paid and received in 2015 (due in 2014 and paid in 2015 and due in 2015 and paid in 2015) excluding withholding taxes (amounts actually received by members include withholding taxes).
(3) Amounts due in respect of 2016: all amounts owed in respect of 2016, regardless of the date of payment.
(4) Amounts paid in respect of 2016: all amounts paid and received in 2016 (due in 2015 and paid in 2016 and due in 2016 and paid in 2016) 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.

2.4.3 Stock options

(Table 4)

Stock options allocated to company directors during the 2016 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 2016 fiscal year.

(Table 5)

Stock options exercised by company directors during the 2016 fiscal year

Name of company director	Number and date of plan	Number of options exercised during the year	Strike price

No stock options were exercised during the 2016 fiscal year.

(Table 6)

Performance shares allocated to company directors during the 2016 fiscal year (bonus shares associated with performance criteria)

Name of company director	Date of plan	Number of shares granted	Value of shares	Vesting date	End of lock-up period(2)	Performance conditions
Laurent Mignon(1)	7/28/2016	47,463	€160,000	7/28/2020	7/28/2020	Yes

(1) Performance shares granted by Natixis and by any Natixis Group company to Laurent Mignon for his duties as Chief Executive Officer of Natixis.
(2) Obligation to hold 30% of vested shares until the end of the term of office as Chief Executive Officer of Natixis or in any other leadership position with Natixis, including as a member of the Natixis Executive Management Committee.

(Table 7)

Performance shares available for vesting by company directors during the 2016 fiscal year (bonus shares associated with performance criteria)

Name of company director	Number and date of plan	Number of shares vested	Vesting conditions

No performance shares were available for vesting by company directors during the 2016 fiscal year (no shares of this type awarded).

(Table 8)

Past grants of stock options and bonus shares during the 2016 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 2016 fiscal year.

(Table 9)

Stock options exercised by the 10 non-executive director employees who exercised the most options during the 2016 fiscal year

Name of non-executive director employee	Number and date of plan	Number of options granted and exercised during the 2016 fiscal year	Weighted average price

No stock options were granted to or exercised by BPCE employees during the 2016 fiscal year.

(Table 10)

Past bonus share allocation to employees during the 2016 fiscal year

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[(2)]	Number of shares	Total number of shares cancelled or lapsed	Bonus shares outstanding or lapsed at period end
Laurent Mignon[(1)]	5/24/2016	7/28/2016	47,463	7/28/2020	7/28/2020	47,463	0	47,463

(1) Past grants of bonus shares by Natixis and by any Natixis Group company to Laurent Mignon for his duties as Chief Executive Officer of Natixis.
(2) Obligation to hold 30% of vested shares until the end of the term of office as Chief Executive Officer of Natixis or in any other leadership position with Natixis, including as a member of the Natixis Executive Management Committee.

2.4.4 Post-employment benefits: company directors

(Table 11)

Name of company director	Term of office: Start (or reappointment)	Term of office: End	Employment contract	Supplementary pension plan	Pay or benefits due or potentially due as a result of termination of/change in duties	Compensation related to non-compete clause
François Pérol Chairman of the Management Board	11/16/2015	2020	no	CGP, IPRICAS	yes	no
Daniel Karyotis Member of the Management Board, Chief Executive Officer – Finance, Risks and Operations	11/16/2015	5/1/2016	no	CGP, IPRICAS, Groupe BPCE executive director pension	yes	no
Jean-Yves Forel Member of the Management Board, Chief Executive Officer – Commercial Banking and Insurance	11/16/2015	5/16/2016	yes(1)	CGP, IPRICAS, Natixis pension guarantee	yes	no
Catherine Halberstadt Management Board Member, Chief Executive Officer – Human Resources, Internal Communications, Corporate Secretary's Office of BPCE	1/1/2016	2020	no	CGP, IPRICAS, Groupe BPCE executive director pension	yes	no
Marguerite Bérard-Andrieu Member of the Management Board, Chief Executive Officer – Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies	5/2/2016	2020	no	CGP, IPRICAS	yes	no
Laurent Roubin Member of the Management Board, Chief Executive Officer – Commercial Banking and Insurance	5/17/2016	2020	no	CGP, IPRICAS, Groupe BPCE executive director pension	yes	no
Laurent Mignon(2) Member of the Management Board, Chief Executive Officer of Natixis	11/16/2015	2020	no	N/A	no	no

(1) Pre-existing employment contract entered into with Natixis when the term of office began, which was suspended for the duration of the term.
(2) As a member of the BPCE Management Board, Laurent Mignon does not receive benefits.

COMMENTS ON THE SUPPLEMENTARY PENSION PLANS

CGP: mandatory 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.

Management Board members were also able to vest entitlements under this plan during their previous careers as Group employees or company directors.

The estimated annual amount of the annuity resulting from entitlements vested at December 31, 2016, is as follows, based on the payment of entitlements at the age of 62, with the survivor's pension set at 60%:

- for François Pérol: €13,700;
- for Daniel Karyotis: €7,900;
- for Jean-Yves Forel: €5,600;
- for Catherine Halberstadt: €1,000;
- for Marguerite Bérard-Andrieu: €4,200;
- for Laurent Roubin: €8,000; and
- for Laurent Mignon: €0.

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 fully paid by the company.

Management Board members were also able to vest entitlements under this plan during their previous careers as Group employees or company directors.

The estimated annual amount of the annuity resulting from entitlements vested at December 31, 2016 is as follows, based on the payment of entitlements at the age of 62, with the survivor's pension set at 60%:

- for François Pérol: €6,200;
- for Daniel Karyotis: €3,500;
- for Jean-Yves Forel: €2,400;
- for Catherine Halberstadt: €1,000;
- for Marguerite Bérard-Andrieu: €1,900;
- for Laurent Roubin: €2,900; and
- for Laurent Mignon: €0.

Natixis pension guarantee: defined-benefit pension plan governed by Article L. 137-11 of the French Social Security Code for some Natixis employees.

This plan is an extension of the "Banque Populaire pension guarantee", following the creation of Natixis, which has the following characteristics:

Banque Populaire Chief Executive Officers may receive a "pension guarantee". This pension guarantee is a supplementary pension plan and the vesting of entitlements under the plan is contingent on employees finishing their career with the company (Article L. 137-11 of the French Social Security Code). Plan members are persons who are or have been Chief Executive Officers of Banque Populaire banks.

Members falling into this category for at least seven years and ending their career with the Banque Populaire network and thus qualifying for a full State pension, by age 65 at the latest, will also receive a supplementary pension (pension guarantee) equal to the difference between:

- 50% of their benchmark pay, *i.e.* average gross pay including benefits in kind earned in the two calendar years before retirement, capped at an amount set by BPCE, which is currently €370,000. During retirement, this amount is adjusted in the same way as AGIRC points; and
- any pension income from other sources (statutory and supplementary Group pensions), along with any pay received from the Group if they resume work after retirement.

Once drawn, this supplementary pension may be paid to a spouse or former non-remarried spouse, at a rate of 60%.

The 50% rate applies to persons having qualified as plan members as of July 1, 2004. The rate for other plan members is 70%, falling to 60% from their 70th birthday.

The "BPCE pension guarantee" plan was closed to new members on July 1, 2014 and harmonized with the supplementary pension plan for Chairmen of Caisse d'Epargne Management Boards (see below).

The "Natixis pension guarantee" uses the same pension calculation method as the "Banque Populaire pension guarantee", with the exception of the benchmark pay, currently set at €389,700 and indexed to AGIRC points.

The plan is prefunded by Natixis under an insurance policy underwritten with Quatrem. The annuity purchase price is called up by the insurer when the entitlements are drawn.

Expenses paid by the company consist of the 24% contribution on premiums paid into the insurance policy.

Jean-Yves Forel retained his membership in this plan when he was appointed as a member of BPCE's Management Board. Jean-Yves Forel joined the plan prior to July 1, 2004.

For Jean-Yves Forel, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2016 is €272,790, minus all other legal and corporate plans, the total amount of which is estimated at €120,000, for an estimated annuity payment of €152,790.

Groupe BPCE executive director pension: 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 having the following main characteristics.

To qualify for this pension plan, beneficiaries must meet all the following criteria 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 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.

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 graned 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, which is fully funded by the group, is covered by two insurance policies underwritten with Quatrem and Allianz, with a target obligation coverage rate of 80% for working employees and 100% for retired employees receiving benefits.

Expenses paid by the company consist of the 32% contribution on annuities paid by the insurer to the beneficiaries.

For Daniel Karyotis, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2016 is €125,700.

For Catherine Halberstadt, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2016 is €0, as she does not yet have the minimum seven years' seniority required by the plan.

For Laurent Roubin, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2016 is €0, as he does not yet have the minimum seven years' seniority required by the plan.

SUPPLEMENTS

Supplementary pension plans governed by Article L. 137-11 of the French Social Security Code, *i.e.* the Natixis pension guarantee and the Groupe BPCE executive director pension, are managed in accordance with section 23.2.6 of the AFEP-MEDEF Code. They comply 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.

These plans comply 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 and Laurent Roubin, the annual vesting of conditional entitlements is contingent on Groupe BPCE generating a net profit for the period considered.

Jean-Yves Forel and Daniel Karyotis each have the seniority required for entitlement to maximum benefits under each of the supplementary pension plans in which they are enrolled governed by Article L. 137-11 of the French Social Security Code. As a result, they may not vest any more conditional entitlements under these plans. The provisions set out in Article L. 225-90-1, paragraph 2, of the French Commercial Code (beneficiary required to meet certain performance conditions) therefore do not apply to them.

PAY OR BENEFITS DUE OR POTENTIALLY DUE AS A RESULT OF THE TERMINATION OF OR A CHANGE IN DUTIES

Members of BPCE's Management Board may receive:

- **involuntary-termination severance pay:** if their term of office is forcibly terminated for reasons other than serious misconduct, a change of position within Groupe BPCE or retirement, members of the BPCE Management Board may be paid compensation equal to no less than 12 months of fixed and variable pay and no more than 24 months, provided they have at least 12 years' seniority with the Group.

  Payment of such compensation is subject to the following conditions:

  Conditions for receiving involuntary-termination severance pay

  This compensation can only be paid in case of forced termination of office for reasons other than 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.

  Persons receiving involuntary-termination severance pay lose any entitlement under the specific supplementary pension plans (defined-benefit plans, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code) 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 indemnity liable to be paid in respect of the termination of the employment contract.

  Determination of involuntary-termination severance pay

  Involuntary-termination severance pay is due only if the Group generated positive net income over the last financial year preceding the termination of the corporate office.

  The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding 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.

  The calculation of benchmark pay is based on the amounts paid in respect of the relevant corporate office.

  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 corporate office in progress (or during the term of office serviced, 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 termination of an employment contract is deducted from the amount of involuntary-termination severance pay:
- **compensation for non-renewal of corporate office:** payment is not automatic. However, the Supervisory Board, acting on the basis of an opinion issued by the Remuneration Committee, may decide to award compensation, after taking into consideration the circumstances in which the term of office was not renewed and the former company director's past career within the Group. The non-renewal of office may not be followed by retirement or re-assignment to another position with Groupe BPCE. This compensation may not exceed the amount of involuntary-termination severance pay;
- **retirement bonus:** Upon a decision made by the Supervisory Board, members of BPCE's Management Board may receive a retirement bonus equal to no less than 6 months and no more than 12 months' salary, provided they have at least 10 years' seniority, without any minimum attendance 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 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.

  In the event:

  - the involuntary-termination severance pay is received,

- compensation for non-renewal of corporate office is received,

the executive managers are no longer entitled to the defined-benefit pension plan and no longer qualify for 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) 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 calculation of benchmark pay is based on the amounts paid in respect of the relevant corporate office.

The amount of the indemnity 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.

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 retirement bonus is excluded from the calculation base for defined-benefit pension annuities.

2.4.5 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.

2.5 Potential conflicts of interest

2.5.1 Members of the Supervisory Board

INTEGRITY OF MEMBERS

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 and 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 may 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.

2.5.2 Members of the Management Board

INDEPENDENCE AND INTEGRITY

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.

2.6 Chairman's report on internal control and risk management procedures for the year ended December 31, 2016

Dear Shareholders,

In addition to the management report and in accordance with Article L. 225-68 of the French Commercial Code, this report 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, 2016 and the principles and rules governing the determination of all types of pay and benefits granted to corporate officers, which are discussed in Chapters 2.1, 2.2, 2.3 and 2.4 of this document;
- internal control and risk management procedures adopted by BPCE;
- internal control procedures for the preparation and processing of accounting and financial information.

This report was completed under my authority on the basis of available documentation about internal control and risk management within Groupe BPCE.

The section covering internal control and risk management was presented to the Risk Committee on February 7, 2017; and the governance section was presented to the Remuneration Committee on February 8, 2017 and subsequently approved by the Supervisory Board during its meeting on February 9, 2017.

The external Statutory Auditors will issue a specific report, appended to their report on the annual financial statements, containing their observations on internal control and risk management procedures relating to the preparation and processing of accounting and financial information and attesting to the provision of other information as required under Article L. 225-235 of the French Commercial Code.

INTRODUCTION

Since August 4, 2009, when BPCE became operational, the governance of the internal control system has rested with the Management Board and the Supervisory Board.

The Management Board defines and implements the organization and resources to ensure the proper assessment and management of risks in a comprehensive and optimal manner. Its control framework is appropriate to the financial position and strategy of BPCE and Groupe BPCE. It is responsible for risk management and reports to the Supervisory Board on these activities. It regularly monitors the implementation of policies and strategies defined for all kinds of risks. Together with the heads of the Group's control functions, it keeps the Group Risk Management Committee and Supervisory Board regularly informed of the main items and main conclusions drawn from the analysis and monitoring of risks associated with the activities and results of Groupe BPCE.

The Supervisory Board oversees the management of the principal risks incurred, approves the main risk limits and appraises the internal control system in accordance with the regulatory framework. To this end, the Board is supported by a Group Risk Management Committee in charge of preparing its decisions and formulating recommendations. The duties, resources, make-up and activity of this Committee in 2016 are detailed in the section of this report on corporate governance.

2.6.1 Internal control provisions

Groupe BPCE's internal control system is structured in accordance with the legal and regulatory requirements of all texts governing the Group and its activities (particularly the French Monetary and Financial Code and the Ministerial Order of November 3, 2014 on internal control) and with the governance framework and principles (charters and standards) established within the Group.

Groupe BPCE's internal control structure is based on four principles:

COMPREHENSIVENESS OF THE CONTROL SCOPE

The internal control system covers all risks and all Group businesses and activities, including those that are outsourced. It is continually adapted in the event that new businesses are consolidated or the types of risks incurred change.

SUITABILITY OF CONTROLS TO THE TYPES OF RISK INCURRED AND AUDITABILITY OF CONTROLS

Suitability of controls implies:

- systems, methods and tools for measuring and monitoring risks that result in substantial investment;
- resources, particularly human resources, that are appropriate and sufficient in terms of both quantity and quality.

Auditability implies:

- the existence of organizational charts, job descriptions and clear delegation of authority;
- the existence of complete, specific operating procedures that cover all activities, describe control types and responsibilities in detail and are readily available;
- the definition of reporting lines, alert mechanisms and accountability.

INDEPENDENCE OF CONTROLS AND SEPARATION OF DUTIES BETWEEN THOSE THAT INCUR RISK AND THOSE THAT MONITOR IT

At all levels and for all activities carried out by Groupe BPCE's businesses, the offices involved in performing internal control are organized under terms that guarantee:

- the distinction between front-office and back-office duties;
- the existence of two levels of permanent controls;
- the distinction between periodic and permanent controls.

Although Level 1 controls are primarily the responsibility of the operating divisions and support functions, permanent Level 2 controls and internal audit are provided by independent central functional divisions, whose managers, as defined by Articles 16-17 and 28-29 of Ministerial Order A-2014-11-03 on internal control, report to the executive managers as defined by Article 10 of the same regulation.

CONSISTENCY OF THE INTERNAL CONTROL SYSTEM – PROCESS-BASED OPERATIONS

Standards are laid down by BPCE in accordance with its legal responsibilities and requirements for supervision on a consolidated basis set by Ministerial Order A-2014-11-03 on internal control and are intended to ensure a consistent, consolidated approach to risks. Process-based operations contribute to this as well: the permanent and periodic control duties located within the Banque Populaire banks, Caisses d'Epargne, subsidiaries and other affiliates, subject to the banking supervision regulatory framework, have a strong functional link, as part of the consolidated control processes, to both of the relevant BPCE central control divisions: the Risk, Compliance and Permanent Control division and the Group's Inspection Générale division. This functional link is described in the various Control department charters.

This structure is replicated in the Group's companies, which themselves are parent companies or major subsidiaries of BPCE with the option to separate their own dedicated Permanent Control functions from Risks and from Compliance.

The other central duties that contribute to permanent control (IT System Security and, to a certain extent, Human Resources and Legal Affairs) are also organized by department.

2.6.2 General organization

AT THE GROUP LEVEL

Like the central institution, 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.

PARTICIPANTS IN THE CONTROL SYSTEM

Hierarchical permanent control (Level One)

Hierarchical permanent control (Level One) is the first link in internal control and is performed by operational or support departments under the supervision of their line management.

They are responsible for:

- checking compliance with risk limits, as well as transaction processing procedures and their compliance;
- reporting operational risk incidents and establishing the business indicators necessary for the assessment of operational risks;
- supporting account balances arising from activity in the accounts concerned by transactions initiated in these departments.

Depending on the situations and activities, these Level 1 controls are performed, jointly if applicable, by a special purpose Middle Office-type control unit or accounting control entity, or otherwise by the operational staff themselves.

Level 1 controls are reported formally to the relevant Permanent Control divisions or functions.

Permanent control by dedicated entities (Level Two)

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.

Groupe BPCE set up a new permanent control structure in 2016: the Risk, Compliance and Permanent Control division (DRCCP).

Other central functions contribute to the permanent control system: the Legal Affairs division, the Operations division in charge of information system security and the Group Human Resources division for certain issues affecting the pay policy.

Periodic control (Level Three)

Periodic control, within the meaning of Article 17 of Ministerial Order A-2014-11-03 on internal control, is performed by the Group's Inspection Générale division and implemented by the audit function across all entities and activities, including permanent control.

PERMANENT AND PERIODIC CONTROL DEPARTMENTS

Integrated permanent and periodic control department 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, have a strong functional link, as consolidated control departments, to BPCE's corresponding Central Control divisions and a hierarchical link to their entity's executive body (see audit function). This 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 down 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 has also been presented to the Supervisory Board of BPCE. The Risk Charter was updated by the Management Board on October 19, 2015, while the Group Audit Charter was also updated and approved by that Board in June 2016. Finally, the Group's Internal Control umbrella charter is currently being finalized.

As mentioned above, the system also includes the IT System Security department and, to a certain extent, the Human Resources and Legal Affairs departments.

ORGANIZATION OF GROUPE BPCE'S INTERNAL CONTROL SYSTEM

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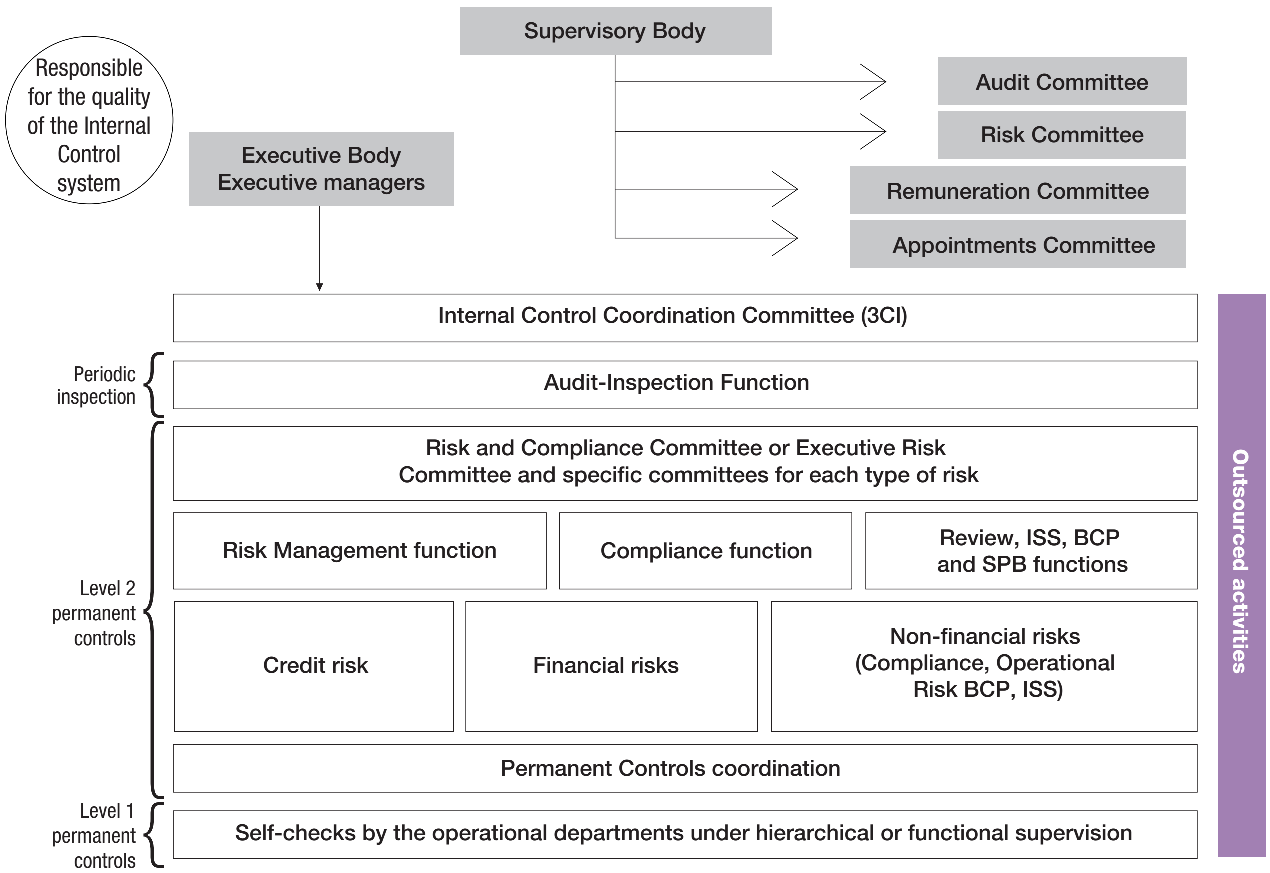


Internal Control Coordination Committee

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.

Its responsibilities include:

- keeping executive management regularly updated about developments in the Group control framework;
- highlighting areas of emerging or recurring risk, arising from developments in business, changes in the operating environment or the state of the control systems;
- reporting significant failures to executive management;
- examining the methods for implementing the principal regulatory changes and their potential implications on the control framework and tools;
- ensuring that findings from controls are properly taken into account, reviewing remedial measures decided, prioritizing them and monitoring their implementation;
- deciding measures to be implemented to reinforce the level of security for the Group and coordinating initiatives developed by the central institution's permanent control functions, where necessary.

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 Commercial Banking and Insurance is a standing member. If applicable, this committee may hear reports from operational managers about measures taken by them to apply recommendations made by internal and external control bodies.

Group Risk Management 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 risk, 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).

Overall risk limits are reviewed at least once a year and presented to the Group Risk Management 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, Article 98 and 244). It notifies the Group Risk Management Committee twice a year of the conditions under which the limits set were observed (Ministerial Order of November 3, 2014 on internal control, Article 252).

At the same time, several committees are responsible either for defining shared 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 ALM risk. The frequency of their meetings is tailored to institutional and Group needs.

Financial Committees focus more specifically on standardizing the body of accounting and financial information throughout the Group and verifying this information, as well as defining the Group's financial community communication strategy, along with the resources allocated to promoting the Group's debt issues in the markets.

Non-Financial Risk Committee

This committee meets quarterly and includes the Groupe BPCE various business lines affected by non-compliance and operational risks, while incorporating IT System Security, Business Continuity and Accounting Review issues. Its purpose is to validate the map of non-compliance and operational risks and the associated action plans, at Group level and to perform 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.

2.6.3 Permanent control: the group risk, compliance and permanent control division

Groupe BPCE set up a new permanent control structure in 2016: the Risk, Compliance and Permanent Control division (DRCCP).

This new structure:

- repositions compliance and permanent controls. It takes into account the needs and expectations of the Group's customers and partners, particularly by making controls more effective in accordance with the risk map. With respect to human resources, the merging of the risk, compliance and financial audit teams will expedite the reallocation of scarce expertise for better coverage of compliance and permanent control duties;

- combines all teams involved in the fields of risk, compliance and permanent controls with a view to improving efficiency and performance. This new structure will help strengthen DRCCP's ability to provide even greater operational assistance to the institutions in matters of risk and compliance, to prioritize controls depending on the level of risk incurred and to strengthen the control system;
- measures, supervises and managese all risks, including non-compliance risks, in accordance with the Ministerial Order of November 3, 2014;
- ensures that the risk management system is effective, comprehensive and consistent and that risk-taking is consistent with the guidelines for the business, particularly Group/institution targets and resources.

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, the concentration of risk and other adverse developments and 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 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 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 IT departments, while defining the standards to be applied for the measurement, control, reporting and management of risks;
- maintains strong functional links with the Risk and Compliance functions by participating in the work of local Risk Management Committees or receiving the results of their work, coordinating the departments and approving the appointment or dismissal of all new Heads of Risk Management, Heads of Compliance, or Heads of Risk and Compliance, by meeting with the relevant managers and/or teams during national or local meetings;
- helps disseminate risk and compliance awareness and promote the sharing of best practices throughout the Group.

GOVERNANCE AND COORDINATION

Organization

Relying on strong functional links, the Risk, Compliance and Permanent Control division (DRCCP) coordinates Groupe BPCE Risk and Compliance functions, particularly *via*:

- the Risk Charter, which since 2015 has stated that the Group DRCCP, at its own initiative, participates in the annual performance assessment of the heads of the permanent control functions, particularly risk and/or compliance and that in such cases it conducts this review jointly with the Chairman of the Management Board or the Chief Executive Officer;
- monitoring and updating the functions' key documents such as charters and standards;
- analyzing the Executive Risk Committees of the Banque Populaire banks, the Caisses d'Epargne and the subsidiaries, for discussion when visiting the institutions;
- coordinating the departments through monthly conference calls and several national risk and compliance days, which enable the sharing of best practices between the Group's institutions, in addition to regional conference calls and meetings;
- support for newly appointed Heads of Risk Management and Compliance *via* a special program;
- frequent trips to the Risk and Compliance departments of the Group's institutions in order to meet with the department heads and their teams;
- publication of a newsletter every four months for the heads of the Group's institutions and the heads of the various departments, including the Sales function. Another newsletter is sent out more frequently, summarizing current regulatory developments;
- a collection of documents specific to each function;
- an annual training program, in connection with the Group Human Resources division. This program is a university training course on "Internal control and risk management at financial institutions" given at Université Paris-Dauphine. Participants earn a degree upon successful completion of the course.

The Regulation division carries out the regulatory watch for the DRCCP scope and assists in Group projects with a regulatory component. It participates in industry-wide efforts in coordination with the Group's other regulatory divisions. This division also dispenses training and awareness-building actions to Group employees on regulatory issues.

The Supervision division is tasked with coordinating all dealings with supervisory bodies, in close coordination with 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 *Autorité de contrôle prudentiel* (ACPR) and the other French supervisory (AMF) or regulatory authorities (Banque de France, Trésor), as well as 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 as well as the resulting recommendations. Finally, it coordinates all *ad hoc* or one-time requests received from the ECB or ACPR by the central institution.

A Risk and Compliance Awareness division was established in 2016 to promote risk and compliance awareness throughout the Group and the sharing of best practices among the institutions. Its main duties are as follows:

- developing risk and compliance culture through awareness-building initiaties and overseeing training plans;
- overseeing macro-level risk mapping for the institutions and BPCE SA;
- overseeing change management initiatives pertaining to risk and compliance in the operations conducted by the institutions (new procedures, structures, reports, etc.);
- coordinating work on the registration document – Groupe BPCE's annual report;
- coordinating the Group commitments function;
- providing risk expertise to the Sales departments within the framework of the New Products Committee.

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.

Activities in 2016

In 2016, the DRCCP carried out several projects that strengthened the Risk and Compliance oversight and coordination system, including in particular:

- updating the charters related to the various permanent control functions;
- 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 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 half-yearly summaries of all Executive Risk Committees of Banque Populaire and Caisse d'Epargne network institutions, for the purpose of sharing best practices and detecting potential areas of risk, for discussion when visiting the institutions;
- improving 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 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 national risk and compliance days;
- contributing to the institutions' risk assessment.

In the interest of developing risk and compliance awareness, the work carried out in 2016 particularly related to:

- in connection with credit risk, the standardization of credit practices in the institutions, such as commitment supervision processes, credit approval processes and annual reviews of business customer loans and seizure of collateral from retail customers;
- the development of a macro-level risk map for the institutions, identifying their major risks and the definition of action plans aimed at reducing these risks, in connection with the risk appetite system;
- the establishment of a Groupwide risk and compliance awareness communication plan;
- the review and enhancement of risk and compliance training programs.

CROSS-BUSINESS RISK ANALYSIS

In addition to the risk supervision conducted both individually and by type of risk by the Risk functions as described above, Groupe BPCE's Risk, Compliance and Permanent Control division (DRCCP) also consolidates the Group's risks, calculates and consolidates credit risk-weighted assets at the Group level (excluding Natixis), produces regulatory reports (particularly COREP statements on loans, large exposures, etc.) and internal dashboards. In particular, it produces a 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 (map 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 at the Group level and, if needed, for the entities on the Group's main portfolios or activities. 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 develops internal credit risk measures targeting customer 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 and coordinates the contributions of the DRCCP.

Activities in 2016

As part of its consolidated risk monitoring system, the Risk, Compliance and Permanent Control division produces cross-business analyses for various committees (Umbrella Committee, Risk Management Committee of the Supervisory Board, Supervisory Board):

- reinforcement of consolidated risk management through the definition and formalization of Groupe BPCE's risk appetite, the development of an appropriate system of indicators and limits tracked operationally *via* the Group consolidated risk dashboard. This dashboard was also enhanced by adapting to current risk-specific issues. Additional indicators and scopes were also added or refined in the interest of continuous improvement;
- two prospective risk analyses, several in-depth and multi-risk analyses on loans in the social and solidarity-based economy, home loans, consumer loans and loans to real estate professionals;

- contribution to the internal solvency stress test, particularly on estimating cost of risk.

Work was carried out to keep the credit risk models operational, with a focus on the retail customer models used by the Banque Populaire and Caisse d'Epargne networks.

The Group also continued making the transition to IFRS 9 in 2016, focusing particularly on phase 2 ("impairment"). It also continued to implement Basel III/ Basel IV regulatory requirements, especially through impact studies regarding potential regulatory changes.

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 system of Level 2 permanent risk control covering matters of governance, risk, organization, the work of risk management and Compliance functions and the implementation of standards, norms and charters.

The central institution developed a Group-level permanent control tool (PILCOP) in close collaboration with the institutions from the various networks. The DRCCP uses this tool to implement, centralize and use the Level 2 permanent controls carried out by the Risk and Compliance divisions. The various existing permanent control standards, which cover all of the control functions, were updated and enhanced.

At the same time, quarterly Level 2 permanent controls are also conducted on the DRCCP's most sensitive activities.

Activities in 2016

In 2016, the DRCCP carried out several structure-building projects to reinforce the Group's permanent control system, namely:

- the quarterly release of a report on Level 2 permanent controls in the institutions, with a focus on points subject to enhanced monitoring or out-of-step with the network in question. Associated action plans are also monitored on a quarterly basis;
- strengthening of the DRCCP's permanent control system for sensitive risk-related activities, particularly with regard to certain regulatory activities;
- establishment of a department responsible for coordinating the permanent control of the overall Group system;
- several projects were also launched to improve sampling standards, interactions between level 1 and 2 controls and consistency with the macro-level risk mapping system or the risk appetite system.

RISK MEASUREMENT AND SUPERVISION

The overall risk policy is governed in particular by the risk appetite system, structured around the definition of risk as established by the Supervisory Board and risk appetite indicators.

At its core, Groupe BPCE is a full-service bank, with a strong retail banking component in France, covering all segments and markets and operating nationwide.

As a co-operative, Groupe BPCE aims to:

- provide the best service to its customers over time, while consistently generating a profit;
- preserving the solvency, liquidity and reputation of its constituent entities and the Group as a whole;
- maintain a balance between profitability and risks, in a changing interest rate environment, with the objective of generating resilient and regular profits.

The balance between profitability and risk acceptance is reflected in Groupe BPCE's risk profile and is written into the Group's risk management policies.

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.

Changes to our business model are increasing our exposure to some types of risks, particularly risks related to asset management and international business development.

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 limited.

In all activities, entities and regions of operation, the Group undertakes to meet the highest standards in ethics, conduct, best execution and transaction security.

From a structural standpoint, Groupe BPCE's business model incurs a lower-than-average cost of risk on the French market.

CREDIT RISK

Organization

Credit risk measurement relies on 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.

For credit risk oversight purposes, Groupe BPCE manages the following risks, which are monitored by the Group Risk Management Committee and the Credit Risk Committee and are the subject of regular internal reports by the entities:

- regular, in-depth monitoring of the credit quality of Groupe BPCE's main portfolios or activities (home loans, consumer finance, professional customers, SMEs/ISEs) at the Group level (Group exposure, portfolio structure, credit quality) which may lead to the establishment and/or revision of risk policies or management procedures, thereby updating the coverage of our risks through special systems (e.g. policies, limits, sector-based supervision);
- management of concentration risks by setting limits on major counterparties (business customers, banks, sovereigns) and by 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;
- monitoring of average risk-weighted assets by entity and by asset class;
- monitoring of counterparty risk using a consolidated approach at the Group level through various regulatory measures (CVA, EEPE and IRC in particular).

Furthermore, special reviews, particularly sector- and portfolio-based reviews, are carried out at the consolidated Group level to obtain a consolidated view of the credit quality of a given sector or asset class and if need be, to be able to propose changes to risk policies or the corresponding management procedures (sectors "under watch").

Decision-making at the Group level takes place within a framework made up of:

- risk policies taken up, adapted, or expanded at each Group institution;
- Group sector-based systems adapted at the local level;
- regulatory caps, Group internal caps, internal caps for institutions in the BP and CE networks;
- a system of Group internal limits relating to the major categories of counterparties (a company made up of a parent and its subsidiaries) on a consolidated basis, expanded as needed by local limit systems;
- at each Group institution, a counter-analysis involving the Risk Management function, with veto power including a right of appeal that 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;
- a permanent control system to ensure that these systems and procedures are being enforced. The DRCCP monitors compliance with regulatory caps at the Group level for the Groupe BPCE 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.

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 business customers, "real estate professionals", "central banks and other sovereign exposures", "central administrations", "public-sector and similar debt" and "financial institutions" segments.

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. Compliance with the application of standards and quality of data is managed by monitoring all asset classes using software tools shared by both the Banque Populaire and Caisse d'Epargne networks and the main subsidiaries. The supervision teams are responsible for ensuring that the sector-based watch is updated by focusing on sectors of activity identified as high-risk and, in conjunction with the consolidated Risk Management and Modeling department, for analyzing portfolios to help identify the main concentrations of risk. This system is enhanced by a set of industry-based limits.

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.

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.

Finally, the DRCCP coordinates the credit risk process, particularly through monthly audioconferences and national credit risk days, or through topic-oriented working groups. It also oversees change management with respect to standards to ensure better operational adoption of Group rules at the local level and to harmonize practices within the Group's various institutions.

Activities in 2016

The Group's credit risk appetite indicators have been updated and a credit risk concentration indicator has been added.

A Creditworthiness Validation Committee was established for the Caisse d'Epargne network, as a similar committee for the Banque Populaire network was already operational. For members of Caisses d'Epargne Steering and Supervisory Boards and Banque Populaire Boards of Directors, creditworthiness means having a sound internal Basel II rating.

The risk supervision mechanisms were strengthened through the establishment of a general credit risk policy for the Group and a business customer credit risk policy. Furthermore, the definition of LBOs was specified on the basis of a newly established definition of "leveraged finance" transactions.

The sector-based supervision system was expanded to include mechanisms focused on renewable energy, bus transport, textiles and clothing. Finally, a methodology for setting industry limits and a preliminary set of sector limits were put in place.

A standardized ex-post control system covering the lending activities of the Banque Populaire and Caisse d'Epargne networks replaced the ex-ante system in effect in the Caisse d'Epargne network, while internal caps were set for each counterparty in the network, which apply to customers outside the regional public sector. The Banque Populaire network was impacted by the changes to its ex-post system, which was revamped in order to harmonize it with the Caisse d'Epargne network system. It already has internal caps at the institutional level. The mechanisms for defining and monitoring risk-taking on assets comprising the liquidity reserve were revised, expanded and strengthened.

The framework for defining local limits for public hospitals was rolled out.

A policy was established to record provisions on individual loans granted to business customers.

Major change management efforts were prepared in close coordination with all of the Group's institutions on the contents of credit applications, the annual review, credit risk monitoring and collateral management. In 2015, targets were set for each of these issues, while work in 2016 focused on preparing to implement these targets at the Group's institutions in order to conduct the necessary changes in data recovery and management for the relevant business lines and software tools and to update the processes used. 2017 will focus on effective change management using diagnostics for each institution aimed at defining the gap between its actual practices and target practices.

Rating tools for credit transactions carried out by real estate professionals were reviewed and rolled out on the networks, thereby allowing these transactions to be consistently rated at the Group level.

The standard for home loan indicators was revisited in order to harmonize the operational implementation of this standard in each institution's information systems, in line with the funding mechanism and regulatory requirements.

A charter on syndicated transactions and Groupwide information-sharing was established: it defines the rights and duties of syndicate members and sharers.

Finally, risk policies and individual limits were reviewed and updated.

MARKET RISK

Organization

The Risk, Compliance and Permanent Control division (DRCCP) works in the areas of risk measurement, definition and monitoring of limits and monitoring of market risks and is entrusted with the following:

- risk measurement:
  - determining 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 ensuring that they are produced as part of the risk process,
  - determining policies for adjusting values or delegating them to the Risk Management divisions of the relevant institutions and centralizing the information,
  - ensuring Level 2 validation of operating results and cash valuation methods;
- defining and monitoring limits:
  - examining the limit framework and setting limits (global limits and, where necessary, operational limits) adopted by the various appropriate Risk Management Committees, as part of the comprehensive risk process,
  - examining the list of authorized products for the relevant institutions and the conditions to be complied with and submitting them for approval to the appropriate Market Risk Committee,
  - examining requests for investments in financial products, in new capital market products or activities, by the relevant banking institutions *via* the New Market Product Committee,
  - harmonizing processes for managing trading book allocations and medium- to long-term portfolios of the Banque Populaire and Caisse d'Epargne networks (monitoring indicators, definition of indicator limits, monitoring and control process and reporting standards);
- market risk supervision:
  - consolidating Group market risk mapping,
  - carrying out or overseeing daily supervision of positions and risks with respect to allocated limits (overall and operational limits) and defined resilience limits, organizing the decision-making framework for limit breaches and ensuring or overseeing the 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 process through national market risk days, or through topic-oriented working groups.

Activities in 2016

In a changing regulatory environment, the DRCCP carried out several structure-building projects for the Group:

- the French law on the separation and regulation of banking activities ("SRAB"): the map of Groupe BPCE's capital market activities was updated in 2016, particularly within the scope of network institutions. It revealed 171 internal units subject to exemption, within the meaning of law No. 2013-672 of July 26, 2013 on the separation and regulation of banking activities. Since May 2015, Groupe BPCE has used this map to produce quarterly calculations of required indicators in accordance with Article 6 of the Ministerial Order of September 9, 2015. The activities carried out by the Group did not result in the establishment of a specific subsidiary (see Chapter 3 – Risk Management);
- the Volcker Rule (a sub-section of the US Dodd-Frank Act): the enhanced compliance program, which applies to BPCE SA group, was certified for the first time on March 21, 2016.

In the interest of converging the SRAB and Volcker control systems, efforts were made in 2016 to strengthen the role of the central institution in the cross-business oversight of the Group system, the compliance of activities affected by the law and the permanent control system.

A new position was created in the Risk, Compliance and Permanent Control division: the SRAB-Volcker Officer is responsible for the operational coordination and sustainability of the SRAB and Volcker control systems.

The market risk appetite framework was updated in the fourth quarter of 2016, particularly with respect to investments related to non-operating assets.

INTEREST RATE, LIQUIDITY AND FOREIGN EXCHANGE RISK

Organization

The Groupe BPCE Risk, Compliance and Permanent Control division (DRCCP) works within the ALM risk management system (liquidity, interest rate and foreign exchange risks), performing Level 2 controls. In particular, the following points are subject to controls or critical reviews:

- the system of interest rate and liquidity risk indicators and limits;
- the inputs of the prepayment/renegotiation model;
- conventions on runoff rules for non-maturity products;
- definition of instruments authorized for use in hedging ALM risks;
- interest rate and liquidity risk measurement indicators;
- monitoring of limits and action plans;
- models for the run-off of deposits to passbook savings accounts, home savings accounts, rates of return on home savings plans or exchange rates, as well as models for the home savings provision (interest rate model, behavioral models, etc.).

The DRCCP examines requests for ALM limits defined by the Group ALM Committee. The DRCCP Standards and Methods Committee validates controls to be carried out by the ALM Risk Management department.

More specifically, the DRCCP controls:

- the measurement of indicators calculated in accordance with the standards defined in the Group ALM standards;
- the observation of limits on the basis of the mandatory reported information;
- the implementation of action plans to reduce risks in order to bring them back within operational limits.

All of these duties are the responsibility of each entity's Risk Management department for its own scope and the Groupe BPCE DRCCP at the consolidated level. Each entity documents controls in a Level 2 control report that includes:

- the quality of the risk supervision system;
- observation of limits and monitoring of corrective action plans in the event of limit breaches;
- and analysis of changes in balance sheet and risk indicators.

DRCCP validation teams examine the quantitative models developed by the Finance division for managing liquidity and provisions and present the findings of their review to the Group ALM Committee, the regulators and the Statutory Auditors.

In addition, the DRCCP coordinates the ALM risk process through national market risk days, or through topic-oriented working groups.

Activities in 2016

As part of its risk management and monitoring system for structural ALM risks, the DRCCP:

- updated the Group ALM risk standards;
- reviewed liquidity risk and interest rate risk limits;
- approved the *Livret A* accounting treatment method and the implementation of the new interest rate risk framework;
- assisted the financial risk department in setting up the new interest rate risk framework;
- conducted a study on the impact of prepayments and renegotiations on net interest income and on the regulatory interest rate indicator;
- continued to carry out Level 2 controls for BPCE SFH (Groupe BPCE's housing loan company), a covered bond-issuing entity;
- contributed to the validation of Group internal methodology standards and functional specifications, as well as the calculation of Basel III ratios, *i.e.* the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio) 1-month and 1-year liquidity ratios. Detailed controls are carried out at each reporting date, covering the liquidity reserve and an analysis of changes for major line items by customer base (Banque Populaire network, Caisse d'Epargne network, etc.);
- in the Banque Populaire and Caisse d'Epargne networks, continued to promote the use of a simulation environment for the Group AML tool, allowing new risk measures to be conducted (simulation of run-off distribution and alternative rate scenarios, for example) and automatically transmits data to the automated reporting system.

NON-COMPLIANCE RISKS, SECURITY AND OPERATIONAL RISKS

The Compliance, Security and Operational Risk department works independently of the operational divisions, as well as of the other internal control divisions with which it cooperates. It includes four divisions:

- banking and investment services compliance;
- financial security, including BPCE's Tracfin officers;
- security and business continuity;
- operational risks, including information system security.

The Compliance, Security and Operational Risk department carries out its duties within the framework of business line operations. To this end, it helps guide and motivate the Compliance Officers of the affiliates and subsidiaries, including Natixis. 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, have a strong functional link with DCSG.

The Compliance, Security and Operational Risk department conducts any necessary initiatives to strengthen compliance throughout Groupe BPCE, including within the BPCE company. 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:

- puts together the training materials used by the Compliance function and manages interaction with the Group Human Resources division;
- trains Compliance staff, mainly through specialized annual seminars (financial security, ethics and compliance, banking compliance and coordination of permanent compliance controls);
- trains Compliance Officers through appropriate courses;
- coordinates the Operational Risk process through national operational risk days and theme-based working groups.

Within the BPCE company, compliance is handled by a dedicated team in the DRCCP corporate secretary's office.

CUSTOMER PROTECTION AND BANKING COMPLIANCE

Organization

Banking compliance

This field includes the prevention of non-compliance risks in the areas of legislation, regulations or professional standards, within the banking and KYC scope. To this end, it encompasses the distribution of standards (including ACPR recommendations and EBA guidelines), compliance expertise in the context of approving new products or sales processes, supervision of document and challenge approval processes and the monitoring of the Group's Outsourced Essential Services. It also strengthens the management of non-compliance risk through the oversight and operation of controls and through risk-mapping elements reported by Groupe BPCE institutions within the banking compliance and KYC scope.

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.

PROCEDURAL FRAMEWORK

All new products, services, distribution channels and sales materials that fall within Compliance's area of expertise obtain prior approval by Compliance. In this way, the Compliance division ensures that applicable regulatory requirements are followed and that the targeted customers – and the public at large – receive clear and fair information.

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.

TRAINING INITIATIVES

Customer protection is a constant priority for Groupe BPCE's Compliance function.

In response to recently introduced regulations on banking inclusion and excessive debt prevention, Group-wide standards have been formalized. Training classes have also been organized.

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.

Activities in 2016

Numerous regulation-related projects were carried out in 2016: the implementation of the "Eckert Act" and the regulations on the Automatic Exchange of Information (AEOI), the incorporation of the first items from the enactment of the directive on home loans, participation in efforts on banking mobility and on the charter for banking inclusion and the validation of information on the deposit guarantee fund.

At the same time, particular focus was placed on:

- pricing issues, with preliminary documentation distributed to secure the pricing system secure within the institutions;
- approval of life insurance products and selling processes within the framework of the *Assurement #2016* project launched at the Caisses d'Epargne.

Furthermore, in view of the major changes to regulations on payment protection insurance and the recommendations of the CCSF (Financial Sector Advisory Committee), a new standardized factsheet was introduced throughout the Group. Training modules were designed within the context of change management.

INVESTMENT SERVICES COMPLIANCE

Organization

This area includes the ethical aspect of financial activities, as defined by the AMF General Regulations and, more broadly, the prevention of conflicts of interest, ensuring the primacy of customer interests, compliance with market rules and professional standards in the banking and financial sectors, and regulations and internal standards regarding business ethics. It includes oversight of Investment departments and the operating procedures of investment services compliance officers (RCSIs).

As of late 2016, this scope also includes the duties of the Volcker Office.

Activities in 2016

BPCE studied the impacts of the Markets in Financial Instruments directive and regulation in order to adapt its system.

Work was carried out primarily with respect to issues related to investor protection. This work impacted the Group's role as a distributor of financial instruments, in order to make the necessary changes to its systems: adapting offers related to the financial products and services sold; arranging relationships between producers and distributors in order to meet the new applicable regulatory requirements; implementing provisions related to the transparency of fees and charges, to reporting for customers and to the recording of discussions as part of customer relations; obligations to disclose transaction reports to regulators, as well as best-execution and best-selection requirements; developing employee training in matters of remuneration and conflicts of interest.

In response to the enactment of the Market Abuse directive and regulation, the Group has set up a market abuse alert analysis and reporting mechanism. This mechanism is applies to the Banque Populaire banks, Caisses d'Epargne and their subsidiaries.

At the same time, standards and procedures administered under the central institution are kept up to date in the interest of reviewing the regulatory and IT framework for market abuse vigilance.

In response to the controls carried out by the ACPR at several of the Group's institutions, on the sale of cooperative shares, additions have been made to the normative frameworks. They incorporate the regulator's requirements on the dilution and control of equity by the institutions and rules governing the sale of cooperative shares to the public.

The technical mechanisms associated with these new provisions are currently being implemented on the technological platforms of the Banque Populaire and Caisse d'Epargne networks.

FINANCIAL SECURITY

Organization

This includes the prevention and monitoring of financial crimes, *i.e.* anti-money laundering and combating terrorist financing, adherence to international sanctions aimed at people, entities or countries, and coordination of the prevention of internal and external fraud.

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

This culture, promoted across all levels of the company, is built on:

- principles governing relationships with customers that avert risk and document KYC for each institution;
- a harmonized, biannual training regime for Group employees, which has been reinforced over the past few years with the implementation of specialized training for the Financial Security function;
- a regular stream of information and coordination aimed at staff regarding the risk of money laundering and terrorist financing.

Organizational structure

In accordance with Groupe BPCE's charters, all of the institutions have a division or unit dedicated to financial security. DRCCP has a specialized division that coordinates processes related to the prevention of money laundering and terrorist financing, namely though two committees tasked with defining the financial security strategy for the entire Group, proposing and validating the various standards and guidelines, and ensuring consistency across all of the decisions made for each project. This 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, the institutions have methods for detecting unusual transactions that are adapted to their risk classification. These can be used, if needed, to conduct closer analysis and to submit the required reports to the Tracfin service (processing and action against illicit financial channels) 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 French Treasury for areas controlled by terrorist organizations, etc.).

Since 2013, electronic profiling tools have been harmonized across the two main networks (Banque Populaire and Caisse d'Epargne). With respect to compliance with restrictive measures related to international sanctions, Group institutions are kept informed by BPCE's Group Financial Security division and are 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 conducts close monitoring of the institutions' activities in this area through regular meetings.

Activities in 2016

Following the revision of the recommendations issued by the Financial Action Task Force (FATF) in 2012, a fourth European directive was published (EU directive 2015/849 of May 20, 2015) and partly enacted into French law (the implementation decrees are expected in the first half of 2017). Within the framework of market initiatives, BPCE is monitoring and anticipating the directive's implementation, particularly the expansion of the heightened vigilance measures for "politically exposed persons" to cover French residents.

Group institutions received a framework procedure devised by a national taskforce on internal fraud, along with communication, training (e-learning) and detection tools.

All of the relevant tools were authorized by CNIL (French data protection agency).

With respect to external fraud, the following measures have been put in place:

- alerts are escalated by the Financial Security function;
- information on beneficiaries of credit transfers identified as fraudulent has been integrated with the international flow screening tool, helping to prevent unlawful credit transfers.

A national project was launched to coordinate the existing mechanisms at the institutions, documented in a framework procedure in late 2016 (roll-out scheduled for 2017).

With this system, Groupe BPCE meets the requirement of establishing a procedure to assess a customer's situation with respect to corruption, as set out in section 4 of Article 17 of Law 2016-1691 of December 9, 2016 ("Sapin II") on transparency, prevention of corruption and modernization of the economy. Customers identified as politically exposed persons are assigned a high risk level and must be treated with special vigilance, particularly by identifying the sources of their assets. Finally, Transparency International rankings of a customer's country of residence are taken into consideration.

SECURITY AND BUSINESS CONTINUITY

The individually acquired maturity of the institutions' business continuity systems led the Group to develop new guidelines for its own business continuity, aiming to reinforce the operational effectiveness and consistency of the mechanisms in the entities that make up the Group.

The management of business interruption risk will now be handled from a cross-business perspective. The main business lines are analyzed, particularly for liquidity and payment instruments. The level of resilience of the "securities" and "loans to business/individual customers" business lines is analyzed end-to-end.

Measures aimed at assessing the performance of Group suppliers' business continuity mechanisms have been gradually reinforced.

The importance of digital technology in the bank's activities and the heightened risk of cybercrime have necessitated special treatment, particularly the preparation of the framework document on emergency management and business continuity in the event of cyber-attacks. This document was drafted jointly with the departments in question.

Organization

The BPCE Security and Business Continuity division performs its tasks independently of operational divisions. These tasks involve:

- security of staff and property:
  - overseeing the security of Groupe BPCE's staff and property and coordinating the department,
  - overseeing compliance with legal and regulatory provisions relating to the security of staff and property,
  - participating in Groupe BPCE's internal and external governance bodies;
- business continuity:
  - managing Group business continuity and coordinating the Group Business Continuity department,
  - implementing the BPCE business continuity plan and emergency plan and 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 2016

Efforts aimed at reinforcing the security of employees, customers and service providers operating on the Group's premises, particularly through tests and the referencing of equipment (video surveillance, alarm units, staining technology, protection of independent workers, etc.), are regularly carried out, as well as impact studies on new regulations or the search for innovative solutions, such as protecting employees who work alone.

A new security agreement for Banque Populaire bank branches was signed with management and labor representatives this year.

Crisis governance provides reinforced coordination to handle incidents involving several Group companies or their suppliers. The Groupe BPCE crisis coordination system was tested during the first Europe-wide crisis management drill, SEQUANA, led by the Paris Defense district and which involved, in addition to the Bank of France Stock Exchange crisis division, nearly 60 companies in the Paris region to measure the extent of public/private coordination. About a dozen crisis teams on the company level were led by the crisis management support teams at the central institution.

The permanent control systems for security and continuity are routinely strengthened and adapted to new threats (cybercrime, terrorism, climate change, etc.). Management tools also undergo maintenance upgrades in order to centralize the actions of the various heads of business.

The continuity mechanisms are presented to Group governing bodies on a regular basis.

OPERATIONAL RISKS

Organization

The Groupe BPCE Risk, Compliance and Permanent Control division (DRCCP) contributes to the operational risk management policy. To this end, it:

- defines and updates operational risk standards applicable to all Group institutions;
- carries out and updates risk mapping based on uniform evaluation standards across the entire Group;
- rolls out and controls the implementation of the operational risk monitoring and management system;
- manages the operational risk, incidents and losses data collection tool and assists institutions with learning how to use the tool;
- ensures the escalation of significant incidents (particularly Article 98 of the Ministerial Order of November 3, 2014 on internal control) to the Group's management bodies;
- issues recommendations and monitors remedial action plans relevant to major incidents;
- contributes to permanent risk supervision by preparing consolidated summary reports for submission to various bodies.

Activities in 2016

The operational risk division was incorporated into the Compliance, Security and Operational Risk department dedicated to non-financial risks.

The year was marked by the decision to use a single operational risk management tool for all Group entities, including Natixis and to provide a more forward-looking vision.

To achieve this, a project was launched in order to reconcile the methodologies and to switch all entities and users onto a single internal tool by the end of 2017.

The year was also marked by the strengthening of coordination efforts for the operational risk division: the regional platforms were reinforced with half-yearly meetings in order to share best practices and methodologies and to enhance action plans. To that end, best practices guides were released.

Coordination with the other Risk Management networks was also reinforced, particularly with regard to fraud and IT system security.

Oversight was expanded: a monthly dashboard is produced and released to Group management, members of the Group Operational Risk Committee and the entire function. Follow-up reports were designed and provided to the function to strengthen the oversight of action plans and ensure better data quality.

IT SYSTEM SECURITY

Organization

The Group IT System Security (ISS) division (DSSI-G) defines, implements and develops Group IT system policies. It provides continuous and consolidated monitoring of information system security, along with technical and regulatory monitoring. It initiates and coordinates Group projects aimed at reducing risks in its field.

Within its remit, DSSI-G represents Groupe BPCE with respect to banking industry groups and to public authorities.

As a stakeholder in the permanent control system, the Group ISS director is operationally assigned to the Risk, Compliance and Permanent Control division. Within the central institution, the Group ISS division also maintains regular contact with the Inspection division.

The central institution's Head of IT System Security is a member of the Group IT System Security division and, as such, ensures the security of the central institution's information system (SI Fédéral) and of BPCE's information system.

Groupe BPCE has established a groupwide Information System Security department. It includes the Head of IT System Security (RSSI), who coordinates the department and the Heads of IT System Security for all of the institutions.

The heads of IT System Security for parent company affiliates, direct subsidiaries and EIGs are functionally linked to the Group's Head of IT System Security. This functional link is achieved through coordinated actions. This functional link means that:

- the Group's Head of IT System Security is notified of the appointment of any heads of IT system security;
- the Group's IT system security policy is applied within the institutions and each IT system security policy must be transmitted to the Group's Head of IT 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 IT system security policy, permanent controls, risk level, primary incidents and actions is submitted to the Group Head of IT System Security.

Activities in 2016

The Group's IT system security policy (PSSI-G) incorporates the Group's security requirements. It consists of the Information System Security Charter, 430 rules categorized into 19 subject areas and three organizational instruction documents[1]. It is revised annually according to an ongoing process of improvement. The 2016–early 2017 revision of the Group's IT system security policy will particularly take into account regulatory changes (defense appropriations law, new payment services directive, European data protection regulations).

At the same time, 133-item information security permanent control standards, which can be accessed through the Pilcop tool, were rolled out to all institutions in 2016. They form the foundation of Level 2 permanent controls for the Group and cover all of the Group IT system security policy rules categorized as critical or very critical.

DSSI-G also contributed its security expertise to several Group projects so that security would be taken into account from the outset (new Group network, etc.).

Anti-cybercrime mechanisms

As a result of its digital transformation, the Group's information systems are now more open to the outside (cloud computing, big data, etc.) and processes are gradually going digital. Employees and customers are also increasingly using the Internet and interconnected technologies such as tablets, smartphones and applications on tablets and mobile devices.

Consequently, the Group's assets have become more exposed to cyberthreats. 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 premises and datacenters.

In March 2015, the ECB sent supervised French banks, including Groupe BPCE, a self-assessment questionnaire related to cybersecurity, a topic high on its agenda. The questionnaire drew from the US standards established by the NIST (National Institute of Standards and Technology) in February 2014.

Furthermore, the ECB conducted a cybersecurity audit at Groupe BPCE. It related to Group governance regarding risks, cybersecurity and information technology, with a special focus on online banking security for the Banque Populaire banks and Caisses d'Epargne. The recommendations will be sent to Groupe BPCE in 2017.

Several actions were continued in 2016 to address vulnerabilities identified by the self-assessment.

<u>Strengthening the cyber risk-mapping framework</u>

To improve the Group's knowledge of IT risks, a methodology was defined to coordinate information system security approaches with that of the business lines, with regard to risk mapping. In 2015, this methodology was incorporated into the Group operational risk mapping framework and rolled out across all institutions for the most sensitive processes.

In 2016, the 16 IT risks detailed in 27 scenarios, 10 of which are related to cybersecurity, were revised.

Furthermore, the Group has decided to extend the scope of the ARCHER tool for mapping ISS risks, initially used by Natixis, to the entire Group. It will be rolled out in 2017.

<u>Data loss prevention (DLP) system</u>

Group rules for the classification of digital data, drawn up in late 2015, will be incorporated into the 2016-early 2017 revision of the Group's IT system security policy. They target the office environment (workstations and their ecosystem: messaging, data exchange platforms, etc.).

Operational mechanisms were identified in 2016 for gradual implementation by the main IT operators starting in 2017.

(1) *Operating procedures of the Groupe BPCE IT System Security department, information system security permanent control, classification of sensitive IS assets.*

Reinforced application access controls

In conjunction with Natixis, the Group reinforced the system used to review access rights to cross-business information systems (Natixis and BPCE) granted to the institutions. The new system was introduced across the entire Group in 2016 to cover 19 of the most sensitive applications, in addition to 13 applications reviewed in 2015. The number of applications in the review scope will be expanded again in 2017.

Reinforced detection of unusual flows and events in information systems (cyberattack detection)

To meet the challenge of increasingly sophisticated and frequent cybersecurity attacks, in 2014 the Group established a cybersecurity alert system named VIGIE.

In 2016, VIGIE conducted ongoing monitoring and enabled the sharing of incidents encountered within the Group and in the banking sector.

Between January and September 2016, 355 alert messages were exchanged among the members of the VIGIE network, preventing the proliferation of incidents encountered by individual institutions or the market. VIGIE particularly made it possible to share across the institutions a few detected areas of vulnerability (malicious IP addresses, identity theft e-mails, fraudulent telephone numbers, etc.).

Raising employee awareness of cybersecurity

The Group-wide approach to raising employee awareness of ISS was expanded in 2016 through a serious game that was developed by CIGREF and relayed by the Group's institutions. Two awareness-building films (one for advanced attacks and one for phishing) were also produced.

Within BPCE's scope, the massive user authorization project defined in 2010 was continued. Employees were also informed about phishing (*via* a phishing reaction test).

CLIMATE RISKS

Organization

Groupe BPCE is aware of its responsibility to promote a lower carbon footprint economy and as such takes committed actions to take climate risk into account and implement measures aimed at reducing it. Like other types of risk, climate change risk is incorporated in the identification and management of its risks.

Like all other French banking groups, Groupe BPCE takes part in the work of the ACPR under paragraph V of Article 173 of the French law on energy transition for green growth.

Since 2016, the general credit risk policy has included climate risk and has incorporated Corporate Social Responsibility as a major risk development issue. Climate risk is also being integrated into the mapping of the institutions' risks, which took place in 2016.

Activities in 2016

In 2016, Groupe BPCE formally established a Group CSR approach, approved by the Executive Management Committee, that includes the reduction of its direct and indirect environmental impacts. Groupe BPCE then 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 finance 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

- the annual measurement of carbon emissions stemming from energy, travel, real estate and procurement for all Group companies;
- the 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 6 of this document on the Group's social, environmental and societal information.

INSURANCE RISKS

Organization

The combination of the three Level 2 controls within the Risk, Compliance and Permanent Control division (DRCCP) gave rise to the pooling of insurance, risk and compliance expertise.

The DRCCP, in coordination with the Insurance division, ensures the effective implementation and operation of the insurance risk monitoring processes (including underwriting risk) within the principal insurance companies in which the Group is the major shareholder, namely: Natixis Assurances (including its subsidiary BPCE Assurances), Compagnie Européenne de Garanties et de Cautions (CEGC), Prépar-Vie and Coface. CNP, in which the Group is a minority shareholder, is also supervised by the DRCCP.

In this context, the principle of subsidiarity applies, with controls carried out first by the insurance companies, then at the level of the Risk divisions of the parent companies (Natixis and BRED Banque Populaire) and then by the DRCCP, which reports to the Group Risk Management Committee every six months.

The aim of insurance compliance is to ensure that sales of insurance products comply with all applicable laws, regulations and ACPR - recommended best practices. Banking institutions authorized to operate as insurance brokers are subject to the brokerage law and required to comply in full. Accordingly, standards are disseminated and applied to information systems, an approval processes is carried out for new products distributed by the Group, sales processes and professional ethics are monitored, training modules are updated, and finally 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, owing to 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.

Conglomerate regulations require insight into the entire scope of consolidation (banking, insurance, asset management and non-financial sector) and additional supervision of:

- "financial conglomerate" capital adequacy;
- intra-group 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 department.

"Financial conglomerate" capital adequacy forecasts:

- 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 conglomerate) are presented to and discussed with the ECB/ACPR joint supervisory team (JST)k. 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.

Activities in 2016

In 2016, the major work carried out with the department related to the enhancement of forecasts and stress tests under all three regulations (Solvency II, Basel III, financial conglomerates) and the strengthening of governance:

- integrating the Group's insurance companies into the bank ISTs (internal stress tests), as set out under the 2016 ICAAP (internal capital adequacy assessment process);
- setting up an additional quarterly supervisory committee dedicated to CNP;
- coordination of the Group's approach to insurance stress tests, particularly the 2016 ORSAs (own risk and solvency assessments);
- establishment of detailed financial assumptions shared by the companies (Group stress tests), as well as an analysis of the results and recommendations;
- monitoring of major risks and contagion mechanisms;
- analysis of regulatory interactions (Basel III, Solvency II, financial conglomerates directive).

EMERGING RISKS

Like other European and French players, Group BPCE must address the risks caused by its environment, placing greater emphasis on emerging risks.

The international situation is a source of concern, with weaker economic growth in emerging countries, compounded in some regions by political and fiscal instability, especially as a result of persistently low commodity prices. In Europe, Brexit as well as security and migration issues generate risks for the stability of the European Union and its currency, forming a potential source of risks for banking institutions.

The current environment of ultra-low interest rates, with yields falling into negative territory for some segments of the curve, generates a potential risk for commercial banking activities, particularly in France where fixed-rate loans predominate, and for life insurance.

As the economy in general and bank transactions in particular become increasingly digital, risks are on the rise for customers and information system security, with cybersecurity becoming a potential area of risk that requires increasing levels of watchfulness.

Since 2016, the general credit risk policy has also included climate risk and has incorporated Corporate Social Responsibility as a major risk development issue. Climate risk is also being integrated into the mapping of the institutions' risks, which took place in 2016.

Misconduct risk is monitored with operational risks and has been written into ethics and conflict-of-interest charters at all levels of Groupe BPCE.

The regulatory environment is another area to watch, given the increasingly strict requirements imposed on the banking industry.

MANAGEMENT OF LEGAL RISK

Duties

The Corporate Secretary's Office – Legal Affairs division (SGDJ) is responsible for the prevention and management of legal risks in general and at Group level. It is also involved in the prevention of reputational risks. In this regard, it helps to manage the legal risks arising from the activities of the central institution and Group entities.

To this end, it provides legal and regulatory oversight, information, assistance and advice for the benefit of all Group institutions.

Together with the Risk, Compliance and Permanent Control division (DRCCP), it also helps ensure the consistency and effectiveness of controls on non-compliance risks relating to laws and regulations specific to banking and finance activities.

Finally, SGDJ represents Groupe BPCE in its dealings with the regulatory authorities, as well as national and international organizations in all its fields of expertise.

SGDJ exercises its role independently of the Operational divisions.

Organization

SGDJ is in permanent contact with the Legal Affairs divisions of Group institutions on all matters relating to the aforementioned duties. It conducts an ongoing dialogue and interaction between the Group's legal officers and maintains up-to-date documentation for their benefit. SGDJ coordinates the Group's legal and litigation policy. In this regard, it oversees all legal risk management processes.

With the exception of the special case of Natixis, for which there is a direct functional link, the Legal department operates mainly through coordination between the central institution and the various affiliates or subsidiaries.

Detailed structure

In May 2010, the Corporate Secretary's Office and the legal office were merged into a single division, thereby entrusting to one and the same person the responsibility for providing secretariat services for BPCE's bodies and the Group Legal Affairs division.

The Corporate Secretary's Office – Legal Affairs division is divided into four departments: the purpose of this organizational structure is to have a legal office capable of fulfilling its duty to provide legal advice to BPCE as an entity and to act as a Legal Affairs division for the Group's various components, with the aim of ensuring maximum security.

The duties of the "Commercial Banking and Insurance law" department include a regulatory watch and participation in industry working groups, such as the Fédération Bancaire Française (FBF – French Banking Federation), tasked with preparing, negotiating and explaining all new texts applicable to the industry with regard to their implementation by the Group. This division is also responsible for defining and drafting legal standards applicable to the Group's banks and products sold, in response to changes in these texts. Likewise, it provides legal advice and assistance to the Group in the fields of Banking law and Insurance law. Lastly, it manages strategic disputes for the Group, handles criminal cases and coordinates litigation on a national level.

The "Corporate" department handles a number of complementary activities. It provides advice with respect to intra-group acquisition, divestment and restructuring transactions and works closely with BPCE's Strategy division. On competition-related matters, it provides advice to help anticipate and ensure the proper application of competition rules and it manages legal disputes. It also acts on legal matters pertaining to real estate, IT and new technology and intellectual property through the monitoring and protection of brands and communication activities. Finally, this department monitors, analyses and contributes to the operational implementation of texts dealing with prudential matters and the European Banking Union.

The "Governance and Corporate Events" department first and foremost handles the operation of BPCE's bodies in accordance with the highest standards of governance, as well as ensuring that the Group applies these standards. Its duties also cover Corporate law. It also handles the institutional management of the Group's organizations and entities (including the Banque Populaire and Caisse d'Epargne networks), thereby covering oversight, disclosure, support and advice in matters of institutional and corporate events (including plans to establish and restructure entities). Finally, this division is also responsible for handling ACPR and ECB matters as well as relations with the regulatory authorities.

The "Information Systems – Legal Documentation and Support" department provides applications and helpful documents to the Group, monitors important texts and distributes them throughout the Group.

Activities in 2016

Work carried out in 2016 focused mainly on:

- contributing to the Sales Process Validation Committee (CVPC) and to the Review and Validation Committee for New Groupe BPCE Products (CEVANOP);
- participating in the monitoring, review and operational implementation of texts relating to the three pillars of the Banking Union: supervision/resolution/deposit guarantees;
- monitoring, reviewing and implementing the legal reform on contracts and obligations;
- monitoring and reviewing reforms on home loans, out-of-court settlement of consumer disputes, evidence law and fees on payment accounts, payment account changes and access to payment accounts with basic services;
- Groupe BPCE's implementation of the law of June 13, 2014 on dormant bank accounts and unclaimed life insurance policies (the "Eckert Act"), the law on the separation and regulation of banking activities and the Consumer Protection Act;
- provision of legal assistance on the mergers of Banque Populaire banks (two in 2016) and Caisses d'Epargne (one scheduled for April 29, 2017);
- assessing the operation of the BPCE Supervisory Board;
- drafting an Ethics and Compliance Charter for members of the BPCE Supervisory Board;
- participating in industry-wide efforts and monitoring those efforts, then forming a working group to define the conditions governing Groupe BPCE's implementation of the *EBA, ESMA/EBA Suitability and Internal Governance Guidelines*.

2.6.4 Controls of accounting and financial reporting quality

ROLES AND RESPONSIBILITIES IN PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

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 Group Finance and Strategy division (within the Finance, Group Strategy, Corporate Secretary's Office – Legal Affairs division) consisting of:

- the Group Finance division;
- the Group Steering and Strategy division;
- the Group Accounting division;
- the Group Tax department.

The main rules governing the Finance function at Groupe BPCE are defined by the "Finance Duties Framework," approved by BPCE's Management Board on November 2, 2010 and essentially comprise:

- rules for preparing and processing accounting and financial information;
- organizational rules for the Finance function within the Group and within the central institution;

- the principles and terms of relations established between the central institution and the Finance functions of Group institutions as well as other outside parties (other functions within BPCE, AMF, Statutory Auditors, etc.).

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 and Strategy division.

The Group Finance and Strategy division is responsible for preparing and reporting accounting and financial data at the Group level. It collects all accounting and financial information produced by entities within Groupe BPCE's scope of consolidation. It also consolidates and checks these data, to enable their use for the purposes of Group management and communication to third parties (control bodies, investors, etc.).

In addition to consolidating accounting and financial information, the Group Finance and Strategy 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.

MAIN FUNCTIONS 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 toy 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 Governing Bodies.

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.

In addition, the Group Accounting division assists the business lines of the Group Finance and Strategy division in managing financial information systems projects and helps preserve individual and community financial standards, for all functions comprising the Group Finance and Strategy 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 Group Finance, Strategy, Legal Affairs and the Secretary's Office of the Governing Bodies. 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 quarterly results;
- coordinating and steering approaches for the analysis of the Group's operating costs;
- monitoring BPCE subsidiaries financially and administratively;
- 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.

PRODUCTION PROCESSES FOR CONSOLIDATED ACCOUNTING AND FINANCIAL DATA

General system

The central institution prepares the consolidated financial statements of Groupe BPCE and its individual company financial statements.

For this purpose, BPCE's Group Finance and Strategy division has prepared consolidation standards designed to guarantee the reliability of the process. This set of standards is based on the following core principles:

- defining and disseminating accounting policies for Groupe BPCE, including an analysis and interpretation of new texts issued during the period, both for French GAAP and international (IFRS) accounting standards;
- regular training of accounting teams within the consolidated entities to promote the use of best practices throughout Groupe BPCE.

In addition, 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.

In 2016, 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 organic and regulatory changes, in particular:

- definition of a new structure to strengthen oversight of the Group and its entities and meet the expectations of regulators in an increasingly stringent regulatory and supervisory environment. For this reason, within the new Group Finance, Strategy, Corporate Secretary's Office and Legal Affairs division, the following have been formed:
  - a Group Steering and Strategy division, which includes the Group's strategic finance control and strategic operations planning. This new division has been granted all the resources it needs to ensure stricter oversight of the Group and its entities, with a greater focus on liquidity and capital allocation strategies, and on the Group's operational performance. This change is also in line with launch of preparatory work for the new strategic plan,
  - a Resolution department within the Group Finance division for greater efficiency, particularly in preparing the documents required by the supervisory authorities. This department is in charge of the field of Resolution, including its cross-business capital adequacy and liquidity aspects, and in connection with the issuance policy,
  - furthermore, under the new structure BPCE SA group parent company accounting was reassigned to the Group Accounting division in order to pool expertise and promote discussions in this areat;
- continued efforts to implement IFRS 9 ("Financial Instruments"), applicable to reporting periods starting January 1, 2018 subject to its adoption by the European Union. IFRS 9 deals with the classification and measurement of financial instruments (phase 1), the impairment of financial instruments (phase 2) and hedge accounting (phase 3). In 2016, Groupe BPCE's efforts particularly focused on:
  - drafting the body of standards,
  - finalizing statements of information system requirements,
  - beginning the software tool development phase.

  Major progress was also achieved, such as the accounting classification of existing securities and loan outstandings and the performance of preliminary impairment calculation simulations;
- the BPCE Group Finance and Strategy division's participation in the work carried out for the multi-year (2016 to 2018) plan to adapt the group to the regulatory requirements published on January 9, 2013 by the Basel Committee on Banking Supervision (BCBS No. 239), *i.e.* Principles for effective risk data aggregation and risk reporting;
- continued work on the *Business Line View* program, meant to give the Finance Control department a system for steering and allocating scarce Groupe BPCE resources for each business segment and for all entities according to liquidity, capital adequacy and profitability. This system will interface with the central calculation mechanisms (capital adequacy, liquidity, ALM, accounting) and brought into line with BCBS 239 principles. Based on an innovative technological platform, it will be used to conduct analyses and simulations/forecasts for the entire Group business model and as such will be a powerful steering tool for the Finance Control department. A major first milestone was reached in October 2016 with the implementation of year-end forecasts in the new tool;
- establishment of a technical platform and service center for processing the financial transactions of Groupe BPCE companies (the Banque Populaire and Caisse d'Epargne networks, BPCE SA group, CASDEN, Crédit Coopératif and Crédit Foncier). 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 consolidation issues.

Preparation of consolidated accounting and financial data

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:

- in Commercial Banking and Insurance: information is communicated on an individual basis to ensure a more detailed view of each entity's contribution to Groupe BPCE's results. The individual accounting data of Group institutions is monitored under IFRS with a view to preparing the consolidated financial statements. 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, charts of accounts, accounting treatment and analysis;
- in Corporate and Investment Banking, Investment Solutions and Specialized Financial Services: Natixis has a consolidation tool that produces an IFRS consolidation package, ensuring the consistency of data from the banking and insurance scopes and giving a transparent overview of its subsidiaries. For the production of Group financial statements, Natixis submits a consolidation package that represents its consolidated financial statements;
- for Equity interests, the entities are for the most part consolidated on the basis of packages that represent their consolidated financial statements.

The system as a whole feeds into a central consolidation tool, which has archiving and security procedures including daily back-up of the consolidation database. System restoration tests are regularly carried out.

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 governed by the Group's Internal Control Charter, approved on April 7, 2010 by the BPCE Management Board. This charter sets out the principles, defines the scope of application and details the participants and their role in ensuring that the internal control system of each company and Groupe BPCE works properly.

The Group's internal control charter sets general principles and is supplemented by a charter organizing the periodic control function, as well as frameworks or standards organizing the permanent control functions, including the function 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 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.* "Level 1 controls" (control), relating to operational departments and integrated into accounting treatment procedures;
- an intermediate level, *i.e.* "Level 2 controls" (review), organized and executed under the responsibility of a specialist audit function dedicated to Level 2 controls on accounting and financial data: the Review. This function carries out independent controls aimed at verifying the reliability and exhaustiveness of the accounts;
- 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 and the *Autorité de contrôle prudentiel et de résolution*).

Within the central institution

COORDINATION OF THE "REVIEW" PROCESS

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 process, 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.

Within the DRCCP, this process is coordinated by the Financial Review division. Its head, who reports to the head of Permanent Control Coordination, is a standing 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 the reporting system for the process with the central institution;
- work closely with the Group's Statutory Auditors on the statutory system within Groupe BPCE, while ensuring, on behalf of the Audit Committee, the independence of the Statutory Auditors (monitoring compliance with the selection procedure, review of the fees paid by Groupe BPCE and the type of duties performed by the Statutory Auditors within Groupe BPCE, etc.);
- coordinating each entity's system for reporting to the central institution so that it can to classify their system for producing and controlling accounting and financial information and visiting entities whose systems are falling behind.

CONTROL OF THE CENTRAL INSTITUTION'S ACCOUNTING AND FINANCIAL INFORMATION PRODUCTION SYSTEM

In addition to coordinating the Review process, the Financial Review division is also tasked with:

- Level 2 control of the accounting work and in particular financial and regulatory statements published under the responsibility of the Group Finance and Strategy division;
- coordinating measures intended to ensure the reliability of accounting and financial data produced, in connection with the other control functions;
- 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. For this purpose:
  - it 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,
  - it coordinates the accounting function, thereby increasing the quality of the Level 1 control system,
  - it reviews reports on accounting and regulatory data sent to it by:
    - conducting multiple controls while producing the Group's statutory and prudential consolidated financial statements, 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 (Art. 223 *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" requires that each 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.

In 2016, actions intended to strengthen the accounting and financial information control system and to adapt them to the regulatory changes continued with:

- the reassignment, within the central institution, of the Financial Review division to the Risk, Compliance and Permanent Control division (previously assigned to the Group Accounting function), thereby enhancing its independence from the operational units in charge of preparing and publishing accounting and financial information;
- the updating of the *accounting and financial information quality control framework* (the *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 update clarifies the interaction of the system's first and second level and takes into account changes that have taken place in the regulatory provisions, as well as in the Group's internal control system, since it was created. This framework is unified and applies to all entities of Groupe BPCE;
- the continuation of the work begun in 2014 intended to strengthen the body of standards and documents used by the Review function for regulatory reports submitted to oversight authorities. In 2016, efforts largely dealt with statements that fell under the SURFI and FINREP classification systems, with the continuation of a sustained training program conducted with the Review function;
- the establishment of key indicators that make it possible to assess the risks in the accounting and financial data production system (a quantitative risk assessment), for each institution in order to identify which corrective measures should be taken with the institutions that exhibit the most sizable anomalies and to arrange, as needed, visits and diagnostics within those institutions;
- the adaptation of the Group Statutory Audit system to the European reforms adopted on June 17, 2014 by the European Commission. Enacted into French law by ordinance 2016-315 and applicable since June 17, 2016, this reform will substantially impact the system beginning in the year 2017.

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 paragraph 2.3.2 "Specialized committees".

The Finance Committee consists of executives of both networks and aims to address the most important issues. In addition, BPCE's Management Board assigns the Group Finance and Strategy 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 Finance Committee);
- coordination and reporting bodies: these comprise key managers from the Finance office 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 and Strategy 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 Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies. 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.

2.6.5 Periodic control: Group *Inspection Générale* division

STRUCTURE AND ROLE OF THE GROUP'S INSPECTION GÉNÉRALE DIVISION

Duties

In accordance with the central institution's responsibilities and because of collective solidarity rules, the Group's *Inspection Générale* division has the task of periodically checking that all Group institutions are operating correctly and it provides company directors with reasonable assurance as to their financial strength.

In this capacity, it ensures the quality, effectiveness, consistency and proper operation of their permanent control framework and the management of their risks. The scope of the Group's *Inspection Générale* division covers all risks, institutions and activities, including those that are outsourced.

Its main objectives are to evaluate and report to the executive and governing bodies of Groupe BPCE and entities on:

- the quality of the financial position;
- the actual level of risk incurred;
- the quality of organization and management;
- the consistency, suitability and effectiveness of risk measurement and management systems;
- the reliability and integrity of accounting and management information;
- compliance with laws, regulations and rules applicable to Groupe BPCE or each company;
- the effective implementation of recommendations made following previous audits and by regulators.

The Group's *Inspection Générale* division reports to the Chairman of the Management Board and performs its work independently of the Operational and Permanent Control divisions.

Representation in governance bodies and Group Risk Management Committees

To fulfill its role and effectively contribute to promoting a control culture, the Group's Head of Internal Audit participates as a Non-Voting Director on the central institution's key committees involved in risk management.

The Head of Internal Audit is a member of the Group Internal Control Coordination Committee and is a standing member of BPCE's Audit and Risk Committees, the Audit and Risk Committees of Natixis and Groupe BPCE's main subsidiaries (BPCE International, Crédit Foncier and Banque Palatine).

Scope of activity

To fulfill its role, the Group's *Inspection Générale* division establishes and maintains an up-to-date Group audit scope inventory, which is defined in coordination with the Internal Audit teams of the Group's institutions.

It ensures that all institutions, activities and related risks are covered by full audits, performed with a frequency defined according to the overall risk level of each institution or activity and in no event less than once every four years for banking activities.

In this regard, the Group's *Inspection Générale* division takes into account not only its own audits, but also those performed by the supervisory authorities and the Internal Audit divisions.

The annual audit program for the Group's *Inspection Générale* division is approved by the Chairman of the Management Board. It is also examined by the Group Risk Management Committee. This Committee ensures that the audit program provides satisfactory coverage of the Group's audit scope over several years and may recommend any measures to this effect. It reports on its work to the Supervisory Board of BPCE.

Reporting

The assignments completed by the Group's Inspection Générale division result in the formulation of recommendations prioritized by order of importance. These are monitored on a regular basis, at least every six months.

The Group's *Inspection Générale* division reports its findings to the company directors of the audited entities and to their supervisory body. It also reports to the Chairman of the Management Board of BPCE, to BPCE's Group Risk Management Committee and to the Supervisory Board of BPCE. It provides these bodies with reports on the implementation of its main recommendations and those of the ACPR. It ensures that remedial measures decided as part of the internal control system, in accordance with Article 26 of the Ministerial Order of November 3, 2014 on internal control, are executed within a reasonable timeframe and can refer matters to the Risk Management Committee of the Supervisory Board if measures are not executed.

It coordinates the timetable for drafting regulatory reports.

Relationship with the central institution's permanent control divisions

The Group's Head of Internal Audit maintains regular discussions within the central institution and exchanges information with unit heads within their audit scope and, more specifically, with divisions responsible for Level 2 control.

The division heads must expediently notify the Head of Internal Audit of any failure or major incident brought to their attention. The Head of Internal Audit, along with Head of the Group's Risk, Compliance and Permanent Control division, must quickly inform each other of any audit or disciplinary procedure initiated by the supervisory authorities, or more generally of any external audit brought to their attention.

Activities in 2016

As part of the full cycle of investigations it conducts over an average of four years and drawing on risk assessments that it keeps regularly updated for each institution, the Group's Inspection Générale division completed its audit plan mostly as scheduled, making a few adjustments related to ongoing restructuring in entities initially provided for in the plan as well as to regulatory priorities. It also conducted half-yearly monitoring of the implementation of its own recommendations as well as those of the *Autorité de contrôle prudentiel et de résolution* (ACPR) and the Single Supervisory Mechanism (SSM). Pursuant to Article 26 of Ministerial Order A-2014-11-03 on internal control, the Group Inspection Générale division's alert mechanism is used to inform the Risk Management Committee of significant delays in the implementation of these recommendations.

AUDIT DEPARTMENT

Organization of the Audit department

Groupe BPCE's *Inspection Générale* division oversees all audit processes. Its operating procedures – aimed at achieving consolidated supervision and optimal use of resources – are set out in a charter approved by BPCE's Management Board on December 7, 2009. That charter was updated in June 2016.

The objective of this organization is to ensure coverage of all Group operational or support function units within the **shortest possible timeframe, as well as to achieve effective coordination with entities' Internal Audit divisions**.

The Internal Audit divisions of affiliates and directly-owned subsidiaries have a strong functional link to the Group's *Inspection Générale* division and a hierarchical link to their entity's executive body.

This strong functional link is established through the following rules:

- the appointment or dismissal of Internal Audit directors of the affiliates or direct subsidiaries are subject to the prior approval of the Group Head of Internal Audit;
- the existence of a single Group Audit Charter within Groupe BPCE. It sets out the purpose, powers, responsibilities and general organization of the Internal Audit process in the overall internal control system and is applied to all Group companies monitored on a consolidated basis; this charter is broken down into thematic standards (audit resources, audit of the sales network, audits, follow-up of recommendations, etc.);
- the Group's *Inspection Générale* division ensures that the entities' Internal Audit divisions have the necessary resources to perform their duties; the budget and staff levels of these departments are set by the executive body of the affiliates and subsidiaries, in conjunction with the Group's Inspection Générale division;
- the entities' Internal Audit departments use audit methods defined by the Group's Inspection Générale division that are drawn up in consultation with them;
- multi-year and annual programs of the Group institutions' Internal Audit divisions are approved with the agreement of the Group's Inspection Générale division and consolidated by this same division; the Group's *Inspection Générale* division is kept regularly informed of their implementation and of any changes to the scope;
- the entities' Internal Audit reports are transmitted to the Group's *Inspection Générale* division as and when they are issued;
- audit reports from regulatory authorities relating to entities, related follow-up letters and answers to those letters and sanction procedures are transmitted to the Group's *Inspection Générale* division when they are received or issued, if sent directly to the institution;
- the Group's *Inspection Générale* division is notified as soon as possible of the start of audits performed by regulators on entities and subsidiaries, as well as any proceedings against them;
- the annual reports of the entities prepared pursuant to Articles 258 to 264 of Ministerial Order A-2014-11-03 on internal control are sent to the Group's *Inspection Générale* division, which forwards them to the supervisory authorities.

This type of organization is duplicated in the subsidiaries and affiliates which are parent companies.

The rules governing how the internal inspection business line is managed between Natixis and the central institution are part of Groupe BPCE's audit process.

Given the scope and nature of the activities of the audit function, the Group's *Inspection Générale* division and Natixis' Inspection Générale share coverage of the audit scope. They each conduct audits. A Coordination Committee meets regularly and involves both Inspection Générale divisions. It is responsible for all issues related to the operation of Internal Audit between the central institution and Natixis Group.

Activities in 2016

The Group's *Inspection Générale* division keeps audit standards and methodology regularly updated based on best practices. When the Ministerial Order of November 3, 2014 on the internal control of companies in the banking, payment services and investment services sector took effect, it updated the "recommendations" standard in March 2016. This update strengthened the alert system for monitoring recommendations to meet the ECB's targets. Additionally, the Group's *Inspection Générale* division updated the Group Audit Charter in June 2016 to include the provisions of the Ministerial Order of November 3, 2014 and to specify the role of the Group's *Inspection Générale* division as an interface with the ACPR, the European Single Supervisory Mechanism and the European Single Resolution Mechanism.

At the same time, the features of the recommendation follow-up tool, which has been shared by all Group entities since the end of 2014, continue to be enhanced for the benefit of auditors and audited alike. In addition, the preparation and updating of audit guides initiated in 2010 was continued to maintain a current body of uniform guidelines covering the most commonly audited areas. As such, in 2016 methodological work helped overhaul the audit guide on commitments and to create a guide on product distribution. Furthermore, the guide for auditing the internal control system was fully revised. Supplemented by appendices and a set of documents, these audit guidelines are primarily accessible *via* the Group's audit function's intranet and/or the Group Inspection Générale's shared server.

The Group's *Inspection Générale* division and Natixis' *Inspection Générale* maintained their close coordination, in terms of harmonizing ratings and assessing recommendation follow-up as well as in terms of synchronizing respective annual macro-timetables for a common scope of auditable units. They use a shared risk assessment approach, prepare audit plans together and use a common approach to fields of investigation/audit standards.

2.7 Statutory Auditors' report on the report of the Chairman of the Supervisory Board

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L. 225-235 of French company law on the report prepared by the Chairman of the Supervisory Board on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

For the year ended December 31, 2016

BPCE

50, avenue Pierre Mendès-France 75013 Paris

To the Shareholders,

In our capacity as Statutory Auditors of Group BPCE and in accordance with Article L. 225-235 of French Commercial Code, we hereby report top you on the report prepared by the Chairman of your company in accordance with Article L. 225-68 of the French Commercial Code for the fiscal year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-68 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-68 of the French Commercial Code, it being specified that we are not responsible for verifying the authenticity of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the authenticity of the information provided in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;

obtaining an understanding of the work involved in the preparation of this information and the existing documentation;

determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information concerning the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L. 225-68 of French Commercial Code.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-68 of French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, March 23, 2017

The Statutory Auditors

Deloitte & Associés	**PricewaterhouseCoopers Audit**	**Mazars**
Jean-Marc Mickeler	Agnès Hussherr	Michel Barbet-Massin
Sylvie Bourguignon	Nicolas Montillot	

2.8 Preventive Recovery Plan

BPCE's Supervisory Board approved the Group's Preventive Recovery Plan (PRP) for 2016.

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 Preventive 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 establish 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 Preventive Recovery Plan is mainly based on 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 recovery of the Group's financial situation;
- 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 Preventive Recovery Plan is kept up to date and approved by the Supervisory Board, which is supported by its Risk Management Committee for these purposes.

The Preventive Recovery Plan is updated annually.

2.9 Persons responsible for auditing the financial statements

2.9.1 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," approved by BPCE's Supervisory Board on June 27, 2012.

Applicable to all Group businesses this 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.

In 2016, the Group launched initiative to incorporate the impacts of the EU regulation adopted in 2014 (directive 2014/56/EU and Regulation [EU] No 537/2014), which has been in effect in France since June 17, 2016. In accordance with the new regulation, the Group has adopted new provisions on:

- the selection of Statutory Auditors for the Group and its entities
  - before the EU reform, a list of networks of Statutory Auditors was approved by the Management Board of BPCE,
  - as this measure is no longer permitted under the new regulation:
    - the Group recommends, in order to ensure there is a consistent, harmonized financial audit system available within the Group, that each Group company continue to designate at least one network of Statutory Auditors to certify BPCE's consolidated and individual financial statements,
    - 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;
- the prior approval of *services other than financial statement certification*:
  - on January 3, 2017, a joint statement by AFEP/ANSA/CNCC/MEDEF/Middle Next drew the attention of businesses to the uncertainties still surrounding the approval process for services other than financial statement certification, taking into account ongoing discussions within the industry,
  - due to uncertainties that persist within the industry regarding the practical implementation of the prior approval process for services other than financial statement certification, the Group has defined the following principal phase-in measures:
    - the Statutory Auditor carrying out the assignment must specifically mention in its engagement letter that it has ensured that the service to be provided is not subject to the prohibitions set out in Article 5 of Regulation (EU) No 537/2014,
    - if the value of the service is greater than or equal to €0.5 million before tax, a request to BPCE's Audit Committee must be made in advance.

With this EU reform, the Audit Committee takes a stronger role in examining services rendered by Statutory Auditors within Group companies. Aside from the prior approval of services other than financial statement certification in compliance with provisions that will be defined by the Group, the Committee must keep examining the fees and type of services rendered that appear on the income statement of each company.

To implement this approach, the Audit Committee relies on the function that carries out Level 2 controls on 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.

2.9.2 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, 2016, the Statutory Auditors were:

PricewaterhouseCoopers audit	Deloitte & Associés	Mazars
63, rue de Villiers	185, avenue Charles-de-Gaulle	61, rue Henri-Regnault
92208 Neuilly-sur-Seine Cedex	92524 Neuilly-sur-Seine Cedex	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 & ASSOCIÉS

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 Jean-Marc Mickeler and 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 Michel Barbet-Massin.

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.

3 RISK REPORT

This chapter provides information on Groupe BPCE's risk management, capital management and compliance with regulatory ratios.

Some disclosures required under IFRS 7 on the nature and extent of various risks are presented in this report and covered by the Statutory Auditors' opinion on the consolidated financial statements. Such disclosures are flagged by the statement "Information provided in 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's website (www.groupebpce.fr), under "Registration Document".

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.

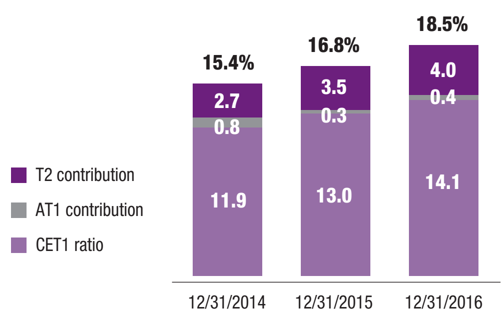
  Country risk arises when an exposure is liable to be adversely affected by changes in the political, economic, social and financial conditions of the country of exposure;
- market risks: the risk of loss in value of financial instruments resulting from changes in market parameters, from the volatility of these parameters or from the correlations between these parameters. These parameters are exchange rates, interest rates and prices of securities (equities, bonds), commodities, derivatives or any other assets, such as real estate assets;
- operational risk: risk of loss resulting from inadequacies or malfunctions attributable to procedures, employees and internal systems, or external events, including events with a low probability of occurrence, but with a risk of high loss;
- 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 risks: 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;
- 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).

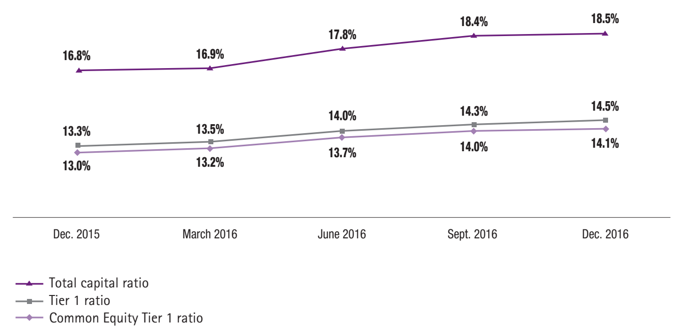
From a more general standpoint, all risks referred to in the Ministerial Order of November 3, 2014 on internal control are included in the Group's risk appetite framework and in the implementation of Article 98. Each risk category is also addressed in the Group Risk Charter (credit and counterparty risks, market risks, Asset-Liability Management risk and operational risk).

3.1 Summary of risks

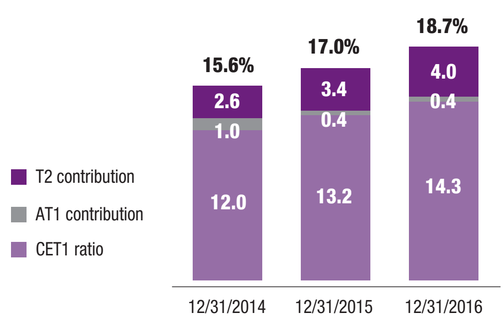
3.1.1 Key figures

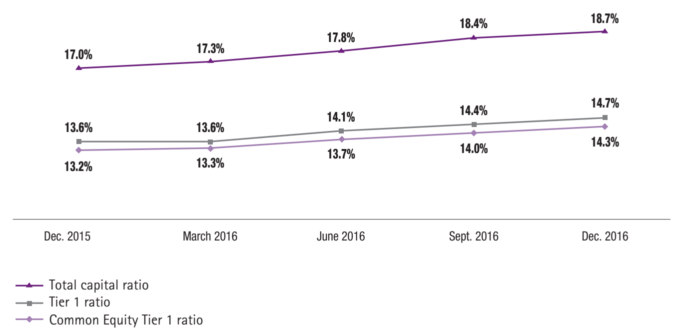
PHASED-IN CAPITAL RATIOS



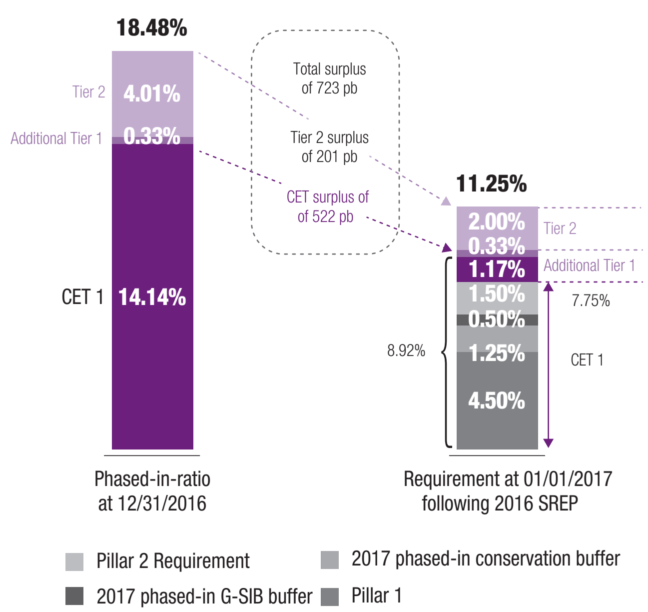


FULLY-LOADED[(1)] CAPITAL RATIOS

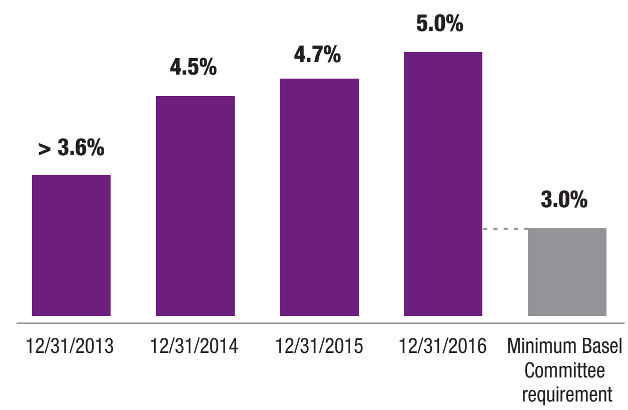




CAPITAL REQUIREMENTS/SREP 2016



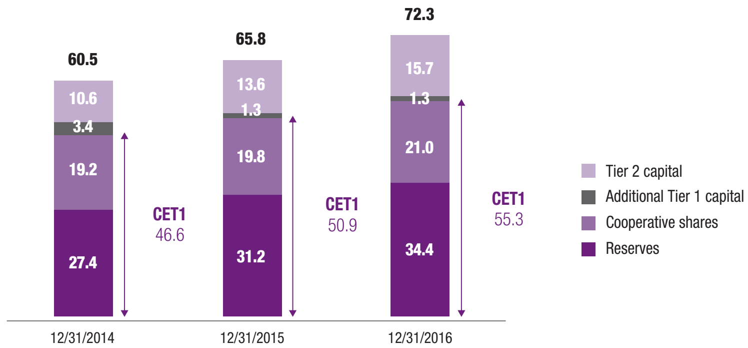
LEVERAGE RATIO[(1)(2)]



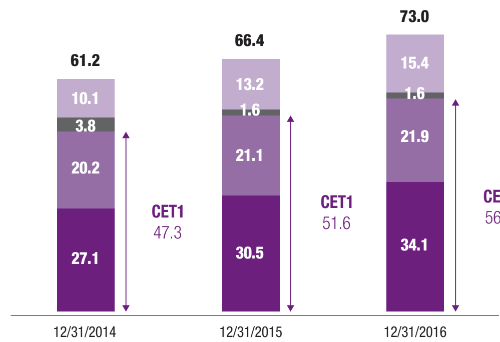
(1) CRR/CRD IV without transitional measures, after restating to account for deferred tax assets on tax loss carryforwards.

(2) Calculated using the rules of the Delegated act published by the European Commission on October 10, 2014.

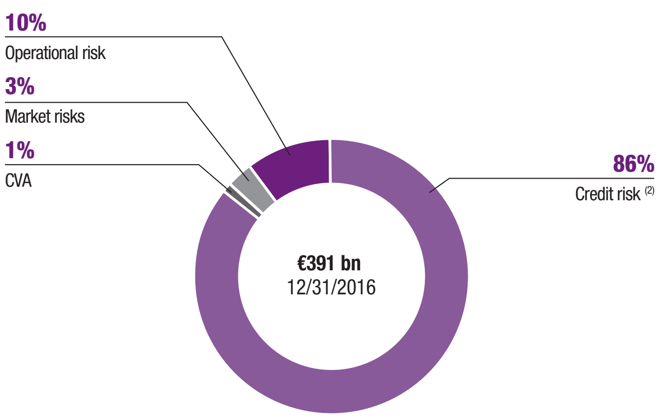
PHASED-IN REGULATORY CAPITAL *(IN €BN)*



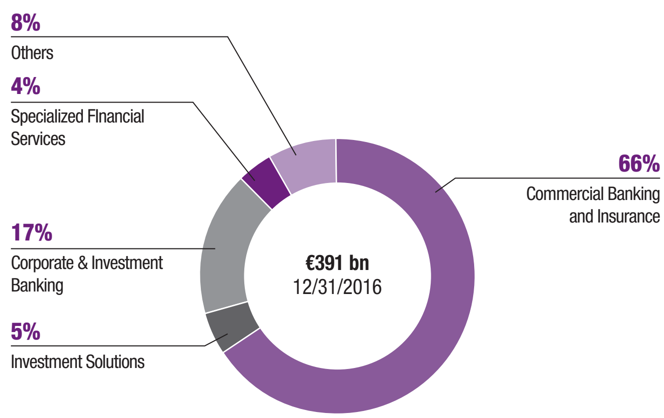
FULLY-LOADED[1] REGULATORY CAPITAL *(IN €BN)*



BREAKDOWN OF RISK-WEIGHTED ASSETS BY TYPE OF RISK



BREAKDOWN OF RISK – WEIGHTED ASSETS BY BUSINESS LINE



ADDITIONAL INDICATORS

	12/31/2016	12/31/2015
Cost of risk *(in basis points)*	22	29
Non-performing / gross outstanding loans	3.4%	3.7%
Impairment recognized / non performing loans	52.4%	53.3%
Groupe BPCE's consolidated VaR *(in millions of euros)*	9.7	7.8
LCR	> 110%	> 110%
Liquidity reserves *(in billions of euros)*	230	196

(1) CRR/CRD IV without transitional measures, after restating to account for deferred tax assets on tax loss carryforwards.

(2) Including settlement/delivery risk.

3.1.2 Regulatory changes

In addition to existing texts, prudential requirements provide for major regulatory changes both at international and European level, on which the Group is already focusing attention.

At the international level, 2016 was the year in which all the Basel III texts on capital requirements were finalized. The Basel Committee on Banking Supervision (BCBS) is due to report on its conclusions during first-quarter 2017 following the negotiations on its draft revision of measurement methods for credit risk, CVA risk and operational risk.

From an implementation standpoint in Europe, 2016 saw the finalization of the legislative process relating to the securitization regulation and the review of the section of Regulation 2013/575 (CRR) on securitization exposures (transposition of 2015 text "BCBS 303"). Implementation work has already begun in preparation for their entry into force.

2017 will see the launch in Europe of the review of the CRR II/CRD V/BRRD II/SRMR II regulatory package, which affects all categories of risk incurred by the bank:

- capital: the draft text amends the definition of the capital ratio and categories of equity issues in conjunction with the review of Pillar II requirements, the resolution mechanism and the entry into force of IFRS 9;
- credit risk: reviews of the accounting treatment of investments in funds (transposition of 2013 text "BCBS 266"), treatment of exposures with clearing houses (BCBS 282 – 2014) and the supervision of major risks (BCBS 283 – 2014);
- counterparty risk: incorporation of the revised counterparty risk framework in the standardized approach (BCBS 279 – 2014) modifying the measurement of derivative exposures;
- market risks: implementation of the fundamental review of the trading book (BCBS 352 – 2016), which addresses both the definition of the trading/banking book boundary and the measurement of market risk;
- leverage ratio: CRR II confirms the entry into force of a binding ratio (postponed until two years after the publication of CRR II, initially scheduled for January 2018) and calls for a number of technical changes; it may be expanded during the European negotiations to include future international standards (the initially expected BCBS has been postponed indefinitely);
- liquidity ratio: CRR II uses EBA recommendations to define the procedures for the calculation of a binding NSFR ratio (whose entry into force is also scheduled for January 2018);
- interest rate risk in the banking book: transposition of the revised Basel framework (BCBS 368 – 2016).

A proportionality factor has also been introduced: first for the proposal of simplified approaches (counterparty risk and market risks), and second for the simplification of reporting and the review of capital requirements applicable to small/medium-sized investment firms and to the asset management industry.

The package also provides for the transposition of disclosure requirements (BCBS 309 – 2015), with the EBA recommending early implementation as from the 2016 reporting date for G-SIBs (Global Systemically Important Banks, identified by the FSB).

Finally, the regulatory package includes new provisions on bank resolution:

- review of the ranking of creditors and change in the methodology for determining the MREL (Minimum Requirement for own funds and Eligible Liabilities) defined under the BRRD;
- introduction of a TLAC requirement applicable to G-SIBs and imposing a minimum level of own funds and eligible liabilities (bail-in) capable of covering losses in the event of resolution (transposition of the 2015 FSB text).

The European Commission submitted its proposal to the Parliament and Council on November 23, 2016. If the legislative process is similar to that of the CRR, which lasted a little more than two years, the texts could be published around January 2019, meaning the new measures would become effective in January 2021 at the earliest.

All of these finalized provisions will complete the work undertaken by the Basel III agreements, whose aim is to enhance the solvency of financial institutions and improve their risk assessment.

International regulatory reforms and their enactment in Europe will take place prior to the finalization of the implementing texts pertaining to regulations in force (CRR). Alongside this avalanche of regulations, myriad recommendations are being issued by the technical authorities (EBA, ESMA, etc.) and supervisors (ECB, ACPR, AMF, etc.), notably in the areas of governance, risk management, customer protection, model validation, reporting and publication.

All of these developments require major changes to the bank's commercial strategy and technical tools: regulatory compliance is using a substantial and increasing proportion of the bank's human and financial resources.

3.1.3 Main risks and emerging risks

MAIN RISKS

Credit concentration risk: at Groupe BPCE level, credit concentration risk is managed at the individual, sector and geographic level.

In addition to these targeted mechanisms, the Group's risk appetite framework has been expanded to include three new concentration indicators for application in 2017: a maximum percentage of "at-risk" outstandings among outstandings in the professional and business customer segments, a maximum percentage of outstandings among outstandings included in the statement of large exposures, the aim being on the one hand to limit exposure to at-risk outstandings in both asset classes, and on the other to limit outstandings on each institution's largest exposures.

At the individual level, internal caps and Group limits have been used in addition to regulatory caps for several years. This system aims to encourage each institution to divide its risks proportionately to its net capital level.

At end-2016, no counterparty exceeded the regulatory caps and no unusual risk concentration was identified during the monitoring of internal caps and Group limits.

Sector risks are managed and monitored at Group level in the main high-risk sectors, defined as sectors with upward-trending at-risk and default scores. Accordingly, recommendations are issued by a monthly Sector Oversight Committee, made up of representatives from the local Risk Management divisions and the Groupe BPCE Risk, Compliance and Permanent Control division. These recommendations are validated by the Group Credit and Counterparty Committee. This system was strengthened at the end of 2016 with the implementation of sector limits, defining maximum Group outstandings for exposures in each business sector considered. A methodology for setting sector limits has been implemented, as have management rules for any breaches of these limits. At the implementation date, no breach had been observed.

Finally, for the last two years, the Group has applied a system of geographic limits based on country risks. Most of Groupe BPCE's country risk is concentrated in its domestic market, France, and to a lesser extent in the European Union. Natixis also manages its distribution of country risk through country limits given the particular features of its business, which is more international than that of the Group. The Group is particularly vigilant regarding risks associated with European periphery countries and geopolitical risks borne by certain countries.

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 2016 (VaR of €9.7 million at end-2016 and stress test at -€123 million for the most adverse scenario).

Operational risk: considering the nature of its businesses, the main causes of Groupe BPCE's operating losses fall into the following Basel categories: "customers, products and sales practices", "execution, delivery and procedure management" and "internal and external fraud".

Liquidity, interest rate and foreign exchange risks: Groupe BPCE's liquidity position improved over the course of 2016 thanks to improved coverage of stress scenarios. Net liquidity reserves for short-term funding and MLT maturities was up €5 billion in 2016.

Over the last two years, Groupe BPCE has worked to improve oversight of interest rate risk in the banking book (IRRBB), amid persistently low interest rates and in preparation for future regulatory developments in interest rate risk management. Changes in the structural interest rate risk management system were gradually implemented over the course of 2016.

EMERGING RISKS

Like other European and French players, Group BPCE must address the risks caused by its environment, placing greater emphasis on emerging risks.

The international situation is a source of concern, with weaker economic growth in emerging countries, compounded in some regions by political and fiscal instability, especially as a result of persistently low commodity prices. In Europe, Brexit as well as security and migration issues generate risks for the stability of the European Union and its currency, forming a potential source of risks for banking institutions.

The current environment of ultra-low interest rates, with yields falling into negative territory for some segments of the curve, generates a potential risk for retail banking activities, particularly in France where fixed-rate loans predominate, and for life insurance.

As the economy in general and bank transactions in particular become increasingly digital, risks are on the rise for customers and information system security, with cybersecurity becoming a potential area of risk that requires increasing levels of watchfulness.

Since 2016, the general credit risk policy has also included climate risk and has incorporated Corporate Social Responsibility as a major risk development issue. Climate risk is also being integrated into the mapping of the institutions' risks, which took place in 2016.

Misconduct risk is governed by an ethics and conflict of interest management system spanning all levels of Groupe BPCE. This system will be enhanced in 2017 in line with regulatory developments, which must be closely supervised due to the increasingly strict requirements imposed on the banking industry.

3.1.4 Risk factors

The banking and financial environment in which Groupe BPCE operates is exposed to numerous risks which obliges it to implement an increasingly demanding and strict 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, as well as other risks which are not currently known or not considered significant by Groupe BPCE, could have a material adverse impact on its business, financial position and/or results.

RISKS RELATING TO MACROECONOMIC CONDITIONS, THE FINANCIAL CRISIS AND STRICTER REGULATORY REQUIREMENTS

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 EU 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 crisis spreading to most countries in the euro zone, including France, the Group's historic domestic market. Some rating agencies have downgraded the rating on French sovereign bonds in recent years, in some cases leading these same agencies to automatically downgrade the ratings on senior and subordinated bonds issued by French commercial banks, including Groupe BPCE. 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 (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.

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.

The United Kingdom's vote to leave the European Union could have an adverse impact on Groupe BPCE and its markets of operation, imposing restructuring costs on some subsidiaries

On June 23, 2016, the United Kingdom held a referendum that saw the majority of voters choose to exit the European Union (Brexit). The referendum is not an obligation to leave the European Union, but it is highly likely that the UK will trigger the appropriate measures to implement Brexit. This in turn will mean the beginning of negotiations to determine future relations between the United Kingdom and the European Union, particularly in terms of commercial, financial and legal agreements. The nature, timetable as well as the economic and political impacts of a potential Brexit are still highly uncertain and will depend on the outcome of future 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.

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 businesses, 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, Group 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. Given the difference in economic cycle between the United States and Europe, rising interest rates are expected to affect the dollar before the euro, and Groupe BPCE may be more affected by interest rate rises in EUR than in USD.

Legislation and regulatory measures in response to the global financial crisis may materially impact Groupe BPCE and the financial and economic environment in which the Group operates

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 avoid a recurrence of the 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 employees' 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 reduced, and may further reduce, the size of certain activities in order to comply with the new requirements. These measures are also liable to raise compliance costs. 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 (such as Groupe BPCE) 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. If these TLAC requirements are adopted and implemented in France, they will also pertain to capital requirements applicable to Groupe BPCE. As a result, Groupe BPCE would have to change the way it manages its financing transactions and its financing costs would go up.

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.

Groupe BPCE is subject to significant regulation in France and in several other countries around the world where it operates; regulatory measures and changes could adversely affect Groupe BPCE's business and results

Groupe BPCE entities are subject to several supervisory and regulatory schemes in the jurisdictions in which they operate. Non-compliance could lead to significant intervention by regulatory authorities, fines, public reprimand, reputational damage, suspension of operations or, in extreme cases, withdrawal of their operating license. The financial services industry has experienced increased scrutiny from a variety of regulators in recent years, as well as an increase in the penalties and fines sought by regulatory authorities, a trend that may pick up in the current financial environment. 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 Group 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. Such changes may include, but are not limited to, the following:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policies liable to significantly influence investor decisions, in particular on Groupe BPCE's markets of operation;
- general changes in regulatory requirements, including in particular prudential rules governing regulatory capital adequacy as well as recovery and resolution mechanisms;
- changes in internal control rules and procedures;
- changes in the competitive environment and prices;
- changes in financial reporting rules;
- expropriation, nationalization, price controls, foreign exchange controls, the confiscation of assets and changes in legislation relating to foreign ownership rights; and
- any adverse changes in the political, military or diplomatic environments creating social instability or an uncertain legal situation capable of affecting the demand for the products and services offered by Groupe BPCE.

RISKS RELATED TO THE GROUPE BPCE 2014-2017 STRATEGIC PLAN

The Groupe BPCE 2014-2017 strategic plan is comprised of several initiatives, notably including four investment priorities: (i) creating local banks with leading positions in interpersonal and digital customer relations; (ii) financing customer needs, making Groupe BPCE a major player in savings, and steering away from a loan-based approach in favor of a financing-based approach; (iii) becoming a fully-fledged *bancassurance* specialist; and (iv) stepping up the pace of the Groupe BPCE's international expansion. This document contains forward-looking information which by nature is subject to uncertainty. Under the 2014-2017 strategic plan, Groupe BPCE announced a series of financial targets, including in particular a revenue growth rate and cost-cutting, in addition to targets for the liquidity and regulatory capital ratios, as well as strategic initiatives and priorities. Furthermore, Natixis publicly announced various targets and detailed the strategic initiatives taken in its businesses. The Group's financial targets, which are mainly set as guideposts in planning and allocating resources, are based on various assumptions and do not constitute projections or forecasts on future earnings. Groupe BPCE's (including Natixis') actual earnings are likely to vary from these targets for a number of reasons, including the occurrence of one or more of the other risk factors described in this chapter. If Groupe BPCE (including Natixis) does not achieve its targets, the Group's image could be adversely affected, which in turn could indirectly have a negative impact on its financial position.

RISKS RELATED TO THE STRUCTURE OF GROUPE BPCE

BPCE may have to help entities belonging to the financial solidarity mechanism in the event they experience financial difficulties, including entities in which BPCE holds no economic interest.

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 three guarantee funds (described in Chapter 5 of the registration document), established to cover liquidity and insolvency risks, totaled nearly €1.3 billion at December 31, 2016. 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 revenues 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.

RISKS RELATED TO GROUPE BPCE ACTIVITIES AND THE BANKING SECTOR

Groupe BPCE is exposed to numerous risk categories associated with banking activities

The main risk categories inherent in Groupe BPCE's activities are:

- credit risk;
- market risks;
- interest rate risk;
- liquidity risk;
- operational risk, including non-compliance risks;
- insurance risk.

The following risk factors refer to or provide detailed examples of these various types of risk and describe certain additional risks to which Groupe BPCE is exposed.

BPCE must maintain high credit ratings to avoid affecting its profitability and activities

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. 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.

A substantial increase in asset impairment expenses recorded on Groupe BPCE's outstanding loans and receivables may weigh heavily 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 booked in the income statement under "Cost of risk." Groupe BPCE's total charges for asset impairments are based on the Group's measurement of historic 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 charges in this respect could have an adverse impact on Groupe BPCE's results and financial position.

Changes in the fair value of Groupe BPCE's portfolios of derivative securities and products, and its own debt, are liable to have an 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 derivative securities, products and other types of assets, and of its own debt, is adjusted (at balance sheet level) 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 recognized in the income statement or booked directly to equity. 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 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 results 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.

Future events may vary compared to assumptions used by Management 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 for the estimates by Groupe BPCE 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.

Market fluctuations and volatility expose Groupe BPCE, in particular Natixis, to losses in its trading and investment activities

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

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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 due to a decrease in the value of these net long positions. Conversely, as Natixis has disposed of assets which it does not own or on which it held net short positions in these markets, any rebound in these markets may expose it to losses due to measures taken to hedge these net short positions with purchases in a rising 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 change in the relative value of both assets. However, if the relative value of both assets changes in the same direction, or 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.

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 executed by Groupe BPCE entities for their customers and as a market maker, thus reducing net banking income from these activities. Furthermore, as management fees invoiced by Group 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, if 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.

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. 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 market prices. It is difficult to monitor declines in the prices of such assets and, consequently, Group BPCE runs the risk of incurring unexpected losses.

Significant changes in interest rates 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 the 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. 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 unfavorable trends in the yield curve may trigger a decline in net interest income from lending activities. Moreover, rises in interest rates at which short-term funding is available and maturity mismatches may have a negative impact on Groupe BPCE's profitability. Increases in interest rates, or high interest rate levels, as well as low interest rates and/or widening credit spreads may create a less supportive environment for some banking activities, especially if these changes take place rapidly and/or persist over time.

Exchange rate fluctuations may have a material impact on 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 the exchange rate may affect their net banking income and results. The fact that Group 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. As part of its risk management policy, Groupe BPCE and its subsidiaries enter into transactions to hedge their exposure to exchange rate risk. 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.

Any interruption or failure of the information systems belonging to Groupe BPCE or a third party may lead to losses, including losses in sales

As is the case for the majority of its competitors, Groupe BPCE is highly dependent on communication and information 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 information 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 its customers' information systems. Groupe BPCE's communication and information systems, and those of its customers, service providers and counterparties, may also be subject to failures or interruptions resulting from cybercriminal or cyberterrorist acts. 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.

Unforeseen events may interrupt Groupe BPCE's operations and cause losses and additional costs

Unforeseen events, such as a serious natural disaster, a pandemic, attacks or any other emergency situation can cause an abrupt interruption in the operations of Groupe BPCE entities 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. 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 the 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.

Groupe BPCE may be vulnerable to political, macroeconomic and financial environments or to specific circumstances in its countries of operation

In some of Groupe BPCE's entities are exposed to country risk, which is the risk that economic, financial, political or social conditions in a foreign country may affect their financial interests. Natixis operates worldwide, including in parts of the world that are developing, commonly referred to as emerging markets. 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. 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.

The failure or inadequacy of Groupe BPCE's risk management policies, procedures and strategies may expose it to unidentified or unexpected risks which may trigger losses

The risk management techniques and strategies of Groupe BPCE may not succeed in effectively limiting its exposure to all types of market environments or all kinds of risks, including risks that the Group was unable to identify or anticipate. Furthermore, the risk management techniques and strategies employed by Groupe BPCE may not effectively limit its exposure to risk and do not guarantee an actual lowering of risk in all market environments. These techniques and strategies may prove ineffective against certain types of risk, in particular risks that Groupe BPCE had not already identified or anticipated. 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, these risk exposures may be due to factors that Groupe BPCE may not have anticipated or correctly assessed in its statistical models or due to unexpected or unprecedented shifts in the market. This would limit Groupe BPCE's risk management capacity. As a result, losses incurred by Groupe BPCE may be higher than those anticipated based on historical 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.

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 kinds 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 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.

Groupe BPCE may encounter difficulties in adapting, implementing and incorporating its policy governing 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.

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 electronic securities 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 and results could suffer should it prove unable to adequately adapt its activities or strategy in response to such changes.

The financial solidity and performance of other financial institutions and market players may have an unfavorable 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 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. Groupe BPCE may therefore be placed at risk should one or more of its counterparties or customers fail to meet their commitments. 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. In addition, fraud or misappropriation committed by financial sector participants may have a highly detrimental impact on financial institutions due to the interconnected nature of institutions operating in the financial markets.

Tax legislation and its application in France and in countries where Groupe BPCE operates are likely to have an 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 globally structures its activity in order to optimize its effective tax rate. Changes in tax schemes by the competent authorities in these countries could significantly 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 with the aim of maximizing their tax benefits. 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 Groupe BPCE entities may be subject to tax re-assessments.

Reputational and legal risks could unfavorably impact Groupe BPCE's profitability and commercial 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, information 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 malpractice committed by financial sector participants to which Groupe BPCE is exposed, any decrease, restatement or correction of financial results, or any legal or regulatory action with a potentially unfavorable outcome. Any damage to Groupe BPCE's reputation could be accompanied by a decrease in business that is likely to weigh on its results and financial situation.

Inadequate management of these aspects could also increase Groupe BPCE's legal risk, the number of legal proceedings and the amount of damages claimed from Groupe BPCE, or expose it to regulatory sanctions (for more information, see section 10 of the present document).

Investors in BPCE's securities could suffer losses if BPCE were to be subject to resolution procedures

The EU Bank Recovery and Resolution Directive (the "BRRD") and the Single Resolution Mechanism (defined below), as transposed into French law by a decree-law dated August 20, 2015 (*ordonnance no. 2015-1024 du 20 août 2015 portant diverses dispositions d'adapation de la legislation au droit de l'Union européenne en matière financière*), provide resolution authorities with the power to write down BPCE's securities or, in the case of debt securities, to convert them to equity.

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 nonviable, or requires extraordinary public support (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 are to be written down or converted to equity, followed by tier 2 instruments.

After the opening of a resolution proceeding, resolution authorities have the power (known as "bail-in power") to write down or convert any remaining capital instruments (including those issued upon conversion of capital instruments prior to resolution). If the write-down or conversion of capital instruments is not sufficient to restore the financial health of the institution, the bail-in power may be applied to write down or convert eligible liabilities, such as BPCE's senior non-preferred and senior preferred securities. The bail-in powers with respect to eligible liabilities would be applied first to write down or convert subordinated debt instruments other than tier 2 instruments, and then senior debt instruments in the same order as their ranking in a liquidation proceeding, so that senior non-preferred obligations would be written down or converted before senior preferred obligations.

A resolution proceeding may be initiated in respect of 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 extraordinary public financial support, and (d) to protect client funds and assets, in particular those of depositors. Failure of an institution means that it does not respect requirements for continuing authorization, it is unable to pay its debts or other liabilities when they fall due, it requires extraordinary public financial support (subject to limited exceptions), or the value of its liabilities exceeds the value of its assets.

In addition to the bail-in power, resolution authorities are provided with broad powers to implement other resolution measures with respect to failing institutions or, under certain circumstances, their groups, which may include (without limitation): the total or partial sale of the institution's business to a third party or a bridge institution, the separation of assets, the 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), discontinuing the listing and admission to trading of financial instruments, the dismissal of managers or the appointment of a temporary administrator (administrateur spécial) and the issuance of new equity or own funds.

The resolution authorities are currently the *Autorité de contrôle prudentiel et de resolution* ("ACPR") and the Single Resolution Board established by Regulation (EU) No 806/2014 of the European Parliament and of the Council of July 15, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a single resolution mechanism and a single resolution fund (the "Single Resolution Mechanism"). Under the Single Resolution Mechanism, the ACPR is responsible for implementing resolution plans according to the Single Resolution Board's instructions.

The exercise of the powers described above by resolution authorities could result in the partial or total write-down or conversion to equity of the capital instruments and the debt instruments issued by BPCE, or may substantially affect the amount of resources available to BPCE to make payments such on instruments. In addition, in certain market conditions, the existence of these powers could cause the market value of the capital instruments and debt instruments issued by BPCE to decline more rapidly than would be the case in the absence of such powers.

3.2 Capital management and capital adequacy

3.2.1 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 the 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 the Group),
  - 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. On December 30, 2016, the HCSF (High Council for Financial Stability) decided to maintain the rate for France's countercyclical buffer at 0%. 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 buffer for G-SIBs 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 available-for-sale debt securities. A phase-in application was nevertheless implemented. As of 2015, 40% of unrealized capital gains were included, and each year another 20% will be included in Common Equity Tier 1. Unrealized capital losses have been included since 2014,
  - in accordance with Articles 14 and 15 of ECB Regulation (EU) No. 2016/445 dated March 14, 2016, unrealized capital gains and losses on sovereign securities are no longer subject to an exemption as of October 1, 2016; accordingly, 60% of unrealized capital gains and losses recorded on sovereign securities were included in the calculation of regulatory capital in 2016 (80% in 2017),
  - the capped or excluded share of non-controlling interests has been gradually deducted from each capital tier in 20% increments every year since 2014,
  - deferred tax assets dependent on future profits 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 dated March 14, 2016; deferred tax assets were deducted at a rate of 40% in 2016, increased to 60% in 2017 before being fully deducted in 2019,

- DTAs depending on future taxable income and related to temporary differences have been gradually deducted in 20% increments since 2014, for the share exceeding the common allowance for equity interests of more than 10%. In 2016, the remaining 40% was still accounted for in accordance with CRD III; the items covered by the allowance were weighted at 250%,
- Common Equity Tier 1 instruments held in equity interests of more than 10% are gradually deducted: 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. In 2016, the remaining 40% was still accounted for in accordance with CRD III (50% deducted from Tier 1 and 50% from Tier 2); the items covered by the allowance were 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. In 2016, 60% of all such instruments reported at December 31, 2013 were recognized, then 50% in 2017 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 risks 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 will be calculated quarterly.

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;
- 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 2016, the CET1 ratio in force for Groupe BPCE under Pillar II is 9.5%, plus the 0.25% buffer for global systemically important banks.

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 risk exposure assessment, risk assessment procedures and capital adequacy.

3.2.2 Scope

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, 2016.

Assets at 12/31/2016 *in millions of euros*	**BPCE statutory scope**	**Prudential restatements**	**BPCE prudential scope**
Cash and balances at central banks	83,919	80	83,999
Financial assets designated at fair value	173,161	(18,018)	155,143
– o/w securities portfolio	69,054	(16,503)	52,551
– o/w loan book	10,888	(1,466)	9,422
– o/w repurchase agreements	40,372	3	40,375
– o/w derivative financial instruments	52,847	(52)	52,795
Hedging derivatives	14,842	(1)	14,841
Available-for-sale financial investments	100,157	(47,458)	52,699
Loans and advances to banks	96,664	(1,431)	95,233
Loans and advances to customers	666,898	(8,416)	658,482
Revaluation differences on interest rate risk-hedged portfolios	7,925	-	7,925
Held-to-maturity financial assets	9,483	(2,890)	6,593
Current tax assets, deferred tax assets	4,598	(60)	4,538
Accrued income and other assets	60,795	(11,617)	49,178
Assets held for sale	947	(706)	241
Investments in associates	3,891	3,575	7,466
Investment property	1,980	(1,217)	763
Property, plant and equipment	4,510	(53)	4,457
Intangible assets	1,073	(229)	844
Goodwill	4,397	(333)	4,064
TOTAL	**1,235,240**	**(88,774)**	**1,146,466**

Liabilities at 12/31/2016 *in millions of euros*	**BPCE statutory scope**	**Prudential restatements**	**BPCE prudential scope**
Deposits from banks	-	-	-
Financial liabilities designated at fair value	133,436	(464)	132,972
– o/w trading securities portfolio	23,834	-	23,834
– o/w loans and repurchase agreements	329	-	329
– o/w portfolio measured under the market value option	58,566	(422)	58,144
– o/w derivative financial instruments	50,707	(42)	50,665
Hedging derivatives	19,787	-	19,787
Amounts due to banks	87,192	(3,694)	83,498
Customer accounts	531,778	1,366	533,144
Debt securities	232,351	1,707	234,058
Revaluation differences on interest rate risk-hedged portfolios	655	-	655
Current tax liabilities, deferred tax liabilities	1,106	(361)	745
Accrued expenses and other liabilities	56,550	(9,053)	47,497
Liabilities associated with non-current assets held for sale	813	(706)	107
Technical reserves of insurance companies	75,816	(75,816)	-
Provisions	6,499	(177)	6,322
Subordinated debt	20,121	(602)	19,519
Equity attributable to equity holders of the parent	**61,462**	**(6)**	**61,456**
Share capital and additional paid-in capital	*21,947*	*-*	*21,947*
Retained earnings	*33,802*	*(6)*	*33,796*
Unrealized or deferred gains and losses	*1,725*	*1*	*1,726*
Net income for the period	*3,988*	*(1)*	*3,987*
Non-controlling interests	7,674	(968)	6,706
TOTAL	**1,235,240**	**(88,774)**	**1,146,466**

The differences between data related to the statutory scope and data related to the regulatory scope follow the restatement for subsidiaries excluded from the regulatory scope and the reintegration of intra-group transactions associated with these subsidiaries.

3.2.3 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	12/31/2016 Basel III phased-in(1)	12/31/2015 Basel III phased-in(1)
Share capital and additional paid-in capital	21,947	21,096
Retained earnings	33,796	31,163
Income	3,987	3,243
Gains and losses recognized directly in equity	1,726	2,123
Consolidated equity attributable to equity holders of the parent	**61,456**	**57,625**
Perpetual deeply subordinated notes classified as equity	(1,629)	(1,628)
Consolidated equity attributable to equity holders of the parent excluding perpetual deeply subordinated notes classified as equity	**59,827**	**55,997**
Non-controlling interests	4,550	4,652
– o/w prudential filters	461	760
Deductions	(4,719)	(4,684)
– o/w goodwill	(3,875)	(3,829)
– o/w intangible assets	(844)	(855)
Prudential restatements	(4,355)	(5,008)
– o/w shortfall of credit risk adjustments to expected losses	(1,232)	(1,197)
– o/w prudent valuation	(414)	(422)
Common Equity Tier 1(2)	**55,303**	**50,957**
Additional Tier 1 capital	1,304	1,250
Tier 1 capital	**56,607**	**52,207**
Tier 2 capital	15,693	13,584
TOTAL REGULATORY CAPITAL	**72,300**	**65,791**

(1) *Phased-in: after taking phase-in measures into account.*
(2) *Common Equity Tier 1 included €21,036 million in cooperative shares in 2016 and €19,758 million in 2015.*

COMMON EQUITY TIER 1 (CET1)

Core capital and deductions

Common Equity Tier 1 consists of the following:

- 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 equity;
- 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 depending on future taxable income;
- prudential filters arising from Articles 32, 33, 34 and 35 of the CRR: 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
12/31/2015	**50,957**
Cooperative share issues	1,304
Income net of proposed dividend payout	3,666
Other items	(624)
12/31/2016	**55,303**

BREAKDOWN OF NON-CONTROLLING INTERESTS (MINORITY INTERESTS)

in millions of euros	Non-controlling interests
Carrying amount (regulatory scope) – 12/31/2016	**6,706**
Perpetual deeply subordinated notes classified as non-controlling interests	(794)
Ineligible non-controlling interests	(302)
Proposed dividend payout	(327)
Caps on eligible non-controlling interests	(411)
Other items	(321)
Prudential amount – 12/31/2016	**4,550**

ADDITIONAL TIER 1 CAPITAL (AT1)

Additional Tier 1 capital includes:

- subordinated instruments issued in compliance with the restrictive eligibility criteria set forth by Article 52 of the CRR;
- 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.

Additional Tier 1 capital predominantly consists of non-innovative or innovative capital instruments, with progressive dividend yields on innovative capital instruments.

CHANGES IN AT1 CAPITAL

in millions of euros	AT1 capital
12/31/2015	**1,250**
Redemptions	(244)
Issues	9
Foreign exchange effect	166
Phase-in adjustments	123
12/31/2016	**1,304**

TIER 2 CAPITAL

Tier 2 capital consists of:

- subordinated instruments issued in compliance with the restrictive eligibility criteria set forth by Article 63 of the CRR;
- 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**
12/31/2015	**13,584**
Redemption of subordinated notes	(59)
Prudential haircut	(651)
New subordinated note issues	3,045
Phase-in deductions and adjustments	(431)
Provisions in excess of expected losses	129
Foreign exchange effect	76
12/31/2016	**15,693**

3.2.4 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 categories of exposure;
- 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 internal ratings based approaches is described in greater detail in section 4 "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 the counterparty's credit quality. Capital requirements for the CVA (Credit Valuation Adjustment) are determined using the Standardized Approach.

OVERVIEW OF RWAS

in millions of euros	12/31/2016 RWAs	12/31/2016 Capital requirements	12/31/2015 RWAs
Credit risk (excluding CCR)	**305,239**	**24,419**	**300,370**
– o/w the standardized approach	121,639	9,731	121,491
– o/w the foundation IRB (FIRB) approach	45,343	3,627	43,433
– o/w the advanced IRB (AIRB) approach	99,866	7,989	94,998
– o/w equity IRB under the simple risk-weighted approach or the IMA	38,391	3,071	40,448
CCR	**14,518**	**1,161**	**15,645**
– o/w market to market	9,224	738	9,559
– o/w original exposure	-	-	-
– o/w the standardized approach	-	-	-
– o/w internal modem method (IMM)	-	-	-
– o/w risk exposure amount for contributions to the default fund of a CCP	339	27	241
– o/w CVA	4,955	396	5,845
Settlement/delivery risk	**27**	**2**	**23**
Securitization exposures in the banking book	**9,320**	**746**	**12,299**
– o/w IRB approach	1,980	158	1,850
– o/w standardized approach/simplified prudential approach	7,340	587	10,449
Market risk	**12,205**	**976**	**13,668**
– o/w the standardized approach	6,768	541	6,805
– o/w approaches based on the internal model method	5,437	435	6,863
Operational risk	**37,669**	**3,014**	**37,645**
– o/w standardized approach	37,669	3,014	37,645
Amounts below the thresholds for deduction (before 250% risk weight)	**12,003**	**960**	**11,732**
Floor adjustment	-	-	-
TOTAL	**390,981**	**31,279**	**391,382**

RWAS BY TYPE OF RISK AND BY BUSINESS LINE

in millions of euros		Basel III phased-in at December 31 Credit and CCR risk*	CVA	Market risks	Operational risk	Total
Commercial Banking and Insurance	2015	226,580	1,181	1,004	24,958	253,723
	2016	**230,723**	**1,014**	**1,094**	**24,595**	**257,256**
Investment Solutions	2015	11,417	15	-	3,690	15,122
	2016	**13,747**	**1**	**-**	**4,026**	**17,774**
Corporate & Investment Banking	2015	48,583	4,548	10,078	5,858	69,067
	2016	**46,977**	**3,539**	**8,999**	**6,171**	**65,686**
Specialized Financial Services	2015	11,425	-	-	2,081	13,506
	2016	**13,151**	**-**	**-**	**2,101**	**15,252**
Other	2015	36,219	101	2,586	1,058	39,964
	2016	**31,554**	**401**	**2,112**	**776**	**35,013**
TOTAL RISK-WEIGHTED ASSETS	2015	334,224	5,845	13,668	37,645	391,382
	2016	**336,152**	**4,955**	**12,205**	**37,669**	**390,981**

* *Including settlement-delivery risk.*

3.2.5 Management of capital adequacy

The methods used by Groupe BPCE to calculate risk-weighted assets are described in section 2.4 "Regulatory capital requirements and risk-weighted assets".

REGULATORY CAPITAL AND CAPITAL RATIOS

REGULATORY CAPITAL AND PHASED-IN BASEL III CAPITAL RATIOS

in millions of euros	12/31/2016 Basel III phased-in	12/31/2015 Basel III phased-in
Common Equity Tier 1 (CET1)	55,303	50,957
Additional Tier 1 capital (AT1)	1,304	1,250
TOTAL TIER 1 CAPITAL (T1)	**56,607**	**52,207**
Tier 2 (T2) capital	15,693	13,584
TOTAL REGULATORY CAPITAL	**72,300**	**65,791**
Credit risk exposure	336,125	334,201
Settlement/delivery risk exposure	27	23
CVA risk exposure	4,955	5,845
Market risks exposure	12,205	13,668
Operational risk exposure	37,669	37,645
TOTAL RISK EXPOSURE	**390,981**	**391,382**
Capital adequacy ratios		
Common Equity Tier 1 ratio	14.1%	13.0%
Tier 1 ratio	14.5%	13.3%
Total capital adequacy ratio	18.5%	16.8%

Changes in Groupe BPCE's capital adequacy in 2016

Groupe BPCE's capital adequacy was strengthened during 2016: the Common Equity Tier 1 ratio, which takes into account phase-in measures set out in CRR/CRD IV, was 14.1% at December 31, 2016, improving on the Basel III pro forma ratio of 13.0% at December 31, 2015.

The Common Equity Tier 1 ratio improved by 110 basis points in 2016, on the back of:

- the €4.3 billion rise in Common Equity Tier 1, driven by retained earnings and cooperative share inflows in both networks;
- strict management of risk-weighted assets, which remained stable (€391 billion) at end-2016.

Furthermore, significant transactions impacting the Group's ratio were carried out in 2016:

- the disposal of Visa shares, which had an impact of +11 basis points on the Common Equity Tier 1 ratio;
- the acquisition of Peter J. Solomon Company (PJSC) by Natixis, which had an impact of -3 basis points on the Common Equity Tier 1 ratio.

At the end of 2016, the Tier 1 ratio stood at 14.5%, an increase from year-end 2015.

Finally, the total capital ratio, which came to 18.5% at end-2016, benefited from Tier 2 issues carried out over the year for a total of €3.0 billion.

Excluding the CRR/CRD IV phase-in measures, the Common Equity Tier 1 ratio was 14.2% at December 31, 2016 *versus* 12.9% at end-2015.

Groupe BPCE: a Global Systemically Important Bank (G-SIB)

In 2016, in line with regulatory requirements, Groupe BPCE published indicators relating to Global Systemically Important Banks. This exercise determined the initial Common Equity Tier 1 surcharge, which came into force on January 1, 2016 with phase-in arrangements over four years. This surcharge will be equivalent to 1% of risk-weighted assets for Groupe BPCE.

http://www.bpce.fr/en/Investors/Regulated-information/Regulatory-publication

Capital allocation measures and capital adequacy supervision

The Group implemented action plans in 2016 aimed specifically at ensuring the capital adequacy of its networks and its subsidiaries. For example, BPCE granted redeemable subordinated loans to Natixis (€300 million), BPCE International (€200 million), CASDEN Banque Populaire (€150 million), Banque Populaire Méditerranée (€50 million) and Crédit Coopératif (€75 million) and subscribed for perpetual deeply subordinated notes issued by Natixis (€400 million).

Leverage ratio

The main purpose of the leverage ratio is to serve as an additional risk measurement for determining regulatory capital requirements. Article 429 of the CRR, 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. It will be incorporated in the Pillar I capital requirements as from January 1, 2018.

The leverage ratio is determined by dividing Tier 1 capital by exposures, which consist of assets and off-balance sheet items, after restatements of derivatives, repo 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 (EU) 2015/62 of October 10, 2014, was 4.9% at December 31, 2016 based on phased-in Tier 1 capital.

It should be noted that Groupe BPCE can no longer factor in the centralized savings exemption pursuant to the European Central Bank's decision.

TRANSITION FROM THE STATUTORY BALANCE SHEET TO LEVERAGE RATIO EXPOSURE

in millions of euros	12/31/2016
TOTAL CONSOLIDATED ASSETS AS PER PUBLISHED FINANCIAL STATEMENTS	**1,235,240**
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(88,774)
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	(59,513)
Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(7,332)
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	74,010
Other adjustments	(7,520)
LEVERAGE RATIO EXPOSURE	**1,146,111**

Without applying the phase-in measures (except for the complete deduction of deferred tax assets on tax loss carryforwards), Groupe BPCE's leverage ratio was 5.0% at end-2016 *versus* 4.7% at end-2015 (factoring in the incorporation of centralized savings deposits negatively impacting the ratio by 30bp).

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 the CRR) and insurance activities, based on the solvency margin established under Solvency 2.

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.* 9.75% at December 31, 2016.

At December 31, 2016, Groupe BPCE's surplus capital amounted to €30.0 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 the following:

- 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 2016, Groupe BPCE must maintain a phased-in consolidated Common Equity Tier 1 ratio of 7.75% as from January 1, 2017, including:

- 1.5% in respect of Pillar II requirements (excluding Pillar II guidance);
- 1.25% in respect of the capital conservation buffer;
- 0.5% in respect of the buffer for global systemically important banks (G-SIB buffer).

The total capital requirement has been set at 11.25% (excluding Pillar II guidance).

With a Common Equity Tier 1 ratio of 14.1% at end-2016 (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, Groupe BPCE has implemented an ICAAP based on three types of analysis to measure capital use relative to its risk appetite:

- an analysis taking capital use under Pillar I as its starting point;
- a complementary analysis with the development of special models covering risks not factored in or inadequately measured by Pillar I in light of the Group's business model;
- an analysis based on measurements drawn from the internal stress test.

The aim of this process is to cover the Group's capital adequacy with respect to its risk appetite.

Stress test: confirmation of Groupe BPCE's financial strength

In 2016, the European Banking Authority (EBA) and European Central Bank (ECB) conducted a stress test on a sample of euro zone banks covering in total more than 70% of the banking sector.

The purpose of this test was to assess the resilience of major banking groups to adverse shocks and to ensure they have an adequate level of capital.

In France, six banking groups, accounting for more than 90% of the French banking system's assets, were involved in this exercise.

The final results were published by the EBA at the end of July.

This stress test confirmed Groupe BPCE's financial strength and its resilience to severe shocks. In the most adverse scenario, the Group's phased-in Common Equity Tier 1 ratio declines from 13.0% at end-2015 to 9.7% at end-2018. This negative impact of 329 basis points compares with an average impact of -380 basis points for the 51 European banking groups subject to the stress test, taken together.

Moreover, the internal stress test conducted by the Group in 2016 under the ICAAP confirmed its financial strength, including under severe stress conditions, with capital adequacy ratios significantly higher than the minimum requirements.

OUTLOOK

In 2017, all of Groupe BPCE will continue working to achieve the goal of enhancing its financial strength above and beyond the targets set forth in the 2014-2017 strategic plan, and has already prepared to meet the next regulatory deadlines.

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.

MREL – TLAC

The MREL (Minimum Requirement for own funds and Eligible Liabilities) ratio was introduced by the 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. Data required for the MREL calculation are currently being collected, under the aegis of the Single Resolution Board, for the purpose of clarifying the determination of the MREL and ensuring that Groupe BPCE complies with the requirement currently being set.

Draft changes to the MREL's regulatory framework and introduction of the TLAC ratio in Europe

In the draft changes to the CRR/BRRD/CRD IV regulatory package of November 2016, the MREL requirement for G-SIIs would now break down as follows:

- a Pillar I MREL requirement equal to the Total Loss Absorbing Capacity (TLAC) requirement, whose principles were set in November 2015 by the Financial Stability Board;
- a Pillar II MREL requirement;
- an additional Pillar II MREL Guidance tranche.

The main features of these three components are described below.

Pillar I MREL (TLAC)

This requirement only concerns G-SIIs. It has been set at 16% (excluding buffers) of risk-weighted assets (with a minimum of 6% of the leverage ratio denominator) when it takes effect in 2019, and is raised to 18% of risk-weighted assets (with a minimum of 6.75% of the leverage ratio denominator) as from 2022.

Almost all TLAC-eligible liabilities will have to meet a subordination criterion (contractual, statutory or structural).

A new category of numerator-eligible liabilities has been introduced by French law and is commonly referred to as senior non-preferred debt. In the event of liquidation, these liabilities have a ranking between the ranking of own funds and other "senior preferred" debt. They must have a residual maturity of more than one year in order to be eligible for the Pillar I MREL.

The Group has already launched program to issue this new senior non-preferred debt.

Excluding the CRR/CRD IV phase-in measures, and including the senior non-preferred debt issued in January 2017, Groupe BPCE's TLAC ratio stands at 19.3%, *i.e.* close to the 19.5% minimum (including buffers) required as from early 2019.

Pillar II MREL Requirement

According to a reference formula, the Pillar II MREL Requirement should be 2x (Pillar I + Pillar IIR capital requirement) + capital buffers, bearing in mind that this formula is subject to change by the Single Resolution Board. A broader range of liabilities may be eligible for the numerator (compared to the Pillar I MREL), which may also include senior preferred debt with a residual maturity of more than one year.

Pillar II MREL Guidance

The Single Resolution Board is expected to define an additional tranche of liabilities referred to as Pillar II MREL Guidance, in accordance with a maximum limit set as the sum of the capital buffers and the Pillar IIG capital requirement. Institutions would be encouraged to build up this tranche over and above the Pillar II MREL Requirement, but not doing so would not be considered as a breach of regulatory requirements.

3.3 Governance and risk management system

3.3.1 Governance of risk management

The Group Risk Management Committee, chaired by the Chairman of the Management Board, met five times during fiscal year 2016 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 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 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.

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 types of risks, e.g. operational risks or non-compliance risks. All this work is presented in the Group's committees.

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, member of the Executive Management Committee, has a strong functional link with the Heads of Risk Management and Compliance of Group institutions. This strategic positioning enables risk controls to be performed objectively due to the independence of all operational functions from the Risk and Compliance functions within the Group's entities, 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.

The Risk Charter was reviewed following the creation of the new division which now encompasses risks, compliance and permanent control. As of the beginning of 2017, the body of standards consists of three Group charters covering all activities:

- the Group's Internal Control Charter: an umbrella charter based on two specific charters which are:
  - the Internal Audit Charter,
  - and The Risk, Compliance and Permanent Control Charter.

Groupe BPCE places a strong focus on efficient organization aimed at managing risk at the Group's entities, which is applied to all business lines, financing, 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.

STANDARD RISK GOVERNANCE STRUCTURE AT A GROUP INSTITUTION[(1)]

(1) Executive manager within the meaning of Article L. 511-13 of the French Monetary and Financial Code: a person responsible for managing the company.

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 closely connected with 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 have a strong functional link with Groupe BPCE's Risk Management division. The subsidiaries also bound by this strong functional link include Natixis, Crédit Foncier, Banque Palatine and BPCE International. The Risk Management and Compliance departments of subsidiaries not subject to the banking supervision regulatory framework have a functional reporting link with 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.

To carry out their various projects in 2016, the Group's institutions relied on the updated Group Risk Management Charter. The charter specifies that each institution's supervisory body and executive managers promote the risk management culture at all levels of their organization.

More specifically, to coordinate cross-business projects, Groupe BPCE's DRCCP relies on the Governance and Coordination department. This department also handles day-to-day coordination of the entire system, which is supported by a strong functional link between the institutions' Risk Management and Compliance divisions and Groupe BPCE's Risk, Compliance and Permanent Control division. The latter oversees the supervision of Group risks, mainly through:

- monitoring and updates of key Risk and Compliance function documents such as charters and standards;
- analysis of the Executive Risk Committees of 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 and operational and compliance fields between all Group institutions. Risk management and compliance days also present 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 base dedicated to the functions;
- support for new Heads of Risk Management and/or Compliance of Groupe BPCE institutions *via* a special program;

- frequent trips to the Risk and Compliance departments of the Banque Populaire banks and the Caisses d'Epargne to meet with the Heads of Risk Management and/or Compliance and their teams;
- in addition to the Operational Committee meetings attended by the Group DRCCP, General Meetings are also held with the main BPCE subsidiaries (Natixis, Crédit Foncier, Banque Palatine and BPCE International) for a comprehensive review with the Head of the DRCCP;
- publication of a newsletter, "Our Network", every four months for the heads of Group institutions and the heads of the various functions, including the Sales function. Another letter is sent out more frequently, summarizing current regulatory developments;
- an annual training program offered to all Risk and Compliance function employees, in conjunction with the Group Human Resources division. This program is a university training course on "internal control and risk management at financial institutions" given at Université Paris-Dauphine. Participants earn a degree upon successful completion of the course;
- and, in general, the practice of risk and compliance awareness and sharing of best practices throughout the Group.

RISK MANAGEMENT AND COMPLIANCE CULTURE

Strict risk management is included in the principles of 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 increase its resources to promote and strengthen the risk and compliance culture at all levels.

To this end, a Risk and Compliance Culture division was created in 2016 within the Governance and Coordination department. Its main objectives are as follows:

- developing risk and compliance training and awareness programs, at all Group levels;
- including the risk and compliance culture in human resources management processes, such as employee career management, mobility or salary incentives;
- regularly communicating on risk and compliance culture issues throughout the Group;
- rooting risk and compliance culture in concrete practices and measuring its appropriation;
- encouraging the sharing of best practices on risk management and compliance between Group institutions.

3

3.3.2 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 on June 19, 2015. In addition, at its meeting on 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 8, 2016 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, owning the property of 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 development (predominantly corporate & investment banking and asset management increasingly targeting 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 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 monitoring 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. As such:
  - operational risks are subject to group-wide 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 shared 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;
- risk related to securitization transactions.

Changes to our business model are increasing our exposure to some types of risks, particularly risks related to asset management and international business development.

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 limited.

In all activities, entities and regions of operation, the Group undertakes to meet the highest standards in 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.

The general framework of the Group's risk appetite was validated by the BPCE Supervisory Board, as was its 2016 annual review. It is consistent with the "Another Way to Grow" strategic plan that is applied to the 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), non-financial risks, financial risks (market risks and securitization risk), 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, satisfy stress test exercises and access central bank unconventional financing mechanisms. It also has good quality assets eligible for market refinancing mechanisms and those proposed by the ECB.

The Group ensures the robustness of this system through the implementation of comprehensive stress tests carried out on a regular basis. They are intended to verify the Group's resilience to a serious crisis.

Risk appetite framework

The implementation of the risk appetite framework is centered on four key components: (i) the definition of group-wide standards, (ii) the existence of a set of limits in line with those defined by regulations, (iii) the breakdown 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 TEST SYSTEM

In 2011, Groupe BPCE developed a stress test system in response to the EBA's request as well as for the purpose of the Group's strategic analysis.

Group stress tests have gradually been expanded in terms of portfolios covered and types of risk. The Group's stress test system was initially based on a comprehensive approach covering credit and counterparty risk, securitization and market risks. It was subsequently expanded in 2014 to include net interest income:

- 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.

This approach covers all Group entities, factoring in their specific features. An internal stress test was also implemented on Pillar I risks in 2015.

AGGREGATION OF RISK DATA

The 2008 financial crisis underscored the failings of many banking institutions in quickly and effectively taking stock of their aggregate risk exposure and concentration, both in consolidated terms and for each business line or legal entity. In response to this observation, in January 2013 the Basel Committee published 14 principles (11 for implementation by banks) for effective risk aggregation and reporting (BCBS 239 – Basel Committee on Banking Supervision). As of January 1, 2016, these principles are in effect for global systemically important banks, including BPCE.

The scope of these principles covers data and reports used to supervise the bank's main risks: credit risk, financial risks (including liquidity and interest rate risks) and operational risk.

Groupe BPCE launched a project aimed at meeting these requirements in the fields of data governance, information system infrastructure, quality of data and procedures and internal reporting practices.

This project is steered by a Strategic Planning Committee, chaired by the Chief Executive Officer of BPCE in charge of operational excellence.

FRENCH LAW ON THE SEPARATION AND REGULATION OF BANKING ACTIVITIES

Groupe BPCE regularly updates the mapping of its market activities. In doing so, it determined that it needed to set up 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 indicators for the purpose of documentation 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. Under the aegis of the ACPR, industry-wide efforts were conducted in 2016 to provide clarification and additional information on the aforementioned quarterly indicators.

In conjunction with the calculations and other work done in accordance with this law, 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). This program applies to the scope of BPCE SA group (*i.e.* BPCE and its subsidiaries). Taking a broader approach than that of the French law on the separation and regulation of banking activities, 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.

Groupe BPCE established a new position, the "SRAB-Volcker officer", responsible for the security of the activity segregation systems.

3.4 Credit risk

3.4.1 Organization of credit risk management

RISK GOVERNANCE

Credit risk measurement relies on rating systems adapted to each category of customer and transaction. The Risk, Compliance and Permanent Control division (DRCCP) is responsible for defining and controlling the performance of these rating systems.

For credit risk oversight purposes, the DRCCP manages the following risks, which are monitored by the Group Risk and Compliance Committee and the Group Credit and Counterparty Risk Committee:

- regular, in-depth monitoring of the credit quality of Groupe BPCE's main portfolios or activities (home loans, consumer finance, professional customers, SMEs/ISEs) at the Group level (Group exposure, portfolio structure, credit quality) which may lead to the establishment and/or revision of risk policies or management procedures, thereby updating the coverage of our risks through special systems (e.g. policies, limits, sector-based supervision);
- management of concentration risks by setting limits on major counterparties (corporates, banks, sovereigns) and by 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;
- monitoring of average risk-weighted assets by entity and by asset class;
- monitoring of counterparty risk using a consolidated approach at the Group level through various regulatory measures.

Furthermore, special reviews, particularly sector- and portfolio-based reviews, are carried out at the consolidated Group level to obtain a consolidated view of the credit quality of a given sector or asset class and if need be, to be able to propose changes to risk policies or the corresponding management procedures (sectors "under watch").

Decision-making at the Group level takes place within a framework made up of:

- risk policies taken up, adapted, or expanded at each Group institution;
- Group sector-based systems adapted at the local level;
- regulatory caps, Group internal caps, internal caps for institutions in the BP and CE networks;
- a system of Group internal limits relating to the major categories of counterparties (a company made up of a parent and its subsidiaries) on a consolidated basis, expanded as needed by local limit systems;
- at each Group institution, a counter-analysis involving the Risk Management function, with veto power including a right of appeal that 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;
- a permanent control system to ensure that these systems and procedures are being enforced. The DRCCP monitors compliance with regulatory caps at the Group level for the Group Risk and Compliance Committee. Monitoring of compliance with Group internal caps and limits is regularly checked by the Group Risk Management Executive Committee and the Risk Committees of the Supervisory Board. Each institution is responsible for ensuring compliance with internal limits.

Groupe BPCE applies an internal rating methodology, shared by both networks and the main subsidiaries, for individual and professional retail customers, as well as for corporates, central banks and other sovereign exposures, central administrations, public-sector and similar debt and financial 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 (Groupe BPCE EDGAR program) and is necessary for proper risk assessment, as well as the amount of risk taken and changes in these risks. Compliance with the application of standards and quality of data is managed by monitoring all asset classes using software tools shared by both the Banque Populaire and Caisse d'Epargne networks and the main subsidiaries. The supervision teams are responsible for ensuring that the sector-based watch is updated by focusing on sectors of activity identified as high-risk and, in conjunction with the consolidated Risk Management and Modeling department, for analyzing portfolios to help identify the main concentrations of risk. This system is enhanced by a set of industry-based limits.

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.

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.

Finally, the DRCCP coordinates the credit risk process, particularly through monthly audioconferences and national credit risk days, or through topic-oriented working groups. It also oversees change management with respect to standards to ensure better operational adoption of Group rules at the local level and to harmonize practices within the Group's various institutions.

CREDIT POLICY

The overall risk policy is governed in particular by the risk appetite system, structured around the definition of risk as established by the Supervisory Board and risk appetite indicators.

The balance between profitability and risk acceptance 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 limited.

From a structural standpoint, Groupe BPCE's business model incurs a lower-than-average cost of risk on the French market.

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, the concentration of risk and other adverse developments and 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 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 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 IT departments, while defining the standards to be applied for the measurement, control, reporting and management of 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 situations that are stressed or becoming stressed, which may worsen and drift into default. A system consisting 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 supervision;
- enhance the quality of customer data through a data quality supervision and improvement system, in addition to seeking out high-quality exposures.

RATING POLICY

Credit risk measurement relies on 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.

The goal of the DRCCP is to gradually transition all institutions to shared rating systems, as ratings are a key element that summarizes the risk assessment and is critical to the standardization of risk assessment across the Group.

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 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 were strengthened through the addition of a general credit risk policy for the Group, as well as a risk policy specific to corporates.

Finally, risk supervision is adapted to each sector and is structured in accordance with a sector-based watch that is shared with all Group institutions, resulting in procedures that focus on recommendations for all Group institutions in at-risk sectors.

On behalf of the Group Risk Management and Compliance Committee, the DRCCP measures and controls compliance with these risk supervision mechanisms (individual and topical limits).

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.

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 or the decision is made to record an appropriate provision.

The statistical provisions applied to retail and corporate exposures are calculated at the Group level for the networks, with the subsidiaries defining appropriate levels for their exposures.

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.

Provisioning methods

IAS 39 defines the methods for calculating and recognizing impairment of loans and receivables. Generally speaking, loans and receivables measured at amortized cost in accordance with IAS 39 may be impaired due to a loss of value stemming from credit risk.

Under IAS 39, only incurred losses are provisioned, not losses related to future events.

The approaches used to determine value adjustments are applied routinely at the end of each accounting period, first on an individual basis (specific risk), then on a collective basis (general risk) for each asset group with consistent risk properties.

Contagion principle: Groupe BPCE applies this principle, which holds that given the ties between entities of a single group, contagion must be recognized for a company undergoing difficulties if those difficulties 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.

A loan is thereby impaired if both of the following conditions are met:

- There is objective evidence of impairment on an individual or portfolio basis, *i.e.* there are "triggering events*" (failure to repay a loan by its normal due date, insolvency proceedings, payments not received by the customer, inability to finance an equipment replacement investment, etc.) or "loss events" identifying counterparty risk occurring after the initial recognition of the loans in question.
- These events generate incurred losses on estimated future cash flows from the loans in question, and these losses must be reliably measured.

Impairment is determined as the difference between the amortized cost and the recoverable amount, *i.e.* the present value using the Effective Interest Rate (EIR) of estimated recoverable future cash flows, taking into account the impact of any collateral.

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.

Probable losses arising from off-balance sheet commitments are taken into account through provisions recognized on the liability side of the balance sheet.

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 special Group provisioning policy for corporates, established and validated in 2016, lays the foundations for the calculation of loan impairment and defines the methodology for determining individual impairment based on expert opinion.

It thereby defines concepts (credit risk measurement, accounting principles on the impairment of customer receivables under IFRS and French GAAP) and lists the 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 collateral held), and a combined approach (the company will substantially reduce its activity, and in order to recover its money the bank must combine a collections 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.

Impairment under IFRS 9

The new IFRS 9 "Financial instruments" was adopted by the European Commission on November 22, 2016 and will apply retrospectively from January 1, 2018, with the exception of the provisions relating to financial liabilities at fair value through profit or loss, which Groupe BPCE applied early in its financial statements from January 1, 2016.

IFRS 9 sets out new rules for classifying and measuring financial assets and liabilities (Phase 1), new impairment rules for credit risk on financial assets (Phase 2) and the treatment of hedging transactions, with the exception of macro-hedging transactions (Phase 3).

Financial assets will be classified into three categories (amortized cost, fair value through profit or loss, and fair value through other comprehensive income) depending on the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).

By default, financial assets will be classified at fair value through profit or loss.

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantees shall be systematically impaired or covered by a provision (loss allowance) for expected credit losses.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

- Stage 1:
  - impairment for credit risk will be recorded in the amount of 12-month expected credit losses,
  - interest income will be recognized through profit or loss using the effective interest rate method applied to the gross carrying value of the asset before impairment;
- Stage 2:
  - in the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category,
  - impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses,
  - interest income will be recognized through profit or loss using the effective interest rate method applied to the gross carrying value of the asset before impairment;
- Stage 3:
  - impairment for credit risk will continue to be calculated based on the instrument's lifetime expected credit losses, and the amount will be

adjusted, as necessary, to reflect any additional significant increase in credit risk,

- interest income will be recognized through profit or loss based on the effective interest method applied to the net carrying amount of the asset after impairment.

Implementation of impairment

The Group will use the internal risk management approach underlying the regulatory calculations of capital requirements for the constitution of portfolios and impairment calculations.

Financial assets subject to individual impairment under IAS 39 will be in Stage 3 under IFRS 9. The criteria listed in Appendix A – Definitions are compatible with those set out in IAS 39. Similarly, the rules that define a financial asset's transition from Stage 3 to Stage 2 are the same as those that define its reclassification as a performing asset under IAS 39.

An *ad hoc* method for calculating and recognizing impairment on performing loans is currently being developed, involving significant IT developments. This method will replace the current method for calculating collective impairment on performing loans.

The impairment calculation models are being designed in accordance with the model governance system to ensure consistency in the methods applied across the Group based on the type of assets and the purpose of the models. They will draw first and foremost on existing internal risk assessment models and on external information if internal inputs are not available. These models will be adapted to allow the measurement of the probability of default at maturity. The impairment calculated will take into account current conditions and economic and financial projections. The measurements may therefore, in some cases, be significantly different to those used for the calculation of regulatory capital requirements, which takes a prudential approach.

The impairment calculation models will be implemented centrally to ensure consistency in the methods used across Groupe BPCE depending on the type of asset.

The measurement of a significant increase in credit risk will be based on a combination of quantitative and qualitative indicators, which are currently being determined. Quantitative indicators will be based on ratings systems, comparing the risk associated with the current rating against the risk measured when the exposure was approved. Qualitative criteria include indicators that complement the ratings system, focusing on comparing the current risk measurement to past measurements, such as payments more than 30 days past due or the counterparty's inclusion on a watch list (with forbearance status).

Project governance and organization of implementation work

GOVERNANCE

Due to the scale of changes to be introduced under IFRS 9, Groupe BPCE is carrying out its implementation work under a project involving all the affected business lines and support functions.

The IFRS 9 plan is supervised by a strategic planning committee and a steering committee.

The Strategic Planning Committee defines the strategic guidelines of the IFRS 9 Plan. It meets once very quarter and consists of members of the Group Executive Management Committee and the Executive Committee.

The steering committee approves structural choices and prepares for the financial, organizational and operational impacts of the IFRS 9 plan on the group, both at the central institution and at the entity level. It meets every six weeks and consists of the heads of the Accounting, Finance, Risk and IT Systems (IS) divisions, the operational functions involved in the project and the directors or representatives of pilot institutions (three Caisses d'Epargne and three Banque Populaire banks).

From a cross-business standpoint, the IFRS 9 plan is overseen by the Transformation and Operational Excellence division, which coordinates operational functions, monitors and controls strategic and operational milestones and monitors budget compliance.

PLAN ORGANIZATION

The plan's work has been divided into Stage 1 (classification and measurement) and Stage 2 (impairment), relying on four operational functions: Finance, Risk, IT Systems and Change Management. Each of these functions is coordinated *via* a monthly committee.

The Finance function is responsible for implementing Phase 1 (classification and measurement) work, which consists of classification, recognition, valuation and reporting projects. It provides support for Phase 2 (impairment) work.

The Risk function is responsible for implementing Phase 2 (impairment) work, which consists of modeling, transitional application and target application projects. It provides support for Phase 1 (classification and measurement) work.

The IT Systems function is responsible for implementing work in Phase 1 and Phase 2. Its objectives are steering and coordinating the work of IT communities (Caisse d'Epargne and Banque Populaire) and subsidiary IT systems. It is directly responsible for implementing the target impairment system at the central institution (development, steering, technical tests, etc.)

The Change Management function was created to provide functional and cross-disciplinary support and make it easier for operational teams at Group entities to participate in all of the plan's projects.

Analysis, design and IT development work began in the first half of 2015, continued throughout 2016 and will continue in the first half of 2017. The second half of 2017 will mainly focus on user acceptance tests, the final calibration of models, the completion of documentation, and the adaptation of processes under a change management program.

FORBEARANCE, PERFORMING AND NON-PERFORMING EXPOSURES

Institutions were asked to identify the concepts of "forbearance" and "non-performing exposure" for the purposes of the European Banking Authority (EBA) technical standards published on October 21, 2013.

These standards outline the additional financial disclosures that must be included with FINREP financial reporting as of December 31, 2014. They aim to clarify the concepts of "forbearance" and "non-performing exposure" as set out in the Implementing Technical Standards (ITS) produced by the EBA, and indicate that such disclosures are neither accounting nor regulatory in nature.

The existence of forbearance results from combining a concession AND financial difficulties.

Forbearance may relate to performing or non-performing contracts.

As part of restructuring performing contracts (performing forborne exposures), there are two possible types of concessions:

- a contractual modification, which is formalized through a rider or waiver;
- refinancing, which is formalized by setting up a new loan contract at the same time as or within seven days prior to the full or partial repayment of another loan contract.

Financial difficulties, meanwhile, exist when:

- a payment has been past due for over 30 days (besides technical missed payments), or;
- more than 60 days' authorization has been exceeded, within the three months prior to the rider or refinancing;
- a sensitive rating.

A change in status from performing forborne exposure to non-performing forborne exposure follows certain rules distinct from the rules for default (there is a new concession or a payment more than 30 days past due) and, like the removal of forborne status, 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.

Based on the new deliberation procedure that began in 2016, the differences in standards between NPEs and Basel default call for further analysis. With the discontinuation of the 180-day option for exposures secured by real property, the concepts of default and NPEs under accounting and regulatory approaches are converging. The Basel Committee work on this subject (*Prudential treatment of problem assets – definitions of non-performing exposures and forbearance* – a consultation that began in April 2016) and similar work by the ECB (*Consultation on guidance to banks on non-performing loans*, launched in September 2016) are also paving the way for the convergence of these concepts.

Identification of retail customer forbearance exposures is now automated. In addition, there is a guide for using expert opinion to identify forbearance exposures, particularly for short-, medium-, and long-term financing of non-retail counterparties.

Disclosures on "forbearance, performing and non-performing exposures" are being added to those already provided on default and impairment.

3.4.2 Internal ratings and risk measurements

FACTERS IMPACTING LOSSES INCURRED OVER THE PERIOD

The Group was primarily impacted by the effects of the dollar's depreciation on new-generation oil assets, particularly in the US in the first part of 2016. As a result, assets that did not reach their operating breakeven were impaired, making it inevitable that they would cease operations and be unable to repay their loans. The decline in corporate defaults helped substantially reduce the impact of cost of risk. The most common recurring factors underlying default were, as in the past, past-due customer payments, customer payment periods, and managerial errors by companies.

CURRENT SITUATION

Groupe BPCE has been authorized by the competent authorities to use the following IRB methods.

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 administrations	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 (Rev.*> €3 million)	F-IRB/ Standardized	Standardized	Standardized	A-IRB	Standardized
Retail customers	A-IRB	A-IRB	Standardized	Standardized	

* *Rev.: revenues.*

BREAKDOWN OF EAD BY APPROACH FOR THE MAIN CUSTOMER CATEGORIES

	12/31/2016			12/31/2015		
	EAD			EAD		
% breakdown	Standardized	F-IRB	A-IRB	Standardized	F-IRB	A-IRB
Central banks and other sovereign exposures	35%	46%	19%	49%	35%	16%
Central administrations	56%	26%	17%	49%	33%	18%
Public sector and similar entities	100%	0%	0%	99%	0%	0%
Financial institutions	45%	11%	44%	40%	14%	46%
Corporates	35%	22%	43%	35%	21%	43%
Retail customers	16%	0%	84%	17%	0%	83%
TOTAL	**35%**	**15%**	**50%**	**37%**	**13%**	**50%**

RATING SYSTEM

Information provided in respect of IFRS7

Internal rating system models are developed based on historical data on 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 prudence 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 supervisor 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, and on a map of models used throughout the Group.

The validation charter for the Group's models, revised in late 2015, encompasses all types of quantitative models, and defines and specifies the duties and responsibilities of those involved throughout the models' life cycles. 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 LGD models, IMM models for counterparty risk, and IMA models for market risk 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 Modeling 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 Modeling Committee, on the implementation of the required 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 supervisors 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.

DEVELOPING A MODEL

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 (type of counterparty, type of product, 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.

The internal models developed must 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 prior to and after an investigation of data quality, system implementation and operational integration.

In conclusion, the review issues 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 issues an opinion on compliance with prudential regulations. Where necessary, the review is accompanied by recommendations.

MODEL MAPPING

The DRCCP keeps an up-to-date map of Group 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).

The table below lists the Group's internal credit models used for risk management purposes and, when authorized by the supervisor, for the determination of capital requirements for the Banque Populaire and Caisse d'Epargne networks, Natixis and its subsidiaries, and Crédit Foncier.

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 (NS*)	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 (Revenues > €1 billion)	5	Expert criteria including quantitative and qualitative variables, depending on the business sector Portfolio with low default risk
	SMEs (Revenues > €3 million)	9	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
	Non-profits and insurance companies	2	Expert criteria including quantitative and qualitative variables Portfolio with low default risk
	Specialized Financing (real estate, asset pool, aircraft, etc.)	7	Expert criteria based on features of financed goods/projects Portfolio with low default risk
Retail customers	Individual customers	7	Statistical models (logistic regression) including behavioral and socioeconomic variables, differentiated by customer profile
	Professional customers (business sectors: general, transportation-communication, tourism-hotels-catering, etc.)	10	Statistical models (logistic regression) including balance sheet and behavioral variables
	Residential real estate	5 (o/w 2 NS)	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

* *NS refers to non-standardized models used in determining capital requirements.*

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
	Specialized Financing (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.)	7 (o/w 1 NS)	Models based on estimated losses, segmented by type of contract and guarantee, or expert criteria
Corporates	Lease financing	1	Models based on estimates of asset resale conditions, segmented by type of asset financed
	Residential real estate	3 (o/w 1 NS)	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
Retail customers	Revolving loans	1	Models based on estimated losses, segmented by type of contract

* *NS refers to non-standardized models used in determining 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 NS)	Conversion factors, segmented by type of contract
	Residential real estate	3 (o/w 1 NS)	Conversion factors, segmented by type of contract
	Other individual and professional customers	2	Conversion factors and flat-rate values, segmented by type of contract
Retail customers	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. 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 modelled 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 statistically distinct homogeneous risk classes. Probability of default is estimated for each of these classes, 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 the internal history does not cover a full economic cycle, an additional safety buffer is determined in order to maintain a TTC (through the cycle) approach.

Loss given default (LGD) is an economic loss measured by taking into account 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 guarantees are in place. 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 according to 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 outstandings in default. Estimates are based on internal collection histories for exposures at default over an extended period. Two safety buffers are then

(1) *Expected Loss Best Estimate.*

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.

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 revenues). 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.

LGD models (excluding retail customers) are predominantly applied by type of counterparty, type of asset, and whether or not any guarantees are in place. Homogeneous risk classes 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 sufficient (e.g. for the Business Customers asset class). Internal collection histories covering the longest possible period are used. If the number of defaults is insufficient, history databases and external benchmarks are used to determine expert rates (e.g. for banks and sovereigns). Finally, some values are based on stochastic models, where recourse has been taken on an asset. 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).

STANDARDIZED APPROACH

When the Group does not have an internal model authorized for use in determining capital requirements, they have to be estimated based on corresponding inputs under the standardized approach. These inputs are based in particular on the credit assessments (ratings) estimated by rating agencies recognized by the supervisor 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 Article 139 of the CRR.

Concerning 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 for which the weighting is derived from the credit quality 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 backtesting each year 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 loss given default 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 Modeling 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 on the whole in terms of effective risk management. The calibrations are conservative with respect to observed risk: default rates observed are lower than the default rates expected over the entire cycle and over the most recent period. Losses observed on assets in default are lower than expected losses.

3.4.3 Credit risk mitigation techniques

Information provided in respect of IFRS7

Credit risk mitigation techniques are widely used within the Group and are divided into real guarantees and personal guarantees.

Residual risk, defined as the risk of credit risk mitigation techniques proving less effective than expected, is closely monitored in accordance with the Ministerial Order of November 3, 2014 on internal control.

In some cases, the Group's institutions choose to add opportunities for closing disputed portfolios to their use of risk-reducing techniques, particularly when the techniques used are less effective or absent.

Credit derivatives are also used to reduce risks, and apply almost exclusively to the Business Customers asset class.

DEFINITION OF GUARANTEES

A real guarantee involves one or more movable or immovable assets that belong to the debtor or a third party. This guarantee consists of 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 right 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 METHOD USING 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 guarantee portion of the exposure. Real guarantees such as cash or liquid collateral are deducted from the gross exposure.

Under the F-IRB approach, excluding retail customers, real guarantees are taken into account, subject to eligibility, by decreasing the Loss Given Default applicable to the transactions. Personal guarantees are taken into account, 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 taken into account, subject to eligibility, by decreasing the Loss Given Default applicable to the transactions in question.

CONDITIONS FOR THE INCORPORATION OF GUARANTEES

Articles 207 to 210 of Capital Requirements Regulation (CRR) No. 575/2013 set out the conditions for the incorporation of guarantees, in particular:

- there is no significant positive correlation between the borrower's credit quality and the instrument's value. Debt securities issued by the borrower are not eligible;
- the guarantee is duly documented and accompanied by a strict procedure authorizing rapid debt collection;
- the bank has duly documented procedures in place, that are adapted to the various types and amounts of instruments used;
- the bank sets the market value of the instrument and restates it where necessary, in particular when this market value deteriorates significantly.

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.

GUARANTORS

The Banque Populaire network has historically used Mutual Guarantee Companies (known as SOCAMAs, which guarantee loans to craftsmen), for its loans to professional customers and for home loans, in addition to the real guarantees used. It also turns to CASDEN Banque Populaire to back loans to civil servants of the French national education system, Crédit Logement and increasingly CEGC.

For home loans, the Caisse d'Epargne network mainly uses the services of Compagnie Européenne de Garanties et de Cautions (CEGC), Fonds de garantie à l'accession sociale à la propriété (FGAS) 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 guaranteeing bank loans, especially home loans.

CEGC is rated A by Standard & Poor's, with a stable outlook.

FGAS offers guarantees from the French government for secured loans. Loans with FGAS guarantees granted before December 31, 2006 are given a 0% weighting and loans with guarantees granted after that date have a risk weighting 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 corporates, 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.

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).

VALUATION AND MANAGEMENT OF INSTRUMENTS COMPRISING REAL GUARANTEES

The valuation tool for real-estate guarantees is available to both networks.

Across the Banque Populaire network, in addition to real estate guarantees, the valuation tool also takes into account pledges of vehicles, materials and equipment, pleasure craft, and business assets.

The Caisse d'Epargne network uses the appraisal tool in all risk segments.

Within the Group, guarantees from Mutual Guarantee Companies recognized as providers of sureties whose effect is equivalent to a mortgage guarantee by the supervisory body are subject to an insurance-type valuation.

An enhanced Group valuation process was established to measure guarantees above certain amounts. The certification obtained by Crédit Foncier Expertise, a subsidiary of CFF, in this matter, strengthens the Group's synergies.

The Group is continuing its efforts to strengthen loan guarantees at its various institutions. Having already done so primarily for the retail customer segment, it is focusing on non-retail customers in order to improve the consistency of the recognition and valuation of guarantees within this segment.

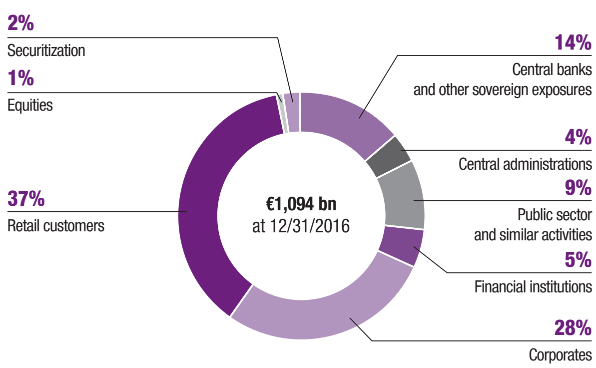
3.4.4 Quantitative disclosures

EXPOSURE TO CREDIT AND COUNTERPARTY RISKS

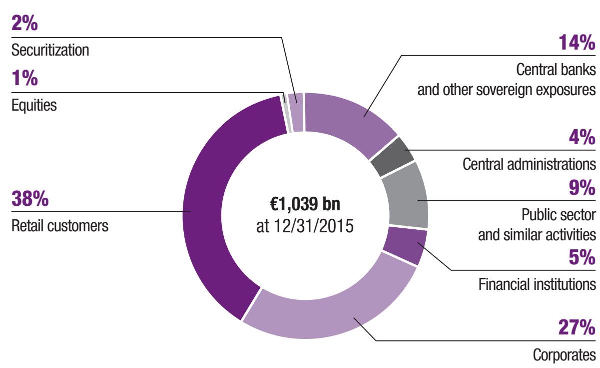
Portfolio breakdown by exposure class (excluding other assets)

Information provided in respect of IFRS7

AT DECEMBER 31, 2016



AT DECEMBER 31, 2015

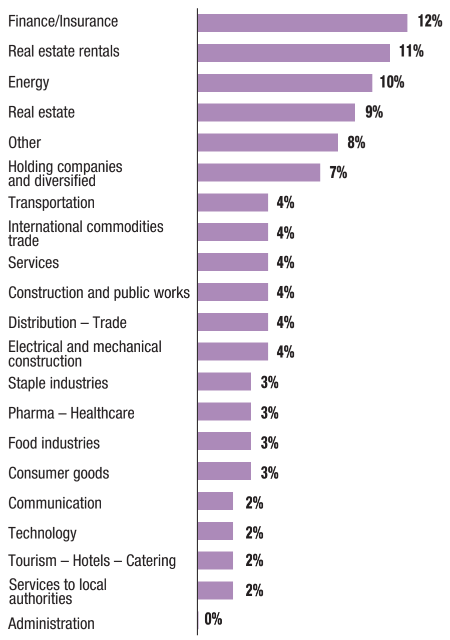


Groupe BPCE's total gross exposures amounted to more than €1,094 billion at December 31, 2016, up €55 billion.

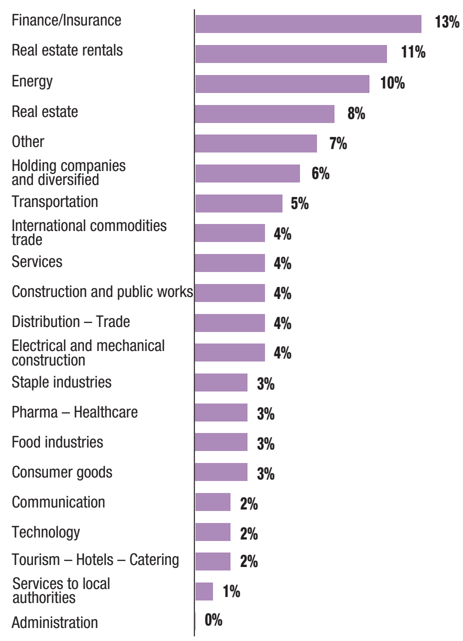
Breakdown of gross exposures in the Business Customers category by economic sector

Information provided in respect of IFRS7

AT DECEMBER 31, 2016



AT DECEMBER 31, 2015



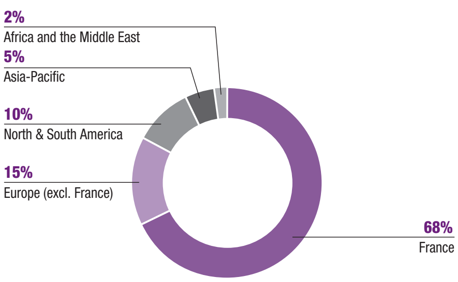
The top three sectors are finance/insurance, real estate rentals and energy. The concentration of the three top sectors is on the decline and under control.

Geographic breakdown of gross exposures

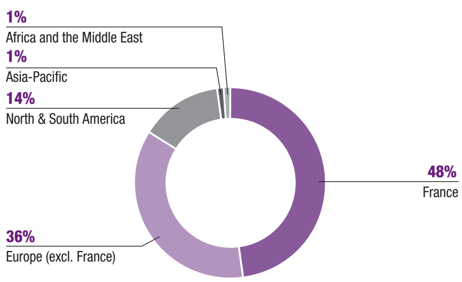
Information provided in respect of IFRS7

AT DECEMBER 31, 2016

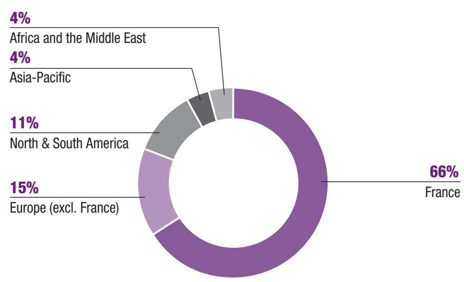
Institutions



Central administrations/Central banks and other sovereign exposures

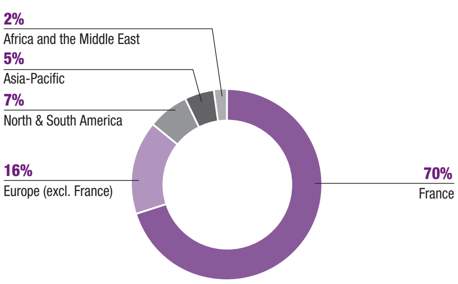


Corporates

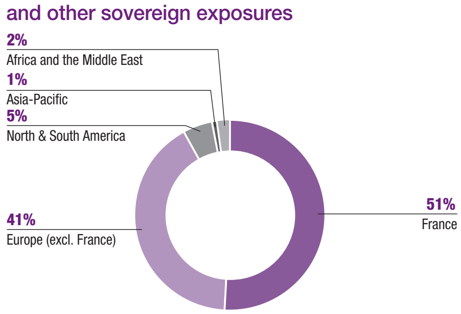


AT DECEMBER 31, 2015

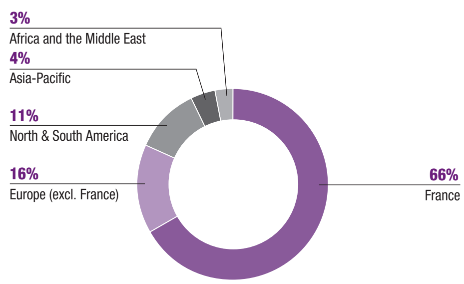
Institutions



Central administrations/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[1]

Information provided in respect of IFRS7

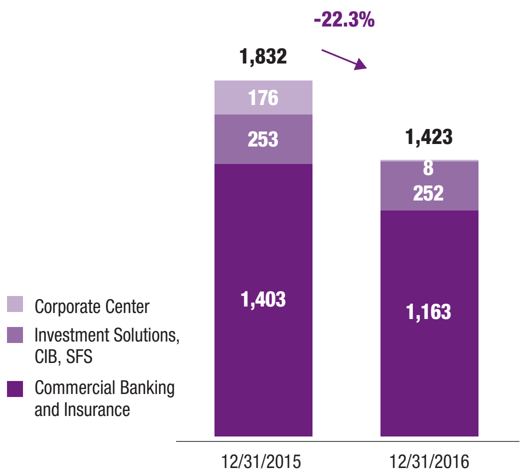
Concentration by borrower	12/31/2016 Breakdown Gross amounts/Total large risks[1]	12/31/2016 Weight relative to capital Gross amounts/ Capital[2]	12/31/2015 Breakdown Gross amounts/Total large risks[1]	12/31/2015 Weight relative to capital Gross amounts/ Capital[2]
No. 1 borrower	3.5%	7.8%	3.5%	8.4%
Top 10 borrowers	19.4%	43.6%	20.7%	49.5%
Top 50 borrowers	53.4%	120.3%	54.9%	131.0%
Top 100 borrowers	74.5%	167.9%	76.4%	182.4%

(1) Total large risks excluding Groupe BPCE sovereign exposures (€162.9bn at 12/31/2016).
(2) Groupe BPCE regulatory capital (line 11 CA4 of Corep at 129/31/2016): €72.3bn.

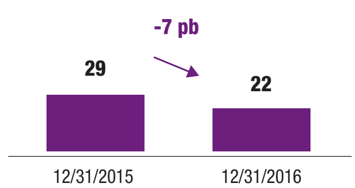
The percentage of the Top 100 borrowers decreased in 2016 and did not show any particular concentration.

PROVISIONS AND IMPAIRMENTS

CHANGE IN GROUP COST OF RISK *(IN €M)*



COST OF RISK IN BP (GROUPE BPCE)



At €1.4 billion in 2016, Groupe BPCE's cost of risk recorded a significant decrease of 22% compared to 2015. Average annual cost of risk (expressed in basis points *versus* customer outstandings at the start of the period) reached a record low of 22 basis points in 2016, down 7 basis points from 2015 and significantly lower than the cycle average, estimated at between 30 and 35 basis points.

In Commercial Banking and Insurance, cost of risk fell by more than 17% year-on-year. The Banque Populaire banks posted an average annual cost of risk of 28 basis points (down 8 bp compared to 2015) *versus* 18 basis points for the Caisses d'Epargne (also down 8 bp from 2015). This change for both networks reflects a decline in individual and collective provisions amid improving economic conditions in France.

At €252 million, cost of risk for the Investment Solutions, Corporate & Investment Banking and Specialized Financial Services division was stable in terms of absolute value with respect to 2015. However, it should be noted that the cost of risk for the business lines improved at a steady rate in 2016, averaging 34 basis points over the year, despite the provisioning effort for the Oil & Gas sector during the first half. This figure should be compared to average annual cost of risk, *i.e.* 36 basis points in 2015 and 38 basis points in 2014.

In 2015, the Corporate Center recognized -€104 million under cost of risk, resulting from exposure to Heta Asset Resolution AG. The entirety of this exposure was sold in the second quarter of 2015.

(1) Excluding central banks, other sovereign exposures and central administrations.

COVERAGE OF NON-PERFORMING LOANS

In millions of euros	12/31/2016	12/31/2015	12/31/2014
Gross customer loan outstandings	679,176	629,775	623,256
o/w non-performing loans	23,427	23,098	22,919
Non-performing loans/gross loans	3.4%	3.7%	3.7%
Impairments	12,278	12,310	12,289
Impairments/non-performing loans	52.4%	53.3%	53.6%

NON-IMPAIRED LOANS SHOWING PAST DUE BALANCES

Assets with past due payments are performing financial assets for 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 in the financial statements;
- 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 balance sheet date.

The amounts disclosed in the statement below do not include past due payments resulting from the time delay between the settlement date and the recognition date.

Past due loans and receivables (principal amount outstanding and accrued interest in the case of loans and total overdraft in the case of current accounts) can be broken down by due date as follows:

BREAKDOWN OF NON-IMPAIRED LOANS SHOWING PAST DUE BALANCES

	Non-impaired outstandings showing past due balances				Impaired outstandings (net value)	Total outstandings
in millions of euros	≤ 90 days	> 90 days and ≤ 180 days	> 180 days and ≤ 1 year	> 1 year		
Debt instruments	-	-	-	-	73	73
Loans and advances	8,663	382	58	21	12,335	21,459
Other financial assets	-	-	2	2	-	4
TOTAL AT 12/31/2016	**8,663**	**382**	**60**	**23**	**12,408**	**21,536**

	Non-impaired outstandings showing past due balances				Impaired outstandings (net value)	Total outstandings
in millions of euros	≤ 90 days	> 90 days and ≤ 180 days	> 180 days and ≤ 1 year	> 1 year		
Debt instruments	-	-	-	-	45	45
Loans and advances	7,661	375	52	25	12,075	20,188
Other financial assets	3	-	1	2	-	6
TOTAL AT 12/31/2015	**7,664**	**375**	**53**	**27**	**12,120**	**20,239**

RESTRUCTURED LOANS

Information provided in respect of IFRS7

ADJUSTMENTS DUE TO FINANCIAL DIFFICULTIES

	12/31/2016			12/31/2015		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Impaired restructured loans	7,101	222	7,323	6,326	104	6,430
Performing restructured loans	2,759	36	2,795	2,269	29	2,298
TOTAL RESTRUCTURED LOANS	**9,860**	**258**	**10,118**	**8,595**	**133**	**8,728**
Impairment	**(2,015)**		**(2,015)**	**(1,674)**		**(1,674)**
Guarantees received	**5,642**	**3**	**5,645**	**5,291**	**10**	**5,301**

BREAKDOWN OF GROSS LOAN OUTSTANDINGS

in millions of euros	12/31/2016			12/31/2015		
	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Restructuring: amendments to terms and conditions	6,852	225	7,077	5,935	110	6,045
Restructuring: refinancing	3,008	33	3,041	2,660	23	2,683
TOTAL RESTRUCTURED LOANS	**9,860**	**258**	**10,118**	**8,595**	**133**	**8,728**

COUNTERPARTIES BY GEOGRAPHIC AREA

in millions of euros	12/31/2016			12/31/2015		
	Loans and receivables	Off-balance sheet commitments	Total	Off-balance sheet commitments	Loans and receivables	Total
France	7,100	79	7,179	6,142	116	6,258
Other countries	2,760	179	2,939	2,453	17	2,470
TOTAL RESTRUCTURED LOANS	**9,860**	**258**	**10,118**	**8,595**	**133**	**8,728**

3.5 Counterparty risk

3.5.1 Counterparty risk management

Information provided in respect of IFRS7

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 IFRS7

In economic terms, Groupe BPCE and its subsidiaries measure counterparty risk for derivative instruments (swaps or structured products, for instance) using the IRB method within Natixis, or the market price assessment method for other institutions. In other to perfect the economic measurement of the current and potential risk inherent in derivatives, a tracking mechanism based on a consistent economic measurement is currently being instituted within Groupe BPCE.

In order to measure and manage its own counterparty risk, Natixis uses an internal model. Using Monte Carlo simulations for the main risk factors, this model values the measures for each counterparty and for the entire lifespan of the exposure, taking netting and collateralization criteria into account.

Thus, the model determines the EPE (*Expected Positive Exposure*) profile and the PFE (*Potential Future Exposure*) profile, the latter of which is 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 valuation.

COUNTERPARTY RISK MITIGATION TECHNIQUES

Information provided in respect of IFRS7

Conterparty risk is subject to Groupwide caps and limits, which are validated by the Group Counterparty and Credit 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 regulatory 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 specific 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 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 surety 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 activities (mainly Natixis) and ALM management 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 recovery 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.

3.5.2 Quantitative disclosures

BREAKDOWN OF GROSS COUNTERPARTY RISK EXPOSURES BY ASSET CLASS (EXCLUDING OTHER ASSETS) AND METHOD

Information provided in respect of IFRS7

	12/31/2016							12/31/2015		
	Standardized			IRB			Total	Total		
in millions of euros	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	Exposure	EAD	RWA
Central banks and other sovereign exposures	–	–	–	2,860	2,860	182	2,860	1,352	1,352	7
Central administrations	1,081	1,081	–	1,215	1,179	13	2,296	2,924	2,888	20
Public sector and similar entities	1,181	1,181	230	68	68	7	1,249	1,037	1,037	356
Financial institutions	17,385	17,385	1,663	17,833	16,765	5,736	35,218	30,714	29,795	8,525
Corporates	799	799	522	16,273	16,271	5,581	17,072	17,074	16,825	5,959
Retail	9	9	11	3	3	1	12	16	16	11
Equities	–	–	–	–	–	–	–	–	–	–
Securitization	426	426	–	2,091	2,091	388	2,517	2,887	2,856	674
TOTAL	**20,881**	**20,881**	**2,426**	**40,343**	**39,237**	**11,906**	**61,224**	**56,003**	**54,770**	**15,553**

A majority of counterparty risk is carried by the financial institutions segment (57% of exposures).

BREAKDOWN BY EXPOSURE CLASS OF RISK-WEIGHTED ASSETS FOR THE CREDIT VALUATION ADJUSTMENT (CVA)

in millions of euros	12/31/2016	12/31/2015
Central banks and other sovereign exposures	–	–
Central administrations	–	2
Public sector and similar entities	–	–
Financial institutions	3,881	4,884
Corporates	1,033	879
Retail	–	–
Equities		–
Securitization	41	81
Other assets		
TOTAL	**4,955**	**5,845**

COUNTERPARTY RISK RELATED TO DERIVATIVE AND REPURCHASE AGREEMENT EXPOSURES

	12/31/2016			12/31/2015		
in millions of euros	Standardized	IRB	Total	Standardized	IRB	Total
Derivatives						
Central banks and other sovereign exposures	–	335	335		455	455
Central administrations	1,046	589	1,635	739	491	1,230
Public sector and similar entities	1,160	59	1,218	744	292	1,036
Financial institutions	14,468	8,187	22,655	9,756	10,581	20,338
Corporates	634	9,285	9,919	2,772	8,264	11,036
Retail customers	9	3	12	10	6	16
Securitization	426	2,091	2,517	–	2,887	2,887
TOTAL	**17,743**	**20,549**	**38,291**	**14,021**	**22,976**	**36,998**
Repurchase agreements						
Central banks and other sovereign exposures	–	2,525	2,525		897	897
Central administrations	35	626	661	47	1,647	1,694
Public sector and similar entities	22	9	31	1		1
Financial institutions	2,846	9,647	12,493	2,510	7,811	10,321
Corporates	165	6,988	7,153	121	5,917	6,038
Retail customers						–
Securitization						
TOTAL	**3,068**	**19,794**	**22,863**	**2,679**	**16,273**	**18,952**

3.6 Securitization transactions

3.6.1 Regulatory framework and accounting methods

REGULATORY FRAMEWORK

This section presents information on Groupe BPCE's securitization activities in accordance with the applicable definitions and treatments 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 securitization as a transaction or mechanism whereby the credit risk inherent to an exposure or basket of exposures is divided into tranches with the following characteristics:

- the transaction results in the transfer of substantial risk, in the case of origination;
- payments made under the transaction or mechanism depend on the performance of the exposure or basket of underlying exposures;
- the subordination of some tranches determines the distribution of losses for the term of the transaction or risk transfer mechanism.

In late 2014, the Basel Committee published the rules for the new regulatory framework for securitization, which comes into force in January 2018. New goals and areas of consideration led to changes in regulations, such as the need for economic stimulus centered on a healthy securitization activity, the need for improved management of credit risk transfers and harmonized standards, the need to rely less on external rating agencies and threshold effects, and the rise in capital requirements for certain securitization exposures.

This regulatory framework will soon be expanded: the European Commission is still working to define the terms applicable to the treatment of securitization transactions and STS (high-quality securitizations meeting the criteria of Simplicity, Transparency, and Standardization – STS), with a proposal published in June 2016, followed by the corresponding regulation expected for December 2016.

ACCOUNTING METHODS

Securitization transactions in which Groupe BPCE is an investor (*i.e.* the Group invests directly in some securitization positions, provided 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 under "Accounting principles and measurement methods".

Securitization positions are mainly recorded under "Loans and receivables" and "Available-for-sale financial assets".

Securitization positions classified as "Loans and receivables" are measured after their initial recognition at amortized cost using the effective interest rate method and, if necessary, may be subject to an impairment that is recorded under cost of risk.

Securitization positions classified as "Available-for-sale financial assets" are remeasured at their fair value on the closing date. Interest income accrued or received on debt instruments is recognized in income based on the effective interest rate under "Interest or similar income" in net banking income (NBI), while changes in fair value (excluding revenues) are recorded on a separate line in shareholders' equity under the heading "Gains and losses recognized directly in other comprehensive income".

Whenever a decline in the fair value of an available-for-sale financial asset has been recognized directly on a separate line in shareholders' equity under the heading "Gains and losses recognized directly in other comprehensive income", and there is subsequently objective evidence of impairment of said asset, the Group books the cumulative unrealized loss previously recognized in shareholders' equity to the income statement under "Cost of risk" (for debt instruments) and under "Net gains or losses on available-for-sale assets" in NBI (for equity instruments).

If the asset is sold, the Group recognizes any gains or losses on its income statement under "Net gains or losses on available-for-sale financial assets".

Securitization positions classified as "Financial assets at fair value through profit or loss" are valued at their 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 securitization transactions in the form of Credit Default Swaps follow accounting rules specific to trading derivatives, as described in the notes to the consolidated financial statements under "Accounting principles and measurement methods".

In accordance with IAS 39, 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 is derecognized in full, a gain or loss on disposal is recognized in the income statement, reflecting the difference between the carrying amount of the asset and the consideration received, corrected where applicable for any unrealized profit or loss that would have previously been recognized directly in equity.

Given that relatively low value of the assets in question and relatively infrequency of securitization transactions, assets pending securitization continue to be recognized in their original portfolio, specifically under "Loans and receivables" when that is their original category.

For synthetic securitization transactions, 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. Any impairment of said assets is reviewed if risk is transferred.

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 described in Note 3 "Consolidation principles and methods" to the consolidated financial statements.

TERMINOLOGY

Conventional securitization: this consists of the transfer to investors of financial assets such as loans or receivables, transforming these loans into financial securities issued on the capital market *via* special purpose vehicles.

Synthetic securitization: in a synthetic transaction, ownership of the asset is not transferred but the risk is transferred through a financial instrument, *i.e.* the credit derivative.

Resecuritization: a securitization in which the credit risk associated with a portfolio of underlying assets is divided into tranches and for which at least one of the underlying asset exposures is a securitization position.

Tranche: a fraction of the credit risk set out contractually and which is associated with an exposure or exposures.

Securitization position: exposure to a securitization transaction or arrangement.

Liquidity line: the securitization position resulting from a financing agreement aimed at ensuring the punctuality of payment flows to investors.

Originator: either an entity which, 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 entity, other than the originator, that establishes and manages an asset-backed commercial paper program, or other securitization operation or arrangement that securitizes exposures purchased 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.

3.6.2 Management of securitization at Groupe BPCE

MANAGEMENT OF SECURITIZATION AT GROUPE BPCE

Banking book EAD amounted to just over €18.4 billion at December 31, 2016 (down €2.9 billion year-on-year), with a slight majority of the positions carried by BPCE arising from the transfer of a portfolio of home loan and public asset securitizations from Crédit Foncier in September 2014.

The decrease in EAD was primarily carried by BPCE SA. In fiscal year 2015, risk-weighted assets declined by more than €3.2 billion due to disposals in run-off portfolios and the improvement in the portfolio's average rating.

For the trading book, EAD fell by €2.9 billion, while risk-weighted assets decreased by €0.5 billion, due to the unwinding of a specific transaction.

Outstandings comprising the workout portfolio of Corporate & Investment Banking (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 actual 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 at 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, which mostly comprises investment grade European RMBS;
- residual Natixis workout portfolio management positions, transferred at end-June 2014 to the Corporate & Investment Banking business line, 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 €1.4 billion, mostly in the Consolidated Management of Investments (GCI) activity. 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, dedicated 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 at 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 quarterly Group Watchlist and Provisions Committee to determine the appropriate level of provisioning.

3.6.3 Quantitative disclosures

BREAKDOWN OF EXPOSURES AND RISK-WEIGHTED ASSETS

BREAKDOWN OF EXPOSURES BY TYPE OF SECURITIZATION

	12/31/2016		12/31/2015	
in millions of euros	Outstandings	EAD	Outstandings	EAD
Banking book	**18,563**	**18,443**	**21,489**	**21,294**
Conventional securitization	16,865	16,833	19,337	19,253
Synthetic securitization	1,698	1,610	2,152	2,041
Trading book	**248**	**248**	**3,142**	**3,142**
TOTAL	**18,811**	**18,691**	**24,631**	**24,436**

Note: exposures before guarantees.

Over this period, outstandings fell by more than €5.8 billion due to disposals in run-off portfolios.

BREAKDOWN OF EAD AND RWA BY TYPE OF PORTFOLIO

	12/31/2016		12/31/2015		Change	
in millions of euros	EAD	RWA	EAD	RWA	EAD	RWA
Banking book	**18,443**	**9,604**	**21,294**	**12,863**	**(2,851)**	**(3,259)**
Investor	12,102	8,743	14,224	11,875	(2,122)	(3,132)
Originator	1,787	192	2,191	391	(404)	(199)
Sponsor	4,554	669	4,879	597	(325)	72
Trading book	**248**	**79**	**3142**	**547**	**(2,894)**	**(468)**
Investor	248	79	2,550	496	(2,302)	(417)
Sponsor	-	-	592	50	(592)	(50)
TOTAL	**18,691**	**9,683**	**24,436**	**13,410**	**(5,745)**	**(3,727)**

Note: exposures before guarantees.

BREAKDOWN BY RATING

BREAKDOWN OF INVESTOR SECURITIZATION EXPOSURES IN THE BANKING BOOK BY RATING

	12/31/2016		12/31/2015	
	Equivalent rating		Equivalent rating	
as a %	Standard & Poor's	Banking book	Standard & Poor's	Banking book
	AAA	16%	AAA	16%
	AA+	7%	AA+	3%
	AA	29%	AA	17%
	AA-	3%	AA-	6%
	A+	5%	A+	5%
	A	11%	A	19%
	A-	7%	A-	3%
	BBB+	6%	BBB+	7%
	BBB	5%	BBB	9%
Investment grade	BBB-	1%	BBB-	2%
	BB+	1%	BB+	1%
	BB	4%	BB	5%
	BB-	0%	BB-	2%
	B+	0%	B+	0%
	B	0%	B	1%
	B-	0%	B-	0%
	CCC+	0%	CCC+	0%
	CCC	1%	CCC	1%
	CCC-	0%	CCC-	0%
	CC	0%	CC	0%
Non-investment grade	C	0%	C	0%
Not rated	Not rated	3%	Not rated	3%
Default	D	0%	D	0%
TOTAL		**100%**		**100%**

BREAKDOWN OF INVESTOR AND SPONSOR SECURITIZATION EXPOSURES IN THE TRADING BOOK

	12/31/2016		12/31/2015	
	Equivalent rating		Equivalent rating	
as a %	Standard & Poor's	Trading book	Standard & Poor's	Trading book
	AAA	44%	AAA	80%
	AA+	6%	AA+	0%
	AA	23%	AA	19%
	AA-	2%	AA-	0%
	A+	1%	A+	0%
	A	8%	A	0%
	A-	12%	A-	0%
	BBB+	3%	BBB+	0%
	BBB	0%	BBB	0%
Investment grade	BBB-	1%	BBB-	0%
	BB+	1%	BB+	0%
	BB	0%	BB	0%
	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	0%	Not rated	0%
Default	D	0%	D	0%
TOTAL		**100%**		**100%**

3.7 Market risks

3.7.1 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 the group level are defined centrally for group institutions affected by market risks. The risk management framework related to this activity is defined in accordance with investment policies and is reviewed annually.

3.7.2 Market risk management

Information provided in respect of IFRS7

RISK MONITORING

The Risk, Compliance and Permanent Control division (DRCCP) is responsible for the permanent control of market activities within 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 using global and historic stress tests. The proprietary VaR calculation system developed by Natixis is used by the Group. 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 network 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 adapted to this entity;
- for the Banque Populaire banks: 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 the institutions' Risk Management departments. All limit breaches must be reported and, where applicable, are subject to a management decision concerning the position in question (close, hedge, hold, etc.).

These supervision 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 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).

OVERSIGHT OF WORKOUT PORTFOLIOS

The scope of workout portfolio activities has been further reduced:

- Crédit Foncier: 97% of the securitization portfolio has been transferred to BPCE. Residual outstandings on international securitizations after they were transferred to BPCE amounted to less than €53.5 million at December 31, 2016, and do not present a significant risk of loss at completion;
- Caisse d'Epargne network: the portfolio management mandate previously granted to Natixis Asset Management was given to the BPCE Finance division starting in 2016. As such, BPCE reports on disposals carried out and portfolio monitoring in terms of profit and loss and market forecasts at Management Committee meetings. This mandate covers the management of the workout portfolio previously held by the former Caisse Nationale des Caisses d'Epargne for its proprietary activities. On December 31, 2016, the carrying amount of assets in this portfolio, across all asset classes, totaled €161 million, after taking a prudent level of impairment provisions into account. A risk review is conducted by the DRCCP at meetings of the Group Market Risk Committee.

On July 28, 2016, CE Holding Participations acquired all the aforementioned assets from BPCE SA, *i.e.* assets previously held by the former CNCE for its proprietary activities (23 securities in total amounting to €259 million). This acquisition put an end to the TRS transactions carried out to hedge the securities sold from the TRITON portfolio. At December 31, 2016, the portfolio contained 18 lines (subsequent to disposals), with exposures totaling €130 million in EAD and €221 million in RWAs.

3.7.3 Market risk measurement methods

Information provided in respect of IFRS7

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, variation 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 consolidated review of Groupe BPCE's market risks (relating to VaR calculations, and hypothetical and historic stress scenarios) is presented to the Group Market Risk Committee, in addition to risk reporting performed for the entities.

SENSITIVITIES

The institutions' Risk Management departments monitor and verify 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.

VALUE AT RISK (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 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

Global stress tests are run daily and fall under three categories:

- historic stress tests 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 stress tests 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.). The Group has had six theoretical stress tests since 2010;
- specific stress tests are run daily using the management software tools. They have been rolled out across all scopes of activity and are subject to alerts. They were defined on the basis of the same severity standard and are aimed at identifying the main loss areas by portfolio.

Groupe BPCE also set up a bond stress test in June 2012. It was calibrated using a mixed hypothetical and historic approach for the duration of the European sovereign crisis (second half of 2011). Shocks are defined over a three-month period, and are broken down by sector (sovereign, financial, corporate). This stress test is regularly reviewed by the Group Market Risk Committee.

Equity investments have been approved for the purpose of managing the liquidity reserves of Group institutions. The format used is an LCR-eligible equities fund managed by Natixis Asset Management. Supervision is identical to that of bonds (stress test limit).

3.7.4 Quantitative disclosures

GROUPE BPCE VAR

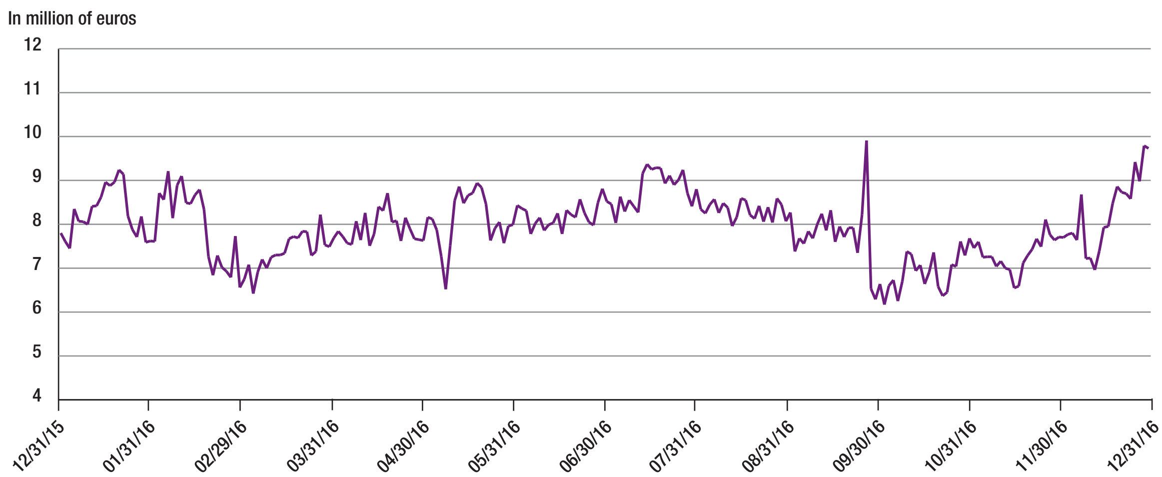
Information provided in respect of IFRS7

BREAKDOWN BY RISK CLASS

in millions of euros	Monte Carlo 99% 1-day VaR				
	12/31/2016	**2016 average**	**2016 min**	**2016 max**	**12/31/2015**
Interest rate risk	4.9	4.6	2.9	5.5	5.2
Credit risk	2.5	2.4	1.5	2.3	3.1
Equity risk	7.3	5.5	3.0	8.0	4.0
Foreign exchange risk	2.0	2.2	1.2	5.6	2.7
Commodity risk	0.7	0.4	0.1	0.9	0.1
TOTAL	**17.3**	**15.2**	**8.7**	**22.3**	**15.2**
Netting	(7.6)	(7.2)	(2.6)	(12.3)	(7.4)
Consolidated VaR	**9.7**	**7.9**	**6.2**	**9.9**	**7.8**

CHANGE – *IN MILLIONS OF EUROS*

Consolidated VaR for Groupe BPCE's trading operations (99% one-day Monte-Carlo VaR) amounted to €9.7 million at December 31, 2016, up €1.9 million over the fiscal year. Group VaR ranged from €6.2 million to €9.9 million over the year.



STRESS TEST RESULTS

MAIN HYPOTHETICAL STRESS TESTS

in millions of euros	12/31/2016					
	Fall in stock market indices	Increase in interest rates	Default by a bank	Commodities	Emerging market crisis	Default by an influential corporation
Natixis trading	**(21)**	**74**	**(44)**	**(103)**	**(10)**	**(6)**
Natixis Corporate and Investment Banking	(21)	(74)	(44)	(103)	(10)	(6)
BRED trading	**(11)**	**30**	**22**	**15**	**(2)**	**(2)**
Trading floor	(14)	31	22	13	(5)	(2)
Financial management	4	(1)	0	2	3	1
BPCE subsidiaries trading	**0**	**0**	**0**	**0**	**0**	**0**
OVERALL TRADING BOOK	**(32)**	**(43)**	**(22)**	**(87)**	**(12)**	**(8)**

The most sensitive hypothetical stress test is the commodities scenario, mainly within the Natixis CIB scope.

MAIN HISTORICAL STRESS TESTS

in millions of euros	12/31/2016					
	1987 stock market crash	9/11/2001	2008 corporate crisis	1990/2007 Gulf War	2002 credit crunch	1997 Asian crisis
Natixis trading	**(139)**	**(75)**	**(51)**	**(49)**	**(37)**	**(36)**
Natixis Corporate and Investment Banking	(139)	(75)	(51)	(49)	(37)	(36)
BRED trading	**17**	**(4)**	**(2)**	**12**	**1**	**5**
Trading floor	9	(6)	(4)	10	(3)	3
Financial management	8	2	2	1	3	1
BPCE subsidiaries trading	**0**	**0**	**0**	**0**	**0**	**0**
OVERALL TRADING BOOK	**(123)**	**(80)**	**(53)**	**(37)**	**(36)**	**(31)**

The most sensitive historic stress test was the 1987 stock market crash, mainly within the Natixis CIB scope.

RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

RWAs AND CAPITAL REQUIREMENTS BY TYPE OF RISK

	12/31/2016		12/31/2015	
in millions of euros	RWAs	Capital requirements	RWAs	Capital requirements
Interest rate risk	2,287	183	1,937	155
Risk for ownership securities	438	35	349	28
CIU position risk	47	4		
Foreign exchange risk	3,209	257	2,862	229
Commodity risk	709	57	1,110	89
Settlement/delivery risk	27	2	23	2
Risk from major trading book risks	–	–	–	–
Specific risk of securitization positions	79	6	547	44
Risk based on the internal model approach	5,437	435	6,863	549
TOTAL	**12,233**	**979**	**13,691**	**1,095**

CHANGE IN RISK-WEIGHTED ASSETS BY IMPACT

in billions of euros	
Market risks – 12/31/2015	**13.7**
Change in IRC	(1.20)
Interest rate risk	(0.20)
Foreign exchange risk	0.10
Other	(0.20)
Market risks – 12/31/2016	**12.2**

3.8 Operational risk

3.8.1 Organization of operational risk management

ORGANIZATION

The DRCCP helps identify, manage and monitor operational risks and reduce Groupe BPCE's losses by ensuring that the operational risk management system is reliable and efficient. To this end, it manages the Operational Risk function and focuses its work on three key duties:

- assessment and prevention of operational risks;
- preparation of the operational risk policy applied to working methods and business line procedures;
- permanent operational risk control.

Operational risk oversight

Operational risk oversight within the Group is coordinated at two levels:

- at the level of each Group entity, the Operational Risk Management Committee can be combined with the Non-Compliance Risk Management Committee to form a Compliance and Operational Risk Management Committee, or it can be incorporated in the Executive Risk Management Committee, at the entity's discretion. The committee decides on the implementation of a risk management policy and ensures the relevance and effectiveness of operational risk management procedures. It monitors the level of risk and validates and oversees action plans to reduce their exposure. It reviews any operating incidents and ensures that corrective measures are applied. Lastly, it reviews the contribution of the Risk Management function to permanent controls within its remit. This committee meets at least three times a year;
- at the Groupe BPCE level, a Non-Financial Risk Management Committee was created to strengthen cross-business relationships and coordination among the different functions contributing to second-level permanent controls. This committee convenes the various relevant divisions (operational risk, compliance, information system security, security of staff and property, contingency and business continuity planning, and financial audit) on a quarterly basis. Its main duties are to:
  - validate the map of operational risks at the Group level,
  - monitor the Group's at-risk areas, and particularly to identify nascent risks,
  - validate action plans,
  - prepare consolidated reports of losses, incidents and alerts.

INCIDENT AND LOSS DATA COLLECTION

Incident data are collected to build knowledge of risks, continuously improve risk management, 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 the quarterly COREP regulatory reports;
- 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.

OPERATIONAL RISK MONITORING

Mapping

The operational risk management system relies on a mapping process which is updated annually by all Group entities.

Mapping allows the Group to identify and prioritize the most at-risk processes and adapt action plans aimed at reducing risk exposure.

Emerging risks

The operational risk mapping process helps identify the principal emerging risks. To this end, an analysis is performed of major emerging risks. This analysis is conducted by an independent expert but is also assessed against external risk scenarios.

In 2016, Groupe BPCE was particularly vigilant regarding cyber risks and implemented a number of initiatives, including a special dashboard and enhanced supervision.

Action plans and monitoring of corrective actions

To more effectively manage the main operational risks and follow up on any serious incidents, two broad types of action plans may be implemented:

- **preventative measures** aimed at reducing the likelihood that a new risk or incident will occur;
- **protective measures** aimed at reducing the consequences and impacts of a given incident.

Progress on key actions is monitored by the Operational Risk Management Committee at each entity.

At the 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.

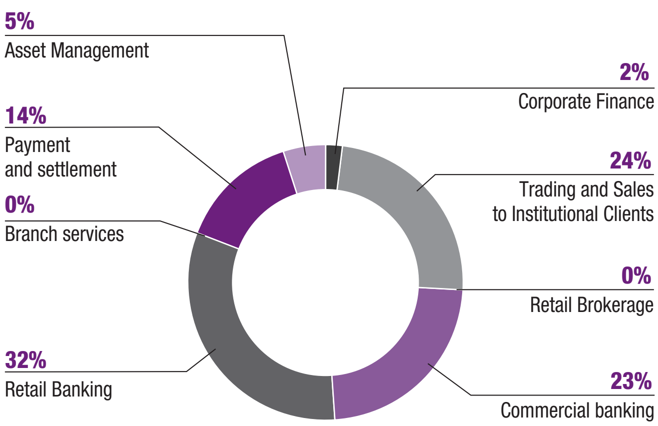
There is also a procedure in place covering material operational risks, within the meaning of Article 98 of the Ministerial Order of November 3, 2014, for which the minimum threshold is set at 0.5% of Common Equity (Tier 1).

3.8.2 Operational risk measurement

Groupe BPCE uses 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

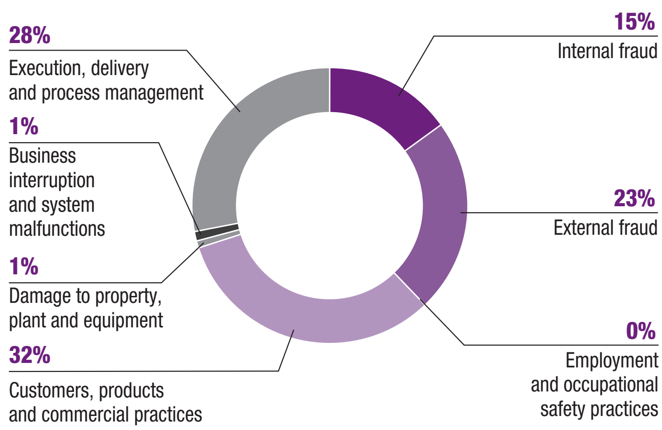
BREAKDOWN OF GROSS LOSSES BY BASEL BUSINESS LINE



79% of Groupe BPCE's losses were generated by the following three business lines:

- retail banking (32%);
- trading and sales to institutional clients (24%);
- commercial banking (23%).

BREAKDOWN OF GROSS LOSSES BY BASEL CATEGORY



Gross losses are predominantly generated in the following Basel categories: "Customers, products and commercial practices," "Execution, delivery and procedure management" and "Fraud."

3.8.3 Operational risk mitigation techniques

Group insurance policies are overseen at the Group level, providing the networks and subsidiaries with coverage of their insurable risks. Group insurance coverage is contracted from leading insurance companies. In addition, the Group has set up its own captive insurance company.

COVERAGE OF INSURABLE RISKS

At January 1, 2016, BPCE SA had taken out, both 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 the Banque Populaire and Caisse d'Epargne networks, except for:
  - Caisse d'Epargne Rhône Alpes concerning:
  - 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.
  - Caisse d'Epargne Ile-de-France concerning:
  - the "Fraud" component of the insurance coverage described in point A.a) below,
  - the "Global Banking" insurance coverage described in point A.b) below,
  - and the "Global Banking component of the insurance coverage described above in point A.d) 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 (Damages to Valuables and Fraud)" & "Professional Civil Liability" policy with a total maximum payout of €153 million per year of insurance, of which:

a) €20 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;

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 €108.5 million under "Professional Civil Liability" coverage and €109 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 €30 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 €300 million per claim.

F. "Intangible IT Damage" (losses of data where no physical damage has occurred to the equipment storing the data) & consecutive losses in banking activities, for up to €60 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.

3.9 Liquidity, interest rate and foreign exchange risks

3.9.1 Governance and organization

Information provided in respect of IFRS7

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, ensure that balance sheets are balanced 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, ensures the operational implementation of the defined policy, the management of the structure and the 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. Dedicated operational committees within each institution oversee the 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 the Group level. The Banque Populaire and Caisse d'Epargne network implement the risk management system using a shared Asset/Liability Management tool.

3.9.2 Liquidity risk management policy

Information provided in respect of IFRS7

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 massive withdrawals of customer deposits or an overall 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;
- the 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 limits at both the Group level and within each institution;
- 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. This includes internal stress test indicators 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 funds from bond and money markets. 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 limits at the Group level and within each institution;
- 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 are included 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 in 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 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 customers of the Banque Populaire and Caisse d'Epargne network, 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 is no longer a regular market issuer, and Crédit Foncier.

BPCE has short-term funding programs (certificates of deposit, Euro Commercial Paper and US Commercial Paper) and medium- and long-term funding programs (Medium Term Notes (or MTN), Euro Medium Term Notes (or EMTN), US MTN, AUD MTN and a securitized bond program, backed by the home loans of the Banque Populaire and Caisse d'Epargne network).

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 take into account 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. This management 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.

3.9.3 Quantitative disclosures

LIQUIDITY RESERVES

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	12/31/2016	12/31/2015
Cash placed with central banks	71	61
LCR securities	66	60
Assets eligible for central bank funding	93	75
TOTAL	**230**	**196**

At December 31, 2016, liquidity reserves covered 158% of the Group's short-term funding and the short-term maturities of MLT debt (€146 billion at December 31, 2016 compared with €117 billion at December 31, 2015). The coverage ratio was 168% at December 31, 2015.

LIQUIDITY GAPS

The Group's liquidity gap (liabilities – assets) complies with internal limits.

in billions of euros	1/1/2017 to 12/31/2017	1/1/2018 to 12/31/2020	1/1/2021 to 12/31/2024
Liquidity gap	10.3	13.2	19.1

CUSTOMER LOAN-TO-DEPOSIT RATIO

The Group's customer loan/deposit ratio[1] was 120% at December 31, 2016 (compared to 119% at December 31, 2015).

SOURCES AND USES OF FUNDS BY MATURITY

Information provided in respect of IFRS7

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 12/31/2016
Cash and amounts due from central banks	83,917	2	–	–	–	–	83,919
Financial assets at fair value through profit or loss – trading book	–	–	–	–	–	106,408	106,408
Financial assets at fair value through profit or loss – fair value option	17,994	11,705	8,158	5,185	9,078	14,633	66,753
Hedging derivatives	–	–	–	–	–	14,842	14,842
Available-for-sale financial assets	2,886	3,753	7,091	32,306	35,750	18,371	100,157
Loans and receivables due from credit institutions	75,901	12,819	2,386	2,737	1,227	1,594	96,664
Loans and receivables due from customers	72,325	26,284	49,175	189,176	315,937	14,001	666,898
Revaluation differences on interest rate risk-hedged portfolios	–	–	–	–	–	7,925	7,925
Held-to-maturity financial assets	215	144	1,759	3,299	4,066	–	9,483
Financial assets by maturity	**253,238**	**54,707**	**68,569**	**232,703**	**366,058**	**177,774**	**1,153,049**
Amount due to central banks	–	–	–	–	–	–	–
Financial liabilities at fair value through profit or loss – trading book	–	–	–	–	–	74,870	74,870
Financial liabilities at fair value through profit or loss – fair value option	19,497	11,850	3,778	7,724	13,953	1,764	58,566
Hedging derivatives	–	–	–	–	–	19,787	19,787
Amounts due to credit institutions	31,351	5,115	6,464	22,294	20,220	1,748	87,192
Amounts due to customers	411,008	18,919	25,808	56,243	18,884	916	531,778
Subordinated debt	870	594	594	1,352	15,724	987	20,121
Debt securities	28,526	24,831	52,869	66,375	52,298	7,452	232,351
Revaluation differences on interest rate risk-hedged portfolios	–	–	–	–	–	655	655
Financial liabilities by maturity	**491,252**	**61,309**	**89,513**	**153,988**	**121,079**	**108,179**	**1,025,320**
Financing commitments given to credit institutions	131	38	243	914	74	–	1,400
Financing commitments given to customers	28,223	7,036	15,042	45,678	18,392	581	114,952
TOTAL FINANCING COMMITMENTS GIVEN	**28,354**	**7,074**	**15,285**	**46,592**	**18,466**	**581**	**116,352**
Guarantee commitments given to credit institutions	248	719	1,144	828	2,413	223	5,575
Guarantee commitments given to customers	1,668	3,008	6,400	9,734	10,789	5,592	37,191
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,916**	**3,727**	**7,544**	**10,562**	**13,202**	**5,815**	**42,766**

Note: accounting balance sheet by contractual maturity date.

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 adjustments 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.

Technical provisions of insurance companies, which for the most part are equivalent to demand deposits, are not shown in the table below.

(1) *Excluding SCF (Compagnie de Financement Foncier, the Group's "société de crédit foncier", a French covered bond issuer).*

FUNDING STRATEGY AND CONDITIONS IN 2016

Information provided in respect of IFRS7

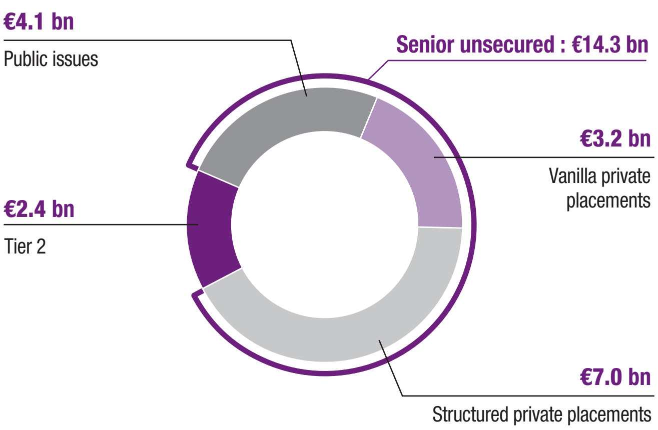
One of the Group's priorities in terms of medium- and long-term funding in the markets is to ensure that sources of funding are properly diversified, in terms of types of investors, vehicles, geographic regions and currencies.

Another priority is extending the average maturity of its liabilities to help strengthen Groupe BPCE's funding structure.

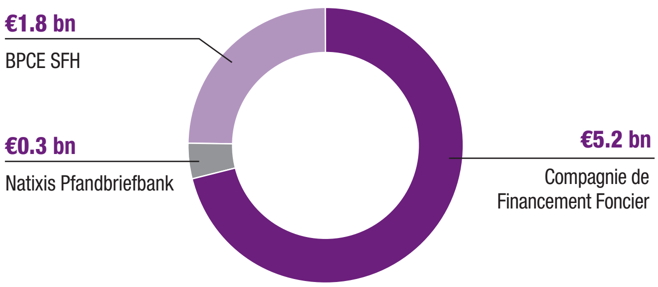
In recent years, Groupe BPCE has also implemented a policy designed to control the percentage of encumbered assets so as to protect its creditors holding unsecured debt. As a result, MLT funding in the secured category is limited to about one-third of total MLT funding raised.

Under the 2016 wholesale medium- and long-term funding plan, Groupe BPCE raised a total of €23.9 billion, excluding the transaction at the end of 2016 to pre-fund its 2017 needs; public issues made up 47% of this amount and private placements 53%.

UNSECURED BOND SEGMENT



COVERED BOND SEGMENT

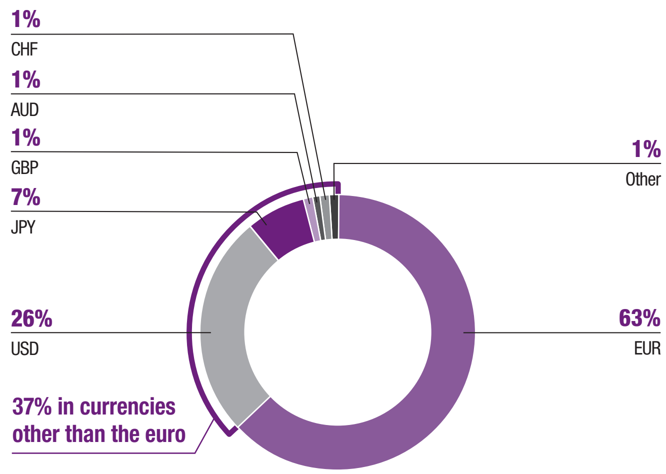


In 2016, funds raised in the unsecured bond segment stood at €16.6 billion, of which €2.4 billion in the Tier 2 category; funds raised in the covered bond segment amounted to €7.3 billion.

Taking into account the Tier 2 issue of approximately €0.7 billion sold through the Banque Populaire and Caisse d'Epargne network, Groupe BPCE raised €3.0 billion of Tier 2 capital in 2016.

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, 37% of these issues were in currencies other than the euro; the two largest were the USD (26%) and the JPY (7%). The breakdown of these 2016 issues by currency is as follows:

DIVERSIFICATION OF INVESTOR BASE



The average maturity at issue for Groupe BPCE as a whole was 7.2 years in 2016 compared with an average maturity of 5.2 years in 2015.

The unsecured bond segment (senior + Tier 2) accounted for 70% (€16.6 billion) of funds raised and the covered bond segment 30% (€7.3 billion). Groupe BPCE therefore met the guidance it gave the market in early 2016 (67%-75% unsecured and 25%-33% covered bond).

The vast majority of medium- and long-term funding raised in 2016 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.

3.9.4 Management of structural interest rate risk

Information provided in respect of IFRS7

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 mechanism is to monitor the level of institutions' changes in interest rates 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 expectations. 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 any sale of options and favoring accounting treatment that does not impact the Group's consolidated results.

Over the last two years, Groupe BPCE has conducted a project aimed at improving oversight of interest rate risk on the bank book, amid persistently low interest rates and in preparation for future regulatory developments in interest rate risk management. Changes in the structural interest rate risk management system were gradually implemented over the course of 2016.

Quantitative disclosures

INTEREST RATE GAP

Most of the Group's interest rate gap is carried by Commercial Banking and Insurance and primarily by the networks. This gap is relatively stable over time and complies with internal limits.

in billions of euros	1/1/2017 to 12/31/2017	1/1/2018 to 12/31/2020	1/1/2021 to 12/31/2024
Interest rate gap (fixed-rate)*	(4.8)	3.1	(0.9)

* *The indicator takes into account all asset and liability positions and floating-rate positions until the next interest rate reset date.*

Sensitivity indicators

The sensitivity of the net present value of the Group's balance sheet to a +/-200 basis point variation in interest rates is much lower than the 20% regulatory limit. Groupe BPCE's sensitivity to interest rate rises was -2.1% at December 31, 2016. The method used to calculate the indicator changed in 2016 to account for the EBA's new guidelines (EBA/GL/2015/08).

For network activities, the change in 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, 2016, the flattening of the yield curve (+50 basis points for short rates and -50 basis points for long rates) to be the most adverse scenario, with expected losses of €119 million year-on-year.

3.9.5 Managing 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 must be limited to counterparties in countries with freely-translatable currencies, on the condition that translation can be technically carried out by the entities' information systems.

Natixis' structural exchange rate positions on net investments in foreign operations funded by buying 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, 2016, Groupe BPCE, subject to regulatory capital requirements for foreign exchange risk, saw its foreign exchange position increase to €2,993 million *versus* €2,782 million at end-2015, with €257 million for foreign exchange risk compared to €229 million at end-2015. The foreign exchange position is mainly carried by Natixis.

3.10 Legal risks

Outstanding legal risks at December 31, 2016 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.

3.10.1 Legal and arbitration proceedings – BPCE

CHECK IMAGING EXCHANGE (*ÉCHANGE IMAGE CHÈQUES*) COMMISSIONS

Marketplace antitrust case involving initially 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 incriminated 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 for the fine.

The Paris Court of Appeals is expected to issue its ruling in May 2017.

3.10.2 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, 2016, 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.

CLASS ACTIONS LAWSUITS IN THE UNITED STATES RELATING TO MUNICIPAL GUARANTEED INVESTMENT CONTRACTS TRANSACTIONS

In March 2008, Natixis and Natixis Funding Corp. were named among the defendants in multiple class-action and individual lawsuits filed by and on behalf of certain state, county and municipal bond issuers in the US federal courts in New York, Washington DC and California. The plaintiffs alleged that providers and brokers of municipal derivatives conspired to fix prices, rig bids and allocate customers beginning in 1992. The various lawsuits, as initially filed, named more than 30 other US and European banks and brokers as defendants in all. The lawsuits were grouped in federal court (the United States District Court for the Southern District of New York) under the caption "Municipal Derivatives Antitrust Litigation".

Some plaintiffs sought to certify a class of all state, local and municipal government entities, independent government agencies and private entities that purchased municipal derivatives from the banks or brokers named as defendants beginning in 1992, and sought to recover alleged damages resulting from the alleged anticompetitive activities.

These civil claims arose out of investigations in the industry that were performed beginning in late 2006 by certain government agencies, including the US Internal Revenue Service ("IRS"), the Department of Justice ("DOJ") Anti-Trust division, the US Securities and Exchange Commission ("SEC") and state prosecutors.

Over the course of litigation, several defendants entered into settlements with the plaintiffs. Although Natixis denied and continues to deny the allegations of wrongdoing and any liability in these proceedings, Natixis Funding Corp., together with other remaining class-action defendants, reached a final settlement in early 2016. The class, under the term of this settlement, includes all state, local and municipal government entities, independent government agencies and private entities that purchased, by negotiation, competitive bidding or auction, municipal derivatives from Natixis Funding Corp. or any other provider defendant or alleged co-conspirator, or municipal derivatives brokered by any broker or alleged co-conspirator, in the US or its territory. Natixis Funding Corp. paid $28,452,500 in respect of the class-action and $1,497,000 to a group of 22 state Attorneys General.

The settlement is applicable to Natixis and its affiliates and encompasses all claims that were or could have been included in the nationwide consolidated class action or submitted by the group of Attorneys General, and is binding on all class members except for certain individual claimants who chose to exclude themselves from the class. The class action settlement received court approval in July 2016, bringing an end to the legal proceedings.

Furthermore, by the end of 2016 Natixis had negotiated agreements with each of the individual claimants outside the class, none of which involved a material amount.

MADOFF FRAUD

Outstanding Madoff assets, net of insurance, were estimated at 479.9 million at December 31, 2016, and were fully provisioned at this date. The effective 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. With this in mind, Natixis has appointed law firms to assist it in these recovery efforts. Furthermore, in 2011 a dispute emerged over the application of the insurance policy for professional liability in this case. 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. The implementation of this ruling by all of the insurers is ongoing. In January and February 2017, both of the first-line insurers submitted an appeal to the Court of Cassation.

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 recent ruling (November 2016) by the bankruptcy court dismissed a number of restitution claims initiated by the trustee on the grounds of extraterritoriality. 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 and established a procedural timetable until May 2017 for the defendants to respond.

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 was 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 being conducted.

NATIXIS ASSET MANAGEMENT (FORMERLY CDC GESTION) – PROFIT SHARING

In 2012, a complaint was filed against Natixis Asset Management before the Paris District Court (*Tribunal de Grande Instance de Paris*) by 187 former employees of CDC Gestion (current name Natixis Asset Management.) The subject of the complaint is the legal recognition of their rights to the common law profit-sharing schemes from 1989 to 2001.

Following the application for a priority preliminary ruling on the issue of administrative constitutionality raised by Natixis Asset Management on the interpretation of an article of the French Labor Code, on August 1, 2013, the Constitutional Council declared the first paragraph of Article L.442-9 of the French Labor Code in its version prior to Law No. 2004-1484 of December 30, 2005 to be unconstitutional and ruled that employees of companies whose share capital is predominantly held by public entities cannot call for a profit-sharing scheme to be applicable to them for the period during which the provisions declared unconstitutional were in force.

In September 2014 the Paris District Court ruled in favor of Natixis Asset Management and dismissed all of the employees' complaints. The employees appealed the ruling to the Paris Court of Appeal. On May 9, 2016 the Court of Appeals upheld the ruling and rejected the appeal filed by the plaintiffs. Employees have collectively submitted an appeal to the Court of Cassation. The timetable for court proceedings is still unknown.

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.

SEEM

In January 2013, Natixis received a compulsory third-party joinder at the request of SEEM. This company seeks a joint sanction against Natixis, asking that Cube Energy SCA and its general partner Natixis Environnement & Infrastructures Luxembourg SA (NEIL - a Natixis subsidiary at the time) be ordered to pay approximately €30 million, alleging that Cube Energy SCA, via its general partner NEIL, acted in breach of its duty of loyalty to its partner SEEM.

The Commercial Court of Paris acquitted Natixis in its ruling handed down on November 8, 2016. Some plaintiffs launched an appeal against this ruling in February 2017.

UNION MUTUALISTE RETRAITE

In June 2013, Union Mutualiste Retraite filed three complaints against AEW Europe in relation to the acquisition and management of two real estate portfolios in Germany between 2006 and 2008. The amounts claimed by the Union Mutualiste Retraite total €103 million.

On January 19, 2016, the Commercial Court of Paris ordered a stay of proceedings on the merits of the case, pending a final decision by the Paris Court of Appeal as requested by AEW Europe in early July 2015 in the context of an appeal for annulment (appel-nullité) submitted against the ruling of the Commercial Court of July 1, 2015, which had declared the legal action by the claimants to be admissible.

On October 25, 2016, the Commercial Court of Paris ordered the two insurance schemes involved to honor, in respect of AEW Europe, 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 Europe. One of the insurers concerned appealed this decision on December 7, 2016.

The case is still in progress.

SECURITIZATION IN THE UNITED STATES

Since 2012, 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 of them has been dismissed as time-barred. Some claims related to the second proceedings have already been dismissed for exceeding deadlines. Furthermore, Natixis has appealed the decision for not dismissing the entirety of the claims.

Three further claims have been brought against Natixis, purportedly on behalf of certificate holders. Natixis considers the claims brought against it to be unfounded for multiple reasons, not least because the statute of limitation has expired and the claimants do not have the legal standing to file the suit, and intends to defend itself vigorously.

Another lawsuit has been filed before a US federal court against Natixis Real Estate Holdings LLC and several subsidiaries, alleging violations of the False Claims Act in RMBS activities. Natixis, which examined the case upon notification of the complaint in August 2016, also considers these claims to be unfounded 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.

These two cases (EDA – SELCODIS) are ongoing.

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

An inspection by the AMF (French Financial Markets Authority) took place in February 2015 on Natixis Asset Management's compliance with its professional obligations, particularly the management of its formula funds. In July 2016, the AMF issued a statement of objections to Natixis Asset Management for non-compliance with its professional obligations, alleging the unwarranted and unjustified charging of redemption fees to unitholders, exceeding the maximum rate for management fees in relation to these redemption fees and structuring margins, and inaccurate and misleading reporting of these management fees in annual reports. Natixis Asset Management submitted its observations to the AMF on November 14, 2016. The case is ongoing.

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. SWL appealed this ruling to the Mons Court of Appeal on March 2, 2015. 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.

Natixis submitted an appeal to the Court of Cassation on January 18, 2017.

3.10.3 Dependency

BPCE is not dependent upon any specific patents, licenses, industrial procurement contracts, or commercial or financial agreements.

3.11 Other risks

3.11.1 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 a 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 procedures aimed at measuring, reporting and supervising risks. The extensive preparatory stage led to the establishment of procedures to comply with the new regulatory requirements in force since January 1, 2016 following implementation of the Solvency 2 directive (Pillar I: Quantitative solvency requirements; Pillar II: Governance & ORSA; and Pillar III: Prudential reporting and public disclosure).

The Group created an Insurance Risk function in 2011. This function meets the requirements set out in the Financial Conglomerates directive (FICOD) 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. At the same time, this system ensures operational and regulatory interoperability between the banking and insurance sectors.

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 in life insurance, savings and retirement capitalization, as well as provident insurance;
- the non-life insurance business, focused on developing portfolios in 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 Assurance 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 *via* the financial assets underpinning its principal and guaranteed returns commitments (euro-denominated policies, €45.5 billion on the main fund balance sheet). The company is exposed to asset depreciation risk (fall in the equity or real estate market, wider spreads, interest rate hikes) as well as the risk of lower interest rates which would generate a shortfall in terms of principal and meeting its guaranteed rate of return. In response to this risk, BPCE Vie has only sold policies without a minimum guaranteed return in recent years: more than 90% of the policies have a zero minimum guaranteed return. The minimum guaranteed return averages 0.16%.

To manage market risk, the sources of return have been diversified, namely *via* investments in new asset classes (financing the economy, low-volatility equity, etc.). This diversification is managed 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. As of December 31, 2016, 61% of the fixed-income portfolio is invested in securities rated higher than A-.

Life insurance underwriting risk

The main risk to which life insurance underwriting is exposed is linked 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. To prioritize inflows in unit-linked policies, measures have been taken, such as the creation of unit-linked policy products and communication campaigns, and a communication campaign targeting customers and the network.

Non-life insurance underwriting risk

The general insurance underwriting risk to which Natixis Assurances is exposed is borne by its subsidiary BPCE Assurances:

- Premium risk: in order to ensure that the premiums paid by the policyholders correspond to the transferred risk, BPCE Assurances implemented a portfolio monitoring 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 monitoring policy also contributes to detecting potential risks arising from large claims, and to arranging 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 (storm, risk of civil liability, 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. The selection of reinsurers is a key component of managing this risk:

- Natixis Assurances deals with reinsurers who are subject to a financial rating by at least one of the three internationally recognized rating agencies, and who have a Standard & Poor's equivalent rating of A- or higher;
- using several 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 the risk of loss generated by the portfolio of insurance policies. Coface manages credit risk through a number of procedures, whose scope includes the approval of the terms of policies relating to products, pricing, monitoring of credit risk hedges and portfolio diversification. 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 (Debtor Risk Assessment) and business sector, by acceptance rate on the DRA scale or by product line (sureties, single risks). In order to monitor exposures and portfolios, the Group established a more extensive risk oversight system, covering 38 sectors and 5 levels of country risk (a total of 150 risk levels). Accordingly, delinquent payments are analyzed weekly by the Senior Management Committee and monthly by Coface's Underwriting Committee. 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:

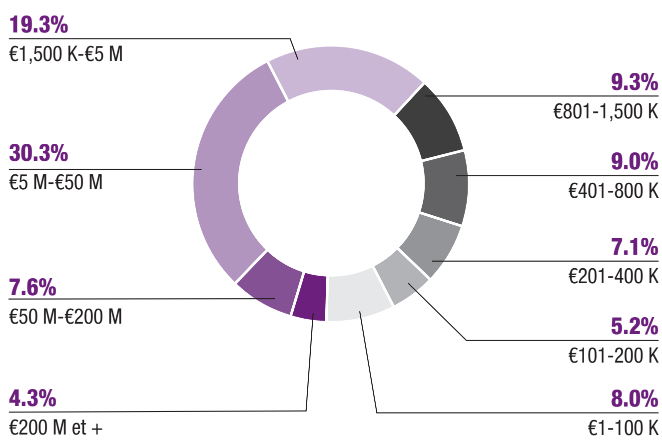
- the centralization of claims reserves exceeding a certain amount per debtor (currently €0.5 million for all of Coface's underwriting centers), which are then analyzed *ex-post* to improve the performance of the Information, Underwriting and Recovery activity;
- monitoring at the risk underwriting level, 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.

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 claims expense. 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, 2016:



(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.*

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 overall modified duration[1] of the bond portfolio is deliberately capped at 4 and stood at 3.6 at December 31, 2016. Coface still has no exposure to Portuguese and Greek sovereign debt. Coface has limited exposure to Italian, Spanish and Irish sovereign debt as part of a defined risk budget;
- 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 2016, Coface systematically set up hedges against the euro in the portfolio combining its European entities, to protect investments in bonds denominated in dollar, pound sterling, canadian dollar and australian dollar;
- 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, 2016, listed equities represented 4.3% of the investment portfolio and were subject to partial, discretionary hedging through the purchase of put options on indices, to mitigate any external shocks;
- counterparty risk: the maximum exposure to any given counterparty is set at 5% of assets under management, with exceptional exemptions for short-term exposures. More than 89% of bond holdings are Investment Grade, with a median rating[2] of at least BBB-;
- liquidity risk: nearly 52% of the bond portfolio was due to mature in less than three years at 12/31/2016. 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 and the risk of the reinsurers defaulting, as well as operational risk.

In 2016 underwriting risk was managed effectively, reflected by a level of claims 25% below earned premiums. New committed risks on the balance sheet, particularly those on refinanced mortgage loans, made for a good risk profile.

The expected tightening by the French regulator of prudential requirements on mortgage loan guarantees led CEGC to underwrite a new reinsurance program. The close to €1 billion capacity acquired under the program covers the risk of loss in the event of an economic recession that would exceed CEGC's financial resources within a limit of 2% of outstanding guaranteed mortgage loans.

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 €1.60 billion at December 31, 2016 (up 11.8% compared to the end of 2015). This increase was in line with fiscal year 2015, driven mainly by mortgage guarantees for retail customers.

CEGC OUTSTANDINGS *(IN MILLIONS OF EUROS)*

CEGC activities	December 2016	Change December 2016 versus December 2015
Individual customers	1,426	11.4%
Single-family home builders	17	21.4%
Property administrators – Realtors	9	28.6%
Corporates	21	23.5%
Real estate developers	18	38.5%
Professional customers	65	10.2%
Social economy – Social housing	34	21.4%
Run-off activities	8	(27.3%)
TOTAL	**1,598**	**11.8%**

(1) The modified duration of a bond measures the bond's loss in value in the event of an interest rate hike. For example, bonds with a modified duration of 3 will see a 3% reduction in their market value if interest rates increase by 1%.

(2) Second lowest rating of the three available ratings from the three international rating agencies. If one of the ratings is only provided for two of the agencies, the lowest rating will be considered. If a rating is only available for one of the agencies, this rating will be considered.

Market risk

CEGC holds an investment portfolio of about €1.70 billion on its balance sheet as at December 31, 2016. The portfolio is up (15.23% since the end of 2015). Market risk from the investment portfolio is limited by the company's investment choices. Its risk limits are set forth in the portfolio management mandate established with Natixis Asset Management. By collecting surety insurance premiums at the time of commitment, CEGC does not require funding. Neither does CEGC carry transformation risk: the investment portfolio is entirely backed by equity and technical reserves.

	12/31/2016			12/31/2015		
(in millions of euros)	Gross balance sheet value of the provision	% breakdown	Mark to market	Gross balance sheet value of the provision	% breakdown	Mark to market
Equities	130	7.7%	155	131	8.9%	154
Bonds	1,244	73.5%	1,387	1,081	73.6%	1,183
Diversified	111	6.6%	115	110	7.5%	117
Cash	119	7.0%	119	54	3.7%	54
Real estate	70	4.2%	99	71	4.8%	93
FCPR	18	1.0%	22	20	1.4%	23
Other	1	0.1%	1	1	0.1%	1
TOTAL	**1,693**	**100%**	**1,899**	**1,470**	**100%**	**1,626**

Reinsurance risk

CEGC hedges its liability portfolio by implementing a reinsurance program tailored to its activities.

In loan guarantees, reinsurance is used as a way to manage regulatory capital by protecting guarantee beneficiaries in the event of an economic scenario giving rise 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 covering high-intensity risks. It has been calibrated to protect against three individual loss events (loss related to a counterparty or a group of counterparties) which could have a significant impact on the Corporate segment's income statement.

Any modification of the reinsurance program (reinsurers, pricing, structure) is subject to the validation of the Capital and Solvency Management Committee chaired by a corporate officer.

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.

3.11.2 Climate change risk

Climate change risk is incorporated into risk management in a number of ways.

Like all other French banking groups, Groupe BPCE takes part in the work of the ACPR under paragraph V of Article 173 of the French law on energy transition for green growth.

Since 2016, the general credit risk policy has included climate risk, and has incorporated corporate social responsibility as a major risk development subject. Climate risk is also being integrated into development of the institutions' macro risk map, which took place in 2016.

Furthermore, in 2016, Groupe BPCE formally established a Group CSR approach, approved by the Executive Management Committee, that includes the reduction of its direct and indirect environmental impacts. Measures were thereby deployed by BPCE to reduce those risks in all aspects of its business, including the following:

- 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 finance 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.

4 2016 ACTIVITIES AND FINANCIAL INFORMATION

4.1 Foreword

The financial data for the fiscal year ended December 31, 2016 and the comparative data for 2015 were prepared under IFRS as adopted by the European Union and applicable on December 31, 2015, 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 changes to the scope of consolidation are:

- the exclusion of the holding company, CE Holding Participations, and therefore its stake in Habitat en Région Services;
- the exclusion of the contributions of the Banque Populaire banks and Caisses d'Epargne.

4.2 Significant events of 2016

In 2016, as in 2015, global growth did not exceed 3%, despite the extended use of unconventional monetary measures and fiscal policies, which ended up becoming relatively expansionist once again. Furthermore, inflation remained low or lackluster at best. The economic re-balancing in favor of advanced countries, begun in 2013, came to a halt, however, with China curbing its economic slowdown despite the substantial risk of financial instability. After bottoming out at $26.4 per barrel on January 20, oil prices doubled to around $55 by end-December, intensified by the unexpected production quota agreement reached by OPEC. The United States posted a mere 1.6% GDP growth year-on-year, driven by consumption, but hurt by the appreciation of the dollar and weaker investment in shale extraction operations. At 1.6% year-on-year, euro zone growth temporarily surpassed that of the US in the first half. Growth was strongest in Germany and Spain, and much more moderate in France and Italy, especially in spring. Exceptional stimulus factors (oil, euro, interest rates) began to fade, or reverse altogether, leaving it up to intrinsic momentum to take on the ultimately arduous role of supporting growth.

In the wake of a challenging first half, with oil prices collapsing and fears of an economic slowdown in China and the US taking hold, global and European stock markets ended up rebounding despite the surprise outcome of the Brexit referendum on June 23 followed by the shock election of Donald Trump as US President on November 8. The CAC 40, which climbed 4.9% to 4,862 points on December 30, proved resilient to the growing number of political uncertainties, exacerbated banking risks in Italy and even Germany, and postponements of the Fed's monetary normalization. Lift-off was pushed back to December, after the elections, by a very cautious 25 basis points, made necessary by core inflation coming out just over 2% year-on-year and the economy reaching full employment. On March 10, the ECB beefed up its exceptional quantitative easing program (planning to buy €80 billion per month in public and private-sector assets) and further lowered the already negative deposit facility rate to -0.40%. In December, it announced the extension of its program until end-2017, restricting its monthly bond-buying to €60 billion as from April 2017. This move probably hastened the ongoing decline in German and French long rates, which held steady well below the previous record lows of 2015, particularly in the first half. They ultimately bounced back towards the end of the year, helped by the as-yet modest rise in US rates. This fledgling normalization was dictated by the anticipation of inflationary trends on the back of Trump's America First program. The 10-year OAT made its way back to 0.8% by end-December.

French GDP eked out meager growth once again in 2016, at 1.2% year-on-year (same as 2015), versus 0.2% in 2014. GDP growth remained fundamentally moderate and dependent on temporary support factors, as underscored by its turbulent quarterly performance. It was significantly boosted by positive drivers (oil, euro, interest rates), which have begun to fade. Household consumption was once again the top contributor to economic activity, thanks to accelerated purchasing power fueled by virtually non-existent inflation. Meanwhile, business investment, often key to a recovery, fared better than last year as lending conditions improved. Household investment also ceased to decline. On the downside, foreign trade made another negative contribution to economic activity. The French economy's mediocre performance did little to improve the unemployment rate (9.7% vs. 10% in 2015). Likewise, the public deficit still exceeded the 3% limit at 3.3% of GDP. Public debt reached 97.5% of GDP, as opposed to Germany, which recorded a drop to 68%.

Against this backdrop, Groupe BPCE ramped up the implementation of its digital strategy, consolidated its positions in its core businesses, and laid the groundwork for the strategic plan to be unveiled at end-2017.

The Group successfully completed a critical step in its digital transformation with the acquisition of German online bank Fidor Bank AG, finalized on December 22, 2016 in an agreement signed with the principal shareholders, founders and managers.

Established in 2009 by its CEO, Fidor is one of the world's leading Fintech Banks, which has developed a breakthrough approach to banking relationships. Fidor's unique offering combines an innovative customer experience, relying heavily on the involvement of the 350,000 members of its community, and an open organization and architecture to foster flexibility and agility. Fidor has developed a proprietary infrastructure and digital banking platform – Fidor Operating System – allowing for real-time functionality and optimizing the integration of third-party applications programming interfaces (APIs).

Relations between the Natixis networks and core businesses gathered pace in 2016.

The Insurance business completed the roll-out of the Assurément#2016 program by marketing a new life and provident insurance range in the Caisse d'Epargne network. All the Caisses d'Epargne now distribute the Natixis Assurances range, making it the exclusive insurer for new life and provident insurance policies sold by the Caisse d'Epargne network.

The new partnership agreements between BPCE and CNP Assurances took effect on January 1, 2016. New agreements were required due to the expiry of existing distribution agreements between CNP Assurances and Groupe BPCE on December 31, 2015, and Groupe BPCE's decision to call on Natixis Assurances to design and manage all savings and pension funds distributed by the Caisse d'Epargne network as of January 1, 2016.

The partnership, which covers a 7-year period, provides for the following:

- the establishment of an exclusive collective payment protection insurance partnership between CNP Assurances and Natixis Assurances on the one hand, and all the Groupe BPCE networks on the other. This partnership is based on a co-insurance agreement of 66% for CNP Assurances and 34% for Natixis Assurances;
- the implementation of specific provident insurance partnerships with (i) an offer from CNP Assurances covering the main collective provident insurance guarantees for Groupe BPCE's professional and business customers, coupled with a dependency component; and (ii) a targeted partnership for dependency and tenant guarantees as part of the individual provident insurance range;
- a gradual withdrawal by CNP Assurances from the savings and pension fund activities performed with the Caisses d'Epargne, including the progressive phasing out of new subscriptions in 2016, the ongoing collection of subsequent payments into existing contracts and provisions to align the

4

interests of CNP Assurances and Groupe BPCE regarding the management of existing policy assets. Deposits and savings contracted with the Caisses d'Epargne have been transferred to Natixis Assurances under a 10% quota share reinsurance agreement, including related transfers;

- conversely, CNP Assurances reinsures 40% of new euro pension fund contracts distributed by the Caisse d'Epargne network and issued by Natixis Assurances over the period 2016-2019.

In non-life insurance, 2016 proved to be a dynamic year for both networks, with the portfolio of policies expanding 9% and more than 5 million policies sold.

Specialized Financial Services stepped up its relations with the Banque Populaire and Caisse d'Epargne networks by rolling out new products and services and new tools adjusted for changes in distribution and customer needs in today's increasingly digital world. An emblematic achievement in 2016 was the collaboration between Natixis Payment Solutions and Visa to develop a technological solution exclusively providing Banque Populaire and Caisse d'Epargne customers with Apple Pay in France as of July 19.

And, to improve efficiency and competitiveness, all payment solutions were combined under Natixis for Groupe BPCE. This reflects the Group's ambitions in terms of payment solutions, a strategic business line which is a source of both growth and value creation, to improve the competitiveness of the Banque Populaire banks and Caisses d'Epargne.

Finally, in accordance with its ambitious external growth policy in the payment field, the Group began exclusive talks to acquire PayPlug, an innovative player in payment implementation services for small retailer websites.

Natixis continued to roll out its strategic plan to make Natixis a bank known for offering entirely customer-driven, high value-added financial solutions. For example, it bought a 51% stake in US advisory firm Peter J. Solomon Company (PJSC), specializing in M&A and restructuring advisory services for listed and unlisted companies. Natixis is now ranked No. 4 in M&A consulting in France, in terms of the number of deals completed in 2016.

A big event for Investment Solutions in 2016 was the merger of AEW Europe and Ciloger (90%-owned by Banque Postale), giving rise to the No. 3 player on the French mass retail market, backed by three major distribution networks: Banque Populaire, Caisse d'Epargne and Banque Postale. The new entity will be one of the leading real estate asset managers in Europe, with assets under management exceeding €25 billion. With this deal, AEW Europe is 60%-owned by Natixis Global Asset Management and 40%-owned by Banque Postale.

In 2016, Corporate and Investment Banking adopted a new global structure, divided into five business lines (Mergers & Acquisitions, Financing, Investment Banking, Capital Markets and Global Transaction Banking), with a cross-business Coverage team. There were three objectives to this new structure: providing better customer support, optimizing the implementation of the Originate-to-Distribute (O2D) model, and ramping up the international development of the business lines.

Fixed Income activities furthered the strategy initiated in 2015, transitioning from a flow-driven to a solution-based approach, with a focus on designing straightforward and innovative solutions tailored to customer requirements.

Progress was also made on the withdrawal strategy in 2016 (Corporate Center division).

On March 2, 2016, Groupe BPCE sold its full remaining stake in Nexity, generating +€40 million in net income attributable to equity holders of the parent.

The active disposal of mortgage-backed securities and public sector assets (portfolio acquired from Crédit Foncier) continued. Several RMBS business lines were sold, generating a capital loss on disposal of €106 million and an impact of -€69 million on net income attributable to equity holders of the parent. In view of the significant disposals made since April 2015 and the deleveraging achieved, a more opportunistic approach will be taken for forthcoming disposals.

In a low interest rate environment, putting continuous pressure on Group revenues, and in particular retail banking revenues, the Group has begun planning a new transformation and operational excellence program spanning all Group operations. The three regional bank mergers carried out since the beginning of 2016 were part of this program.

After the Extraordinary Shareholders' Meetings of cooperative shareholders held on November 22, the Banque Populaire Côte d'Azur, the Banque Populaire Provençale et Corse and Banque Chaix merged, giving rise to Banque Populaire Méditerranée. This new entity will have 2,400 employees across 244 branches at the service of 520,000 customers in nine departments.

On December 7, 2016, the three Cooperative Shareholders' Meetings validated the merger, announced in April 2016, of Banque Populaire des Alpes, Banque Populaire Loire et Lyonnais and Banque Populaire du Massif Central, with a view to establishing Banque Populaire Auvergne Rhône Alpes, the first regional Banque Populaire covering 15 departments. The new Banque Populaire will have 3,800 employees, with a network of 400 branches ad business centers serving a million customers.

Caisse d'Epargne Picardie and Caisse d'Epargne Nord France Europe initiated a merger in February 2016, with the aim of establishing Caisse d'Epargne Hauts-de-France by April 2017. The draft merger agreement was approved by the Steering and Supervisory Boards of the respective Caisses at the end of June 2016.

Groupe BPCE's 2016 earnings must be considered in light of the following items, which had a highly material impact on intermediate results:

A capital gain on disposal of €831 million was recognized in net banking income after the acquisition by US company Visa Inc. of Visa Europe, an association of some 3,500 European banks owned by a group of approximately 3,000 European banks, including Groupe BPCE. The impact of this deal on net income attributable to equity holders of the parent amounted to +€797 million.

The transaction was completed on June 21, 2016 for a total amount of over €18 billion, structured into three parts:

- a cash payment of €12.25 billion on completion of the transaction;
- a deferred cash payment of €1.12 billion, payable three years after the completion of the transaction;
- preference shares representing an equivalent of €5.0 billion. The preference shares will be convertible into Visa Inc. shares after a period of 4 to 12 years. As the proposed conversion rate may be lowered in the event of disputes, a discount was applied to the estimated amount receivable in respect of the preference shares to take into account liquidity and legal risks.

"Operating expenses" recorded a material increase in regulatory contributions: the 2016 contribution to the Single Resolution Fund (SRF) came to 229 million versus €106 million in 2015.

The SRF, established in European directive 2014/59/EU (the Bank Recovery and Resolution Directive or BRRD) dated July 15, 2014, European Regulation 806/2014 and Commission Delegated Regulation 2015/63, will be gradually built up over a period of eight years (2016-2023) to total an equivalent of 1% of the guaranteed deposits of all institutions subject to the Single Resolution Mechanism (SRM), *i.e.* approximately €55 billion. Each bank's contribution is determined using a method taking into account its size and risk profile. The contribution represented a major expense for French banks in 2015, and has increased significantly in 2016.

"Income tax" decreased sharply in 2016, thanks in part to a structural impact, with the 10.7% exceptional contribution to profits not carried forward resulting in a tax rate of 34.43% in 2016 versus 38% in 2015.

The Group took part, alongside 50 other European Union banks, in the stress tests jointly conducted by the European Banking Authority (EBA) and the European Central Bank (ECB). The outcome of the tests was published on July 29, 2016.

This exercise confirmed Groupe BPCE's financial strength in a scenario of very severe stress, with methodology changes increasing the level of the requirements compared with 2014. The macroeconomic component of the stress scenario, close to that of the 2014, had major effects on the French economy, including in particular the assumption of a strong decline in residential real estate prices (down 14% over 3 years).

As a result of the EBA's adverse stress scenario, Groupe BPCE's phased-in Common Equity Tier 1 ratio dropped from 13.0% at the end of 2015 to 9.7% at the end of 2018, *i.e.* an impact of -329 bp.

4.3 Groupe BPCE financial data

4.3.1 Groupe BPCE results[1]

Groupe BPCE once again generated solid earnings, confirming the relevance of its full-service banking model.

	Groupe BPCE		Change	
in millions of euros	**2016**	**2015 pf**	**€m**	**%**
Net banking income	24,158	23,682	476	2.0%
Operating expenses	(16,673)	(16,248)	(425)	2.6%
Gross operating income	**7,485**	**7,434**	**51**	**0.7%**
Cost/income ratio	69.0%	68.6%	--	0.4 pt
Cost of risk	(1,423)	(1,832)	409	(22.3%)
Share in income of equity-accounted associates	259	280	(21)	(7.5%)
Gains or losses on other assets	203	74	129	ns
Change in the value of goodwill	(154)	(19)	(135)	ns
Income before tax	**6,370**	**5,937**	**433**	**7.3%**
Income tax	(1,882)	(2,257)	375	(16.6%)
Non-controlling interests	(500)	(532)	32	(6.0%)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,988**	**3,148**	**840**	**26.7%**

NET BANKING INCOME

Groupe BPCE's net banking income amounted to €24.2 billion at December 31, 2016, up 2.0% year-on-year. It benefited among other things from the capital gain on the disposal of Visa Europe. It also reflected robust business activity and resilience across all Group business lines, despite persistently low interest rates.

Retail banking enjoyed strong sales momentum, with an increase of 3.7% in loan outstandings and 1.7% in savings year-on-year. Insurance activities also picked up, posting a 7% rise in gross life insurance inflows year-on-year and more than 9% growth in the portfolio of non-life insurance policies.

Likewise, the Natixis business lines did very well in 2016, driven by excellent momentum in Corporate and Investment Banking and solid performances by the specialized financing businesses.

This growth mitigated the very negative impact of the interest rate environment on revenues, down 2.4% in retail banking, partially offset by the 2.0% improvement in Natixis core business line income.

OPERATING EXPENSES

Operating expenses came to -€16.7 billion, up slightly (2.6%) compared to 2015 due in large part to regulatory contributions. The contribution to the SRF amounted to -€229 million, up -€123 million year-on-year. In addition, the Group ramped up its transformation projects in a bid to streamline its structure and generate synergies. The resulting transformation costs (restructuring expenses specific to mergers and acquisitions of Group institutions and migration to existing IT platforms) totaled -€145 million in 2016 versus -€19 million in 2015. Restated for these items, operating costs increased by a reasonable 1.1%.

Operating costs for the retail banking arm, excluding transformation costs, decreased by 0.6%. The Natixis core business lines saw a 3.3% rise in operating expenses, predominantly recorded by the Corporate and Investment Banking division in line with the development of its activities.

The Group headcount was stable compared to the previous year, *i.e.* 108,000 at December 31, 2016.

Gross operating income amounted to €7.5 billion in 2016, an increase of 0.7% on 2015. The cost/income ratio deteriorate slightly by 0.4 point on 2015 to 69.0%.

INCOME BEFORE TAX

At €1.4 billion, Groupe BPCE's cost of risk recorded a significant decrease of 22.3% compared to 2015. Divided by customer loan outstandings, Groupe BPCE's cost of risk in basis points[2][3] hit a low of 22 bp on average over the year, below the mid-cycle average of 30-35 bp, versus 29 bp in 2015. Doubtful loans accounted for 3.4% of gross loans outstanding at December 31, 2016, compared to 3.7% at December 31, 2015. The coverage rate for doubtful loans, including collateral on impaired loans outstanding, came to 83.5% at December 31, 2016 versus 81.0% at December 31, 2015.

(1) *2015 income is pro forma of the distribution of network renegotiation benefits and the expected impact of the IFRS 9 amendment on own credit risk.*

(2) *Cost of risk in annualized basis points on gross customer loan outstandings at the start of the period.*

(3) *Basis points (1 basis point = 0.01%).*

Cost of risk fell sharply (-17.1%) for the Commercial Banking and Insurance division. For the Banque Populaire and Caisse d'Epargne networks, the decline in cost of risk confirmed the downtrend in individual and collective provisions with the improvement in the French economic environment.

For the Natixis business lines, cost of risk stood at 34 bp[(1)] in 2016 (versus 36 bp in 2015 and 38 bp in 2014), despite efforts to build up provisions for the oil & gas sector in the first half of 2016.

The share of affiliates in net income came down slightly (-€21 million), as the Group continued to withdraw from its equity interests.

"Gains and losses on other assets" increased by €129 million. In 2016, this item included gains on the disposal of CGM, Snyder and Altus by Natixis, as well as capital gains on property disposals of €128 million for Natixis and €36 million for the Banque Populaire banks.

"Goodwill" amount to -€154 million in 2016, due to goodwill impairment of -€75 million on Coface, -€43 million on Banque Palatine and -€35 million on Banque de Savoie.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Group income tax amounted to €1,882 million, down 16.6% on 2015, over one-third of which can be attributed to a structural effect including the elimination of the exceptional contribution of 10.7%.

With net income attributable to equity holders of the parent of €4.0 billion, up 26.7% compared to 2015 (pro forma), the Group boasted strong sales momentum that curbed the margin erosion brought on by persistently low interest rates. It also benefited from the strong performance of Natixis' activities and the gradual development of its Insurance business.

Groupe BPCE furthered its transformation in 2016, consolidating robust earnings rooted in its full-service banking model, despite the persistently challenging environment over the year.

Groupe BPCE's ROE improved by 1 point over 2015.

SOLVENCY

Groupe BPCE's CET1 ratio[(2)] continued to improve in 2016, ending the year at 14.3% versus 13.0% at January 1, 2016 (pro forma), a gain of 130 bp. The increase in the CET1 ratio reflected strong Common Equity Tier 1 generation, thanks in large part to retained earnings, which had a 73 bp impact since January 1, 2016 (excluding the Visa Europe deal).

At 14.14%, Groupe BPCE's estimated phased-in CET1 ratio at December 31, 2016 was significantly higher than the ECB's minimum requirement, as defined during the 2016 Supervisory Review and Evaluation Process (SREP). The CET1 ratio requirement set by the ECB, including the P2R, was 7.75% as of January 1, 2017. Added to this is the regulatory AT1 requirement of 1.50%, met by the CET1 (estimated at 1.17% at December 31, 2016), giving a CET1 requirement of 8.92%. Groupe BPCE exceeded this requirement by 522 bp.

The phased-in Total Capital Ratio of 18.48% at December 31, 2016 was 723 bp above the ECB requirement (11.25%), *i.e.* 522 bp for CET1 and 201 bp for AT2.

LIQUIDITY

Groupe BPCE's total liquidity reserves amounted to €230 billion at December 31, 2016, including €93 billion in available assets eligible for central bank funding, €66 billion in LCR-eligible assets and €71 billion in liquid assets[(3)] placed with central banks.

The stock of short-term funding increased from €93 billion at December 31, 2015 to €119 billion at December 31, 2016, which served to strengthen liquidity reserves.

At December 31, 2016, Groupe BPCE's total liquidity reserves covered 158% of all short-term funding as well as short-term maturities of MLT debt (versus 168% at end-2015). It should be noted, however, that this coverage was actually enhanced in 2016, as total liquidity reserves increased more than short-term funding as well as short-term maturities of MLT debt (+€34 billion versus +€29 billion).

The Liquidity Coverage Ratio (LCR) was once again above 110% at December 31, 2016.

(1) Basis points (1 basis point = 0.01%).

(2) CRR/CRD4 without phase-in measures (except for deferred tax assets on tax loss carryforwards and pro forma of the additional phase-in of the stock of deferred tax assets, in accordance with Regulation 2016/445 for periods before 12/31/2016); AT1 capital included subordinated debt issues that had become ineligible for deferred tax assets, capped at the phase-out rate in force.

(3) Excluding Natixis' US MMF deposits.

4.3.2 Groupe BPCE's core businesses

Groupe BPCE is structured around its two core businesses:

Commercial Banking and Insurance, including:

- the Banque Populaire network, comprised of 15 Banque Populaire banks and their subsidiaries, Crédit Maritime Mutuel, and the mutual guarantee companies;
- the Caisse d'Epargne network consisting of the 17 Caisses d'Epargne;
- the Other Networks, which mainly comprise the Group's non-controlling interest in CNP Assurances, Real Estate Financing Services (whose earnings predominantly reflected Crédit Foncier's contribution), BPCE International (BPCE I) and Banque Palatine.

Investment Solutions, Corporate and Investment Banking, and Specialized Financial Services are Natixis' business divisions:

- Investment Solutions, with asset management, insurance and private banking;
- Corporate and Investment Banking, which is BPCE's bank serving large corporate and institutional customers;
- Specialized Financial Services, which includes factoring, lease financing, consumer credit, sureties and guarantees, employee benefits planning, payments and securities services.

The Corporate Center includes primarily:

- the Group's central institution and holding company;
- the equity interests of Natixis in Coface, Corporate Data Solutions, Natixis Algérie and Natixis Private Equity;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund;
- 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 former CNCE proprietary workout portfolio activities and discretionary portfolio management activities, run-off management of the securitization portfolio transferred in September 2014 by Crédit Foncier to BPCE and the disposal of international assets as part of the workout portfolio activities;

4.3.3 Income statement by sector of activity

	Commercial Banking and Insurance		Investment Solutions, CIB and SFS		Corporate Center		Groupe BPCE	
in millions of euros	**2016**	**2015 pf**	**2016**	**2015 pf**	**2016**	**2015 pf**	**2016**	**2015 pf**
Net banking income	14,951	15,314	8,036	7,878	1,171	490	24,158	23,682
Operating expenses	(10,098)	(10,035)	(5,262)	(5,093)	(1,313)	(1,120)	(16,673)	(16,248)
Gross operating income	**4,853**	**5,279**	**2,774**	**2,785**	**(142)**	**(630)**	**7,485**	**7,434**
Cost/income ratio	67.5%	65.5%	65.5%	64.6%	ns	ns	69.0%	68.6%
Cost of risk	(1,163)	(1,403)	(252)	(253)	(8)	(176)	(1,423)	(1,832)
Share in income of equity-accounted associates	236	220	14	49	9	11	259	280
Gains or losses on other assets	37	(10)	61	(1)	105	85	203	74
Change in the value of goodwill					(154)	(19)	(154)	(19)
Income before tax	**3,963**	**4,086**	**2,597**	**2,580**	**(190)**	**(729)**	**6,370**	**5,937**
Income tax	(1,214)	(1,508)	(856)	(849)	188	100	(1,882)	(2,257)
Non-controlling interests	(9)	(15)	(563)	(569)	72	52	(500)	(532)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,740**	**2,563**	**1,178**	**1,162**	**70**	**(577)**	**3,988**	**3,148**

The net banking income generated by the Group's two main business divisions (Commercial Banking and Insurance; Investment Solutions, Corporate and Investment Banking and Specialized Financial Services) dipped slightly (-0.9%) in comparison with 2015, reflecting ongoing momentum in retail banking despite the low interest rate environment and the performance of Corporate and Investment Banking. The relative contribution of Commercial Banking and Insurance to net banking income, as compared to the contribution of the Group as a whole, was 62%, versus 33% for Investment Solutions, Corporate and Investment Banking and Specialized Financial Services.

4.3.4 Commercial Banking and Insurance

in millions of euros	Banque Populaire banks 2016	Banque Populaire banks 2015 pf	Caisses d'Épargne 2016	Caisses d'Épargne 2015 pf	Other networks 2016	Other networks 2015 pf	Commercial Banking and Insurance 2016	Commercial Banking and Insurance 2015 pf	Change €m	Change %
Net banking income	6,295	6,495	7,216	7,244	1,440	1,575	14,951	15,314	(363)	(2.4%)
Operating expenses	(4,363)	(4,284)	(4,800)	(4,809)	(935)	(942)	(10,098)	(10,035)	(63)	0.6%
Gross operating income	**1,932**	**2,211**	**2,416**	**2,435**	**505**	**633**	**4,853**	**5,279**	**(426)**	**(8.1%)**
Cost/income ratio	69.3%	66.0%	66.5%	66.4%	64.9%	59.8%	67.5%	65.5%	--	2.0 pt
Cost of risk	(508)	(624)	(419)	(569)	(236)	(210)	(1,163)	(1,403)	240	(17.1%)
Share in income of equity-accounted associates	37	36	1	0	198	184	236	220	16	7.3%
Gains or losses on other assets	36	(2)	(5)	1	6	(9)	37	(10)	47	ns
Income before tax	**1,497**	**1,621**	**1,993**	**1,867**	**473**	**598**	**3,963**	**4,086**	**(123)**	**(3.0%)**

Commercial Banking and Insurance recorded a 3.0% decline in income before tax compared to 2015, amid record-low interest rates and limited economic growth. The Banque Populaire and Caisse d'Epargne networks accounted for 88% of the business line's income before tax in 2016.

BANQUE POPULAIRE BANKS

The Banque Populaire network maintained robust sales activity amid gradually improving economic conditions in 2016, drawing on the expansion and continued sales of products to its customer base. The Banque Populaire banks posted a +2.3% rise in its individual customer base and a +3.3% increase in its professional customer base.

On-balance sheet deposits and savings driven by strong sales momentum: +5.9% (excluding centralized savings)

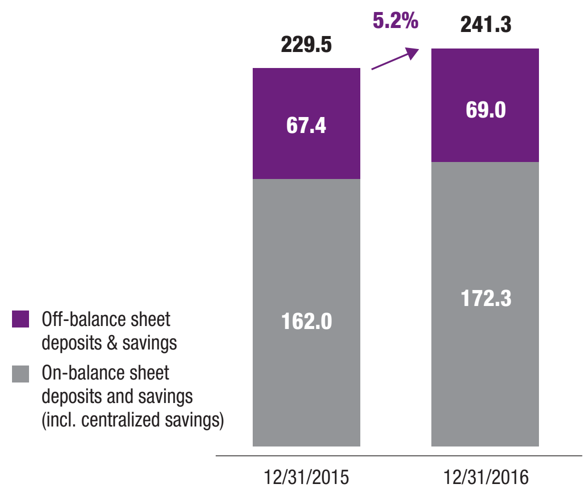
The Banque Populaire banks recorded substantial overall inflows in what remained a highly competitive market. On-balance sheet deposits and savings (excluding centralized savings) climbed 5.9% to €163.2 billion. Off-balance sheet savings amounted to €69 billion at end-2016 (+2.4%), thanks in large part to a strong showing from life insurance (+3.3% to €46.7 billion in AuM).

Business was strong across all markets and major savings categories: deposit outstandings were up +5.7% in the individual customer segment and +7% in other market segments.

Individual customers continued to channel their investments into on-balance sheet savings products. Growth was driven primarily by demand deposits (+12.6% to €23.3 billion at end-2016) and home savings (+7.5% to €19.1 billion), slowed somewhat by the drop in the PEL rate of return since August 1, 2016. Overall, passbook savings accounts posted lower growth (+3.7%, *i.e.* +€1.6 billion year-on-year), stemming from contrasting trends. Ordinary passbook savings account outstandings climbed +4.6% to €21 billion in 2016 and *Livret A* passbook savings account outstandings +5.8% to €10.3 billion at end-2016. However, LDD passbook savings account outstandings held steady at €8.3 billion while LEP passbook savings account outstandings dipped slightly (-1% to €2.0 billion). Meanwhile, term deposits fell -16.3% to €3.1 billion.

Professional, business and institutional customers also made a considerable contribution to growth in on-balance sheet deposits & savings, continuing to favor products such as demand deposits (+13%, *i.e.* +€5.3 billion, to €46.2 billion at end-2016) and steering away from term deposits (-1.8%, *i.e.*-€0.5 billion).

CUSTOMER DEPOSITS AND SAVINGS *(IN BILLIONS OF EUROS)*



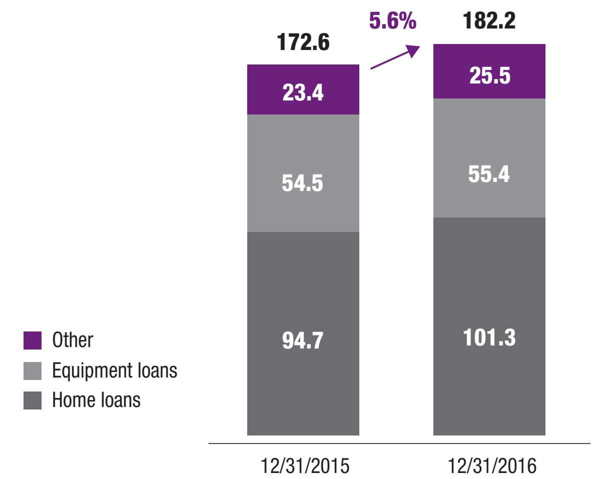
Loan outstandings up +5.6% in a persistently lackluster economic environment

The Banque Populaire banks consolidated their active role in financing the economy, with an annual increase of +5.6% in loan outstandings to €182.2 billion at December 31, 2016.

Loan outstandings in the individual customer market were buoyed by robust growth in home loans (+7% to €101.3 billion), amid low interest rates which triggered demand, but also thanks to renegotiations of existing loans and purchases of loans from competitors. Consumer loans also contributed to the rise in total outstandings, with consumer loan outstandings recording double-digit growth of +11.2% to €8.2 billion at end-2016.

In the professional, corporate and institutional customer segments, loan outstandings (including leases) also improved (+3.1%), reaching nearly €72.1 billion by end-2016, driven by renewed momentum in short-term credit facilities (+18.3%) and equipment loans, which began climbing again in 2016 (+€0.7 billion) on the back of dynamic new lending activity.

LOAN OUTSTANDINGS *(IN BILLIONS OF EUROS)*



Financial results

The Banque Populaire network's net banking income totaled €6.3 billion in 2016, down -3.1% compared to 2015 pro forma[1] (-3.2% excluding the change in the home savings provision).

			Change	
in millions of euros	**2016**	**2015 pf**	**€m**	**%**
Net interest income	3,910	4,055	(145)	(3.6%)
Fees and commissions	2,453	2,469	(16)	(0.6%)
Other income and expenses	(68)	(29)	(39)	ns
NET BANKING INCOME	**6,295**	**6,495**	**(200)**	**(3.1%)**

Net interest income[1] [2] came to €3.9 billion. Positive volume effects were not strong enough, however, to offset the erosion in the intermediation margin, with the interest rate on loans declining twice as much as the rate on savings. Fees and commissions dipped slightly (-0.6%, *i.e.* -€16 million), with the increase in account management fees virtually offsetting the drop in fees on loans (lower prepayment penalty fees). The sharp decline in other income and expenses can be primarily attributed to a non-recurring item in 2015 (capital gain of €73.3 million on an investment property disposal). Restated for this item, other income and expenses climbed +€34 million, in line with the development of Prépar Vie (BRED's life insurance business).

Operating expenses increased +1.8% on 2015 (*i.e.* -€79 million) to €4.36 billion. Restated for transformation costs, they would have been stable, reflecting the efforts made by the institutions to keep expenses under control. These costs included the establishment of Banque Populaire Auvergne Rhône Alpes and Banque Populaire Méditerranée, plus Crédit Coopératif's IT migration costs.

Gross operating income came to €1.93 billion in 2016, down -12.6% (€2.02 billion, -8.7% excluding transformation costs). As a result, the cost/income ratio increased 3.3 points to 69.3% (up +2 points excluding transformation costs).

Cost of risk shed -18.7% on 2015 to -€0.5 billion. Divided by loan outstandings, cost of risk stood at 28 bp in 2016, down -8 bp compared to 2015.

The Banque Populaire banks contributed €1.5 billion to the Commercial Banking and Insurance division's income before tax, down -7.6% relative to 2015.

CAISSES D'EPARGNE

The Caisses d'Epargne maintained dynamic business activity and remained highly involved in financing the French economy over the course of 2016 (€50 billion in loans granted). Their strategy is rooted in providing additional banking products and services to individual customers and gaining new customers in the business and professional customer markets. Individual customers equiped with banking products and services increased by +3.6%, active professional customers by +5.4% and active business customers by +4.6% in 2016.

(1) *The accounting method for network renegotiation benefits was standardized between 2015 and 2016, resulting in a pro forma statement for fiscal year 2015. In 2016, renegotiation benefits were spread out in net interest income, whereas in 2015 some institutions recorded them in a single entry under fees and commissions.*

(2) *Fees and commissions on centralized savings have been restated for net interest income and included in fee and commission income.*

On-balance sheet deposit outstandings were virtually stable (excluding centralized savings), *i.e.* -0.3%

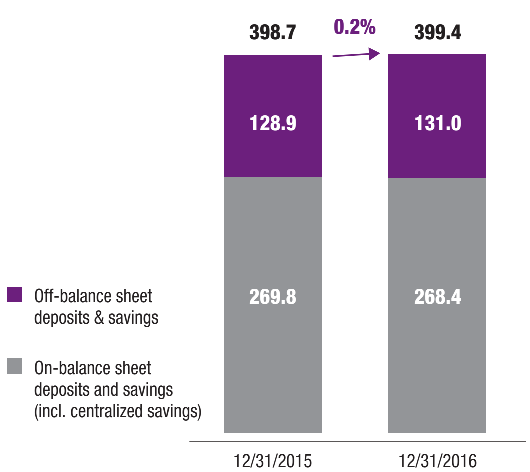
In a highly competitive savings market, the Caisses d'Epargne saw their on-balance sheet savings deposits (excluding centralized savings) decline versus 2015 to €211.6 billion (-0.3%, -€0.7 billion), in line with the managed decrease in the cost of inflows, resulting in a very steep drop in term deposit outstandings (-€4.6 billion over the year) and due to the impacts of the Eckert Act towards the end of the year (impact of -€830 million, including -€576 million on the *Livret A*).

Passbook savings outstandings continued to fall (-2.1%) due to outflows in household deposits (-€4.3 billion), despite positive inflows in the Banque des Décideurs en Region market (Bank for regional decision-makers) (+€1 billion in these vehicles in 2016).

Amid record-low interest rates, some products continued to grow, especially home savings products, still favored by savers and recording +7.1% growth (+3.7 billion). Demand deposits also benefited from this environment, gaining +€4 billion over the year (+7.3%), driven by the individual and professional customer segments, versus no demand deposit inflows for the Banque des Décideurs en Région customer base in 2016.

Off-balance sheet savings rose +1.6% to €131 billion, with UCITS outflows (-€0.9 billion) more than offset by the strong showing in life insurance in 2016 (+2.6%, *i.e.* +€3.1 billion).

CUSTOMER DEPOSITS AND SAVINGS *(IN BILLIONS OF EUROS)*



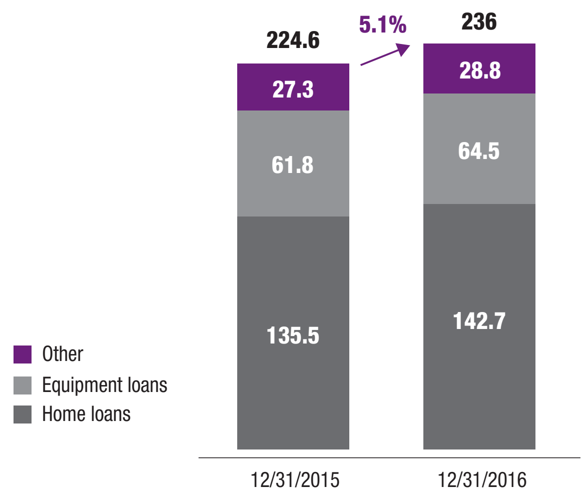
2016: another banner year for loan activity

The Caisse d'Epargne network was as committed as ever to its role in financing the economy and the regions, with robust growth in loan outstandings (+5.1% on 2015) to €236 billion.

Individual customer loan outstandings increased +3.7% on 2015 to €136.6 billion, driven by an upturn in home loans (+3.4%, *i.e.* +€4.1 billion), with activity boosted by low interest rates, resulting in another strong performance in outstandings in 2016 (€121.8 billion).

Equipment loans to professional, business and institutional customers rose +4.4% to €64.5 billion, once again attributable to solid new business momentum in the business customer segment.

LOAN OUTSTANDINGS *(IN BILLIONS OF EUROS)*



4

Financial results

The Caisse d'Epargne network generated net banking income of €7.2 billion in 2016, showing a slight decline (-0.4%) compared to 2015 pro forma[1](-0.9% excluding the change in the home savings provision).

in millions of euros	2016	2015 pf	Change €m	Change %
Net interest income	4,200	4,247	(47)	(1.1%)
Fees and commissions	2,990	3,028	(38)	(1.3%)
Other income and expenses	25	(31)	56	ns
NET BANKING INCOME	**7,216**	**7,244**	**(28)**	**(0.4%)**

(1) *2015 results pro forma of the consolidation of overseas banks by Caisse d'Epargne Provence-Alpes-Corse (previously held by BPCE International) over the full year. The accounting method for network renegotiation benefits was standardized between 2015 and 2016, resulting in a pro forma statement for fiscal year 2015. In 2016, renegotiation benefits were spread out in net interest income, whereas in 2015 some institutions recorded them in a single entry under fees and commissions.*

Net interest income[1], excluding the change in the home savings provision, fell -0.4% due to the decline in the intermediation margin, which was adversely impacted by low interest rates and high volumes of renegotiations and loans purchased from competitors over the course of 2016. The increase in loan and savings volumes was not strong enough to offset the erosion in the intermediation margin, with the interest rate on loans declining twice as much as the rate on savings.

Fees and commissions decreased -1.3% due to the sharp drop in prepayment penalty fees in 2016 and the decline in the rate of commission on centralized savings. On the plus side, momentum remained strong in fees and commissions on products and services sold to customers (account management and payment instruments) and financial savings vehicles (particularly life insurance).

Operating expenses were stable at €4.8 billion, and would have been down slightly (-1.0%), thanks in large part to lower payroll costs, when restated for transformation costs. These included the costs associated with the consolidation of overseas banks by Caisse d'Epargne Provence-Alpes-Corse and the merger costs already recorded on the upcoming merger of Caisse d'Epargne Nord-France-Europe and Caisse d'Epargne Picardie.

Gross operating income amounted to €2.41 billion in 2016 (€2.47 billion excluding transformation costs), virtually stable relative to 2015 (up +0.9% without transformation costs). The cost/income ratio held steady (+0.1 point) at 66.5% (-0.4 point excluding transformation costs).

The Caisses d'Epargne posted a cost of risk of -€0.4 billion (-26.4%). Divided by loan outstandings, cost of risk hit a low of 18 bp in 2016 (vs. 26 bp in 2015).

The Caisses d'Epargne contributed €2.0 billion to the Commercial Banking and Insurance division's income before tax in 2016, up +6.7% compared to 2015.

OTHER NETWORKS

Real Estate Financing

Crédit Foncier Group accounts for most of the Real Estate Financing sub-business line in terms of both new business and financial results.

Crédit Foncier's new loans totaled €9.6 billion in 2016, including €7.1 billion in the individual customer segment. Optimism made a comeback on the real estate market in 2016, affecting all segments.

The Real Estate Financing division saw a year-on-year drop of 10.2% in net banking income (NBI) in 2016, mainly due to prepayments in a low interest rate environment.

At €494 million for 2016, operating expenses were down 4.1% on 2015, thanks in large part to the joint decrease in payroll and IT costs.

Cost of risk came to €120 million in 2016, down 10.3% compared to 2015 (restated for the disposal of Heta Asset Resolution AG shares).

Insurance, BPCE International and Banque Palatine

For CNP Assurances, 2016 sales and financial results were significantly impacted by an adverse foreign exchange effect on Latin America, and by various scope effects (consolidation of CNP Caution and Arial). 2016 revenue rose +1.4% versus 2015 at constant scope and exchange rates to €31.6 billion, with most of this increase stemming from Latin America, whose revenues improved +16.9% at constant exchange rates, driven by positive momentum in all segments despite the harsh economic climate. Europe excluding France posted a +5.9% increase in revenue at constant scope, led by CNP Santander and CNP Partners. Revenue in France fell -1.3% at constant scope, predominantly in Pension Fund and Risk activities, mitigated by a moderate improvement in Savings. At €2.8 billion, net insurance income picked up 14.9% at constant scope and exchange rates, of which +25.1% in Europe excluding France (impact of the development of CNP Santander Insurance) and +18.8% in France (robust growth in the Savings and Pension Fund segments). 2016 net income totaled €1,200 million, up 9.2% at constant scope and exchange rates, compared to 2015.

For BPCE International (BPCE I), gross operating income was down -27.7% on 2015 to €83 million, reflecting the residual impact of the transfer of overseas banks and the change in scope with the consolidation of the Vietnam branch in September 2015. Its contribution to the division's net income was -€4 million versus €18 million in 2015, significantly undermined by the increase in cost of risk for the international subsidiaries.

Finally, Banque Palatine saw its contribution to the division's net income drop -15.5% to €49 million versus €58 million in 2015 due to a -2.2% (-€7 million) decline in NBI, a +2.4% rise (-€4.6 million) in operating expenses and a +10.8% increase (-€4.5 million) in cost of risk.

(1) Fees and commissions on centralized savings have been restated for net interest income and included in fee and commission income.

4.3.5 Investment Solutions, Corporate and Investment Banking and Specialized Financial Services

	Investment Solutions		Corporate and Investment Banking		Specialized Financial Services		Investment Solutions, CIB and SFS		Change	
in millions of euros	2016	2015 pf	2016	2015 pf	2016	2015 pf	2016	2015 pf	€m	%
Net banking income	3,364	3,515	3,322	3,056	1,350	1,307	8,036	7,878	158	2.0%
Operating expenses	(2,350)	(2,376)	(2,032)	(1,861)	(880)	(856)	(5,262)	(5,093)	(169)	3.3%
Gross operating income	**1,014**	**1,139**	**1,290**	**1,195**	**470**	**451**	**2,774**	**2,785**	**(11)**	**(0.4%)**
Cost/income ratio	69.9%	67.6%	61.2%	60.9%	65.2%	65.4%	65.5%	64.6%	--	0.9 pts
Cost of risk	1	4	(195)	(198)	(58)	(59)	(252)	(253)	1	(0.4%)
Share in income of equity-accounted associates	1	22	14	27	(1)	0	14	49	(35)	(71.4%)
Gains or losses on other assets	30	(1)	0	0	31	0	61	(1)	62	ns
Income before tax	**1,046**	**1,164**	**1,109**	**1,024**	**442**	**392**	**2,597**	**2,580**	**17**	**0.7%**

INVESTMENT SOLUTIONS

Investment Solutions posted a 4.3% decline in revenues year-on-year to €3,363.7 million (down -4.4% at constant exchange rates). Expenses were down 1.1% (1.3% at constant exchange rates) compared to 2015, with a decrease in Asset Management expenses on the back of slower business activity, while expenses in the Insurance segment increased due, in particular, to the expansion of the business and the deployment of a new Investment Solutions and Personal Protection Insurance offering in the Caisses d'Epargne network.

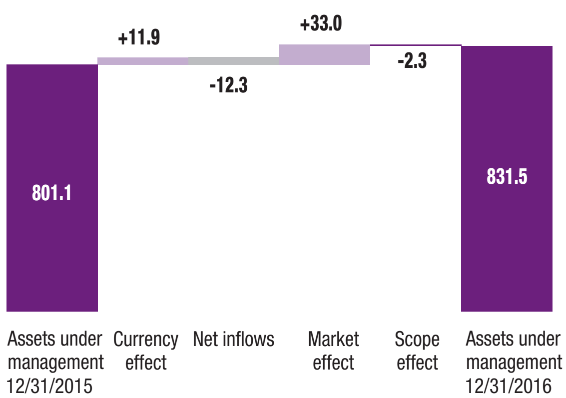
Gross operating income was down 11.0% (11.1% at constant exchange rates) to €1,013.8 million. Cost of risk was in positive territory at €0.5 million attributable to Private Banking.

Income before tax totaled €1,046 million, down 10.1% at current exchange rates.

Asset management

Assets under management stood at €831.5 billion at December 31, 2016, up €30.4 billion (3.8%) compared to December 31, 2015 at current exchange rates, or 2.3% at constant exchange rates, supported by the exchange rate effect and the very favorable market effect.

CHANGE IN ASSETS UNDER MANAGEMENT *(IN BILLIONS OF EUROS)*



The business line recorded net outflows of -€12.3 billion over the period, *i.e.* net inflows of €6.2 billion in the money market, offset by net outflows of -€18.4 billion on long-term products:

- Europe posted net inflows of €7.0 billion, driven in large part by Natixis Asset Management in money market and bond products, by AEW Europe in real estate products, and by H2O in various other products;
- in the US, the €20.5 billion in net outflows was essentially attributable to Harris Associates on equity products;
- net inflows generated by Private Equity firms came to nearly €700 million (mainly Naxicap Partners asset management company).

At €782.4 billion, average assets under management were stable (-0.3%) in 2016 compared to 2015 (at constant euro exchange rates).

The average rate of return on AuM of 28.3 bps was down 3.1% year-on-year. Bond products, insurance products and equity products remained predominant in the product mix at end-2016 (30.2%, 24.4% and 21.4%, respectively).

At end-2016, net banking income stood at €2,547.2 million, down 7.5% from the same period in 2015 (-7.7% at constant exchange rates), impacted by the decline in incentive fees in European asset management companies, which had reached a very high level in 2015, and by the decrease in fees on AuM in US asset management companies (decrease in average AuM and in rates of return).

Expenses came to €1,830.4 million, down 3.7% on 2015 (-3.9% at constant exchange rates) with a sharp drop in variable compensation fees (chiefly for asset management companies in the US and distribution entities).

Insurance

In terms of business levels, sales momentum in virtually all the Insurance segments was satisfactory in 2016.

- With €6 billion in premiums, life insurance inflows were up sharply by 42% compared to 2015 as a result of the launch of savings policies distributed by the Caisses d'Epargne network. Premiums on unit-linked vehicles rose 47% to €1.28 billion (21% of total gross inflows), while inflows to Euro funds climbed 40% to €4.7 billion.
- Individual Provident Insurance and Payment Protection Insurance premiums (€759 million, +8%) posted robust growth: +4% for Provident Insurance and +9% for Payment Protection Insurance.

- With competition heightened by the entry into force of the Hamon Act, non-life insurance stayed the course: earned premiums gained over 9% to €1,287 million, driven by growth in Multi-Risk Home Guarantees (+10%) and Automotive Guarantees (+12%). The number of policies under management grew by 7% to €5.2 million for the BP and CE networks.

Net banking income for Insurance businesses totaled €647 million in 2016, up 10.8% compared to 2015, resulting from:

- strong net banking income growth in life insurance (€230 million, *i.e.* +13%), propelled by considerable growth in assets under management (+8%), supported in turn by the roll-out of the offer in the Caisse d'Epargne network;
- after a bearish fiscal year in 2015 (-7% vs. 2014), the 24% net banking income growth (€171 million vs. €138 million) in Provident insurance and in Payment Protection Insurance is owed to both a volume effect (revenue up +8%) and a drop in the loss ratio (-2.6 points on the previous year, standing at 26.0%);
- the moderate growth in non-life insurance net banking income (€255 million, *i.e.* +5%), largely a result of the impact of extreme weather-related events on the loss ratio (+2.6 points). The overall combined ratio was slightly up at 92.5% due to the deterioration of the Automotive combined ratio and, to a lesser extent, to the Multi-Risk Home combined ratio.

Operating expenses were up 13.5% to €376 million. The conclusion of the Assurément#2016 project and the roll-out of the new insurance offering in the Caisses d'Epargne network accounted for nearly €32 million in 2016.

Private Banking

At December 31, 2016, Private Banking posted net inflows of €1.5 billion, driven essentially by the strong performance in international wealth management and the private management services provided by the networks. Assets under management stood at €29.1 billion, up 4.0% year-on-year.

Over the period, the business line generated net banking income of €136.4 million, down 6% (-€8.3 million) compared to 2015, related to the absence of incentive fees in 2016 (compared to a strong year in 2015) together with the drop in transaction fees. Expenses came to €137.5 million, down 1% on 2015, with a scope effect of €1.6 million (transfer of business to NGAM Distribution under the DEFI project).

CORPORATE AND INVESTMENT BANKING (CIB)

In 2016, Corporate & Investment Banking's net banking income totaled €3,322 million, up 8.6% compared to 2015 at constant exchange rates. Restated for non-recurring items related to the provision for a legal dispute with the counterparty Société Wallonne du Logement in the third quarter of 2016 (€68.6 million recognized), revenue was up 11% at constant exchange rates to €3,391 million.

Capital market revenues totaled €1,802 million in 2016, up 23% compared to 2015.

Revenues from Fixed Income, Forex, Credit, Commodities and Cash Management activities stood at €1,219 million in 2016, up 18% on 2015. The following changes were observed in each segment:

- revenues from Fixed Income and Forex activities were up 22% to €494 million, a performance largely owed to Fixed Income activities which rose 35% to €326 million thanks to vibrant business with large corporate clients in Asia and France. Forex activities were up 8% to €149 million, benefiting from the currency volatility generated by political uncertainties, which led clients to hedge their risks;
- revenues from Credit activities were up 28% on 2015 to €293 million, spurred by the continued growth of securitization and loan activities, and the development of the Solutions business in the secondary credit segment, which in 2015 was penalized by wide credit spreads across the board;
- revenue from Repo activities came to €185 million, up 47% on 2015, on the back of strong activity levels throughout the year in both France and the US.

Revenues in bond market syndication and acquisition & strategic finance (split 50/50 between the Global Markets and Investment Banking business lines) gained 7% to €115 million and €124 million respectively.

At €534 million, Equities activities posted revenue growth of 10% year-on-year, buoyed by Equity Derivatives, with the performance of Solutions activities (revenues up 52% year-on-year) and Equity Finance (up 10%) offsetting that of flow activities whose revenues fell due to difficult conditions on the equity market in 2016.

At €1,592 million, the accumulated revenues from the Global Finance and Investment Banking activities were stable compared to 2015.

Structured Financing revenues came to €1,133 million, down 4% on 2015. In the origination activity, new business in the commodities structured finance franchise continued to experience an unfavorable investment climate, despite the recovery in the oil price during the year, while the aircraft financing franchise recorded strong business levels, particularly in Asia-Pacific. Financing portfolio revenues were down 5% year-on-year, still enduring lower average portfolio margins with the progressive renewal of inventory. Commodities Trade Finance held strong in 2016 with 4% revenue growth due to an increase in drawn outstandings.

Revenues generated by Investing Banking (including M&A activities) were up 20% on 2015 with accumulated revenues of €317 million, following the consolidation, from the second quarter of 2016, of the revenues generated by subsidiary Peter J. Solomon Company (PJSC) in the US, strong business in acquisition & strategic finance, and the highly dynamic M&A France business driven by Natixis Partners.

In 2016, Corporate & Investment Banking's expenses totaled €2,032 million, up 9% compared to 2015 at constant exchange rates.

Gross operating income amounted to €1,290 million, up 8% compared to 2015. The cost/income ratio was 61.2% in 2016, deteriorate 0.3 points compared to 2015 (60.9%).

At €195 million, cost of risk fell 1% relative to 2015.

On the basis of average risk-weighted assets (RWA), the equity allocated to Corporate & Investment Banking totaled €6.9 billion in 2016, down by nearly €0.6 billion compared to 2015.

SPECIALIZED FINANCIAL SERVICES (SFS)

Specialized Financing posted solid momentum overall in 2016.

With €44.9 billion in factoring revenues in France, up 29%, the Factoring business boasted market share of 16.1% at December 31, 2016.

Leasing continued to refocus on providing services to the Banque Populaire and Caisse d'Epargne networks. Its new business, primarily in equipment leasing, was up 14% year-on-year.

Consumer Finance saw an annual increase of 11% in new personal loans and 2% growth in revolving loans.

After an exceptional performance in 2015, sureties and financial guarantees maintained very strong business levels, with a very active loan guarantee market for retail customers and a context of low interest rates, favorable to loan renegotiations and redemptions.

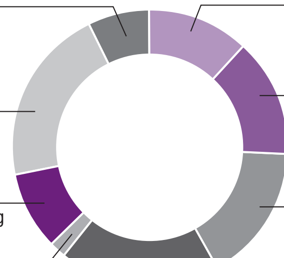
Financial Services delivered another robust performance in 2016.

Assets under management in Employee Savings Plans continued to climb, reaching €24.4 billion. Employee Benefits Planning again delivered a strong performance, with a 2016 market share gain of 0.5 point to 16.5% in Chèque de Table meal vouchers.

The Payments business was strong, particularly in Electronic Banking. The number of cards and clearing transactions rose by 3% and 9%, respectively. The Flows and Services business was more contrasted, with national check processing down 17% and mass transaction processing up by 6%.

Securities Services saw a 21% decline in the number of transactions in 2016. Assets under custody totaled €142 billion, down 17%. The service offering to the networks continued to expand.

BREAKDOWN OF 2016 SFS NET BANKING INCOME BY BUSINESS LINE



Net banking income amounted to €1,350 million in 2016, up 3% in persistently challenging French economic conditions.

Specialized Financing revenues picked up by almost 6%. Sureties and guarantees posted 18% growth in its net revenues, with a sharp increase in earned premiums mainly on the refinancing of mortgage loans granted to retail customers. Factoring net revenues increased 11% year-on-year.

Financial Services revenues were virtually stable.

Specialized Financial Services recorded expenses of €880 million at end-2016, up 3% on 2015.

Overall, gross operating income was up 4% to €470 million.

Cost of risk, down 2% to €58 million, was under control.

Income before tax increased 13% to €442 million.

4.3.6 Corporate Center

	Corporate Center		Change	
in millions of euros	**2016**	**2015 pf**	**€m**	**%**
Net banking income	1,171	490	681	ns
Operating expenses	(1,313)	(1,120)	(193)	17.2%
Gross operating income	**(142)**	**(630)**	**488**	**(77.5%)**
Cost of risk	(8)	(176)	168	(95.5%)
Share in income of equity-accounted associates	9	11	(2)	(18.2%)
Gains or losses on other assets	105	85	20	23.5%
Change in the value of goodwill	(154)	(19)	(135)	ns
Income before tax	**(190)**	**(729)**	**539**	**(73.9%)**

The Corporate Center generated income before tax of -€190 million in 2016 versus -€729 million in 2015, with the following main impacts in 2016:

- Natixis' equity interests mainly included Coface. Its annual revenue came to €1.4 billion, down 5% on 2015, in line with the 6% decline in credit insurance and stable performance in factoring. Coface's loss ratio net of reinsurance was 65.5% compared to 52.5% in 2015, *i.e.* a deterioration of 12.9 points due to an increase in claims in the emerging countries. It should also be noted that Natixis Private Equity continued its withdrawal strategy and the disposal of certain Corporate Data Solutions entities in 2016;
- the recognition of a capital gain on disposal of €831 million in net banking income after the acquisition of Visa Europe by Visa Inc. on June 21, 2016;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund of -€233 million in operating expenses, *i.e.* a -€125 million increase on 2015;
- the -€106 million impact of the disposals of international workout portfolio assets on income before tax;
- finally, this division included the contribution of the Group's central institution, BPCE SA group, income from private equity activities and from various other investment companies, central resource or support companies, and property management companies.

4.3.7 Analysis of the Groupe BPCE consolidated balance sheet

in billions of euros	12/31/2016	12/31/2015	Change €bn	Change %
Cash and amounts due from central banks	83.9	71.1	12.8	18.0%
Financial assets at fair value through profit or loss	173.2	174.4	(1.3)	(0.7%)
Hedging derivatives	14.8	15.8	(1.0)	(6.0%)
Available-for-sale financial assets	100.2	96.0	4.2	4.3%
Loans and receivables due from credit institutions	96.7	96.2	0.5	0.5%
Loans and receivables due from customers	666.9	617.5	49.4	8.0%
Revaluation differences on interest rate risk-hedged portfolios	7.9	7.5	0.4	5.4%
Held-to-maturity financial assets	9.5	10.7	(1.2)	(11.1%)
Current and deferred tax assets and other assets	70.2	65.2	5.1	7.8%
Fixed assets	7.6	7.8	(0.3)	(3.4%)
Goodwill	4.4	4.4	0.0	1.0%
ASSETS	**1,235.2**	**1,166.5**	**68.7**	**5.9%**
Amount due to central banks	0.0	0.0	0.0	(99.6%)
Financial liabilities at fair value through profit or loss	133.4	142.9	(9.5)	(6.6%)
Hedging derivatives	19.8	18.7	1.1	6.0%
Amounts due to credit institutions	87.2	77.0	10.2	13.2%
Amounts due to customers	531.8	499.7	32.1	6.4%
Debt securities	232.4	223.4	8.9	4.0%
Revaluation differences on interest rate risk-hedged portfolios	0.7	1.3	(0.6)	(49.6%)
Current and deferred tax liabilities and other liabilities	58.5	54.9	3.5	6.4%
Technical reserves of insurance companies	75.8	59.6	16.3	27.3%
Provisions	6.5	5.7	0.8	14.7%
Subordinated debt	20.1	18.1	2.0	10.9%
Equity attributable to equity holders of the parent	**61.5**	**57.6**	**3.8**	**6.6%**
Non-controlling interests	7.7	7.6	0.1	1.5%
LIABILITIES	**1,235.2**	**1,166.5**	**68.7**	**5.9%**

At December 31, 2016, the consolidated balance sheet of Groupe BPCE totaled 1,235.2 billion, up 5.9% compared with December 31, 2015. The return on assets stood at 32 bp in 2016.

CHANGES IN SIGNIFICANT ASSET ITEMS

The main asset items are loans and receivables due from customers (54.0% of total assets at December 31, 2016) and credit institutions (7.8%), financial assets at fair value through profit or loss (14.0%), and available-for-sale financial assets (8.1%). Taken together, these items account for nearly 83.9% of the Group's assets.

Financial assets at fair value through profit or loss

These financial assets comprise securities held for trading, including derivatives, and certain assets and liabilities that the Group has chosen to recognize at fair value through profit or loss according to the option available under IAS 39.

The €1.3 billion decrease in this line item over the period breaks down as follows:

- an increase in the variable-income securities portfolio (+€8.0 billion);
- a drop in the fixed income securities portfolio (-€6.2 billion) mainly from treasury bills (-€5.6 billion);
- a downturn in securities purchased under repurchase agreements (-€3.2 billion).

Available-for-sale financial assets

Available-for-sale financial assets comprise bonds, equities and treasury bills and equivalent securities that do not fall into any other asset category. This portfolio totaled €100.2 billion at December 31, 2016 versus €96.0 billion at December 31, 2015. This €4.2 billion increase was attributable to the gain in fixed income securities (+€4.7 billion).

Loans and receivables due from customers and credit institutions

This item comprises non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, adjusted for impairment where applicable. These assets increased over the period and amounted to nearly €763.6 billion at December 31, 2016.

Net outstanding loans and receivables due from customers totaled €666.9 billion, up €49.4 billion year-on-year (+8.0%), thanks in large part to the resilience of Group business lines and particularly Commercial Banking and Insurance. This resulted in a gain of +€12.6 billion in home loan outstandings, +€2.1 billion in equipment loan outstandings, +€5.4 billion in short-term credit facilities, and also in other customer loans (+€11.9 billion) and securities received under repurchase agreements (+€17.2 billion).

Doubtful loans accounted for 3.4% of gross loans outstandings at December 31, 2016, representing a decrease compared to December 31, 2015, while recognized impairment losses (including collective impairment) amounted to €12.3 billion.

Net loans and receivables due from credit institutions were stable at €96.7 billion versus €96.2 billion at December 31, 2015. Non-performing loan outstandings and recognized impairments were relatively stable over the period.

CHANGES IN SIGNIFICANT LIABILITY AND EQUITY ITEMS

At December 31, 2016, nearly 84.7% of all balance sheet liabilities were comprised of the following:

- amounts due to customers (43.0%) and credit institutions (7.1%);
- debt securities (18.8%);
- financial liabilities at fair value through profit or loss (10.8%);
- equity attributable to equity holders of the parent (5.0%).

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, 2016, these liabilities amounted to €133.4 billion, down by €9.5 billion (-6.6%) over the period. This change resulted primarily from the steep decline in repurchase agreements (-€9.0 billion) and trading derivatives (-€4.0 billion), mainly in forward transactions (-€4.0 billion), mitigated by the increase in debt securities (+€2.7 billion).

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions totaled €619.0 billion at December 31, 2016, up €42.2 billion relative to December 31, 2015.

Amounts due to customers stood at €531.8 billion, up €32.1 billion over the year. This increase stemmed mainly from:

- an increase in current accounts with credit balances (+€4.1 billion);
- a rise in demand accounts and term accounts (+€2.2 billion);
- more investments in regulated savings accounts (+€4.2 billion), driven by a solid performance in home savings plans (+€5.0 billion) but offset by *Livret A* passbook savings account outflows (-€0.5 billion);
- a sharp rise in securities sold under repurchase agreements (+€20.3 billion).

Amounts due to credit institutions came to €87.2 billion, up €10.2 billion over the year (+13.2%), mainly resulting from an upturn in demand deposits by credit institutions (+€.4.8 billion) and term deposits by credit institutions (+€5.4 billion).

Debt securities

Debt securities amounted to €232.4 billion at December 31, 2016, up €8.9 billion over the period, primarily attributable to opposing trends in interbank market securities and negotiable debt securities (+€19.4 billion), while bonds recorded a decline (-€10.2 billion) due to upward pressure on key rates.

Shareholders' equity

Equity attributable to equity holders of the parent totaled €61.5 billion at December 31, 2016 compared to €57.6 billion at December 31, 2015. This increase resulted from:

- net income for the period: +€4.0 billion;
- the change in capital: +€1.3 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 2016, 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	2016
GROUPE BPCE NET INCOME	**3,988**
Entities not consolidated or consolidated under a different method*	(2,292)
Other items	(32)
BPCE SA GROUP NET INCOME (PRO FORMA)	**1,664**

* *Including the Banque Populaire banks, Caisses d'Epargne and their consolidated subsidiaries*

The Group posted net income of €1,664 million in 2016, up €931 million compared to 2015 pro forma[(1)].

	Commercial Banking and Insurance *		Investment Solutions, CIB and SFS		Corporate Center		BPCE SA group	
in millions of euros	2016	2015 pf	2016	2015 pf	2016	2015 pf	2016	2015 pf
Net banking income	1,451	1,586	8,036	7,878	1,294	249	10,781	9,713
Operating expenses	(937)	(947)	(5,262)	(5,093)	(1,506)	(1,100)	(7,705)	(7,140)
Gross operating income	**514**	**639**	**2,774**	**2,785**	**(212)**	**(851)**	**3,076**	**2,573**
Cost/income ratio	64.6%	59.7%	65.5%	64.6%	ns	ns	71.5%	73.5%
Cost of risk	(236)	(210)	(252)	(253)	(20)	(121)	(508)	(584)
Share in income of equity-accounted associates	204	189	14	49	(16)	(12)	202	226
Gains or losses on other assets	4	(20)	61	(1)	105	(26)	170	(47)
Change in the value of goodwill					(117)	(1)	(117)	(1)
Income before tax	**486**	**598**	**2,597**	**2,580**	**(260)**	**(1,011)**	**2,823**	**2,167**
Income tax	(116)	(186)	(856)	(849)	307	122	(665)	(913)
Non-controlling interests	(3)	(13)	(563)	(569)	72	60	(494)	(522)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**367**	**399**	**1,178**	**1,162**	**119**	**(829)**	**1,664**	**732**

* *Excluding the Banque Populaire banks, Caisses d'Epargne and their consolidated subsidiaries*

The performances of the Commercial Banking and Insurance business line (in terms of net income attributable to equity holders of the parent) fell -€32 million compared to 2015 pro forma, reflecting the drop in business across all sub-business lines of the Other networks in 2016.

The Investment Solutions, Corporate and Investment Banking and SFS division proved resilient with net income of €1,178 million, up 1.4% on 2015, driven mainly by dynamic Corporate and Investment Banking business.

The Corporate Center's net income attributable to equity holders of the parent included, in addition to the Natixis equity interests, the contribution to the Single Resolution Fund (-€125 million), the impact of the acquisition of Visa Europe by Visa Inc. on June 21, 2016 (*i.e.* €797 million), and the disposals of international workout portfolio assets (-€69 million, from Crédit Foncier).

(1) *2015 results are given pro forma of the transfer by BPCE International to Caisse d'Epargne Provence-Alpes-Corse of its entire stake in Banque de la Réunion, Banque des Antilles Françaises and Banque de Saint-Pierre-et-Miquelon, and the early application of the IFRS 9 amendment on own credit risk.*

4.4.2 Analysis of the consolidated balance sheet of BPCE SA group

in billions of euros	12/31/2016	12/31/2015	Change €bn	Change %
Cash and amounts due from central banks	72.0	62.7	9.3	14.8%
Financial assets at fair value through profit or loss	171.2	176.7	(5.6)	(3.1%)
Hedging derivatives	13.2	14.0	(0.8)	(5.6%)
Available-for-sale financial assets	60.9	58.5	2.5	4.2%
Loans and receivables due from credit institutions	123.3	119.9	3.4	2.9%
Loans and receivables due from customers	247.8	219.9	27.8	12.7%
Revaluation differences on interest rate risk-hedged portfolios	6.7	6.4	0.3	5.5%
Held-to-maturity financial assets	3.0	3.7	(0.7)	(18.3%)
Current and deferred tax assets and other assets	60.1	55.3	4.8	8.7%
Fixed assets	3.1	3.3	(0.3)	(7.9%)
Goodwill	3.8	3.7	0.1	2.1%
ASSETS	**765.1**	**724.1**	**41.0**	**5.7%**
Amount due to central banks	0.0	0.0	0.0	NS
Financial liabilities at fair value through profit or loss	136.5	147.7	(11.2)	(7.6%)
Hedging derivatives	13.8	12.5	1.3	10.2%
Amounts due to credit institutions	113.7	114.3	(0.6)	(0.5%)
Amounts due to customers	103.9	83.4	20.5	24.5%
Debt securities	223.7	214.1	9.6	4.5%
Revaluation differences on interest rate risk-hedged portfolios	0.5	1.2	(0.6)	(54.3%)
Current and deferred tax liabilities and other liabilities	52.9	49.4	3.5	7.1%
Technical reserves of insurance companies	68.8	53.0	15.8	29.8%
Provisions	3.0	2.6	0.4	14.8%
Subordinated debt	20.4	18.4	2.0	10.8%
Equity attributable to equity holders of the parent	**20.2**	**20.0**	**0.2**	**1.1%**
Non-controlling interests	7.6	7.5	0.1	1.3%
LIABILITIES	**765.1**	**724.1**	**41.0**	**5.7%**

At December 31, 2016, the consolidated balance sheet of BPCE SA group totaled €765.1 billion, up 5.7% compared with December 31, 2015. The return on assets stood at 22 bp in 2016.

This balance sheet growth was driven predominantly by loans and receivables due from customers (+€27.8 billion in assets) and amounts due to customers (+€20.5 billion in liabilities).

Equity attributable to equity holders of the parent totaled €20.2 billion at December 31, 2016, stable compared to December 31, 2015. The change over the period notably included net income for the year, *i.e.* +€1.7 billion.

4.5 Investments

4.5.1 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 2016.

4.5.2 In 2015

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 2015.

4.5.3 In 2014

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 2014.

4.6 Post-balance sheet events

There is no post-balance sheet event likely to have a significant impact on the consolidated financial statements at December 31, 2016.

4.7 Outlook for Groupe BPCE

Outlook for 2017: resilience in France, with no acceleration

Despite the ongoing Chinese slowdown, global growth (around 3.2%) should be slightly stronger in 2017 than in 2016, as Russia and Brazil come out of recession and the United States likely enjoys a resurgence, after a mediocre year. In particular, the economic environment is expected to benefit from the gradual roll-out of the Trump program, liable to boost US GDP in the short term to around 2.3%. Amid gradually rising, yet constrained, oil prices (up to $60/barrel) and the now widespread yet modest increase in interest rates, Europe should continue to see listless growth in economic activity, slightly less robust at 1.4% over the year despite the extended support provided by the euro's recent depreciation against the dollar. The United States aside, the most likely scenario is that growth will align with trends in business, with France coming out at around 1%. However, the risks of another widespread downturn cannot be ruled out. On the international front, these risks can be linked, on the one hand, to the gradual yet certainly cautious rise in US key rates, with the resulting eventuality of a bond crash and the destabilization of emerging economies and, on the other, to China reaching the end of the stimulus road. In Europe, these risks stem from the ECB's temptation to give in to a headlong rush to protect the stability of the union, not to mention the impacts of the Italian political and banking crisis and the contingencies of the French and German elections. Then there is the adverse impact to be expected from Brexit, given the uncertainty of the UK's institutional relations with the EU.

Another major change is the removal of oil price declines in the calculation of the year-on-year rise in consumer prices, which should trigger an increase in average inflation to around 2.4% in the US and at least 1.2% in Europe and France, though without triggering an inflationary trend. As the specter of deflation grows distant, long rates perceived as safe-haven investments should very gradually climb towards 1.2% for the 10-year OAT on average in 2017 versus 0.5% in 2016. We may even see a rise in volatility stemming from their as-yet excessively low level, the expected launch of monetary normalization, and contagion (albeit limited), with a moderate increase in US bond yields, driven by three consecutive 25-bp rate hikes as the Trump program sows the seeds of inflation. Meanwhile, French long rates should continue to be hampered by sluggish nominal growth and the ECB's now much more ultra-accommodative monetary policy compared to that of the Fed. The ECB has firmly decided against rapidly altering its policy, pushing back its first key rate hike to mid-2018 and causing the euro to drop to around $1.02.

Without any new external stimulus, French growth is liable to stagnate at 1% over the year, below euro zone growth in 2017. This growth, which is highly dependent on the underlying weakness of supply factors, whether in terms of investment or employment, is not enough in and of itself to bring unemployment or the public deficit down any further. Moreover, the climate surrounding the presidential elections could bring about the traditional wait-and-see attitude, especially in real estate. An ongoing erosion in competitiveness would favor an increase in imports in a bid to meet domestic demand. Consumer spending, and to a lesser extent, business investment would be the key growth drivers. However, business investment would have a hard time making a comeback given the dearth of opportunities and the lack of a fundamental improvement in corporate earnings. Meanwhile, consumer spending may contribute less and less to overall economic activity since purchasing power is set to rise more slowly as inflation automatically but moderately picks up and as savings rates stabilize.

Outlook for the Group and its business lines

The Group will continue implementing its strategic 2014-2017 plan, "Another Way to Grow", with the following priorities for the final year of the plan:

- driving forward with the strategy to sell more banking products and services to the Banque Populaire and Caisse d'Epargne customer bases;
- expanding the fully-fledged bancassurance model by ramping up sales of products and services to Group customers;
- developing the Natixis business lines, especially Payments, with the goal of becoming one of the European leaders in mobile payment, e-commerce and point-of-sale solutions;
- working towards gender equality in the workplace, including the promotion of women to management positions;
- implementing the mergers decided in 2016, giving rise to Banque Populaire Méditerranée and Banque Populaire Auvergne Rhône Alpes, and the merger of Caisse d'Epargne Picardie and Caisse d'Epargne Nord France Europe.

In addition, three action plans were announced on February 21, in line with the retail banking transformation plan, focused on three key areas:

- adapting the relationship model between the Group's banks and its customers: strengthening digital channels and multimedia platforms, providing more advisory services to customers, and adapting the coverage and format of the branches;
- enhancing our operational excellence: €1 billion in cost savings by 2020, drawing on cumulative investments of €790 million (of which €220 million in Natixis);
- accelerating the digital transformation of Group businesses: roll-out of an action plan in short six-month cycles, each based on an agile IT structure and investments of €750 million over four years.

These three action plans are already under way and are presented upstream of the future strategic plan for 2018-2020 as the first pillar of development.

4

DEFINITIONS AND CLARIFICATIONS ON METHODOLOGY

Pro forma 2015 segment reporting

Segment reporting was modified in the first quarter of 2016, when the Equity Interests division was combined with the Corporate Center.

In 2016, the allocation of the cross-business functions' expenses to the SFS division was reviewed to more accurately reflect the functions' contribution to the division. Accordingly, the Corporate Center and SFS expenses were calculated on a pro forma basis in respect of 2015.

The accounting method for network renegotiation fees was standardized between 2015 and 2016, resulting in a pro forma statement for fiscal year 2015. In 2016, renegotiation fees were spread out in net interest income, whereas in 2015 some institutions recorded them as a single entry in fees and commissions. The impact on NBI was -€59 million in 2015 and -€37 million on net income attributable to equity holders of the parent.

IFRS 9, adopted in November 2016, authorizes the early adoption (for fiscal years ended December 31, 2016) of provisions on own credit risk, meaning any changes can be recognized in shareholders' equity rather than in the income statement, generating an impact of -€127 million on 2015 NBI and -€58 million on 2015 net income attributable to equity holders of the parent. 2015 results have been restated accordingly.

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 6.6 to the Groupe BPCE consolidated financial statements) and "Depreciation, amortization and impairment for 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.

ROE

Groupe BPCE's book ROE is:

- net income attributable to equity holders of the parent, restated for the interest expense on deeply subordinated notes booked to equity, and non-economic and non-recurring items; divided by
- equity attributable to equity holders of the parent, restated for deeply subordinated notes booked to equity, and unrealized gains and losses.

The normative ROE of the core business lines (Commercial Banking and Insurance; Investment Solutions, Corporate and Investment Banking, and Specialized Financial Services) is:

- the business line's contribution to net income attributable to equity holders of the parent, minus the return (calculated at the normative rate of 3%) on surplus capital over regulatory capital, and restated for non-economic and exceptional items; divided by
- normative capital adjusted for goodwill and intangible assets relative to the core business line;
- as of Q1 2015, normative capital is allocated to Groupe BPCE business lines on the basis of 10% of their average Basel III risk-weighted assets.

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 4 rules; non phased-in capital is presented without applying phase-in measures, except for the restatement of deferred tax assets on tax loss carryforwards and pro forma of the additional phasing of the stock of deferred tax assets in accordance with Regulation 2016/445.

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, after the restatement of deferred tax assets on tax loss carryforwards. Securities financing operations carried out with clearing houses are offset on the basis of the criteria set forth in IAS 32, without consideration of maturity and currency criteria. Deposits centralized with Caisse des Dépôts et Consignations were included in total leverage exposure as of Q1 2016.

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 retained (securitization and covered bonds) that are available and ECB-eligible taken for their ECB valuation (after ECB haircut) and private receivables 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 and to which fiduciary money is added.**

Short-term funding corresponds to funding with an initial maturity of less than or equal to 1 year maximum, and the short-term maturities of medium-/long-term debt correspond to debt with an initial maturity date of more than 1 year maturing within the next 12 months.

5 FINANCIAL REPORT

5.1 IFRS Consolidated Financial Statements of Groupe BPCE at December 31, 2016

5.1.1 Consolidated balance sheet

ASSETS

in millions of euros	*Notes*	**12/31/2016**	**12/31/2015**
Cash and amounts due from central banks	*5.1*	83,919	71,119
Financial assets at fair value through profit or loss	*5.2.1*	173,161	174,412
Hedging derivatives	*5.3*	14,842	15,796
Available-for-sale financial assets	*5.4*	100,157	95,984
Loans and receivables due from credit institutions	*5.6.1*	96,664	96,208
Loans and receivables due from customers	*5.6.2*	666,898	617,465
Revaluation differences on interest rate risk-hedged portfolios		7,925	7,522
Held-to-maturity financial assets	*5.7*	9,483	10,665
Current tax assets		501	1,119
Deferred tax assets	*5.9*	4,097	4,988
Accrued income and other assets	*5.10*	60,795	55,383
Non-current assets held for sale	*5.11*	947	22
Investments in associates	*8.1*	3,891	3,666
Investment property	*5.12*	1,980	2,020
Property, plant and equipment	*5.13*	4,510	4,710
Intangible assets	*5.13*	1,073	1,102
Goodwill	*5.14*	4,397	4,354
TOTAL ASSETS		**1,235,240**	**1,166,535**

LIABILITIES

in millions of euros	*Notes*	12/31/2016	12/31/2015
Financial liabilities at fair value through profit or loss	*5.2.2*	133,436	142,904
Hedging derivatives	*5.3*	19,787	18,659
Amounts due to credit institutions	*5.15.1*	87,192	77,040
Amounts due to customers	*5.15.2*	531,778	499,711
Debt securities	*5.16*	232,351	223,413
Revaluation differences on interest rate risk-hedged portfolios		655	1,301
Current tax liabilities		325	362
Deferred tax liabilities	*5.9*	781	878
Accrued expenses and other liabilities	*5.17*	56,550	53,699
Liabilities associated with non-current assets held for sale	*5.11*	813	9
Insurance companies' technical reserves	*5.18*	75,816	59,562
Provisions	*5.19*	6,499	5,665
Subordinated debt	*5.20*	20,121	18,139
Shareholders' equity		**69,136**	**65,193**
Equity attributable to equity holders of the parent		**61,462**	**57,632**
Share capital and additional paid-in capital	*5.21.1*	21,947	21,096
Retained earnings		33,802	31,172
Gains and losses recognized directly in other comprehensive income		1,725	2,122
Net income for the period		3,988	3,242
Non-controlling interests	*5.22*	7,674	7,561
TOTAL LIABILITIES AND EQUITY		**1,235,240**	**1,166,535**

5.1.2 Consolidated income statement

in millions of euros	*Notes*	**Fiscal year 2016**	**Fiscal year 2015**
Interest and similar income	*6.1*	26,957	28,114
Interest and similar expenses	*6.1*	(16,053)	(17,055)
Commission income	*6.2*	10,952	11,208
Commission expenses	*6.2*	(2,171)	(2,049)
Net gains or losses on financial instruments at fair value through profit or loss	*6.3*	2,428	2,405
Net gains or losses on available-for-sale financial assets	*6.4*	1,367	746
Income from other activities	*6.5*	22,063	8,199
Expenses from other activities	*6.5*	(21,385)	(7,700)
Net banking income		**24,158**	**23,868**
Operating expenses	*6.6*	(15,820)	(15,399)
Depreciation, amortization and impairment for property, plant and equipment, and intangible assets		(853)	(849)
Gross operating income		**7,485**	**7,620**
Cost of risk	*6.7*	(1,423)	(1,832)
Operating income		**6,062**	**5,788**
Share in net income of associates	*8.2*	259	280
Gains or losses on other assets	*6.8*	203	74
Change in the value of goodwill	*5.14*	(154)	(19)
Income before tax		**6,370**	**6,123**
Income tax	*6.9*	(1,882)	(2,323)
Net income		**4,488**	**3,800**
Non-controlling interests	*5.22*	(500)	(558)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,988**	**3,242**

5.1.3 Comprehensive income

in millions of euros	Fiscal year 2016	Fiscal year 2015
Net income	**4,488**	**3,800**
Revaluation differences on defined-benefit pension schemes	(205)	219
Revaluation of own credit risk on financial liabilities at fair value through profit or loss*	(142)	
Income tax*	109	(76)
Share of gains and losses recognized directly in other comprehensive income of associates that cannot be reclassified in income		(1)
Items that cannot be reclassified in income	**(238)**	**142**
Foreign exchange rate adjustments	118	471
Change in the value of available-for-sale financial assets	(340)	802
Change in the value of hedging derivatives	134	121
Income taxes	(114)	(93)
Share of gains and losses recognized directly in other comprehensive income of associates that can be reclassified in income	112	(16)
Items that can be reclassified in income	**(90)**	**1,285**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER INCOME TAX)	**(328)**	**1,427**
COMPREHENSIVE INCOME	**4,160**	**5,227**
Attributable to equity holders of the parent	3,583	4,527
Non-controlling interests	577	700

* *The early application of the provisions of IFRS 9 "Financial instruments" relating to financial liabilities is recognized under "Revaluation of own credit risk on financial liabilities at fair value through profit or loss". Changes in fair value attributable to own credit risk for financial liabilities at fair value through profit or loss for 2016 and booked in equity amounted to -€142 million, i.e. -€93 million after tax.*

5.1.4 Statement of changes in equity

in millions of euros	Share capital and additional paid-in capital: Share capital[(1)]	Share capital and additional paid-in capital: Additional paid-in capital[(1)]	Perpetual deeply subordinated notes	Retained earnings
SHAREHOLDERS' EQUITY AT JANUARY 1, 2015	**16,749**	**3,832**	**3,286**	**30,603**
Dividend payments				(379)
Capital increase[(2)]	512	3		438
Redemption of deeply subordinated notes			(1,891)	(208)
Interest on deeply subordinated notes				(144)
Impact of acquisitions and disposals on non-controlling interests[(3)]				(184)
Total activity arising from relations with shareholders	**512**	**3**	**(1,891)**	**(477)**
Gains and losses recognized directly in other comprehensive income				
Net income for the period				
Comprehensive income				
Other changes[(4)]				(349)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2015	**17,261**	**3,835**	**1,395**	**29,777**
Allocation of net income for 2015				3,242
First-time application of IFRS 9 for financial liabilities designated at fair value through profit or loss[(5)]				(8)
SHAREHOLDERS' EQUITY AT JANUARY 1, 2016	**17,261**	**3,835**	**1,395**	**33,011**
Dividend payments				(361)
Capital increase[(2)]	851			453
Redemption of deeply subordinated notes			(165)	(185)
Interest on deeply subordinated notes				(99)
Impact of acquisitions and disposals on non-controlling interests[(6)]				(147)
Total activity arising from relations with shareholders	**851**		**(165)**	**(339)**
Gains and losses recognized directly in other comprehensive income[(7)]				
Net income for the period				
Comprehensive income				
Other changes[(8)]	1	(1)		(100)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2016	**18,113**	**3,834**	**1,230**	**32,572**

(1) *At December 31, 2016, "Share capital" and "Additional paid-in capital" consisted of the share capital in the Banque Populaire banks and the Caisses d'Epargne (see Note 5.21.1).*

(2) *Since January 1, 2016, the Banque Populaire banks and the Caisses d'Epargne have carried out capital increases of €851 million (€515 million at December 31, 2015) resulting in an increase in "Share capital" and "Additional paid-in capital". The Group no longer holds treasury stock as of December 31, 2015. 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 since January 1, 2016 resulted in an increase in retained earnings of €453 million.*

(3) *The stock options granted by Natixis to the minority shareholders of DNCA France and Natixis Partners at December 31, 2015 are booked in equity for -€189 million (-€135 million attributable to equity holders of the parent and -€54 million attributable to non-controlling interests).*

(4) *o/w -€424 million (-€303 million attributable to equity holders of the parent and -€121 million attributable to non-controlling interests) related to the recognition of a deferred tax liability on the tax amortization of goodwill (see Note 5.14).*

(5) *The impact of the early application of the provisions for financial liabilities under IFRS 9 "Financial Instruments" recognized in "Revaluation of own credit risk of financial liabilities designated at fair value through profit or loss" booked as opening equity corresponds to own credit risk at January 1, 2016, i.e. +€17 million (+€8 million attributable to equity holders of the parent) (see Note 2.2).*
Changes in fair value attributable to own credit risk for financial liabilities at fair value through profit or loss for 2016 and recognized under equity amounted to -€93 million after tax (-€66 million attributable to equity holders of the parent).

(6) *Including a reduction in consolidated reserves of -€173 million (-€147 million attributable to equity holders of the parent and -€26 million attributable to non-controlling interests) arising from the impact of acquisitions and other movements. This reduction was mainly due to the following:*
- *-€73 million (-€52 million attributable to equity holders of the parent and -€21 million attributable to non-controlling interests) for stock options granted to the minority shareholders of Peter J. Solomon Company (PJSC);*
- *-€24 million (-€17 million attributable to equity holders of the parent and -€7 million attributable to non-controlling interests) for stock options granted to the minority shareholders of Cilogér;*
- *-€65 million (-€46 million attributable to equity holders of the parent and -€19 million attributable to non-controlling interests) for the revaluation and unwinding of the discount on stock options granted to the minority shareholders of DNCA France;*
- *-€18 million (-€13 million attributable to equity holders of the parent and -€5 million attributable to non-controlling interests) for the acquisition of 40% of AEW Europe;*
- *+€26 million attributable to non-controlling interests for the Natixis capital increase reserved for employees.*

(7) *Including a variation in the translation difference of -€44 million (-€31 million attributable to equity holders of the parent and -€13 million attributable to non-controlling interests) following the repayment of $400 million in retained earnings by Natixis' New York branch.*

(8) *Other changes notably include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.*

Gains and losses recognized directly in other comprehensive income								
			Change in fair value of financial instruments					
Foreign exchange rate adjustments	Revaluation differences on employee benefits	Revaluation of own credit risk on financial liabilities at fair value through profit or loss[5]	Available-for-sale financial assets	Hedging derivatives	Net income attributable to equity holders of the parent	Total equity attributable to equity holders of the parent	Non-controlling interests	Total consolidated equity
234	**(269)**		**1,577**	**(676)**		**55,336**	**7,393**	**62,729**
						(379)	(395)	(774)
						953	5	958
						(2,099)		(2,099)
						(144)		(144)
						(184)		(184)
						(1,853)	**(390)**	**(2,243)**
282	126		690	187		1,285	142	1,427
					3,242	3,242	558	3,800
282	**126**		**690**	**187**	**3,242**	**4,527**	**700**	**5,227**
(29)						(378)	(142)	(520)
487	**(143)**		**2,267**	**(489)**	**3,242**	**57,632**	**7,561**	**65,193**
					(3,242)			
		8						
487	**(143)**	**8**	**2,267**	**(489)**		**57,632**	**7,561**	**65,193**
						(361)	(443)	(804)
						1,304	3	1,307
						(350)		(350)
						(99)		(99)
						(147)	(26)	(173)
						347	**(466)**	**(119)**
116	(132)	(66)	(378)	55		(405)	77	(328)
					3,988	3,988	500	4,488
116	**(132)**	**(66)**	**(378)**	**55**	**3,988**	**3,583**	**577**	**4,160**
						(100)	2	(98)
603	**(275)**	**(58)**	**1,889**	**(434)**	**3,988**	**61,462**	**7,674**	**69,136**

5.1.5 Consolidated cash flow statement

in millions of euros	Fiscal year 2016	Fiscal year 2015
Income before tax	**6,370**	**6,123**
Net depreciation and amortization of property, plant and equipment, and intangible assets	951	940
Goodwill impairment	154	19
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	5,006	3,606
Share in net income of associates	(159)	(146)
Net cash flows generated by investing activities	(1,865)	(858)
Income/expense from financing activities	139	137
Other changes	(2,878)	2,933
Total non-monetary items included in net income before tax	***1,348***	***6,631***
Net increase or decrease arising from transactions with credit institutions	3,315	(3,728)
Net increase or decrease arising from transactions with customers	(8,305)	17,716
Net increase or decrease arising from transactions involving financial assets and liabilities	1,814	(38,720)
Net increase or decrease arising from transactions involving non-financial assets and liabilities	(1,184)	672
Income taxes paid	(695)	(1,154)
Net increase (decrease) in assets and liabilities arising from operating activities	***(5,055)***	***(25,214)***
Net cash flows generated by operating activities (A)	**2,663**	**(12,460)**
Net increase or decrease related to financial assets and equity investments	4,524	1,666
Net increase or decrease related to investment property	172	300
Net increase or decrease related to property, plant and equipment and intangible assets	(590)	(914)
Net cash flows generated by investing activities (B)	**4,106**	**1,052**
Net increase (decrease) arising from transactions with shareholders(1)	45	(2,267)
Net increases (decreases) arising from financing activities(2)	1,355	2,456
Net cash flows generated by financing activities (C)	**1,400**	**189**
Impact of changes in exchange rates (D)	**634**	**3,287**
TOTAL NET CASH FLOWS (A+B+C+D)	**8,803**	**(7,932)**
Cash and net balance of accounts with central banks		
Cash and net balance of accounts with central banks (assets)	71,119	79,028
Due to central banks (liabilities)		(2)
Net balance of demand transactions with credit institutions		
Current accounts with overdrafts(3)	7,293	7,461
Demand accounts and loans	107	313
Demand accounts in credit	(9,061)	(9,586)
Demand repurchase agreements	(2,309)	(2,133)
Opening cash and cash equivalents	**67,149**	**75,081**
Cash and net balance of accounts with central banks		
Cash and net balance of accounts with central banks (assets)	83,919	71,119
Net balance of demand transactions with credit institutions		
Current accounts with overdrafts(3)	8,215	7,293
Demand accounts and loans	60	107
Demand accounts in credit	(11,235)	(9,061)
Demand repurchase agreements	(5,007)	(2,309)
Closing cash and cash equivalents	**75,952**	**67,149**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**8,803**	**(7,932)**

(1) The net increase (decrease) arising from transactions with shareholders mainly includes:
- *the redemption of deeply subordinated notes recorded in equity for -€350 million (-€2,099 million in 2015);*
- *interest paid on deeply subordinated notes recorded in equity for -€151 million (-€184 million in 2015);*
- *net changes in share capital and additional paid-in capital of the Banque Populaire banks and Caisses d'Epargne amounting to +€1,304 million (+€953 million in 2015);*
- *dividend payouts amounting to -€804 million (-€774 million in 2015).*

(2) Net cash flows generated by financing activities mainly include:
- *the impact of subordinated notes and loans issued for +€3,020 million (+€3,869 million in 2015);*
- *the impact of subordinated notes and loans redeemed for -€1,684 million (-€1,247 million in 2015).*

(3) Current accounts with overdrafts do not include Livret A, LDD and LEP savings account deposits centralized with Caisse des Dépôts et Consignations.

5.1.6 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.

The 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 15 Banque Populaire banks and the 17 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 governed by a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the 15 Banque Populaire banks and the 17 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, 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 are organized around three major segments:

- Natixis, a 71.03%-owned listed company that combines Investment Solutions, Corporate and Investment Banking and Specialized Financial Services;
- Commercial Banking and Insurance (including Crédit Foncier, Banque Palatine and BPCE International);
- subsidiaries and equity interests.

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 Article 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 deposit made to the **Caisse d'Epargne Network Fund** by the Caisses 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 181.3 million as of December 31, 2016.

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 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.

1.3 SIGNIFICANT EVENTS

Visa Europe share buyout

On November 2, 2015, US company Visa Inc. announced the takeover of Visa Europe, an association of some 3,500 European banks owned by a group of approximately 3,000 European banks, including Groupe BPCE.

The transaction was completed on June 21, 2016 for a total amount of over 18 billion, structured into three parts:

- a cash payment of €12.25 billion on completion of the transaction;
- a deferred cash payment of €1.12 billion, payable three years after the completion of the transaction;
- preference shares representing an equivalent of €5 billion.

At December 31, 2015, the deal was recognized through the revaluation of Visa Europe shares held by BPCE as available-for-sale securities in the amount of 606 million (excluding tax).

For 2016, the capital gain on the sale was recorded in "Net gains or losses on available-for-sale assets" in the annual financial statements, for €831 million. The preference shares will be convertible into Visa Inc. shares after a period of 4 to 12 years. As the proposed conversion rate may be lowered in the event of disputes, a haircut was applied to the estimated amount receivable in respect of the preference shares to reflect liquidity and legal risks.

The impact of this transaction on net income attributable to equity holders of the parent for the year amounted to +€797 million.

Partnership between Groupe BPCE and CNP Assurances

Groupe BPCE and CNP Assurances entered into a new partnership agreement effective January 1, 2016, replacing the existing distribution agreements between CNP Assurances and Groupe BPCE, which expired on December 31, 2015. Furthermore, Groupe BPCE had decided to call on Natixis Assurances to design and manage all savings and pension contracts distributed by the Caisse d'Epargne network as of January 1, 2016.

The partnership, which covers a seven-year period, provides for the following:

- the establishment of an exclusive collective payment protection insurance partnership between CNP Assurances and Natixis Assurances, on the one hand, and all the Groupe BPCE networks, on the other. This partnership is based on a co-insurance agreement of 66% for CNP Assurances and 34% for Natixis Assurances;
- the implementation of specific provident insurance partnerships with (i) an offer from CNP Assurances covering the main collective provident insurance guarantees for Groupe BPCE's professional and business customers, coupled with a dependency component; and (ii) a targeted partnership for dependency and tenant guarantees as part of the individual provident insurance range;
- a gradual withdrawal by CNP Assurances from the savings and pension fund activities performed with the Caisses d'Epargne, including the progressive phasing-out of new memberships in 2016, the ongoing collection of subsequent payments into existing contracts and provisions to align the interests of CNP Assurances and Groupe BPCE regarding the management of existing plan assets. Savings deposit outstandings contracted with the Caisses d'Epargne have been transferred to Natixis Assurances under a 10% quota share reinsurance agreement, including related premium payments (see Note 5.6.2);
- conversely, CNP Assurances reinsures 40% of new euro pension fund contracts distributed by the Caisse d'Epargne network and issued by Natixis Assurances over the period 2016-2019.

Acquisition of Peter J. Solomon Company

In the first half of 2016, Natixis North America LLC, a subsidiary of Natixis, finalized the acquisition of US advisory firm Peter J. Solomon Company (PJSC), which provides advisory services on mergers and acquisitions and corporate restructuring.

At December 31, 2016 Natixis held a 51% stake in PJSC, and holds an option to buy the remaining shares by 2026 by exercising reciprocal put and call options. Natixis exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This acquisition generated goodwill of €72 million.

Acquisition of Fidor Bank AG

On July 28, 2016, Groupe BPCE announced the signing of an agreement with the key shareholders, founders and managers of Fidor Bank AG for the acquisition of their equity interests in German online bank Fidor Bank.

The acquisition of Fidor Bank is fully in line with Groupe BPCE's strategic plan "Another Way to Grow" and will help step up the rollout of the group's digital strategy.

Founded in 2009 by its CEO, Fidor is one of the world's leading Fintech Banks, with a a different approach to banking relationships. Fidor offers a unique proposal, combining an innovative customer experience relying heavily on the involvement of the 350,000 members of its community and an open organization and architecture designed to foster flexibility and agility.

Fidor has developed a proprietary infrastructure and digital banking platform – Fidor Operating System – allowing for real-time functionality and optimizing the integration of third-party applications programming interfaces (APIs).

The acquisition was finalized on December 22, 2016 and generated goodwill of 80 million (temporary amount given the date of completion). The Group has a period of 12 months, from the acquisition date, to finalize the deal.

Signing of agreements between Natixis and La Banque Postale for the merger of AEW Europe and Ciloger

In 2016, Natixis Global Asset Management (NGAM), a subsidiary of Natixis group, finalized the merger of AEW Europe and Ciloger, a French leader in retail investment fund management. La Banque Postale contributed Ciloger's business to AEW Europe, creating a new leader in real estate investments in France, with a pan-European investment capacity and the backing of three major retail networks (Banque Populaire, Caisse d'Epargne and La Banque Postale).

After the transaction, AEW Europe's capital was 60%-owned by NGAM and 40%-owned by La Banque Postale. AEW remains fully consolidated pursuant to IFRS 10.

This deal generated goodwill of €20 million.

Merger of Banque Populaire banks

After the Extraordinary Shareholders' Meetings of cooperative shareholders held on November 22, Banque Populaire Côte d'Azur, Banque Populaire Provençale et Corse and Banque Chais merged, giving rise to Banque Populaire Méditerranée.

On December 7, 2016, the three Cooperative Shareholders' Meetings validated the merger, which was announced in April 2016, of Banque Populaire des Alpes, Banque Populaire Loire et Lyonnais and Banque Populaire du Massif Central, aimed at establishing Banque Populaire Auvergne Rhône Alpes.

Disposal of non-strategic assets: sale of remaining shares in Nexity

On March 2, 2016, Groupe BPCE sold all of its remaining shares in Nexity, generating a +€40 million impact on net income attributable to equity holders of the parent (of which +€42 million was recorded as "Net gains or losses on available-for-sale assets").

Run-off management of a securitization portfolio

The active disposal of mortgage-backed securities and public-sector assets (portfolio acquired from Crédit Foncier) continued in 2016 fiscal year.

Several RMBS (Residential Mortgage-Backed Securities) lines were sold for a total nominal amount of €1,853 million, generating a capital loss on disposal of €131 million, recognized in "Net gains or losses on available-for-sale assets". These disposals had an impact on income before tax of -€106 million, with -€69 million in net income attributable to equity holders of the parent.

Tax rate decrease

The French Finance Act of 2017, published in the Official Bulletin (*Journal Officiel*) dated December 30, 2016, provides for a decrease in the tax rate from 34.43% to 28.92% from 2019 for entities with revenues of less than €1 billion and from 2020 for entities with revenues of more than €1 billion. As a result, Groupe BPCE remeasured the net deferred tax assets and liabilities recorded in the balance sheet and recognized a deferred tax expense in the amount of €400 million in 2016 (see Note 6.9).

Note 2 Applicable accounting standards and comparability

2.1 REGULATORY FRAMEWORK

In accordance with EC regulation No. 1606/2002 of July 19, 2002 on the application of international accounting standards, the Group prepared its consolidated financial statements for the fiscal year ended December 31, 2016 under International Financial Reporting Standards (IFRS) as adopted for use by the European Union and applicable at that date, thereby excluding certain provisions of IAS 39 relating to hedge accounting[1].

2.2 STANDARDS

The standards and interpretations used and detailed in the annual financial statements at December 31, 2015 were complemented by standards, amendments and interpretations whose application is mandatory for reporting periods beginning on or after January 1, 2016, and, more specifically:

Following the adoption of IFRS 9 by the European Union on November 22, 2016, the Group elected, in line with the option opened by paragraph 7.1.2 of IFRS 9, to early adopt only paragraphs 5.7.1(c), 5.7.7-5.7.9, 7.2.14 and B 5.7.5-B 5.7-20 of IFRS 9 covering accounting for own credit risk on financial liabilities at fair value through profit or loss, without adopting the other paragraphs of IFRS 9, as of the fiscal year ended December 31, 2016.

Accordingly, the Group decided not to restate the comparative periods as provided for in the option set out in paragraph 7.2.15 of IFRS 9. Consequently, the Group reclassified 8 million net of tax from "Retained earnings attributed to equity holders of the parent" to "Gains and losses recognized directly in equity attributed to equity holders of the parent" in its opening shareholders' equity at January 1, 2016 and recorded - 66 million net of tax for fiscal year 2016 as "Revaluation of own credit risk on financial liabilities at fair value through profit or loss" under "Gains and losses recognized directly in equity attributed to equity holders of the parent."

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 not yet applicable

New IFRS 9

The new IFRS 9, "Financial Instruments," was adopted by the European Commission on November 22, 2016 and will retroactively apply beginning on January 1, 2018, except for the provisions related to financial liabilities at fair value through profit or loss, early-applied to Groupe BPCE financial statements beginning on January 1, 2016.

IFRS 9 sets out new rules for classifying and measuring financial assets and liabilities, new impairment rules for credit risk on financial assets and the treatment of hedging transactions, with the exception of macro-hedging transactions, which are subject to a separate standard currently being examined by the IASB.

NEW TREATMENTS

The following treatments will apply to fiscal years beginning on or after January 1, 2018, replacing the accounting standards currently used to recognize financial instruments.

Classification and measurement

Financial assets will be classified into three categories (amortized cost, fair value through profit or loss, and fair value through other comprehensive income) depending on their contractual cash flow characteristics and how the entity manages its financial instruments (its business model).

By default, financial assets will be classified at fair value through profit or loss.

Debt instruments (loans, receivables, or debt securities) may be recorded at amortized cost provided they are held for the purpose of collecting contractual cash flows and these cash flows are solely payments of principal and interest. Debt instruments may also be recorded at fair value through other comprehensive income with subsequent reclassification through profit or loss if they are held with the twofold objective of collecting contractual cash flows and selling financial assets and where these cash flows are solely payments of principal and interest.

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(1) These standards are available on the website of the European Commission at the following URL: http://ec.europa.eu/finance/company-reporting/index_en.htm.

Equity instruments will be recorded at fair value through profit or loss unless they bear an irrevocable option for valuation at fair value through other comprehensive 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.

Embedded derivatives will no longer be recognized separately from their host contract where these are financial assets. The entire hybrid instrument will be recognized at fair value through profit or loss.

The classification and measurement rules applicable to financial liabilities 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 will be recorded under gains and losses recognized directly in equity, 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.

Impairment

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantees shall be systematically impaired or covered by a provision (loss allowance) for expected credit losses.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

- impairment for credit risk will be recorded in the amount of 12-month expected credit losses;
- interest income will be recognized through profit or loss using the effective interest rate method applied to the gross carrying value of the asset before impairment.

Stage 2:

- in the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category;
- impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses;
- interest income will be recognized through profit or loss using the effective interest rate method applied to the gross carrying value of the asset before impairment.

Stage 3:

- impairment for credit risk will continue to be calculated based on the instrument's lifetime expected credit losses, and the amount will be adjusted, as necessary, to reflect any additional significant increase in credit risk;
- interest income will be recognized through profit or loss based on the effective interest method applied to the net carrying amount of the asset after impairment.

Hedge accounting

IFRS 9 introduces an amended hedge accounting model intended to be better aligned with risk management activities.

IMPLEMENTATION WORK

Due to the scale of changes to be introduced under IFRS 9, Groupe BPCE is carrying out its implementation work under a project involving all the affected business lines and support functions.

Analysis, design and IT development work began in the first half of 2015, continued throughout 2016 and will continue in the first half of 2017. The second half of 2017 will mainly focus on user acceptance tests, the final calibration of models, the completion of documentation, and the adaptation of processes under a change management program.

Classification and Measurement

The "Classification and Measurement" work completed so far has concluded that most financial assets that were measured at amortized cost under IAS 39 will 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) will continue to be measured at fair value under IFRS 9.

Based on the work completed to date, the following reclassifications will be made:

- for the commercial banking loan book, the impact should be limited and will primarily concern certain instruments that were measured at amortized cost and classified as loans and receivables under IAS 39, but which will be 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;
- for other loan books:
  - repurchase agreements classified as financial assets at fair value through profit or loss under IAS 39 (fair value option) and considered part of a trading business model under IFRS 9 will be reclassified as financial assets held for trading and recognized at fair value through profit or loss,
  - repurchase agreements classified as loans and receivables and measured at amortized cost under IAS 39, and considered part of a trading business model under IFRS 9, will be reclassified as financial assets held for trading and recognized at fair value through profit or loss,
  - financing and lease receivables will, for the most part, continue to be classified and measured at amortized cost. However, Groupe BPCE holds some fixed-rate loans with symmetrical repayment clauses in its loan book. This is an industry-wide concern, and in December 2016, the question of whether these instruments can be recorded at amortized cost was referred to the IASB, which should reach a decision during 2017;
- 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 securities may change under IFRS 9, with a choice 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 qualified as equity and classified as available-for-sale financial assets under IAS 39 will be

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 will be measured at fair value through profit or loss under IFRS 9. Once Groupe BPCE companies have individually made a final decision, future changes in the fair value of securities may be presented in other comprehensive income,
- securitization fund units measured at amortized cost and classified as loans and receivables under IAS 39 (i) will be 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) will be 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 (iii) will continue to be recognized at amortized cost in all other cases.

Reclassifications between categories of financial assets measured at amortized cost and fair value will have a net impact on Groupe BPCE's consolidated equity owing to the different calculation methods applicable to these assets. However, since there will be few such reclassifications, they are not expected to have a material impact on the amount of Groupe BPCE's opening shareholders' equity at January 1, 2018.

The treatment of financial liabilities is similar to that applied under IAS 39, and liabilities will be little affected.

As indicated above, and as permitted by IFRS 9, the Group nonetheless elected to early-apply the recognition in other comprehensive income of revaluation adjustments related to changes in own credit risk on liabilities measured at fair value through profit or loss.

Impairment

The Group will use the internal risk management approach underlying the regulatory calculations of capital requirements for the constitution of portfolios and impairment calculations. An *ad hoc* method for calculating and recognizing impairment on performing loans is currently being developed, involving significant IT developments.

The impairment calculation models are being designed in accordance with the model governance system to ensure consistency in the methods applied across the Group based on the type of assets and the purpose of the models. They will draw first and foremost on existing internal risk assessment models and on external information if internal inputs are not available. These models will be adapted to allow the measurement of the probability of default at maturity. The impairment calculated will take into account current conditions and economic and financial projections. The measurements may therefore, in some cases, be significantly different to those used for the calculation of regulatory capital requirements, which takes a prudential approach.

The impairment calculation models will be implemented centrally to ensure consistency in the methods used across Groupe BPCE depending on the type of asset.

The measurement of a significant increase in credit risk will be based on a combination of quantitative and qualitative indicators, which are currently being determined. Quantitative indicators will be based on ratings systems, comparing the risk associated with the current rating against the risk measured when the exposure was approved. Qualitative criteria include indicators that complement the ratings system, focusing on comparing the current risk measurement to past measurements, such as payments over 30 days past due or the counterparty's inclusion on a watch list (with forbearance status).

Impact simulations performed at this stage include simplifications that do not allow the estimate to be considered sufficiently reliable for publication.

Hedge accounting

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 for the recognition of these transactions. In view of the limited volume of asset reclassifications, most transactions recognized using hedge accounting under IAS 39 will continue to be disclosed in the same way from January 1, 2018.

However, the information provided in the Notes will observe the provisions of IFRS 7 as amended by IFRS 9.

PHASE-IN ARRANGEMENTS

Under the option available in IFRS 9, the Group does not intend to publish comparative information for its financial statements.

New IFRS 15

IFRS 15 "Revenue from contracts with customers" will replace the current standards and interpretations related to the recognition of income. IFRS 15 was adopted by the European Union and published in the OJ on October 29, 2016. It will be applicable retrospectively as of January 1, 2018.

Under IFRS 15, recognition of income from ordinary activities must reflect the transfer 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 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 Group started to analyze the impact of the application of this new standard in the second half of 2016 and this work will be completed during the 2017 fiscal year.

New IFRS 16

IFRS 16 "Leases" will replace IAS 17 "Leases" and the interpretations related to the accounting of such contracts. It will be applicable retrospectively as of January 1, 2019 subject to adoption by the European Union.

As defined under IFRS 16, leases shall identify an asset and convey the right to use this asset for a period of time. 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.

For lessees, the standard requires that all leases be recorded in the balance sheet such that they convey the right to use the leased asset, which must be recognized under property, plant and equipment, with a corresponding entry under liabilities to reflect the leases and the remaining payments over the term of the lease. The right to use the asset will be amortized on a straight-line basis and the financial liability will be calculated an actuarial basis over the term of the lease. The interest expense on the debt and the amortization expense on the right to use the asset will be recognized separately in the income statement. In contrast, based on the current IAS 17, operating leases are not recognized on the balance sheet, only the corresponding rental income is recorded in income.

The Group began to analyze the impact of the application of this new standard following its publication at the start of 2016. The estimated amount of the rights of use to be recorded in the balance sheet is currently being assessed. It is expected to have a significant impact on fixed asset items and on financial liability items in the balance sheet.

2.3 USE OF ESTIMATES

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 judgement 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, 2016 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 4.1.6);
- the amount of impairment of financial assets, and more specifically permanent impairment losses on available-for-sale assets and impairment losses applicable to loans and receivables on an individual basis or calculated on the basis of portfolios (Note 4.1.7);
- provisions recorded under liabilities in the balance sheet and more specifically the provision for regulated home savings products (Note 4.5) and provisions for insurance policies (Note 4.13);
- calculations related to the cost of pensions and future employee benefits (Note 4.10);
- deferred tax assets and liabilities (Note 4.12);
- goodwill impairment testing (Note 5.14).

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. 2013-04 issued by the *Autorité des normes comptables* (ANC – French national accounting standards authority) on November 7, 2013.

The consolidated financial statements are based on the financial statements at December 31, 2016. The Group's consolidated financial statements for the period ended December 31, 2016 were approved by the Management Board on February 06, 2017. They will be presented to the Annual General Shareholders' Meeting on May 19, 2017.

Note 3 Consolidation principles and methods

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 13 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif;
- the 17 Caisses d'Epargne;
- the Caisses du Crédit Maritime Mutuel, affiliated with BPCE pursuant to Financial Security law No. 2003-706 of August 1, 2003;
- the *société 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 Promotion 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 16 – 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, that 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 tax-efficient lease, 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 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 16.5.

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 in view of sale and discontinued activities".

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 are 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 provisions of IAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether impairment testing is required for its investment in an associate or joint venture. If necessary, 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. Revised IAS 28 "Investments in Associates and Joint Ventures" authorizes, in this case, the investor to recognize the investment at its fair value (with changes in fair value recognized in income) in accordance with IAS 39.

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 the relevant holdings 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 comprehensive 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 now included within the scope of IFRS 3;
- costs directly linked to business combinations are now recognized in net income for the period;
- contingent considerations payable are now 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 IAS 39);
- 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 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, the 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 the future activity of the latter, or may be set as recognized at the fair value of the subsidiary's securities on the day on which the options are exercised.

These commitments are treated for accounting purposes 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 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 including 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.

By way of exception, local savings companies (LSC) close their accounts on May 31. These entities are therefore consolidated based on an accounting position at December 31.

Note 4 Accounting principles and measurement methods

4.1 FINANCIAL ASSETS AND LIABILITIES

4.1.1 Loans and receivables

Amounts due from credit institutions and customers and certain investments not quoted in an active market are generally recorded in "Loans and receivables" (see Note 4.1.2).

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 risk" 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 partners.

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.

4.1.2 Securities

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.

Financial assets at fair value through profit or loss

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.

The qualifying criteria used when applying this option are described in Note 4.1.4 "Financial assets and liabilities at fair value through profit or loss".

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 gains or losses on financial instruments at fair value through profit or loss".

Held-to-maturity financial assets

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 at group level 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 cancelling 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 gains or losses on available-for-sale financial assets".

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.

Loans and receivables

The "Loans and receivables" portfolio 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 gains or losses on available-for-sale financial assets".

Available-for-sale financial assets

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 money market assets, for which changes in the fair value of the foreign currency component affect net income). The principles used to determine fair value are described in Note 4.1.6.

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 "Interest or similar income". Interest income accrued or received on variable-income securities is recorded under "Net gains or losses on available-for-sale financial 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. For repurchase or reverse repurchase transactions, a loan commitment given or received is recorded between the transaction date and the settlement/delivery date when such transactions are recorded as "Loans and receivables" or "Liabilities". 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.

Rules applicable to partial disposals

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, expect in special cases.

4.1.3 Debt and equity instruments

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 eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is fixed at its historic 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".

Financial liabilities at fair value through profit or loss

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 IAS 39. The qualifying criteria used when applying this option are described in Note 4.1.4 "Financial assets and liabilities at fair value through profit or loss".

These liabilities 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, gains or losses on these instruments are recognized in "Net gains or losses on financial instruments at fair value through profit or loss", with the exception of changes in fair value attributable to changes in own credit risk which, since January 1, 2016 (see Note 2.2), are recorded under "Revaluation of own credit risk on financial liabilities at fair value through profit or loss" within "Gains and losses recognized directly in equity".

Debt securities

Issues of debt securities (which are not classified as financial liabilities at fair value through profit or loss or as equity) 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".

Subordinated debt

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. They are subsequently measured at amortized cost at each balance sheet date using the effective interest method.

Cooperative shares

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.

4.1.4 Financial assets and liabilities 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 on initial recognition at fair value through profit or loss.

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 a measurement or recognition inconsistency (accounting mismatch)

Applying the option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy. This accounting treatment applies in particular to certain structured loans granted to local authorities.

Harmonization of accounting treatment and 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.

This circumstance mainly arises in connection with Natixis' capital market activities.

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 accounting treatment applies in particular to some structured debt issues containing material embedded derivatives.

4.1.5 Derivative financial instruments and hedge accounting

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 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 for accounting purposes or as net investment hedges in a foreign currency.

Derivative financial instruments are classified into the following two categories:

Trading derivatives

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 on derivatives held for trading are taken to income on the "Net gains or losses on financial instruments at fair value through profit or loss" line.

Derivative financial instruments used for hedging purposes

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.

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 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 is recognized in income in the same manner as the gain or loss on the hedged item attributable to the risk being hedged. 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 equity 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-hedges on cash flows (hedging of portfolios of loans or borrowings).

In this case, 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 whose changes in fair value from inception are compared 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 equity 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 equity on a straight line basis. If the derivative has not been cancelled, it is reclassified as a trading derivative, and 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 so-called 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 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 prospectively at the date the instrument is designated as a hedge and retrospectively at each balance sheet date that no excess hedging exists;
- 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 notional amount of the hedged items falls below the nominal amount of the hedging instruments, for example in the case of the prepayment of loans or the withdrawal of deposits.

HEDGING OF A NET INVESTMENT IN A FOREIGN OPERATION

The 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 net investment hedge in a foreign currency 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 equity are taken to income when the net investment is sold in full or in part (or when partially sold with loss of control).

4.1.6 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 of 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 with 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 expected 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, the method made use of proxies by type of counterparty, rating and geographic area.

DEBIT VALUATION ADJUSTMENT (DVA)

The DVA is symmetrical to the CVA and represents the expected 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 adjustment 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 Monitoring 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 incorporating 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:

- 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 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 shares of UCITS for which NAV is determined and reported on a daily basis.

LEVEL 2: VALUATION USING OBSERVABLE MARKET INPUTS

Level 2 fair value comprises instruments other than instruments mentioned in Level 1 fair value and instruments measured using a valuation technique incorporating inputs that are either directly observable (prices) or indirectly observable (price derivatives) through to maturity. This mainly includes:

Simple instruments

Most over-the-counter derivatives, swaps, 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 and Portuguese sovereign securities, whose fair value was recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS whose NAV is not determined and published on a daily basis, but are subject to regular reporting or 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 directly observable inputs such as yield curves and revaluation differences. 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, 2016 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 a single underlying, multiple underlyings or hybrids (fixed income/equity for example).

  The main models used for equity products are local volatility models, combined with local volatility 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 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 for valuing and managing 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, an approximation input (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 (bid-ask), the financing cost of uncollateralized or partially-collateralized derivatives, counterparty and internal credit risks (measurement of liability positions), modeling and input risks.

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 judgement call;
- structured securities or securities representative of private investment portfolios, held by the Insurance business line;
- instruments with a deferred day-one margin;
- hybrid interest rate and foreign exchange instruments not classified in Level 2;
- shares 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, which were not reclassified within "Loans and receivables" pursuant to the amendment to IAS 39 and IFRS 7 published on October 13, 2008 (see below).

When there is a significant drop in trading in a given market, a valuation model is used based on the only available relevant data.

In accordance with the Ministerial Order of February 20, 2007, as amended by the Order of November 23, 2011, on lending institutions and investment companies and 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 and the ex post control mechanism (valuation of the accuracy and consistency of internal models and modeling procedures) appears in Chapter 3 "Risk Management".

Under IAS 39, 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 but 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, 2016, 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 with the instrument class	Valuation techniques used	Main unobservable data	Unobservable data ranges among relevant Level 3 products
	CDOs, Index tranche	Technique for estimating defaults given the correlation effect and recovery modeling	Correlation curve specific to the portfolio underlying the CDO	5% – 95%*
Credit derivatives	CDS on projects (other than CDS on securitization assets)	Extrapolation from prices based on recovery assumptions	Recovery rate	60% – 100%
	Securitization swaps	Discounted expected cash flows based on early redemption assumptions on the underlying portfolio	Early redemption rate	2% – 17%
	Sticky CMS/Bond Volatility	Interest rate options valuation models	Mean reversion inputs	1% – 5%
	Callable Spread Options and Corridor Callable Spread Options	Model representing several yield curve factors	Mean reversion spread	10% – 30%
Interest rate 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: -13bp/+24bp
Capital Protected Note	*Mono-credit* payoffs, with capital guarantee, indexed based on issuer cash-CDS, including an at-par call clause at Natixis' discretion	Model that uses as Inputs the volatility of the cash-CDS, recalibrated for price volatility and reintegrated in a Black & Scholes model with a numerical method used to calculate Early Exercise	Volatility of cash-CDS basis	2.02% – 4.54%
Repos and general collateral TRS	TRS and repos indexed to a basket of general equities	Synthetic modeling of underlying general basket (with repo *to* estimate) and actuarial valuation for TRS or using a standard Equity/ Interest rate hybrid model for the TRS auto call	Repo curve *of* general baskets	-1.11%/0.33%
	Strips of long-term options, Strips of quanto options, Strips of digital options	Black & Scholes model	Currency/currency correlation	EUR/USD correlation: 28.59%; 44.53% USD/CHF correlation -75.58%; -85.97%
Helvetix derivatives	Options spread and Digital options spread	Gaussian copula	USDCHF & EURCHF long-term volatility	Long-term volatility: 12% – 15%
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	Index – Interest rate correlation: 12% – 47%
Hybrid interest rate/ currency derivatives	Long-term PRDC/PRDKO/ TARN structures	Hybrid currency/interest rate options valuation model	Correlation between currency and interest rates and long-term volatility levels	AUD/JPY and USD/JPY correlation: 17% – 61% Long-term volatility: 13% – 18%
Hybrid equity/interest rate/forex 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)	EQ/FX=24% EQ/IR=40.56% FX/IR=27%
Hybrid interest rate/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)	Interest rate/Credit correlation: 0% Vol Credit: Structure by term ([2Y, 200%],[5Y, 56%],[10Y, 51%]
Equity derivatives	*Long* maturity multi-underlying payoffs	Volatility options valuation model incorporating correlation between assets	Correlation inputs	51% – 74%

* *All transactions including this type of data are fully back-to-back; this input justifying the Level 3 classification is entirely hedged.*

Policy concerning fair value hierarchy transfers

Transfers between fair value levels are reviewed and validated by *ad hoc* committees of 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.

Under this procedure, multi-underlying equity products with a residual maturity of between four and five years were transferred to fair value Level 3 in 2016. Information on the transfers between levels of the fair value hierarchy is provided in Note 5.5.3. The amounts given in this note were calculated at the date of the last valuation prior to the change in the level of the fair value hierarchy.

As a reminder, in 2015, in accordance with these principles, Capital Protected Notes, Helvetix derivatives, as well as repos and general collateral TRS were transferred to Level 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.

Previously the model consisted in applying a standard rate of recovery of 10% for unrealized capital losses on the underlying assets concerned (rate justified by the low capitalization of monoline insurers given their risk exposures), except for a counterparty whose rate of recovery was deemed nil at December 31, 2015, and a probability of default calibrated to the credit risk associated with the credit enhancer.

The current method for determining provisions for contracts with CDPCs (Credit Derivatives Product Companies) was refined by applying a transparency-based approach to the underlying assets, based on an estimate of exposure at the time of default, with the PD and LGD based on the tranche's maturity. A stress factor of 1.2 was applied to the probabilities of default thus determined for the underlyings, based on a recovery rate of 27%. Counterparties are associated with a probability of default whenever the losses resulting from the calculation exceed the CDPC's net available assets.

In addition to these provisions, a general reserve also takes into account the volatility of the fair value of the contracts.

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:

CLO

A scoring model defining the level of risk associated with certain structures is applied based on a series of criteria.

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

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 classified as "Loans and receivables" 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.

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.

Borrowings and savings

At Natixis, the assessment of the fair value of securities 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 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 COMMERCIAL 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 commercial 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 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 determined based on internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. Except for 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 determined based on 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.

Instruments reclassified to "Loans and receivables" having legal status as "securities"

The illiquidity of such instruments, which is necessary to their classification in "Loans and receivables", was assessed at the reclassification date.

Subsequent to reclassification, some instruments may become liquid again and be measured at Level 1 fair value.

In other cases, their fair value is measured using models identical to those described above for instruments measured at fair value on the balance sheet.

4.1.7 Impairment of 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. A loss event is defined as one that has an impact on the estimated future cash flows of a financial asset which can be reliably estimated.

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 depreciation:

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 gains or losses on available-for-sale financial assets". 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 risk".

Impairment of loans and receivables

IAS 39 defines the methods for calculating and recognizing 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 payments past due by more than three months (six months maximum for real estate and nine months for loans to local authorities) or, independently of the existence of a missed payment, the existence of an incurred credit risk or litigious proceedings; For the majority of Group institutions, probable credit risk arises from default events defined in Article 178 of European regulation 575-2013 dated June 26, 2013 relating to prudential requirements applicable to credit institutions;
- these events lead to 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. 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. Probable losses arising from off-balance sheet commitments are taken into account through provisions recognized on the liability side of the balance sheet.

Two types of impairment are recognized under "Cost of risk":

- impairment on an individual basis;
- impairment on a portfolio basis.

IMPAIRMENT ON AN INDIVIDUAL BASIS

Specific impairment is calculated for each receivable on the basis of the maturity schedules determined based on historic recoveries for each category of receivable. Collateral is taken into account when determining the amount of impairment, and when collateral fully covers the risk of default, the receivable is no longer impaired.

IMPAIRMENT ON A PORTFOLIO BASIS

Impairment on a portfolio basis covers unimpaired outstandings on an individual basis. In accordance with standard IAS 39, these are grouped together in portfolios with similar credit risk characteristics that undergo a collective impairment test.

Banque Populaire and Caisse d'Epargne outstanding loans are included in a group of similar loans in terms of the sensitivity of risk based on the Group's internal rating system. The portfolios subject to the impairment test are those relating to counterparties with ratings that have been significantly downgraded since granting, and which therefore are considered sensitive. These loans undergo impairment, although credit risk cannot be individually allocated to the different counterparties making up these portfolios, as the loans in question collectively show objective evidence of impairment.

The amount of impairment is determined based on historical data on the probability of default at maturity and the expected losses, adjusted, if necessary, to take into account the prevailing circumstances at the balance sheet date.

This approach may also be supplemented by a segmental or geographical analysis generally based on an expert opinion, taking account of various economic factors intrinsic to the loans and receivables in question. Portfolio-based impairment is calculated based on expected losses at maturity across the identified population.

4.1.8 Reclassifications of financial assets

Several types of reclassification are authorized:

Reclassifications authorized prior to the amendments to IAS 39 and IFRS 7 adopted by the European Union on October 15, 2008

These notably include "Available-for-sale financial assets" reclassified as "Held-to-maturity financial assets".

Any fixed-income security with a set maturity date meeting the definition of "Held-to-maturity securities" may be reclassified if the Group changes its management strategy and decides to hold the security to maturity. The Group must also have the ability to hold this instrument to maturity.

Reclassifications authorized since the amendments to IAS 39 and IFRS 7 adopted by the European Union on October 15, 2008

These standards define the terms for reclassifying non-derivative financial assets at fair value (with the exception of those initially designated at fair value through profit or loss) to other categories:

- reclassification of "Financial assets held for trading" as "Available-for-sale financial assets" or "Held-to-maturity financial assets".

  Any non-derivative financial assets may be reclassified whenever the Group is able to demonstrate the existence of "rare circumstances" leading to this reclassification. It should be noted that the IASB has characterized the financial crisis of the second half of 2008 as a "rare circumstance".

  Only instruments with fixed or determinable payments may be reclassified as "Held-to-maturity financial assets". The institution must also have the intention and the ability to hold these instruments until maturity. Instruments included in this category may not be hedged against interest rate risk;
- reclassification of "Financial assets held for trading" or "Available-for-sale financial assets" as "Loans and receivables".

  Any non-derivative financial asset meeting the definition of "Loans and receivables" and, in particular, any fixed-income instruments not quoted in an active market may be reclassified if the Group changes its management strategy and decides to hold the instrument for a foreseeable future or to maturity. The Group must also have the ability to hold this instrument over the medium to long term.

Reclassifications are carried out at fair value at the reclassification date, with this value serving as the new amortized cost for instruments transferred to categories measured at amortized cost.

A new effective interest rate is then calculated at the reclassification date in order to bring this new amortized cost into line with the redemption value, which implies that the instrument had been reclassified with a discount.

For instruments previously recorded under available-for-sale financial assets, the amortization of the new discount over the residual life of the instrument will generally be offset by the amortization of the unrealized loss recorded under gains and losses recognized directly in other comprehensive income at the reclassification date and taken to the income statement on an actuarial basis.

In the event of impairment subsequent to the reclassification date of an instrument previously recorded under available-for-sale financial assets, the unrealized loss recorded under gains and losses recognized directly in other comprehensive income at the reclassification date and taken to the income statement on an actuarial basis is immediately written back to income.

4.1.9 Derecognition of financial assets and liabilities

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 represents a financial liability recorded at amortized cost or at fair value if this liability has been classified as "Designated at fair value".

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 when classified under "fair value by option".

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 remodelling due to financial difficulties) there is derecognition, as rights to 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. To assess the substantial nature of the change, IAS 39 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.

4.1.10 Offsetting financial assets and financial liabilities

In accordance with IAS 32, the Group offsets financial assets and liabilities, and a net balance is presented on the balance sheet, on the twofold condition that it has the legally enforceable right to offset the recorded amounts, and the intention either to settle the net amount or to simultaneously realize the asset and settle the liability.

Transactions on derivatives and repurchase agreements carried out with clearing houses, whose operating principles meet the two criteria mentioned above, are offset in the balance sheet (see Note 14).

4.2 INVESTMENT PROPERTY

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 (see Note 4.3) for all Group entities except for certain insurance entities, which recognize the property they hold as investments in connection with insurance policies 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.

4.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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 stated in Note 4.9.

Equipment leased under operating leases (group as lessor) is recognized as an asset on the balance sheet under property, plant and equipment.

4.4 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

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 their lowest carrying amount or at fair value less sales costs. Financial instruments continue to be measured in accordance with IAS 39.

4.5 PROVISIONS

Provisions other than those relating to employee benefit commitments, provisions on 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 épargne logement* – CEL) and regulated home savings plans (*plans d épargne 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 loans outstanding granted but not yet due at the calculation date plus statistically probable loans outstanding 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.

4.6 INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on all financial instruments measured at amortized cost using the effective interest method. The same is true for interest income and expenses relating to available-for-sale financial assets and to loan commitments, and accrued interest on hedging derivatives.

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 from a financial liability debt instrument is positive, it is deducted from interest expenses in the income statement.

4.7 COMMISSIONS ON SERVICES

Commissions are recorded in the income statement by type of service provided, and according to the method used to recognize the associated financial instrument:

- commissions payable on recurring services are deferred over the period in which the service is provided (payment processing, securities deposit fees, etc.);
- commissions payable on occasional services are recognized in full in income when the service is provided (fund transfers, payment penalties, etc.);
- commissions payable on execution of a significant transaction are recognized in full in income on completion of the transaction.

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.

4.8 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 available-for-sale financial assets 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".

4.9 FINANCE LEASES AND SIMILAR TRANSACTIONS

Leases are analyzed to determine whether in substance and economic reality they are finance leases or operating leases.

4.9.1 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 lessee has 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;
- 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;
- 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 lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee (capital loss on the asset);
- gains or losses from the change in the fair value of the residual value accrue to the lessee;
- 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 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 charges for finance leases are determined using the same method as that described for loans and receivables.

Finance 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.

4.9.2 Operating leases

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

In the lessor's financial statements, the asset is recognized under property, plant and equipment and depreciated on a straight-line basis over the lease term. The depreciable amount does not take into account the residual value of the asset.

The leased asset is not recognized on the balance sheet of the lessee. Lease payments are recognized in income on a straight-line basis over the lease term.

4.10 EMPLOYEE BENEFITS

There are four categories of employee benefits:

4.10.1 Short-term employee benefits

Short-term employee benefits mainly include wages, salaries, paid annual leave, incentive schemes, profit sharing, and bonuses which are expected to be paid 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.

4.10.2 Long-term employee benefits

Long-term employee benefits are generally linked to long-service 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. These notably comprise long service awards to employees.

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 consists in allocating costs over the working life of each employee (projected unit credit method).

Actuarial gains and losses (for example those relating to changes in financial interest rate assumptions) and past service cost are immediately recognized in income and included in the provision.

4.10.3 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 terminate a contract in exchange for a severance package. A provision is set aside for termination benefits. Termination benefits that are not expected to be paid within the 12 months following the balance sheet date are discounted to present value.

4.10.4 Post-employment benefits

Post-employment benefits include lump-sum retirement bonuses, pensions and other post-employment benefits.

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.

Revaluation differences on post-employment benefits, relating to changes in actuarial assumptions and experience adjustments are recognized in equity (other comprehensive income) and are not subsequently transferred to income. Revaluation differences on long-term employee benefits are immediately recognized in income.

The annual expense recognized in respect of defined-benefit plans includes the current service cost, net interest cost (the effect of discounting the obligation), the expected return on plan assets and past service costs.

The amount of the provision under liabilities in the balance sheet corresponds to the net total commitment as IAS 19R no longer provides for unrecognized items.

Post-employment benefits are divided into defined-contribution plans and defined-benefit plans.

Defined-contribution plans

The employer is only committed to paying pre-defined contributions to an insurer or an external entity. The resulting advantages for employees depend on the contributions paid and the yield on investments made using these contributions. The employer is not obliged to finance complements if there are insufficient funds to pay the benefits expected by employees. Actuarial risk (the risk that benefits will be less than expected) – and investment risk (that assets invested will be insufficient to meet expected benefits) fall on employees.

Defined-contribution plans are recognized as short-term employee benefits. The expense is equal to the contribution due for the period. There is no commitment to evaluate.

Defined-benefit plans

With defined-benefit plans, the actuarial risk and investment risk fall on the company. The company's obligation is not limited to the amount of contributions to which it has committed to paying. This is notably the case when the amount of benefits that employees will receive is defined using a formula and not by the amount of funds available for these benefits. This is also the case when the company either directly or indirectly guarantees a specific yield on contributions, or when it has made an explicit or implied commitment to revalue the benefits paid.

The resulting cost and obligation for the company must be evaluated on a discounted basis, as benefits may be paid several years after the members of staff carry out the corresponding services.

4.11 SHARE-BASED PAYMENTS

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, the value of which fluctuates in line with 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 debt account.

4.12 DEFERRED TAX ASSETS AND LIABILITIES

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 or losses on available-for-sale assets; and
- 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.

4.13 INSURANCE BUSINESSES

Financial assets and liabilities of insurance businesses are 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 will continue to be measured under the rules provided under local GAAP for measuring technical reserves;
- financial contracts such as savings schemes 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 will 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 contracts invested exclusively in units of accounts 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 equity 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.

4.14 REAL ESTATE DEVELOPMENT

Revenues from real estate development are derived from real estate development activities in the residential and commercial sectors and from related services.

Projects in progress at the end of the fiscal year date are recognized on a percentage of completion basis in line with the latest operating budgets.

When the outcome of a project cannot be reliably estimated, revenues are recognized only to the extent of costs incurred as revenue that are expected to be fully recoverable.

Operating income from all real estate development deals includes all project-related costs:

- land acquisition;
- site preparation and construction;
- planning taxes (*taxes d'urbanisme*);
- preliminary surveys (these are only charged to the project if the completion probability is high);
- internal project management fees;
- project-related marketing costs (internal and external sales commissions, advertising expenses, on-site sales office, etc.);
- financial expenses attributed to the deals.

Inventories and work in progress comprise land measured at cost, work in progress (site preparation and construction costs), attributable commercial expenses (internal and external sales commissions, temporary sales offices, etc.) and deliverables measured at prime cost. Borrowing costs are not included in inventories.

Preliminary surveys commissioned in the pre-development phase are only included in inventories if there is a high probability that the project will actually go ahead. If this is not the case, these costs are expensed to the period.

When the net realizable value of inventories and work in progress is less than their cost, a provision for impairment loss is recognized.

4.15 CONTRIBUTIONS TO BANKING RESOLUTION MECHANISMS

The procedure for financing the deposit and resolution guarantee fund had been changed by a Ministerial Order dated October 27, 2015. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund for deposit, collateral and securities guarantee mechanisms represented €842 million. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) represented €244 million. Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet totaled €598 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). The latter may use this fund when implementing resolution procedures.

In accordance with delegated regulation 2015/63 and implementing regulation 2015/81 supplementing the BRRD directive on ex-ante contributions to financing mechanisms for the resolution, the Single Resolution Board set the level of contributions to the Single Resolution Fund for 2016. The amount of contributions for the fiscal year totaled €269 million, of which €229 million recognized as an expense and €40 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 of the balance sheet totaled €86 million.

Note 5 Notes to the balance sheet

5.1 CASH AND AMOUNTS DUE FROM CENTRAL BANKS

in millions of euros	12/31/2016	12/31/2015
Cash	2,490	2,727
Amount due from central banks	81,429	68,392
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**83,919**	**71,119**

5.2 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities at fair value through profit or loss comprise instruments held for trading, including derivatives, and certain assets and liabilities that the Group has chosen to recognize at fair value, at their date of acquisition or issue, using the fair value option available under IAS 39.

5.2.1 Financial assets at fair value through profit or loss

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.

	12/31/2016			12/31/2015		
in millions of euros	**Trading**	**Fair value option**	**Total**	**Trading**	**Fair value option**	**Total**
Treasury bills and equivalent	10,617	126	10,743	16,245	137	16,382
Bonds and other fixed-income securities	5,825	2,210	8,035	6,132	2,455	8,587
Fixed-income securities	**16,442**	**2,336**	**18,778**	**22,377**	**2,592**	**24,969**
Equities and other variable-income securities	**35,364**	**14,913**	**50,277**	**29,512**	**12,795**	**42,307**
Loans to credit institutions	405	34	439	128	25	153
Loans to customers	1,350	9,099	10,449	912	8,824	9,736
Loans	**1,755**	**9,133**	**10,888**	**1,040**	**8,849**	**9,889**
Repurchase agreements*		**40,371**	**40,371**		**43,597**	**43,597**
Trading derivatives*	**52,847**	**///**	**52,847**	**53,650**	**///**	**53,650**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**106,408**	**66,753**	**173,161**	**106,579**	**67,833**	**174,412**

* *This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.24).*

Conditions for designating financial assets designated at fair value

Financial assets are designated at fair value through profit and loss when this choice provides more pertinent information or when the instruments incorporate one or more significant and separable embedded derivatives (see Note 4.1.4).

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 assets and liabilities is managed and recognized at fair value as part of a documented Asset and Liability Management policy.

At Group level, financial assets measured at fair value through profit or loss are mostly held by Natixis. They consist primarily of long-term structured repos indexed to a basket of equities whose risks are managed globally and dynamically, financial assets representative of unit-linked policies from insurance activities and, to a lesser extent, assets with embedded derivatives for which the principle of separation was not adopted.

Financial assets accounted for under the fair value option, excluding Natixis, also include certain contracts for structured loans to local authorities and structured bonds hedged by derivatives not designated as hedging instruments, assets containing embedded derivatives and fixed-income instruments index-linked to a credit risk.

in millions of euros	**Accounting mismatches**	**Fair value measurement**	**Embedded derivatives**	**Financial assets designated at fair value**
Fixed-income securities	1,012	65	1,259	2,336
Equities and other variable-income securities	10,545	4,239	129	14,913
Loans and repurchase agreements	5,313	40,642	3,549	49,504
TOTAL	**16,870**	**44,946**	**4,937**	**66,753**

Loans and receivables designated at fair value through profit or loss and credit risk

Exposure to credit risk represents a significant share of the fair value of loans and receivables designated at fair value through profit and loss shown on the balance sheet. When protection is purchased on the implementation of such loans, the fair value of the related credit derivatives is shown.

The Group did not purchase protection to hedge against credit risk associated with loans and receivables classified as fair value instruments through profit or loss at December 31, 2015 and December 31, 2016.

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5.2.2 Financial liabilities at fair value through profit or loss

Financial liabilities in the trading book include liabilities arising from short-selling transactions, repurchase agreements and derivative instruments.

in millions of euros	12/31/2016	12/31/2015
Securities sold short	23,834	23,351
Other financial liabilities	329	411
Financial liabilities held for trading	**24,163**	**23,762**
Trading derivatives*	**50,707**	**54,664**
Interbank term accounts and loans	19	27
Customer term accounts and loans	3	30
Debt securities	20,964	18,246
Subordinated debt	95	95
Repurchase agreements*	35,944	44,929
Other financial liabilities	1,541	1,151
Financial liabilities designated at fair value through profit or loss	**58,566**	**64,478**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**133,436**	**142,904**

* *This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.24).*

Conditions for designating financial liabilities at fair value through profit or loss

Financial liabilities are designated at fair value through profit and loss when this choice provides more pertinent information or when the instruments incorporate one or more significant and separable embedded derivatives (see Note 4.1.4).

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 assets and liabilities is managed and recognized at fair value as part of a documented Asset and Liability Management policy.

At Group level, financial liabilities measured at fair value through profit or loss are mostly held by Natixis. They mainly comprise long-term structured repos indexed to a basket of equities whose risks are managed globally and dynamically, and issues originated and structured for customers whose 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, mainly consist of 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	19			19
Customer term accounts and loans			3	3
Debt securities	15,171		5,793	20,964
Subordinated debt			95	95
Repurchase agreements and other financial liabilities	1,810	35,675		37,485
TOTAL	**17,000**	**35,675**	**5,891**	**58,566**

Some liabilities issued and recognized at fair value through profit or loss are covered by a guarantee. The effect of this guarantee is incorporated into the fair value of the liabilities.

Financial liabilities at fair value through profit or loss and credit risk

	12/31/2016			12/31/2015		
in millions of euros	Fair value	Contractual amount due at maturity	Difference	Fair value	Contractual amount due at maturity	Difference
Interbank term accounts and loans	19	3	16	27	5	22
Customer term accounts and loans	3	3		30	23	7
Debt securities	20,964	20,287	677	18,246	17,371	875
Subordinated debt	95	100	(5)	95	101	(6)
Repurchase agreements	37,485	37,406	79	46,080	46,053	27
TOTAL	**58,566**	**57,799**	**767**	**64,478**	**63,553**	**925**

The amount contractually due on loans at maturity includes the outstanding amount of the principal at the balance sheet date, plus accrued interest not yet due. For securities, the redemption value is generally used.

Revaluations attributable to own credit risk (valuation of own credit risk) amounted to +€116 million at December 31, 2016. With the early adoption of the amendment to IFRS 9 on own credit risk, the change is now recognized in gains and losses recognized directly in other comprehensive income that cannot be reclassified in income. The amount recognized at December 31, 2015 in respect of own credit risk was -€26 million (see Notes 2.2 and 4.1.3).

5.2.3 Trading derivatives

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.

	12/31/2016			12/31/2015		
in millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate derivatives	4,014,284	25,100	22,017	5,387,428	30,146	27,682
Currency derivatives	1,161,338	19,340	18,890	1,244,016	16,141	18,200
Equity derivatives	177,359	6,567	8,124	147,171	4,510	6,204
Credit derivatives	58,065	856	843	63,754	1,697	1,605
Other contracts	94,373	984	833	41,840	1,156	973
TOTAL TRADING DERIVATIVES	**5,505,419**	**52,847**	**50,707**	**6,884,209**	**53,650**	**54,664**
o/w organized markets	*935,125*	*3,503*	*4,173*	*827,965*	*2,203*	*2,625*
o/w over-the-counter transactions	*4,570,294*	*49,344*	*46,534*	*6,056,244*	*51,447*	*52,039*
o/w credit institutions	*1,800,071*	*31,286*	*28,832*	*2,180,457*	*34,857*	*32,619*
o/w other financial companies	*2,496,472*	*9,454*	*10,576*	*3,608,636*	*8,856*	*10,093*

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5.3 HEDGING DERIVATIVES

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 relation 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 their overall interest rate risk position.

The 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.

	12/31/2016			12/31/2015		
in millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate derivatives	33,576	241	965	35,578	260	1,404
Currency derivatives	3,336	859	579	771	30	502
Equity derivatives	225		1			
Cash flow hedges	**37,137**	**1,100**	**1,545**	**36,349**	**290**	**1,906**
Interest rate derivatives	849,916	11,864	14,906	693,875	12,362	13,809
Forex derivatives	16,092	1,878	3,336	15,139	3,143	2,944
Currency derivatives	33			98	1	
Fair value hedges	**866,041**	**13,742**	**18,242**	**709,112**	**15,506**	**16,753**
TOTAL HEDGING INSTRUMENTS	**903,178**	**14,842**	**19,787**	**745,461**	**15,796**	**18,659**

5.4 AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are non-derivative financial assets that could not be classified in any other category ("Financial assets at fair value", "Financial assets held to maturity" or "Loans and receivables").

in millions of euros	12/31/2016	12/31/2015
Treasury bills and equivalent	42,929	41,898
Bonds and other fixed-income securities	43,690	39,993
Impaired securities	156	134
Fixed-income securities	**86,775**	**82,025**
Equities and other variable-income securities	**14,683**	**14,949**
Loans	**33**	**37**
Available-for-sale financial assets, gross	**101,491**	**97,011**
Impairment of fixed-income securities and loans	(83)	(89)
Permanent impairment of equities and other variable-income securities	(1,251)	(938)
TOTAL AVAILABLE-FOR-SALE ASSETS	**100,157**	**95,984**
Gains and losses recognized directly in equity on available-for-sale financial assets (before tax)*	**5,945**	**5,893**

* *Including the portion attributable to non-controlling interests (€1,342 million at December 31, 2016, compared with €1,130 million at December 31, 2015). For the insurance subsidiaries, this amount gave rise to the symmetrical recognition of a deferred profit sharing reserve, for 88% at December 31, 2016 and 90% at December 31, 2015 (see Note 5.18).*
The Visa Europe shares, reclassified as variable-income securities at December 31, 2015 for €606 million, were sold in the first half of 2016 in accordance with the terms of the agreement entered into with Visa Inc. (see Note 1.3).

Impairment losses are recognized for available-for-sale financial assets whenever the Group considers that its investment may not be recovered. For variable-income securities quoted in an active market, a price decline in excess of 50% in relation to the historical cost or for more than a 36-month period constitutes evidence of impairment.

5.5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

5.5.1 Fair value hierarchy of financial assets and liabilities

The following statement provides a breakdown of financial instruments by type of price and valuation model:

	12/31/2016				12/31/2015			
in millions of euros	Price quoted in an active market (Level 1)	Measurement techniques using observable data (Level 2)	Measurement techniques using unobservable data (Level 3)	Total	Price quoted in an active market (Level 1)	Measurement techniques using observable data (Level 2)	Measurement techniques using unobservable data (Level 3)	Total
FINANCIAL ASSETS								
Securities	44,651	6,890	265	51,806	44,952	6,582	355	51,889
Fixed-income securities	*12,482*	*3,695*	*265*	*16,442*	*18,272*	*3,750*	*355*	*22,377*
Variable-income securities	*32,169*	*3,195*		*35,364*	*26,680*	*2,832*		*29,512*
Derivatives	1,167	49,728	1,952	52,847	438	51,176	2,036	53,650
Interest rate derivatives	304	24,370	426	25,100	12	28,988	1,146	30,146
Equity derivatives	738	4,824	1,005	6,567	332	3,835	343	4,510
Currency derivatives	*5*	*19,100*	*235*	*19,340*	*5*	*16,101*	*35*	*16,141*
Credit derivatives		*573*	*283*	*856*		*1,190*	*507*	*1,697*
Other derivatives	*120*	*861*	*3*	*984*	*89*	*1,062*	*5*	*1,156*
Other financial assets		411	1,344	1,755		305	735	1,040
Financial assets held for trading	**45,818**	**57,029**	**3,561**	**106,408**	**45,390**	**58,063**	**3,126**	**106,579**
Securities	13,811	1,151	2,287	17,249	10,935	2,102	2,350	15,387
Fixed-income securities	*699*	*95*	*1,542*	*2,336*	*984*	*181*	*1,427*	*2,592*
Variable-income securities	*13,112*	*1,056*	*745*	*14,913*	*9,951*	*1,921*	*923*	*12,795*
Other financial assets		45,300	4,204	49,504		47,100	5,346	52,446
Financial assets designated at fair value through profit or loss	**13,811**	**46,451**	**6,491**	**66,753**	**10,935**	**49,202**	**7,696**	**67,833**
Interest rate derivatives		*12,105*		*12,105*		*12,616*	*6*	*12,622*
Currency derivatives		*2,735*	*2*	*2,737*		*3,167*	*6*	*3,173*
Credit derivatives							*1*	*1*
Hedging derivatives		**14,840**	**2**	**14,842**		**15,783**	**13**	**15,796**
Investments in associates	152	350	3,165	3,667	335	352	3,542	4,229
Other securities	82,397	8,089	5,960	96,446	78,942	7,887	4,877	91,706
Fixed-income securities	*76,023*	*6,094*	*4,565*	*86,682*	*72,864*	*5,484*	*3,576*	*81,924*
Variable-income securities	*6,374*	*1,995*	*1,395*	*9,764*	*6,078*	*2,403*	*1,301*	*9,782*
Other financial assets		28	16	44	10	20	19	49
Available-for-sale financial assets	**82,549**	**8,467**	**9,141**	**100,157**	**79,287**	**8,259**	**8,438**	**95,984**
FINANCIAL LIABILITIES								
Securities	22,796	1,038		23,834	22,886	441	24	23,351
Derivatives	1,248	48,518	941	50,707	507	52,552	1,605	54,664
Interest rate derivatives	*524*	*21,164*	*329*	*22,017*	*75*	*26,791*	*816*	*27,682*
Equity derivatives	*523*	*7,443*	*158*	*8,124*	*352*	*5,544*	*308*	*6,204*
Currency derivatives	*1*	*18,858*	*31*	*18,890*	*8*	*18,180*	*12*	*18,200*
Credit derivatives		*420*	*423*	*843*		*1,136*	*469*	*1,605*
Other derivatives	*200*	*633*		*833*	*72*	*901*		*973*
Other financial liabilities		329		329		411		411
Financial liabilities held for trading	**24,044**	**49,885**	**941**	**74,870**	**23,393**	**53,404**	**1,629**	**78,426**
Securities		19,546	93	19,639		15,160	29	15,189
Other financial liabilities	1,170	37,062	695	38,927	92	48,453	744	49,289
Financial liabilities designated at fair value through profit or loss	**1,170**	**56,608**	**788**	**58,566**	**92**	**63,613**	**773**	**64,478**
Interest rate derivatives		*15,870*	*1*	*15,871*		*15,069*	*144*	*15,213*
Equity derivatives			*1*	*1*				
Currency derivatives		*3,915*		*3,915*		*3,446*		*3,446*
Hedging derivatives		**19,785**	**2**	**19,787**		**18,515**	**144**	**18,659**

5.5.2 Analysis of assets and liabilities classified in Level 3 of the fair value hierarchy

AT DECEMBER 31, 2016

		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	01/01/2016	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In equity	Purchases/ Issues	Sales/ Redemp-tions	To another reporting category	From and to another level	Other changes	12/31/2016
FINANCIAL ASSETS										
Securities	355	(3)	5		356	(450)		1	1	265
Fixed-income securities	*355*	*(3)*	*5*		*356*	*(450)*		*1*	*1*	*265*
Variable-income securities										
Derivatives	2,036	676	(375)		500	(456)	(251)	(181)	3	1,952
Interest rate derivatives	*1,146*	*(79)*	*(185)*		*5*	*(119)*	*(146)*	*(181)*	*(15)*	*426*
Equity derivatives	*343*	*560*	*(76)*		*467*	*(288)*			*(1)*	*1,005*
Currency derivatives	*35*	*225*	*(19)*		*10*	*(37)*			*21*	*235*
Credit derivatives	*507*	*(30)*	*(95)*		*18*	*(12)*	*(105)*			*283*
Other derivatives	*5*								*(2)*	*3*
Other financial assets	735	5	3		1,624	(1,080)	46		11	1,344
Financial assets held for trading	**3,126**	**678**	**(367)**		**2,480**	**(1,986)**	**(205)**	**(180)**	**15**	**3,561**
Securities	2,350	(8)	16		441	(393)	(5)		(114)	2,287
Fixed-income securities	*1,427*	*(5)*	*3*		*359*	*(238)*	*(5)*		*1*	*1,542*
Variable-income securities	*923*	*(3)*	*13*		*82*	*(155)*			*(115)*	*745*
Other financial assets	5,346	(222)	(30)		1,690	(2,688)	(159)	135	132	4,204
Financial assets designated at fair value through profit or loss	**7,696**	**(230)**	**(14)**		**2,131**	**(3,081)**	**(164)**	**135**	**18**	**6,491**
Interest rate derivatives	6								(6)	
Currency derivatives	6								(4)	2
Credit derivatives	1		(1)							
Hedging derivatives	**13**		**(1)**						**(10)**	**2**
Investments in associates(2)	3,542	(66)	(824)	352	365	(206)	(2)	2	2	3,165
Other securities	4,877	20	5	31	2,154	(1,044)	15	(142)	44	5,960
Fixed-income securities	*3,576*	*13*	*(1)*	*10*	*1,835*	*(783)*	*16*	*(146)*	*45*	*4,565*
Variable-income securities	*1,301*	*7*	*6*	*21*	*319*	*(261)*	*(1)*	*4*	*(1)*	*1,395*
Other financial assets	19	1		(1)	2	(5)				16
Available-for-sale financial assets	**8,438**	**(45)**	**(819)**	**382**	**2,521**	**(1,255)**	**13**	**(140)**	**46**	**9,141**
FINANCIAL LIABILITIES										
Securities	24	(12)			13	(18)		(6)	(1)	
Derivatives	1,605	(30)	(388)		90	(141)	(217)	13	9	941
Interest rate derivatives	*816*	*(9)*	*(191)*		*32*	*(71)*	*(242)*	*(9)*	*3*	*329*
Equity derivatives	*308*	*(20)*	*(115)*		*56*	*(43)*		*(28)*		*158*
Currency derivatives	*12*	*16*			*2*	*(2)*			*3*	*31*
Credit derivatives	*469*	*(17)*	*(82)*			*(25)*	*25*	*50*	*3*	*423*
Financial liabilities held for trading	**1,629**	**(42)**	**(388)**		**103**	**(159)**	**(217)**	**7**	**8**	**941**
Securities	29	(6)	(1)		65	2			4	93
Other financial liabilities	744	78	(52)		600	(678)		3		695
Financial liabilities designated at fair value through profit or loss	**773**	**72**	**(53)**		**665**	**(676)**		**3**	**4**	**788**
Interest rate derivatives	*144*	*4*				*(147)*				*1*
Equity derivatives		*1*								*1*
Hedging derivatives	**144**	**5**				**(147)**				**2**

(1) The main impacts recognized in the income statement are mentioned in Note 6.3.

(2) The Visa Europe shares were recorded as investments in associates for €606 million at December 31, 2015. They were sold in the first haf of 2016 in accordance with the agreement signed with Visa Inc. (see Note 1.3), and this sale generated a capital gain of €831 million.

AT DECEMBER 31, 2015

		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	01/01/2015	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In equity	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level	Other changes	12/31/2015
FINANCIAL ASSETS										
Securities	469	(10)	3		452	(546)		(23)	10	355
Fixed-income securities	*469*	*(10)*	*3*		*452*	*(546)*		*(23)*	*10*	*355*
Variable-income securities										
Derivatives	1,837	141	(407)		330	(275)	229	125	56	2,036
Interest rate derivatives	*1,309*	*(18)*	*(448)*		*159*	*(164)*	*229*	*76*	*3*	*1,146*
Equity derivatives	*134*	*(33)*	*45*		*171*	*(3)*		*(21)*	*50*	*343*
Currency derivatives	*8*	*(39)*	*1*			*(4)*		*70*	*(1)*	*35*
Credit derivatives	*386*	*221*	*(5)*			*(99)*			*4*	*507*
Other derivatives		*10*				*(5)*				*5*
Other financial assets	376				734	(376)			1	735
Financial assets held for trading	**2,682**	**131**	**(404)**		**1,516**	**(1,197)**	**229**	**102**	**67**	**3,126**
Securities	2,498	84	(146)		361	(459)		31	(19)	2,350
Fixed-income securities	*1,353*	*77*	*(1)*		*302*	*(335)*		*29*	*2*	*1,427*
Variable-income securities	*1,145*	*7*	*(145)*		*59*	*(124)*		*2*	*(21)*	*923*
Other financial assets	6,410	(63)	(60)		1,646	(2,732)		(11)	156	5,346
Financial assets designated at fair value through profit or loss	**8,908**	**21**	**(206)**		**2,007**	**(3,191)**		**20**	**137**	**7,696**
Interest rate derivatives	1						5			6
Currency derivatives							6			6
Credit derivatives	4	(4)							1	1
Hedging derivatives	**5**	**(4)**					**11**		**1**	**13**
Investments in associates(2)	2,842	8	19	653	308	(131)	(4)		(153)	3,542
Other securities	4,946	11	26	16	2,163	(1,829)	2	(422)	(36)	4,877
Fixed-income securities	*3,718*	*8*	*5*	*(17)*	*1,804*	*(1,491)*		*(415)*	*(36)*	*3,576*
Variable-income securities	*1,228*	*3*	*21*	*33*	*359*	*(338)*	*2*	*(7)*		*1,301*
Other financial assets	51	(18)	1	(1)	2	(16)				19
Available-for-sale financial assets	**7,839**	**1**	**46**	**668**	**2,473**	**(1,976)**	**(2)**	**(422)**	**(189)**	**8,438**
FINANCIAL LIABILITIES										
Securities	10		1		64	(52)			1	24
Derivatives	1,979	444	(614)		201	(113)	130	(459)	37	1,605
Interest rate derivatives	*1,384*	*304*	*(572)*		*159*	*(112)*	*130*	*(486)*	*9*	*816*
Equity derivatives	*116*	*100*	*31*		*41*			*20*		*308*
Currency derivatives	*8*	*(4)*	*1*			*(1)*		*7*	*1*	*12*
Credit derivatives	*471*	*44*	*(74)*		*1*				*27*	*469*
Other derivatives										
Other financial liabilities										
Financial liabilities held for trading	**1,989**	**444**	**(613)**		**265**	**(165)**	**130**	**(459)**	**38**	**1,629**
Securities		*3*				*(1)*		*28*	*(1)*	*29*
Other financial liabilities	*72*	*(13)*	*77*			*(144)*		*727*	*25*	*744*
Financial liabilities designated at fair value through profit or loss	**72**	**(10)**	**77**			**(145)**		**755**	**24**	**773**
Interest rate derivatives							*144*			*144*
Hedging derivatives							**144**			**144**

(1) The main impacts recognized in the income statement are mentioned in Note 6.3.
(2) In 2015, €606 million was recognized directly in other items of comprehensive income for the revaluation of Visa Europe securities purchased by Visa Inc. on June 21, 2016 (see Note 1.3).

5

5.5.3 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 2016					
	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
FINANCIAL ASSETS						
Securities		17		429	1	
Fixed-income securities		*17*		*56*	*1*	
Variable-income securities				*373*		
Derivatives					134	315
Interest rate derivatives					*134*	*315*
Financial assets held for trading		**17**		**429**	**135**	**315**
Other financial assets					135	
Financial assets designated at fair value through profit or loss					**135**	
Investments in associates					2	
Other securities		326	2	705	66	210
Fixed-income securities		*302*		*699*	*54*	*200*
Variable-income securities		*24*	*2*	*6*	*12*	*10*
Available-for-sale financial assets		**326**	**2**	**705**	**68**	**210**
FINANCIAL LIABILITIES						
Securities		5		2		6
Derivatives					54	39
Interest rate derivatives					*1*	*8*
Equity derivatives						*28*
Credit derivatives					*53*	*3*
Financial liabilities held for trading		**5**		**2**	**54**	**45**
Securities						
Other financial liabilities					3	
Financial liabilities designated at fair value through profit or loss					**3**	

The amounts of transfers indicated in this statement are those of the last valuation preceding the transfer.

	Fiscal year 2015			
From	Level 1	Level 2	Level 2	Level 3
in millions of euros — To	Level 2	Level 1	Level 3	Level 2
FINANCIAL ASSETS				
Securities	385	901	6	29
Fixed-income securities	*83*	*901*	*6*	*29*
Variable-income securities	*302*			
Derivatives			198	39
Interest rate derivatives(1)			*109*	*33*
Equity derivatives(2)			*17*	*4*
Currency derivatives			*72*	*2*
Financial assets held for trading	**385**	**901**	**204**	**68**
Securities			31	
Fixed-income securities			*29*	
Variable-income securities			*2*	
Other financial assets			20	31
Financial assets designated at fair value through profit or loss			**51**	**31**
Other securities	77	49	128	550
Fixed-income securities	*69*	*49*	*80*	*495*
Variable-income securities	*8*		*48*	*55*
Available-for-sale financial assets	**77**	**49**	**128**	**550**
FINANCIAL LIABILITIES				
Securities	29	15		
Derivatives			135	595
Interest rate derivatives(1)			*82*	*569*
Equity derivatives(2)			*46*	*26*
Currency derivatives			*7*	
Other financial liabilities				
Financial liabilities held for trading	**29**	**15**	**135**	**595**
Securities			28	
Other financial liabilities			731	4
Financial liabilities designated at fair value through profit or loss			**759**	**4**

(1) For Helvetix derivatives, since the contribution of valuation adjustments had become very significant with respect to the fair value of these instruments taken as a whole, the Group transferred them to Level 3 of the fair value hierarchy in 2015;

(2) TRS and repos indexed to a basket of equities were transferred to Level 3 of the fair value hierarchy in 2015 subsequent to a change in the valuation model based on proprietary data.

5.5.4 Sensitivity of Level 3 assets and liabilities to changes in the principal assumptions

At December 31, 2016, 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:

- 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 €13 million;
- of a flat rate 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 €11 million, should the inputs mentioned above improve, or a decrease in value of €10 million if the same inputs deteriorate.

(1) i.e. the standard deviation of consensus prices used to measure the inputs.

5.6 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Most loans originated by the Group are classified in this category. Information about credit risk is provided in Note 7.1.

5.6.1 Loans and receivables due from credit institutions

in millions of euros	12/31/2016	12/31/2015
Loans and receivables due from credit institutions	96,737	96,287
Specific impairment	(65)	(72)
Impairment on a portfolio basis	(8)	(7)
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**96,664**	**96,208**

The fair value of loans and receivables due from banks is presented in Note 14.

Breakdown of gross loans and receivables due from credit institutions

in millions of euros	12/31/2016	12/31/2015
Current accounts with overdrafts	8,359	7,411
Repurchase agreements	15,406	15,231
Loans and advances(1)	72,502	73,241
Securities classified as loans and receivables	267	198
Other loans and receivables due from credit institutions	121	122
Impaired loans and receivables	82	84
TOTAL GROSS LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**96,737**	**96,287**

(1) Livret A, LDD and LEP savings accounts centralized with Caisse des Dépôts et Consignations and recorded under "Loans and receivables" amounted to €66,172 million at December 31, 2016 versus €65,655 million at December 31, 2015.

5.6.2 Loans and receivables due from customers

in millions of euros	12/31/2016	12/31/2015
Loans and receivables due from customers	679,176	629,775
Specific impairment	(10,744)	(10,675)
Impairment on a portfolio basis	(1,534)	(1,635)
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**666,898**	**617,465**

The fair value of loans and receivables due from customers is presented in Note 14.

Breakdown of gross loans and receivables due from customers

in millions of euros	12/31/2016	12/31/2015
Current accounts with overdrafts	**12,454**	**11,388**
Loans to financial sector customers	3,911	4,076
Short-term credit facilities	61,216	55,860
Equipment loans	146,060	143,996
Home loans	302,434	289,809
Export loans	3,573	3,188
Repurchase agreements	44,857	27,656
Finance leases	16,057	15,875
Subordinated loans	601	461
Other loans*	36,727	25,230
Other facilities granted to customers	**615,436**	**566,151**
Securities classified as loans and receivables	**20,093**	**23,016**
Other loans and receivables due from customers	**7,766**	**6,122**
Impaired loans and receivables	**23,427**	**23,098**
TOTAL GROSS LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**679,176**	**629,775**

* *Including, at December 31, 2016, a cash deposit of €10.5 billion with CNP Assurances under the reinsurance treaty covering 10% of CNP Assurances' total savings deposit outstandings. This cash deposit is backed by technical reserves initially recognized for an identical amount under balance sheet liabilities, representing commitments to insured parties (see Note 5.18).*

Breakdown of finance leases

	12/31/2016			12/31/2015		
in millions of euros	Real estate	Non-real estate	Total	Real estate	Non-real estate	Total
Performing loans	**7,995**	**8,062**	**16,057**	**8,354**	**7,521**	**15,875**
Net impaired loan outstandings	**135**	**233**	**368**	**176**	**394**	**570**
Impairment	(85)	(109)	(194)	(94)	(208)	(302)
TOTAL LOAN OUTSTANDINGS ON FINANCE LEASES	**8,045**	**8,186**	**16,231**	**8,436**	**7,707**	**16,143**

5.7 HELD-TO-MATURITY FINANCIAL ASSETS

These are non-derivative financial assets with fixed or determinable payments that the Group has an intention and ability to hold to maturity.

in millions of euros	12/31/2016	12/31/2015
Treasury bills and equivalent	6,645	6,792
Bonds and other fixed-income securities	2,840	3,905
Gross amount of held-to-maturity financial assets	**9,485**	**10,667**
Impairment	(2)	(2)
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	**9,483**	**10,665**

The fair value of held-to-maturity financial assets is presented in Note 14.

5.8 RECLASSIFICATION OF FINANCIAL ASSETS

Portfolio of reclassified financial assets

In application of the amendments to IAS 39 and IFRS 7 "Reclassification of financial assets", the Group reclassified some of its financial assets.

No significant reclassification was carried out in fiscal year 2015 or 2016.

	Carrying amount		Fair value	
in millions of euros	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Assets reclassified to:				
Available-for-sale financial assets		51		51
Loans and receivables	8,390	8,545	7,375	7,681
TOTAL SECURITIES RECLASSIFIED	**8,390**	**8,596**	**7,375**	**7,732**

Change in fair value which would have been recognized if the securities had not been reclassified

in millions of euros	Fiscal year 2016	Fiscal year 2015
Change in fair value		
– that would have been recognized in income if the securities had not been reclassified	1	
– that would have been recognized in gains and losses recognized directly in equity if the securities had not been reclassified	(99)	83

5.9 DEFERRED TAX ASSETS AND LIABILITIES

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	12/31/2016	12/31/2015(1)
Unrealized capital gains on UCITS	64	84
Fiscal EIGs	(198)	(224)
Provisions for employee-related liabilities	293	350
Provisions for regulated home savings products	214	250
Impairment on a portfolio basis	313	376
Other non-deductible provisions	647	1,072
Changes in fair value of financial instruments recorded in equity	(207)	(262)
Other sources of temporary differences(2)	769	385
Deferred tax assets and liabilities related to timing differences	**1,895**	**2,031**
Deferred tax assets and liabilities arising on the capitalization of tax loss carryforwards	**2,496**	**2,643**
Unrecognized deferred tax assets and liabilities	**(1,075)**	**(564)**
NET DEFERRED TAX ASSETS AND LIABILITIES	**3,316**	**4,110**
Deferred taxes recognized:		
– As assets in the balance sheet	4,097	4,988
– As liabilities in the balance sheet	(781)	(878)

(1) The amount recorded under "Deferred tax assets and liabilities on consolidation adjustments and eliminations" at December 31, 2015, i.e. €143 million, is now recorded under the following headings:
- *+€103 million under "Fiscal EIGs";*
- *-€3 million under "Other non-deductible provisions";*
- *+€92 million under "Changes in fair value of financial instruments recorded in equity";*
- *-€49 million under "Other sources of temporary differences".*

(2) Following the publication by IFRIC of additional information on IAS 12, a deferred tax liability of €530 million was recognized at December 31, 2016 (€457 million at December 31, 2015) on certain goodwill items recorded in the United States, which will give rise to tax amortization over 15 years.*

At December 31, 2016, deductible temporary differences, tax losses and unused tax credits for which no deferred tax asset has been recorded in the balance sheet amounted to €4,152 million.

** IFRIC's July 2014 publication, in its Interpretations Committee Agenda Decisions, of additional information on IAS 12 "Income Taxes: recognition of deferred tax for a single asset in a corporate wrapper" provided a clarification leading to the consideration that, starting with § 51 of IAS 12 covering the method for recovering or settling assets (in this case, the disposal of shares from France), a deferred tax liability should be recorded both on the temporary difference related to the asset (in this case goodwill) carried by the subsidiary, on an inside basis, and the temporary difference related to the consolidated shares (outside basis), arising from the difference between the consolidated carrying amount of the shares under IFRS and their tax base (where the company does not control the reversal of this difference).*

5.10 ACCRUED INCOME AND OTHER ASSETS

in millions of euros	12/31/2016	12/31/2015
Collection accounts	5,358	5,663
Prepaid expenses	311	357
Accrued income	1,760	852
Other accruals	4,014	3,577
Accrued income and prepaid expenses	**11,443**	**10,449**
Security deposits paid	22,992	21,271
Settlement accounts in debit on securities transactions	259	91
Reinsurers' share of technical reserves	9,551	8,444
Other insurance-related assets	1,902	1,456
Other debtors	14,648	13,672
Other assets	**49,352**	**44,934**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**60,795**	**55,383**

5.11 NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

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 be completed within the next twelve months.

At December 31, 2016, these assets primarily concerned Natixis group entities that are held for sale (Caspian in the Investment Solutions business line and Ellisphère and IJCOF in the Corporate Data Solution division). They also include a life insurance portfolio and the securities representing these commitments, which are being sold by Natixis group.

5.12 INVESTMENT PROPERTY

	12/31/2016			12/31/2015		
in millions of euros	Gross carrying amount	Accumulated depreciation and impairment	Net amount	Gross carrying amount	Accumulated depreciation and impairment	Net amount
Property recognized at fair value*	///	///	1,182	///	///	1,270
Property recognized at historical cost	1,393	(595)	798	1,378	(628)	750
TOTAL INVESTMENT PROPERTY			**1,980**			**2,020**

* *Buildings included in insurance company investments. Changes in fair value give rise to the symmetrical recognition of a deferred profit sharing reserve equal to 88% of the related base amount on average at December 31, 2016 compared to 90% at December 31, 2015 (See Note 5.18).*

The fair value of investment property came to €2,254 million at December 31, 2016 (€2,314 million at December 31, 2015).

The fair value of investment property, whose measurement principles are described in Note 4.2, is classified in Level 3 of the IFRS 13 fair value hierarchy.

5.13 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

in millions of euros	12/31/2016 Gross carrying amount	12/31/2016 Accumulated depreciation and impairment	12/31/2016 Net amount	12/31/2015 Gross carrying amount	12/31/2015 Accumulated depreciation and impairment	12/31/2015 Net amount
Property, plant and equipment						
– Land and buildings	4,066	(1,996)	2,070	4,010	(1,984)	2,026
– Leased real estate	526	(210)	316	419	(174)	245
– Equipment, furniture and other property, plant and equipment	7,448	(5,324)	2,124	7,739	(5,300)	2,439
TOTAL PROPERTY, PLANT AND EQUIPMENT	**12,040**	**(7,530)**	**4,510**	**12,168**	**(7,458)**	**4,710**
Intangible assets						
– Leasehold rights	407	(219)	188	422	(226)	196
– Software	2,660	(2,071)	589	2,551	(1,925)	626
– Other intangible assets	565	(269)	296	551	(271)	280
TOTAL INTANGIBLE ASSETS	**3,632**	**(2,559)**	**1,073**	**3,524**	**(2,422)**	**1,102**

5.14 GOODWILL

in millions of euros	12/31/2016	12/31/2015
Opening net value	**4,354**	**3,605**
Acquisitions(1)	177	605
Disposals	(4)	(2)
Impairment(2)	(154)	(19)
Reclassifications(3)	(24)	13
Foreign exchange rate adjustments	48	152
Closing net value	**4,397**	**4,354**

(1) *The main acquisitions made in fiscal year 2016 are presented in Note 1.3 and generated the following goodwill:*
- *Fidor Bank AG (temporary amount of €80 million);*
- *Peter J. Solomon Company (€72 million).*

For fiscal year 2015, goodwill of €580 million was recorded on the acquisition of DNCA Finance.

(2) *Including impairments recorded on the Equity Interests cash-generating unit (Coface) in the amount of €75 million, Banque Palatine (€42 million) and regional banks (€35 million).*

(3) *At December 31, 2016, goodwill of €23 million carried by Ellisphère, a former Corporate Data Solution CGU, was reclassified as "Non-current assets held for sale" (see Note 5.11).*

At December 31, 2016, gross goodwill stood at €5,006 million and total impairment at €609 million.

Certain goodwill items recognized in the United States gave rise to tax amortization over 15 years, leading to a difference between the carrying value of the goodwill and its tax base. This difference in accounting treatment generated a deferred tax liability of €530 million at December 31, 2016 (€457 million at December 31, 2015).

Breakdown of goodwill:

	Carrying amount	
in millions of euros	12/31/2016	12/31/2015
– Investment Solutions	3,093	3,053
– Corporate and Investment Banking	87	5
– Specialized Financial Services	33	27
– Equity Interests (Coface)	282	355
– Other activities		13
Natixis	**3,495**	**3,453**
Regional banks(1)	**650**	**685**
Banque Palatine	**53**	**95**
BPCE International	**42**	**42**
Banque BCP France	**42**	**42**
Crédit Foncier	**13**	**13**
Fidor AG	**80**	
Other(2)	**22**	**24**
TOTAL GOODWILL	**4,397**	**4,354**

(1) *Regional banks: Banque de Savoie, Banque Dupuy, de Parseval, Banque Marze and two goodwill items, one carried by Banque Populaire Aquitaine Centre Atlantique arising from its merger with CCSO-Pelletier and the other by Banque Populaire Méditerranée arising from its merger with Banque Chaix.*

(2) *Goodwill carried by Banque de la Réunion (€7 million) has been reclassified to "Other" following its merger with Caisse d'Epargne Provence-Alpes-Corse (CEPAC) and overseas banks.*

Impairment tests

Pursuant to regulations, all goodwill has been impairment-tested, based on the assessment of the value in use of the cash-generating units (CGU) to which it is attached.

At June 30, 2016, the tests on the Coface CGU led to goodwill impairment of €75 million (€22 million attributable to equity holders of the parent) on Coface.

At December 31, 2016, these tests led to the recognition of additional goodwill impairment of €79 million, including €42 million on the Banque Palatine CGU and €35 million on the Regional Banks CGU.

The Equity Interests CGU (Coface) has been listed since June 2014 and is not one of Natixis' core business lines. The equity holding in this entity is managed as an investment, and additional approaches were taken in addition to value in use. As in previous years, these approaches were based on market data including market multiples, share price and broker target prices. The average valuation was determined by weighting the different approaches; the weighting assigned to each approach was unchanged against the previous year.

The former Corporate Data Solution (CDS) CGU is now limited to IJCOF, an entity consolidated under the equity method, Ellisphère, an entity carrying goodwill of

€23 million, and holding company HCP, carrying no goodwill. As Ellisphère and IJCOF are held for sale, all goodwill carried by this CGU has been reclassified as "Non-current assets held for sale" (see Note 5.11).

For BPCE International subsidiaries, results are projected over 5 years, which is considered acceptable for these entities, barring exceptions. In practice, BPCE International subsidiaries have a budget for year N+1 (2017) and a medium term plan for data covering years N+2 to N+5 (2018-2021).

Key assumptions used to determine recoverable value

Value in use is determined based on the discounted 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
Natixis		
Investment Solutions	9.8%	2.5%
Corporate and Investment Banking	11.0%	2.5%
Specialized Financial Services	11.3%	2.5%
Equity Interests (Coface)	10.5%	2.5%
Banque Palatine	**8.5%**	**2.0%**
Regional banks	**7.75% – 8.0%**	**2.0%**
BPCE International	**9.07% – 15.78%**	**1.85% – 5.00%**

The discount rates were determined as follows:

- for the Investment Solutions, Corporate and Investment Banking 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 sample of CGU-representative companies;
- for the Equity Interests CGU (Coface), 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 discount rates applied to the projected cash flows of the Banque Palatine CGU and the Banque Populaire Regional Banks CGU were determined based on a risk-free rate (10-year OAT) over a depth of five 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;
- for the BPCE International subsidiaries, the long-term growth rates are based on the long-term inflation rates in their countries of operation. At December 31, 2016, the discount rates for these subsidiaries were calculated using the most recent market information available.

Sensitivity of recoverable values

A 20 basis point increase in discount rates combined with a 50 basis point decrease in perpetual growth rates would reduce the CGUs' value in use by:

- -6.5% for the Investment Solutions CGU;
- -3.0% for the Corporate & Investment Banking CGU;
- -3.7% for the Specialized Financial Services CGU;
- -4.3% for the Equity Interests CGU (Coface);
- -4.6% for the Banque Palatine CGU;
- -5.7% for the Regional Banks CGU.

These changes would result in the recognition of additional impairment losses on the following CGUs only: Coface (€40 million, *i.e.* €12 million attributable to equity holders of the parent), Banque Palatine (€38 million) and Regional Banks (€25 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 Investment Solutions, a 10% decline in the equity markets would have a -3% negative impact on the CGU's recoverable value and would not lead to the recognition of an impairment loss;
- for Corporate & Investment Banking, sensitivity to the dollar or to changes in the CAC would have a limited impact on net banking income and would not result in recognition of impairment;
- for Specialized Financial Services, a 1 point drop 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 -8% on the CGU's recoverable value and would have no impact in terms of impairment;
- for Equity interests (Coface), the primary sensitivity vector is the loss ratio. A target loss ratio of 51% (net of reinsurance) was applied to conduct the CGU's impairment test at December 31, 2016. A one-point increase in the loss ratio, relative to the assumptions used for the DCF calculation over all years from 2017, would impact the average multi-criteria value and would lead to the recognition of impairment on the CGU in the amount of -€40 million (€12 million attributable to equity holders of the parent). A valuation at the lowest price of the year 2016 would have a limited impact on the weighted average valuation determined using the different methods;
- for the Banque Palatine CGU, the sensitivity of future cash flows, as forecast in the business plan, to a 5% point fall in normative net income, would have a negative impact on the CGU's value of -5.8% and would lead to the recognition of an impairment loss of around €48 million on the CGU;
- for the Regional Banks CGU, the sensitivity of future cash flows, as forecast in the business plan, to a 5% point fall in normative net income, combined with a 50 basis point rise in the target capital adequacy ratio, would have a negative impact on the CGU's value of -5.7% and would lead to the recognition of an impairment loss of around €25 million on the CGU.

5.15 AMOUNTS DUE TO CREDIT INSTITUTIONS AND CUSTOMERS

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".

5.15.1 Amounts due to credit institutions

in millions of euros	12/31/2016	12/31/2015
Demand deposits	11,944	9,659
Repurchase agreements	5,305	2,841
Accrued interest	8	6
Amounts due to credit institutions – repayable on demand	**17,257**	**12,506**
Term deposits and loans	57,392	50,349
Repurchase agreements	12,398	13,955
Accrued interest	145	230
Amounts due to credit institutions – repayable at agreed maturity dates	**69,935**	**64,534**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**87,192**	**77,040**

The fair value of amounts due to credit institutions is presented in Note 14.

5.15.2 Amounts due to customers

in millions of euros	12/31/2016	12/31/2015
Current accounts with credit balances	**151,368**	**147,233**
Livret A passbook savings accounts	87,071	87,528
Regulated home savings products	74,844	70,028
Other regulated savings accounts	80,570	81,257
Accrued interest	543	25
Regulated savings accounts	**243,028**	**238,838**
Demand deposits and loans	15,435	12,658
Term accounts and loans	67,123	67,755
Accrued interest	2,223	2,196
Other customer accounts	**84,781**	**82,609**
Demand	12,172	16,318
Term	38,067	13,618
Accrued interest	27	16
Repurchase agreements	**50,266**	**29,952**
Other amounts due to customers	**2,335**	**1,079**
TOTAL AMOUNTS DUE TO CUSTOMERS	**531,778**	**499,711**

The fair value of amounts due to customers is presented in Note 14.

5.16 DEBT SECURITIES

Debt securities are classified based on the nature of the underlying, with the exception of subordinated notes presented under "Subordinated debt".

in millions of euros	12/31/2016	12/31/2015
Bonds	146,894	157,081
Interbank market instruments and negotiable debt securities	81,125	61,965
Other debt securities	1,853	1,744
Total	**229,872**	**220,790**
Accrued interest	2,479	2,623
TOTAL DEBT SECURITIES	**232,351**	**223,413**

The fair value of debt securities is presented in Note 14.

5.17 ACCRUED EXPENSES AND OTHER LIABILITIES

in millions of euros	12/31/2016	12/31/2015
Collection accounts	8,789	5,168
Prepaid income	1,415	1,487
Accounts payable	2,547	2,813
Other accruals	5,430	7,507
Accrued expenses and other liabilities	**18,181**	**16,975**
Settlement accounts in credit on securities transactions	664	576
Guarantee deposits received	15,996	14,265
Other payables	12,760	13,403
Other insurance-related liabilities	8,949	8,480
Other liabilities	**38,369**	**36,724**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**56,550**	**53,699**

5.18 TECHNICAL RESERVES OF INSURANCE COMPANIES

in millions of euros	12/31/2016	12/31/2015
Non-life insurance technical reserves	**4,698**	**4,222**
Life insurance technical reserves – EUR policies*	56,103	43,016
Life insurance technical reserves – unit-linked policies	11,433	9,117
Life insurance technical reserves	**67,536**	**52,133**
Financial contract technical reserves	**29**	**11**
Deferred profit-sharing	**3,553**	**3,196**
TOTAL INSURANCE TECHNICAL RESERVES	**75,816**	**59,562**

* *This change notably corresponds to technical reserves representing life insurance policies related to the reinsurance treaty signed as part of the partnership with CNP Assurances, for €11.6 billion at December 31, 2016 (see Note 1.3).*

Non-life insurance technical reserves include unearned premium reserves and outstanding claims reserves.

Life insurance technical reserves mainly comprise mathematical reserves, which generally correspond to the surrender value of policies.

Financial contract technical reserves (contracts issued by insurance companies) are mathematical reserves measured on the basis of the underlying assets of these policies.

Deferred profit-sharing represents the portion of income from participating insurance policies in the form of a cumulative amount allocated to policyholders and not yet distributed.

5.19 PROVISIONS

Provisions are detailed in the table below.

in millions of euros	01/01/2016	Increase	Use	Reversals unused	Other changes(1)	12/31/2016
Provisions for employee benefit commitments(2)	1,789	205	(102)	(111)	765	2,546
Provisions for restructuring costs(3)	61	76	(20)	(13)		104
Legal and tax risks(4)	1,619	257	(101)	(263)	25	1,537
Loan and guarantee commitments	360	136	(32)	(82)	(16)	366
Provisions for regulated home savings products	715	35		(37)		713
Other operating provisions	1,121	367	(54)	(201)		1,233
TOTAL PROVISIONS	**5,665**	**1,076**	**(309)**	**(707)**	**774**	**6,499**

(1) Other changes included the variation in the revaluation difference on employee benefits (+€205 million before tax) and a reclassification of +€563 million related to a change in how pension plan assets invested with Groupe BPCE related parties are presented. These assets are now booked as reimbursement rights under assets in the balance sheet and are no longer deducted from defined-benefit commitments booked under liabilities. This adjustment had no impact on the income statement.

(2) o/w €2,376 million for post-employment defined-benefit plans and other long-term employee benefits (see Note 9.2.1).

(3) At December 31, 2016, provisions for restructuring costs included €6 million for the workforce adjustment plan at Natixis that ended in 2015 (€15 million at December 31, 2015), €42 million in provisions for restructuring in respect of the Coface plan, and €22 million in provisions for restructuring costs at Caisse d'Epargne Provence-Alpes-Corse for the "overseas" voluntary redundancy plan following its merger with the overseas banks (see Note 16.1)

(4) At December 31, 2016, provisions for legal and tax risks included €480 million for net Madoff outstandings (€475 million at December 31, 2015).

5.19.1 Deposits held in regulated home savings products

in millions of euros	12/31/2016	12/31/2015
Deposits held in PEL regulated home savings plans		
– less than 4 years	41,569	35,127
– more than 4 years and less than 10 years	15,748	15,836
– more than 10 years	11,997	12,585
Deposits held in PEL regulated home savings plans	**69,314**	**63,548**
Deposits held in CEL regulated home savings accounts	**5,621**	**5,769**
TOTAL DEPOSITS HELD IN REGULATED HOME SAVINGS PRODUCTS	**74,935**	**69,317**

5.19.2 Loans outstanding granted under regulated home savings products

in millions of euros	12/31/2016	12/31/2015
Loans outstanding granted under regulated home savings plans	98	144
Loans outstanding granted under regulated home savings accounts	379	539
TOTAL LOANS OUTSTANDING ON REGULATED HOME SAVINGS PRODUCTS	**477**	**683**

5.19.3 Provisions on regulated home savings products

in millions of euros	12/31/2016	12/31/2015
Provisions for PEL regulated home savings plans		
– less than 4 years	405	355
– more than 4 years and less than 10 years	99	116
– more than 10 years	169	181
Provisions for PEL regulated home savings plans	**673**	**652**
Provisions for CEL regulated home savings accounts	**45**	**70**
Provisions for PEL regulated home savings loans	(1)	(2)
Provisions for CEL regulated home savings loans	(4)	(5)
Provisions for regulated home savings loans	**(5)**	**(7)**
TOTAL PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS	**713**	**715**

5.20 SUBORDINATED DEBT

Subordinated debt is classified separately from issues of other debt and bonds because in the event of default, holders of subordinated debt rank after all senior debt holders.

in millions of euros	12/31/2016	12/31/2015
Term subordinated debt	18,620	17,198
Perpetual subordinated debt	321	321
Mutual guarantee deposits	166	180
Subordinated debt and similar	**19,107**	**17,699**
Accrued interest	356	322
Revaluation of the hedged component	658	118
TOTAL SUBORDINATED DEBT	**20,121**	**18,139**

The fair value of subordinated debt is presented in Note 14.

Changes in subordinated debt and similar during the year

in millions of euros	01/01/2016	Issuance[(1)]	Redemption[(2)]	Other changes [(3)]	12/31/2016
Term subordinated debt	17,198	3,020	(1,684)	86	18,620
Perpetual subordinated debt	321				321
Mutual guarantee deposits	180	7	(21)		166
SUBORDINATED DEBT AND SIMILAR	**17,699**	**3,027**	**(1,705)**	**86**	**19,107**

(1) Issuance in fiscal year 2016 included:
- *€1,506 million total in redeemable subordinated notes issued by BPCE in March, April and July 2016;*
- *JPY 53,000 million total in redeemable subordinated notes issued by BPCE in July 2016;*
- *USD 1,100 million total in redeemable subordinated notes issued by BPCE in March, April and May 2016;*
- *SGD 130 million total in redeemable subordinated notes issued by BPCE in June 2016.*

(2) Redemptions of subordinated borrowings and securities specifically involved:
- *the maturing of subordinated securities issued by BPCE in the amount of €1,715 million, in 2016.*
- *the maturing of subordinated securities issued by Crédit Coopératif in the amount of €40 million, in November 2016.*

(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 with respect to Natixis' debt on the secondary market.

Deeply subordinated notes qualifying as equity instruments are presented in Note 5.21.2.

5.21 ORDINARY SHARES AND EQUITY INSTRUMENTS ISSUED

5.21.1 Cooperative shares

At December 31, 2016, the share capital broke down as follows:

- €8,538 million in cooperative shares fully subscribed for by the cooperative shareholders of the Banque Populaire banks (compared to €7,792 million at December 31, 2015);
- €9,575 million in cooperative shares fully subscribed for by the cooperative shareholders of the Caisses d'Epargne (compared to €9,469 million at December 31, 2015).

At December 31, 2016, additional paid-in capital broke down as follows:

- €950 million linked to cooperative shares fully subscribed for by the cooperative shareholders of the Banque Populaire banks;
- €2,885 million linked to cooperative shares fully subscribed for by the cooperative shareholders of the Caisses d'Epargne.

5.21.2 Perpetual deeply subordinated notes classified as equity

Issuing entity	Issue date	Currency	Amount *in original currency*	Redemption option date	Interest step-up date	Rate	Nominal *in millions of euros** 12/31/2016	12/31/2015
BPCE	July 30, 2004	USD	200 million	March 30, 2017	None	Min (10-year CMAT +0.3%; 9%)	142	142
BPCE	October 12, 2004	EUR	80 million	January 12, 2017	None	Min (10-year CMS; 7%)	80	80
BPCE	January 27, 2006	USD	300 million	January 27, 2017	None	6.75%	214	214
BPCE	February 1, 2006	EUR	350 million	February 1, 2016	None	4.75%		350
BPCE	October 30, 2007	EUR	509 million	October 30, 2017	October 30, 2017	6.12%	509	509
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							**1,628**	**1,978**

* *Nominal amount translated into euros at the exchange rate in force at the date of classification as equity.*

Issues of perpetual deeply subordinated notes prior to June 30, 2009 have thereafter been recognized as equity instruments as a result of a remuneration payment clause that has since become discretionary. Previously, they were recognized as subordinated debt and similar. In accounting terms, the transformation of these debt instruments into equity instruments is treated as debt extinguishment.

Issues after June 30, 2009 have always been recognized in equity due to the discretionary nature of their remuneration.

5.22 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 2016							
		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	**28.97%**	**488**	**7,432**	**418**	**527,859**	**506,728**	**1,374**	**1,576**
o/w Coface*	58.67%	8	1,082	44	7,061	5,301	42	58
o/w BPCE Assurances*	40.00%	23	165	8	1,833	1,420	59	66
Locindus	**25.18%**	**1**	**64**	**3**	**724**	**471**	**6**	**6**
Other entities		**10**	**178**	**22**				
TOTAL AT 12/31/2016		**500**	**7,674**	**443**				

* Non-controlling interests in Natixis Group.

in millions of euros	Fiscal year 2015							
		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	**28.75%**	**531**	**7,289**	**369**	**500,256**	**479,756**	**1,344**	**1,822**
o/w Coface*	58.68%	57	1,101	45	6,883	5,116	126	120
o/w BPCE Assurances*	40.00%	22	146	7	1,632	1,266	56	52
Locindus	**25.43%**	**2**	**66**	**3**	**822**	**563**	**10**	**10**
Other entities		**25**	**206**	**23**				
TOTAL AT 12/31/2015		**558**	**7,561**	**395**				

* Non-controlling interests in Natixis Group.

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5.23 CHANGE IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	**Gross**	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Revaluation differences on defined-benefit pension schemes	(205)	60	(145)	219	(76)	143
Revaluation of own credit risk on financial liabilities at fair value through profit or loss[(1)]	(142)	49	(93)			
Share of gains and losses recognized directly in other comprehensive income of associates that cannot be reclassified in income	///	///		///	///	(1)
Items that cannot be reclassified in income			**(238)**			**142**
Foreign exchange rate adjustments	118	///	118	471	///	471
Change in the value of available-for-sale financial assets[(2)]	(340)	(49)	(389)	802	(225)	577
Change in the value of hedging derivatives[(3)]	134	(65)	69	121	132	253
Share of gains and losses recognized directly in other comprehensive income of associates that can be reclassified in income	///	///	112	///	///	(16)
Items that can be reclassified in income			**(90)**			**1,285**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)			**(328)**			**1,427**
Attributable to equity holders of the parent			(405)			1,285
Non-controlling interests			77			142

(1) *The group decided to early-apply, from December 31, 2016, the provisions of IFRS 9 on the recognition of own credit risk for financial liabilities at fair value through profit or loss (see Note 2.2).*
(2) *O/w -€830 million (before tax) reclassified as income for 2016, compared with -€202 million in 2015; over the 2016 fiscal year, the capital gain on Visa Europe securities remeasured at €831 million was reclassified in income at the date of their sale to Visa Inc. (see Note 1.3).*
(3) *O/w €96 million (before tax) reclassified as income for 2016 compared with €166 million in 2015.*

5.24 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities were offset on the balance sheet in accordance with the criteria of 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 mostly carried out by Natixis with clearing houses, which fulfilled the requirements of IAS 32.

- for derivatives, this involves the effects of the currency offset between asset valuations and liability valuations of the derivatives;
- 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,
  - relate to the same security and the same custodian,
  - are denominated in the same currency.

Financial assets and liabilities "Under netting agreements not offset on 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" 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)."

5.24.1 Financial assets

Financial assets under netting agreements offset in the balance sheet

in millions of euros	12/31/2016 Gross amount of financial assets	12/31/2016 Gross amount of financial liabilities offset in the balance sheet	12/31/2016 Net amount of financial assets recognized in the balance sheet	12/31/2015 Gross amount of financial assets	12/31/2015 Gross amount of financial liabilities offset in the balance sheet	12/31/2015 Net amount of financial assets recognized in the balance sheet
Derivatives (trading and hedging)	87,394	19,705	67,689	88,644	19,198	69,446
Repurchase agreements	47,873	7,502	40,371	53,692	10,095	43,597
Other financial instruments				792		792
Financial assets designated at fair value	**135,267**	**27,207**	**108,060**	**143,128**	**29,293**	**113,835**
Repurchase agreements (loans and receivables portfolio)	**72,835**	**12,572**	**60,263**	**46,858**	**3,971**	**42,887**
Other financial instruments (loans and receivables portfolio)				**1,916**		**1,916**
TOTAL	**208,102**	**39,779**	**168,323**	**191,902**	**33,264**	**158,638**

Financial assets under netting agreements not offset in the balance sheet

in millions of euros	12/31/2016 Net amount of financial assets recognized in the balance sheet	12/31/2016 Related financial liabilities and financial instruments received as collateral	12/31/2016 Margin calls received (cash collateral)	12/31/2016 Net exposure	12/31/2015 Net amount of financial assets recognized in the balance sheet	12/31/2015 Related financial liabilities and financial instruments received as collateral	12/31/2015 Margin calls received (cash collateral)	12/31/2015 Net exposure
Derivatives	67,689	33,604	8,928	25,157	69,446	36,535	9,626	23,285
Repurchase agreements	100,634	84,089	50	16,495	86,484	79,160	148	7,176
Other assets					2,708	1,492		1,216
TOTAL	**168,323**	**117,693**	**8,978**	**41,652**	**158,638**	**117,187**	**9,774**	**31,677**

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5.24.2 Financial liabilities

Financial liabilities under netting agreements offset in the balance sheet

in millions of euros	12/31/2016 Gross amount of financial liabilities	12/31/2016 Gross amount of financial assets offset in the balance sheet	12/31/2016 Net amount of financial liabilities recognized in the balance sheet	12/31/2015 Gross amount of financial liabilities	12/31/2015 Gross amount of financial assets offset in the balance sheet	12/31/2015 Net amount of financial liabilities shown on the face of the balance sheet
Derivatives (trading and hedging)	90,199	19,705	70,494	92,521	19,198	73,323
Repurchase agreements	43,446	7,502	35,944	55,024	10,095	44,929
Other financial instruments				103		103
Financial liabilities designated at fair value	**133,645**	**27,207**	**106,438**	**147,648**	**29,293**	**118,355**
Repurchase agreements (liabilities portfolio)	**80,545**	**12,572**	**67,973**	**50,721**	**3,971**	**46,750**
Other financial instruments (liabilities portfolio)				**287**		**287**
TOTAL	**214,190**	**39,779**	**174,411**	**198,656**	**33,264**	**165,392**

Financial liabilities under netting agreements not offset in the balance sheet

	12/31/2016				12/31/2015			
in millions of euros	Net amount of financial liabilities recognized in the balance sheet	Related financial assets and financial instruments posted 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 posted as collateral	Margin calls paid *(cash collateral)*	Net exposure
Derivatives	70,494	34,547	13,247	22,700	73,323	36,588	13,277	23,458
Repurchase agreements	103,917	82,520	8	21,389	91,679	76,018	20	15,641
Other liabilities					390	222		168
TOTAL	**174,411**	**117,067**	**13,255**	**44,089**	**165,392**	**112,829**	**13,296**	**39,267**

Note 6 Notes to the income statement

6.1 INTEREST AND SIMILAR INCOME AND EXPENSES

This line item comprises interest income and expenses, calculated using the effective interest method, on financial assets and liabilities measured at amortized cost, which include interbank and customer items, held-to-maturity assets, debt securities and subordinated debt.

It also includes interest receivable on fixed-income securities classified as available-for-sale financial assets 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.

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Loans and receivables due from customers	17,816	(5,238)	12,578	18,424	(5,598)	12,826
Loans and receivables due from credit institutions*	1,314	(682)	632	1,502	(634)	868
Finance leases	533	///	533	569	///	569
Debt securities and subordinated debt	///	(4,794)	(4,794)	///	(5,207)	(5,207)
Hedging derivatives	5,074	(5,282)	(208)	5,435	(5,569)	(134)
Available-for-sale financial assets	1,855	///	1,855	1,776	///	1,776
Held-to-maturity financial assets	287	///	287	335	///	335
Impaired financial assets	73	///	73	71	///	71
Other interest income and expenses	5	(57)	(52)	2	(47)	(45)
TOTAL INTEREST INCOME AND EXPENSES	**26,957**	**(16,053)**	**10,904**	**28,114**	**(17,055)**	**11,059**

* *Interest income from loans and receivables with credit institutions consists of €760 million in income (€927 million in 2015) collected on the Livret A, LDD and LEP passbook savings accounts, which are deposited with Caisse des Dépôts et Consignations.*

6.2 FEE AND COMMISSION INCOME AND EXPENSES

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 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".

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	16	(32)	(16)	20	(31)	(11)
Customer transactions	3,094	(39)	3,055	3,285	(19)	3,266
Financial services	563	(678)	(115)	531	(724)	(193)
Sales of life insurance products	1,298	///	1,298	1,261	///	1,261
Payment services	1,625	(604)	1,021	1,557	(589)	968
Securities transactions	285	(159)	126	343	(145)	198
Trust management services	3,220	(6)	3,214	3,366	(8)	3,358
Financial instruments and off-balance sheet transactions	401	(146)	255	384	(140)	244
Other fees and commissions	450	(507)	(57)	461	(393)	68
TOTAL FEE AND COMMISSION INCOME AND EXPENSES	**10,952**	**(2,171)**	**8,781**	**11,208**	**(2,049)**	**9,159**

6.3 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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 2016	Fiscal year 2015
Gains and losses on financial instruments held for trading(1)	2,229	1,779
Gains and losses on financial instruments designated at fair value through profit or loss(2)	34	671
Gains and losses on hedging transactions	(123)	(106)
– Ineffective portion of fair value hedges	(114)	(131)
– Ineffective portion of cash flow hedges	(9)	25
Gains and losses on foreign exchange transactions(3)	288	61
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,428**	**2,405**

(1) In 2016, "Gains and losses on financial instruments held for trading" included:
- *impairments taken against the fair value of CDS entered into with monoline insurers (see Note 4.1.6), which led to a decrease of €19 million in cumulative impairments in 2016, versus income of €2 million in 2015, bringing cumulative impairments to €73 million at December 31, 2016 versus €106 million at December 31, 2015;*
- *a €4 million reversal at December 31, 2016 of the portfolio-based provision recorded on exposures in respect of CDPCs (Credit Derivatives Product Companies), bringing the cumulative balance to €1 million. At December 31, 2015, a €7 million reversal was carried out, bringing the cumulative balance to €4 million;*
- *the -€11 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 -€22 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 +€54 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA).*

(2) At December 31, 2015, "Gains and losses on financial instruments designated at fair value through profit or loss" included the revaluation of own credit risk on issues classified as fair value instruments through profit or loss with an impact of +€126 million on income for the period.

(3) Including +€47 million for the reclassification as income of foreign exchange gains linked to repayments, by certain entities, of capital denominated in foreign currencies or capital-equivalent items.

Day-one profit

in millions of euros	Fiscal year 2016	Fiscal year 2015
Day one profit at the start of the year	82	54
Deferred profit on new transactions	53	83
Profit recognized in income during the year	(62)	(55)
DAY ONE PROFIT AT YEAR-END	**73**	**82**

6.4 NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

This item includes dividends from variable-income securities, gains and losses on the sale of available-for-sale financial assets and other financial assets not valued at fair value as well as impairment losses recognized on variable-income securities due to a permanent impairment in value.

in millions of euros	Fiscal year 2016	Fiscal year 2015
Gains or losses on disposal	1,250	594
Dividends received	237	231
Permanent impairment of variable-income securities	(120)	(79)
TOTAL NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	**1,367**	**746**

"Gains and losses on disposal" include €831 million related to the capital gain on the disposal of Visa Europe shares and the remaining stake in Nexity for €42 million (see 1.3).

Permanent impairment of variable-income securities amounted to €120 million in 2016 *versus* €79 million in 2015. This expense concerns insurance portfolios for €40 million (€33 million in 2015), the impact of which is 88% neutralized (90% in 2015) given the profit-sharing mechanism.

In 2015, permanent impairment in value of variable-income securities[1] also included an additional impairment loss of €59 million on previously impaired securities (€37 million in 2015). The automatic application of indicators of losses in value presented in paragraph 4.1.7 did not result in any new material impairments in 2016.

6.5 INCOME AND EXPENSES FROM OTHER ACTIVITIES

This item mainly comprises:

- income and expenses on investment property (rental income and expense, gains and losses on disposals, depreciation, amortization and impairment);
- income and expenses resulting from the Group's insurance business (notably premium income, paid benefits and claims, and changes in technical reserves of insurance companies);
- income and expenses on operating leases;
- income and expenses on real estate development activities (revenues, purchases used).

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Income and expenses from insurance activities[(1)]	**20,884**	**(20,573)**	**311**	**6,921**	**(6,731)**	**190**
Income and expenses from real estate activities	**3**		**3**	**4**	**(1)**	**3**
Income and expenses from leasing transactions	**300**	**(300)**		**103**	**(104)**	**(1)**
Income and expenses from investment property	**209**	**(92)**	**117**	**283**	**(100)**	**183**
Share of joint ventures	7	(9)	(2)	15	(20)	(5)
Transfers of expenses and income	15	(7)	8	18	(9)	9
Other operating income and expenses	645	(300)	345	855	(594)	261
Additions to/reversals from provisions in other operating income and expenses		(104)	(104)		(141)	(141)
Other banking income and expenses[(2)]	**667**	**(420)**	**247**	**888**	**(764)**	**124**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**22,063**	**(21,385)**	**678**	**8,199**	**(7,700)**	**499**

(1) The implementation of the partnership with CNP Assurances concerning receivables arising from reinsurance transactions linked to reinsured contracts amounted to 11.9 billion in 2016, recorded under "Income and expenses on insurance activities" (see Note 1.3):
- *income from insurance companies included the effect of the implementation of the reinsurance treaty covering 10% of the savings deposit outstandings held by CNP Assurances;*
- *expenses included the recognized allocations to technical reserves.*

(2) Of which –€69 million at December 31, 2016 in provisions for a dispute with SWL (Société Wallone du Logement).

(1) Excluding insurance portfolio securities, in light of the deferred profit-sharing mechanism.

Income and expenses from insurance activities

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.

The Group's consolidated companies that present their financial statements based on the insurance company model are Natixis Assurances, Muracef, Surassur, Prépar Vie, Prépar IARD, CEGC and Coface.

	Banking format 2016					
in millions of euros	Net banking income	Operating expenses	Gross operating income	Other items	Insurance format 2016	Insurance format 2015
Earned premiums	22,428		22,428		22,428	7,954
Revenues or income from other activities	305		305		305	314
Other operating income	3	16	19		19	37
Net financial income before finance costs	1,980	(12)	1,968	40	2,008	2,042
TOTAL REVENUES	**24,716**	**4**	**24,720**	**40**	**24,760**	**10,347**
Claims and benefits expenses	(21,620)	(106)	(21,726)		(21,726)	(7,673)
Expenses from other activities	(382)	(13)	(395)	(4)	(399)	(253)
Net income from reinsurance disposals	(58)		(58)		(58)	65
Policy acquisition costs	(716)	(229)	(945)		(945)	(908)
Administrative expenses	(349)	(361)	(710)		(710)	(622)
Other operating income and expenses/recurring	10	(261)	(251)	30	(221)	(320)
TOTAL OTHER RECURRING INCOME AND EXPENSES	**(23,115)**	**(970)**	**(24,085)**	**26**	**(24,059)**	**(9,711)**
OPERATING INCOME	**1,601**	**(966)**	**635**	**66**	**701**	**636**

Income and expenses recognized for insurance policies are included under the "Income from other activities" and "Expenses from other activities" components of net banking income.

Other components of the operating income of insurance entities of a banking nature (interest and commissions) are reclassified under these items of net banking income.

The main reclassifications relate to the charging of general operating expenses by nature whereas they are charged by function in the insurance presentation.

6.6 OPERATING EXPENSES

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 services costs.

in millions of euros	Fiscal year 2016	Fiscal year 2015
Payroll costs	**(10,025)**	**(9,886)**
Taxes other than on income*	(826)	(715)
External services and other operating expenses	(4,969)	(4,798)
Other administrative costs	**(5,795)**	**(5,513)**
TOTAL OPERATING EXPENSES	**(15,820)**	**(15,399)**

* *Taxes included mainly the new contributions required by the regulatory authorities: the contribution to the SRF (Single Resolution Fund) for an annual amount of €229 million (versus €106 million in 2015) and the systemic risk tax for an annual amount of €102 million (versus €108 million in 2015).*

The breakdown of payroll costs is provided in Note 9.1.

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6.7 COST OF RISK

This item records net impairment charges for credit risks, regardless of whether the impairment is calculated on an individual or collective basis for a portfolio of similar receivables.

Impairment losses are recognized for both loans and receivables and fixed-income securities when there is a known counterparty risk. 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.

Cost of risk for the period

in millions of euros	Fiscal year 2016	Fiscal year 2015
Net charge to provisions and provisions for impairment	(1,308)	(1,753)
Recoveries of bad debts written off	80	168
Irrecoverable loans not covered by provisions for impairment	(195)	(247)
TOTAL COST OF RISK	**(1,423)**	**(1,832)**

Cost of risk by type of asset

in millions of euros	Fiscal year 2016	Fiscal year 2015
Interbank transactions*	5	(100)
Customer transactions	(1,385)	(1,602)
Other financial assets	(43)	(130)
TOTAL COST OF RISK	**(1,423)**	**(1,832)**

* *The cost of risk associated with interbank transactions in 2015 was primarily generated by exposures to Heta Asset Resolution (HETA).*

6.8 GAINS OR LOSSES ON OTHER ASSETS

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 2016	Fiscal year 2015
Gains or losses on disposals of property, plant and equipment and intangible assets used in operations	167	6
Gains or losses on disposals of consolidated investments	36	68
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**203**	**74**

Gains or losses on disposals of property, plant and equipment and intangible operating assets include gains on the sale of operating real estate by Natixis for €127 million, including €30 million generated by the Specialized Financial Services business line and €97 million realized by the Corporate Center.

Gains or losses on the disposal of consolidated equity interests mainly correspond to gains realized by Natixis group's Investment Solutions business line, in the amount of €29 million, and the income on disposals of Corporate Data Solution's activities.

6.9 INCOME TAX

in millions of euros	Fiscal year 2016	Fiscal year 2015
Current income tax expense	(1,026)	(1,481)
Deferred tax assets and liabilities	(856)	(842)
INCOME TAX	**(1,882)**	**(2,323)**

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	Fiscal year 2016		Fiscal year 2015	
	in millions of euros	Tax rate	in millions of euros	Tax rate
Net income attributable to equity holders of the parent	3,988		3,242	
Change in the value of goodwill	154		19	
Non-controlling interests	500		558	
Share in net income of associates	(259)		(280)	
Income taxes	1,882		2,323	
INCOME BEFORE TAX AND CHANGES IN THE VALUE OF GOODWILL (A)	**6,265**		**5,862**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical income tax expense (income) at the tax rate applicable in France (AxB)	**(2,157)**		**(2,018)**	
Impact of the change in unrecognized deferred tax assets and liabilities	(67)	1.1%	(30)	0.5%
Effects of permanent differences[(1)]	151	(2.4%)	(93)	1.6%
Reduced rate of tax and tax-exempt activities	5	(0.1%)	4	(0.1%)
Difference in tax rates on income taxed outside France	12	(0.2%)	(15)	0.3%
Temporary step-up of corporate tax[(2)]			(144)	2.5%
Tax on prior periods, tax credits and other tax[(3)]	605	(9.7%)	(19)	0.3%
Other items[(4)]	(431)	6.9%	(8)	0.1%
TAX EXPENSE RECOGNIZED	**(1,882)**		**(2,323)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**30.0%**		**39.6%**

(1) *The main permanent differences consist of capital gains on investments in associates taxed under the long-term scheme (notably the capital gain on the disposal of Visa shares – see Note 1.3) and tax-exempt earnings of foreign subsidiaries in Luxembourg, Belgium and the United States. Permanent differences also include the impacts of the systemic risk tax and the contribution to the SRF (Single Resolution Fund), consisting of non-deductible expenses (see Note 6.6).*
(2) *As the exceptional 10.7% income tax was not renewed, the tax rate in France stood at 34.43% in 2016, compared with 38% in 2015.*
(3) *Tax from previous years mainly results from the impact of tax audits and the resolution of disputes as described below.*
(4) *Other items include the impact of the reduction in the corporate tax rate from 34.43% to 28.92% introduced by the French Finance Act for 2017, for -€400 million (see Note 1.3).*

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Tax audits

Natixis Group

Natixis SA was subject to a tax audit covering fiscal years 2008 to 2013. Further to this audit, Natixis SA received a proposed tax reassessment on December 19, 2016. Natixis SA intends to dispute most of the proposed reassessments and has set aside a provision to cover the estimated risk.

Natixis' subsidiary in Germany is currently undergoing a tax audit covering fiscal years 2009 to 2014. A tax adjustment notice was received in December 2016 on the reimbursement of withholding tax on dividends for 2009. The subsidiary intends to dispute the proposed adjustment.

The tax audit on NGAM P1, initially covering fiscal years 2010 and 2011, was extended to years 2012 to 2014. NGAM P1 received a proposed tax reassessment on December 23, 2016. Following a succession of appeals, the proposed reassessments were partially dropped.

The net impact of these proceedings was fully recognized at December 31, 2016, giving rise to an expense of -€24 million.

BPCE SA

Further to discussions with the French tax authorities (DGFIP) within the framework of the trust-based relationship established regarding fiscal years 2013 and 2014, BPCE published an amended tax return for both years.

Ongoing disputes with the DGFIP were resolved in 2016, resulting in a tax gain of €42 million over the year.

Resolution of tax deputes

Natixis group

Share of costs and expenses: the Court of Justice of the European Union (CJEU) has ruled that the application of a share of costs and expenses, fixed at 5% of dividends received from subsidiaries based in another European Union Member State which, if they had been residents of France, could have belonged to a tax consolidation group, is contrary to the freedom of establishment principle (CJEU 2-9-2015, Case C-386/14, Groupe Steria SCA). As a result, Natixis received a refund for the unduly paid tax on the 5% share of costs and expenses for a total of €6 million.

Taxes on dividends and redemption proceeds on cooperative investment certificates (CICs) from previous fiscal years: until 2013, Natixis held a 20% stake in the Banque Populaire banks and the Caisses d'Epargne, in the form of CICs. All CICs were redeemed in August 2013. All dividends paid by the CICs and all net proceeds from the 2013 redemption were subject to corporate tax in accordance with Article 145, 6b *ter* of the French General Tax Code, which limits the application of the investment income exemption scheme to equity securities carrying voting rights. This condition was ruled unconstitutional by the French Constitutional Court on July 8, 2016 (Natixis Ruling n° 2016-553 QPC). The French Council of State then cancelled the doctrine of administrative law (CE Natixis No. 397316 dated October 5, 2016) and the Finance Minister amended it in the October 5 Official Bulletin. On this basis, which makes a tax gain almost certain, tax income was recorded in the financial statements at December 31, 2016 in the amount of €326 million plus interest on arrears.

Repayment of flat-rate tax credits related to aircraft financing transactions intended to eliminate double taxation for €13 million: during the audit the tax authorities granted certain companies belonging to the tax group headed by Natixis and receiving finance lease fees on aircraft assets the right to increase the amount of flat-rate tax credits directly offset against corporate tax payable from 66.67% to 100%.

Banque Populaire banks and Caisses d'Epargne

In its ruling of April 20, 2016, the French Council of State granted a request by BPCE concerning the 3% tax paid by the Banque Populaire banks and the Caisses d'Epargne on the purchase of cooperative investment certificates in 2013. The rebate granted by the tax administration resulted in the recognition of €86 million in income.

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 remodelling 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 AND COUNTERPARTY RISK

Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. They include:

- the breakdown of the loan portfolio by category of gross exposure and approach;
- 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 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.

7.1.2 Total exposure to credit risk and counterparty risk

The statement below shows the credit and counterparty risk exposure for all Groupe BPCE 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	Performing loans	Non-performing loans	Impairment and provisions	Net outstandings at 12/31/2016	Net outstandings at 12/31/2015
Financial assets at fair value through profit or loss (excluding variable-income securities)	121,418			121,418	132,105
Hedging derivatives	14,842			14,842	15,796
Available-for-sale financial assets (excluding variable-income securities)	86,652	156	(83)	86,725	81,974
Loans and receivables due from credit institutions	96,656	82	(73)	96,665	96,209
Loans and receivables due from customers	644,876	23,427	(12,278)	656,025	617,465
Held-to-maturity financial assets	9,482	3	(2)	9,483	10,666
Other insurance-related assets	1,683	528	(309)	1,902	1,456
Other debtors	13,745	1,092	(189)	14,648	13,672
Exposure to balance sheet commitments	**989,354**	**25,288**	**(12,934)**	**1,001,708**	**969,343**
Exposure to off-balance sheet commitments	**156,376**	**1,485**	**(366)**	**157,495**	**145,682**
TOTAL CREDIT AND COUNTERPARTY RISK EXPOSURE AT DECEMBER 31, 2016	**1,145,730**	**26,773**	**(13,300)**	**1,159,203**	**1,115,025**
TOTAL CREDIT AND COUNTERPARTY RISK EXPOSURE AT DECEMBER 31, 2015	**1,102,292**	**26,048**	**(13,315)**	**1,115,025**	

7.1.3 Impairment and provisions for credit risk

in millions of euros	01/01/2016	Charges	Reversals(1)	Other changes(2)	12/31/2016
Available-for-sale financial assets	89	4	(18)	8	83
Interbank transactions	79	6	(14)	2	73
Customer transactions	12,310	3,325	(3,184)	(173)	12,278
Held-to-maturity financial assets	2				2
Other insurance-related assets	281	62	(35)	1	309
Other debtors	194	21	(28)	1	188
Impairment losses deducted from assets	**12,955**	**3,418**	**(3,279)**	**(161)**	**12,933**
Provisions for loan and guarantee commitments	360	136	(114)	(16)	366
Other provisions for credit risk	801	45	(146)	32	732
Provisions for liabilities	**1,161**	**181**	**(260)**	**16**	**1,098**
TOTAL IMPAIRMENT AND PROVISIONS FOR CREDIT RISK	**14,116**	**3,599**	**(3,539)**	**(145)**	**14,031**

(1) o/w €1,031 million in reversals of provisions used.
(2) Other changes mainly concern foreign exchange rate adjustments.

7.1.4 Credit risk mitigation mechanisms: assets obtained by taking possession of collateral

The following statement shows by type the carrying amount of assets (securities, buildings, etc.) obtained during the period by taking possession of collateral or other forms of credit enhancement.

in millions of euros	Fiscal year 2016	Fiscal year 2015
Non-current assets available for sale	1	
Investment property	1	2
Equity and debt instruments	76	
Other	38	36
TOTAL ASSETS OBTAINED BY TAKING POSSESSION OF COLLATERAL	**117**	**38**

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 exchange rate risk is discussed in the section on Liquidity, Interest Rate and Exchange Rate Risks in Chapter 3 – Risk Management.

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 Partnerships and associates

8.1 INVESTMENTS IN ASSOCIATES

8.1.1 Partnerships and other associates

The Group's main investments in joint ventures and associates are as follows:

in millions of euros	12/31/2016	12/31/2015
CNP Assurances (group)	2,450	2,242
Socram Banque	76	73
EDF Investment Group (EIG)	524	538
Banque Calédonienne d'investissement	135	126
Other	410	406
Financial sector companies	**3,595**	**3,385**
Other	296	281
Non-financial companies	**296**	**281**
TOTAL INVESTMENTS IN ASSOCIATES	**3,891**	**3,666**

8.1.2 Financial data for the main joint arrangements and associates

Summarized financial data for material companies under notable influence are as follows (they are based on the last available data published by the entities in question):

in millions of euros	CNP Assurances (group)	SOCRAM Banque	EDF Investment Group (EIG)	Banque Calédonienne d'investissement (BCI)
DIVIDENDS RECEIVED	**85**	**2**	**23**	**3**
MAIN AGGREGATES				
Total assets	**419,130**	**2,008**	**8,634**	**2,682**
Total debt	**401,596**	**1,781**	**62**	**2,411**
Income statement				
Operating income or net banking income	2,241	49	292	90
Income tax	(744)	(7)	(67)	(18)
Net income	1,497	12	225	26
CARRYING VALUE OF INVESTMENTS IN ASSOCIATES				
Equity of associates*	17,534	227	8,571	272
Percentage of ownership	16.11%	33.42%	6.11%	49.90%
VALUE OF INVESTMENTS IN ASSOCIATES	**2,450**	**76**	**524**	**135**
o/w goodwill				2
MARKET VALUE OF INVESTMENTS IN ASSOCIATES	**1,946**	**///**	**///**	**///**

* *The equity used by Groupe BPCE to consolidate CNP Assurances (group) via the equity method is subject to restatement (deeply subordinated notes).*

For more information on Caisse Nationale de Prévoyance's financial data, please refer to the website: http://www.cnp.fr/en/Investor-Analyst/Regulatory-information/Annual-Financial-Report

It has no share in any losses not booked during the period by a joint venture or an associate as a result of the equity method applied.

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 is as follows:

in millions of euros	Fiscal year 2016	Fiscal year 2015
Value of investments in associates	**545**	**687**
Total amount of share in:		
Net income	35	50
Gains and losses recognized directly in other comprehensive income		(4)
COMPREHENSIVE INCOME	**35**	**46**

8.1.3 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.

8.2 SHARE IN NET INCOME OF ASSOCIATES

in millions of euros	Fiscal year 2016	Fiscal year 2015
CNP Assurances (group)	193	182
VBI Beteiligung		(12)
EDF Investment Group (EIG)	14	27
Socram Banque	4	4
Banque Calédonienne d'investissement	13	12
Other	20	39
Financial sector companies	**244**	**252**
Nexity*		17
Other	15	11
Non-financial companies	**15**	**28**
SHARE IN NET INCOME OF ASSOCIATES	**259**	**280**

* *At June 30, 2015, Groupe BPCE's remaining stake in Nexity was removed from the consolidation scope following the relinquishment of significant influence over the entity.*

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Note 9 Employee benefits

9.1 PAYROLL COSTS

in millions of euros	Fiscal year 2016	Fiscal year 2015
Wages and salaries	(6,185)	(6,085)
Costs of defined-contribution plans	(717)	(741)
Other social security costs and payroll-based taxes	(2,564)	(2,490)
Profit-sharing and incentive schemes	(559)	(570)
TOTAL PAYROLL COSTS	**(10,025)**	**(9,886)**

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. It came to €103 million in respect of fiscal year 2016 (€102 million for 2015). The use of this tax is presented in section 6 "Social, environmental and societal information" of the registration document.

9.2 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 (CARBP), covers the pension benefits deriving from the closure of the banking pension scheme at December 31, 1993.

The pension plans managed by CARBP are partially covered by an insurance policy for annuities paid to beneficiaries having passed a reference age and for obligations related to younger beneficiaries.

Annuities paid to beneficiaries having passed the reference age are managed with the insurer's general pension assets. These general assets are reserved for this insurer's pension obligations and their composition is adjusted to long-term and predictable payment schedules. They consist predominantly of bonds so that the insurer can implement the capital guarantee that it is required to give on assets of this type. The insurer is responsible for managing the fund's assets and liabilities.

Other obligations are managed in a unit-linked diversified fund, *i.e.* with no specific guarantee provided by the insurer. The fund is managed according to a strategic allocation approach, predominantly focused on fixed income products (60%, with more than 95% of this bucket comprised of government bonds), but with significant exposure to equities (40% of which 20% in the euro zone). This allocation is established with the aim of optimizing the portfolio's expected performances, subject to a level of risk overseen and measured using several criteria. The corresponding asset/liability reviews are performed yearly and presented to CARBP's Technical, Financial and Risk Commission and for information purposes to the Groupe BPCE Liabilities Monitoring Committee. The relatively dynamic allocation applied is made possible by the time frame in which the amounts are used and by the regulation mechanisms specific to the financial oversight of the system. The fund's assets do not include derivatives.

The private supplementary pension 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 (CGPCE), which is a retained benefits plan (RMP). The CGR plan has been closed since December 31, 1999, and the rights crystallized at this date. The strategic guidelines for managing retained benefits plan funds for the Caisses d'Epargne are decided by the Board of Directors on the basis of asset/liability reviews presented beforehand to a Joint Management Committee. Groupe BPCE's Liabilities Monitoring Committee also received these reviews for information purposes. The plan is subject to several constraints and targets on which strategic choices realized are based:

- a risk of a provision in the event of inadequate return on plan assets (provision for financial risks);
- a risk of insufficient assets;
- the aim of being able to revalue pensions at the ARRCO level.

The portion comprised of bonds is predominant (over 90%); in a bid to manage interest rate risk, the Group matches projected liabilities flows on the assets side of the balance sheet. In order to be able to interpret risks and forecast returns, bonds are often held as bonds managed on a line-by-line basis and as bond funds. Due to liabilities constraints, assets must be held over the long term in order to have a duration close to that of the corresponding liabilities (over 20 years). The annual revaluation of annuities, whose target is close to the ARRCO level, is a key objective for which a significant proportion of inflation indexed bonds are held. Duration constraints combined with cautious choices by the Board of Directors result in a highly secure portfolio (Investment Grade universe). The portfolio's average rating is AA+/AA. Strategic allocations can always be implemented without using derivatives, which are therefore excluded from the portfolio.

The CARBP and CGPCE plans are recorded under "Supplementary pension benefits and other".

Other employee benefits also 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.

9.2.1 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	Fiscal year 2016	Fiscal year 2015
Actuarial liabilities	7,625	933	264	183	9,005	8,587
Fair value of plan assets	(7,367)	(319)	(10)		(7,696)	(7,893)
Fair value of reimbursement rights	(563)	(38)			(601)	(38)
Effect of ceiling on plan assets	1,067				1,067	943
Net amount reported on the balance sheet	**762**	**576**	**254**	**183**	**1,775**	**1,599**
Employee benefit commitments recorded in the balance sheet	1,325	614	254	183	2,376	1,638
Plan assets recorded in the balance sheet	563	38			601	39

A new presentation of assets used to cover pension plans invested with Groupe BPCE related parties, which are now recognized in "Fair value of reimbursement rights", led to an increase in employee benefit assets and liabilities of + 563 million (see Note 5.19).

9.2.2 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 2016	Fiscal year 2015
Actuarial liabilities at start of year	**7,343**	**828**	**242**	**174**	**8,587**	**9,042**
Service cost	17	46	16	44	123	130
Service cost for prior periods	(18)	(4)	(1)	1	(22)	(2)
Interest cost	148	15	3		166	163
Benefits paid	(172)	(49)	(12)	(34)	(267)	(261)
Other	(14)	5	14	(4)	1	6
Changes recorded in income	**(39)**	**13**	**20**	**7**	**1**	**36**
Revaluation adjustments – demographic assumptions	2	(16)			(14)	(94)
Revaluation adjustments – financial assumptions	407	122			529	(362)
Revaluation adjustments – past-experience effect	(82)	(11)			(93)	(70)
Changes recognized directly in non-recyclable equity	**327**	**95**			**422**	**(526)**
Foreign exchange rate adjustments				**1**	**1**	**28**
Other	**(6)**	**(3)**	**2**	**1**	**(6)**	**7**
ACTUARIAL LIABILITIES AT END OF YEAR	**7,625**	**933**	**264**	**183**	**9,005**	**8,587**

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 2016	Fiscal year 2015
Fair value of plan assets at start of year	**7,577**	**345**	**10**	**7,932**	**7,528**
Interest income	153	6		159	140
Plan participant contributions	12	15		27	39
Benefits paid	(130)	(13)		(143)	(150)
Other		1		1	5
Changes recorded in income	**35**	**9**		**44**	**34**
Revaluation adjustments – Return on plan assets	325	4		329	345
Changes recognized directly in non-recyclable equity	**325**	**4**		**329**	**345**
Foreign exchange rate adjustments	**(1)**			**(1)**	**23**
Other	**(6)**	**(1)**		**(7)**	**1**
FAIR VALUE OF PLAN ASSETS AT END OF YEAR*	**7,930**	**357**	**10**	**8,297**	**7,931**

* o/w €563 million in reimbursement rights included in retirement benefits and €38 million included in end-of-career benefits.

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Revaluation differences on post-employment benefits

in millions of euros	Supplementary pension benefits and other	End-of-career awards	Fiscal year 2016	Fiscal year 2015
Revaluation adjustments at start of period	**292**	**(34)**	**258**	**473**
Revaluation adjustments over the period	8	93	101	(864)
Adjustments to asset ceiling	107		107	649
Revaluation adjustments at end of period	**407**	**59**	**466**	**258**

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.

9.2.3 Actuarial expense under defined-benefit plans

The various components of the charge recognized for defined-benefit plans are included under "Payroll costs".

	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 2016	Fiscal year 2015
Service cost	(17)	(46)	(16)	(44)	(123)	(130)
Service cost for prior periods	18	4	1	(1)	22	2
Interest cost	(148)	(15)	(3)		(166)	(163)
Interest income	153	6			159	140
Benefits paid	42	36	12	34	124	111
Plan participant contributions	12	15			27	39
Other (o/w asset ceiling)	(4)	(4)	(14)	4	(18)	(7)
TOTAL EXPENSES FOR 2016*	**56**	**(4)**	**(20)**	**(7)**	**25**	**(8)**

* *o/w: a charge of €126 million recorded under payroll costs and a net payment of +€151 million in benefits and contributions.*

9.2.4 Other disclosures

Main actuarial assumptions

	Fiscal year 2016		Fiscal year 2015	
	CAR-BP	CGP-CE	CAR-BP	CGP-CE
Discount rate	1.22%	1.65%	1.83%	1.99%
Inflation rate	1.60%	1.60%	1.70%	1.70%
Life tables used	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05
Duration	15 years	19 years	15 years	18 years

Sensitivity of actuarial liabilities to changes in main assumptions

At December 31, 2016, a 0.5% change in the discount rate and the inflation rate would have the following impact on actuarial commitments:

	12/31/2016				12/31/2015			
	CAR-BP		CGP-CE		CAR-BP		CGP-CE	
in % and millions of euros	%	Amount	%	Amount	%	Amount	%	Amount
Variation of +0.5% in the discount rate	(6.99%)	(61)	(8.68%)	(506)	(6.80%)	(57)	(8.80%)	(495)
Variation of (0.5%) in the discount rate	7.67%	67	9.94%	579	7.60%	64	10.00%	563
Variation of +0.5% in the inflation rate	7.12%	62	8.15%	475	7.00%	59	8.10%	456
Variation of (0.5%) in the inflation rate	(5.81%)	(51)	(7.34%)	(428)	(5.90%)	(49)	(7.30%)	(411)

Payment schedule – (non-discounted) benefits paid to beneficiaries

	12/31/2016		12/31/2015	
in millions of euros	CAR-BP	CGP-CE	CAR-BP	CGP-CE
N+1 to N+5	185	682	186	655
N+6 to N+10	182	829	185	802
N+11 to N+15	171	920	177	909
N+16 to N+20	152	913	160	922
> N+20	366	2,883	409	3,062

Breakdown of fair value of plan assets

	12/31/2016				12/31/2015			
	CAR-BP		CGP-CE		CAR-BP		CGP-CE	
in % and millions of euros	Weight by category	Fair value of assets	Weight by category	Fair value of assets	Weight by category	Fair value of assets	Weight by category	Fair value of assets
Cash holdings	1.93%	8	0.25%	17	2.11%	9	0.21%	14
Equities	38.45%	166	7.41%	510	39.38%	171	2.59%	170
Bonds	51.60%	222	89.02%	6,134	50.21%	218	82.62%	5,420
Real estate			0.46%	32			1.39%	91
Derivatives					0.09%			
Investment funds	8.03%	35	2.85%	197	8.20%	36	13.20%	865
TOTAL	**100.00%**	**431**	**100.00%**	**6,890**	**100.00%**	**434**	**100.00%**	**6,560**

9.3 SHARE-BASED PAYMENTS

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 9, 2017, as the allocations were not 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

Settlement is subject to presence and performance conditions.

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*
2012 plan	02/17/2013	5,275,539	September 2014 October 2015 October 2016	1,895,722 1,810,143 1,808,948	
2013 plan	02/19/2014	5,095,419	October 2015 October 2016 October 2017	1,682,810 1,610,145 -	5.17
2014 plan	02/18/2015	4,493,016	October 2016 October 2017 October 2018	1,576,403 - -	4.92
2015 plan	02/10/2016	6,084,435	March 2018 March 2019		4.46
2016 plan	02/23/2017	2,926,434	March 2019 March 2020		3.86

* *The number of probable units on the vesting date is hedged by equity swaps.*

Payments under these plans are subject to presence and performance criteria. With the amendment of the terms and conditions of the loyalty and performance plan, indexed to the 2015 Natixis share, it was reclassified as a loyalty and performance plan settled in Natixis bonus shares (see below). The impact of this amendment, *i.e.* €5.3 million, was recorded under net income for the year.

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*
2016 plan	02/23/2017	02/23/2017	5.30	6,152,016	6,152,016	5.30

The expense associated with the short-term plan, estimated based on the probability of the presence condition being met, is fully recognized in the 2016 financial statements in the amount of 38 million (31 million for 2015).

Share-based payment plans

Year of plan *Expense in millions of euros*	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*
2012 plan	02/17/2013	1,656,630	March 2014 March 2015 March 2016	531,233 507,835 591,657	2.84	
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	2.60
2016 plan	07/28/2016	151,283	July 2020		3.43	1.62
2016 plan	02/23/2017	2,871,472	March 2019 March 2020		5.30	3.86

Settlement is subject to presence and performance conditions.

Expense for the period for loyalty and performance plans

	Fiscal year 2016			
in millions of euros	Plans settled in shares	Plans settled in cash indexed to Natixis shares	Total	Fiscal year 2015
Previous loyalty plans	(5)	(10)	(15)	(26)
Loyalty plans from the fiscal year		(7)	(7)	(8)
TOTAL	**(5)**	**(17)**	**(22)**	**(34)**

Valuation inputs used to assess the expense relative to these plans

	12/31/2016	12/31/2015
Share price	5.36	5.22
Risk-free interest rate	0.00%	0.00%
Dividend pay-out ratio	6.09%	6.26%
Loss of rights rate	4.25%	4.50%

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 2016 was:

Year of plan	Grant date	Vesting date	Fiscal year 2016 *in millions of euros*	Fiscal year 2015 *in millions of euros*
2012 plan	02/17/2013	March 2014 March 2015 March 2016		(3)
2013 plan	02/19/2014	March 2015 March 2016 March 2017	(3)	(7)
2014 plan	02/18/2015	March 2016 March 2017 March 2018	(7)	(13)
2015 plan	02/10/2016	March 2017 March 2018	(16)	(11)
2016 plan	02/23/2017		(16)	
TOTAL			**(42)**	**(34)**

Note 10 Segment reporting

Groupe BPCE is structured around its two core businesses:

Commercial Banking and Insurance, including:

- the Banque Populaire network, comprised of 15 Banque Populaire banks and their subsidiaries, Crédit Maritime Mutuel, and the Mutual Guarantee Companies;
- the Caisse d'Epargne network consisting of the 17 Caisses d'Epargne and their subsidiaries;
- the Other Networks, which mainly comprise the Group's non-controlling interest in CNP Assurances, Real Estate Financing Services (whose earnings predominantly reflected Crédit Foncier's contribution), BPCE International (BPCE I) and Banque Palatine.

Investment Solutions, Corporate and Investment Banking, and Specialized Financial Services, which are Natixis' core businesses:

- Investment Solutions, with asset management, insurance and private banking;
- Corporate and Investment Banking, which has now established itself as BPCE's bank serving large corporate and institutional customers;
- Specialized Financial Services, which includes factoring, lease financing, consumer credit, sureties and guarantees, employee benefits planning, payments and securities services.

The Corporate Center includes primarily:

- the Group's central institution and holding company;
- the Equity Interests of Natixis in Coface, Corporate Data Solution, Natixis Algérie and Natixis Private Equity;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund;
- 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 former CNCE proprietary workout portfolio activities and discretionary portfolio management activities, run-off management of the securitization portfolio transferred in September 2014 by Crédit Foncier to BPCE and the disposal of international assets as part of the workout portfolio activities.

Note: 2015 figures are pro forma of:

- the transfer of all equity interests held by BPCE International (BPCE I) in Banque de la Réunion, Banque des Antilles Françaises and Banque de Saint-Pierre-et-Miquelon to Caisse d'Epargne Provence-Alpes-Corse (CEPAC);
- the retroactive application at January 1, 2015 of the change in accounting treatment of currency swaps used to hedge foreign currency assets and liabilities (the impact of ineffective hedges is now recognized in recyclable equity);
- the standardization of the accounting treatment of network renegotiation benefits between 2015 and 2016;
- the transfer of expenses from the Corporate Center to the Specialized Financial Services division of Natixis;
- the early adoption of amended IFRS 9 on own credit risk, applied retroactively at January 1, 2016: the impact of own credit risk is cancelled in the income statement by the recognition of own credit risk in equity.

Segment reporting for Groupe BPCE in previous periods has been restated accordingly.

10.1 SEGMENT ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

Results by division[(1)]

	Commercial Banking and Insurance		Investment Solutions, CIB and SFS		Corporate Center		Groupe BPCE	
in millions of euros	2016	2015 pf	2016	2015 pf	2016	2015 pf	2016	2015 pf
Net banking income	14,951	15,314	8,036	7,878	1,171	490	24,158	23,682
Operating expenses	(10,098)	(10,035)	(5,262)	(5,093)	(1,313)	(1,120)	(16,673)	(16,248)
Gross operating income	**4,853**	**5,279**	**2,774**	**2,785**	**(142)**	**(630)**	**7,485**	**7,434**
Cost/income ratio	67.5%	65.5%	65.5%	64.6%	ns	ns	69.0%	68.6%
Cost of risk	(1,163)	(1,403)	(252)	(253)	(8)	(176)	(1,423)	(1,832)
Share in income of associates	236	220	14	49	9	11	259	280
Gains or losses on other assets	37	(10)	61	(1)	105	85	203	74
Change in the value of goodwill	-	-	-	-	(154)	(19)	(154)	(19)
Income before tax	**3,963**	**4,086**	**2,597**	**2,580**	**(190)**	**(729)**	**6,370**	**5,937**
Income tax	(1,214)	(1,508)	(856)	(849)	188	100	(1,882)	(2,257)
Non-controlling interests	(9)	(15)	(563)	(569)	72	52	(500)	(532)
Net income attributable to equity holders of the parent	**2,740**	**2,563**	**1,178**	**1,162**	**70**	**(577)**	**3,988**	**3,148**
Transition from pro forma to published net income attributable to equity holders of the parent[(1)]	-	35	-	4	-	55	-	94
PUBLISHED NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,740**	**2,598**	**1,178**	**1,166**	**70**	**(522)**	**3,988**	**3,242**

Results of the Commercial Banking and Insurance sub-divisions

	Banque Populaire banks		Caisses d'Epargne		Other networks		Commercial Banking and Insurance	
in millions of euros	2016	2015 pf	2016	2015 pf	2016	2015 pf	2016	2015 pf
Net banking income	6,295	6,495	7,216	7,244	1,440	1,575	14,951	15,314
Operating expenses	(4,363)	(4,284)	(4,800)	(4,809)	(935)	(942)	(10,098)	(10,035)
Gross operating income	**1,932**	**2,211**	**2,416**	**2,435**	**505**	**633**	**4,853**	**5,279**
Cost/income ratio	69.3%	66.0%	66.5%	66.4%	64.9%	59.8%	67.5%	65.5%
Cost of risk	(508)	(624)	(419)	(569)	(236)	(210)	(1,163)	(1,403)
Share in income of associates	37	36	1	-	198	184	236	220
Gains or losses on other assets	36	(2)	(5)	1	6	(9)	37	(10)
INCOME BEFORE TAX	**1,497**	**1,621**	**1,993**	**1,867**	**473**	**598**	**3,963**	**4,086**

Results of the Investment Solutions, Corporate and Investment Banking, and Specialized Financial Services sub-divisions

	Investment Solutions		Corporate and Investment Banking		Specialized Financial Services		Investment Solutions, CIB and SFS	
in millions of euros	2016	2015 pf	2016	2015 pf	2016	2015 pf	2016	2015 pf
Net banking income	3,364	3,515	3,322	3,056	1,350	1,307	8,036	7,878
Operating expenses	(2,350)	(2,376)	(2,032)	(1,861)	(880)	(856)	(5,262)	(5,093)
Gross operating income	**1,014**	**1,139**	**1,290**	**1,195**	**470**	**451**	**2,774**	**2,785**
Cost/income ratio	69.9%	67.6%	61.2%	60.9%	65.2%	65.4%	65.5%	64.6%
Cost of risk	1	4	(195)	(198)	(58)	(59)	(252)	(253)
Share in income of associates	1	22	14	27	(1)	-	14	49
Gains or losses on other assets	30	(1)	-	-	31	-	61	(1)
INCOME BEFORE TAX	**1,046**	**1,164**	**1,109**	**1,024**	**442**	**392**	**2,597**	**2,580**

(1) *Impact on income of pro forma data in 2015: -€94 million, of which -€186 million in net banking income, +€66 million in income tax and +€26 million in non-controlling interests.*

10.2 SEGMENT ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

	Commercial Banking and Insurance		Investment Solutions, CIB and SFS		Corporate Center		Groupe BPCE	
in millions of euros	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Segment assets	712,037	690,305	406,543	374,878	116,659	101,352	1,235,240	1,166,535
Segment liabilities*	562,735	553,403	367,201	310,185	151,222	157,346	1,081,158	1,020,934

	Banque Populaire banks		Caisses d'Epargne		Other networks		Commercial Banking and Insurance	
in millions of euros	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Segment assets	260,206	231,951	317,972	317,548	133,859	140,806	712,037	690,305
Segment liabilities*	205,953	192,230	256,711	257,067	100,071	104,107	562,735	553,403

	Investment Solutions		Corporate and Investment Banking		Specialized Financial Services		Investment Solutions, CIB and SFS	
in millions of euros	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Segment assets	84,609	64,131	299,448	290,441	22,486	20,306	406,543	374,878
Segment liabilities*	75,586	57,958	274,581	235,812	17,033	16,414	367,201	310,185

* *Segment liabilities represent the liabilities restated for equity and other liabilities (notably including tax liabilities and other liabilities and provisions).*

10.3 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	2016	2015
France	19,700	19,118
Rest of Europe	1,145	1,443
North America	2,510	2,556
Rest of world	803	751
TOTAL	**24,158**	**23,868**

Total segment assets

in millions of euros	2016	2015
France	1,097,926	1,061,514
Rest of Europe	31,857	33,303
North America	73,757	48,600
Rest of world	31,700	23,118
TOTAL	**1,235,240**	**1,166,535**

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Note 11 Commitments

The amounts shown correspond to the nominal value of commitments given.

11.1 LOAN COMMITMENTS

in millions of euros	12/31/2016	12/31/2015
Loan commitments given to:		
– Credit institutions	1,400	2,277
– Customers	114,952	104,228
– Credit facilities granted	109,694	97,451
– Other commitments	5,258	6,777
TOTAL LOAN COMMITMENTS GIVEN	**116,352**	**106,505**
Financing commitments received from:		
– Credit institutions	48,781	38,638
– Customers	4,508	1,935
TOTAL LOAN COMMITMENTS RECEIVED	**53,289**	**40,573**

11.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2016	12/31/2015
Guarantee commitments given to:		
– Credit institutions	5,575	3,834
– Customers*	37,191	36,724
TOTAL GUARANTEE COMMITMENTS GIVEN	**42,766**	**40,558**
Guarantee commitments received from:		
– Credit institutions	19,847	19,543
– Customers	126,242	142,277
TOTAL GUARANTEE COMMITMENTS RECEIVED	**146,089**	**161,820**

* *The guarantees given by CEGC (a subsidiary of Natixis) 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 13 "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 13 "Financial assets received as collateral that can be sold or repledged".

Note 12 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.

12.1 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.

Those include intercompany transactions with:

- 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 €956 million in 2016 (€886 million in 2015),

- for the management of the Group's pension plans, reimbursement rights of €431 million were recorded to cover post-employment benefits (see Note 9.2.2),
- under the partnership described in Note 1.3, a cash deposit of €10.5 billion was recorded under "Loans and receivables due from customers" (see Note 5.6.2). 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 amounted to €11.9 billion and are recorded as "Income and expenses from other activities" (see Note 6.5).

A list of fully consolidated subsidiaries is presented in Note 16, "Scope of consolidation".

12.2 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 2 of the registration document, on corporate governance.

Short-term employee benefits

Short-term benefits paid out to the Group's company directors amounted to €6 million in 2016 (*vs* €7 million in 2015).

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

The amount provisioned by BPCE in respect of retirement bonuses came to €3 million at December 31, 2016 (unchanged against the previous year).

12.3 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 rental accommodation loans and intermediate rental loans. 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	12/31/2016	12/31/2015
Loans outstanding	1,501	1,681
Commitments given	213	217
Deposit account balances	461	521
Outstanding financial investments (UCITS and securities)	21	22

in millions of euros	Fiscal year 2016	Fiscal year 2015
Interest income from loans	36	45
Interest expense on bank deposits	(7)	(10)
Financial expense on investments (UCITS and securities)	(1)	

Note 13 Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that can be sold or repledged

13.1 TRANSFERRED FINANCIAL ASSETS NOT FULLY DERECOGNIZED AND OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL

in millions of euros	Carrying amount Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2016
Financial assets pledged as collateral					
Financial assets held for trading	3,547	12,726	3,770	1,193	21,236
Financial assets designated at fair value through profit or loss			15		15
Available-for-sale financial assets	1,323	6,966	9,978		18,267
Loans and receivables		304	85,196	11,848	97,348
Assets held to maturity	60	121			181
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**4,930**	**20,117**	**98,959**	**13,041**	**137,047**
o/w transferred financial assets not fully derecognized	***4,930***	***20,117***	***78,602***	***13,041***	***116,690***

The amount of liabilities associated with financial assets pledged as collateral for repurchase agreements came to €19,195 million at December 31, 2016 (€26,232 million at December 31, 2015).

The fair value of securitizations pledged as collateral was €13,041 million at December 31, 2016 (€12,995 million at December 31, 2015), all of which comprised transferred assets not fully derecognized.

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.

in millions of euros	Carrying amount Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2015
Financial assets pledged as collateral					
Financial assets held for trading	2,832	18,082	962	2,068	23,944
Financial assets designated at fair value through profit or loss	10		195		205
Available-for-sale financial assets	3	7,056	8,416		15,475
Loans and receivables		1,016	86,349	9,574	96,939
Assets held to maturity	6	139			145
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**2,851**	**26,293**	**95,922**	**11,642**	**136,708**
o/w transferred financial assets not fully derecognized	***2,851***	***26,293***	***80,083***	***11,642***	***120,869***

13.1.1 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. The cash flows generated by the securities are also transmitted 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 in 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.

13.1.2 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 Banques Populaires Covered Bonds, the CRH (Caisse de refinancement de l'habitat), and securities pledged as collateral for ECB refinancing operations.

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.

13.1.3 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 €206 billion at December 31, 2016, compared to €350 billion at December 31, 2015.

The fair value of the financial assets received as collateral that were actually sold or repledged amounted to €118 billion at December 31, 2016, compared with €250 billion at December 31, 2015.

13.2 FULLY DERECOGNIZED FINANCIAL ASSETS FOR WHICH THE GROUP RETAINS AN ONGOING COMMITMENT

Fully derecognized transferred financial assets for which Groupe BPCE retains an ongoing commitment consist of asset transfers to a deconsolidated securitization vehicle in which the Group has an interest or an obligation, although the latter do 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, 2016.

Note 14 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 commercial banking activities, for which the management model is based on collection of expected cash flows.

The simplified assumptions used to measure the fair value of instruments at amortized costs are presented in Note 4.1.6.

	12/31/2016				12/31/2015			
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)	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	96,678	34	26,669	69,975	97,076	32	26,236	70,808
Loans and receivables due from customers	687,218	556	119,064	567,598	635,536	577	91,284	543,675
Held-to-maturity financial assets	10,689	10,175	200	314	11,941	11,222	222	497
FINANCIAL LIABILITIES AT AMORTIZED COST								
Amounts due to credit institutions	86,617		67,096	19,521	77,230	9	59,538	17,683
Amounts due to customers	533,836		246,081	287,755	501,142		245,398	255,744
Securitized debt payables	241,049		142,252	98,797	231,351		146,635	84,716
Subordinated debt	21,831		20,192	1,639	20,162		19,487	675

Note 15 Interests in non-consolidated structured entities

15.1 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.

15.2 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, 2016

in millions of euros	Securitization	Asset Management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**452**	**10,073**	**764**	**150**
Trading derivatives	254	422	145	108
Trading financial instruments (excluding derivatives)	108	4,780	350	42
Financial instruments designated at fair value through profit or loss	90	4,871	269	
Available-for-sale financial assets	**472**	**3,459**	**110**	**152**
Loans and receivables	**1,844**	**2,379**	**14,595**	**1,684**
Other assets	**35**	**38**	**13**	**3**
TOTAL ASSETS	**2,803**	**15,949**	**15,482**	**1,989**
Financial liabilities at fair value through profit or loss	**180**	**186**	**467**	**42**
Provisions		**4**	**69**	**33**
TOTAL LIABILITIES	**180**	**190**	**536**	**75**
Loan commitments given	**3,959**	**253**	**2,133**	**1,040**
Guarantee commitments given	**379**	**7,841**	**1,594**	**74**
Guarantees received	**12**	**2**	**3,384**	**112**
Notional amount of derivatives	**4,223**	**116**	**2,716**	**726**
MAXIMUM LOSS EXPOSURE	**11,352**	**24,153**	**18,472**	**3,684**
SIZE OF STRUCTURED ENTITIES	**39,238**	**228,004**	**91,584**	**5,550**

AT DECEMBER 31, 2015

in millions of euros	Securitization	Asset Management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**596**	**6,501**	**744**	**104**
Trading derivatives	424	249	264	104
Trading financial instruments (excluding derivatives)	150	2,226	152	
Financial instruments designated at fair value through profit or loss	22	4,026	328	
Available-for-sale financial assets	**448**	**4,199**	**114**	**430**
Loans and receivables	**2,915**	**2,723**	**12,372**	**2,375**
Other assets	**88**	**54**	**4**	**27**
TOTAL ASSETS	**4,047**	**13,477**	**13,234**	**2,936**
Financial liabilities at fair value through profit or loss	**224**	**455**	**369**	**22**
Provisions		**3**	**102**	**9**
TOTAL LIABILITIES	**224**	**458**	**471**	**31**
Loan commitments given	**3,150**	**1,689**	**2,099**	**915**
Guarantee commitments given	**531**	**10,597**	**1,251**	**231**
Guarantees received	**33**	**908**	**10,499**	**36**
Notional amount of derivatives	**5,462**	**31**	**2,068**	**725**
MAXIMUM LOSS EXPOSURE	**13,157**	**24,883**	**8,051**	**4,762**
SIZE OF STRUCTURED ENTITIES	**41,719**	**218,025**	**56,875**	**5,900**

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.

The Group did not, during the period, grant financial support to non-consolidated structured entities in which it holds interests.

15.3 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 and 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 2016

in millions of euros	Securitization	Asset Management
Income from entities	**(19)**	**259**
Net interest income		3
Net fee and commission income	(3)	242
Net gains or losses on financial instruments at fair value through profit or loss	(16)	14
Carrying amount of assets transferred to the entity during the fiscal year	**1,797**	

FISCAL YEAR 2015

in millions of euros	Securitization	Asset Management
Income from entities	**30**	**1,224**
Net interest income	144	
Net fee and commission income	(6)	1,026
Net gains or losses on financial instruments at fair value through profit or loss	(107)	199
Carrying amount of assets transferred to the entity during the fiscal year	**4,666**	

Note 16 Scope of consolidation

16.1 CHANGES IN SCOPE OF CONSOLIDATION DURING FISCAL YEAR 2016

The main changes in the scope of consolidation during 2016 are presented below:

Establishment of Banque Populaire Méditerranée

On November 22, 2016, Banque Populaire Côte d'Azur, Banque Populaire Provençale et Corse and Banque Chaix merged, giving rise to Banque Populaire Méditerranée.

This merger between the two companies comprising the consolidating entity and a wholly-owned subsidiary had no material impact on the Group's consolidated financial statements.

Establishment of Banque Populaire Auvergne Rhône Alpes

On December 7, 2016, Banque Populaire des Alpes, Banque Populaire du Massif Central and Banque Populaire Loire et Lyonnais merged, giving rise to Banque Populaire Auvergne Rhône Alpes.

This merger between the three companies comprising the consolidating entity had no material impact on the Group's consolidated financial statements.

Changes in the ownership interest in subsidiaries still under control at December 31, 2016

Change in the Group's ownership interest in Natixis

Subsequent to a series of transactions in its own shares, the Group's held a 71.03% stake in Natixis at December 31, 2016 (*versus* 71.25% at December 31, 2015). The impact on equity attributable to equity holders of the parent was not material.

Change in the Group's ownership interest in DNCA Management

Following the buyback of shares from the company's management, the stake held by Natixis in DNCA Management increased from 8.2% to 42.5% during 2016. This increased Natixis' ownership interests in DNCA Finance, DNCA Courtage and DNCA Luxembourg (from 71% to 75%).

Change in the Group's ownership interest in AEW Europe

In 2016, Natixis Global Asset Management (NGAM), a subsidiary of Natixis, finalized the merger of AEW Europe and Ciloger (see Note 1.3).

This transaction increased NGAM's ownership interest in AEW Europe from 60% to 100% in the first half of 2016 (buyout of the stake held by Caisse des Dépôts et Consignations), with La Banque Postale acquiring a stake in AEW Europe in the second half of 2016. At December 31, 2016, NGAM held a 60% stake in AEW Europe.

This transaction had an impact of -€18 million on consolidated shareholders' equity (o/w -€13 million on equity attributable to equity holders of the parent).

Acquisition of a controlling interest in subsidiaries

Acquisition of a majority stake in Fidor Bank AG

On December 22, 2016, BPCE SA bought a 95.8% stake in German online bank Fidor AG *via* 3F Holding.

BPCE exercises control over Fidor AG *via* 3F Holding, within the meaning of IFRS 10, and fully consolidates this entity.

This transaction led to a non-material increase in non-controlling interests.

Acquisition of a majority stake in Peter J. Solomon Company

On June 7, 2016, Natixis acquired 51% of the capital and voting rights in Peter J. Solomon Company (PJSC), and holds an option to buy the remaining shares by 2026 by exercising reciprocal call and put options.

BPCE exercises control over PJSC *via* Natixis, within the meaning of IFRS 10. As a result, Peter J. Solomon Company LP and Peter J. Solomon Securities Company LLC are fully consolidated by Groupe BPCE (see Note 1.3).

Other changes in scope

Merger of Caisse d'Epargne Provence-Alpes-Corse (CEPAC) and the overseas banks

In May 2016, Caisse d'Epargne Provence-Alpes-Corse merged with its three subsidiaries (Banque des Antilles Françaises, Banque de Saint Pierre et Miquelon and Banque de la Réunion) for the purpose of restructuring the group's overseas operations.

This merger – between a consolidating entity and its wholly-owned subsidiaries – had no material impact on the Group's consolidated financial statements.

16.2 SECURITIZATION TRANSACTIONS

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 it. Control is assessed according to the criteria provided in IFRS 10.

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The following statement lists the securitization transactions carried out by the Commercial Banking and Insurance entities without (total or partial) derecognition:

in millions of euros	Type of assets	Inception date	Expected maturity	Nominal at inception	Balance at 12/31/2016
Elide 2011	Residential home loans	04/06/2011	May 2039	1,089	334
Elide 2012	Residential home loans	06/26/2012	October 2040	1,190	474
Elide 2014	Residential home loans	11/18/2014	October 2042	915	592
Elide sub-total				**3,194**	**1,400**
Eridan	Various loans	12/16/2010	November 2033	880	172
BPCE Master Home Loans/BPCE Master Home Loans Demut	Residential home loans	05/26/2014	April 2032	44,068	40,540
BPCE Consumer Loans	Personal loans	05/27/2016	May 2032	5,000	4,846
Other sub-total				**49,948**	**45,558**
TOTAL				**53,142**	**46,958**

Securitization transactions within Groupe BPCE

Groupe BPCE consolidated two new special purpose entities (two securitization funds) in 2016: BPCE Consumer Loans FCT 2016_5 and BPCE Consumer Loans FCT 2016_5 Demut, both of which arose from an intra-group securitization transaction by the Banque Populaire banks and the Caisses d'Epargne on May 27, 2016.

Under this transaction, €5 billion in personal loans were transferred to BPCE Consumer Loans FCT 2016_5, and the institutions that transferred the loans subscribed for the securities issued by the special purpose entities.

The deal extended the ongoing BPCE Master Home Loans transaction implemented in May 2014, based on a transfer of home loans, and expanded on Groupe BPCE's centralized cash management.

Through this transaction, Groupe BPCE maintained a high level of collateral eligible for Eurosystem refinancing operations, while also diversifying the assets available for this type of operation.

Securitization transactions carried out with partial derecognition

In 2015, Crédit Foncier completed a public securitization of residential mortgage-backed receivables (Crédit Foncier Home Loans 2).

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 fund within the meaning of IFRS 10, and the fund is not consolidated.

However, given its ongoing ties with the fund, the criteria needed to establish full derecognition of assets under IAS 39 are not entirely met.

As a result, the transaction is derecognized in accordance with IFRS 10, and partially derecognized in accordance with IAS 39.

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 €182 million and total liabilities of €88 million at December 31, 2016.

The fair value of these residual ties is remeasured at each reporting date.

For 2016, the net impact of the CFHL-2 transactions was -€15 million, related to early redemptions during the year.

16.3 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.

16.4 OTHER INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STRUCTURED ENTITIES

Major restrictions

Groupe BPCE 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.

16.5 SCOPE OF CONSOLIDATION AT DECEMBER 31, 2016

Only those entities providing a material contribution are consolidated. Materiality is assessed for consolidated entities based on the principle of ascending materiality. In other words, 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 Banques Populaires banks				
BANQUE POPULAIRE ALSACE LORRAINE CHAMPAGNE	Bank	FR	100%	FC
BANQUE POPULAIRE AQUITAINE CENTRE ATLANTIQUE	Bank	FR	100%	FC
BANQUE POPULAIRE ATLANTIQUE	Bank	FR	100%	FC
BANQUE POPULAIRE AUVERGNE RHÔNE ALPES	Bank	FR	100%	FC
BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ	Bank	FR	100%	FC
BANQUE POPULAIRE DE L’OUEST	Bank	FR	100%	FC
BANQUE POPULAIRE DU NORD	Bank	FR	100%	FC
BANQUE POPULAIRE DU SUD	Bank	FR	100%	FC
BANQUE POPULAIRE MÉDITERRANÉE	Bank	FR	100%	FC
BANQUE POPULAIRE OCCITANE	Bank	FR	100%	FC
BANQUE POPULAIRE RIVES DE PARIS	Bank	FR	100%	FC
BANQUE POPULAIRE VAL DE FRANCE	Bank	FR	100%	FC
BRED – BANQUE POPULAIRE	Bank	FR	100%	FC
CASDEN – BANQUE POPULAIRE	Bank	FR	100%	FC
CRÉDIT COOPÉRATIF	Bank	FR	100%	FC
I-2 Caisses d’Epargne				
CAISSE D’EPARGNE ALSACE	Bank	FR	100%	FC
CAISSE D’EPARGNE AQUITAINE POITOU-CHARENTES	Bank	FR	100%	FC
CAISSE D’EPARGNE BRETAGNE PAYS DE LOIRE	Bank	FR	100%	FC
CAISSE D’EPARGNE CÔTE D’AZUR	Bank	FR	100%	FC
CAISSE D’EPARGNE D’AUVERGNE ET DU LIMOUSIN	Bank	FR	100%	FC
CAISSE D’EPARGNE DE BOURGOGNE FRANCHE-COMTÉ	Bank	FR	100%	FC
CAISSE D’EPARGNE DE MIDI-PYRÉNÉES	Bank	FR	100%	FC
CAISSE D’EPARGNE ÎLE-DE-FRANCE	Bank	FR	100%	FC
CAISSE D’EPARGNE LANGUEDOC-ROUSSILLON	Bank	FR	100%	FC
CAISSE D’EPARGNE LOIRE CENTRE	Bank	FR	100%	FC
CAISSE D’EPARGNE LOIRE DRÔME ARDÈCHE	Bank	FR	100%	FC
CAISSE D’EPARGNE LORRAINE CHAMPAGNE ARDENNE	Bank	FR	100%	FC
CAISSE D’EPARGNE NORD FRANCE EUROPE	Bank	FR	100%	FC
CAISSE D’EPARGNE NORMANDIE	Bank	FR	100%	FC
CAISSE D’EPARGNE PICARDIE	Bank	FR	100%	FC
CAISSE D’EPARGNE PROVENCE-ALPES-CORSE	Bank	FR	100%	FC
CAISSE D’EPARGNE RHONE ALPES	Bank	FR	100%	FC
I-3 BPCE SA				
BPCE SA	Holding company	FR	100%	FC
I-4 Mutual Guarantee Companies				
45 MUTUAL GUARANTEE COMPANIES	Guarantee company	FR	100%	FC
I-5 Affiliated institutions				
CAISSE RÉGIONALE CRÉDIT MARITIME ATLANTIQUE	Bank	FR	100%	FC
CAISSE RÉGIONALE CRÉDIT MARITIME BRETAGNE NORMANDIE	Bank	FR	100%	FC
CAISSE RÉGIONALE CRÉDIT MARITIME DE MÉDITERRANÉE	Bank	FR	100%	FC
CAISSE RÉGIONALE CRÉDIT MARITIME RÉGION NORD	Bank	FR	100%	FC
CAISSE RÉGIONALE CRÉDIT MARITIME SUD-OUEST	Bank	FR	100%	FC
II) “ASSOCIATED” INSTITUTIONS				
EDEL	Bank	FR	34%	EQ
MONINFO	Electronic payment	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	Bank	KH	12%	EQ
ATLANTIQUE PLUS	Holding company	FR	100%	FC
AURORA	Holding company	BE	100%	EQ
BANQUE CALÉDONIENNE D'INVESTISSEMENT	Bank	NC	50%	EQ
BANQUE DE SAVOIE	Bank	FR	100%	FC
BANQUE DUPUY, DE PARSEVAL	Bank	FR	100%	FC
BANQUE FRANCO LAO	Bank	LA	54%	FC
BANQUE MARZE	Bank	FR	100%	FC
BUREAU DU MANAGEMENT FINANCIER	Finance company	FR	100%	FC
BP DÉVELOPPEMENT	Private equity	FR	89%	FC
BATI LEASE	Real estate leasing	FR	95%	FC
BATI-LEASE INVEST	Office space	FR	95%	FC
BCEL	Bank	LA	10%	EQ
BCI MER ROUGE	Bank	DJ	51%	FC
BCP LUXEMBOURG	Bank	LU	100%	FC
BIC BRED	Bank	FR	100%	FC
BIC BRED (Suisse) SA	Bank	CH	100%	FC
BPA ATOUTS PARTICIPATIONS	Private equity	FR	100%	FC
BRD CHINA LTD	Private equity	CN	100%	FC
BRED COFILEASE	Equipment leasing	FR	100%	FC
BRED BANK CAMBODIA PLC	Finance company	KH	100%	FC
BRED BANK FIJI LTD	Bank	FJ	100%	FC
BRED GESTION	Bank	FR	100%	FC
BRED IT	IT services	TH	100%	FC
BRED VANUATU	Bank	VU	85%	FC
BTP BANQUE	Bank	FR	100%	FC
BTP CAPITAL CONSEIL	Investment advisory services	FR	100%	FC
BTP CAPITAL INVESTISSEMENT	Private equity	FR	73%	FC
CADEC	Private equity	FR	40%	EQ
CAISSE DE GARANTIE IMMOBILIÈRE DU BAÂTIMENT	Insurance	FR	33%	EQ
CAISSE SOLIDAIRE	Finance company	FR	77%	FC
CAPI COURT TERME N°1	Private equity	FR	100%	FC
CLICK AND TRUST	Data processing	FR	100%	FC
CODEIS	Private equity	LU	89%	FC
COFEG	Consulting	FR	100%	FC
COFIBRED	Holding company	FR	100%	FC
COOPEST	Private equity	BE	32%	EQ
CREPONORD	Real estate and non-real estate leasing	FR	100%	FC
DE PORTZAMPARC	Private equity	FR	24%	EQ
ECOFI INVESTISSEMENT	Portfolio management	FR	100%	FC
EPBF	Payment institution	BE	100%	FC
ESFIN	Private equity	FR	38%	EQ
ESFIN GESTION	Portfolio management	FR	60%	FC
EURO CAPITAL	Private equity	FR	63%	FC
EXPANSINVEST	Private equity	FR	100%	FC
FCC ELIDE	French securitization fund (FCT)	FR	100%	FC
FCT ERIDAN	French securitization fund (FCT)	FR	100%	FC

Company	Business	Location(1)	Ownership interest	Consolidation method(2)
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	Holding company	FR	100%	FC
UNION DES SOCIÉTÉS DU CRÉDIT COOPÉRATIF (EIG)	Services company	FR	99%	FC
GROUPEMENT DE FAIT	Services company	FR	100%	FC
IBP INVESTISSEMENT	Office space	FR	100%	FC
IMMOCARSO SNC	Real estate investment	FR	100%	FC
INFORMATIQUE BANQUES POPULAIRES	IT services	FR	100%	FC
INGÉNIERIE ET DÉVELOPPEMENT	Holding company	FR	100%	FC
INTERCOOP	Real estate leasing	FR	100%	FC
IRD NORD-PAS-DE-CALAIS	Private equity	FR	17%	EQ
IRR INVEST	Private equity	BE	100%	FC
LUX EQUIP BAIL	Real estate and non-real estate leasing	LU	100%	FC
MULTICROISSANCE SAS	Portfolio management	FR	100%	FC
NAXICAP RENDEMENT 2018	Private equity	FR	89%	FC
NAXICAP RENDEMENT 2022	Private equity	FR	89%	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 FINANCES	Portfolio management	FR	100%	FC
PARNASSE GARANTIES	Insurance	FR	80%	EQ
PARTICIPATIONS BP ACA	Holding company	FR	100%	FC
PERSPECTIVES ENTREPRISES	Holding company	FR	100%	FC
PERSPECTIVES ET PARTICIPATIONS	Private equity	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 TASTA	Services company	FR	70%	FC
SASU BFC CROISSANCE	Private equity	FR	100%	FC
SAVOISIENNE	Holding company	FR	100%	FC
SBE	Bank	FR	100%	FC
SCI BPSO	Office space	FR	100%	FC
SCI BPSO CONDE SOUVENIR	Office space	FR	100%	FC
SCI BPSO PESSAC	Office space	FR	100%	FC
SCI BPSO ST ESPRIT	Office space	FR	100%	FC
SCI BPSO TALENCE	Office space	FR	100%	FC
SCI BPSO GUJAN	Office space	FR	100%	FC
SCI BPSO ST-ANDRÉ	Office space	FR	100%	FC
SCI BPSO ST-PAUL	Office space	FR	100%	FC
SCI BPSO MARNE	Office space	FR	100%	FC

Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
SCI BPSO LE BOUSCAT	Office space	FR	100%	FC
SCI BPSO LESPARRE	Office space	FR	100%	FC
SCI BPSO CAMBO	Office space	FR	100%	FC
SCI BPSO ST-AMAND	Office space	FR	100%	FC
SCI BPSO PESSAC CENTRE	Office space	FR	100%	FC
SCI BPSO LE HAILLAN	Office space	FR	100%	FC
SCI BPSO MÉRIGNAC 4 CHEMINS	Office space	FR	100%	FC
SCI BPSO LIBOURNE EST	Office space	FR	100%	FC
SCI BPSO BASTIDE	Office space	FR	100%	FC
SCI BPSO 11 MORLAAS	Office space	FR	100%	FC
SCI CREDIMAR	Office space	FR	100%	FC
SCI DU CRÉDIT COOPÉRATIF DE SAINT DENIS	Office space	FR	100%	FC
SCI FAIDHERBE	Office space	FR	100%	FC
SCI POLARIS	Office space	FR	100%	FC
SCI PYTHEAS PRADO 1	Office space	FR	100%	FC
SCI PYTHEAS PRADO 2	Office space	FR	100%	FC
SCI SAINT-DENIS	Office space	FR	100%	FC
SEGIMLOR	Office space	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
SMI	Portfolio management	FR	100%	FC
SOCIÉTARIAT BP DES ALPES	Cooperative shareholder	FR	100%	FC
SOCIÉTARIAT BP DU NORD	Cooperative shareholder	FR	100%	FC
SOCIÉTARIAT BP DU MASSIF CENTRAL	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	Bank	FP	15%	EQ
SOFIAG	Finance company	FR	100%	FC
SOFIDER	Finance company	FR	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
VIALINK	Data processing	FR	100%	FC
III-2 Caisses d'Epargne subsidiaries				
BANQUE BCP S.A.S	Bank	FR	80%	FC
BANQUE DU LÉMAN	Bank	CH	100%	FC
BATIMAP	Non-real estate leasing	FR	95%	FC
BATIROC BRETAGNE PAYS DE LOIRE	Real estate and non-real estate leasing	FR	100%	FC
BEAULIEU IMMO	Office space	FR	100%	FC
CAPITOLE FINANCE	Non-real estate leasing	FR	100%	FC
CEBIM	Holding company	FR	100%	FC
EXPANSO INVESTISSEMENTS	Private equity	FR	100%	FC
FCPR FIDEPPP	Public-private partnership financing	FR	91%	FC
GIE CE SYNDICATION RISQUES	Guarantee company	FR	100%	FC
IMMOCEAL	Office space	FR	100%	FC

Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
INCITY	Office space	FR	100%	FC
SCI DANS LA VILLE	Office space	FR	100%	FC
SCI GARIBALDI OFFICE	Office space	FR	100%	FC
SCI LAFAYETTE BUREAUX	Office space	FR	100%	FC
SCI LE CIEL	Office space	FR	100%	FC
SCI LE RELAIS	Office space	FR	100%	FC
IT-CE	IT services	FR	100%	FC
MIDI FONCIÈRE	Office space	FR	100%	FC
339 ÉTATS-UNIS	Office space	FR	100%	FC
ADOUR SERVICES COMMUNS	Office space	FR	100%	FC
AFOPEA	Office space	FR	100%	FC
APOUTICAYRE LOGEMENTS	Office space	FR	100%	FC
AUSSONNELLE DE C	Office space	FR	100%	FC
BCEF 64	Office space	FR	100%	FC
BLEU RÉSIDENCE LORMONT	Office space	FR	66%	FC
BORDELONGUE GODEAS	Office space	FR	100%	FC
BURODIN	Office space	FR	100%	FC
CEPAIM SA	Office space	FR	100%	FC
CRISTAL IMMO	Office space	FR	100%	FC
EUROTERTIA	Office space	FR	100%	FC
FERIA PAULMY	Office space	FR	100%	FC
FONCIÈRE INVEST	Office space	FR	50%	FC
G102	Office space	FR	100%	FC
G IMMO	Office space	FR	100%	FC
IMMO SPORT	Office space	FR	100%	FC
LABEGE LAKE H1	Office space	FR	50%	FC
LANGLADE SERVICES	Office space	FR	51%	FC
LANTA PRODUCTION	Office space	FR	100%	FC
LEVISEO	Office space	FR	100%	FC
MIDI COMMERCES	Office space	FR	100%	FC
MIDI MIXT	Office space	FR	100%	FC
MONTAUDRAN PLS	Office space	FR	100%	FC
MURET ACTIVITÉS	Office space	FR	100%	FC
NOVA IMMO	Office space	FR	100%	FC
RANGUEIL CORMIERS	Office space	FR	40%	FC
RIOU	Office space	FR	100%	FC
ROISSY COLONNADIA	Office space	FR	50%	FC
SC RES. LATECOERE	Office space	FR	50%	EQ
SC RES. MERMOZ	Office space	FR	50%	EQ
SC RES. LOUIS BREGUET	Office space	FR	50%	EQ
SC RES. SAINT-EXUPÉRY	Office space	FR	50%	EQ
SC RES. ILOT J	Office space	FR	50%	EQ
SC RES. CHARLES LINDBERGH	Office space	FR	50%	EQ
SC RES. CROIX DU SUD	Office space	FR	50%	EQ
SC RES. CARRÉ DES PIONNIERS	Office space	FR	50%	EQ
SC RES. AILES D'ICARE	Office space	FR	50%	EQ
TECHNOCITE TERTIA	Office space	FR	100%	FC
TÉTRIS	Office space	FR	50%	FC
MIDI PYRÉNÉES PLACEMENT	Mutual fund	FR	100%	FC

Company	Business	Location[1]	Ownership interest	Consolidation method[2]
MURACEF	Mutual insurance	FR	100%	FC
PHILAE SAS	Office space	FR	100%	FC
SAS FONCIÈRE DES CAISSES D'EPARGNE	Real estate investment	FR	100%	FC
SAS FONCIÈRE ECUREUIL II	Real estate investment	FR	77%	FC
SCI FONCIÈRE 1	Real estate investment	FR	100%	FC
SCI TOURNON	Office space	FR	100%	FC
SNC ECUREUIL 5 RUE MASSERAN	Real estate investment	FR	100%	FC
SPPICAV AEW FONCIÈRE ECUREUIL	Office space	FR	100%	FC
SURASSUR	Reinsurance	LU	98%	FC
VIVALIS INVESTISSEMENTS	Office space	FR	100%	FC
III-3 – BPCE SA SUBSIDIARIES				
3F HOLDING	Holding company	DE	99%	FC
ALBIANT IT	IT systems and software consulting	FR	100%	FC
BP COVERED BONDS	Refinancing	FR	100%	FC
BPCE ACHATS	Services company	FR	97%	FC
BPCE IMMOBILIER EXPLOITATION	Real estate investment	FR	100%	FC
BPCE INFOGÉRANCE ET TECHNOLOGIE	IT services	FR	100%	FC
BPCE MASTER HOME LOANS FCT/ BPCE CONSUMER LOANS FCT	French securitization fund (FCT)	FR	100%	FC
BPCE MASTER HOME LOANS DEMUT/ BPCE CONSUMER LOANS DEMUT	French securitization fund (FCT)	FR	100%	FC
BPCE SFH	Refinancing	FR	100%	FC
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company	FR	98%	FC
DELESSERT FCP 2DEC REGPT	BPCE Guarantee and Solidarity fund	FR	100%	FC
ESNI	Securitization company	FR	100%	FC
FIDOR BANK AG	Online bank	DE	96%	FC
FIDOR SOLUTION AG	IT services	DE	96%	FC
GCE CAPITAL	Private equity	FR	100%	FC
GCE PARTICIPATIONS	Holding company	FR	100%	FC
NATIXIS GROUP[3]		FR	71%	FC
MIFCOS	Real estate investment	FR	100%	FC
LAKOOZ	IT programming	FR	100%	FC
SOCRAM BANQUE	Bank	FR	33%	EQ
S-MONEY	Electronic payment	FR	100%	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				
AL MANSOUR PALACE MAROC	Real estate development	MA	40%	EQ
ARAB INTERNATIONAL LEASE	Real estate and non-real estate leasing	TN	57%	FC
BANQUE DE NOUVELLE-CALÉDONIE	Bank	NC	97%	FC
BANQUE DE TAHITI	Bank	FP	97%	FC
BANQUE DES MASCAREIGNES	Bank	MU	100%	FC
BANQUE MALGACHE DE L'OCÉAN INDIEN	Bank	MG	71%	FC
BANQUE TUNISO KOWEITIENNE	Bank	TN	60%	FC
BCI BQ COMMERCIALE INTERNATIONALE	Bank	CG	100%	FC
BICEC	Bank	CM	68%	FC
BM MADAGASCAR	Bank	MG	73%	FC

Company	Business	Location[1]	Ownership interest	Consolidation method[2]
BPCE INTERNATIONAL	Specialized credit institution	FR	100%	FC
BPCE MAROC	Real estate development	MA	100%	FC
BPCE MAROC IMMOBILIER	Real estate development	MA	100%	FC
EL ISTIFA	Debt collection company	TN	60%	FC
FRANSA BANK	Bank	FR	21%	EQ
INGEPAR	Financial investment advisory services	FR	100%	FC
MEDAI SA	Real estate development	TN	67%	FC
NATIXIS PRAMEX INTERNATIONAL	International development and consulting services	FR	100%	FC
OCEORANE	Investment advisory services	FR	100%	FC
SKY ELITE TOUR S.A.R.L	Real estate development	MA	100%	FC
SOCIÉTÉ DU CONSEIL ET DE L'INTERMÉDIATION FINANCIÈRE	Investment advisory services	TN	48%	FC
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Office space	NC	90%	FC
SOCIÉTÉ TUNISIENNE DE PROMOTION DES PÔLES IMMOBILIERS ET INDUSTRIELS	Real estate development	TN	18%	EQ
TUNIS CENTER	Real estate development	TN	14%	FC
UNIVERS INVEST (SICAR)	Private equity	TN	52%	FC
UNIVERS PARTICIPATIONS (SICAF)	Private equity	TN	60%	FC
Crédit Foncier group				
BANCO PRIMUS	Bank	PT	100%	FC
CRÉDIT FONCIER DE FRANCE	Bank	FR	100%	FC
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company	FR	100%	FC
COFIMAB	Real estate agent	FR	100%	FC
COMPAGNIE DE FINANCEMENT FONCIER	Finance company	FR	100%	FC
CRÉDIT FONCIER IMMOBILIER	Office space	FR	100%	FC
SCA ECUFONCIER	Finance company	FR	100%	FC
CRÉDIT FONCIER EXPERTISE	Real estate appraisal	FR	100%	FC
EUROSCRIBE	Real estate and non-real estate leasing	FR	37%	EQ
FILIALES LOCI	Real estate and non-real estate leasing	FR	75%	FC
OXIANE	Real estate and non-real estate leasing	FR	75%	FC
SCRIBE BAIL LOGIS SAS	Real estate and non-real estate leasing	FR	75%	FC
SCRIBEURO SAS	Real estate and non-real estate leasing	FR	75%	FC
FONCIER PARTICIPATIONS	Holding company	FR	100%	FC
FONCIÈRE D'ÉVREUX	Office space	FR	100%	FC
GCE COINVEST	Holding company	FR	100%	FC
GRAMAT BALARD	Office space	FR	100%	FC
LOCINDUS	Real estate and non-real estate leasing	FR	75%	FC
MAISON FRANCE CONFORT PROU INVESTISSEMENTS	Real estate development	FR	49%	EQ
SEREXIM	Real estate valuation	FR	100%	FC
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company	FR	100%	FC
SOCFIM	Bank	FR	100%	FC
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company	FR	100%	FC
VENDÔME INVESTISSEMENTS	Holding company	FR	100%	FC
VAUBAN MOBILISATIONS GARANTIES (VMG)	Finance company	FR	100%	FC

Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
Banque Palatine group				
ARIES ASSURANCES	Insurance brokerage	FR	100%	FC
BANQUE PALATINE	Bank	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				
228 SOCIÉTÉS LOCALES D'EPARGNE	Cooperative shareholder	FR	100%	FC

(1) Country of location: BE: Belgium – CG: Congo – CH: Switzerland – CM: Cameroon – CN: China – DE: Germany – DJ: Djibouti – FJ: Fiji – FR: France – KH: Cambodia – LA: Laos – LU: Luxembourg – MA: Morocco – MG: Madagascar – MU: Mauritius – NC: New Caledonia – NL: Netherlands – PF: French Polynesia – PL: Poland – PT: Portugal – TH: Thailand – TN: Tunisia – VU: Vanuatu.

(2) Consolidation method: Full consolidation (FC), Joint operation (JO) or Equity method (EQ).

(3) The Natixis group comprises 326 fully-consolidated entities and 10 entities consolidated using the equity method. Its main subsidiaries are: Coface, Banque Privée 1818, Natixis Global Asset Management, Natixis North America LLC, Natixis Assurances, Natixis Private Equity and Compagnie Européenne de Garanties et Cautions.

Note 17 Locations by country

17.1 NET BANKING INCOME AND HEADCOUNT BY COUNTRY

	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 headcount[(3)] 12/31/2016
	Fiscal year 2016			
European Union member states				
Germany	172	15	(4)	830
Austria	23	7	(2)	105
Belgium	15	8	(1)	54
Bulgaria	1	1	ns	10
Denmark	12	2	ns	75
Spain	106	5	2	296
France	19,700	5,583	(1,370)	91,075
Great Britain	389	191	(122)	643
Hungary	1	ns	ns	28
Ireland	ns	(2)	(1)	7
Italy	178	102	(37)	292
Latvia	ns	ns	ns	6
Lithuania	2	1	ns	14
Luxembourg	109	60	(6)	186
Netherlands	14	2	ns	72
Poland	23	9	(2)	230
Portugal	29	13	(4)	146
Czech Republic	1	ns	ns	8
Romania	8	2	ns	80
Slovakia	ns	(1)	ns	9
Sweden	2	(1)	ns	14
Rest of Europe				
Jersey	ns	ns	0	0
Monaco	12	3	(1)	43
Russia	14	7	(1)	66
Switzerland	34	(12)	4	105
Africa and Mediterranean				
South Africa	5	1	ns	58
Algeria	54	11	(3)	745
Cameroon	87	20	(5)	752
Congo	22	4	(2)	197
Djibouti	24	2	ns	256
United Arab Emirates	29	17	0	54
Mauritius	16	4	ns	288
Israel	11	ns	ns	102
Madagascar	33	19	(4)	412
Morocco	2	ns	ns	3
Tunisia	27	(25)	8	493
Turkey	6	ns	ns	56

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	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 headcount(3) 12/31/2016
	Fiscal year 2016			
North & South America				
Argentina	8	3	(1)	45
Brazil	9	3	(1)	83
Canada	11	ns	2	49
Chile	6	1	ns	45
Ecuador	2	ns	ns	24
United States	2,496	797	(299)	2,598
Cayman Islands	3	3	0	0
Mexico	3	(3)	2	58
Uruguay	ns	ns	0	1
Asia/Oceania				
Australia	18	5	(2)	34
Cambodia	0	(1)	0	59
China	9	(14)	3	67
Fiji	6	ns	0	130
Hong Kong	190	72	(11)	342
South Korea	ns	(1)	0	2
Japan	43	(1)	(1)	131
Laos	8	1	ns	175
Malaysia	1	1	ns	5
New Caledonia	73	26	(12)	381
French Polynesia	54	16	(6)	290
Singapore	40	(4)	(5)	187
Taiwan	2	(1)	ns	28
Thailand	1	ns	0	97
Vanuatu	12	4	0	128
Vietnam	2	ns	0	58
GROUP TOTAL	**24,158**	**6,955**	**(1,882)**	**102,827**

(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.
ns: non significant

17.2 ENTITY LOCATIONS BY COUNTRY

Country of location	Business
SOUTH AFRICA	
COFACE SOUTH AFRICA	Insurance
COFACE SOUTH AFRICA SERVICES	Insurance
ALGERIA	
NATIXIS ALGÉRIE	Bank
GERMANY	
3F HOLDING	Holding company
AEW EUROPE GERMAN BRANCH	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 bank
FIDOR SOLUTION AG	IT services
KISSELBERG	Insurance
NATIXIS FRANCFORT	Finance company
NATIXIS GLOBAL ASSOCIATES GERMANY	Distribution
NATIXIS PFANDBRIEFBANK AG	Credit institution
NGAM SA ZWEIGNIERDERLAASUNG DEUTSCHLAND	Distribution
ARGENTINA	
COFACE ARGENTINA (COFACE SA BRANCH)	Credit insurance and related services
AUSTRALIA	
COFACE ARGENTINA (COFACE SA BRANCH)	Credit insurance and related services
NATIXIS AUSTRALIA PTY LTD	Finance company
NATIXIS GLOBAL ASSOCIATES AUSTRALIA HOLDINGS, LLC	Holding company
NGAM AUSTRALIE	Distribution
AUSTRIA	
COFACE AUSTRIA	Holding company
COFACE CENTRAL EUROPE HOLDING	Holding company
COFACE SERVICES AUSTRIA	Credit information and debt recovery
BELGIUM	
COFACE BELGIUM (COFACE SA BRANCH)	Credit insurance and related services
COFACE BELGIUM SERVICES HOLDING	Commercial and solvency information
EPBF	Payment institution
IRR INVEST	Private equity
NATIXIS BELGIQUE INVESTISSEMENTS	Investment company
NJR INVEST	Private equity
BRAZIL	
COFACE DO BRASIL SEGUROS DE CREDITO	Credit insurance and related services
NATIXIS BRASIL SA	Finance company
SEGURO BRASILEIRA CE	Credit insurance and related services

Country of location	Business
BULGARIA	
COFACE BULGARIA (BRANCH)	Insurance
CAMBODIA	
BRED BANK CAMBODIA PLC	Finance company
CAMEROON	
BICEC	Bank
CANADA	
COFACE CANADA (COFACE SA BRANCH)	Credit insurance and related services
NATIXIS CANADA	Finance company
NGAM CANADA FINANCIAL CORPORATION	Asset management
NGAM CANADA FINANCIAL LIMITED PARTNERSHIP	Asset management
NGAM CANADA INVESTMENT CORPORATION	Asset management
NGAM CANADA LIMITED	Asset management
TREZ COMMERCIAL FINANCES LP	Real Estate Financing
CHILE	
COFACE CHILE S.A	Insurance
COFACE CHILE (COFACE EUROPE BRANCH)	Credit insurance and related services
CHINA	
BRD CHINA LTD	Private equity
NATIXIS BEIJING	Finance company
NATIXIS SHANGHAI	Finance company
CONGO	
BCI BQ COMMERCIALE INTERNATIONALE	Bank
SOUTH KOREA	
NGAM KOREA	Distribution
DENMARK	
COFACE DANMARK (COFACE KREDIT BRANCH)	Insurance
MIDT FACTORING A/S	Factoring
DJIBOUTI	
BCI MER ROUGE	Bank
UNITED ARAB EMIRATES	
NATIXIS DUBAI	Finance company
NGAM MIDDLE EAST	Distribution
ECUADOR	
COFACE ECUADOR (COFACE EUROPE BRANCH)	Credit insurance and related services
SPAIN	
COFACE IBERICA (COFACE EUROPE BRANCH)	Credit insurance and related services
COFACE SERVICIOS ESPANA SL	Credit information and debt recovery
NATIXIS CAPITAL PARTNERS SPAIN	Mergers & acquisitions consulting
NATIXIS LEASE MADRID	Real estate and non-real estate leasing
NATIXIS MADRID	Finance company
NGAM SUCURSAL EN ESPANA	Distribution

Country of location	Business
UNITED STATES	
AEW CAPITAL MANAGEMENT, INC.	Asset management
AEW CAPITAL MANAGEMENT, LP	Asset management
AEW PARTNERS III, INC.	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 VALUE INVESTORS ASIA II GP LIMITED	Asset management
AEW VIA INVESTORS, LTD	Asset management
AEW VIF INVESTORS II, INC.	Asset management
AEW VIF INVESTORS, INC.	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 market financing
CM REO TRUST	Secondary market financing
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
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, LLC	Asset management
LOOMIS SAYLES TRUST COMPANY, LLC	Asset management
MC DONNELL	Asset management
MSR TRUST	Real Estate Financing
NAM US	Asset management
NATIXIS ASG HOLDINGS, INC	Distribution
NATIXIS CASPIAN PRIVATE EQUITY LLC	Asset management

Country of location	Business
NATIXIS FINANCIAL PRODUCTS LLC	Derivative transactions
NATIXIS FUNDING CORP	Other finance company
NATIXIS GLOBAL ASSET MANAGEMENT HOLDINGS, LLC	Holding company
NATIXIS GLOBAL ASSET MANAGEMENT, LLC	Holding company
NATIXIS GLOBAL ASSET MANAGEMENT, LP	Holding company
NATIXIS INVESTMENT CORP.	Portfolio management
NATIXIS NEW YORK	Finance company
NATIXIS NORTH AMERICA LLC	Holding company
NATIXIS PRIVATE EQUITY CASPIAN IA, LP	Private equity
NATIXIS PRIVATE EQUITY CASPIAN IB, LP	Private equity
NATIXIS REAL ESTATE CAPITAL LLC	Real Estate Financing
NATIXIS REAL ESTATE HOLDINGS LLC	Real Estate Financing
NATIXIS SECURITIES AMERICAS LLC	Trading firm
NATIXIS US HOLDINGS INC	Holding company
NATIXIS US MTN PROGRAM LLC	Issuing vehicle
NGAM ADVISORS, LP	Distribution
NGAM DISTRIBUTION CORPORATION	Distribution
NGAM DISTRIBUTION, LP	Distribution
NGAM INTERNATIONAL, LLC	Distribution
NH PHILADELPHIA PROPERTY LP	Real Estate Financing
PETER J. SOLOMON COMPANY LP	Mergers & acquisitions consulting
PETER J. SOLOMON SECURITIES COMPANY LLC	Brokerage
VAUGHAN NELSON INVESTMENT MANAGEMENT, INC.	Asset management
VAUGHAN NELSON INVESTMENT MANAGEMENT, LP	Asset management
VERSAILLES	Securitization vehicle
FIJI	
BRED BANK FIJI LTD	Bank
FRANCE	
1818 IMMOBILIER	Office space
228 SOCIÉTÉS LOCALES D'EPARGNE	Cooperative shareholder
339 ÉTATS-UNIS	Office space
45 MUTUAL GUARANTEE COMPANIES	Guarantee company
AAA ACTIONS AGROALIMENTAIRE	Insurance UCITS
ABP ALTERNATIF OFFENSIF	Alternative fund of funds
ABP VIE MANDAT FPCI	Risk Capital Fund
AEW COINVEST	Asset management
AEW EUROPE SA	Asset management
AEW EUROPE SGP	Asset management
ADOUR SERVICES COMMUNS	Office space
AFOPEA	Office space
ALBIANT IT	IT systems and software consulting
ALLIANCE ENTREPRENDRE	Asset management
APOUTICAYRE LOGEMENTS	Office space

Country of location	Business
ARIES ASSURANCES	Insurance brokerage
ATLANTIQUE PLUS	Holding company
AUSSONNELLE DE C	Office space
AXELTIS SA	Holding company
BANQUE BCP S.A.S	Bank
BANQUE DE SAVOIE	Bank
BANQUE DUPUY, DE PARSEVAL	Bank
BANQUE MARZE	Bank
BANQUE PALATINE	Bank
BANQUE POPULAIRE ALSACE LORRAINE CHAMPAGNE	Bank
BANQUE POPULAIRE AQUITAINE CENTRE ATLANTIQUE	Bank
BANQUE POPULAIRE ATLANTIQUE	Bank
BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ	Bank
BANQUE POPULAIRE MÉDITERRANÉE	Bank
BANQUE POPULAIRE DE L'OUEST	Bank
BANQUE POPULAIRE AUVERGNE RHÔNE ALPES	Bank
BANQUE POPULAIRE DU NORD	Bank
BANQUE POPULAIRE DU SUD	Bank
BANQUE POPULAIRE OCCITANE	Bank
BANQUE POPULAIRE RIVES DE PARIS	Bank
BANQUE POPULAIRE VAL DE FRANCE	Bank
BANQUE PRIVÉE 1818	Credit institution
BATI LEASE	Real estate leasing
BATI-LEASE INVEST	Office space
BATIMAP	Non-real estate leasing
BATIROC BRETAGNE PAYS DE LOIRE	Real estate and non-real estate leasing
BCEF 64	Office space
BEAULIEU IMMO	Office space
BIC BRED	Bank
BLEU RÉSIDENCE LORMONT	Office space
BORDELONGUE GODEAS	Office space
BP COVERED BONDS	Refinancing
BP DÉVELOPPEMENT	Private equity
BPA ATOUTS PARTICIPATIONS	Private equity
BPCE ACHATS	Services company
BPCE APS	Service provider
BPCE ASSURANCES	Insurance company
BPCE IMMOBILIER EXPLOITATION	Real estate investment
BPCE INFOGÉRANCE ET 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 PRÉVOYANCE)	Provident insurance
BPCE RELATION ASSURANCES	Services company

Country of location	Business
BPCE SA	Holding company
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company
BPCE SFH	Refinancing
BPCE VIE (formerly ABP VIE)	Insurance
BRED – BANQUE POPULAIRE	Bank
BRED COFILEASE	Non-real estate leasing
BRED GESTION	Bank
BTP BANQUE	Bank
BTP CAPITAL CONSEIL	Financial investment advisory services
BTP CAPITAL INVESTISSEMENT	Private equity
BUREAU DU MANAGEMENT FINANCIER	Finance company
BURODIN	Office space
CAISSE D'EPARGNE ALSACE	Bank
CAISSE D'EPARGNE AQUITAINE POITOU-CHARENTES	Bank
CAISSE D'EPARGNE BRETAGNE PAYS DE LOIRE	Bank
CAISSE D'EPARGNE CÔTE D'AZUR	Bank
CAISSE D'EPARGNE D'AUVERGNE ET DU LIMOUSIN	Bank
CAISSE D'EPARGNE DE BOURGOGNE FRANCHE-COMTÉ	Bank
CAISSE D'EPARGNE DE MIDI-PYRÉNÉES	Bank
CAISSE D'EPARGNE ILE-DE-FRANCE	Bank
CAISSE D'EPARGNE LANGUEDOC-ROUSSILLON	Bank
CAISSE D'EPARGNE LOIRE CENTRE	Bank
CAISSE D'EPARGNE LOIRE DRÔME ARDÈCHE	Bank
CAISSE D'EPARGNE LORRAINE CHAMPAGNE ARDENNE	Bank
CAISSE D'EPARGNE NORD FRANCE EUROPE	Bank
CAISSE D'EPARGNE NORMANDIE	Bank
CAISSE D'EPARGNE PICARDIE	Bank
CAISSE D'EPARGNE PROVENCE-ALPES-CORSE	Bank
CAISSE D'EPARGNE RHONE ALPES	Bank
CAISSE RÉGIONALE CREDIT MARITIME ATLANTIQUE	Bank
CAISSE RÉGIONALE CREDIT MARITIME BRETAGNE NORMANDIE	Bank
CAISSE RÉGIONALE CRÉDIT MARITIME DE MÉDITERRANÉE	Bank
CAISSE RÉGIONALE CREDIT MARITIME REGION NORD	Bank
CAISSE RÉGIONALE CREDIT MARITIME SUD OUEST	Bank
CAISSE SOLIDAIRE	Finance company
CAPI COURT TERME N°1	Private equity
CAPITOLE FINANCE	Non-real estate leasing
CASDEN – BANQUE POPULAIRE	Bank

Country of location	Business
CE HOLDING PARTICIPATIONS	Holding company
CEBIM	Holding company
CEPAIM SA	Office space
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company
CICOBAIL	Real estate leasing
CILOGER	Property management
CLICK AND TRUST	Data processing
CO-ASSUR	Insurance brokerage advisory services
COFACE EUROPE	Credit insurance and related services
COFACE SA	Holding company
COFEG	Consulting
COFIMAB	Real estate agent
COFINPAR	Credit insurance and related services
COGERI	Credit information and debt recovery
COMPAGNIE DE FINANCEMENT FONCIER	Finance company
COMPAGNIE EUROPÉENNE DE GARANTIES ET CAUTIONS	Insurance
CONTANGO TRADING SA	Brokerage firm
CRÉDIT COOPÉRATIF	Bank
CRÉDIT FONCIER DE FRANCE	Bank
CRÉDIT FONCIER EXPERTISE	Real estate valuation
CRÉDIT FONCIER IMMOBILIER	Office space
CREPONORD	Real estate and non-real estate leasing
CRISTAL IMMO	Office space
DARIUS CAPITAL PARTNERS SAS	Financial investment advisory services
DELESSERT FCP 2DEC REGPT	BPCE Guarantee and Solidarity fund
DNCA COURTAGE	Asset management
DNCA FINANCE	Asset management
DNCA MANAGEMENT	Asset management
DORVAL FINANCE	Asset Management
ECOFI INVESTISSEMENT	Portfolio management
ELLISPHÈRE	Information
ESFIN GESTION	Portfolio management
ESNI	Securitization company
EURO CAPITAL	Private equity
EURO PRIVATE EQUITY FRANCE (formerly DAHLIA PARTNERS)	Asset management
EUROTERTIA	Office space
EXPANSINVEST	Private equity
EXPANSO INVESTISSEMENTS	Private equity
FCC ELIDE	French securitization fund (FCT)
FCPR FIDEPPP	Public-private partnership financing
FCT ERIDAN	French securitization fund (FCT)
FCT LIQUIDITÉ SHORT 1	Securitization vehicle
FCT NATIXIS EXPORT CREDIT AGENCY	Securitization vehicle

Country of location	Business
FCT PUMACC	Consumer credit securitization vehicle
FCT VEGA	French securitization fund (FCT)
FERIA PAULMY	Office space
FILIALES LOCI	Real estate and non-real estate leasing
FIMIPAR	Accounts receivable purchasing
FINANCIÈRE DE LA BP OCCITANE	Holding company
FINANCIÈRE PARTICIPATION BPS	Holding company
FIPROMER	Brokerage and investment services
FONCIER PARTICIPATIONS	Holding company
FONCIÈRE D'ÉVREUX	Office space
FONCIÈRE INVEST	Office space
FONCIÈRE KUPKA	Office space
FONCIÈRE VICTOR HUGO	Holding company
FONDS COLOMBES	UCITS
FRUCTIFONCIER	Insurance real estate investments
FRUCTIFONDS PROFIL 6	Insurance UCITS
FRUCTIFONDS PROFIL 9	Insurance UCITS
G IMMO	Office space
G102	Office space
GARIBALDI CAPITAL DÉVELOPPEMENT	Holding company
GCE CAPITAL	Private equity
GCE COINVEST	Holding company
GCE PARTICIPATIONS	Holding company
GIE CE SYNDICATION RISQUES	Guarantee company
GRAMAT BALARD	Office space
GROUPEMENT DE FAIT	Services company
HABITAT EN RÉGION SERVICES	Holding company
HOLASSURE	Holding company
IBP INVESTISSEMENT	Office space
IMMOCEAL	Real estate investment
IMMO SPORT	Office space
IMMOCARSO SNC	Real estate investment
INCITY	Office space
INFORMATIQUE BANQUES POPULAIRES	IT services
INGÉNIERIE ET DÉVELOPPEMENT	Holding company
INGEPAR	Financial investment advisory services
INTERCOOP	Real estate leasing
IT-CE	IT services
LABEGE LAKE H1	Office space
LAKOOZ	IT programming
LANGLADE SERVICES	Office space
LANTA PRODUCTION	Office space
LEASE EXPANSION	Operational IT leasing
LEVISEO	Office space

Country of location	Business
LOCINDUS	Real estate and non-real estate leasing
MIDI COMMERCES	Office space
MIDI FONCIÈRE	Office space
MIDI MIXT	Office space
MIDI PYRÉNÉES PLACEMENT	Mutual fund
MIFCOS	Real estate investment
MIROVA ENVIRONMENT AND INFRASTRUCTURE	Venture capital fund management
MONTAUDRAN PLS	Office space
MULTICROISSANCE SAS	Portfolio management
MURACEF	Mutual insurance
MURET ACTIVITÉS	Office space
NALÉA	Securitization vehicle
NAMI AEW EUROPE	Asset management
NAMI INVESTMENT	Insurance real estate investments
NATIXIS ALTAIR IT SHARED SERVICES	IT services
NATIXIS ASSET MANAGEMENT	Asset management
NATIXIS ASSET MANAGEMENT FINANCE	Holding company
NATIXIS ASSURANCES	Insurance companies holding company
NATIXIS BAIL	Real estate leasing
NATIXIS CAR LEASE	Long-term vehicle leasing
NATIXIS COFICINE	Finance company (audio-visual)
NATIXIS CONSUMER FINANCE	Holding company
NATIXIS CONSUMER FINANCE IT	Consumer Credit
NATIXIS ENERGECO	Non-real estate leasing
NATIXIS FACTOR	Factoring
NATIXIS FINANCEMENT	Consumer Credit
NATIXIS FONCIÈRE SA (formerly SPAFICA)	Real estate investment
NATIXIS FORMATION ÉPARGNE FINANCIÈRE	Holding company
NATIXIS FUNDING	Secondary debt market services
NATIXIS GLOBAL ASSET MANAGEMENT	Holding company
NATIXIS GLOBAL ASSET MANAGEMENT PARTICIPATIONS 1	Holding company
NATIXIS GLOBAL ASSET MANAGEMENT PARTICIPATIONS 3	Holding company
NATIXIS HCP	Holding company
NATIXIS IMMO DÉVELOPPEMENT	Housing real estate development
NATIXIS IMMO EXPLOITATION	Office space
NATIXIS INNOV	Holding company
NATIXIS INTERÉPARGNE	Employee savings account management
NATIXIS INTERTITRES	Service vouchers
NATIXIS LEASE	Non-real estate leasing
NATIXIS LEASE IMMO	Real estate leasing
NATIXIS LIFE	Life insurance

Country of location	Business
NATIXIS LLD	Long-term vehicle leasing
NATIXIS MARCO	Investment company – (extension of activity)
NATIXIS PARTNERS	Bank
NATIXIS PAYMENT SOLUTIONS	Banking services
NATIXIS PRAMEX INTERNATIONAL	International development and consulting services
NATIXIS PRIVATE EQUITY	Private equity
NATIXIS SA	Credit institution
NATIXIS ULTRA SHORT TERM BONDS PLUS	Insurance UCITS
NAXICAP PARTNERS	Venture capital fund management
NAXICAP RENDEMENT 2018	Private equity
NAXICAP RENDEMENT 2022	Private equity
NGAM DISTRIBUTION, FRENCH BRANCH	Distribution
NORDRI	Securitization vehicle
NOVA IMMO	Office space
OCEOR LEASE RÉUNION	Non-real estate leasing
OCEORANE	Financial investment advisory services
OPCI FRANCEUROPE IMMO	Insurance UCITS
OPCI NATIXIS LEASE INVESTMENT	Real estate fund
OSSIAM	Asset management
OUEST CROISSANCE SCR	Private equity
OXIANE	Real estate and non-real estate leasing
PALATINE ASSET MANAGEMENT	Asset management
PARNASSE FINANCES	Portfolio management
PARTICIPATIONS BP ACA	Holding company
PERSPECTIVES ENTREPRISES	Holding company
PERSPECTIVES ET PARTICIPATIONS	Private equity
PHILAE SAS	Office space
PLUSEXPANSION	Holding company
PREPAR COURTAGE	Insurance brokerage
PREPAR-IARD	Non-life insurance
PREPAR-VIE	Life insurance and endowment
PROMEPAR GESTION	Portfolio management
RANGUEIL CORMIERS	Office space
REAUMUR ACTIONS (FORMERLY ABP DIVERSIFIÉ)	Insurance UCITS
RIOU	Office space
RIVES CROISSANCE	Holding company
ROISSY COLONNADIA	Office space
Property investment partnership ALTAIR 1	Office space
Property investment partnership ALTAIR 2	Office space
SAS ALPES DEVELOPPEMENT DURABLE INVESTISSEMENT	Private equity
SAS FINANCIÈRE IMMOBILIÈRE 15	Housing real estate development
SAS FONCIÈRE DES CAISSES D'EPARGNE	Real estate investment

Country of location	Business
SAS FONCIÈRE ECUREUIL II	Real estate investment
SAS IMMOBILIÈRE NATIXIS BAIL	Real estate leasing
SAS TASTA	Services company
SASU BFC CROISSANCE	Private equity
SAVOISIENNE	Holding company
SBE	Bank
SCA ÉCUFONCIER	Finance company
SCI BPSO	Office space
SCI BPSO 11 MORLAAS	Office space
SCI BPSO BASTIDE	Office space
SCI BPSO CAMBO	Office space
SCI BPSO CONDE SOUVENIR	Office space
SCI BPSO GUJAN	Office space
SCI BPSO LE BOUSCAT	Office space
SCI BPSO LE HAILLAN	Office space
SCI BPSO LESPARRE	Office space
SCI BPSO LIBOURNE EST	Office space
SCI BPSO MARNE	Office space
SCI BPSO MERIGNAC 4 CHEMINS	Office space
SCI BPSO PESSAC	Office space
SCI BPSO PESSAC CENTRE	Office space
SCI BPSO ST AMAND	Office space
SCI BPSO ST ANDRÉ	Office space
SCI BPSO ST ESPRIT	Office space
SCI BPSO ST PAUL	Office space
SCI BPSO TALENCE	Office space
SCI CHAMPS-ÉLYSÉES	Property management
SCI CREDIMAR	Office space
SCI DANS LA VILLE	Office space
SCI DU CREDIT COOPÉRATIF DE SAINT-DENIS	Office space
SCI FAIDHERBE	Office space
SCI FONCIÈRE 1	Real estate investment
SCI GARIBALDI OFFICE	Office space
SCI LA BOÉTIE	Property management
SCI LAFAYETTE BUREAUX	Office space
SCI LE CIEL	Office space
SCI LE RELAIS	Office space
SCI POLARIS	Office space
SCI PYTHEAS PRADO 1	Office space
SCI PYTHEAS PRADO 2	Office space
SCI SACCEF	Property management
SCI SAINT-DENIS	Office space
SCI TOURNON	Office space
SCPI FRUCTIFONDS IMMOBILIER	Insurance real estate investments
SCRIBE BAIL LOGIS SAS	Real estate and non-real estate leasing
SCRIBEURO SAS	Real estate and non-real estate leasing
SEGIMLOR	Office space

Country of location	Business
SELECTION 1818	Distribution of financial products for IWMAs
SEREXIM	Real estate valuation
SEVENTURE PARTNERS	Asset management
SI EQUINOXE	Holding company
SIMC	Holding company
SIPMEA	Real estate development/ management, real estate investment
SMI	Portfolio management
S-MONEY	Electronic payments
SNC ECUREUIL 5 RUE MASSERAN	Real estate investment
SOCFIM	Bank
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company
SOCIÉTARIAT BP DES ALPES	Cooperative shareholder
SOCIÉTARIAT BP DU MASSIF CENTRAL	Cooperative shareholder
SOCIÉTARIAT BP DU NORD	Cooperative shareholder
SOCIÉTÉ CENTRALE DU CREDIT MARITIME MUTUEL	Services company
SOCIÉTÉ D'EXPANSION BOURGOGNE FRANCHE-COMTÉ	Holding company
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company
SOCIÉTÉ IMMOBILIÈRE PROVENÇALE ET CORSE	Holding company
SOFIAG	Finance company
SOFIDER	Finance company
SOPASSURE	Holding company
SPG	Open-ended investment company
SPGRES	Holding company
SPIG	Property leasing
SPPICAV AEW FONCIÈRE ECUREUIL	Office space
SUD OUEST BAIL	Real estate leasing
TECHNOCITE TERTIA	Office space
TETRIS	Office space
TRANSIMMO	Real estate agent
UNION DES SOCIÉTÉS DU CRÉDIT COOPÉRATIF (GIE)	Services company
VAUBAN MOBILISATIONS GARANTIES (VMG)	Finance company
VEGA INVESTMENT MANAGERS	UCITS management company
VENDÔME INVESTISSEMENTS	Holding company
VIALINK	Data processing
VIVALIS INVESTISSEMENTS	Office space
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

Country of location	Business
AEW GLOBAL LTD	Asset management
AEW GLOBAL UK LTD	Asset management
COFACE UK (COFACE EUROPE BRANCH)	Credit insurance and related services
COFACE UK HOLDING	Holding company
COFACE UK SERVICES LTD	Credit information and debt recovery
H2O ASSET MANAGEMENT CORPORATE MEMBER	Asset management
H2O ASSET MANAGEMENT LLP	Asset management
LOOMIS SAYLES INVESTMENTS LTD (UK)	Asset management
NATIXIS LONDRES	Finance company
NGAM UK LTD	Distribution
HONG KONG	
AEW ASIA LIMITED	Asset management
COFACE HONG KONG (COFACE EUROPE BRANCH)	Credit insurance and related services
NATIXIS ASIA LTD	Other finance company
NATIXIS GLOBAL ASSET MANAGEMENT HONG KONG	Asset management
NATIXIS HONG KONG	Finance company
HUNGARY	
COFACE HUNGARY – (COFACE AUSTRIA)	Insurance
MAURITIUS	
BANQUE DES MASCAREIGNES	Bank
CAYMAN ISLANDS	
DF EFG3 LIMITED	Holding company
NATIXIS NEW YORK BRANCH	Finance company
IRELAND	
COFACE IRELAND (COFACE EUROPE BRANCH)	Credit insurance and related services
NATINIUM FINANCIAL PRODUCTS	Securitization vehicle
NATIXIS CORPORATE SOLUTIONS LTD	Structured finance
NEXGEN CAPITAL LTD	Structured finance
NEXGEN FINANCIAL HOLDINGS LTD	Holding company
NEXGEN REINSURANCE LTD	Reinsurance
ISRAEL	
BUSINESS DATA INFORMATION	Marketing and other services
COFACE HOLDING ISRAËL	Holding company
COFACE ISRAËL	Credit insurance
ITALY	
AEW EUROPE ITALIAN BRANCH	Distribution
COFACE ASSICURAZIONI SPA	Credit insurance and related services
COFACE ITALIA	Holding company
NATIXIS LEASE MILAN	Real estate and non-real estate leasing
NATIXIS MILAN	Finance company
NGAM SA BRANCH ITALIANA	Distribution
JAPAN	
COFACE JAPAN (COFACE EUROPE BRANCH)	Credit insurance and related services
NATIXIS ASSET MANAGEMENT JAPAN CO., LTD	Asset management

Country of location	Business
NATIXIS JAPAN SECURITIES CO, LTD	Finance company
NATIXIS TOKYO	Finance company
JERSEY	
NATIXIS STRUCTURED PRODUCTS LTD	Issuing vehicle
LAOS	
BANQUE FRANCO LAO	Bank
LATVIA	
COFACE LATVIA INSURANCE (COFACE AUSTRIA)	Insurance
LITHUANIA	
LEID (COFACE AUSTRIA)	Insurance
LUXEMBOURG	
AEW EUROPE SARL (formerly AEW LUXEMBOURG)	Asset management
BCP LUXEMBOURG	Bank
CODEIS	Private equity
COFACE LUXEMBOURG (COFACE EUROPE)	Credit insurance and related services
DAHLIA A SICAR SCA	Private equity
DNCA LUXEMBOURG	Asset management
H2O ASSET MANAGEMENT HOLDING	Asset management
KENNEDY FINANCEMENT LUXEMBOURG	Investment company – asset management
KENNEDY FINANCEMENT LUXEMBOURG 2	Cash management – asset management
LUX EQUIP BAIL	Real estate and non-real estate leasing
NATIXIS ALTERNATIVE ASSETS	Holding company
NATIXIS BANK	Bank
NATIXIS LIFE	Life insurance
NATIXIS LUXEMBOURG INVESTISSEMENTS	Investment company
NATIXIS PRIVATE EQUITY INTERNATIONAL LUXEMBOURG	Private equity holding
NATIXIS REAL ESTATE FEEDER SARL	Investment company
NATIXIS STRUCTURED INSSUANCE	Issuing vehicle
NATIXIS TRUST	Bank
NGAM S.A	Distribution
OSSIAM ETF EM MI	Asset management
SURASSUR	Reinsurance
MADAGASCAR	
BANQUE MALGACHE DE L'OCÉAN INDIEN	Bank
BM MADAGASCAR	Bank
MALAYSIA	
NATIXIS LABUAN	Finance company
MOROCCO	
BPCE MAROC	Real estate development
BPCE MAROC IMMOBILIER	Real estate development
SKY ELITE TOUR S.A.R.L	Real estate development
MEXICO	
COFACE HOLDING AMERICA LATINA	Financial report
COFACE SEGURO DE CREDITO MEXICO	Insurance
NGAM MEXIQUE	Asset Management

Country of location	Business
NEW CALEDONIA	
BANQUE DE NOUVELLE-CALÉDONIE	Bank
OCEOR LEASE NOUMÉA	Non-real estate leasing
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Office space
NETHERLANDS	
COFACE NEDERLAND – (COFACE KREDIT BRANCH)	Insurance
COFACE NEDERLAND SERVICES	Credit information and debt recovery
NGAM NEDERLANDS FILIAL	Distribution
NJR FINANCE BV	Financial Services
POLAND	
AEW CENTRAL EUROPE	Asset management
COFACE POLAND (COFACE AUSTRIA BRANCH)	Insurance
COFACE POLAND CMS	Financial report
COFACE POLAND FACTORING	Factoring
TISE	Private equity
FRENCH POLYNESIA	
BANQUE DE TAHITI	Bank
OCEOR LEASE TAHITI	Non-real estate leasing
PORTUGAL	
BANCO PRIMUS	Bank
COFACE PORTUGAL (COFACE EUROPE BRANCH)	Credit insurance and related services
NATIXIS PORTO	Finance company
CZECH REPUBLIC	
AEW CENTRAL EUROPE CZECH	Distribution
COFACE CZECH INSURANCE (COFACE AUSTRIA BRANCH)	Insurance
ROMANIA	
AEW CENTRAL EUROPE ROMANIA	Distribution
COFACE ROMANIA CMS	Insurance
COFACE ROMANIA INSURANCE (COFACE AUSTRIA BRANCH)	Insurance
RUSSIA	
COFACE RUS INSURANCE COMPANY	Credit insurance
NATIXIS MOSCOW	Bank
SINGAPORE	
ABSOLUTE ASIA AM	Asset management
AEW ASIA PTE LTD	Asset management
COFACE SINGAPORE (COFACE EUROPE BRANCH)	Credit insurance and related services
LOOMIS SAYLES INVESTMENTS ASIA PTE LTD	Asset management
NATIXIS GLOBAL ASSET MANAGEMENT ASIA PTE	Asset management
NATIXIS SINGAPOUR	Finance company

Country of location	Business
SLOVAKIA	
COFACE SLOVAKIA INSURANCE (COFACE AUSTRIA BRANCH)	Insurance
SWEDEN	
COFACE SVERIGE (COFACE KREDIT BRANCH)	Insurance
NGAM NORDICS FILIAL	Distribution
SWITZERLAND	
BANQUE DU LEMAN	Bank
BIC BRED (SUISSE) SA	Bank
COFACE RE	Reinsurance
COFACE SWITZERLAND (COFACE SA BRANCH)	Insurance
COFIBRED	Holding company
EURO PRIVATE EQUITY SA	Asset management
FONDS LAUSANNE	UCITS
NGAM SWITZERLAND SARL	Asset management
TAIWAN	
COFACE TAIWAN (COFACE EUROPE BRANCH)	Credit insurance and related services
NATIXIS TAÏWAN	Finance company
NGAM SECURITIES INVESTMENT CONSULTING CO. LTD	Asset management
THAILAND	
BRED IT	IT services
TUNISIA	
ARAB INTERNATIONAL LEASE	Real estate and non-real estate leasing
BANQUE TUNISO KOWEITIENNE	Bank
EL ISTIFA	Debt collection
MEDAI SA	Real estate development
SOCIÉTÉ DU CONSEIL ET DE L'INTERMÉDIATION FINANCIÈRE	Investment advisory services
TUNIS CENTER	Real estate development
UNIVERS INVEST (SICAR)	Private equity
UNIVERS PARTICIPATIONS (SICAF)	Private equity
TURKEY	
COFACE SIGORTA TURQUIE	Insurance
URUGUAY	
NGAM URUGUAY	Distribution
VANUATU	
BRED VANUATU	Bank
FONCIÈRE DU VANUATU	Real estate investment
VIETNAM	
BPCE INTERNATIONAL HO CHI MINH CITY	Finance company

Note 18 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 2015 and 2016 fiscal years were as follows:

	Statutory Auditors responsible for auditing BPCE's financial statements												Other Statutory Auditor networks					
	PwC				Mazars				Deloitte									
in thousands	Amount		%		Amount		%		Amount		%		KPMG Audit[(2)]		Other		Total	
of euros[(1)]	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Certification of financial statements	11,009	9,521	70%	68%	6,232	5,788	70%	76%	9,068	7,757	56%	50%	5,558	9,447	2,063	2,183	33,930	34,696
Services other than certification of financial statements[(3)]	4,824	4,460	30%	32%	2,701	1,852	30%	24%	7,108	7,653	44%	50%	724	1,729	29	24	15,385	15,716
TOTAL	**15,833**	**13,981**	**100%**	**100%**	**8,933**	**7,640**	**100%**	**100%**	**16,176**	**15,410**	**100%**	**100%**	**6,282**	**11,176**	**2,092**	**2,207**	**49,315**	**50,412**
Change (%)	*13%*				*17%*				*5%*				*(44%)*		*(5%)*		*(2%)*	

(1) Amounts relating to services provided appear on the income statement for the reporting year, notably including non-recoverable 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 do not include the fees paid by Natixis subsidiaries (€2.3 million for certification of financial statements and €1.4 million for services other than certification of financial statements) and by BPCE SA group (€3 million).

(3) In 2016, "Services other than the certification of financial statements" mainly included services requested by Natixis SA and its subsidiaries, including one assignment (performed by Deloitte for €2.5 million) that accounted for nearly 20% of these services. During this assignment, the auditor continued preparations for the launch of the Insurance division's product line in the Caisses d'Epargne via the Assurément#2016 program at BPCE Vie.
In 2015, these services included assignments outside the scope of statutory auditing and the review of the individual and consolidated financial statements.

5.2 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2016

To the Shareholders,

BPCE

50, avenue Pierre Mendès France

75013 Paris

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Groupe BPCE;
- the justification of our assessments;
- the specific verification and information required by French law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 at December 31, 2016 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.

Without qualifying the opinion expressed above, we draw your attention to notes 2.2, 4.1.3, 5.2 and 6.3 to the consolidated financial statements which set out the impacts of the early application, with effect from the financial year ended December 31, 2016, of certain of the provisions of IFRS 9, "Financial Instruments", in accordance with the option provided by the standard, in respect of the accounting treatment of own credit risk for financial liabilities designated as at fair value through profit or loss.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

CREDIT AND COUNTERPARTY RISK PROVISION

The Group records impairment and provisions to cover the credit and counterparty risks inherent to its activities (Notes 4.1.7, 5.6, 6.7 and 7.1 to the consolidated financial statements). We reviewed the control procedures implemented by the Group to identify risk exposure, monitor credit and counterparty risks, assess the risks of non-recovery and calculate the related impairment and provisions on an individual and portfolio basis.

VALUATION OF FINANCIAL INSTRUMENTS

The Group uses internal models to measure financial instruments that are not quoted in active markets (Notes 4.1.6, 5.5 and 6.3 to the consolidated financial statements). We reviewed the control procedures relating to the determination of a particular market as inactive, the validation of the models used and the determination of inputs used.

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group recognizes impairment on available-for-sale financial assets (Notes 4.1.7, 5.4 and 6.4 to the consolidated financial statements):

- for equity instruments, whenever there is objective evidence of significant or prolonged impairment in the value of these assets;
- for debt instruments, whenever there is a known counterparty risk.

We reviewed the control procedures relating to the identification of evidence of impairment, the valuation of the most significant items, and the estimates leading, where applicable, to the recognition of impairment losses.

INSURANCE-RELATED LIABILITIES

The Group recognizes technical provisions in respect of risks related to insurance contracts (Notes 4.13, 5.18 and 6.5 to the consolidated financial statements). We examined the methodology used to measure these insurance contracts, as well as the main assumptions and parameters used.

GOODWILL IMPAIRMENT

The Group carried out goodwill impairment tests which led, when necessary, to the recognition of impairment (Notes 3.3.3 and 5.14 to the consolidated financial statements). We reviewed the methods and the main inputs and assumptions used when performing these tests, as well as estimates used to recognize any impairment losses.

DEFERRED TAX ASSETS

The Group recognized deferred tax assets, particularly in respect of tax loss carryforwards (Notes 4.12, 5.9 and 6.9 to the consolidated financial statements). We reviewed the main estimates and assumptions that led to the recognition of these deferred tax assets.

PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

The Group records provisions to cover employee benefit obligations (Notes 4.10, 5.19 and 9.2 to the consolidated financial statements). We reviewed the valuation method for these obligations and the main inputs and assumptions used.

PROVISIONS FOR COMMITMENTS IN HOME SAVINGS ACCOUNTS

The Group records provisions to cover the risk of potentially unfavorable consequences regarding commitments related to home savings plans and accounts. We reviewed the methods used to determine these provisions and verified that Notes 4.5 and 5.19 to the consolidated financial statements provide appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 23, 2017

The Statutory Auditors

Deloitte & Associés	Mazars	PricewaterhouseCoopers Audit
Jean-Marc Mickeler Sylvie Bourguignon	Michel Barbet-Massin	Agnès Hussherr Nicolas Montillot

5.3 IFRS Consolidated Financial Statements of BPCE SA group at December 31, 2016

5.3.1 Consolidated balance sheet

ASSETS

in millions of euros	Notes	12/31/2016	12/31/2015
Cash and amounts due from central banks	*5.1*	72,036	62,745
Financial assets at fair value through profit or loss	*5.2.1*	171,163	176,721
Hedging derivatives	*5.3*	13,205	13,981
Available-for-sale financial assets	*5.4*	60,920	58,462
Loans and receivables due from credit institutions	*5.6.1*	123,323	119,897
Loans and receivables due from customers	*5.6.2*	247,770	219,927
Revaluation differences on interest rate risk-hedged portfolios		6,707	6,359
Held-to-maturity financial assets	*5.7*	3,035	3,716
Current tax assets		502	1,082
Deferred tax assets	*5.9*	2,496	2,939
Accrued income and other assets	*5.10*	52,666	47,897
Non-current assets held for sale	*5.11*	947	22
Investments in associates	*8.1*	3,445	3,324
Investment property	*5.12*	1,122	1,322
Property, plant and equipment	*5.13*	1,110	1,160
Intangible assets	*5.13*	819	831
Goodwill	*5.14*	3,803	3,725
TOTAL ASSETS		**765,069**	**724,110**

LIABILITIES

in millions of euros	*Notes*	12/31/2016	12/31/2015
Financial liabilities at fair value through profit or loss	*5.2.2*	136,490	147,720
Hedging derivatives	*5.3*	13,795	12,513
Amounts due to credit institutions	*5.15.1*	113,698	114,277
Amounts due to customers	*5.15.2*	103,897	83,439
Debt securities	*5.16*	223,713	214,071
Revaluation differences on interest rate risk-hedged portfolios		541	1,185
Current tax liabilities		568	529
Deferred tax liabilities	*5.9*	725	513
Accrued expenses and other liabilities	*5.17*	50,814	48,354
Liabilities associated with non-current assets held for sale	*5.11*	813	9
Insurance companies' technical reserves	*5.18*	68,844	53,021
Provisions	*5.19*	3,032	2,641
Subordinated debt	*5.20*	20,364	18,374
Shareholders' equity		**27,775**	**27,464**
Equity attributable to equity holders of the parent		**20,210**	**19,997**
Share capital and additional paid-in capital	*5.21*	12,582	12,582
Retained earnings		4,827	5,073
Gains and losses recognized directly in other comprehensive income		1,137	1,539
Net income for the period		1,664	803
Non-controlling interests	*5.22*	7,565	7,467
TOTAL LIABILITIES AND EQUITY		**765,069**	**724,110**

5.3.2 Consolidated income statement

in millions of euros	*Notes*	**Fiscal year 2016**	**Fiscal year 2015**
Interest and similar income	*6.1*	13,491	14,000
Interest and similar expenses	*6.1*	(10,495)	(11,159)
Commission income	*6.2*	5,621	5,859
Commission expenses	*6.2*	(2,049)	(1,944)
Net gains or losses on financial instruments at fair value through profit or loss	*6.3*	2,216	2,085
Net gains or losses on available-for-sale financial assets	*6.4*	1,035	539
Income from other activities	*6.5*	21,325	7,321
Expenses from other activities	*6.5*	(20,363)	(6,778)
Net banking income		**10,781**	**9,923**
Operating expenses	*6.6*	(7,389)	(6,893)
Depreciation, amortization and impairment for property, plant and equipment, and intangible assets		(316)	(302)
Gross operating income		**3,076**	**2,728**
Cost of risk	*6.7*	(508)	(593)
Operating income		**2,568**	**2,135**
Share in net income of associates	*8.2*	202	226
Gains or losses on other assets	*6.8*	170	(47)
Change in the value of goodwill	*5.14*	(117)	(1)
Income before tax		**2,823**	**2,313**
Income tax	*6.9*	(665)	(962)
Net income		**2,158**	**1,351**
Non-controlling interests	*5.22*	(494)	(548)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,664**	**803**

5.3.3 Comprehensive income

in millions of euros	Fiscal year 2016	Fiscal year 2015
Net income	**2,158**	**1,351**
Revaluation differences on defined-benefit pension schemes	(73)	101
Revaluation of own credit risk on financial liabilities at fair value through profit or loss (1)	(142)	
Income taxes (1)	72	(36)
Share of gains and losses recognized directly in other comprehensive income of associates that cannot be reclassified in income	(1)	(1)
Items that cannot be reclassified in income	**(144)**	**64**
Foreign exchange rate adjustments	121	470
Change in the value of available-for-sale financial assets	(358)	692
Change in the value of hedging derivatives	19	83
Income taxes	(84)	(62)
Share of gains and losses recognized directly in other comprehensive income of associates that can be reclassified in income	110	(12)
Items that can be reclassified in income	**(192)**	**1,171**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER INCOME TAX)	**(336)**	**1,235**
COMPREHENSIVE INCOME	**1,822**	**2,586**
Attributable to equity holders of the parent	1,255	1,893
Non-controlling interests	567	693

(1) The early application of the provisions of IFRS 9 “Financial instruments” relating to financial liabilities is recognized under “Revaluation of own credit risk on financial liabilities at fair value through profit or loss”. Changes in fair value attributable to own credit risk on financial liabilities at fair value through profit or loss for 2016 and booked in equity amounted to -€142 million, or -€93 million after tax.

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, 2015	**156**	**12,426**	**3,286**	**4,893**
Dividend payments				(350)
Capital increase				
Redemption of deeply subordinated notes			(1,891)	(208)
Interest on deeply subordinated notes				(144)
Impact of acquisitions and disposals on non-controlling interests(1)				(178)
Total activity arising from relations with shareholders			**(1,891)**	**(880)**
Gains and losses recognized directly in other comprehensive income				
Income				
Comprehensive income				
Other changes(2)				(335)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2015	**156**	**12,426**	**1,395**	**3,678**
Allocation of net income for 2015				803
First application of IFRS 9 for financial liabilities designated at fair value through profit or loss(3)				(8)
SHAREHOLDERS' EQUITY AT JANUARY 1, 2016	**156**	**12,426**	**1,395**	**4,473**
Dividend payments				(351)
Capital increase				5
Redemption of deeply subordinated notes			(165)	(185)
Interest on deeply subordinated notes				(99)
Impact of acquisitions and disposals on non-controlling interests (4)				(147)
Total activity arising from relations with shareholders			**(165)**	**(777)**
Gains and losses recognized directly in other comprehensive income(5)				
Income				
Comprehensive income				
Other changes(6)				(100)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2016	**156**	**12,426**	**1,230**	**3,596**

(1) The stock options granted by Natixis to the minority shareholders of DNCA France and Natixis Partners at December 31, 2015 are booked in equity for -€189 million (-€135 million attributable to equity holders of the parent and -€54 million attributable to non-controlling interests).

(2) o/w -€424 million (-€303 million attributable to equity holders of the parent and -€121 million attributable to non-controlling interests) related to the recognition of a deferred tax liability on the tax amortization of goodwill (see Note 5.14).

(3) The impact of the early application of the provisions of IFRS 9 "Financial instruments" on financial liabilities recognized under "Revaluation of own credit risk on financial liabilities at fair value through profit or loss" in opening equity comprises own credit risk at January 1, 2016 in the amount of +€17 million (+€8 million attributable to equity holders of the parent) (see Note 2.2).

Changes in fair value attributable to own credit risk on financial liabilities at fair value through profit or loss for 2016 and recognized under equity amounted to -€93 million after tax (-€66 million attributable to equity holders of the parent).

(4) Including a reduction in consolidated reserves of -€173 million (-€147 million attributable to equity holders of the parent and -€26 million attributable to non-controlling interests) arising from the impact of acquisitions and other movements. This reduction was mainly due to the following:

- *-€73 million (-€52 million attributable to equity holders of the parent and -€21 attributable to non-controlling interests) for stock options granted to the minority shareholders of Peter J. Solomon Company (PJSC);*
- *-€24 million (-€17 million attributable to equity holders of the parent and -€7 attributable to non-controlling interests) for stock options granted to the minority shareholders of Cilogers;*
- *-€65 million (-€46 million attributable to equity holders of the parent and -€19 attributable to non-controlling interests) for the revaluation and unwinding of the discount on stock options granted to the minority shareholders of DNCA France;*
- *-€18 million (-€13 million attributable to equity holders of the parent and -€5 million attributable to non-controlling interests) for the acquisition of a 40% stake in AEW Europe;*
- *+€26 million attributable to non-controlling interests for the Natixis capital increase reserved for employees.*

(5) Including a variation in the translation difference of -€44 million (-€31 million attributable to equity holders of the parent and -€13 million for non-controlling interests) following the repayment of $400 million in retained earnings by Natixis' New York branch.

(6) Other changes notably include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

Gains and losses recognized directly in other comprehensive income								
		Change in fair value of financial instruments						
Foreign exchange rate adjustments	Revaluation differences on employee benefits	Revaluation of own credit risk on financial liabilities at fair value through profit or loss[(3)]	Available-for-sale financial assets	Hedging derivatives	Net income attributable to equity holders of the parent	Total equity attributable to equity holders of the parent	Non-controlling interests	Total consolidated equity
248	**(132)**		**889**	**(527)**		**21,239**	**7,304**	**28,543**
						(350)	(386)	(736)
							1	1
						(2,099)		(2,099)
						(144)		(144)
						(178)	5	(173)
						(2,771)	**(380)**	**(3,151)**
285	49		592	164		1,090	145	1,235
					803	803	548	1,351
285	**49**		**592**	**164**	**803**	**1,893**	**693**	**2,586**
(29)						(364)	(150)	(514)
504	**(83)**		**1,481**	**(363)**	**803**	**19,997**	**7,467**	**27,464**
					(803)			
		8						
504	**(83)**	**8**	**1,481**	**(363)**		**19,997**	**7,467**	**27,464**
						(351)	(433)	(784)
						5	1	6
						(350)		(350)
						(99)		(99)
						(147)	(26)	(173)
						(942)	**(458)**	**(1,400)**
121	(36)	(66)	(411)	(18)		(409)	73	(336)
					1,664	1,664	494	2,158
121	**(36)**	**(66)**	**(411)**	**(18)**	**1,664**	**1,255**	**567**	**1,822**
						(100)	(11)	(111)
625	**(119)**	**(58)**	**1,070**	**(381)**	**1,664**	**20,210**	**7,565**	**27,775**

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5.3.5 Consolidated cash flow statement

in millions of euros	Fiscal year 2016	Fiscal year 2015
Income before tax	**2,823**	**2,313**
Net depreciation and amortization of property, plant and equipment, and intangible assets	384	364
Goodwill impairment	117	1
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	4,584	2,873
Share in net income of associates	(110)	(134)
Net cash flows generated by investing activities	(1,488)	(476)
Income/expense from financing activities	139	137
Other changes	(4,436)	904
Total non-monetary items included in net income before tax	***(810)***	***3,669***
Net increase or decrease arising from transactions with credit institutions	2,651	(12,269)
Net increase or decrease arising from transactions with customers	1,923	15,059
Net increase or decrease arising from transactions involving financial assets and liabilities	6,633	(34,855)
Net increase or decrease arising from transactions involving non-financial assets and liabilities	(430)	242
Income taxes paid	416	(43)
Net increase (decrease) in assets and liabilities resulting from operating activities	***11,193***	***(31,866)***
Net cash flows generated by operating activities (A)	**13,206**	**(25,884)**
Net increase or decrease related to financial assets and equity investments	1,980	378
Net increase or decrease related to investment property	146	113
Net increase or decrease related to property, plant and equipment, and intangible assets	(145)	(365)
Net cash flows generated by investing activities (B)	**1,981**	**126**
Net increase or decrease arising from transactions with shareholders(1)	(1,261)	(3,186)
Other increases or decreases generated by financing activities(2)	1,361	2,383
Net cash flows generated by financing activities (C)	**100**	**(803)**
Impact of changes in exchange rates (D)	**633**	**3,274**
TOTAL NET CASH FLOWS (A+B+C+D)	**15,920**	**(23,287)**
Cash and net balance of accounts with central banks		
Cash and net balance of accounts with central banks (assets)	62,745	74,142
Net balance of demand transactions with credit institutions		
Current accounts with overdrafts(3)	6,992	7,145
Demand accounts and loans	255	900
Demand accounts in credit	(28,244)	(17,328)
Demand repurchase agreements	(2,309)	(2,133)
Opening cash and cash equivalents	**39,439**	**62,726**
Cash and net balance of accounts with central banks		
Cash and net balance of accounts with central banks (assets)	72,036	62,745
Net balance of demand transactions with credit institutions		
Current accounts with overdrafts(3)	8,022	6,992
Demand accounts and loans	737	255
Demand accounts in credit	(20,429)	(28,244)
Demand repurchase agreements	(5,007)	(2,309)
Closing cash and cash equivalents	**55,359**	**39,439**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**15,920**	**(23,287)**

(1) Cash flows from or to the shareholders mainly include:
- *the redemption of deeply subordinated notes recorded in equity for -€350 million (-€2,099 million in 2015);*
- *interest paid on deeply subordinated notes recorded in equity for -€151 million (-€184 million in 2015);*
- *dividend payouts amounting to -€784 million (-€736 million in 2015).*

(2) Cash flows from financing activities mainly include:
- *the impact of issuances of subordinated notes and loans for +€3,023 million (+€3,787 million in 2015);*
- *the impact of issuances of subordinated notes and loans for -€1,695 million (-€1,246 million in 2015);*

(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 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.

The 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 15 Banque Populaire banks and the 17 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 fully-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 governed by a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the 15 Banque Populaire banks and the 17 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, 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 are organized around three major segments:

- Natixis, a 71.03%-owned listed company that combines Investment Solutions, Corporate and Investment Banking and Specialized Financial Services;
- Commercial Banking and Insurance (including Crédit Foncier, Banque Palatine and BPCE International);
- subsidiaries and equity interests.

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 Article 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 network.

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 deposit made to the **Caisse d'Epargne Network Fund** by the Caisses 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 €181.3 million as of December 31, 2016.

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 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.

1.3 SIGNIFICANT EVENTS

Visa Europe share buyout

On November 2, 2015, US company Visa Inc. announced the takeover of Visa Europe, an association of some 3,500 European banks owned by a group of approximately 3,000 European banks, including Groupe BPCE.

The transaction was completed on June 21, 2016 for a total amount of over €18 billion, structured into three parts:

- a cash payment of €12.25 billion on completion of the transaction;
- a deferred cash payment of €1.12 billion, payable three years after the completion of the transaction;
- preference shares representing an equivalent of €5 billion.

At December 31, 2015, the deal was recognized through the revaluation of Visa Europe shares held by BPCE as available-for-sale securities in the amount of €606 million (excluding tax).

For 2016, the capital gain on the sale was recorded in "Net gains or losses on available-for-sale assets" in the annual financial statements, for €831 million. The preference shares will be convertible into Visa Inc. shares after a period of 4 to 12 years. As the proposed conversion rate may be lowered in the event of disputes, a haircut was applied to the estimated amount receivable in respect of the preference shares to reflect liquidity and legal risks.

The impact of this transaction on net income attributable to equity holders of the parent for the year amounted to +€797 million.

Partnership between Groupe BPCE and CNP Assurances

Groupe BPCE and CNP Assurances entered into a new partnership agreement effective January 1, 2016, replacing the existing distribution agreements between CNP Assurances and Groupe BPCE, which expired on December 31, 2015. Furthermore, Groupe BPCE had decided to call on Natixis Assurances to design and manage all savings and pension contracts distributed by the Caisse d'Epargne network as of January 1, 2016.

The partnership, which covers a seven-year period, provides for the following:

- the establishment of an exclusive collective payment protection insurance partnership between CNP Assurances and Natixis Assurances, on the one hand, and all the Groupe BPCE networks, on the other. This partnership is based on a co-insurance agreement of 66% for CNP Assurances and 34% for Natixis Assurances;
- the implementation of specific provident insurance partnerships with (i) an offer from CNP Assurances covering the main collective provident insurance guarantees for Groupe BPCE's professional and business customers, coupled with a dependency component; and (ii) a targeted partnership for dependency and tenant guarantees as part of the individual provident insurance range;
- a gradual withdrawal by CNP Assurances from the savings and pension fund activities performed with the Caisses d'Epargne, including the progressive phasing-out of new memberships in 2016, the ongoing collection of subsequent payments into existing contracts and provisions to align the interests of CNP Assurances and Groupe BPCE regarding the management of existing plan assets. Savings deposit outstandings contracted with the Caisses d'Epargne have been transferred to Natixis Assurances under a 10% quota share reinsurance agreement, including related premium payments (see Note 5.6.2);
- conversely, CNP Assurances reinsures 40% of new euro pension fund contracts distributed by the Caisse d'Epargne network and issued by Natixis Assurances over the period 2016-2019.

Acquisition of Peter J. Solomon Company

In the first half of 2016, Natixis North America LLC, a subsidiary of Natixis, finalized the acquisition of US advisory firm Peter J. Solomon Company (PJSC), which provides advisory services on mergers and acquisitions and corporate restructuring.

At December 31, 2016 Natixis held a 51% stake in PJSC, and holds an option to buy the remaining shares by 2026 by exercising reciprocal put and call options. Natixis exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This acquisition generated goodwill of €72 million.

Acquisition of Fidor Bank AG

On July 28, 2016, Groupe BPCE announced the signing of an agreement with the key shareholders, founders and managers of Fidor Bank AG for the acquisition of their equity interests in German online bank Fidor Bank.

The acquisition of Fidor Bank is fully in line with Groupe BPCE's strategic plan "Another Way to Grow" and will help step up the rollout of the group's digital strategy.

Founded in 2009 by its CEO, Fidor is one of the world's leading Fintech Banks, with a a different approach to banking relationships. Fidor offers a unique proposal, combining an innovative customer experience relying heavily on the involvement of the 350,000 members of its community and an open organization and architecture designed to foster flexibility and agility.

Fidor has developed a proprietary infrastructure and digital banking platform – Fidor Operating System – allowing for real-time functionality and optimizing the integration of third-party applications programming interfaces (APIs).

The acquisition was finalized on December 22, 2016 and generated goodwill of 80 million (temporary given the date of completion). The Group has a period of 12 months, from the acquisition date, to finalize the deal.

Signing of agreements between Natixis and La Banque Postale for the merger of AEW Europe and Ciloger

In 2016, Natixis Global Asset Management (NGAM), a subsidiary of Natixis group, finalized the merger of AEW Europe and Ciloger, a French leader in retail investment fund management. La Banque Postale contributed Ciloger's business to AEW Europe, creating a new leader in real estate investments in France, with a pan-European investment capacity and the backing of three major retail networks (Banque Populaire, Caisse d'Epargne and La Banque Postale).

After the transaction, AEW Europe's capital was 60%-owned by NGAM and 40%-owned by La Banque Postale. AEW remains fully consolidated pursuant to IFRS 10.

This deal generated goodwill of €20 million.

Run-off management of a securitization portfolio

The active disposal of mortgage-backed securities and public-sector assets (portfolio acquired from Crédit Foncier) continued in 2016.

Several RMBS (Residential Mortgage-Backed Securities) lines were sold for a total nominal amount of €1,853 million, generating a capital loss on disposal of €131 million, recognized in "Net gains or losses on available-for-sale assets". These disposals had an impact on income before tax of -€106 million, with -€69 million in net income attributable to equity holders of the parent.

Tax rate decrease

The French Finance Act of 2017, published in the Official Bulletin (*Journal Officiel*) dated December 30, 2016, provides for a decrease in the tax rate from 34.43% to 28.92% from 2019 for entities with revenues of less than €1 billion and from 2020 for entities with revenues of more than €1 billion. As a result, BPCE SA group remeasured the net deferred tax assets and liabilities recorded in the balance sheet and recognized a deferred tax expense in the amount of €209 million in 2016 (see Note 6.9).

Note 2 Applicable accounting standards and comparability

2.1 REGULATORY FRAMEWORK

In accordance with EC regulation No. 1606/2002 of July 19, 2002 on the application of international accounting standards, the Group prepared its consolidated financial statements for the fiscal year ended December 31, 2016 under International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable at that date, thereby excluding certain provisions of IAS 39 relating to hedge accounting[1].

2.2 STANDARDS

The standards and interpretations used and detailed in the annual financial statements at December 31, 2015 were complemented by standards, amendments and interpretations whose application is mandatory for reporting periods starting from January 1, 2016, and, more specifically:

Following the adoption of IFRS 9 by the European Union on November 22, 2016, the Group elected, in line with the option opened by paragraph 7.1.2 of IFRS 9, to early adopt only paragraphs 5.7.1(c), 5.7.7-5.7.9, 7.2.14 and B 5.7.5-B 5.7-20 of IFRS 9 covering accounting for own credit risk on financial liabilities at fair value through profit or loss, without adopting the other paragraphs of IFRS 9, as of the fiscal year ended December 31, 2016.

By doing so, the Group decided not to restate the comparative periods as provided for in the option set out in paragraph 7.2.15 of IFRS 9. Consequently, the Group reclassified €8 million net of tax from "Retained earnings attributed to equity holders of the parent" to "Gains and losses recognized directly in other comprehensive income attributed to equity holders of the parent" in its opening shareholders' equity at January 1, 2016 and recorded -€66 million net of tax for fiscal year 2016 as "Revaluation of own credit risk on financial liabilities at fair value through profit or loss" within "Gains and losses recognized directly in other comprehensive income attributed to equity holders of the parent."

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 not yet applicable

New IFRS 9

The new IFRS 9 "Financial instruments" was adopted by the European Commission on November 22, 2016 and will apply retrospectively from January 1, 2018, with the exception of the provisions relating to financial liabilities at fair value through profit or loss, which Groupe BPCE applied early in its financial statements from January 1, 2016.

IFRS 9 sets out new rules for classifying and measuring financial assets and liabilities, new impairment rules for credit risk on financial assets and the treatment of hedging transactions, with the exception of macro-hedging transactions, which are subject to a separate standard currently being examined by the IASB.

New treatments

The following treatments will apply to fiscal years beginning as of January 1, 2018, replacing the accounting standards currently used to recognize financial instruments.

CLASSIFICATION AND MEASUREMENT

Financial assets will be classified into three categories (amortized cost, fair value through profit or loss, and fair value through other comprehensive income) depending on the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).

By default, financial assets will be classified at fair value through profit or loss.

Debt instruments (loans, receivables, or debt securities) may be recorded at amortized cost provided they are held for the purpose of collecting contractual cash flows and that these cash flows are solely payments of principal and interest. Debt instruments may also be recorded at fair value through other comprehensive income with subsequent reclassification through profit or loss if they are held with the twofold objective of collecting contractual cash flows and selling financial assets and where these cash flows are solely payments of principal and interest.

Equity instruments will be recorded at fair value through profit or loss unless they bear an irrevocable option for valuation at fair value through other comprehensive 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.

Embedded derivatives will no longer be recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument will be recognized at fair value through profit or loss.

The classification and measurement rules applicable to financial liabilities 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

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(1) These standards are available on the website of the European Commission at the following URL: http://ec.europa.eu/finance/company-reporting/index_en.htm

value through profit or loss (fair value option), for which revaluation adjustments related to changes in own credit risk will be recorded under gains and losses recognized directly in equity, without being subsequently reclassified through profit or loss.

The provisions of IAS 39 on the derecognition of financial assets and liabilities will be carried forward unchanged to IFRS 9.

IMPAIRMENT

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantees shall be systematically impaired or covered by a provision (loss allowance) for expected credit losses.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1

- impairment for credit risk will be recorded in the amount of 12-month expected credit losses;
- interest income will be recognized through profit or loss using the effective interest rate method applied to the gross carrying value of the asset before impairment.

Stage 2

- in the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category;
- impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses;
- interest income will be recognized through profit or loss using the effective interest rate method applied to the gross carrying value of the asset before impairment.

Stage 3

- impairment for credit risk will continue to be calculated based on the instrument's lifetime expected credit losses, and the amount will be adjusted, as necessary, to reflect any additional significant increase in credit risk;
- interest income will be recognized through profit or loss based on the effective interest method applied to the net carrying amount of the asset after impairment.

HEDGE ACCOUNTING

IFRS 9 introduces an amended hedge accounting model intended to be better aligned with risk management activities.

Implementation work

Due to the scale of changes to be introduced under IFRS 9, Groupe BPCE is carrying out its implementation work under a project involving all the affected business lines and support functions.

Analysis, design and IT development work began in the first half of 2015, continued throughout 2016 and will continue in the first half of 2017. The second half of 2017 will mainly focus on user acceptance tests, the final calibration of models, the completion of documentation, and the adaptation of processes under a change management program.

CLASSIFICATION AND MEASUREMENT

The "Classification and Measurement" work completed so far has concluded that most financial assets that were measured at amortized cost under IAS 39 will 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) will continue to be measured at fair value under IFRS 9.

Based on the work completed to date, the following reclassifications will be made:

- for the commercial banking loan book, the impact should be limited and will primarily concern certain instruments that were measured at amortized cost and classified as loans and receivables under IAS 39, but which will be 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;
- for other loan books:
  - repurchase agreements classified as financial assets at fair value through profit or loss under IAS 39 (fair value option) and considered part of a trading business model under IFRS 9 will be reclassified as financial assets held for trading and recognized at fair value through profit or loss,
  - repurchase agreements classified as loans and receivables and measured at amortized cost under IAS 39, and considered part of a trading business model under IFRS 9, will be reclassified as financial assets held for trading and recognized at fair value through profit or loss,
  - financing and lease receivables will, for the most part, continue to be classified and measured at amortized cost. However, Groupe BPCE holds some fixed-rate loans with symmetrical repayment clauses in its loan book. This is an industry-wide concern, and in December 2016, the question of whether these instruments can be recorded at amortized cost was referred to the IASB, which should reach a decision during 2017;
- 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 securities may change under IFRS 9, with a choice between measurement at amortized cost or at fair value through equity, 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 qualified as equity and classified as available-for-sale financial assets under IAS 39 will be measured at fair value through equity 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 will be measured at fair value through profit or loss under IFRS 9. Once Groupe BPCE companies have individually made a final decision, future changes in the fair value of securities may be presented in equity,

- securitization fund units measured at amortized cost and classified as loans and receivables under IAS 39 (i) will be measured at fair value through equity under IFRS 9 if their contractual cash flows are not solely payments of principal and interest, (ii) will be 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 (iii) will continue to be recognized at amortized cost in all other cases.

Reclassifications between categories of financial assets measured at amortized cost and fair value will have a net impact on Groupe BPCE's consolidated equity owing to the different calculation methods applicable to these assets. However, since there will be few such reclassifications, they are not expected to have a material impact on the amount of Groupe BPCE's opening shareholders' equity at January 1, 2018.

The treatment of financial liabilities is similar to that applied under IAS 39, and liabilities will be little affected.

As indicated above, and as permitted by IFRS 9, the Group nonetheless elected to early-apply the recognition in other comprehensive income of revaluation adjustments related to changes in own credit risk on liabilities measured at fair value through profit or loss.

IMPAIRMENT

The Group will use the internal risk management approach underlying the regulatory calculations of capital requirements for the constitution of portfolios and impairment calculations. An *ad hoc* method for calculating and recognizing impairment on performing loans is currently being developed, involving significant IT developments.

The impairment calculation models are being designed in accordance with the model governance system to ensure consistency in the methods applied across the Group based on the type of assets and the purpose of the models. They will draw first and foremost on existing internal risk assessment models and on external information if internal inputs are not available. These models will be adapted to allow the measurement of the probability of default at maturity. The impairment calculated will take into account current conditions and economic and financial projections. The measurements may therefore, in some cases, be significantly different to those used for the calculation of regulatory capital requirements, which takes a prudential approach.

The impairment calculation models will be implemented centrally to ensure consistency in the methods used across Groupe BPCE depending on the type of asset.

The measurement of a significant increase in credit risk will be based on a combination of quantitative and qualitative indicators, which are currently being determined. Quantitative indicators will be based on ratings systems, comparing the risk associated with the current rating against the risk measured when the exposure was approved. Qualitative criteria include indicators that complement the ratings system, focusing on comparing the current risk measurement to past measurements, such as payments more than 30 days past due or the counterparty's inclusion on a watch list (with forbearance status).

Impact simulations performed at this stage include simplifications that do not allow the estimate to be considered sufficiently reliable for publication.

HEDGE ACCOUNTING

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 for the recognition of these transactions. In view of the limited volume of asset reclassifications, most transactions recognized using hedge accounting under IAS 39 will continue to be disclosed in the same way from January 1, 2018.

However, the information provided in the Notes will observe the provisions of IFRS 7 as amended by IFRS 9.

PHASE-IN ARRANGEMENTS

Under the option available in IFRS 9, the Group does not intend to publish comparative information for its financial statements.

New IFRS 15

IFRS 15 "Revenue from contracts with customers" will replace the current standards and interpretations related to the recognition of income. IFRS 15 was adopted by the European Union and published in the OJ on October 29, 2016. It will be applicable retrospectively as of January 1, 2018.

Under IFRS 15, recognition of income from ordinary activities must reflect the transfer 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 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 Group started to analyze the impact of the application of this new standard in the second half of 2016 and this work will be completed during the 2017 fiscal year.

New IFRS 16

IFRS 16 "Leases" will replace IAS 17 "Leases" and the interpretations related to the accounting of such contracts. It will be applicable retrospectively as of January 1, 2019 subject to adoption by the European Union.

As defined under IFRS 16, leases shall identify an asset and convey the right to use this asset for a period of time. 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.

For lessees, the standard requires that all leases be recorded in the balance sheet such that they convey the right to use the leased asset, which must be recognized under property, plant and equipment, with a corresponding entry under liabilities to reflect the leases and the remaining payments over the term of the lease. The right to use the asset will be amortized on a straight-line basis and the financial liability will be calculated an actuarial basis over the term of the lease. The interest expense on the debt and the amortization expense on the right to use the asset will be recognized separately in the income statement. In contrast, based on the current IAS 17, operating leases are not recognized on the balance sheet, only the corresponding rental income is recorded in income.

The Group began to analyze the impact of the application of this new standard following its publication at the start of 2016. The estimated amount of the rights of use to be recorded in the balance sheet is currently being assessed. It is expected to have a significant impact on fixed asset items and on financial liability items in the balance sheet.

2.3 USE OF ESTIMATES

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, 2016 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 4.1.6);
- the amount of impairment of financial assets, and more specifically permanent impairment losses on available-for-sale assets and impairment losses applicable to loans and receivables on an individual basis or calculated on the basis of portfolios (Note 4.1.7);
- provisions recorded under liabilities in the balance sheet and more specifically the provision for regulated home savings products (Note 4.5) and provisions for insurance policies (Note 4.13);
- calculations related to the cost of pensions and future employee benefits (Note 4.10);
- deferred tax assets and liabilities (Note 4.12);
- goodwill impairment testing (Note 5.14).

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. 2013-04 issued by the *Autorité des normes comptables* (ANC – French national accounting standards authority) on November 7, 2013.

The consolidated financial statements are based on the financial statements at December 31, 2016. The Group's consolidated financial statements for the period ended December 31, 2016 were approved by the Management Board on February 06, 2017. They will be presented to the Annual General Shareholders' Meeting on May 19, 2017.

Note 3 Consolidation principles and methods

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 BPCE SA group is described in Note 16 – 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, that 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 tax-efficient lease, 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 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 16.5.

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 in view of sale and discontinued activities".

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 are 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 provisions of IAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether impairment testing is required for its investment in an associate or joint venture. If necessary, 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. Revised IAS 28 "Investments in Associates and Joint Ventures" authorizes, in this case, the investor to recognize the investment at its fair value (with changes in fair value recognized in income) in accordance with IAS 39.

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 the relevant holdings 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 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 comprehensive 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 and IAS 27:

- combinations between mutual insurers are now included within the scope of IFRS 3;
- costs directly linked to business combinations are now recognized in net income for the period;
- contingent considerations payable are now 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 IAS 39);
- 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 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, the 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 the future activity of the latter, or may be set as recognized at the fair value of the subsidiary’s securities on the day on which the options are exercised.

These commitments are treated for accounting purposes 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 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 including in the consolidated income statement as “Non-controlling interests”.

3.2.5 Consolidated entities’ balance sheet date

The entities included in the scope of consolidation close their accounts on December 31.

Note 4 Accounting principles and measurement methods

4.1 FINANCIAL ASSETS AND LIABILITIES

4.1.1 Loans and receivables

Amounts due from credit institutions and customers and certain investments not quoted in an active market are generally recorded in "Loans and receivables" (see Note 4.1.2).

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 risk" 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 partners.

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.

4.1.2 Securities

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.

Financial assets at fair value through profit or loss

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.

The qualifying criteria used when applying this option are described in Note 4.1.4 "Financial assets and liabilities at fair value through profit or loss".

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 gains or losses on financial instruments at fair value through profit or loss".

Held-to-maturity financial assets

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 at group level 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 gains or losses on available-for-sale financial assets".

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.

Loans and receivables

The "Loans and receivables" portfolio 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 gains or losses on available-for-sale financial assets".

Available-for-sale financial assets

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 money market assets, for which changes in the fair value of the foreign currency component affect net income). The principles used to determine fair value are described in Note 4.1.6.

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 "Interest or similar income". Interest income accrued or received on variable-income securities is recorded under "Net gains or losses on available-for-sale financial 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. For repurchase or reverse repurchase transactions, a loan commitment given or received is recorded between the transaction date and the settlement/delivery date when such transactions are recorded as "Loans and receivables" or "Liabilities". 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.

Rules applicable to partial disposals

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, expect in special cases.

4.1.3 Debt and equity instruments

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 eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is fixed at its historic 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".

Financial liabilities at fair value through profit or loss

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 IAS 39. The qualifying criteria used when applying this option are described in Note 4.1.4 "Financial assets and liabilities at fair value through profit or loss".

These liabilities 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, gains or losses on these instruments are recognized in "Net gains or losses on financial instruments at fair value through profit or loss", with the exception of changes in fair value attributable to changes in own credit risk which, since January 1, 2016 (see Note 2.2), are recorded under "Revaluation of own credit risk on financial liabilities at fair value through profit or loss" within "Gains and losses recognized directly in equity".

Debt securities

Issues of debt securities (which are not classified as financial liabilities at fair value through profit or loss or as equity) 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".

Subordinated debt

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. They are subsequently measured at amortized cost at each balance sheet date using the effective interest method.

4.1.4 Financial assets and liabilities 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 on initial recognition at fair value through profit or loss.

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 a measurement or recognition inconsistency (accounting mismatch)

Applying the option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy. This accounting treatment applies in particular to certain structured loans granted to local authorities.

Harmonization of accounting treatment and 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.

This circumstance mainly arises in connection with Natixis' capital market activities.

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 accounting treatment applies in particular to some structured debt issues containing material embedded derivatives.

4.1.5 Derivative financial instruments and hedge accounting

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 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 for accounting purposes or as net investment hedges in a foreign currency.

Derivative financial instruments are classified into the following two categories:

Trading derivatives

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 on derivatives held for trading are taken to income on the "Net gains or losses on financial instruments at fair value through profit or loss" line.

Hedging derivatives

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.

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 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 is recognized in income in the same manner as the gain or loss on the hedged item attributable to the risk being hedged. 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 equity 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-hedges on cash flows (hedging of portfolios of loans or borrowings).

In this case, 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 whose changes in fair value from inception are compared 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 equity 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 equity on a straight line basis. If the derivative has not been canceled, it is reclassified as a trading derivative, and 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 so-called 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 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 prospectively at the date the instrument is designated as a hedge and retrospectively at each balance sheet date that no excess hedging exists;
- 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 notional amount of the hedged items falls below the nominal amount of the hedging instruments, for example in the case of the prepayment of loans or the withdrawal of deposits.

HEDGING OF A NET INVESTMENT IN A FOREIGN CURRENCY

The 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 net investment hedge in a foreign currency 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 equity are taken to income when the net investment is sold in full or in part (or when partially sold with loss of control).

4.1.6 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 of 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 with 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 expected 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, the method made use of proxies by type of counterparty, rating and geographic area.

DEBIT VALUATION ADJUSTMENT (DVA)

The DVA is symmetrical to the CVA and represents the expected 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 adjustment 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 Monitoring 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 incorporating 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 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 shares of UCITS for which NAV is determined and reported on a daily basis.

LEVEL 2: VALUATION USING OBSERVABLE MARKET INPUTS

Level 2 fair value comprises instruments other than instruments mentioned in Level 1 fair value and instruments measured using a valuation technique incorporating inputs that are either directly observable (prices) or indirectly observable (price derivatives) through to maturity. This mainly includes:

Simple instruments

Most over-the-counter derivatives, swaps, 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 and Portuguese sovereign securities, whose fair value was recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS whose NAV is not determined and published on a daily basis, but are subject to regular reporting or 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 directly observable inputs such as yield curves and revaluation differences. 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, 2016 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 a single underlying, multiple underlyings or hybrids (fixed income/equity for example).

The main models used for equity products are local volatility models, combined with local volatility 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 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 for valuing and managing 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, an approximation input (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 (bid-ask), the financing cost of uncollateralized or partially-collateralized derivatives, counterparty and internal credit risks (measurement of liability positions), modeling and input risks.

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 investment portfolios, held by the Insurance business line;
- instruments with a deferred day-one margin;
- hybrid interest rate and foreign exchange instruments not classified in Level 2;
- shares 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, which were not reclassified within "Loans and receivables" pursuant to the amendment to IAS 39 and IFRS 7 published on October 13, 2008 (see below).

When there is a significant drop in trading in a given market, a valuation model is used based on the only available relevant data.

In accordance with the Ministerial Order of February 20, 2007, as amended by the Order of November 23, 2011, on lending institutions and investment companies and 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 and the ex post control mechanism (valuation of the accuracy and consistency of internal models and modeling procedures) appears in Chapter 3 "Risk Management".

Under IAS 39, 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 but 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, 2016, 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 in the class of instrument	Valuation techniques used	Main unobservable data	Unobservable data ranges among relevant Level 3 products
Credit derivatives	CDOs, Index tranche	Technique for estimating defaults given the correlation effect and recovery modeling	Correlation curve specific to the portfolio underlying the CDO	5% – 95%[(a)]
	CDS on projects (other than CDS on securitization assets)	Extrapolation from prices based on recovery assumptions	Recovery rate	60% – 100%
Interest rate derivatives	Securitization swaps	Discounted expected cash flows based on early redemption assumptions on the underlying portfolio	Early redemption rate	2% – 17%
	Sticky CMS/Volatility Bonds	Interest rate options valuation models	Mean reversion inputs	1% – 5%
	Callable Spread Options and Corridor Callable Spread Options	Model *representing several yield curve factors*	Mean reversion spread	10% – 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: -13bp/+24bp
Capital Protected Note	*Mono-credit* payoffs, with capital guarantee, indexed based on issuer cash-CDS, including an at-par call clause at Natixis' discretion	Model that uses as Inputs the volatility of the cash-CDS, recalibrated for price volatility and reintegrated in a Black & Scholes model with a numerical method used to calculate Early Exercise	Volatility of cash-CDS basis	2.02% – 4.54%
Repos and general collateral TRS	TRS and repos indexed to a basket of general equities	Synthetic modeling of underlying general basket (with repo *to* estimate) and actuarial valuation for TRS or using a standard equity/ interest rate hybrid model for the TRS auto call	Repo curve *of* general baskets	-1.11% – 0.33%
Helvetix derivatives	Strips of long-term options, Strips of quanto options, Strips of digital options	Black & Scholes model	Currency/currency correlation	EURUSD correlation: -28.59%;- 44.53% USDCHF correlation -75.58%;- 85.97%
	Options spread and Digital options spread	Gaussian copula	USDCHF & EURCHF long-term volatility	Long-term volatility: 12% – 15%
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	data Fund	Index – Interest rate correlation: 12% – 47%
Hybrid interest rate/ currency derivatives	Long-term PRDC/PRDKO/TARN structures	Hybrid currency/interest rate options valuation model	Correlation between currency and interest rates and long-term volatility levels	AUD/JPY and USD/JPY correlation: 17% – 61% Long-term volatility: 13% – 18%
Hybrid equity/ interest rate/forex 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)	EQ/FX=24% EQ/IR=40,56% FX/IR=27%
Hybrid interest rate/ 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)	Interest rate/Credit correlation: 0% Vol Credit: Structure by term ([2Y, 200%],[5Y, 56%],[10Y, 51%]
Equity derivatives	*Long* maturity multi-underlying payoffs	Volatility options valuation model incorporating correlation between assets	Correlation inputs	51% – 74%

(a) All transactions including this type of data are fully back-to-back; this input justifying the Level 3 classification is entirely hedged.

Policy concerning fair value hierarchy transfers

Transfers between fair value levels are reviewed and validated by *ad hoc* committees of 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.

Under this procedure, multi-underlying equity products with a residual maturity of between four and five years were transferred to fair value Level 3 in 2016. Information on the transfers between levels of the fair value hierarchy is provided in Note 5.5.3. The amounts given in this note were calculated at the date of the last valuation prior to the change in the level of the fair value hierarchy.

As a reminder, in 2015, in accordance with these principles, Capital Protected Notes, Helvetix derivatives, as well as repos and general collateral TRS were transferred to Level 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.

Previously the model consisted in applying a standard rate of recovery of 10% for unrealized capital losses on the underlying assets concerned (rate justified by the low capitalization of monoline insurers given their risk exposures), except for a counterparty whose rate of recovery was deemed nil at December 31, 2015, and a probability of default calibrated to the credit risk associated with the credit enhancer.

The current method for determining provisions for contracts with CDPCs (Credit Derivatives Product Companies) consists in applying a transparency-based approach to the underlying assets, based on an estimate of exposure at the time of default, with the PD and LGD based on the tranche's maturity. A stress factor of 1.2 was applied to the probabilities of default thus determined for the underlyings, based on a recovery rate of 27%. Counterparties are associated with a probability of default whenever the losses resulting from the calculation exceed the CDPC's net available assets.

In addition to these provisions, a general reserve also takes into account the volatility of the fair value of the contracts.

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:

CLO

A scoring model defining the level of risk associated with certain structures is applied based on a series of criteria.

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

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 AND BPCE

Credit and loans classified as "Loans and receivables" 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.

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.

Borrowings and savings

At Natixis, the assessment of the fair value of securities 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 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 BPCE SA group.

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 COMMERCIAL 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 commercial 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 determined based on internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. Except for 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 determined based on 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.

Instruments reclassified to "Loans and receivables" having legal status as "securities"

The illiquidity of such instruments, which is necessary to their classification in "Loans and receivables", was assessed at the reclassification date.

Subsequent to reclassification, some instruments may become liquid again and be measured at Level 1 fair value.

In other cases, their fair value is measured using models identical to those described above for instruments measured at fair value on the balance sheet.

4.1.7 Impairment of 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. A loss event is defined as one that has an impact on the estimated future cash flows of a financial asset which can be reliably estimated.

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 depreciation:

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 gains or losses on available-for-sale financial assets". 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 risk".

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 payments past due by more than three months (six months maximum for real estate and nine months for loans to local authorities) or, independently of the existence of a missed payment, the existence of an incurred credit risk or litigious proceedings; For the majority of Group institutions, probable credit risk arises from default events defined in Article 178 of European regulation 575-2013 dated June 26, 2013 relating to prudential requirements applicable to credit institutions;

- these events lead to 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. 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. Probable losses arising from off-balance sheet commitments are taken into account through provisions recognized on the liability side of the balance sheet.

Two types of impairment are recognized under "Cost of risk":

- impairment on an individual basis;
- impairment on a portfolio basis.

IMPAIRMENT ON AN INDIVIDUAL BASIS

Specific impairment is calculated for each receivable on the basis of the maturity schedules determined based on historic recoveries for each category of receivable. Collateral is taken into account when determining the amount of impairment, and when collateral fully covers the risk of default, the receivable is no longer impaired.

IMPAIRMENT ON A PORTFOLIO BASIS

Impairment on a portfolio basis covers unimpaired outstandings on an individual basis. In accordance with IAS 39, these are grouped together in portfolios with similar credit risk characteristics that undergo a collective impairment test.

Banque Populaire and Caisse d'Epargne outstanding loans are included in a group of similar loans in terms of the sensitivity of risk based on the Group's internal rating system. The portfolios subject to the impairment test are those relating to counterparties with ratings that have been significantly downgraded since granting, and which therefore are considered sensitive. These loans undergo impairment, although credit risk cannot be individually allocated to the different counterparties making up these portfolios, as the loans in question collectively show objective evidence of impairment.

The amount of impairment is determined based on historical data on the probability of default at maturity and the expected losses, adjusted, if necessary, to take into account the prevailing circumstances at the balance sheet date.

This approach may also be supplemented by a segmental or geographical analysis generally based on an expert opinion, taking account of various economic factors intrinsic to the loans and receivables in question. Portfolio-based impairment is calculated based on expected losses at maturity across the identified population.

4.1.8 Reclassifications of financial assets

Several types of reclassification are authorized:

Reclassifications authorized prior to the amendments to IAS 39 and IFRS 7 adopted by the European Union on October 15, 2008

These notably include "Available-for-sale financial assets" reclassified as "Held-to-maturity financial assets".

Any fixed-income security with a set maturity date meeting the definition of "Held-to-maturity securities" may be reclassified if the Group changes its management strategy and decides to hold the security to maturity. The Group must also have the ability to hold this instrument to maturity.

Reclassifications authorized since the amendments to IAS 39 and IFRS 7 adopted by the European Union on October 15, 2008

These standards define the terms for reclassifying non-derivative financial assets at fair value (with the exception of those initially designated at fair value through profit or loss) to other categories:

- reclassification of "Financial assets held for trading" as "Available-for-sale financial assets" or "Held-to-maturity financial assets".

  Any non-derivative financial assets may be reclassified whenever the Group is able to demonstrate the existence of "rare circumstances" leading to this reclassification. It should be noted that the IASB has characterized the financial crisis of the second half of 2008 as a "rare circumstance".

  Only instruments with fixed or determinable payments may be reclassified as "Held-to-maturity financial assets". The institution must also have the intention and the ability to hold these instruments until maturity. Instruments included in this category may not be hedged against interest rate risk;
- reclassification of "Financial assets held for trading" or "Available-for-sale financial assets" as "Loans and receivables".

  Any non-derivative financial asset meeting the definition of "Loans and receivables" and, in particular, any fixed-income instruments not quoted in an active market may be reclassified if the Group changes its management strategy and decides to hold the instrument for a foreseeable future or to maturity. The Group must also have the ability to hold this instrument over the medium to long term.

Reclassifications are carried out at fair value at the reclassification date, with this value serving as the new amortized cost for instruments transferred to categories measured at amortized cost.

A new effective interest rate is then calculated at the reclassification date in order to bring this new amortized cost into line with the redemption value, which implies that the instrument had been reclassified with a discount.

For instruments previously recorded under available-for-sale financial assets, the amortization of the new discount over the residual life of the instrument will generally be offset by the amortization of the unrealized loss recorded under gains and losses recognized directly in other comprehensive income at the reclassification date and taken to the income statement on an actuarial basis.

In the event of impairment subsequent to the reclassification date of an instrument previously recorded under available-for-sale financial assets, the unrealized loss recorded under gains and losses recognized directly in other comprehensive income at the reclassification date and taken to the income statement on an actuarial basis is immediately written back to income.

4.1.9 Derecognition of financial assets and liabilities

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 represents a financial liability recorded at amortized cost or at fair value if this liability has been classified as "Designated at fair value".

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 when classified under "fair value by option".

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 rights to 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. To assess the substantial nature of the change, IAS 39 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.

4.1.10 Offsetting financial assets and financial liabilities

In accordance with IAS 32, the Group offsets financial assets and liabilities, and a net balance is presented on the balance sheet, on the twofold condition that it has the legally enforceable right to offset the recorded amounts, and the intention either to settle the net amount or to simultaneously realize the asset and settle the liability.

Transactions on derivatives and repurchase agreements carried out with clearing houses, whose operating principles meet the two criteria mentioned above, are offset in the balance sheet (see Note 14).

4.2 INVESTMENT PROPERTY

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 (see Note 4.3) for all Group entities except for certain insurance entities, which recognize the property they hold as investments in connection with insurance policies 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.

4.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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 stated in Note 4.9.

Equipment leased under operating leases (group as lessor) is recognized as an asset on the balance sheet under property, plant and equipment.

4.4 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

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 their lowest carrying amount or at fair value less sales costs. Financial instruments continue to be measured in accordance with IAS 39.

4.5 PROVISIONS

Provisions other than those relating to employee benefit commitments, provisions on 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 épargne logement* – CEL) and regulated home savings plans (*plans d épargne 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 loans outstandings granted but not yet due at the calculation date plus statistically probable loans 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.

4.6 INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on all financial instruments measured at amortized cost using the effective interest method. The same is true for interest income and expenses relating to available-for-sale financial assets and to loan commitments, and accrued interest on hedging derivatives.

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 from a financial liability debt instrument is positive, it is deducted from interest expenses in the income statement.

4.7 COMMISSIONS ON SERVICES

Commissions are recorded in the income statement by type of service provided, and according to the method used to recognize the associated financial instrument:

- commissions payable on recurring services are deferred over the period in which the service is provided (payment processing, securities deposit fees, etc.);
- commissions payable on occasional services are recognized in full in income when the service is provided (fund transfers, payment penalties, etc.);
- commissions payable on execution of a significant transaction are recognized in full in income on completion of the transaction.

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.

4.8 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 available-for-sale financial assets 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".

4.9 FINANCE LEASES AND SIMILAR TRANSACTIONS

Leases are analyzed to determine whether in substance and economic reality they are finance leases or operating leases.

4.9.1 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 lessee has 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;
- 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;
- 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 lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee (capital loss on the asset);
- gains or losses from the change in the fair value of the residual value accrue to the lessee;
- 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 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 charges for finance leases are determined using the same method as that described for loans and receivables.

Finance 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.

4.9.2 Operating leases

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

In the lessor's financial statements, the asset is recognized under property, plant and equipment and depreciated on a straight-line basis over the lease term. The depreciable amount does not take into account the residual value of the asset.

The leased asset is not recognized on the balance sheet of the lessee. Lease payments are recognized in income on a straight-line basis over the lease term.

4.10 EMPLOYEE BENEFITS

There are four categories of employee benefits:

4.10.1 Short-term employee benefits

Short-term employee benefits mainly include wages, salaries, paid annual leave, incentive schemes, profit sharing, and bonuses which are expected to be paid 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.

4.10.2 Long-term employee benefits

Long-term employee benefits are generally linked to long-service 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. These notably comprise long service awards to employees.

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 consists in allocating costs over the working life of each employee (projected unit credit method).

Actuarial gains and losses (for example those relating to changes in financial interest rate assumptions) and past service cost are immediately recognized in income and included in the provision.

4.10.3 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 terminate a contract in exchange for a severance package. A provision is set aside for termination benefits. Termination benefits that are not expected to be paid within the 12 months following the balance sheet date are discounted to present value.

4.10.4 Post-employment benefits

Post-employment benefits include lump-sum retirement bonuses, pensions and other post-employment benefits.

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.

Revaluation differences on post-employment benefits, relating to changes in actuarial assumptions and experience adjustments are recognized in equity (other comprehensive income) and are not subsequently transferred to income. Revaluation differences on long-term employee benefits are immediately recognized in income.

The annual expense recognized in respect of defined-benefit plans includes the current service cost, net interest cost (the effect of discounting the obligation), the expected return on plan assets and past service costs.

The amount of the provision under liabilities in the balance sheet corresponds to the net total commitment as IAS 19R no longer provides for unrecognized items.

Post-employment benefits are divided into defined-contribution plans and defined-benefit plans.

Defined-contribution plans

The employer is only committed to paying pre-defined contributions to an insurer or an external entity. The resulting advantages for employees depend on the contributions paid and the yield on investments made using these contributions. The employer is not obliged to finance complements if there are insufficient funds to pay the benefits expected by employees. Actuarial risk (the risk that benefits will be less than expected) – and investment risk (that assets invested will be insufficient to meet expected benefits) fall on employees.

Defined-contribution plans are recognized as short-term employee benefits. The expense is equal to the contribution due for the period. There is no commitment to evaluate.

Defined-benefit plans

With defined-benefit plans, the actuarial risk and investment risk fall on the company. The company's obligation is not limited to the amount of contributions to which it has committed to paying. This is notably the case when the amount of benefits that employees will receive is defined using a formula and not by the amount of funds available for these benefits. This is also the case when the company either directly or indirectly guarantees a specific yield on contributions, or when it has made an explicit or implied commitment to revalue the benefits paid.

The resulting cost and obligation for the company must be evaluated on a discounted basis, as benefits may be paid several years after the members of staff carry out the corresponding services.

4.11 SHARE-BASED PAYMENTS

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, the value of which fluctuates in line with 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 debt account.

4.12 DEFERRED TAX ASSETS AND LIABILITIES

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 or losses on available-for-sale assets; and
- 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.

4.13 INSURANCE BUSINESSES

Financial assets and liabilities of insurance businesses are 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 will continue to be measured under the rules provided under local GAAP for measuring technical reserves;
- financial contracts such as savings schemes 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 will 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 contracts invested exclusively in units of accounts 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 equity 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.

4.14 REAL ESTATE DEVELOPMENT

Revenues from real estate development are derived from real estate development activities in the residential and commercial sectors and from related services.

Projects in progress at the end of the fiscal year date are recognized on a percentage of completion basis in line with the latest operating budgets.

When the outcome of a project cannot be reliably estimated, revenues are recognized only to the extent of costs incurred as revenue that are expected to be fully recoverable.

Operating income from all real estate development deals includes all project-related costs:

- land acquisition;
- site preparation and construction;
- planning taxes (*taxes d'urbanisme*);
- preliminary surveys (these are only charged to the project if the completion probability is high);
- internal project management fees;
- project-related marketing costs (internal and external sales commissions, advertising expenses, on-site sales office, etc.);
- financial expenses attributed to the deals.

Inventories and work in progress comprise land measured at cost, work in progress (site preparation and construction costs), attributable commercial expenses (internal and external sales commissions, temporary sales offices, etc.) and deliverables measured at prime cost. Borrowing costs are not included in inventories.

Preliminary surveys commissioned in the pre-development phase are only included in inventories if there is a high probability that the project will actually go ahead. If this is not the case, these costs are expensed to the period.

When the net realizable value of inventories and work in progress is less than their cost, a provision for impairment loss is recognized.

4.15 CONTRIBUTIONS TO BANKING RESOLUTION MECHANISMS

The procedure for financing the deposit and resolution guarantee fund had been changed by a Ministerial Order dated October 27, 2015. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund for deposit, collateral and securities guarantee mechanisms represented €18 million. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) represented €4 million. Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet totaled €14 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). The latter may use this fund when implementing resolution procedures.

In accordance with delegated regulation 2015/63 and implementing regulation 2015/81 supplementing the BRRD directive on ex-ante contributions to financing mechanisms for the resolution, the Single Resolution Board set the level of contributions to the Single Resolution Fund for 2016. The amount of contributions for the fiscal year totaled €194 million, of which €165 million recognized as an expense and €29 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 of the balance sheet totaled €57 million.

Note 5 Notes to the balance sheet

5.1 CASH AND AMOUNTS DUE FROM CENTRAL BANKS

in millions of euros	12/31/2016	12/31/2015
Cash	125	136
Amount due from central banks	71,911	62,609
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	72,036	62,745

5.2 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities at fair value through profit or loss comprise instruments held for trading, including derivatives, and certain assets and liabilities that the Group has chosen to recognize at fair value, at their date of acquisition or issue, using the fair value option available under IAS 39.

5.2.1 Financial assets at fair value through profit or loss

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.

	12/31/2016			12/31/2015		
in millions of euros	Trading	Fair value option	Total	Trading	Fair value option	Total
Treasury bills and equivalent	7,991	118	8,109	14,843	127	14,970
Bonds and other fixed-income securities	4,258	2,123	6,381	5,023	2,306	7,329
Fixed-income securities	**12,249**	**2,241**	**14,490**	**19,866**	**2,433**	**22,299**
Equities and other variable-income securities	**33,815**	**12,640**	**46,455**	**28,573**	**10,985**	**39,558**
Loans to credit institutions	1,521	204	1,725	1,709	345	2,054
Loans to customers	1,350	7,167	8,517	912	6,456	7,368
Loans	**2,871**	**7,371**	**10,242**	**2,621**	**6,801**	**9,422**
Repurchase agreements(1)		**42,377**	**42,377**		**46,960**	**46,960**
Trading derivatives(1)	**57,599**	**///**	**57,599**	**58,482**	**///**	**58,482**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**106,534**	**64,629**	**171,163**	**109,542**	**67,179**	**176,721**

(1) *This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.24).*

Conditions for designating financial assets designated at fair value

Financial assets 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 (see Note 4.1.4).

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 assets and liabilities is managed and recognized at fair value as part of a documented asset and liability management policy.

At Group level, financial assets measured at fair value through profit or loss are mostly held by Natixis. They consist primarily of long-term structured repos indexed to a basket of equities whose risks are managed globally and dynamically, financial assets representative of unit-linked policies from insurance activities and, to a lesser extent, assets with embedded derivatives for which the principle of separation was not adopted.

Financial assets accounted for under the fair value option, excluding Natixis, also include certain contracts for structured loans to local authorities and structured bonds hedged by derivatives not designated as hedging instruments, assets containing embedded derivatives and fixed-income instruments index-linked to a credit risk.

in millions of euros	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial assets designated at fair value
Fixed-income securities	984	23	1,234	2,241
Equities and other variable-income securities	10,435	2,076	129	12,640
Loans and repurchase agreements	3,553	42,646	3,549	49,748
TOTAL	**14,972**	**44,745**	**4,912**	**64,629**

Loans and receivables designated at fair value through profit or loss and credit risk

Exposure to credit risk represents a significant share of the fair value of loans and receivables designated at fair value through profit or loss shown on the balance sheet. When protection is purchased on the implementation of such loans, the fair value of the related credit derivatives is shown.

The Group did not purchase protection to hedge against credit risk associated with loans and receivables classified as fair value instruments through profit or loss at December 31, 2015 and December 31, 2016.

5.2.2 Financial liabilities at fair value through profit or loss

Financial liabilities in the trading book include liabilities arising from short-selling transactions, repurchase agreements and derivative instruments.

in millions of euros	12/31/2016	12/31/2015
Securities sold short	23,151	23,172
Other financial liabilities	349	765
Financial liabilities held for trading	**23,500**	**23,937**
Trading derivatives[(1)]	**54,272**	**58,708**
Interbank term accounts and loans	216	684
Customer term accounts and loans	2	29
Debt securities	20,959	18,231
Subordinated debt	95	95
Repurchase agreements[(1)]	35,945	44,930
Other financial liabilities	1,501	1,106
Financial liabilities designated at fair value through profit or loss	**58,718**	**65,075**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**136,490**	**147,720**

(1) This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.24).

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 (see Note 4.1.4).

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 assets and liabilities is managed and recognized at fair value as part of a documented asset and liability management policy.

At Group level, financial liabilities measured at fair value through profit or loss are mostly held by Natixis. They mainly comprise long-term structured repos indexed to a basket of equities whose risks are managed globally and dynamically, and issues originated and structured for customers whose 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, mainly consist of 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	216			216
Customer term accounts and loans			2	2
Debt securities	15,167		5,793	20,960
Subordinated debt			95	95
Repurchase agreements and other financial liabilities	1,769	35,676		37,445
TOTAL	**17,152**	**35,676**	**5,890**	**58,718**

Some liabilities issued and recognized at fair value through profit or loss are covered by a guarantee. The effect of this guarantee is incorporated into the fair value of the liabilities.

Financial liabilities at fair value through profit or loss and credit risk

	12/31/2016			12/31/2015		
in millions of euros	Fair value	Contractual amount due at maturity	Difference	Fair value	Contractual amount due at maturity	Difference
Interbank term accounts and loans	216	194	22	684	652	32
Customer term accounts and loans	2	2		29	22	7
Debt securities	20,959	20,642	317	18,231	17,805	426
Subordinated debt	95	100	(5)	95	101	(6)
Repurchase agreements	37,446	37,370	76	46,036	46,013	23
TOTAL	**58,718**	**58,308**	**410**	**65,075**	**64,593**	**482**

The amount contractually due on loans at maturity includes the outstanding amount of the principal at the balance sheet date plus the accrued interest not yet due. In the case of securities, the redemption value is generally used.

Revaluations attributable to own credit risk (valuation of own credit risk) amounted to +€116 million at December 31, 2016. Under the early adoption of the amendment to IFRS 9 on own credit risk, the change is now recognized in gains and losses recognized directly in other comprehensive income that cannot be reclassified in income. As a reminder, the amount recognized at December 31, 2015 in respect of own credit risk was -€26 million (see Notes 2.2 and 4.1.3).

5.2.3 Trading derivatives

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.

	12/31/2016			12/31/2015		
in millions of euros	**Notional**	**Positive fair value**	**Negative fair value**	**Notional**	**Positive fair value**	**Negative fair value**
Interest rate derivatives	4,079,684	29,912	26,060	5,451,736	35,048	32,229
Currency derivatives	1,144,984	19,325	18,478	1,221,117	16,098	17,721
Equity derivatives	175,616	6,504	8,054	146,435	4,485	6,187
Credit derivatives	57,822	856	842	63,529	1,696	1,604
Other contracts	94,381	1,002	838	41,846	1,155	967
TOTAL TRADING DERIVATIVES	**5,552,487**	**57,599**	**54,272**	**6,924,663**	**58,482**	**58,708**
o/w organized markets	*922,654*	*3,193*	*3,623*	*822,898*	*2,192*	*2,625*
o/w over-the-counter transactions	*4,629,833*	*54,406*	*50,649*	*6,101,765*	*56,290*	*56,083*
o/w credit institutions	*1,881,477*	*37,106*	*33,449*	*2,263,481*	*40,433*	*37,382*
o/w other financial companies	*2,485,229*	*9,279*	*10,226*	*3,586,067*	*8,541*	*9,574*

5.3 HEDGING DERIVATIVES

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 relation 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 their overall interest rate risk position.

The 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.

	12/31/2016			12/31/2015		
in millions of euros	**Notional**	**Positive fair value**	**Negative fair value**	**Notional**	**Positive fair value**	**Negative fair value**
Interest rate derivatives	20,788	71	547	21,283	93	628
Currency derivatives	2,696	857	541			
Equity derivatives	226		1			
Cash flow hedges	**23,710**	**928**	**1,089**	**21,283**	**93**	**628**
Interest rate derivatives	753,948	10,400	9,370	593,901	10,726	8,471
Currency derivatives	16,062	1,877	3,336	15,099	3,162	3,414
Fair value hedges	**770,010**	**12,277**	**12,706**	**609,000**	**13,888**	**11,885**
TOTAL HEDGING INSTRUMENTS	**793,720**	**13,205**	**13,795**	**630,283**	**13,981**	**12,513**

5.4 AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are non-derivative financial assets that could not be classified in any other category ("Financial assets at fair value", "Financial assets held to maturity" or "Loans and receivables").

in millions of euros	12/31/2016	12/31/2015
Treasury bills and equivalent	23,373	22,421
Bonds and other fixed-income securities	29,286	27,635
Impaired securities	91	53
Fixed-income securities	**52,750**	**50,109**
Equities and other variable-income securities	**9,158**	**8,988**
Loans	**33**	**37**
Available-for-sale financial assets, gross	**61,941**	**59,134**
Impairment of fixed-income securities and loans	(51)	(49)
Permanent impairment of equities and other variable-income securities	(970)	(623)
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**60,920**	**58,462**
Gains and losses recognized directly in equity on available-for-sale financial assets (before tax)[1]	**4,396**	**4,408**

(1) Including the portion attributable to non-controlling interests (€1,343 million at December 31, 2016, compared with €1,136 million at December 31, 2015). For the insurance subsidiaries, this amount gave rise to the symmetrical recognition of a deferred profit sharing reserve, for 87% at December 31, 2016 and 90% at December 31, 2015 (see Note 5.18).
The Visa Europe shares, reclassified as variable-income securities at December 31, 2015 for €606 million, were sold in the first half of 2016 in accordance with the terms of the agreement entered into with Visa Inc. (see Note 1.3).

Impairment losses are recognized for available-for-sale financial assets whenever the Group considers that its investment may not be recovered. For variable-income securities quoted in an active market, a price decline in excess of 50% in relation to the historical cost or for more than a 36-month period constitutes evidence of impairment.

5.5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

5.5.1 Fair value hierarchy of financial assets and liabilities

The following statement provides a breakdown of financial instruments by type of price and valuation model:

	12/31/2016				12/31/2015			
in millions of euros	Price quoted in an active market (Level 1)	Measurement techniques using observable data (Level 2)	Measurement techniques using unobservable data (Level 3)	Total	Price quoted in an active market (Level 1)	Measurement techniques using observable data (Level 2)	Measurement techniques using unobservable data (Level 3)	Total
FINANCIAL ASSETS								
Securities	39,655	6,144	265	46,064	41,958	6,126	355	48,439
Fixed-income securities	*9,034*	*2,950*	*265*	*12,249*	*16,217*	*3,294*	*355*	*19,866*
Variable-income securities	*30,621*	*3,194*		*33,815*	*25,741*	*2,832*		*28,573*
Derivatives	863	54,633	2,103	57,599	426	55,955	2,101	58,482
Interest rate derivatives		*29,554*	*359*	*29,913*		*33,946*	*1,102*	*35,048*
Equity derivatives	*738*	*4,762*	*1,004*	*6,504*	*332*	*3,810*	*343*	*4,485*
Currency derivatives	*5*	*18,882*	*438*	*19,325*	*5*	*15,949*	*144*	*16,098*
Credit derivatives		*573*	*283*	*856*		*1,189*	*507*	*1,696*
Other derivatives	*120*	*862*	*19*	*1,001*	*89*	*1,061*	*5*	*1,155*
Other financial assets		1,527	1,344	2,871		1,886	735	2,621
Financial assets held for trading	**40,518**	**62,304**	**3,712**	**106,534**	**42,384**	**63,967**	**3,191**	**109,542**
Securities	12,375	226	2,280	14,881	9,682	1,388	2,348	13,418
Fixed-income securities	*642*	*75*	*1,524*	*2,241*	*906*	*118*	*1,409*	*2,433*
Variable-income securities	*11,733*	*151*	*756*	*12,640*	*8,776*	*1,270*	*939*	*10,985*
Other financial assets		47,366	2,382	49,748		50,588	3,173	53,761
Financial assets designated at fair value through profit or loss	**12,375**	**47,592**	**4,662**	**64,629**	**9,682**	**51,976**	**5,521**	**67,179**
Interest rate derivatives		10,471		10,471		10,812	7	10,819
Currency derivatives		2,732	2	2,734		3,158	4	3,162
Hedging derivatives		**13,203**	**2**	**13,205**		**13,970**	**11**	**13,981**
Investments in associates	98	210	1,884	2,192	21	213	2,277	2,511
Other securities	51,583	3,547	3,564	58,694	47,963	5,022	2,926	55,911
Fixed-income securities	*46,863*	*2,395*	*3,438*	*52,696*	*43,529*	*3,755*	*2,776*	*50,060*
Variable-income securities	*4,720*	*1,152*	*126*	*5,998*	*4,434*	*1,267*	*150*	*5,851*
Other financial assets		18	16	34		21	19	40
Available-for-sale financial assets	**51,681**	**3,775**	**5,464**	**60,920**	**47,984**	**5,256**	**5,222**	**58,462**
FINANCIAL LIABILITIES								
Securities	22,113	1,038		23,151	22,707	441	24	23,172
Derivatives	752	52,609	911	54,272	507	56,619	1,582	58,708
Interest rate derivatives	*28*	*25,738*	*294*	*26,060*	*75*	*31,376*	*778*	*32,229*
Equity derivatives	*523*	*7,377*	*154*	*8,054*	*352*	*5,527*	*308*	*6,187*
Currency derivatives	*1*	*18,442*	*35*	*18,478*	*8*	*17,699*	*14*	*17,721*
Credit derivatives		*419*	*423*	*842*		*1,135*	*469*	*1,604*
Other derivatives	*200*	*633*	*5*	*838*	*72*	*882*	*13*	*967*
Other financial liabilities		349		349		765		765
Financial liabilities held for trading	**22,865**	**53,996**	**911**	**77,772**	**23,214**	**57,825**	**1,606**	**82,645**
Securities		19,542	93	19,635		15,146	28	15,174
Other financial liabilities	1,170	37,029	884	39,083	92	48,496	1,313	49,901
Financial liabilities designated at fair value through profit or loss	**1,170**	**56,571**	**977**	**58,718**	**92**	**63,642**	**1,341**	**65,075**
Interest rate derivatives		9,914	3	9,917		8,998	101	9,099
Equity derivatives			1	1				
Currency derivatives		3,877		3,877		3,413		3,413
Hedging derivatives		**13,791**	**4**	**13,795**		**12,411**	**101**	**12,512**

5.5.2 Analysis of assets and liabilities classified in Level 3 of the fair value hierarchy

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		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	01/01/2016	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In equity	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level	Other changes	12/31/2016
FINANCIAL ASSETS										
Securities	355	(3)	5		356	(450)		1	1	265
Fixed-income securities	*355*	*(3)*	*5*		*356*	*(450)*		*1*	*1*	*265*
Derivatives	2,101	760	(352)		500	(488)	(240)	(180)	2	2,103
Interest rate derivatives	*1,102*	*(119)*	*(155)*		*5*	*(146)*	*(135)*	*(180)*	*(13)*	*359*
Equity derivatives	*343*	*559*	*(76)*		*467*	*(288)*			*(1)*	*1,004*
Currency derivatives	*144*	*341*	*(30)*		*10*	*(42)*			*15*	*438*
Credit derivatives	*507*	*(30)*	*(95)*		*18*	*(12)*	*(105)*			*283*
Other derivatives	*5*	*9*	*4*						*1*	*19*
Other financial assets	735	5	3		1,623	(1,080)	46		12	1,344
Financial assets held for trading	**3,191**	**762**	**(344)**		**2,479**	**(2,018)**	**(194)**	**(179)**	**15**	**3,712**
Securities	2,348	(10)	16		442	(390)	(5)		(121)	2,280
Fixed-income securities	*1,409*	*(5)*	*2*		*359*	*(237)*	*(5)*		*1*	*1,524*
Variable-income securities	*939*	*(5)*	*14*		*83*	*(153)*			*(122)*	*756*
Other financial assets	3,173	(116)	32		1,688	(2,504)	(159)	135	133	2,382
Financial assets designated at fair value through profit or loss	**5,521**	**(126)**	**48**		**2,130**	**(2,894)**	**(164)**	**135**	**12**	**4,662**
Interest rate derivatives	7								(7)	
Currency derivatives	4								(2)	2
Hedging derivatives	**11**								**(9)**	**2**
Investments in associates[2]	2,277	(130)	(818)	273	410	(143)			15	1,884
Other securities	2,926	8	4	(2)	1,182	(403)	(7)	(161)	17	3,564
Fixed-income securities	*2,776*	*8*	*1*	*1*	*1,171*	*(375)*	*(7)*	*(154)*	*17*	*3,438*
Variable-income securities	*150*		*3*	*(3)*	*11*	*(28)*		*(7)*		*126*
Other financial assets	19	1		(1)	2	(5)				16
Available-for-sale financial assets	**5,222**	**(121)**	**(814)**	**270**	**1,594**	**(551)**	**(7)**	**(161)**	**32**	**5,464**
FINANCIAL LIABILITIES										
Securities	24	(12)			13	(18)		(6)	(1)	
Derivatives	1,582	(28)	(380)		95	(159)	(217)	11	7	911
Interest rate derivatives	*778*	*(7)*	*(175)*		*37*	*(89)*	*(242)*	*(11)*	*3*	*294*
Equity derivatives	*308*	*(23)*	*(115)*		*56*	*(43)*		*(28)*	*(1)*	*154*
Currency derivatives	*14*	*19*			*2*	*(2)*			*2*	*35*
Credit derivatives	*469*	*(17)*	*(82)*			*(25)*	*25*	*50*	*3*	*423*
Other derivatives	*13*		*(8)*							*5*
Financial liabilities held for trading	**1,606**	**(40)**	**(380)**		**108**	**(177)**	**(217)**	**5**	**6**	**911**
Securities	28	(6)	(1)		63	4			5	93
Other financial liabilities	1,313	78	(56)		618	(1,072)		3		884
Financial liabilities designated at fair value through profit or loss	**1,341**	**72**	**(57)**		**681**	**(1,068)**		**3**	**5**	**977**
Interest rate derivatives	101	2				(100)				3
Equity derivatives		1								1
Hedging derivatives	**101**	**3**				**(100)**				**4**

(1) The main impacts recognized in the income statement are mentioned in Note 6.3.

(2) The Visa Europe shares were recorded as investments in associates for €606 million at December 31, 2015. They were sold in the first haf of 2016 in accordance with the agreement signed with Visa Inc. (see Note 1.3), and this sale generated a capital gain of €831 million.

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in millions of euros	01/01/2015	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 equity	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	Other changes	12/31/2015
FINANCIAL ASSETS										
Securities	467	(10)	3		452	(544)		(23)	10	355
Fixed-income securities	*467*	*(10)*	*3*		*452*	*(544)*		*(23)*	*10*	*355*
Variable-income securities										
Derivatives	1,780	156	(401)		330	(271)	187	253	67	2,101
Interest rate derivatives	*1,253*	*1*	*(443)*		*159*	*(164)*	*187*	*108*	*1*	*1,102*
Equity derivatives	*133*	*(33)*	*46*		*171*	*(3)*		*(21)*	*50*	*343*
Currency derivatives	*8*	*(39)*	*1*			*(4)*		*166*	*12*	*144*
Credit derivatives	*386*	*222*	*(5)*			*(100)*			*4*	*507*
Other derivatives		5								5
Other financial assets	376				734	(376)			1	735
Financial assets held for trading	**2,623**	**146**	**(398)**		**1,516**	**(1,191)**	**187**	**230**	**78**	**3,191**
Securities	2,286	79	(16)		356	(415)		31	27	2,348
Fixed-income securities	*1,290*	*77*			*302*	*(291)*		*29*	*2*	*1,409*
Variable-income securities	*996*	*2*	*(16)*		*54*	*(124)*		*2*	*25*	*939*
Other financial assets	4,043	(18)	(26)		1,629	(2,607)		(2)	154	3,173
Financial assets designated at fair value through profit or loss	**6,329**	**61**	**(42)**		**1,985**	**(3,022)**		**29**	**181**	**5,521**
Interest rate derivatives	1						6			7
Currency derivatives							4			4
Credit derivatives		(4)	4							
Hedging derivatives	**1**	**(4)**	**4**				**10**			**11**
Investments in associates[(2)]	1,736	(4)	36	612	83	(115)			(71)	2,277
Other securities	2,878	5	3	(7)	1,412	(925)		(437)	(3)	2,926
Fixed-income securities	*2,678*	*6*		*(12)*	*1,407*	*(898)*		*(405)*		*2,776*
Variable-income securities	*200*	*(1)*	*3*	*5*	*5*	*(27)*		*(32)*	*(3)*	*150*
Other financial assets	39	(18)		(1)	2	(4)			1	19
Available-for-sale financial assets	**4,653**	**(17)**	**39**	**604**	**1,497**	**(1,044)**		**(437)**	**(73)**	**5,222**
FINANCIAL LIABILITIES										
Securities	10		1		64	(52)			1	24
Derivatives	2,100	439	(580)		201	(112)	(6)	(483)	23	1,582
Interest rate derivatives	*1,508*	*286*	*(541)*		*159*	*(111)*	*(6)*	*(511)*	*(6)*	*778*
Equity derivatives	*113*	*100*	*34*		*41*			*20*		*308*
Currency derivatives	*8*	*(4)*	*1*			*(1)*		*8*	*2*	*14*
Credit derivatives	*471*	*44*	*(74)*		*1*				*27*	*469*
Other derivatives		*13*								*13*
Financial liabilities held for trading	**2,110**	**439**	**(579)**		**265**	**(164)**	**(6)**	**(483)**	**24**	**1,606**
Securities		3				(1)		27	(1)	28
Other financial liabilities	860	(13)	77			(362)		727	24	1,313
Financial liabilities designated at fair value through profit or loss	**860**	**(10)**	**77**			**(363)**		**754**	**23**	**1,341**
Interest rate derivatives							101			101
Currency derivatives										
Hedging derivatives							101			101

(1) The main impacts recognized in the income statement are mentioned in Note 6.3.
(2) In 2015, €606 million was recognized directly in other items of comprehensive income for the revaluation of Visa Europe securities purchased by Visa Inc. on June 21, 2016 (see Note 1.3).

5.5.3 Analysis of fair value hierarchy transfers

	Fiscal year 2016				
	From	Level 1	Level 2	Level 2	Level 3
in millions of euros	To	Level 2	Level 1	Level 3	Level 2
FINANCIAL ASSETS					
Securities		17	429	1	
Fixed-income securities		*17*	*56*	*1*	
Variable-income securities			*373*		
Derivatives				134	315
Interest rate derivatives				*134*	*315*
Financial assets held for trading		**17**	**429**	**135**	**315**
Other financial assets				135	
Financial assets designated at fair value through profit or loss				**135**	
Other securities		312	702	46	207
Fixed-income securities		*291*	*699*	*46*	*200*
Variable-income securities		*21*	*3*		*7*
Available-for-sale financial assets		**312**	**702**	**46**	**207**
FINANCIAL LIABILITIES					
Securities		5	2		6
Derivatives				54	41
Interest rate derivatives				*1*	*10*
Equity derivatives					*28*
Credit derivatives				*53*	*3*
Financial liabilities held for trading		**5**	**2**	**54**	**47**
Other financial liabilities				3	
Financial liabilities designated at fair value through profit or loss				**3**	

The amounts of transfers indicated in this statement are those of the last valuation preceding the transfer.

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	Fiscal year 2015			
From	Level 1	Level 2	Level 2	Level 3
in millions of euros To	Level 2	Level 1	Level 3	Level 2
FINANCIAL ASSETS				
Securities	385	901	6	29
Fixed-income securities	*83*	*901*	*6*	*29*
Variable-income securities	*302*			
Derivatives			326	39
Interest rate derivatives(1)			*141*	*33*
Equity derivatives(2)			*17*	*4*
Currency derivatives			*168*	*2*
Financial assets held for trading	**385**	**901**	**332**	**68**
Securities			31	
Fixed-income securities			*29*	
Variable-income securities			*2*	
Other financial assets			20	22
Financial assets designated at fair value through profit or loss			**51**	**22**
Investments in associates				
Other securities	77	49	103	541
Fixed-income securities	*69*	*49*	*80*	*486*
Variable-income securities	*8*		*23*	*55*
Other financial assets				
Available-for-sale financial assets	**77**	**49**	**103**	**541**
FINANCIAL LIABILITIES				
Securities	29	15		
Derivatives			112	595
Interest rate derivatives(1)			*58*	*569*
Equity derivatives(2)			*46*	*26*
Currency derivatives			*8*	
Financial liabilities held for trading	**29**	**15**	**112**	**595**
Securities			27	
Other financial liabilities			731	4
Financial liabilities designated at fair value through profit or loss			**758**	**4**

(1) *For Helvetix derivatives, since the contribution of valuation adjustments had become very significant with respect to the fair value of these instruments taken as a whole, the Group transferred them to Level 3 of the fair value hierarchy in 2015.*

(2) *TRS and repos indexed to a basket of equities were transferred to Level 3 of the fair value hierarchy in 2015 subsequent to a change in the valuation model based on proprietary data.*

5.5.4 Sensitivity of Level 3 assets and liabilities to changes in the principal assumptions

At December 31, 2016 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:

- 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 €13 million;
- of a flat rate 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 €11 million, should the inputs mentioned above improve, or a decrease in value of €10 million if the same inputs deteriorate.

5.6 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Most loans originated by the Group are classified in this category. Information about credit risk is provided in Note 7.1.

(1) *i.e. the standard deviation of consensus prices used to measure the inputs.*

5.6.1 Loans and receivables due from credit institutions

in millions of euros	12/31/2016	12/31/2015
Loans and receivables due from credit institutions	123,394	119,970
Specific impairment	(63)	(66)
Impairment on a portfolio basis	(8)	(7)
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**123,323**	**119,897**

The fair value of loans and receivables due from banks is presented in Note 14.

Breakdown of gross loans and receivables due from credit institutions

in millions of euros	12/31/2016	12/31/2015
Current accounts with overdrafts	8,155	7,092
Repurchase agreements	9,706	9,693
Loans and advances	103,323	101,094
Securities classified as loans and receivables	317	245
Other loans and receivables due from credit institutions	1,822	1,766
Impaired loans and receivables	71	80
TOTAL GROSS LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**123,394**	**119,970**

Receivables arising from transactions with the Banque Populaire and Caisse d'Epargne network amounted to 101,087 million at December 31, 2016 (98,020 million at December 31, 2015).

5.6.2 Loans and receivables due from customers

in millions of euros	12/31/2016	12/31/2015
Loans and receivables due from customers	251,642	223,841
Specific impairment	(3,275)	(3,315)
Impairment on a portfolio basis	(597)	(599)
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**247,770**	**219,927**

The fair value of loans and receivables due from customers is presented in Note 14.

Breakdown of gross loans and receivables due from customers

in millions of euros	12/31/2016	12/31/2015
Current accounts with overdrafts	5,501	4,419
Loans to financial sector customers	3,725	4,004
Short-term credit facilities	27,708	25,739
Equipment loans	29,959	31,329
Home loans	56,774	58,020
Export loans	3,398	3,036
Repurchase agreements	43,996	27,324
Finance leases	10,741	10,796
Subordinated loans	194	31
Other loans(1)	32,939	21,596
Other facilities granted to customers	**209,434**	**181,875**
Securities classified as loans and receivables	**19,721**	**22,333**
Other loans and receivables due from customers	**7,766**	**6,122**
Impaired loans and receivables	**9,220**	**9,092**
TOTAL GROSS LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**251,642**	**223,841**

(1) Including, at December 31, 2016, a cash deposit of €10.5 billion with CNP Assurances under the reinsurance treaty covering 10% of CNP Assurances' total savings deposit outstandings. This cash deposit is backed by technical reserves initially recognized for an identical amount under balance sheet liabilities, representing commitments to insured parties (see Note 5.18).

Breakdown of finance leases

	12/31/2016			12/31/2015		
in millions of euros	Real estate	Non-real estate	Total	Real estate	Non-real estate	Total
Performing loans	6,139	4,602	10,741	6,518	4,278	10,796
Net impaired loan outstandings	99	60	159	166	176	342
Impairment	(51)	(68)	(119)	(86)	(141)	(227)
TOTAL LOAN OUTSTANDINGS ON FINANCE LEASES	**6,187**	**4,594**	**10,781**	**6,598**	**4,313**	**10,911**

5.7 HELD-TO-MATURITY FINANCIAL ASSETS

These are non-derivative financial assets with fixed or determinable payments that the Group has an intention and ability to hold to maturity.

in millions of euros	12/31/2016	12/31/2015
Treasury bills and equivalent	1,582	1,904
Bonds and other fixed-income securities	1,455	1,814
Gross amount of held-to-maturity financial assets	**3,037**	**3,718**
Impairment	(2)	(2)
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	3,035	3,716

The fair value of held-to-maturity financial assets is presented in Note 14.

5.8 RECLASSIFICATION OF FINANCIAL ASSETS

Portfolio of reclassified financial assets

In application of the amendments to IAS 39 and IFRS 7 "Reclassification of financial assets", the Group reclassified some of its financial assets.

No significant reclassification was carried out in fiscal year 2015 or 2016.

	Carrying amount		Fair value	
in millions of euros	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Assets reclassified to:				
Available-for-sale financial assets		51		51
Loans and receivables	8,372	8,527	7,363	7,663
TOTAL SECURITIES RECLASSIFIED	**8,372**	**8,578**	**7,363**	**7,714**

Change in fair value which would have been recognized if the securities had not been reclassified

in millions of euros	Fiscal year 2016	Fiscal year 2015
Change in fair value		
– that would have been recognized in income if the securities had not been reclassified	1	
– that would have been recognized in gains and losses recognized directly in equity if the securities had not been reclassified	(93)	83

5.9 DEFERRED TAX ASSETS AND LIABILITIES

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	12/31/2016	12/31/2015[(1)]
Unrealized capital gains on UCITS	30	34
Fiscal EIGs	(122)	(123)
Provisions for employee-related liabilities	127	153
Impairment on a portfolio basis	38	53
Other non-deductible provisions	461	558
Changes in fair value of financial instruments recorded in equity	(27)	(66)
Other sources of temporary differences[(2)]	(158)	(269)
Deferred tax related to timing differences	**349**	**340**
Deferred tax arising on the capitalization of tax loss carryforwards	**2,478**	**2,637**
Unrecognized deferred tax assets and liabilities	**(1,056)**	**(551)**
NET DEFERRED TAX ASSETS AND LIABILITIES	**1,771**	**2,426**
Deferred taxes recognized:		
– As assets in the balance sheet	2,496	2,939
– As liabilities in the balance sheet	(725)	(513)

(1) *The amount recorded under "Deferred tax assets and liabilities on consolidation adjustments and eliminations" at December 31, 2015, i.e. -€64 million, is now recorded under the following headings:*
- *-€3 million under "Changes in fair value of financial instruments recorded in equity";*
- *-€61 million under "Other sources of temporary differences".*

(2) *Following the publication by IFRIC* of additional information on IAS 12, a deferred tax liability of €530 million was recognized at December 31, 2016 (€457 million at December 31, 2015) on certain goodwill items recorded in the United States, which will give rise to tax amortization over 15 years.*

At December 31, 2016, deductible temporary differences, tax losses and unused tax credits for which no deferred tax asset has been recorded in the balance sheet amounted to €3,538 million.

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5.10 ACCRUED INCOME AND OTHER ASSETS

in millions of euros	12/31/2016	12/31/2015
Collection accounts	2,738	2,607
Prepaid expenses	191	222
Accrued income	1,128	331
Other accruals	2,859	2,578
Accrued income and prepaid expenses	**6,916**	**5,738**
Security deposits paid	20,849	19,702
Settlement accounts in debit on securities transactions	245	82
Reinsurers' share of technical reserves	9,541	8,433
Other insurance-related assets	2,113	1,639
Other debtors	13,002	12,303
Other assets	**45,750**	**42,159**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**52,666**	**47,897**

* *IFRIC's July 2014 publication, in its Interpretations Committee Agenda Decisions, of additional information on IAS 12 "Income Taxes: recognition of deferred tax for a single asset in a corporate wrapper" provided a clarification leading to the consideration that, starting with § 51 of IAS 12 covering the method for recovering or settling assets (in this case, the disposal of shares from France), a deferred tax liability should be recorded both on the temporary difference related to the asset (in this case goodwill) carried by the subsidiary, on an inside basis, and the temporary difference related to the consolidated shares (outside basis), arising from the difference between the consolidated carrying amount of the shares under IFRS and their tax base (where the company does not control the reversal of this difference).*

5.11 NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

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 be completed within the next twelve months.

At December 31, 2016, these assets concerned Natixis group entities that are held for sale (Caspian in the Investment Solutions business line and Ellisphère and IJCOF in the Corporate Data Solution division). They also include a life insurance portfolio and the securities representing these commitments, which are being sold by Natixis group.

5.12 INVESTMENT PROPERTY

	12/31/2016			12/31/2015		
in millions of euros	Gross carrying amount	Accumulated depreciation and impairment	Net amount	Gross carrying amount	Accumulated depreciation and impairment	Net amount
Property recognized at fair value[1]	///	///	947	///	///	1,054
Property recognized at historical cost	406	(231)	175	543	(275)	268
TOTAL INVESTMENT PROPERTY			**1,122**			**1,322**

(1) Buildings included in insurance company investments. Changes in fair value give rise to the symmetrical recognition of a deferred profit sharing reserve equal to 87% of the related base amount on average at December 31, 2016 compared to 90% at December 31, 2015 (See Note 5.18).

The fair value of investment property came to €1,190 million at December 31, 2016 (€1,395 million at December 31, 2015).

The fair value of investment property, whose measurement principles are described in Note 4.2, is classified in Level 3 of the IFRS 13 fair value hierarchy.

5.13 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	12/31/2016			12/31/2015		
in millions of euros	Gross carrying amount	Accumulated depreciation and impairment	Net amount	Gross carrying amount	Accumulated depreciation and impairment	Net amount
Property, plant and equipment						
Land and buildings	683	(396)	287	749	(420)	329
Leased real estate	410	(115)	295	349	(114)	235
Equipment, furniture and other property, plant and equipment	1,600	(1,072)	528	1,666	(1,070)	596
TOTAL PROPERTY, PLANT AND EQUIPMENT	**2,693**	**(1,583)**	**1,110**	**2,764**	**(1,604)**	**1,160**
Intangible assets						
Leasehold rights	68	(21)	47	79	(30)	49
Software	1,873	(1,384)	489	1,815	(1,297)	518
Other intangible assets	538	(255)	283	500	(236)	264
TOTAL INTANGIBLE ASSETS	**2,479**	**(1,660)**	**819**	**2,394**	**(1,563)**	**831**

5.14 GOODWILL

Goodwill related to operations for the financial year is analyzed in respect of the note regarding the scope of consolidation.

in millions of euros	12/31/2016	12/31/2015
Opening net value	**3,725**	**2,972**
Acquisitions[(1)]	176	598
Disposals	(4)	(8)
Impairment[(2)]	(117)	(1)
Reclassifications[(3)]	(24)	12
Foreign exchange rate adjustments	47	152
Closing net value	**3,803**	**3,725**

(1) *The main acquisitions made in fiscal year 2016 are presented in Note 1.3 and generated the following goodwill:*
- *Fidor Bank AG (temporary amount of €80 million);*
- *Peter J. Solomon Company (€72 million);*

For fiscal year 2015, goodwill of €580 million was recorded on the acquisition of DNCA Finance.

(2) *Including impairments recorded on the Equity Interests cash-generating unit (Coface) in the amount of €75 million and Banque Palatine (€42 million).*

(3) *At December 31, 2016, goodwill of €23 million carried by Ellisphère, a former Corporate Data Solution CGU, was reclassified as "Non-current assets held for sale" (see Note 5.11).*

At December 31, 2016, gross goodwill stood at €4,293 million and total impairment stood at -€490 million.

Certain goodwill items recognized in the United States gave rise to tax amortization over 15 years leading to a difference between the carrying value of the goodwill and its tax base. This difference in treatment generated a deferred tax liability of €530 million at December 31, 2016 (€457 million at December 31, 2015).

Breakdown of goodwill:

	Carrying amount	
in millions of euros	12/31/2016	12/31/2015
– Investment Solutions	3,167	3,107
– Corporate & Investment Banking	87	5
– Specialized Financial Services	64	58
– Equity Interests	282	355
– Other activities		34
Natixis	**3,600**	**3,559**
Banque Palatine	**53**	**95**
Crédit Foncier	**13**	**13**
BPCE International	**43**	**43**
Fidor AG	**80**	
Other	**14**	**15**
TOTAL GOODWILL	**3,803**	**3,725**

Impairment tests

Pursuant to regulations, all goodwill has been impairment-tested, based on the assessment of the value in use of the cash-generating units (CGU) to which it is attached.

At June 30, 2016, the tests on the Coface CGU led to goodwill impairment of €75 million (€22 million attributable to equity holders of the parent) on Coface.

At December 31, 2016, these tests led to the recognition of additional goodwill impairment of €42 million on the Banque Palatine CGU.

The Equity Interests CGU (Coface) has been listed since June 2014 and is not one of Natixis' core business lines. The equity holding in this entity is managed as an investment, and additional approaches were taken in addition to value in use. As in previous years, these approaches were based on market data including market multiples, share price and broker target prices. The average valuation was determined by weighting the different approaches; the weighting assigned to each approach was unchanged against the previous year.

The former Corporate Data Solution (CDS) CGU is now limited to IJCOF, an entity consolidated under the equity method, Ellisphère, an entity carrying goodwill of €23 million, and holding company HCP, carrying no goodwill. As Ellisphère and IJCOF are held for sale, all goodwill carried by this CGU has been reclassified as "Non-current assets held for sale" (see Note 5.11).

For BPCE International subsidiaries, results are projected over 5 years, which is considered acceptable for these entities, barring exceptions. In practice, BPCE

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International subsidiaries have a budget for year N+1 (2017) and a medium term plan for data covering years N+2 to N+5 (2018-2021).

Key assumptions used to determine recoverable value

Value in use is determined based on the discounted 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
Natixis		
Investment Solutions	9.8%	2.5%
Corporate & Investment Banking	11.0%	2.5%
Specialized Financial Services	11.3%	2.5%
Equity Interests (Coface)	10.5%	2.5%
Banque Palatine	**8.5%**	**2.0%**
BPCE International	**9.07% – 15.78%**	**1.85% – 5.00%**

The discount rates were determined as follows:

- for the Investment Solutions, Corporate and Investment Banking 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 sample of CGU-representative companies;
- for the Equity interests CGU (Coface), 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 discount rates applied to the projected cash flows of the Banque Palatine CGU were determined based on a risk-free rate (10-year OAT) over a depth of five 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;
- for the BPCE International subsidiaries, the long-term growth rates are based on the long-term inflation rates in their countries of operation. At December 31, 2016, the discount rates for these subsidiaries were calculated using the most recent market information available.

Sensitivity of recoverable values

A 20 basis point increase in discount rates combined with a 50 basis point decrease in perpetual growth rates would reduce the CGUs' value in use by:

- -6.5% for the Investment Solutions CGU;
- -3.0% for the Corporate & Investment Banking CGU;
- -3.7% for the Specialized Financial Services CGU;
- -4.3% for the Equity Interests CGU (Coface);
- -4.6% for the Banque Palatine CGU.

These changes would result in the recognition of additional impairment losses on the following CGUs only: Coface (€40 million, *i.e.* €12 million attributable to equity holders of the parent) and Banque Palatine (€38 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 Investment Solutions, a 10% decline in the equity markets would have a -3% negative impact on the CGU's recoverable value and would not lead to the recognition of an impairment loss;
- for Corporate & Investment Banking, sensitivity to the dollar or to changes in the CAC would have a limited impact on net banking income and would not result in recognition of impairment;
- for Specialized Financial Services, a 1 point drop 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 -8% on the CGU's recoverable value and would have no impact in terms of impairment;
- for Equity interests (Coface), the primary sensitivity vector is the loss ratio. A target loss ratio of 51% (net of reinsurance) was applied to conduct the CGU's impairment test at December 31, 2016. A one-point increase in the loss ratio, relative to the assumptions used for the DCF calculation over all years from 2017, would impact the average multi-criteria value and would lead to the recognition of impairment on the CGU in the amount of -€40 million (€12 million attributable to equity holders of the parent). A valuation at the lowest price of the year 2016 would have a limited impact on the weighted average valuation determined using the different methods;
- for the Banque Palatine CGU, the sensitivity of future cash flows, as forecast in the business plan, to a 5% point fall in normative net income, would have a negative impact on the CGU's value of -5.8% and would lead to the recognition of an impairment loss of around €48 million on the CGU.

5.15 AMOUNTS DUE TO CREDIT INSTITUTIONS AND CUSTOMERS

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".

5.15.1 Amounts due to credit institutions

in millions of euros	12/31/2016	12/31/2015
Demand deposits	20,515	28,302
Repurchase agreements	5,305	2,841
Accrued interest	7	5
Amounts due to credit institutions – repayable on demand	**25,827**	**31,148**
Term deposits and loans	76,325	71,717
Repurchase agreements	11,215	10,946
Accrued interest	331	466
Amounts due to credit institutions – repayable at agreed maturity dates	**87,871**	**83,129**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**113,698**	**114,277**

Liabilities arising from transactions with the Banque Populaire and Caisse d'Epargne network amounted to €102,263 million at December 31, 2016 (€100,552 million at December 31, 2015).

The fair value of amounts due to credit institutions is presented in Note 14.

5.15.2 Amounts due to customers

in millions of euros	12/31/2016	12/31/2015
Current accounts with credit balances	**23,508**	**31,055**
Livret A savings accounts	255	259
Regulated home savings products	299	322
Other regulated savings accounts	1,616	1,566
Accrued interest	1	1
Regulated savings accounts	**2,171**	**2,148**
Demand deposits and loans	8,143	5,152
Term accounts and loans	19,448	15,167
Accrued interest	103	108
Other customer accounts	**27,694**	**20,427**
Demand	11,872	15,326
Term	36,289	13,388
Accrued interest	28	16
Repurchase agreements	**48,189**	**28,730**
Other amounts due to customers	**2,335**	**1,079**
TOTAL AMOUNTS DUE TO CUSTOMERS	**103,897**	**83,439**

The fair value of amounts due to customers is presented in Note 14.

5.16 DEBT SECURITIES

Debt securities are classified based on the nature of the underlying, with the exception of subordinated notes presented under "Subordinated debt".

in millions of euros	12/31/2016	12/31/2015
Bonds	147,813	158,083
Interbank market instruments and negotiable debt securities	71,754	51,652
Other debt securities	1,701	1,773
Total	**221,268**	**211,508**
Accrued interest	2,445	2,563
TOTAL DEBT SECURITIES	**223,713**	**214,071**

The fair value of debt securities is presented in Note 14.

5.17 ACCRUED EXPENSES AND OTHER LIABILITIES

in millions of euros	12/31/2016	12/31/2015
Collection accounts	5,829	2,625
Prepaid income	272	359
Accounts payable	1,095	1,437
Other accruals	3,813	5,850
Accrued expenses and other liabilities	**11,009**	**10,271**
Settlement accounts in credit on securities transactions	286	178
Guarantee deposits received	19,927	18,271
Other payables	10,612	11,105
Other insurance-related liabilities	8,980	8,529
Other liabilities	**39,805**	**38,083**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**50,814**	**48,354**

5.18 TECHNICAL RESERVES OF INSURANCE COMPANIES

in millions of euros	12/31/2016	12/31/2015
Non-life insurance technical reserves	**4,692**	**4,216**
Life insurance technical reserves – EUR policies(1)	50,515	37,779
Life insurance technical reserves – unit-linked policies	10,500	8,210
Life insurance technical reserves	**61,015**	**45,989**
Financial contract technical reserves	**29**	**11**
Deferred profit-sharing	**3,108**	**2,805**
TOTAL TECHNICAL RESERVES OF INSURANCE COMPANIES	**68,844**	**53,021**

(1) *This change notably corresponds to technical reserves representing life insurance policies related to the reinsurance treaty signed as part of the partnership with CNP Assurances, for €11.6 billion at December 31, 2016 (see Note 1.3).*

Non-life insurance technical reserves include unearned premium reserves and outstanding claims reserves.

Life insurance technical reserves mainly comprise mathematical reserves, which generally correspond to the surrender value of policies.

Financial contract technical reserves (contracts issued by insurance companies) are mathematical reserves measured on the basis of the underlying assets of these policies.

Deferred profit-sharing represents the portion of income from participating insurance policies in the form of a cumulative amount allocated to policyholders and not yet distributed.

5.19 PROVISIONS

Provisions are detailed in the table below.

in millions of euros	01/01/2016	Increase	Use	Reversals unused	Other changes(1)	12/31/2016
Provisions for employee benefit commitments(2)	826	133	(99)	(30)	266	1,096
Provisions for restructuring costs(3)	24	43	(11)	(1)	1	56
Legal and tax risks(4)	1,091	117	(80)	(81)	26	1,073
Loan and guarantee commitments	105	22	(6)	(12)	1	110
Provisions for regulated home savings products	4					4
Other operating provisions	591	224	(43)	(60)	(19)	693
TOTAL PROVISIONS	**2,641**	**539**	**(239)**	**(184)**	**275**	**3,032**

(1) *Other changes included the variation in the revaluation difference on employee benefits (+€73 million before tax) and a reclassification of €177 million related to a change in how pension plan assets invested with Groupe BPCE related parties are presented. These assets are now booked as reimbursement rights under assets in the balance sheet and are no longer deducted from defined-benefit commitments booked under liabilities. This adjustment had no impact on the income statement.*

(2) *O/w €1,003 million for post-employment defined-benefit plans and other long-term employee benefits (see Note 9.2.1).*

(3) *At December 31, 2016, provisions for restructuring costs included €6 million for the workforce adjustment plan at Natixis that ended in 2015 (€15 million at December 31, 2015) and €42 million in provisions for restructuring in respect of the Coface plan.*

(4) *At December 31, 2016, provisions for legal and tax risks included €480 million for net Madoff outstandings (€475 million at December 31, 2015).*

5.20 SUBORDINATED DEBT

Subordinated debt is classified separately from issues of other debt and bonds because in the event of default, holders of subordinated debt rank after all senior debt holders.

in millions of euros	12/31/2016	12/31/2015
Term subordinated debt	19,027	17,613
Perpetual subordinated debt	312	312
Subordinated debt and similar	**19,339**	**17,925**
Accrued interest	367	333
Revaluation of the hedged component	658	116
TOTAL SUBORDINATED DEBT	**20,364**	**18,374**

The fair value of subordinated debt is presented in Note 14.

Changes in subordinated debt and similar during the year

in millions of euros	01/01/2016	Issuance(1)	Redemption(2)	Other changes(3)	12/31/2016
Term subordinated debt	17,613	3,023	(1,695)	86	19,027
Perpetual subordinated debt	312				312
SUBORDINATED DEBT AND SIMILAR	**17,925**	**3,023**	**(1,695)**	**86**	**19,339**

(1) Issuance in fiscal year 2016 included:
- *€1,506 million total in redeemable subordinated notes issued by BPCE in March, April and July 2016;*
- *JPY 53,000 million total in redeemable subordinated notes issued by BPCE in July 2016;*
- *USD 1,100 million total in redeemable subordinated notes issued by BPCE in March, April and May 2016;*
- *SGD 130 million total in redeemable subordinated notes issued by BPCE in June 2016.*

(2) Redemptions of subordinated borrowings and securities specifically involved:
- *the maturing of subordinated securities issued by BPCE in the amount of €1,715 million, in 2016.*

(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 with respect to Natixis' debt on the secondary market.

Deeply subordinated notes qualifying as equity instruments are presented in Note 5.21.

5.21 ORDINARY SHARES AND EQUITY INSTRUMENTS ISSUED

Perpetual deeply subordinated notes classified as equity

Issuing entity	Issue date	Currency	Amount *(in original currency)*	Redemption option date	Interest step-up date	Rate	Nominal *(in millions of euros)*(1) 12/31/2016	12/31/2015
BPCE	July 30, 2004	USD	200 million	March 30, 2017	None	Min (10-year CMAT +0.3%; 9%)	142	142
BPCE	October 12, 2004	EUR	80 million	January 12, 2017	None	Min (10-year CMS; 7%)	80	80
BPCE	January 27, 2006	USD	300 million	January 27, 2017	None	6.75%	214	214
BPCE	February 1, 2006	EUR	350 million	February 1, 2016	None	4.75%		350
BPCE	October 30, 2007	EUR	509 million	October 30, 2017	October 30, 2017	6.12%	509	509
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							**1,628**	**1,978**

(1) Nominal amount translated into euros at the exchange rate in force at the date of classification as equity.

Issues of perpetual deeply subordinated notes prior to June 30, 2009 have thereafter been recognized as equity instruments as a result of a remuneration payment clause that has since become discretionary. Previously, they were recognized as subordinated debt and similar. In accounting terms, the transformation of these debt instruments into equity instruments is treated as debt extinguishment.

Issues subsequent to June 30, 2009 have always been recognized in equity due to the discretionary nature of their remuneration.

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5.22 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 2016						
		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	**28.97%**	**492**	**7,420**	**425**	**527,859**	**506,728**	**1,374**	**1,576**
o/w Coface[1]	58.67%	8	1,082	44	7,061	5,301	42	58
o/w BPCE Assurances[1]	40.00%	23	165	8	1,833	1,420	59	66
Locindus	**25.18%**	**1**	**64**	**3**	**724**	**471**	**6**	**6**
Other entities		**1**	**81**	**5**				
TOTAL AT 12/31/2016		**494**	**7,565**	**433**				

(1) *Non-controlling interests in Natixis group.*

in millions of euros		Fiscal year 2015						
		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	**28.75%**	**535**	**7,295**	**375**	**500,256**	**479,756**	**1,344**	**1,822**
o/w Coface[1]	58.68%	57	1,101	45	6,883	5,116	126	120
o/w BPCE Assurances[1]	40.00%	22	146	7	1,632	1,266	56	52
Locindus	**25.43%**	**2**	**66**	**3**	**822**	**563**	**10**	**10**
Other entities		**11**	**106**	**9**				
TOTAL AT 12/31/2015		**548**	**7,467**	**386**				

(1) *Non-controlling interests in Natixis group.*

5.23 CHANGE IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	**Gross**	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Revaluation differences on defined-benefit pension schemes	(73)	23	(50)	101	(36)	65
Revaluation of own credit risk on financial liabilities at fair value through profit or loss(1)	(142)	49	(93)			
Share of gains and losses recognized directly in other comprehensive income of associates that cannot be reclassified in income	///	///	(1)	///	///	(1)
Items that cannot be reclassified in income			**(144)**			**64**
Foreign exchange rate adjustments	121	///	121	470	///	470
Change in the value of available-for-sale financial assets(2)	(358)	(63)	(421)	692	(208)	484
Change in the value of hedging derivatives(3)	19	(21)	(2)	83	146	229
Share of gains and losses recognized directly in other comprehensive income of associates that can be reclassified in income	///	///	110	///	///	(12)
Items that can be reclassified in income			**(192)**			**1,171**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER INCOME TAX)			**(336)**			**1,235**
Attributable to equity holders of the parent			(409)			1,090
Non-controlling interests			73			145

(1) *The Group decided to early-apply, from December 31, 2016, the provisions of IFRS 9 on the recognition of own credit risk for financial liabilities at fair value through profit or loss (see Note 2.2).*

(2) *O/w -€681 million (before tax) reclassified as income for 2016, compared with -€165 million in 2015; over the 2016 fiscal year, the capital gain on Visa Europe securities remeasured at €831 million was reclassified in income at the date of their sale to Visa Inc. (see Note 1.3).*

(3) *O/w €85 million (before tax) reclassified as income for 2016 compared with €143 million in 2015.*

5.24 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities were offset on the balance sheet in accordance with the criteria of 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 BPCE SA group, most offset amounts are the result of repurchase agreements and derivatives transactions mostly carried out by Natixis with clearing houses, which fulfilled the requirements of IAS 32:

- for derivatives, this involves the effects of the currency offset between asset valuations and liability valuations of the derivatives;
- 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,
  - relate to the same security and the same custodian,
  - are denominated in the same currency.

Financial assets and liabilities "Under netting agreements not offset on 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" 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)."

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5.24.1 Financial assets

Financial assets under netting agreements offset in the balance sheet

in millions of euros	12/31/2016 Gross amount of financial assets	12/31/2016 Gross amount of financial liabilities offset in the balance sheet	12/31/2016 Net amount of financial assets recognized in the balance sheet	12/31/2015 Gross amount of financial assets	12/31/2015 Gross amount of financial liabilities offset in the balance sheet	12/31/2015 Net amount of financial assets recognized in the balance sheet
Derivatives (trading and hedging)	90,508	19,705	70,803	91,661	19,198	72,463
Repurchase agreements	49,879	7,502	42,377	57,055	10,095	46,960
Other financial instruments				792		792
Financial assets designated at fair value	**140,387**	**27,207**	**113,180**	**149,508**	**29,293**	**120,215**
Repurchase agreements (loans and receivables portfolio)	**66,274**	**12,572**	**53,702**	**40,988**	**3,971**	**37,017**
Other financial instruments (loans and receivables portfolio)				**1,916**		**1,916**
TOTAL	**206,661**	**39,779**	**166,882**	**192,412**	**33,264**	**159,148**

Financial assets under netting agreements not offset in the balance sheet

in millions of euros	12/31/2016 Net amount of financial assets recognized in the balance sheet	12/31/2016 Related financial liabilities and financial instruments received as collateral	12/31/2016 Margin calls received *(cash collateral)*	12/31/2016 Net exposure	12/31/2015 Net amount of financial assets recognized in the balance sheet	12/31/2015 Related financial liabilities and financial instruments received as collateral	12/31/2015 Margin calls received *(cash collateral)*	12/31/2015 Net exposure
Derivatives	70,803	33,251	12,985	24,567	72,463	35,807	13,807	22,849
Repurchase agreements	96,079	80,614	44	15,421	83,977	76,015	167	7,795
Other assets					2,708	1,492		1,216
TOTAL	**166,882**	**113,865**	**13,029**	**39,988**	**159,148**	**113,314**	**13,974**	**31,860**

5.24.2 Financial liabilities

Financial liabilities under netting agreements offset in the balance sheet

in millions of euros	12/31/2016 Gross amount of financial liabilities	12/31/2016 Gross amount of financial assets offset in the balance sheet	12/31/2016 Net amount of financial liabilities recognized in the balance sheet	12/31/2015 Gross amount of financial liabilities	12/31/2015 Gross amount of financial assets offset in the balance sheet	12/31/2015 Net amount of financial liabilities recognized in the balance sheet
Derivatives (trading and hedging)	87,772	19,705	68,067	90,419	19,198	71,221
Repurchase agreements	43,447	7,502	35,945	55,025	10,095	44,930
Other financial instruments				103		103
Financial liabilities designated at fair value	**131,219**	**27,207**	**104,012**	**145,547**	**29,293**	**116,254**
Repurchase agreements (liabilities portfolio)	**77,285**	**12,572**	**64,713**	**46,490**	**3,971**	**42,519**
Other financial instruments (liabilities portfolio)				**287**		**287**
TOTAL	**208,504**	**39,779**	**168,725**	**192,324**	**33,264**	**159,060**

Financial liabilities under netting agreements not offset in the balance sheet

in millions of euros	12/31/2016 Net amount of financial liabilities recognized in the balance sheet	12/31/2016 Related financial assets and financial instruments posted as collateral	12/31/2016 Margin calls paid *(cash collateral)*	12/31/2016 Net exposure	12/31/2015 Net amount of financial liabilities recognized in the balance sheet	12/31/2015 Related financial assets and financial instruments posted as collateral	12/31/2015 Margin calls paid (*cash collateral*)	12/31/2015 Net exposure
Derivatives	68,067	34,170	12,115	21,782	71,221	35,798	12,252	23,171
Repurchase agreements	100,658	79,535	8	21,115	87,449	72,397	20	15,032
Other liabilities					390	222		168
TOTAL	**168,725**	**113,705**	**12,123**	**42,897**	**159,060**	**108,417**	**12,272**	**38,371**

Note 6 Notes to the income statement

6.1 INTEREST AND SIMILAR INCOME AND EXPENSES

This line item comprises interest income and expenses, calculated using the effective interest method, on financial assets and liabilities measured at amortized cost, which include interbank and customer items, held-to-maturity assets, debt securities and subordinated debt.

It also includes interest receivable on fixed-income securities classified as available-for-sale financial assets 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.

in millions of euros	Fiscal year 2016 Income	Fiscal year 2016 Expense	Fiscal year 2016 Net	Fiscal year 2015 Income	Fiscal year 2015 Expense	Fiscal year 2015 Net
Loans and receivables due from customers	5,995	(1,033)	4,962	5,810	(940)	4,870
Loans and receivables due from credit institutions	1,449	(1,114)	335	1,900	(1,266)	634
Finance leases	359	///	359	381	///	381
Debt securities and subordinated debt	///	(4,674)	(4,674)	///	(5,052)	(5,052)
Hedging derivatives	4,373	(3,598)	775	4,561	(3,840)	721
Available-for-sale financial assets	1,163	///	1,163	1,162	///	1,162
Held-to-maturity financial assets	139	///	139	181	///	181
Impaired financial assets	8	///	8	4	///	4
Other interest income and expenses	5	(76)	(71)	1	(61)	(60)
TOTAL INTEREST INCOME AND EXPENSES	**13,491**	**(10,495)**	**2,996**	**14,000**	**(11,159)**	**2,841**

6.2 FEE AND COMMISSION INCOME AND EXPENSES

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 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".

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	3	(37)	(34)	3	(38)	(35)
Customer transactions	857	(20)	837	935	(5)	930
Financial services	398	(696)	(298)	363	(739)	(376)
Sales of life insurance products	187	///	187	192	///	192
Payment services	392	(60)	332	377	(71)	306
Securities transactions	212	(150)	62	257	(139)	118
Trust management services	3,121		3,121	3,267	///	3,267
Financial instruments and off-balance sheet transactions	168	(159)	9	166	(137)	29
Other fees and commissions	283	(927)	(644)	299	(815)	(516)
TOTAL FEE AND COMMISSION INCOME AND EXPENSES	**5,621**	**(2,049)**	**3,572**	**5,859**	**(1,944)**	**3,915**

6.3 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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 2016	Fiscal year 2015
Gains and losses on financial instruments held for trading(1)	2,119	1,682
Gains and losses on financial instruments designated at fair value through profit or loss(2)	(112)	412
Gains and losses on hedging transactions	35	(3)
– Ineffective portion of fair value hedges	33	(20)
– Ineffective portion of cash flow hedges	2	17
Gains and losses on foreign exchange transactions(3)	174	(6)
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,216**	**2,085**

(1) In 2016, "Gains and losses on financial instruments held for trading" included:

- *impairments taken against the fair value of CDS entered into with monoline insurers (see Note 4.1.6), which led to a decrease of €19 million in cumulative impairments in 2016, versus income of €2 million in 2015, bringing cumulative impairments to €73 million at December 31, 2016 versus €106 million at December 31, 2015;*
- *a €4 million reversal at December 31, 2016 of the portfolio-based provision recorded on exposures in respect of CDPCs (Credit Derivatives Product Companies), bringing the cumulative balance to €1 million. At December 31, 2015, a €7 million reversal was carried out, bringing the cumulative balance to €4 million;*
- *the -€20 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 -€22 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 +€56 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA).*

(2) At December 31, 2015, "Gains and losses on financial instruments designated at fair value through profit or loss" included the revaluation of own credit risk on issues classified as fair value instruments through profit or loss with an impact of +€126 million on income for the period.

(3) Including +€47 million for the reclassification as income of foreign exchange gains linked to repayments, by certain entities, of capital denominated in foreign currencies or capital-equivalent items.

Day-one profit

in millions of euros	Fiscal year 2016	Fiscal year 2015
Day-one profit at the start of the year	82	54
Deferred profit on new transactions	53	83
Profit recognized in income during the year	(62)	(55)
DAY-ONE PROFIT AT YEAR-END	**73**	**82**

6.4 NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

This item includes dividends from variable-income securities, gains and losses on the sale of available-for-sale financial assets and other financial assets not valued at fair value as well as impairment losses recognized on variable-income securities due to a permanent impairment in value.

in millions of euros	Fiscal year 2016	Fiscal year 2015
Gains or losses on disposal	944	409
Dividends received	184	183
Permanent impairment of variable-income securities	(93)	(53)
TOTAL NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	**1,035**	**539**

"Gains and losses on disposal" include €831 million related to the capital gain on the disposal of Visa Europe shares.

Permanent impairment of variable-income securities amounted to €93 million in 2016 *versus* €53 million in 2015. This expense concerns insurance portfolios for €40 million (€33 million in 2015), the impact of which is 87% neutralized (90% in 2015) given the profit-sharing mechanism.

In 2015, permanent impairment in value of variable-income securities[1] also included an additional impairment loss of €55 million on previously impaired securities (€36 million in 2015). The automatic application of indicators of losses in value presented in paragraph 4.1.7 did not result in any new material impairments in 2016.

6.5 INCOME AND EXPENSES FROM OTHER ACTIVITIES

This item mainly comprises:

- income and expenses on investment property (rental income and expense, gains and losses on disposals, depreciation, amortization and impairment);
- income and expenses resulting from the Group's insurance business (notably premium income, paid benefits and claims, and changes in technical reserves of insurance companies);
- income and expenses on operating leases;
- income and expenses on real estate development activities (revenues, purchases used).

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Income and expenses from insurance activities[(1)]	**20,105**	**(19,694)**	**411**	**6,331**	**(6,026)**	**305**
Income and expenses from leasing transactions	**260**	**(257)**	**3**	**79**	**(99)**	**(20)**
Income and expenses from investment property	**111**	**(47)**	**64**	**116**	**(55)**	**61**
Share of joint ventures	89	(84)	5	91	(88)	3
Transfers of expenses and income	9	(6)	3	11	(8)	3
Other operating income and expenses	751	(191)	560	693	(442)	251
Additions to/reversals from provisions to other operating income and expenses		(84)	(84)		(60)	(60)
Other banking income and expenses[(2)]	**849**	**(365)**	**484**	**795**	**(598)**	**197**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**21,325**	**(20,363)**	**962**	**7,321**	**(6,778)**	**543**

(1) The implementation of the partnership with CNP Assurances concerning receivables arising from reinsurance transactions linked to reinsured contracts amounted to €11.9 billion in 2016, recorded under "Income and expenses from insurance activities" (see Note 1.3):

- *income from insurance companies included the effect of the implementation of the reinsurance treaty covering 10% of the savings deposit outstandings held by CNP Assurances;*
- *expenses included the recognized allocations to technical reserves.*

(2) Of which –€69 million at December 31, 2016 in provisions for a dispute with SWL (Société Wallone du Logement).

(1) Excluding insurance portfolio securities, in light of the deferred profit-sharing mechanism.

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Income and expenses from insurance activities

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 BPCE SA group in accordance with the presentation applicable to banks.

The Group's consolidated companies that present their financial statements based on the insurance company model are Natixis Assurances, Muracef, Surassur, Prépar Vie, Prépar lard, CEGC and Coface.

	Banking format 2016					
in millions of euros	NBI	Operating expenses	Gross operating income	Other items	Insurance format 2016	Insurance format 2015
Earned premiums	21,616		21,616		21,616	7,335
Revenues or income from other activities	305		305		305	314
Other operating income	3	16	19		19	37
Net financial income before finance costs	1,775	(9)	1,766	40	1,806	1,832
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**23,699**	**7**	**23,706**	**40**	**23,746**	**9,518**
Claims and benefits expenses	(21,086)	(103)	(21,189)		(21,189)	(7,165)
Expenses from other activities		(13)	(13)	(4)	(17)	(19)
Net income from reinsurance disposals	(55)		(55)		(55)	69
Policy acquisition costs	(697)	(226)	(923)		(923)	(886)
Administrative expenses	(324)	(357)	(681)		(681)	(597)
Other operating income and expenses/recurring	10	(255)	(245)	30	(215)	(314)
TOTAL OTHER RECURRING INCOME AND EXPENSES	**(22,152)**	**(954)**	**(23,106)**	**26**	**(23,080)**	**(8,912)**
OPERATING INCOME	**1,547**	**(947)**	**600**	**66**	**666**	**606**

Income and expenses recognized for insurance policies are included under the "Income from other activities" and "Expenses from other activities" components of net banking income.

Other components of the operating income of insurance entities of a banking nature (interest and commissions) are reclassified under these items of net banking income.

The main reclassifications relate to the charging of general operating expenses by nature whereas they are charged by function in the insurance presentation.

6.6 Operating expenses

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 services costs.

in millions of euros	Fiscal year 2016	Fiscal year 2015
Payroll costs	**(4,646)**	**(4,432)**
Taxes other than on income(1)	(396)	(319)
External services and other operating expenses	(2,347)	(2,142)
Other administrative costs	**(2,743)**	**(2,461)**
TOTAL OPERATING EXPENSES	**(7,389)**	**(6,893)**

(1) Taxes included in particular the new contributions required by the regulatory authorities: the contribution to the SRF (Single Resolution Fund) for an annual amount of €165 million (versus €67 million in 2015) and the systemic risk tax for an annual amount of €47 million (versus €52 million in 2015).

The breakdown of payroll costs is provided in Note 9.1.

6.7 COST OF RISK

This item records net impairment charges for credit risks, regardless of whether the impairment is calculated on an individual or collective basis for a portfolio of similar receivables.

Impairment losses are recognized for both loans and receivables and fixed-income securities when there is a known counterparty risk. 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.

Cost of risk for the period

in millions of euros	Fiscal year 2016	Fiscal year 2015
Net charge to provisions and provisions for impairment	(455)	(580)
Recoveries of bad debts written off	36	95
Irrecoverable loans not covered by provisions for impairment	(89)	(108)
TOTAL COST OF RISK	**(508)**	**(593)**

Cost of risk by type of asset

in millions of euros	Fiscal year 2016	Fiscal year 2015
Interbank transactions[(1)]	4	(98)
Customer transactions	(469)	(372)
Other financial assets	(43)	(123)
TOTAL COST OF RISK	(508)	(593)

(1) The cost of risk associated with interbank transactions in 2015 was primarily generated by exposures to Heta Asset Resolution (HETA).

6.8 GAINS OR LOSSES ON OTHER ASSETS

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 2016	Fiscal year 2015
Gains or losses on disposals of property, plant and equipment and intangible assets used in operations	134	
Gains or losses on disposals of consolidated investments	36	(47)
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**170**	**(47)**

Gains or losses on disposals of property, plant and equipment and intangible operating assets include gains on the sale of operating real estate for €127 million, including €30 million generated by the Specialized Financial Services business line and €97 million realized by the Corporate Center.

Gains or losses on the disposal of consolidated equity interests mainly correspond to gains realized by Natixis group's Investment Solutions business line, in the amount of €29 million, and the income on disposals of Corporate Data Solution's activities.

6.9 INCOME TAX

in millions of euros	Fiscal year 2016	Fiscal year 2015
Current income tax expense	29	(8)
Deferred tax assets and liabilities	(694)	(954)
INCOME TAX	**(665)**	**(962)**

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	Fiscal year 2016		Fiscal year 2015	
	In millions of euros	Tax rate	In millions of euros	Tax rate
Net income attributable to equity holders of the parent	1,664		803	
Change in the value of goodwill	117		1	
Non-controlling interests	494		548	
Share in net income of associates	(202)		(226)	
Income taxes	665		962	
INCOME BEFORE TAX AND CHANGES IN THE VALUE OF GOODWILL (A)	**2,738**		**2,088**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical income tax expense (income) at the tax rate applicable in France (AxB)	**(943)**		**(719)**	
Impact of the change in unrecognized deferred tax assets and liabilities	(80)	2.9%	(30)	1.4%
Effects of permanent differences(1)	136	(5.0%)	(87)	4.2%
Reduced rate of tax and tax-exempt activities	(1)	0.0%	(15)	0.7%
Difference in tax rates on income taxed outside France	15	(0.5%)	(15)	0.7%
Temporary step-up of corporate tax(2)			(26)	1.3%
Tax on prior periods, tax credits and other tax(3)	525	(19.2%)	(27)	1.3%
Other items(4)	(317)	11.7%	(43)	2.1%
INCOME TAX EXPENSE (INCOME) RECOGNIZED	**(665)**		**(962)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**24.3%**		**46.1%**

(1) *The main permanent differences consist of capital gains on investments in associates taxed under the long-term scheme (notably the capital gain on the disposal of Visa securities – see Note 1.3) and tax-exempt earnings of foreign subsidiaries in Luxembourg, Belgium and the United States. Permanent differences also include the impacts of the systemic risk tax and the contribution to the SRF (Single Resolution Fund), consisting of non-deductible expenses (see Note 6.6).*

(2) *As the exceptional 10.7% income tax was not renewed, the tax rate in France stood at 34.43% in 2016, compared with 38% in 2015.*

(3) *Tax from previous years mainly results from the impact of tax audits and the resolution of disputes as described below.*

(4) *Other items include the impact of the reduction in the corporate tax rate from 34.43% to 28.92% introduced by the French Finance Act for 2017, for -€209 million.*

Tax audits

Natixis group

Natixis SA was subject to a tax audit covering fiscal years 2008 to 2013. Further to this audit, Natixis SA received a proposed tax reassessment on December 19, 2016. Natixis SA intends to dispute most of the proposed reassessments and has set aside a provision to cover the estimated risk.

Natixis' subsidiary in Germany is currently undergoing a tax audit covering fiscal years 2009 to 2014. A tax adjustment notice was received in December 2016 on the reimbursement of withholding tax on dividends for 2009. The subsidiary intends to dispute the proposed adjustment.

The tax audit on NGAM P1, initially covering fiscal years 2010 and 2011, was extended to years 2012 to 2014. NGAM P1 received a proposed tax reassessment on December 23, 2016. Following a succession of appeals, the proposed reassessments were partially dropped.

The net impact of these proceedings was fully recognized at December 31, 2016, giving rise to an expense of -€24 million.

BPCE SA

Further to discussions with the French tax authorities (DGFIP) within the framework of the trust-based relationship established regarding fiscal years 2013 and 2014, BPCE published an amended tax return for both years.

Ongoing disputes with the DGFIP were resolved in 2016, resulting in a tax gain of €42 million over the year.

Resolution of tax deputes

Natixis group

Share of costs and expenses: the Court of Justice of the European Union (CJEU) has ruled that the application of a share of costs and expenses, fixed at 5% of dividends received from subsidiaries based in another European Union Member State which, if they had been residents of France, could have belonged to a tax consolidation group, is contrary to the freedom of establishment principle (CJEU 2-9-2015, Case C-386/14, Groupe Steria SCA). As a result, Natixis received a refund for the unduly paid tax on the 5% share of costs and expenses for a total of 6 million.

Taxes on dividends and redemption proceeds on cooperative investment certificates (CICs) from previous fiscal years: until 2013, Natixis held a 20% stake in the Banque Populaire banks and the Caisses d'Epargne, in the form of CICs. All CICs were redeemed in August 2013. All dividends paid by the CICs and all net proceeds from the 2013 redemption were subject to corporate tax in accordance with Article 145, 6 b *ter* of the French General Tax Code, which limits the application of the investment income exemption scheme to equity securities carrying voting rights. This condition was ruled unconstitutional by the French Constitutional Court on July 8, 2016 (Natixis Ruling No. 2016-553 QPC). The French Council of State then canceled the doctrine of administrative law (CE Natixis No. 397316 dated October 5, 2016) and the Finance Minister amended it in the October 5 Official Bulletin. On this basis, which makes a tax gain almost certain, tax income was recorded in the financial statements at December 31, 2016 in the amount of €326 million plus interest on arrears.

Repayment of flat-rate tax credits related to aircraft financing transactions intended to eliminate double taxation for €13 million: during the audit the tax authorities granted certain companies belonging to the tax group headed by Natixis and receiving finance lease fees on aircraft assets the right to increase the amount of flat-rate tax credits directly offset against corporate tax payable from 66.67% to 100%.

Note 7 Exposure to risks

Information relating to capital management as well as regulatory ratios are presented in the Risk management section.

7.1 CREDIT RISK AND COUNTERPARTY RISK

Certain disclosures relating to risk management required by IFRS 7 are also provided in the Risk Management report. They include:

- the breakdown of the loan portfolio by category of gross exposure and approach;
- 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 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.

7.1.2 Total exposure to credit risk and counterparty risk

The statement below shows the credit and counterparty risk exposure for all BPCE SA group'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	Performing loans	Non-performing loans	Impairment and provisions	Net outstandings at 12/31/2016	Net outstandings at 12/31/2015
Financial assets at fair value through profit or loss (excluding variable-income securities)	123,241			123,241	137,163
Hedging derivatives	13,205			13,205	13,981
Available-for-sale financial assets (excluding variable-income securities)	52,692	91	(51)	52,732	50,097
Loans and receivables due from credit institutions	123,323	71	(71)	123,323	119,897
Loans and receivables due from customers	231,549	9,220	(3,872)	236,897	219,927
Held-to-maturity financial assets	3,034	3	(2)	3,035	3,716
Prepaid expenses and other assets related to insurance activities	1,894	528	(309)	2,113	1,639
Other debtors	12,114	1,036	(149)	13,001	12,303
Exposure to balance sheet commitments	**561,052**	**10,949**	**(4,454)**	**567,547**	**558,723**
Exposure to off-balance sheet commitments	**108,110**	**603**	**(110)**	**108,603**	**109,721**
TOTAL CREDIT AND COUNTERPARTY RISK EXPOSURE AT DECEMBER 31, 2016	**669,162**	**11,552**	**(4,564)**	**676,150**	**668,444**
TOTAL CREDIT AND COUNTERPARTY RISK EXPOSURE AT DECEMBER 31, 2015	**661,936**	**11,082**	**(4,574)**	**668,444**	

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7.1.3 Impairment and provisions for credit risk

in millions of euros	01/01/2016	Charges	Reversals[1]	Other changes[2]	12/31/2016
Available-for-sale financial assets	49		(6)	8	51
Interbank transactions	73	3	(8)	3	71
Customer transactions	3,913	1,142	(1,089)	(94)	3,872
Held-to-maturity financial assets	2				2
Other assets related to insurance activities	281	9	(9)	28	309
Other debtors	151	10	(16)	4	149
Impairment losses recognized in assets	**4,469**	**1,164**	**(1,128)**	**(51)**	**4,454**
Provisions for loan and guarantee commitments	105	22	(18)	1	110
Other provisions for credit risk	733	28	(90)	22	693
Provisions for liabilities	**838**	**50**	**(108)**	**23**	**803**
TOTAL IMPAIRMENT AND PROVISIONS FOR CREDIT RISK	**5,307**	**1,214**	**(1,236)**	**(28)**	**5,257**

(1) *Including €455 million in the reversal of provisions used.*
(2) *Other changes mainly concern foreign exchange rate adjustments.*

7.1.4 Financial assets with past due payments

Assets with past due payments are performing financial assets for 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 in the financial statements;
- 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 balance sheet date.

The amounts disclosed in the statement below do not include past due payments resulting from the time delay 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:

	Non-impaired loans showing past due balances					
in millions of euros	≤ 90 days	> 90 days and ≤ 180 days	> 180 days and ≤ 1 year	> 1 year	Impaired outstandings (net value)	Total outstandings
Debt instruments					39	39
Loans and advances	4,602	300	21	2	5,597	10,522
TOTAL AT 12/31/2016	**4,602**	**300**	**21**	**2**	**5,636**	**10,561**

	Non-impaired loans showing past due balances					
in millions of euros	≤ 90 days	> 90 days and ≤ 180 days	> 180 days and ≤ 1 year	> 1 year	Impaired outstandings (net value)	Total outstandings
Debt instruments					4	4
Loans and advances	4,607	235	18	5	5,434	10,299
TOTAL AT 12/31/2015	**4,607**	**235**	**18**	**5**	**5,438**	**10,303**

7.1.5 Restructuring due to financial difficulties

	12/31/2016			12/31/2015		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Impaired restructured loans	4,444	177	4,621	4,127	54	4,181
Performing restructured loans	966	18	984	815	3	818
TOTAL RESTRUCTURED LOANS	**5,410**	**195**	**5,605**	**4,942**	**57**	**4,999**
Impairment	**(1,043)**		**(1,043)**	**(887)**		**(887)**
Guarantees received	**3,356**	**3**	**3,359**	**3,647**	**3**	**3,650**

Breakdown of gross outstandings

	12/31/2016			12/31/2015		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Restructuring: amendments to terms and conditions	4,020	174	4,194	3,764	41	3,805
Restructuring: refinancing	1,390	21	1,411	1,178	16	1,194
TOTAL RESTRUCTURED LOANS	**5,410**	**195**	**5,605**	**4,942**	**57**	**4,999**

Geographic region of counterparty

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
France	2,804	29	2,833	2,571	49	2,620
Other countries	2,606	166	2,772	2,371	8	2,379
TOTAL RESTRUCTURED LOANS	**5,410**	**195**	**5,605**	**4,942**	**57**	**4,999**

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7.1.6 Credit risk mitigation mechanisms: assets obtained by taking possession of collateral

The following statement shows by type the carrying amount of assets (securities, buildings, etc.) obtained during the period by taking possession of collateral or other forms of credit enhancement.

in millions of euros	Fiscal year 2016	Fiscal year 2015
Investment property		1
Equity and debt instruments	76	
TOTAL ASSETS OBTAINED BY TAKING POSSESSION OF COLLATERAL	**76**	**1**

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 BPCE SA group 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 – 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.

Report on risk management.

The table below shows the amounts of financial instrument by contractual maturity date.

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 remeasurement adjustments on interest rate risk-hedged portfolios are placed in the "Perpetual" 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 below.

In millions of euros	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Perpetual	Total at 12/31/2016
Cash and amounts due from central banks	72,034	2					72,036
Financial assets at fair value through profit or loss – trading book						106,534	106,534
Financial assets at fair value through profit or loss – fair value option	18,375	12,274	8,927	5,338	6,343	13,372	64,629
Hedging derivatives						13,205	13,205
Available-for-sale financial assets	2,458	1,384	3,137	20,488	24,559	8,894	60,920
Loans and receivables due from credit institutions	22,341	13,353	15,731	46,539	24,685	674	123,323
Loans and receivables due from customers	53,051	17,656	17,332	53,314	98,699	7,718	247,770
Revaluation differences on interest rate risk-hedged portfolios						6,707	6,707
Held-to-maturity financial assets	127		770	1,281	857		3,035
FINANCIAL ASSETS BY MATURITY	**168,386**	**44,669**	**45,897**	**126,960**	**155,143**	**157,104**	**698,159**
Financial liabilities at fair value through profit or loss – trading book						77,772	77,772
Financial liabilities at fair value through profit or loss – fair value option	19,157	11,915	3,852	7,937	14,129	1,728	58,718
Hedging derivatives						13,795	13,795
Amounts due to credit institutions	41,645	6,577	9,866	29,594	24,451	1,565	113,698
Amounts due to customers	77,409	12,236	9,074	1,574	2,851	753	103,897
Subordinated debt	857	568	586	1,711	15,673	969	20,364
Debt securities	25,146	22,339	51,324	66,797	50,833	7,274	223,713
Revaluation differences on interest rate risk-hedged portfolios						541	541
FINANCIAL LIABILITIES BY MATURITY	**164,214**	**53,635**	**74,702**	**107,613**	**107,937**	**104,397**	**612,498**
Loan commitments given to credit institutions	525	35	8,490	426	176		9,652
Loan commitments given to customers	16,538	4,675	6,513	34,642	6,680	150	69,198
TOTAL FINANCING COMMITMENTS GIVEN	**17,063**	**4,710**	**15,003**	**35,068**	**6,856**	**150**	**78,850**
Guarantee commitments given to credit institutions	212	712	1,144	880	2,387	2	5,337
Guarantee commitments given to customers	1,169	1,524	5,870	8,712	8,292	237	25,804
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,381**	**2,236**	**7,014**	**9,592**	**10,679**	**239**	**31,141**

Note 8 Partnerships and associates

8.1 INVESTMENTS IN ASSOCIATES

8.1.1 Partnerships and other associates

The Group's main investments in joint ventures and associates are as follows:

in millions of euros	12/31/2016	12/31/2015
CNP Assurances (group)	2,540	2,332
Socram Banque	76	73
Banque BCP SAS[1]		60
EDF Investment Group (EIG)	524	538
Other	158	176
Financial sector companies	**3,298**	**3,179**
Other	147	145
Non-financial companies	**147**	**145**
TOTAL INVESTMENTS IN ASSOCIATES	**3,445**	**3,324**

(1) BPCE SA's equity investment in Banque BCP SAS was sold to Caisse d'Epargne Île-de-France in December 2016 (see Note 16.1).

8.1.2 Financial data for the main joint arrangements and associates

Summarized financial data for material companies under notable influence are as follows (they are 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	**85**	**2**	**23**
MAIN AGGREGATES			
Total assets	**419,130**	**2,008**	**8,634**
Total debt	**401,596**	**1,781**	**63**
Income statement			
Operating income or net banking income	2,241	49	292
Income tax	(744)	(7)	(67)
Net income	1,497	12	225
CARRYING VALUE OF INVESTMENTS IN ASSOCIATES			
Equity of associates[1]	17,534	227	8,571
Percentage of ownership	16.11%	33.42%	6.11%
VALUE OF INVESTMENTS IN ASSOCIATES	**2,540**	**76**	**524**
o/w goodwill			
MARKET VALUE OF INVESTMENTS IN ASSOCIATES	**1,946**	**///**	**///**

(1) The equity used by BPCE SA group to consolidate CNP Assurances (group) via the equity method is subject to restatement (deeply subordinated notes).

For more information on *Caisse Nationale de Prévoyance*'s financial data, please refer to the website: http://www.cnp.fr/en/Investor-Analyst/Regulatory-information/Annual-Financial-Report

It has no share in any losses not booked during the period by a joint venture or an associate as a result of the equity method applied.

BPCE SA group 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 is as follows:

in millions of euros	12/31/2016	12/31/2015
Value of investments in associates	**305**	**321**
Total amount of share in:		
Net income	4	21
Gains and losses recognized directly in other comprehensive income	(1)	(2)
COMPREHENSIVE INCOME	**3**	**19**

8.1.3 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.

8.2 SHARE IN NET INCOME OF ASSOCIATES

in millions of euros	Fiscal year 2016	Fiscal year 2015
CNP Assurances (group)	193	182
Banque BCP SAS[1]	(13)	4
VBI Beteiligung		(12)
EDF Investment Group (EIG)	14	27
Socram Banque	4	4
Other	(1)	19
Financial companies	**197**	**224**
Other	5	2
Non-financial companies	**5**	**2**
SHARE IN NET INCOME OF ASSOCIATES	**202**	**226**

(1) Including a capital loss on the sale of Banque BCP SAS securities to Caisse d'Epargne Île-de-France, for -€18 million.

Note 9 Employee benefits

9.1 PAYROLL COSTS

in millions of euros	Fiscal year 2016	Fiscal year 2015
Wages and salaries	(3,157)	(3,062)
Costs of defined-contribution plans	(184)	(204)
Other social security costs and payroll-based taxes	(1,108)	(978)
Profit-sharing and incentive schemes	(197)	(188)
TOTAL PAYROLL COSTS	**(4,646)**	**(4,432)**

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. It came to €11 million in respect of fiscal year 2016 (€10 million for 2015). The use of this tax is presented in section 6 "Social, environmental and societal information" of the registration document.

9.2 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.

9.2.1 Analysis of assets and liabilities recorded in the balance sheet

	Post-employment benefits related to defined-benefit pension plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	12/31/2016	12/31/2015
Actuarial liabilities	1,026	355	72	155	**1,608**	**1,500**
Fair value of plan assets	(587)	(45)			**(632)**	**(771)**
Fair value of reimbursement rights	(177)	(38)			**(215)**	**(38)**
Effect of ceiling on plan assets	27				**27**	**32**
Net amount reported on the balance sheet	**289**	**272**	**72**	**155**	**788**	**723**
Employee benefit commitments recorded in the balance sheet	466	310	72	155	**1,003**	**762**
Plan assets recorded in the balance sheet	177	38			**215**	**39**

A new presentation of assets used to cover pension plans invested with Groupe BPCE related parties, which are now recognized in "Fair value of reimbursement rights", led to an increase in employee benefit assets and liabilities of +€177 million (see Note 5.19).

9.2.2 Change in amounts recognized on the balance sheet

Change in actuarial liabilities

	Post-employment benefits related to defined-benefit pension 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 2016	Fiscal year 2015
Actuarial liabilities at start of year	**958**	**328**	**67**	**147**	**1,500**	**1,510**
Service cost	16	20	5	40	81	90
Service cost for prior periods	(19)	(3)			(22)	(10)
Interest cost	25	5	1		31	30
Benefits paid	(32)	(17)	(3)	(33)	(85)	(84)
Other	1	1	3	(4)	1	
Changes recorded in income	**(9)**	**6**	**6**	**3**	**6**	**26**
Revaluation adjustments – demographic assumptions	3	4			7	(27)
Revaluation adjustments – financial assumptions	80	25			105	(77)
Revaluation adjustments – past-experience effect	(5)	(5)			(10)	44
Changes recognized directly in non-recyclable equity	**78**	**24**			**102**	**(60)**
Foreign exchange rate adjustments	**1**				**1**	**28**
Other	**(2)**	**(3)**	**(1)**	**5**	**(1)**	**(4)**
ACTUARIAL LIABILITIES AT END OF YEAR	**1,026**	**355**	**72**	**155**	**1,608**	**1,500**

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 2016	Fiscal year 2015
Fair value of plan assets at start of year	**732**	**78**	**810**	**699**
Interest income	21	1	22	18
Plan participant contributions	19	8	27	28
Benefits paid	(27)	(6)	(33)	(30)
Other				2
Changes recorded in income	**13**	**3**	**16**	**18**
Revaluation adjustments – Return on plan assets	22	2	24	71
Changes recognized directly in non-recyclable equity	**22**	**2**	**24**	**71**
Foreign exchange rate adjustments	**(1)**		**(1)**	**23**
Other	**(2)**		**(2)**	**(2)**
FAIR VALUE OF PLAN ASSETS AT END OF YEAR[(1)]	**764**	**83**	**847**	**809**

(1) O/w €177 million in reimbursement rights included in retirement benefits and €38 million included in end-of-career benefits.

Revaluation differences on post-employment benefits

in millions of euros	Supplementary pension benefits and other	End-of-career awards	Fiscal year 2016	Fiscal year 2015
Revaluation adjustments at start of period	**166**		**166**	**259**
Revaluation adjustments over the period	57	22	79	(119)
Adjustments to asset ceiling	(5)		(5)	26
Revaluation adjustments at end of period	**218**	**22**	**240**	**166**

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.

9.2.3 Actuarial expense under defined-benefit plans

The various components of the charge recognized for defined-benefit plans are included under "Payroll costs".

	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 2016	Fiscal year 2015
Service cost	(16)	(20)	(5)	(40)	(81)	(90)
Service cost for prior periods	19	3			22	10
Interest cost	(25)	(5)	(1)		(31)	(30)
Interest income	21	1			22	18
Benefits paid	5	11	3	33	52	54
Plan participant contributions	19	8			27	28
Other (o/w asset ceiling)	(2)	(1)	(3)	4	(2)	2
TOTAL EXPENSE FOR THE YEAR[(1)]	**21**	**(3)**	**(6)**	**(3)**	**9**	**(8)**

(1) O/w: a charge of €70 million recorded under payroll costs and a net payment of +€79 million in benefits and contributions.

9.3 SHARE-BASED PAYMENTS

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 9, 2017, as the allocations were not 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)*
2012 plan	02/17/2013	5,275,539	September 2014 October 2015 October 2016	1,895,722 1,810,143 1,808,948	
2013 plan	02/19/2014	5,095,419	October 2015 October 2016 October 2017	1,682,810 1,610,145 -	5.17
2014 plan	02/18/2015	4,493,016	October 2016 October 2017 October 2018	1,576,403 - -	4.92
2015 plan	02/10/2016	6,084,435	March 2018 March 2019		4.46
2016 plan	02/23/2017	2,926,434	March 2019 March 2020		3.86

* *The expected number of units at the vesting date is funded by equity swaps.*

Settlement is subject to presence and performance conditions.

Payments under these plans are subject to presence and performance criteria. With the amendment of the terms and conditions of the loyalty and performance plan, indexed to the 2015 Natixis share, it was reclassified as a loyalty and performance plan settled in Natixis bonus shares (see below). The impact of this amendment, *i.e.* €5.3 million, was recorded under net income for the year.

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)*
2016 plan	02/23/2017	02/23/2017	5.30	6,152,016	6,152,016	5.30

The expense associated with the short-term plan, estimated based on the probability of the presence condition being met, is fully recognized in the 2016 financial statements in the amount of €38 million (€31 million for 2015).

Share-based payment plans

Year of plan *Expense in millions of euros*	**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)*
2012 plan	02/17/2013	1,656,630	March 2014 March 2015 March 2016	531,233 507,835 591,657	2.84	
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	2.60
2016 plan	07/28/2016	151,283	July 2020		3.43	1.62
2016 plan	02/23/2017	2,871,472	March 2019 March 2020		5.30	3.86

Settlement is subject to presence and performance conditions.

Expense for the period for loyalty and performance plans

	Fiscal year 2016			
in millions of euros	**Plans settled in shares**	**Plans settled in cash indexed to Natixis shares**	**Total**	**Fiscal year 2015**
Previous loyalty plans	(5)	(10)	(15)	(26)
Loyalty plans from the fiscal year		(7)	(7)	(8)
TOTAL	**(5)**	**(17)**	**(22)**	**(34)**

Valuation inputs used to assess the expense relative to these plans

	12/31/2016	**12/31/2015**
Share price	5.36	5.22
Risk-free interest rate	0.00%	0.00%
Dividend pay-out ratio	6.09%	6.26%
Loss of rights rate	4.25%	4.50%

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 2016 was:

Year of plan	Grant date	Vesting date	Fiscal year 2016 *(in millions of euros)*	Fiscal year 2015 *(in millions of euros)*
2012 plan	02/17/2013	March 2014 March 2015 March 2016		(3)
2013 plan	02/19/2014	March 2015 March 2016 March 2017	(3)	(7)
2014 plan	02/18/2015	March 2016 March 2017 March 2018	(7)	(13)
2015 plan	02/10/2016	March 2017 March 2018	(16)	(11)
2016 plan	02/23/2017		(16)	
TOTAL			**(42)**	**(34)**

Note 10 Segment reporting

BPCE SA group is structured around its two core businesses:

Commercial Banking and Insurance, including:

- the Other Networks, which mainly comprise the Group's non-controlling interest in CNP Assurances, Real Estate Financing Services (whose earnings predominantly reflected Crédit Foncier's contribution), BPCE International (BPCE I) and Banque Palatine.

Investment Solutions, Corporate and Investment Banking, and Specialized Financial Services, which are Natixis' core businesses:

- Investment Solutions, with asset management, insurance and private banking;
- Corporate and Investment Banking, which has now established itself as BPCE's bank serving large corporate and institutional customers;
- Specialized Financial Services, which includes factoring, lease financing, consumer credit, sureties and guarantees, employee benefits planning, payments and securities services.

The Corporate Center includes primarily:

- the Group's central institution and holding company;
- the Equity Interests of Natixis in Coface, Corporate Data Solution, Natixis Algérie and Natixis Private Equity;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund;
- 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 former CNCE proprietary workout portfolio activities and discretionary portfolio management activities, run-off management of the securitization portfolio transferred in September 2014 by Crédit Foncier to BPCE and the disposal of international assets as part of the workout portfolio activities.

Note: 2015 figures are pro forma of:

- the transfer of all equity interests held by BPCE International (BPCE I) in Banque de la Réunion, Banque des Antilles Françaises and Banque de Saint-Pierre-et-Miquelon to Caisse d'Epargne Provence-Alpes-Corse (CEPAC);
- the retroactive application at January 1, 2015 of the change in accounting treatment of currency swaps used to hedge foreign currency assets and liabilities (the impact of ineffective hedges is now recognized in recyclable equity);
- the standardization of the accounting treatment of network renegotiation benefits between 2015 and 2016;
- the transfer of expenses from the Corporate Center to the Specialized Financial Services division of Natixis;
- the early adoption of amended IFRS 9 on own credit risk, applied retroactively at January 1, 2016: the impact of own credit risk is cancelled in the income statement by the recognition of own credit risk in equity.

Segment reporting for Groupe BPCE in previous periods has been restated accordingly.

10.1 SEGMENT ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

Results by division[(1)]

	Commercial Banking and Insurance *		Investment Solutions, CIB and SFS		Corporate Center		BPCE SA group	
in millions of euros	2016	2015 pf	2016	2015 pf	2016	2015 pf	2016	2015 pf
Net banking income	1,451	1,586	8,036	7,878	1,294	249	10,781	9,713
Operating expenses	(937)	(947)	(5,262)	(5,093)	(1,506)	(1,100)	(7,705)	(7,140)
Gross operating income	**514**	**639**	**2,774**	**2,785**	**(212)**	**(851)**	**3,076**	**2,573**
Cost/income ratio	64.6%	59.7%	65.5%	64.6%	ns	ns	71.5%	73.5%
Cost of risk	(236)	(210)	(252)	(253)	(20)	(121)	(508)	(584)
Share in income of associates	204	189	14	49	(16)	(12)	202	226
Gains or losses on other assets	4	(20)	61	(1)	105	(26)	170	(47)
Change in the value of goodwill	–	–	–	–	(117)	(1)	(117)	(1)
Income before tax	**486**	**598**	**2,597**	**2,580**	**(260)**	**(1,011)**	**2,823**	**2,167**
Income tax	(116)	(186)	(856)	(849)	307	122	(665)	(913)
Non-controlling interests	(3)	(13)	(563)	(569)	72	60	(494)	(522)
Net income attributable to equity holders of the parent	**367**	**399**	**1,178**	**1,162**	**119**	**(829)**	**1,664**	**732**
Transition from pro forma to published net income attributable to equity holders of the parent (1)	–	14	–	4	–	53	–	71
PUBLISHED NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**367**	**413**	**1,178**	**1,166**	**119**	**(776)**	**1,664**	**803**

* *Excluding the Banque Populaire banks, Caisses d'Epargne and their consolidated subsidiaries.*

Results of the Commercial Banking and Insurance sub-divisions

	Banque Populaire banks		Caisses d'Epargne		Insurance, Other networks		Commercial Banking and Insurance	
in millions of euros	2016	2015 pf	2016	2015 pf	2016	2015 pf	2016	2015 pf
Net banking income	–	–	–	–	1,451	1,586	1,451	1,586
Operating expenses	–	–	–	–	(937)	(947)	(937)	(947)
Gross operating income	**–**	**–**	**–**	**–**	**514**	**639**	**514**	**639**
Cost/income ratio					64.6%	59.7%	64.6%	59.7%
Cost of risk	–	–	–	–	(236)	(210)	(236)	(210)
Share in income of associates	–	–	5	4	199	185	204	189
Gains or losses on other assets	–	–	–	–	4	(20)	4	(20)
INCOME BEFORE TAX	**–**	**–**	**5**	**4**	**481**	**594**	**486**	**598**

Results of the Investment Solutions, Corporate and Investment Banking, and Specialized Financial Services sub-divisions

	Investment Solutions		Corporate and Investment Banking		Specialized Financial Services		Investment Solutions, CIB and SFS	
in millions of euros	2016	2015 pf	2016	2015 pf	2016	2015 pf	2016	2015 pf
Net banking income	3,364	3,515	3,322	3,056	1,350	1,307	8,036	7,878
Operating expenses	(2,350)	(2,376)	(2,032)	(1,861)	(880)	(856)	(5,262)	(5,093)
Gross operating income	**1,014**	**1,139**	**1,290**	**1,195**	**470**	**451**	**2,774**	**2,785**
Cost/income ratio	69.9%	67.6%	61.2%	60.9%	65.2%	65.4%	65.5%	64.6%
Cost of risk	1	4	(195)	(198)	(58)	(59)	(252)	(253)
Share in income of associates	1	22	14	27	(1)	–	14	49
Gains or losses on other assets	30	(1)	–	–	31	–	61	(1)
INCOME BEFORE TAX	**1,046**	**1,164**	**1,109**	**1,024**	**442**	**392**	**2,597**	**2,580**

(1) *Impact on income of pro forma data in 2015: -€71 million, of which -€210 million in net banking income, +€55 million in operating expenses, +€9 million in the cost of risk, +€49 million in income tax and +€26 million in non-controlling interests.*

10.2 SEGMENT ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

	Commercial Banking and Insurance		Investment Solutions, CIB and SFS		Corporate Center		Groupe BPCE	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Segment assets	134,169	141,616	415,902	386,157	214,998	196,338	765,069	724,110
Segment liabilities *	100,270	104,548	373,757	317,100	191,294	209,204	665,321	630,852

* *Segment liabilities represent the liabilities restated for equity and other liabilities (notably including tax liabilities and other liabilities and provisions).*

10.3 SEGMENT REPORTING BY GEOGRAPHIC REGION

The geographic analysis of segment assets and results is based on the location where business activities are accounted for.

Net banking income

in millions of euros	2016	2015
France	6,429	5,273
Rest of Europe	1,092	1,394
North America	2,510	2,556
Rest of world	750	700
TOTAL	**10,781**	**9,923**

Total segment assets

in millions of euros	2016	2015
France	627,781	619,109
Rest of Europe	31,857	33,303
North America	73,757	48,600
Rest of world	31,674	23,098
TOTAL	**765,069**	**724,110**

Note 11 Commitments

The amounts shown correspond to the nominal value of commitments given.

11.1 LOAN COMMITMENTS

in millions of euros	12/31/2016	12/31/2015
Loan commitments given to:		
Credit institutions	9,652	14,929
Customers	69,198	66,015
– Credit facilities granted	64,569	59,871
– Other commitments	4,629	6,144
TOTAL LOAN COMMITMENTS GIVEN	**78,850**	**80,944**
Loan commitments received from:		
Credit institutions	42,170	33,058
Customers	4,209	391
TOTAL LOAN COMMITMENTS RECEIVED	**46,379**	**33,449**

11.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2016	12/31/2015
Guarantee commitments given to:		
Credit institutions	5,337	3,751
Customers[(1)]	25,804	25,743
TOTAL GUARANTEE COMMITMENTS GIVEN	**31,141**	**29,494**
Guarantee commitments received from:		
Credit institutions	15,651	14,305
Customers	89,287	90,699
GUARANTEE COMMITMENTS RECEIVED	**104,938**	**105,004**

(1) *The guarantees given by CEGC (a subsidiary of Natixis) 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 13 "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 13 "Financial assets received as collateral that can be sold or repledged".

Note 12 Related party transactions

For BPCE SA group, related parties are considered to be all consolidated companies, including companies carried under the equity method, and the Group's key management personnel.

12.1 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.

These include intercompany transactions with:

- 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 €956 million in 2016 (€886 million in 2015),
  - for the management of the Group's pension plans, reimbursement rights of €431 million were recorded to cover post-employment benefits (see Note 9.2.2),
  - under the partnership described in Note 1.3, a cash deposit of €10.5 billion was recorded under "Loans and receivables due from customers" (see Note 5.6.2). 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 amounted to €11.9 billion and are recorded as "Income and expenses from other activities" (see Note 6.5).

A list of fully consolidated subsidiaries is presented in Note 16, "Scope of consolidation".

12.2 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 2 of the registration document, on corporate governance.

Short-term employee benefits

Short-term benefits paid out to the Group's company directors amounted to €6 million in 2016 (vs. €7 million in 2015).

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

The amount provisioned by BPCE in respect of retirement bonuses came to €3 million at December 31, 2016 (unchanged against the previous year).

Note 13 Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that can be sold or repledged

13.1 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	12/31/2016
Financial assets pledged as collateral					
Financial assets held for trading	2,889	10,979	3,271	1,193	18,332
Financial assets designated at fair value through profit or loss			15		15
Available-for-sale financial assets		4,295	8,045		12,340
Loans and receivables		2	16,372	5,847	22,221
Assets held to maturity					
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**2,889**	**15,276**	**27,703**	**7,040**	**52,908**
o/w transferred financial assets not fully derecognized	***2,889***	***15,276***	***14,158***	***7,040***	***39,363***

The amount of liabilities associated with financial assets pledged as collateral for repurchase agreements came to €15,095 million at December 31, 2016 (€21,582 million at December 31, 2015).

The fair value of securitizations pledged as collateral was €7,040 million at December 31, 2016 (€8,246 million at December 31, 2015), all of which comprised transferred assets not fully derecognized.

In accordance with French law, the intrinsic guarantees attached to issues of covered bonds is 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.

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	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2015
Financial assets pledged as collateral					
Financial assets held for trading	2,832	17,860		2,068	22,760
Financial assets designated at fair value through profit or loss			195		195
Available-for-sale financial assets		3,823	5,063		8,886
Loans and receivables		2	18,476	6,178	24,656
Assets held to maturity	6				6
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**2,838**	**21,685**	**23,734**	**8,246**	**56,503**
o/w transferred financial assets not fully derecognized	***2,838***	***21,685***	***17,062***	***8,246***	***49,831***

13.1.1 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. The cash flows generated by the securities are also transmitted 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 in 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.

13.1.2 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 Banques Populaires Covered Bonds, the CRH (*Caisse de refinancement de l'habitat*), and securities pledged as collateral for ECB refinancing operations.

Moreover, in accordance with French law, the intrinsic guarantees attached to issues of covered bonds is 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.

13.1.3 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 €197 billion at December 31, 2016, compared to €343 billion at December 31, 2015.

The fair value of the financial assets received as collateral that were actually sold or repledged amounted to €114 billion at December 31, 2016, compared with €250 billion at December 31, 2015.

13.2 FULLY DERECOGNIZED FINANCIAL ASSETS FOR WHICH THE GROUP RETAINS AN ONGOING COMMITMENT

Fully derecognized transferred financial assets for which BPCE SA group retains an ongoing commitment consist of asset transfers to a deconsolidated securitization vehicle in which the Group has an interest or an obligation, although the latter do 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, 2016.

Note 14 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 commercial banking activities, for which the management model is based on collection of expected cash flows.

The simplified assumptions used to measure the fair value of instruments at amortized costs are presented in Note 4.1.6.

	12/31/2016				12/31/2015			
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)	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	125,175	23	113,022	12,130	122,449	11	114,254	8,184
Loans and receivables due from customers	249,809	544	86,999	162,266	219,353	553	61,135	157,665
Held-to-maturity financial assets	3,466	3,107	200	159	4,246	3,829	199	218
FINANCIAL LIABILITIES AT AMORTIZED COST								
Amounts due to credit institutions	112,160		91,729	20,431	115,564		96,066	19,498
Amounts due to customers	103,962		60,731	43,231	83,540		69,460	14,080
Debt securities	230,449		133,104	97,345	220,250		137,850	82,400
Subordinated debt	22,148		20,540	1,608	20,475		19,836	639

Note 15 Interests in non-consolidated structured entities

15.1 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 real estate funds or external private equity funds in which BPCE SA group 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.

15.2 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, 2016

in millions of euros	Securitization	Asset management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**453**	**9,380**	**718**	**150**
Trading derivatives	255	422	98	108
Trading financial instruments (excluding derivatives)	108	4,087	351	42
Financial instruments designated at fair value through profit or loss	90	4,871	269	
Available-for-sale financial assets	**430**	**2,088**	**22**	**23**
Loans and receivables	**1,836**	**2,309**	**13,392**	**1,464**
Other assets	**35**	**38**	**13**	**3**
TOTAL ASSETS	**2,754**	**13,815**	**14,145**	**1,640**
Financial liabilities at fair value through profit or loss	**180**	**182**	**467**	**42**
Provisions		**1**	**4**	**27**
TOTAL LIABILITIES	**180**	**183**	**471**	**69**
Loan commitments given	**3,959**	**245**	**1,882**	**1,019**
Guarantee commitments given	**211**	**7,151**	**1,430**	**27**
Guarantees received	**12**	**1**	**3,073**	**80**
Notional amount of derivatives	**4,223**	**116**	**2,716**	**726**
MAXIMUM LOSS EXPOSURE	**11,135**	**21,325**	**17,096**	**3,305**
SIZE OF STRUCTURED ENTITIES	**81,212**	**155,743**	**81,214**	**1,318**

At December 31, 2015

in millions of euros	Securitization	Asset management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**596**	**5,799**	**617**	**114**
Trading derivatives	424	249	137	114
Trading financial instruments (excluding derivatives)	150	1,524	152	
Financial instruments designated at fair value through profit or loss	22	4,026	328	
Available-for-sale financial assets	394	2,683	31	333
Loans and receivables	2,900	2,653	11,380	2,173
Other assets	88	54	4	27
TOTAL ASSETS	**3,978**	**11,189**	**12,032**	**2,647**
Financial liabilities at fair value through profit or loss	**224**	**446**	**369**	**22**
Provisions			**7**	**4**
TOTAL LIABILITIES	**224**	**446**	**376**	**26**
Loan commitments given	**3,150**	**1,538**	**1,925**	**881**
Guarantee commitments given	**372**	**9,852**	**1,171**	**185**
Guarantees received	**33**	**908**	**10,213**	**7**
Notional amount of derivatives	**5,462**	**31**	**2,068**	**725**
MAXIMUM LOSS EXPOSURE	**12,929**	**21,702**	**6,976**	**4,427**
SIZE OF STRUCTURED ENTITIES	**83,099**	**148,956**	**51,509**	**2,019**

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.

The Group did not, during the period, grant financial support to non-consolidated structured entities in which it holds interests.

15.3 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.

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 2016

in millions of euros	Securitization	Asset management
Income from entities	**(19)**	**258**
Net interest income		3
Net fee and commission income	(3)	241
Net gains or losses on financial instruments at fair value through profit or loss	(16)	14
Carrying amount of assets transferred to the entity during the fiscal year	**1,797**	

Fiscal year 2015

in millions of euros	Securitization	Asset management
Income from entities	**31**	**1,221**
Net interest income	144	
Net fee and commission income	(6)	1,022
Net gains or losses on financial instruments at fair value through profit or loss	(107)	199
Carrying amount of assets transferred to the entity during the fiscal year	**4,666**	

Note 16 Scope of consolidation

16.1 CHANGES IN SCOPE OF CONSOLIDATION DURING FISCAL YEAR 2016

The main changes in the scope of consolidation during 2016 are presented below:

Changes in the ownership interest in subsidiaries still under control at December 31, 2016

Change in the Group's ownership interest in Natixis

Subsequent to a series of transactions in its own shares, the Group's held a 71.03% stake in Natixis at December 31, 2016 (*versus* 71.25% at December 31, 2015). The impact on equity attributable to equity holders of the parent was not material.

Change in the Group's ownership interest in DNCA Management

Following the buyback of shares from the company's management, the stake held by Natixis in DNCA Management increased from 8.2% to 42.5% during 2016. This increased Natixis' ownership interests in DNCA Finance, DNCA Courtage and DNCA Luxembourg (from 71% to 75%).

Change in the Group's ownership interest in AEW Europe

In 2016, Natixis Global Asset Management (NGAM), a subsidiary of Natixis, finalized the merger of AEW Europe and Ciloger (see Note 1.3).

This transaction increased NGAM's ownership interest in AEW Europe from 60% to 100% in the first half of 2016 (buyout of the stake held by Caisse des Dépôts et Consignations), with La Banque Postale acquiring a stake in AEW Europe in the second half of 2016. At December 31, 2016, NGAM held a 60% stake in AEW Europe.

This transaction had an impact of -€18 million on consolidated shareholders' equity (o/w -€13 million on equity attributable to equity holders of the parent).

Acquisition of a controlling interest in subsidiaries

Acquisition of a majority stake in Fidor Bank AG

On December 22, 2016, BPCE SA bought a 95.8% stake in German online bank Fidor AG *via* 3F Holding.

BPCE exercises control over Fidor AG *via* 3F Holding, within the meaning of IFRS 10, and fully consolidates this entity.

This transaction led to a non-material increase in non-controlling interests.

Acquisition of a majority stake in Peter J. Solomon Company

On June 7, 2016, Natixis acquired 51% of the capital and voting rights in Peter J. Solomon Company (PJSC), and holds an option to buy the remaining shares by 2026 by exercising reciprocal call and put options.

BPCE exercises control over PJSC *via* Natixis, within the meaning of IFRS 10. As a result, Peter J. Solomon Company LP and Peter J. Solomon Securities Company LLC are fully consolidated by Groupe BPCE (see Note 1.3).

Other changes in scope

In December 2016,BPCE sold its 30% stake in BCP France SAS to Caisse d'Epargne Île-de-France.

As a result of the sale, BPCE no longer exercised significant influence over BCP France SAS and the entity was deconsolidated.

16.2 SECURITIZATION TRANSACTIONS

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 it. Control is assessed according to the criteria provided in IFRS 10.

Securitization transactions carried out with partial derecognition

In 2015, Crédit Foncier completed a public securitization of residential mortgage-backed receivables (Crédit Foncier Home Loans 2).

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 fund within the meaning of IFRS 10, and the fund is not consolidated.

However, given its ongoing ties with the fund, the criteria needed to establish full derecognition of assets under IAS 39 are not entirely met.

As a result, the transaction is derecognized in accordance with IFRS 10, and partially derecognized in accordance with IAS 39.

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 €182 million and total liabilities of €88 million at December 31, 2016.

The fair value of these residual ties is remeasured at each reporting date.

For 2016, the net impact of the CFHL-2 transactions was -€15 million, related to early redemptions during the year.

16.3 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.

16.4 OTHER INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STRUCTURED ENTITIES

Major restrictions

BPCE SA 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.

16.5 SCOPE OF CONSOLIDATION AT DECEMBER 31, 2016

Only those entities providing a material contribution are consolidated. Materiality is assessed for consolidated entities based on the principle of ascending materiality. In other words, 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		FR	100%	FC
II) BPCE SA 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	52%	FC
BPCE IMMOBILIER EXPLOITATION	Real estate investment	FR	100%	FC
BPCE INFOGERANCE ET TECHNOLOGIE	IT services	FR	55%	FC
BPCE MASTER HOME LOANS FCT	French securitization fund (FCT)	FR	100%	FC
BPCE CONSUMER LOANS FCT	French securitization fund (FCT)	FR	100%	FC
BPCE MASTER HOME LOANS DEMUT	French securitization fund (FCT)	FR	100%	FC
BPCE CONSUMER LOANS DEMUT	French securitization fund (FCT)	FR	100%	FC
BPCE SFH	Funding	FR	100%	FC
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company	FR	40%	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	96%	FC
FIDOR SOLUTION AG	Information services	DE	96%	FC
GCE CAPITAL	Private equity	FR	100%	FC
GCE PARTICIPATIONS	Holding company	FR	100%	FC
GIE CE SYNDICATION RISQUES	Guarantee company	FR	38%	EQ
NATIXIS GROUP[3]		FR	71%	FC
INFORMATIQUE BANQUES POPULAIRES	IT services	FR	30%	EQ
IT-CE	IT services	FR	34%	EQ
LAKOOZ	IT programming	FR	100%	FC
MIFCOS	Real estate investment	FR	100%	FC
SOCRAM BANQUE	Bank	FR	33%	EQ
S-MONEY	Electronic payments	FR	100%	FC
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				
AL MANSOUR PALACE MAROC	Real estate development	MA	40%	EQ
ARAB INTERNATIONAL LEASE	Equipment and real estate leasing	TN	57%	FC
BANQUE DE NOUVELLE-CALÉDONIE	Bank	NC	97%	FC
BANQUE DE TAHITI	Bank	FP	97%	FC
BANQUE DES MASCAREIGNES	Bank	MU	100%	FC
BANQUE MALGACHE DE L'OCEAN INDIEN	Bank	MG	71%	FC
BANQUE TUNISO KOWEITIENNE	Bank	TN	60%	FC
BCI BQ COMMERCIALE INTERNATIONALE	Bank	CG	100%	FC
BICEC	Bank	CM	68%	FC
BM MADAGASCAR	Bank	MG	73%	FC
BPCE INTERNATIONAL	Specialized credit institution	FR	100%	FC
BPCE MAROC	Real estate development	MA	100%	FC
BPCE MAROC IMMOBILIER	Real estate development	MA	100%	FC
FRANSA BANK	Bank	FR	21%	EQ

Company	Business	Location(1)	Ownership interest	Consolidation method(2)
INGEPAR	Financial investment advisory services	FR	100%	FC
MEDAI SA	Real estate development	TN	67%	FC
OCEORANE	Financial investment advisory services	FR	100%	FC
NATIXIS PRAMEX INTERNATIONAL	International development and consulting services	FR	100%	FC
SKY ELITE TOUR SARL	Real estate development	MA	100%	FC
SOCIÉTÉ DE CONSEILS ET D'INTERMÉDIATION FINANCIÈRE	Financial investment advisory services	TN	48%	FC
EL ISTIFA	Debt collection	TN	60%	FC
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Real estate operations	NC	90%	FC
SOCIÉTÉ TUNISIENNE DE PROMOTION DES POLES IMMOBILIERS ET INDUSTRIELS	Real estate development	TN	18%	EQ
TUNIS CENTER	Real estate development	TN	14%	FC
UNIVERS INVEST (SICAR)	Private equity	TN	52%	FC
UNIVERS PARTICIPATIONS (SICAF)	Private equity	TN	60%	FC
Crédit Foncier group				
BANCO PRIMUS	Bank	PT	100%	FC
CRÉDIT FONCIER DE FRANCE	Bank	FR	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
SCA ECUFONCIER	Financial company	FR	100%	FC
CREDIT FONCIER EXPERTISE	Real estate valuation	FR	100%	FC
EUROSCRIBE	Equipment and real estate leasing	FR	37%	EQ
FILIALES LOCI	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
GCE COINVEST	Holding company	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
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company	FR	100%	FC
SOCFIM	Bank	FR	100%	FC
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company	FR	100%	FC
VENDOME INVESTISSEMENTS	Holding company	FR	100%	FC
VAUBAN MOBILISATIONS GARANTIES (VMG)	Financial company	FR	100%	FC
Banque Palatine group				
ARIES ASSURANCES	Insurance brokerage	FR	100%	FC
BANQUE PALATINE	Bank	FR	100%	FC
CONSERVATEUR FINANCE	Fund management	FR	20%	EQ
PALATINE ASSET MANAGEMENT	Asset management	FR	100%	FC

(1) Country of location: CG: Congo – CM: Cameroon – DE: Germany – FR: France – LU: Luxembourg – MA: Morocco – MG: Madagascar – MU: Mauritius – NC: New Caledonia – FP: French Polynesia – PT: Portugal – TN: Tunisia.

(2) Consolidation method: Full consolidation (FC), Joint operation (JO) or Equity method (EQ).

(3) The Natixis group comprises 326 fully-consolidated entities and 10 entities consolidated using the equity method. Its main subsidiaries are: Coface, Banque Privée 1818, Natixis Global Asset Management, Natixis North America LLC, Natixis Assurances, Natixis Private Equity and Compagnie Européenne de Garanties et Cautions.

Note 17 Statutory Auditors' fees

The following fees were paid to the Statutory Auditors responsible for auditing BPCE's financial statements, together with their networks, in respect of the 2015 and 2016 fiscal years:

	PwC				Mazars				Deloitte				Total			
in thousands	Amount		%		Amount		%		Amount		%		Amount		%	
of euros(1)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Certification of financial statements	**8,293**	**7,013**	**64%**	**62%**	**4,186**	**3,792**	**63%**	**68%**	**8,107**	**6,798**	**54%**	**47%**	**20,586**	**17,603**	**59%**	**56%**
Issuer	427	411			430	408			419	405			1,276	1,224		
Subsidiaries	7,866	6,602			3,756	3,384			7,688	6,393			19,310	16,379		
Services other than certification of financial statements(2)	**4,651**	**4,241**	**36%**	**38%**	**2,509**	**1,778**	**37%**	**32%**	**7,018**	**7,607**	**46%**	**53%**	**14,178**	**13,626**	**41%**	**44%**
Issuer	455	472			413	457			851	287			1,719	1,216		
Subsidiaries	4,196	3,769			2,096	1,321			6,167	7,320			12,459	12,410		
TOTAL	**12,944**	**11,253**	**100%**	**100%**	**6,695**	**5,570**	**100%**	**100%**	**15,125**	**14,405**	**100%**	**100%**	**34,764**	**31,228**	**100%**	**100%**
Change (%)	*15%*				*20%*				*5%*				*11%*			

(1) Amounts relating to services provided appear on the income statement for the reporting year, notably including unrecoverable VAT.

(2) In 2016, "Services other than the certification of financial statements" mainly included assignments requested by Natixis SA and its subsidiaries, including one assignment (performed by Deloitte for €2.5 million) that accounted for nearly 20% of these services. This assignment continued the preparation for the launch of the Insurance division's product line in the Caisses d'Epargne via the program entitled Assurément#2016 at BPCE Vie.

In 2015, these services included assignments that were not in the framework of the statutory audit or the review of the individual and consolidated financial statements.

5.4 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2016

To the Shareholders,

BPCE

50, avenue Pierre Mendès France

75013 Paris

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of BPCE SA group;
- the justification of our assessments;
- the specific verification and information required by French law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 at December 31, 2016 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.

Without qualifying the opinion expressed above, we draw your attention to notes 2.2, 4.1.3, 5.2 and 6.3 to the consolidated financial statements which set out the impacts of the early application, with effect from the financial year ended December 31, 2016, of certain of the provisions of IFRS 9, "Financial Instruments", in accordance with the option provided by the standard, in respect of the accounting treatment of own credit risk for financial liabilities designated as at fair value through profit or loss.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Credit and counterparty risk provision

The Group records impairment and provisions to cover the credit and counterparty risks inherent to its activities (Notes 4.1.7, 5.6, 6.7 and 7.1 to the consolidated financial statements). We reviewed the control procedures implemented by the Group to identify risk exposure, monitor credit and counterparty risks, assess the risks of non-recovery and calculate the related impairment and provisions on an individual and portfolio basis.

VALUATION OF FINANCIAL INSTRUMENTS

The Group uses internal models to measure financial instruments that are not quoted in active markets (Notes 4.1.6, 5.5 and 6.3 to the consolidated financial statements). We reviewed the control procedures relating to the determination of a particular market as inactive, the validation of the models used and the determination of inputs used.

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group recognizes impairment on available-for-sale financial assets (Notes 4.1.7, 5.4 and 6.4 to the consolidated financial statements):

- for equity instruments, whenever there is objective evidence of significant or prolonged impairment in the value of these assets;
- for debt instruments, whenever there is a known counterparty risk.

We reviewed the control procedures relating to the identification of evidence of impairment, the valuation of the most significant items, and the estimates leading, where applicable, to the recognition of impairment losses.

INSURANCE-RELATED LIABILITIES

The Group recognizes technical provisions in respect of risks related to insurance contracts (Notes 4.13, 5.18 and 6.5 to the consolidated financial statements). We examined the methodology used to measure these insurance contracts, as well as the main assumptions and parameters used.

GOODWILL IMPAIRMENT

The Group carried out goodwill impairment tests which led, when necessary, to the recognition of impairment (Notes 3.2.3 and 5.14 to the consolidated financial statements). We reviewed the methods and the main inputs and assumptions used when performing these tests, as well as estimates used to recognize any impairment losses.

DEFERRED TAX ASSETS

The Group recognized deferred tax assets, particularly in respect of tax loss carryforwards (Notes 4.12, 5.9 and 6.9 to the consolidated financial statements). We reviewed the main estimates and assumptions that led to the recognition of these deferred tax assets.

PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

The Group records provisions to cover employee benefit obligations (Notes 4.10, 5.19 and 9.2 to the consolidated financial statements). We reviewed the valuation method for these obligations and the main inputs and assumptions used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 23, 2017

The Statutory Auditors

Deloitte & Associés	**Mazars**	**PricewaterhouseCoopers Audit**
Jean-Marc Mickeler Sylvie Bourguignon	Michel Barbet-Massin	Agnès Hussherr Nicolas Montillot

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5.5 BPCE management report

Significant events of 2016

In 2016, Groupe BPCE stepped up the implementation of its digital strategy, continued to introduce measures in the field of payments and significant developments were noted at BPCE's equity interests.

The Group successfully completed a critical step in its digital transformation with the acquisition of German online bank Fidor Bank AG, finalized on December 22, 2016 in an agreement signed with the principal shareholders, founders and managers. At December 31, 2016 BPCE owned a 95.80% stake in Fidor.

Established in 2009 by its CEO, Fidor is one of the world's leading Fintech Banks, which has developed a breakthrough approach to banking relationships. Fidor's unique offering combines an innovative customer experience, relying heavily on the involvement of the 350,000 members of its community, and an open organization and architecture to foster flexibility and agility. Fidor has developed a proprietary infrastructure and digital banking platform – Fidor Operating System – allowing for real-time functionality and optimizing the integration of third-party applications programming interfaces (APIs).

During 2016, Groupe BPCE consolidated its growth in the field of payments, with the introduction of several major operations.

Since July 2016, its launch date in France, Groupe BPCE offers Apple Pay to customers of the Banque Populaire and Caisse d'Epargne network. The Group was thus the first bank in the euro zone to provide its customers with a mobile payment solution. The launch of Apple Pay highlights Groupe BPCE's commitment to innovation and digital solutions.

Groupe BPCE also acquired, through its subsidiary S-money, fintechs Depopass and E-Cotiz in May and October 2016 respectively and thus offers new payment solutions to customers. The fintech Depopass provides an innovative and secure payment solution for transactions between private individuals. Start-up E-Cotiz is the first to offer a solution for managing the collection of subscriptions for sport organizations in France.

Moreover, in preparation for its upcoming strategic plan, the Group will create a new business line which will combine Groupe BPCE's payment activities within Natixis. This reflects the Group's ambitions in terms of payment solutions, a strategic business line which is a source of both growth and value creation, to improve the competitiveness of the Banque Populaire banks and Caisses d'Epargne.

For BPCE's Holding business line, 2016 saw a number of major transactions.

A capital gain on disposal of €831 million was recognized in the financial statements prepared under French accounting standards in "Gains or losses on long-term investments" following the acquisition by US company Visa Inc. of Visa Europe, an association of some 3,500 European banks owned by a group of approximately 3,000 European banks, including Groupe BPCE. The impact of this transaction on BPCE's net income amounted to €797 million.

The transaction was completed on June 21, 2016 for a total amount of over €18 billion, structured into three parts:

- a cash payment of €12.25 billion on completion of the transaction;
- a deferred cash payment of €1.12 billion, payable three years after the completion of the transaction;
- preference shares representing an equivalent of €5 billion. The preference shares will be convertible into Visa Inc. shares after a period of 4 to 12 years. As the proposed conversion rate may be lowered in the event of disputes, a discount was applied to the estimated amount receivable in respect of the preference shares to take into account liquidity and legal risks.

BPCE was also impacted during the second half by the disposals of CIFG and BCP France (Banco Comercial Português).

On July 8, 2016, Assured Guaranty completed the acquisition of CIFG for $450 million. CIFG had been 0.66%-owned by BPCE and 9.90% by Twins Participations. Following this disposal, BPCE received $3 million directly and $45 million through its wholly-owned subsidiary Twins Participations. The latter merged with BPCE at the end of the fiscal year, generating a merger surplus of €46 million.

As part of measures to clarify the Group's structures, BPCE sold its 30% minority stake in BCP France to Caisse d'Epargne Ile-de-France for a total of €46 million. This disposal generated a capital loss of €8 million.

Moreover, the strategy of reducing stakes continued in 2016 and impacted BPCE's Corporate center business line. The active disposal of mortgage-backed securities and public sector assets (portfolio acquired from Crédit Foncier) continued. Several RMBS lines were therefore sold generating a capital gain in 2016 under French accounting standards of €57 million for BPCE which was recognized in net banking income.

Moreover, as part of the active liquidity management strategy, and with a view to enhancing the repayment structure of its medium/long-term debt and optimizing its interest expenses, in June 2016 BPCE redeemed four bond lines before their maturity date for a total of €2.3 billion.

Company situation and activity in 2016

CHANGES IN THE BPCE BALANCE SHEET

in billions of euros	12/31/2016	12/31/2015	Change 2016/2015 €bn	%
Amounts due from banks	209.9	231.0	(21.1)	(9%)
Amounts due from customers	0.7	0.7	+0.0	+3%
Securities transactions	77.9	62.8	+15.1	+24%
Associates, Equity interests and long-term investments	22.6	23.3	(0.7)	(3%)
Other assets	3.7	5.7	(2.0)	(35%)
TOTAL BPCE ASSETS	**314.8**	**323.5**	**(8.7)**	**(3%)**
Amounts due to banks	122.2	153.9	(31.7)	(21%)
Customer resources	2.7	1.4	+1.3	+94%
Debt securities and subordinated debt	99.6	96.1	+3.5	+4%
Other liabilities	74.2	56.2	+18.0	+32%
Shareholders' equity and fund for general banking risks	16.1	15.9	+0.2	+1%
TOTAL BPCE LIABILITIES	**314.8**	**323.5**	**(8.7)**	**(3%)**

In accordance with French GAAP, total 2016 assets amounted to €314.8 billion, a decrease of €8.7 billion compared with December 31, 2015.

Under assets, the €21.1 billion decrease in "Amounts due from banks" is mainly due to lower intra-group receivables.

"Securities transactions" were up by €15.1 billion due to:

- an increase in intra-group securities borrowings for €16.5 billion;
- the disposal and amortization of a portion of shares in a portfolio of home loan and public asset securitizations for €1.4 billion.

"Associates, Equity interests and long-term investments" recorded the following major changes:

- additional provisions of €452 million on Natixis, €597 million on BPCE International and €11 million on Banque Palatine;
- the issue of a new €400 million deeply subordinated note with Natixis;
- the early redemption of two deeply subordinated notes with Banque Palatine for a total of €80 million and of one note with BPCE International for €150 million;
- the reception of Visa Inc. shares for €180 million;
- the acquisition of Fidor for €142 million;
- the disposal of Banque BCP SAS shares for €54 million.

Under liabilities, "Amounts due to banks" decreased by €31.7 billion. This change includes a decrease of €1.1 billion relating to current accounts with credit balances and short-term loans and a decrease of €23.4 billion in intra-group term loans.

"Other liabilities" were up €18 billion due to the increase in intra-group securities borrowings for €16.5 billion.

The increase in shareholders' equity was due to 2016 income of €461 million and the taking into account of €350 million in dividends.

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BPCE INCOME STATEMENT

in millions of euros	2016	2015	Change 2016/2015 €m	%
Net banking income	281	(12)	+293	NA
Operating expenses	(205)	(130)	(75)	+58%
Gross operating income	**76**	**(142)**	**+218**	**NA**
Cost of risk	4	17	(13)	(76%)
Net gains or losses on long-term investments	134	2,324	(2,190)	(94%)
Income before tax	**214**	**2,199**	**(1,985)**	**(90%)**
Income tax	247	292	(45)	(15%)
Charges/reversals to fund for general banking risks and regulated provisions				
NET INCOME	**461**	**2,491**	**(2,030)**	**(81%)**

2016 net income amounted to €461 million, a decrease compared with 2015 due mainly to the depreciation of investments in consolidated companies. It also included gross operating income of €76 million, cost of risk of €4 million, gains on long-term investments of €134 million and tax income of €247 million.

NET BANKING INCOME

in millions of euros	2016	2015	Change 2016/2015 €m	Change 2016/2015 %
Lender of last resort	(421)	(327)	(94)	+29%
Corporate center	(22)	(218)	+196	(90%)
Holding company	724	533	+191	+36%
NET BANKING INCOME	**281**	**(12)**	**+293**	**NA**

In 2016, BPCE's net banking income totaled €281 million, up €293 million compared with 2015.

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 Lender of last resort business line, where net banking income was -€421 million in 2016, including a -€341 million early repayment balance for SFH loans following the acquisition of lines held internally by SFH (offset by €339 million in "Net gains or losses on long-term investments" following the early redemption of securities).

Restated for this non-recurring item, net banking income from the role of Lender of last resort amounted to -€80 million, an improvement of €247 million compared with 2015. This increase is mainly due to an improvement of €212 million in liquidity management and a decrease of €32 million in the carrying cost of subordinated transactions.

Net banking income for the Corporate Center was -€22 million in 2016, up €196 million compared with 2015. The change is mainly due to the portfolio of home loan and public asset securitizations acquired in 2014. The variation in this portfolio is due to the capital gain on disposal carried out in 2016 for €57 million and the negative impact in 2015 of the provision of €136 million booked following a change in management intention.

Net banking income for the Holding business line totaled €724 million, up €191 million compared with 2015. This improvement was primarily due to:

- an increase in dividends of €98 million (€23 million for Natixis, €51 million for BPCE International following the payment of a dividend on the disposal of the overseas subsidiaries to Caisse d'Epargne Provence-Alpes-Corse, and €23 million for Crédit Foncier);

  During the first half of 2016, Natixis paid BPCE an exceptional dividend of €0.10 per share, *i.e.* €223 million.
- a decrease in outstanding deeply subordinated notes resulting in an €80 million gain in income.

OPERATING EXPENSES

in millions of euros	2016	2015	Change 2016/2015 €m	Change 2016/2015 %
Payroll costs	(251)	(244)	(7)	+3%
Other expenses	(319)	(321)	+2	(1%)
Gross operating expenses	**(570)**	**(565)**	**(5)**	**+1%**
Rebilled expenses	**483**	**481**	**+2**	**+0%**
Net operating expenses	**(87)**	**(84)**	**(3)**	**+3%**
Charges from exceptional projects	(118)	(46)	(72)	NA
OPERATING EXPENSES	**(205)**	**(130)**	**(75)**	**+58%**

Net operating expenses were -€87 million in 2016, a slight increase of €3 million compared with 2015.

At -€205 million, operating expenses were up €75 million, *i.e.* +58% compared with 2015, due to an increase in charges from exceptional projects mainly relating to the development of digital technology.

Cost of risk

In 2016, cost of risk was €4 million and mainly related to the reversal of provisions for guarantees granted to the Group's institutions.

Net gains or losses on long-term investments

Net gains or losses on long-term investments were €134 million in 2016, consisting of changes in provisions for investments in associates, in particular Natixis (-€452 million), BPCE International (-€597 million) and Banque Palatine (-€11 million).

In 2016, this item also included the capital gain on disposal of €831 million following the acquisition by US company Visa Inc. of Visa Europe, the capital gain of €49 million on the disposal of CIFG and a €339 million impact from the early redemption of SFH securities following the acquisition of lines held internally by SFH (offset by a -€341 million early loan repayment balance).

Income tax

In 2016, as a result of tax consolidation income, the gain in income taxes after taking into account changes in provisions and other adjustments was €247 million, down €45 million relative to 2015.

Following discussions with the French tax authorities (DGFIP) as part of the trust-based relationship protocol regarding the 2013 and 2014 fiscal years, BPCE published an amended tax return for these two years.

Ongoing disputes with the DGFIP were settled in 2016, leading to a tax gain of €42 million over the year.

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 129,331.66 in non-deductible expenses with regards to Article 39.4 of the same code. The resulting additional tax was €49,146.03.

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 out at €461 million.

Proposed allocation of net income

A proposal will be made to the Annual General Shareholders' Meeting to allocate the net profit for the period of €461,435,583.42 as follows, as proposed to the Management Board:

- a dividend payment of €383,499,888.77 to the shareholders, *i.e.* €12.312 per share;
- an allocation of €77,935,694.65 to "Retained earnings."

Given the payment on December 20, 2016 of an interim dividend of €174,998,300.44, a decision taken by the Management Board at its meeting of December 19, 2016, a residual dividend of €208,501,588.33 remains to be paid to the shareholders, *i.e.* €6.6938 per share.

Subsequent to this distribution, the balance of "Retained earnings" is €3,186,032,454.89.

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
31/12/2013	Category "A" and "B" shares	€64.209	€2,000,000,000*	/
31/12/2014	Category "A" and "B" shares	€16.052	€499,995,144.11**	/
31/12/2015	Category "A" and "B" shares	€11.2364	€349,996,600.88	/

* *The capital decrease and the exceptional distribution of cash sums charged against "additional paid-in capital available for distribution", decided by the Extraordinary General Shareholders' Meeting of July 11, 2013, are equivalent for tax purposes to dividend pay-outs.*

** *The exceptional pay-outs charged against "additional paid-in capital", decided by the General Shareholders' Meetings of May 16, 2014 and December 17, 2014, are equivalent for tax purposes to dividend pay-outs.*

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 January, BPCE acquired shares in the European Investment Fund for €2 million.

In March, annual statutory changes in the shareholder structure of the Caisse de Refinancement de l'Habitat (CRH) led to the acquisition of shares for €2 million.

In April and then in December, BPCE acquired shares in BPI France Financement held by various Group entities for a total of €571 million, taking its stake to 1.63%.

In June, following the disposal of VISA Europe shares, BPCE received VISA Inc. shares (Class C Preferred Shares) for €172 million.

In December, BPCE acquired 3F Holding, which owns Fidor's shares, for a total of €142 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 2.

List of directorships and offices

Information concerning the list of directorships and offices of company directors is provided in Chapter 2.

Remuneration and benefits

Information concerning remuneration and benefits granted by BPCE to the company directors is provided in Chapter 2.

Related-party agreements

No corporate officer and no shareholder holding more than 10% of the voting rights, signed in 2016 any agreement with a company in which BPCE holds, either directly or indirectly, more than half of the share capital.

In December 2016, certain related-party agreements were downgraded and classed as ordinary agreements within the Group as they fall within the scope of the central institution's duties, which depend on the organization of the Group's resources, or which are internal securitization transactions and are considered as regular and ordinary.

The decision was also taken to no longer continue with certain agreements due to their obsolescence.

Moreover, 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 2016, 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

Significant disposals over the period were as follows:

- TEVEA International, in April for €4 million;
- CIRRA, in June for €2 million;
- VISA Europe, in June for €852 million (of which $194 million for VISA Inc's preferred shares);
- CIFG, in July for €3 million;
- Norscut, in September for €12 million;
- Banque BCP, in December for €46 million.

GCE SNL 007, GCE AVI 007, GCE IDA 007, Ponant 3, and Twins Participations were absorbed by BPCE, through the total transfer of assets and liabilities.

Research and development activities

BPCE did not conduct any research and development activities during the period.

Management of financial risks

Information relating to management of financial risks is provided in Chapter 3.

Main risks

Information relating to the main risks and uncertainties facing BPCE is provided in Chapter 3.

Difficulties encountered

The difficulties encountered over 2016 were linked to the economic and financial environment described in point 4.2 of Chapter 4.

Social, environmental and societal information

This information is provided in Chapter 6.

POST-BALANCE SHEET EVENTS

No post-balance sheet events were recorded.

RECENT DEVELOPMENTS AND OUTLOOK

Outlook for the economic environment and recent and forthcoming regulatory changes are described in point 4.7 of Chapter 4.

STATEMENT OF RESULTS FOR THE FIVE PREVIOUS YEARS

in euros	2012	2013	2014	2015	2016
Share capital at period-end					
Share capital	467,226,960	155,742,320	155,742,320	155,742,320	155,742,320
Number of shares[(1)]	31,148,464	31,148,464	31,148,464	31,148,464	31,148,464
Operations and income for the year					
Revenue	8,353,566,942	7,187,771,820	6,235,109,398	5,109,479,897	5,183,625,973
Income before tax, employee profit-sharing, depreciation, amortization, and impairment	(941,769,523)	533,067,064	(171,074,167)	4,368,355	1,169,741,533
Income tax	334,448,780	360,581,952	271,075,750	292,511,147	247,155,791
Income after tax, employee profit-sharing, depreciation, amortization, and impairment	(3,338,778,353)	(605,301,274)	1,146,496,341	2,491,136,976	461,435,583
Dividend paid to shareholders[(2)]	–	–	174,998,300	349,996,601	383,499,889
Earnings per share					
Revenue	268.19	230.76	200.17	164.04	166.42
Income after tax, employee profit-sharing, but before depreciation, amortization, and impairment	(19.50)	28.69	(3.21)	9.53	45.49
Income tax	10.74	11.58	8.70	9.39	7.93
Income after tax, employee profit-sharing, depreciation, amortization, and impairment	(107.19)	(19.43)	36.81	79.98	14.81
Dividend per share[(2)]	–	–	5.62	11.2364	12.312
Employee data					
Average number of employees:	1,535	1,564	1,542	1,495	1,507
o/w managerial staff	*1,342*	*1,388*	*1,374*	*1,349*	*1,385*
o/w non-managerial staff	*193*	*176*	*168*	*146*	*122*
Total wage bill for the year	122,334,098	126,096,393	125,055,902	123,359,757	128,093,857
Amounts paid for employee benefits during the period	74,914,519	68,542,623	71,865,657	69,329,770	77,474,090

(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

Nature and purpose of the authorization	Amount in euros	Duration	Date of the Annual General Shareholders' Meeting	Use
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 to cannot exceed a maximum amount of €100,000	26 months	05/22/2015	None to date

PAYMENT TERMS TO 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 the balance of payables owed to suppliers by due date, in accordance with the provisions of Ministerial Order No. 2008-1492, Article D. 441.-4.

in millions of euros	Total	Due	≤ 30 days	31-60 days	≥ 60 days	Invoices not received
Trade payables at 12/31/2016	**97.7**	4.8	0.0	0.0	0.0	92.9
Trade payables at 12/31/2015	**95.0**	2.4	0.2	0.0	0.0	92.4

5.6 BPCE parent company financial statements

5.6.1 Balance sheet and off-balance sheet

ASSETS

in millions of euros	*Notes*	12/31/2016	12/31/2015
Cash and amounts due from central banks		41,879	35,019
Treasury bills and equivalent	*3.3*	19,116	10,289
Loans and advances due from credit institutions	*3.1*	168,044	196,025
Customer transactions	*3.2*	679	657
Bonds and other fixed-income securities	*3.3*	57,566	51,268
Equities and other variable-income securities	*3.3*	1,260	1,268
Equity interests and other long-term investments	*3.4*	2,651	2,345
Investments in affiliates	*3.4*	19,942	20,912
Intangible assets	*3.5*	12	17
Property, plant and equipment	*3.5*	12	14
Other assets	*3.7*	995	1,362
Accrual accounts	*3.8*	2,692	4,331
TOTAL ASSETS		**314,848**	**323,507**

Off-balance sheet items

in millions of euros	*Notes*	12/31/2016	12/31/2015
Commitments given			
Financing commitments	*4.1*	17,971	17,000
Guarantee commitments	*4.1*	10,677	12,478
Commitments on securities		454	0

LIABILITIES

in millions of euros	*Notes*	12/31/2016	12/31/2015
Amount due to central banks			
Amounts due to credit institutions	*3.1*	122,239	153,904
Customer transactions	*3.2*	2,749	1,388
Debt securities	*3.6*	79,715	77,287
Other liabilities	*3.7*	72,216	51,749
Accrual accounts	*3.8*	1,333	3,786
Provisions	*3.9*	610	620
Subordinated debt	*3.10*	19,926	18,824
Fund for general banking risks (FGBR)	*3.11*	130	130
Equity excluding fund for general banking risks	*3.12*	**15,930**	**15,819**
Subscribed capital		156	156
Additional paid-in capital		12,345	12,345
Reserves		35	35
Revaluation difference		0	0
Regulated provisions and investment subsidies		0	0
Retained earnings		3,108	967
Interim dividend		(175)	(175)
Net income for the year (+/-)		461	2,491
TOTAL LIABILITIES		**314,848**	**323,507**

Off-balance sheet items

in millions of euros	*Notes*	12/31/2016	12/31/2015
Commitments received			
Financing commitments	*4.1*	42,524	27,426
Guarantee commitments	*4.1*	11	481
Commitments on securities		3	4

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5.6.2 Income statement

in millions of euros	*Notes*	**Fiscal year 2016**	**Fiscal year 2015**
Interest and equivalent income	*5.1*	4,262	4,524
Interest and equivalent expenses	*5.1*	(5,168)	(5,171)
Income from variable-income securities	*5.2*	1,025	858
Commission income	*5.3*	7	10
Commission expenses	*5.3*	(35)	(32)
Net gains or losses on trading book transactions	*5.4*	31	12
Net gains or losses on available-for-sale securities and equivalent	*5.5*	165	(221)
Other banking income	*5.6*	1	13
Other banking expense	*5.6*	(7)	(5)
Net banking income		**281**	**(12)**
Operating expenses	*5.7*	(188)	(109)
Writedown, amortization and impairment of property, plant and equipment and intangible assets		(17)	(21)
Gross operating income		**76**	**(142)**
Cost of risk	*5.8*	4	17
Operating income		**80**	**(125)**
Gains or losses on long-term investments	*5.9*	134	2,324
Income before tax		**214**	**2,199**
Non-recurring income	*5.10*	0	0
Income tax	*5.11*	247	292
Funding/reversal of the fund for general banking risks and regulated provisions		0	0
NET INCOME		**461**	**2,491**

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.

The 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: 15 Banque Populaire banks and the 17 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 governed by a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the 15 Banque Populaire banks and the 17 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, 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 are organized around three major segments:

- Natixis, a 71.03%[1]-owned listed company that combines Investment Solutions, Corporate and Investment Banking, and Specialized Financial Services;
- Commercial Banking and Insurance (including Crédit Foncier, Banque Palatine and BPCE International);
- subsidiaries and Equity interests.

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 Article 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 network.

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, the Caisse d'Epargne et de Prévoyance Network Fund and 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 deposit made to the **Caisses d'Epargne et de Prévoyance Network Fund** by the Caisses 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 €181.3 million as of December 31, 2016.

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.

Each deposit made by a Banque Populaire bank or Caisse d'Epargne gives rise to the allocation of an equivalent amount to the fund for general banking risks of the institution in question.

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.

(1) *The shareholding stands at 71% including the treasury shares held by Natixis.*

1.3 SIGNIFICANT EVENTS

In 2016, Groupe BPCE stepped up the implementation of its digital strategy, continued to introduce measures in the field of payments and significant developments were noted at BPCE's equity interests.

The Group successfully completed a critical step in its digital transformation with the acquisition of German online bank Fidor Bank AG, finalized on December 22, 2016 in an agreement signed with the principal shareholders, founders and managers. At December 31, 2016 BPCE owned a 95.80% stake in Fidor.

Established in 2009 by its CEO, Fidor is one of the world's leading Fintech Banks, which has developed a breakthrough approach to banking relationships. Fidor's unique offering combines an innovative customer experience, relying heavily on the involvement of the 350,000 members of its community, and an open organization and architecture to foster flexibility and agility. Fidor has developed a proprietary infrastructure and digital banking platform – Fidor Operating System – allowing for real-time functionality and optimizing the integration of third-party applications programming interfaces (APIs).

During 2016, Groupe BPCE consolidated its growth in the field of payments, with the introduction of several major operations.

Since July 2016, its launch date in France, Groupe BPCE offers Apple Pay to customers of the Banque Populaire and Caisse d'Epargne network. The Group was thus the first bank in the euro zone to provide its customers with a mobile payment solution. The launch of Apple Pay highlights Groupe BPCE's commitment to innovation and digital solutions.

Groupe BPCE also acquired, through its subsidiary S-money, fintechs Depopass and E-Cotiz in May and October 2016 respectively and thus offers new payment solutions to customers. The fintech Depopass provides an innovative and secure payment solution for transactions between private individuals. Start-up E-Cotiz is the first to offer a solution for managing the collection of subscriptions for sport organizations in France.

Moreover, in preparation for its upcoming strategic plan, the Group will create a new business line which will combine Groupe BPCE's payment activities within Natixis. This reflects the Group's ambitions in terms of payment solutions, a strategic business line which is a source of both growth and value creation, to improve the competitiveness of the Banque Populaire banks and Caisses d'Epargne.

For BPCE's Holding business line, 2016 saw a number of major transactions.

A capital gain on disposal of €831 million was recognized in the financial statements prepared under French accounting standards in "Gains or losses on long-term investments" following the acquisition by US company Visa Inc. of Visa Europe, an association of some 3,500 European banks owned by a group of approximately 3,000 European banks, including Groupe BPCE. The impact of this transaction on BPCE's net income amounted to €797 million.

The transaction was completed on June 21, 2016 for a total amount of over €18 billion, structured into three parts:

- a cash payment of €12.25 billion on completion of the transaction;
- a deferred cash payment of €1.12 billion, payable three years after the completion of the transaction;
- preference shares representing an equivalent of €5 billion. The preference shares will be convertible into Visa Inc. shares after a period of 4 to 12 years. As the proposed conversion rate may be lowered in the event of disputes, a haircut was applied to the estimated amount receivable in respect of the preference shares to take into account liquidity and legal risks.

BPCE was also impacted during the second half by the disposals of CIFG and BCP France (Banco Comercial Português).

On July 8, 2016, Assured Guaranty completed the acquisition of CIFG for $450 million. CIFG had been 0.66%-owned by BPCE and 9.90% by Twins Participations. Following this disposal, BPCE received $3 million directly and $45 million through its wholly-owned subsidiary Twins Participations. The latter merged with BPCE at the end of the fiscal year, generating a merger surplus of €46 million.

As part of measures to clarify the Group's structures, BPCE sold its 30% minority stake in BCP France to Caisse d'Epargne Ile-de-France for a total of €46 million. This disposal generated a capital loss of €8 million.

Moreover, the strategy of reducing stakes continued in 2016 and impacted BPCE's Corporate center business line. The active disposal of mortgage-backed securities and public sector assets (portfolio acquired from Crédit Foncier) continued. Several RMBS lines were therefore sold generating a capital gain in 2016 under French accounting standards of €57 million for BPCE which was recognized in net banking income.

Moreover, as part of the active liquidity management strategy, and with a view to enhancing the repayment structure of its medium/long-term debt and optimizing its interest expenses, in June 2016 BPCE redeemed four bond lines before their maturity date for a total of €2.3 billion.

1.4 POST-BALANCE SHEET EVENTS

There are no post-balance sheet events to report.

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 2016 fiscal year.

The texts adopted by the ANC that had mandatory application in 2016 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 VALUATION 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 Foreign currency transactions

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 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 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 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 customer deposits. 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 "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

Collateralized repurchase agreements are recognized in accordance with ANC regulation No. 2014-07, complemented by Instruction No. 94-06 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 at least a quarterly basis 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.

Debt 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 requiring 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 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 CRC regulation No. 2000-06.

In particular, this item includes a provision for potential employee liabilities and a provision for counterparty risk.

Employee benefits

Provisions for employee benefits are recognized in accordance with ANC recommendation No. 2013-R-02. Employee benefits are classified into four categories:

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits mainly include wages, salaries, 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 to 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 over the life of the contract, 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:

- 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 15 Banque Populaire banks, the 17 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 2016, corrected to reflect the impact of tax consolidation upon the Group.

2.3.13 Contributions to banking resolution mechanisms

The procedure for financing the deposit and resolution guarantee fund had been changed by a Ministerial Order 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 deposit guarantee mechanisms that takes into account contributions made in previous years. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund for deposit, collateral and securities guarantee mechanisms represented €0.2 million. 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 totaled €0.6 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). The latter may use this fund when implementing resolution procedures.

In 2016, in accordance with delegated regulation 2015/63 and implementing regulation 2015/81 supplementing the BRRD directive on ex-ante contributions to financing mechanisms for the resolution, the Single Resolution Board set the level of contributions for 2016. The amount of contributions made to the fund for the fiscal year totaled €32.1 million, of which €27.3 million recognized as an expense and €4.8 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 of the balance sheet totaled €8.5 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	12/31/2016	12/31/2015
Current accounts	2,384	1,724
Overnight loans	2,279	2,061
Securities received under demand repurchase agreements	0	0
Unallocated items	48	41
Accrued interest on demand accounts	0	0
Demand accounts	**4,711**	**3,826**
Term accounts and loans	153,824	182,516
Subordinated and participating loans	4,527	5,168
Securities received under term repurchase agreements	4,489	3,955
Accrued interest on term accounts	493	560
Term accounts	**163,333**	**192,199**
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	**168,044**	**196,025**

Receivables arising from transactions with the networks can be broken down into €3,995 million in demand accounts, and €159,765 million in term accounts.

LIABILITIES

in millions of euros	12/31/2016	12/31/2015
Current accounts	11,490	22,874
Overnight deposits	23,587	11,709
Securities given under demand repurchase agreements	0	0
Other amounts due	8	13
Accrued interest on demand accounts	0	0
Demand accounts	**35,085**	**34,596**
Term accounts and loans	77,277	111,607
Securities sold under term repurchase agreements	9,601	7,217
Accrued interest payable on term loans	276	484
Term accounts	**87,154**	**119,308**
TOTAL	**122,239**	**153,904**

Payables arising from transactions with the networks can be broken down into €34,784 million in demand accounts, and €59,511 million in term accounts.

3.2 CUSTOMER TRANSACTIONS

3.2.1 Customer transactions

RECEIVABLES DUE FROM CUSTOMERS

Assets

in millions of euros	12/31/2016	12/31/2015
Current accounts with overdrafts	**169**	**76**
Business loans	**0**	**0**
Export loans	0	0
Short-term and consumer credit facilities	3	52
Equipment loans	480	501
Overnight loans	0	0
Home loans	0	0
Other customer loans	0	0
Securities received under term repurchase agreements	0	0
Subordinated loans	20	20
Other	1	1
Other facilities granted to customers	**504**	**574**
Accrued interest	**6**	**7**
Doubtful loans and receivables	**0**	**1**
Impairment of loans and advances to customers	**0**	**(1)**
TOTAL	**679**	**657**

CUSTOMER DEPOSITS

Liabilities

in millions of euros	12/31/2016	12/31/2015
Other accounts and loans from customers (1)	2,749	1,388
Security deposits	0	0
Other amounts due	0	0
Accrued interest	0	0
TOTAL	**2,749**	**1,388**

(1) BREAKDOWN OF ACCOUNTS AND LOANS FROM CUSTOMERS.

	12/31/2016			12/31/2015		
in millions of euros	Demand	Term	Total	Demand	Term	Total
Current accounts	2,539		2,539	494		494
Loans from financial sector customers		210	210		894	894
Securities sold under repurchase agreements			0			0
Other accounts and loans		0	0		0	0
TOTAL	**2,539**	**210**	**2,749**	**494**	**894**	**1,388**

3.2.2 Breakdown of outstanding loans by sector

	Performing loans and receivables	Doubtful loans and receivables		o/w Irrecoverable doubtful loans and receivables	
in millions of euros	Gross	Gross	Individual impairment	Gross	Individual impairment
Non-financial companies	518				
Self-employed customers					
Individual customers					
Non-profit institutions					
Government and social security institutions	160				
Other	1	0	0	0	0
TOTAL AT DECEMBER 31, 2016	**679**	**0**	**0**	**0**	**0**
TOTAL AT DECEMBER 31, 2015	**656**	**1**	**(1)**	**1**	**(1)**

3.3 TREASURY BILLS, BONDS, EQUITIES AND OTHER FIXED-AND VARIABLE-INCOME SECURITIES

3.3.1 Securities portfolio

	12/31/2016				12/31/2015			
in millions of euros	Trading securities	Available-for-sale securities	Held-to-maturity securities	Total	Trading securities	Available-for-sale securities	Held-to-maturity securities	Total
Gross amount	18,113	525	461	19,099	7,551	1,924	778	10,253
Accrued interest		10	7	17		22	14	36
Impairment				0				0
Treasury bills and equivalent	**18,113**	**535**	**468**	**19,116**	**7,551**	**1,946**	**792**	**10,289**
Gross amount	49,641	3,525	4,452	57,618	38,791	4,889	7,707	51,387
Accrued interest		6	17	23		6	69	75
Impairment		(75)	0	(75)		(186)	(8)	(194)
Bonds and other fixed-income securities	**49,641**	**3,456**	**4,469**	**57,566**	**38,791**	**4,709**	**7,768**	**51,268**
Gross amount		1,288		1,288		1,294		1,294
Accrued interest				0				0
Impairment		(28)		(28)		(26)		(26)
Equities and other variable-income securities	**0**	**1,260**		**1,260**	**0**	**1,268**	**0**	**1,268**
TOTAL	**67,754**	**5,251**	**4,937**	**77,942**	**46,342**	**7,923**	**8,560**	**62,825**

The decrease in bonds and other fixed-income securities classified as held-to-maturity securities was mainly due to:

- the early redemption of €2,750 million in BPCE SFH securities;
- the amortization of shares in a portfolio of mortgage loans and public assets securitizations (portfolio acquired from Crédit Foncier) for a nominal amount of €109 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 (portfolio acquired from Crédit Foncier) for a nominal amount of €1,760 million.

The market value of held-to-maturity securities stood at €4,542 million.

For equity securities available for sale in the medium term, unrealized capital gains totaled €221 million, and capital losses €590 million.

TREASURY BILLS, BONDS AND OTHER FIXED-INCOME SECURITIES

	12/31/2016				12/31/2015			
in millions of euros	Trading securities	Available-for-sale securities	Held-to-maturity securities	Total	Trading securities	Available-for-sale securities	Held-to-maturity securities	Total
Listed securities		872	1,036	1,908		2,304	4,023	6,327
Unlisted securities		3,003	3,505	6,508		4,323	4,281	8,604
Securities loaned	2,510	100	372	2,982	2,085		173	2,258
Securities borrowed	65,244			65,244	44,257			44,257
Doubtful loans and receivables				0				0
Accrued interest		16	24	40		28	83	111
TOTAL	**67,754**	**3,991**	**4,937**	**76,682**	**46,342**	**6,655**	**8,560**	**61,557**
o/w subordinated notes				0				0

Unrealized capital losses subject to an impairment provision on available-for-sale securities amounted to €74 million at December 31, 2016, compared with €172 million at December 31, 2015.

Unrealized capital gains on available-for-sale securities totaled €34 million at December 31, 2016 *versus* €48 million at December 31, 2015.

Unrealized capital gains on held-to-maturity securities amounted to €111 million at December 31, 2016, *versus* €453 million at December 31, 2015.

Unrealized capital losses on held-to-maturity securities, whether or not they are subject to an impairment provision to cover counterparty risk, totaled €481 million at December 31, 2016, compared with €431 million at December 31, 2015.

At December 31, 2016, the portion of bonds and other fixed-income securities issued by public bodies amounted to €986 million, compared with €2,702 million at December 31, 2015.

EQUITIES AND OTHER VARIABLE-INCOME SECURITIES

	12/31/2016			12/31/2015		
in millions of euros	Trading securities	Available-for-sale securities	Total	Trading securities	Available-for-sale securities	Total
Listed securities		1,240	1,240		1,242	1,242
Unlisted securities		20	20		26	26
Accrued interest			0			0
TOTAL	**0**	**1,260**	**1,260**	**0**	**1,268**	**1,268**

At December 31, 2016, equities and other variable-income securities included €1,245 million in UCITS, with accumulation funds accounting for €1,213 million of this total (against €1,248 million in UCITS, with accumulation funds accounting for €1,213 million of the total as of December 31, 2015).

At December 31, 2016, unrealized capital losses on available-for-sale securities subject to impairment amounted to €35 million. At December 31, 2015, unrealized capital losses subject to impairment amounted to €32 million.

Unrealized capital gains on available-for-sale securities totaled €77 million at December 31, 2016. At December 31, 2015, unrealized capital gains on available-for-sale securities amounted to €79 million.

3.3.2 Changes in held-to-maturity securities

in millions of euros	12/31/2015	Purchases	Disposals and redemptions	Category transfer	Conversion	Discount/ premium	Other changes	12/31/2015
Treasury bills	792		(300)			(17)	(7)	468
Bonds and other fixed-income securities	7,768		(3,302)			53	(50)	4,469
TOTAL	**8,560**	**0**	**(3,602)**	**0**	**0**	**36**	**(57)**	**4,937**

Changes in held-to-maturity securities were due to:

- the early redemption of €2,750 million in BPCE SFH securities;
- the amortization of shares in a portfolio of mortgage loans and public assets securitizations (portfolio acquired from Crédit Foncier) for a nominal amount of €109 million.

3.3.3 Reclassifications of assets

Reclassification owing to market illiquidity (CRC regulation No. 2008-17, replaced by ANC regulation No. 2014-07)

In 2016, BPCE reclassified no assets pursuant to the provisions of CRC regulation No. 2008-17 of December 10, 2008, which allows for the transfer of securities out of the "Trading securities" and "Available-for-sale securities" categories.

Type of reclassification *in millions of euros*	Reclassified amount on the reclassification date Previous years	 Fiscal year 2016	Balance of the reclassified amount on the balance sheet date 12/31/2016	Unrealized capital gains and losses that would have been recognized without reclassification	Unrealized capital losses that would have been provisioned without reclassification	Income for the year from reclassified securities
From Trading securities to Held-to-maturity securities	745	0	0			(6)
From Trading securities to Available-for-sale securities	523	0	0			1
From Available-for-sale securities to Held-to-maturity securities	1,312	0	0			8

In 2008, BPCE decided to change its management strategy for securities affected by the lack of market liquidity.

During fiscal year 2016, the sale of securities reclassified as held-to-maturity securities represented €313 million.

Reclassification owing to a change in intention (Provisions of CRB 90-01 prior to CRC 2008-17, replaced by ANC regulation No. 2014-07)

Over the past two years, the following transfers have been made:

Portfolio of origin *in millions of euros*	Destination portfolio	Amount transferred during the fiscal year 12/31/2016	 12/31/2015	Unrealized capital gain or loss	Income for the year from transferred securities
Held-to-maturity securities	Available-for-sale securities	0	2,941	55	120
TOTAL		**0**	**2,941**	**55**	**120**

At December 31, 2015, held-to-maturity securities were transferred to the available-for-sale securities portfolio for a net book value of €2,941 million. This transfer was carried out in the context of the application of the new short-term liquidity ratio on an individual basis and consolidated as of October 1, 2015.

This change in regulations falls within the scope of the exceptions provided for in ANC regulation No. 2014-07 (previously CRBF 90-01).

During fiscal year 2016, the sale and amortization of securities reclassified as securities available for sale represented a nominal amount of €1,185 million.

3.4 EQUITY INTERESTS, AFFILIATES AND OTHER LONG-TERM INVESTMENTS

3.4.1 Changes in Equity interests, affiliates and long-term investments

in millions of euros	12/31/2015	Increase	Decrease	Conversion	Other changes	12/31/2016
Equity interests and other long-term investments	2,720	592	(267)	7		3,052
Investments in affiliates	24,601	153	(63)			24,691
o/w current account advances & perpetual subordinated notes	*1,874*	*409*	*(249)*	*7*		*2,041*
Gross amount	**27,321**	**745**	**(330)**	**7**	**0**	**27,743**
Equity interests and other long-term investments	(375)	(30)	4			(401)
Investments in affiliates	(3,689)	(1,060)				(4,749)
o/w current account advances & perpetual subordinated notes	*0*					*0*
Impairment	**(4,064)**	**(1,090)**	**4**			**(5,150)**
TOTAL	**23,257**	**(345)**	**(326)**	**7**	**0**	**22,593**

Real estate company shares are non-material.

Other long-term investments include partner and association certificates for the Deposit Guarantee Fund for €0.6 million.

The principal investments in associates acquired in 2016 included:

- acquisition of Visa Inc. shares (€180 million);
- acquisition of 3F Holding shares (€142 million);

- acquisition of the European Investment Fund (€6 million);
- subscription for the Banque BCP France capital increase (€4 million).

The principal reductions in investments in associates executed in 2016 were:

- disposal of Banque BCP France shares (€54 million);
- disposal of TEVEA International shares (€4 million);
- impairment of Société d'Exploitation MAB shares (€13 million);
- total transfer of GCE IDA 007's assets and liabilities (€8 million).

The main reversals of provisions for impairment in investments in associates were as follows:

- TEVEA International (€4 million).

The main provisions for impairment in investments in associates included:

- BPCE International (€597 million);
- Natixis (€452 million);
- VBI Beteiligungs GmbH (€20 million);
- Banque Palatine (€11 million).

The principal increases in perpetual deeply subordinated notes executed in 2016 were:

- Natixis (€400 million).

The principal reductions in perpetual deeply subordinated notes executed in 2016 were:

- BPCE International (€150 million);
- Banque Palatine (€80 million);
- Macif (€17 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 2016 included:

- recognition of an additional €597 million impairment on BPCE International shares, taking the carrying amount to €240 million at December 31, 2016;
- recognition of a €452 million impairment on Natixis shares, taking the carrying amount to €14,817 million at December 31, 2016;
- recognition of an additional €11 million impairment on Banque Palatine shares, taking the carrying amount to €830 million at December 31, 2016.

The impairments are recognized under net gains or losses on other long-term investments.

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3.4.2 Statement of subsidiaries and equity investments

Subsidiaries and ownership interests *in millions of euros*	Share capital 12/31/2015	Equity interests other than share capital (incl. fund for general banking risks, as appropriate) as of 12/31/2015	% interest held as of 12/31/2016	Carrying amount of shares held at 12/31/2016	
				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	5,005	9,672	71.00%	15,269	14,817
Crédit Foncier – 19 rue des Capucines – 75001 Paris	1,331	930	100.00%	3,682	1,077
Holassure – 50, avenue Pierre Mendès-France – 75013 Paris	935	141	100.00%	1,768	1,768
BPCE International – 88, avenue de France – 75013 Paris	478	283	100.00%	1,558	240
Banque Palatine – 42, rue d'Anjou – 75008 Paris	538	213	100.00%	1,119	830
BPCE SFH – 50, avenue Pierre Mendès-France – 75013 PARIS	600	26	100.00%	600	600
3F HOLDING – c/o Vistra Gmbh- Westendstr. 28 – 60325 Frankfurt-Germany	0	0	98.48%	142	142
BPCE Immobilier Exploitation – 50, avenue Pierre Mendès-France – 75013 Paris	57	15	100.00%	135	79
ISSORIA (SAS) – 10, rue de la Paix – 75002 Paris	99	11	100.00%	99	65
Caisse d'Epargne Capital (SAS) – 5&7, rue de Monttessuy – 75007 Paris	87	(3)	100.00%	87	87
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	30	20	65.93%	32	20
Albiant IT – 50, avenue Pierre Mendès-France – 75013 PARIS	50	(12)	97.00%	49	49
GCE Foncier Co Invest (SAS) – 19, rue des Capucines – 75001 Paris	91	2	51.00%	46	46
ECUFONCIER – 19 rue des Capucines – 75001 Paris	30	3	95.00%	29	29
GCE Participations – 50, avenue Pierre Mendès-France – 75013 Paris	12	(6)	100.00%	34	6
Surassur – 534 rue de Neudorf – L2220 Luxembourg	14	6	91.76%	20	20
S-money – 28, villa de Lourcine 75014 Paris	16	(8)	100.00%	16	16
Basak 1 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(13)	100.00%	4	2
Basak 2 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(13)	100.00%	4	3
Basak 3 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(12)	100.00%	4	3
Basak 4 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(10)	100.00%	4	3
Berra 1 – 50, avenue Pierre Mendès-France – 75013 Paris	2	0	100.00%	2	2
Berra 2 – 50, avenue Pierre Mendès-France – 75013 Paris	2	0	100.00%	2	2
Berra 3 – 50, avenue Pierre Mendès-France – 75013 Paris	2	0	100.00%	2	2
Berra 4 – 50, avenue Pierre Mendès-France – 75013 Paris	6	0	100.00%	6	5
Berra 5 – 50, avenue Pierre Mendès-France – 75013 Paris	6	0	100.00%	6	5
Lotus 1 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(5)	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	(6)	100.00%	2	1
Mihos – 50, avenue Pierre Mendès-France – 75013 Paris	2	(14)	100.00%	2	2
Muge 1 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(12)	100.00%	4	2
Muge 2 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(12)	100.00%	4	2
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	(6)	100.00%	3	2
Panda 7 – 50, avenue Pierre Mendès-France – 75013 Paris	3	(6)	100.00%	3	2
Panda 8 – 50, avenue Pierre Mendès-France – 75013 Paris	3	(6)	100.00%	3	2
Panda 9 – 50, avenue Pierre Mendès-France – 75013 Paris	3	(5)	100.00%	3	2
Panda 10 – 50, avenue Pierre Mendès-France – 75013 Paris	3	(5)	100.00%	3	2

Loans and advances granted by the company and not yet redeemed (incl. perpetual subordinated notes) in 2016	Guarantees and endorsements given by the parent company in 2016	Net revenue before tax for the year ended 12/31/2015	Net income for the year ended 12/31/2015	Dividends received by the company during the fiscal year
56,748	10,403	3,483	1,134	780
22,597	344	618	257	23
		91	89	
1,632		64	118	51
2,286	45	298	51	28
1,300		18	9	
	8	18	7	
		1	1	
		1		
		1		
		2		
		66		
		1	1	1
		33		
18		2	(2)	
2		8	(2)	
2		8	(2)	
2		8	(2)	
2		7	(3)	
4		2	(3)	
4		2	(2)	
4		2	(3)	
10		4	(5)	
10		4	(5)	
1		3	(1)	
1		3	(1)	
1		3	(1)	
3		7	(4)	
5		8		
5		8		
3		4		
3		3		
3		4		
3		4		
1		4		
1		4		
1		5	(1)	
1		5	(1)	
2		5	(2)	
2		4	(1)	

5

Subsidiaries and ownership interests *in millions of euros*	**Share capital 12/31/2015**	**Equity interests other than share capital (incl. fund for general banking risks, as appropriate) as of 12/31/2015**	**% interest held as of 12/31/2016**	**Carrying amount of shares held at 12/31/2016 Gross**	**Net**
Perle 1 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(12)	100.00%	4	2
Perle 2 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(5)	100.00%	2	1
Perle 3 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(5)	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	(3)	100.00%	3	2
Satis – 50, avenue Pierre Mendès-France – 75013 Paris	2	0	100.00%	2	1
Seth – 50, avenue Pierre Mendès-France – 75013 Paris	5	0	100.00%	5	5
Siamon – 50, avenue Pierre Mendès-France – 75013 Paris	2	0	100.00%	2	1
Thara Raj – 50, avenue Pierre Mendès-France – 75013 Paris	2	(13)	100.00%	2	2
Behanzin – 50, avenue Pierre Mendès-France – 75013 Paris	2	0	100.00%	2	2
Nefer – 50, avenue Pierre Mendès-France – 75013 Paris	8	0	51.00%	4	4
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	132	33.42%	44	44
Informatique Banque Populaire – 23, place de Wicklow – 78180 Montigny le Bretonneux	90	(26)	29.52%	31	31
France Active Garantie – Tour 9, 3 rue Franklin – 93100 Montreuil	11	13	14.00%	3	3
VIGEO – 40, rue Jean-Jaurès – 93170 Bagnolet	12	(1)	10.01%	6	
Systèmes Tech Échange Traitement -100, esplanade du Général de Gaulle – 92400 Courbevoie	20	59	15.04%	3	3
Click and Trust – 18, quai de la Rapée – 75012 Paris	4	2	34.00%	3	2
B. General information concerning other instruments whose gross value is less than 1% of the parent company's capital					
French subsidiaries (together)				9	7
Foreign subsidiaries (together)				1	1
Associations' certificates				1	1
French companies				136	125
Other companies				292	292
o/w investments in listed companies				15,269	14,817

Loans and advances granted by the company and not yet redeemed (incl. perpetual subordinated notes) in 2016	Guarantees and endorsements given by the parent company in 2016	Net revenue before tax for the year ended 12/31/2015	Net income for the year ended 12/31/2015	Dividends received by the company during the fiscal year
7		7	(1)	
3		3		
3		3		
3		3		
9		7	(6)	
5		3	(4)	
18		5	(9)	
5		3	(4)	
3		8	(5)	
12			(3)	
		448	70	17
	100	46	12	2
		358	(3)	
		3	1	
		8	(1)	
		71	7	
		2		
30				
251	18			
				4

3.4.3 Companies established with unlimited liability

Corporate name	Head Office	Legal form
GIE BPCE Achats	12/20, rue Fernand Braudel – 75013 Paris	GIE
GIE CE Syndication Risque	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	GIE
GIE Ecolocale	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	GIE
GIE Ecureuil crédit	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	GIE
GIE GCE Mobiliz	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	GIE
GIE BPCE Infogérance et Technologies	10-20, rue Fernand Braudel – 75201 Paris cedex 13	GIE
GIE IT-CE	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	GIE
GIE BPCE Trade	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	GIE
Technology Shared Services Pacifique	34, avenue de l'Alma – 98800 Noumea	GIE
GIE BPCE Services Financiers	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	GIE
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

	12/31/2016			12/31/2015
in millions of euros	Credit institutions	Other companies	Total	Total
Receivables	**85,816**		**85,816**	**118,689**
o/w subordinated items	*2,781*		*2,781*	*3,588*
Liabilities	**51,851**	**840**	**52,691**	**67,664**
o/w subordinated items			*0*	*0*
Financing commitments	5,820		5,820	75
Guarantee commitments	4,973	23	4,996	5,960
Other commitments given	4,203		4,203	16
Commitments given	**14,996**	**23**	**15,019**	**6,051**
Financing commitments	4,553		4,553	459
Guarantee commitments			0	0
Other commitments received	8,470		8,470	8,510
Commitments received	**13,023**	**0**	**13,023**	**8,969**

3.5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

3.5.1 Intangible assets

in millions of euros	12/31/2015	Increase	Decrease	Other changes	12/31/2016
Lease rights and business assets	0				0
Software	106	12	(5)		113
Other	0				0
Operating intangible assets	**106**	**12**		**0**	**113**
Non-operating intangible assets	**2**				**2**
Gross amount	**108**	**12**	**(5)**	**0**	**115**
Lease rights and business assets	0				0
Software	(89)	(12)			(101)
Other	0				0
Impairment	0				0
Operating intangible assets	**(89)**				**(101)**
Impairment excluding operating intangible assets	**(2)**				**(2)**
Depreciation and impairment	**(91)**	**(12)**	**0**	**0**	**(103)**
NET AMOUNT OF INTANGIBLE ASSETS	**17**	**0**	**(5)**	**0**	**12**

3.5.2 Property, plant and equipment

in millions of euros	12/31/2015	Increase	Decrease	Other changes	12/31/2016
Land	0				0
Buildings	3			(1)	2
Shares in non-trading real estate companies	0				0
Other	134	3	(1)	1	137
Operating property, plant and equipment	**137**	**3**	**(1)**		**139**
Non-operating property, plant and equipment	**3**	**0**			**3**
Gross amount	**140**	**3**	**(1)**	**0**	**142**
Land	0				0
Buildings	0				0
Shares in non-trading real estate companies	0				0
Other	(124)	(4)			(128)
Operating property, plant and equipment	**(124)**	**(4)**	**0**	**0**	**(128)**
Non-operating property, plant and equipment	**(2)**				**(2)**
Depreciation and impairment	**(126)**	**(4)**	**0**	**0**	**(130)**
NET AMOUNT OF PROPERTY PLANT AND EQUIPMENT	**14**	**(1)**	**(1)**	**0**	**12**

3.6 DEBT SECURITIES

in millions of euros	12/31/2016	12/31/2015
Certificates of deposit and savings bonds	0	0
Interbank market instruments and money market instruments	27,250	18,969
Bonds	51,301	57,204
Other debt securities	0	0
Accrued interest	1,164	1,114
TOTAL	**79,715**	**77,287**

The amount of bond issue and redemption premiums remaining to be amortized totaled €118 million at end-2016.

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	12/31/2016		12/31/2015	
	Assets	Liabilities	Assets	Liabilities
Remaining payments due on investments in associates	0	4	0	0
Securities settlement accounts	0	0	0	0
Premiums on options bought and sold	4	367	6	367
Debt on borrowed securities and other securities debt(1)	0	67,754	0	46,342
Tax and social security receivables and liabilities	340	327	794	704
Security deposits paid and received	6	7	6	80
Other non-trade receivables, other accounts payable(2)	645	3,757	556	4,256
TOTAL	**995**	**72,216**	**1,362**	**51,749**

(1) *Debt on borrowed securities and other securities debt mainly related to the borrowing of BPCE Master Home Loans securities acquired by participating institutions, for €38,661 million, as well as BPCE Consumer Loans securities acquired by participating institutions, for €3,322 million, as part of the internal securitization transaction.*

(2) *Other non-trade receivables included €430 million in cash collateral paid, of which a €236 million deposit paid to BPCE Master Home Loans, as well as a €29 million deposit paid to BPCE Consumer Loans, consolidated subsidiaries of BPCE.*
Other accounts payable included €3,753 million in cash collateral received, of which €3,551 million from Natixis.

3.8 ACCRUAL ACCOUNTS

in millions of euros	12/31/2016		12/31/2015	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange commitments	399	0	307	0
Deferred gains and losses on hedged forward financial instruments	34	772	64	775
Issue premiums and flotation costs	276	31	271	52
Prepaid expenses and unearned income	30	145	33	205
Accrued income/expenses*	1,419	373	1,486	717
Items in process of collection	457	0	2,124	1,989
Other	77	12	46	48
TOTAL	**2,692**	**1,333**	**4,331**	**3,786**

* *Accrued income mainly comprised accrued interest on interest rate swaps (€1,390 million). Accrued expenses mainly comprised accrued interest on interest rate swaps (€207 million).*

3.9 PROVISIONS

3.9.1 Statement of changes in provisions

in millions of euros	12/31/2015	Charges	Reversals	Utilizations	Conversion	12/31/2016
Provisions for counterparty risk	**46**		**(4)**	**(37)**	**(1)**	**4**
Provisions for employee benefit liabilities	**117**	**7**	**(13)**	**(1)**		**110**
Provisions for claims and litigation	**88**	**5**	**(37)**	**(34)**		**22**
Provisions for restructuring costs	**2**	**1**				**3**
Securities portfolio and financial futures	4	1	(2)			3
Long-term investments*	4		(1)	(3)		0
Real estate development	0					0
Provisions for taxes	326	104	(10)	(4)		416
Other	33	32		(13)		52
Other provisions	**367**	**137**	**(13)**	**(20)**		**471**
TOTAL	**620**	**150**	**(67)**	**(92)**	**(1)**	**610**

* *At December 31, 2016, the use of provisions on long-term investments mainly concerned VBI Beteiligungs GmbH, for €3 million.*

3.9.2 Provisions and impairment for counterparty risks

in millions of euros	12/31/2015	Charges	Reversals	Utilizations	Conversion	12/31/2016
Impairment of loans and advances to customers (individual basis)	0		0			0
Impairment of other assets	2			(2)		0
Impairment of assets	**2**	**0**	**0**	**(2)**	**0**	**0**
Provisions for off-balance sheet liabilities *	46	0	(4)	(37)	(1)	4
Provisions for customer credit risk	0					0
Other provisions	0					0
Provisions for counterparty risk recognized as liabilities	**46**	**0**	**(4)**	**(37)**	**(1)**	**4**
TOTAL	**48**	**0**	**(4)**	**(39)**	**(1)**	**4**

* *Including provisions for execution risks related to commitments. €37 million of provisions relating to guarantees granted to the Group's institutions were used.*

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 (€20 million in 2016).

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 computed in accordance with ANC recommendation No. 2013-R-02.

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	31/12/2016	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	31/12/2015
Actuarial liabilities	107	21	251	39	4	422	104	20	227	34	4	389
Fair value of plan assets	(126)	(10)	(183)	(9)		(328)	(121)	(10)	(169)	(2)		(302)
Effect of ceiling on plan assets	6					6	6					6
Unrecognized actuarial gains/(losses)	13	(2)	(19)			(8)	11	(1)	(4)	1		7
Unrecognized service cost for prior periods						0						0
NET AMOUNT REPORTED ON THE BALANCE SHEET	**0**	**9**	**49**	**30**	**4**	**92**	**0**	**9**	**54**	**33**	**4**	**100**
Employee benefit commitments recorded in the balance sheet	0	9	49	30	4	92	0	9	54	33	4	100
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: CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Other long-term employee benefits: Long-service awards	31/12/2016	Post-employment defined-benefit plans: CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Other long-term employee benefits: Long-service awards	31/12/2015
Service cost			7	4		11			8	4		12
Service cost for prior periods						0						0
Interest cost	2		4			6	2		5			7
Interest income	(2)		(3)			(5)	(2)		(1)			(3)
Benefits paid		(1)		(1)		(2)		(1)		(1)		(2)
Plan participant contributions			(16)	(7)		(23)			(18)			(18)
Actuarial differences						0			1			1
Other			3	1		4			(3)	1		(2)
TOTAL	**0**	**(1)**	**(5)**	**(3)**	**0**	**(9)**	**0**	**(1)**	**(8)**	**4**	**0**	**(5)**

Main actuarial assumptions

as a percentage	12/31/2016 Post-employment defined-benefit plans: CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Other long-term employee benefits: Long-service awards	12/31/2015 Post-employment defined-benefit plans: CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Other long-term employee benefits: Long-service awards
Discount rate	1.65%	1.22%	0.82% to 1.46%	0.13% to 1.23%	0.17% to 0.71%	1.99%	1.83%	1.44% to 2.07%	0.57% to 2.18%	0.53%
Inflation rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.70%
Wage growth rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
AGIRC – ARRCO revaluation rate	NA	inflation -1% to -0.50%	inflation -1% to -0.50%	NA	NA	NA	inflation -1% to -0.50%	inflation -1% to -0.50%	NA	NA
Life tables used	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05	TGH05/ TGF05
Duration	18.9	14.8	10.4 to 20.6	4.5 to 14.9	4.8 to 9.7	18	14.6	9.6 to 19.6	5 to 15.3	4.8 to 9.7

At December 31, 2016, pension plan assets were allocated as follows:

- for the Caisse d'Epargne CGPCE pension plan: 89% in bonds, 7.4% in equities, 2.9% in investment funds, 0.5% in real estate assets and 0.2% in money-market assets.

In 2016, of the €3.7 million in actuarial gains and losses generated for CGPCE, €5 million was from gains and losses related to the updated financial assumptions, -€1.3 million from experience adjustments.

- for the Banque Populaire banks' CARBP pension plan: 51.6% in bonds, 38.5% in equities, 8% in investment funds and 1.9% in money-market assets.

In 2016, of the €1.3 million in actuarial gains and losses generated for CARBP, €1.5 million was from gains and losses related to the updated financial assumptions and -€0.2 million from experience adjustments.

The life tables used are:

- TGH TGF 05 for termination benefits, long service awards and other benefits;
- TGH TGF 05 for CGPCE and CARBP.

The discount rate used is a Euro corporate Composite AA rate.

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	12/31/2016	12/31/2015
Term subordinated debt	17,641	16,235
Perpetual subordinated debt	61	61
Perpetual deeply subordinated debt	1,858	2,182
Accrued interest	366	346
TOTAL	**19,926**	**18,824**

The amount of bond issue and redemption premiums remaining to be amortized at December 31, 2016 totaled €128 million.

During 2016, BPCE redeemed a deeply subordinated notes issue for €350 million.

Deeply subordinated notes, which are included in the calculation of BPCE's regulatory capital in accordance with the terms of Article 4.d of CRBF regulation No. 90-02, have the following characteristics:

Perpetual deeply subordinated debt has the following characteristics:

Currency	Issue date	Outstanding amount at 12/31/2016 *in million 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
USD	07/30/2004	190	200	Mn (10-yr CTMAT +0.3%; 9%)	unchanged	not applicable	03/30/2017	not applicable
EUR	10/12/2004	80	80	Mn (10-year CMS; 7%)	unchanged	not applicable	01/12/2017	not applicable
USD	01/27/2006	284	300	6.75%	unchanged	not applicable	01/27/2017	not applicable
EUR	10/30/2007	509	509	6.12%	3-month Euribor 2.37%	3-month Euribor 2.37%	10/30/2017	10/30/2017
EUR	08/06/2009	374	374	12.50%	3-month Euribor +13.13%	3-month Euribor +13.13%	09/30/2019	09/30/2019
USD	08/06/2009	421	444	12.50%	3-month Libor USD +12.98%	3-month Libor USD +12.98%	09/30/2019	09/30/2019
TOTAL		**1,858**						

3.11 FUND FOR GENERAL BANKING RISKS

in millions of euros	12/31/2015	Increase	Decrease	12/31/2016
Fund for general banking risks	130			130
TOTAL	**130**	**0**	**0**	**130**

3.12 SHAREHOLDERS' EQUITY

in millions of euros	Share capital	Additional paid-in capital	Reserves/other	Retained earnings	Interim dividend	Income	Total equity (excl. FGBR)
TOTAL AT DECEMBER 31, 2014	**156**	**12,345**	**35**	**(4)**	**0**	**1,146**	**13,678**
Changes during the period	0	0	0	971	(175)	1,345	2,141
TOTAL AT DECEMBER 31, 2015	**156**	**12,345**	**35**	**967**	**(175)**	**2,491**	**15,819**
2015 income allocation				2,316	175	(2,491)	0
Dividend paid				(175)	(175)		(350)
Other changes							0
Net income for the period						461	461
TOTAL AT DECEMBER 31, 2016	**156**	**12,345**	**35**	**3,108**	**(175)**	**461**	**15,930**

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BPCE's share capital, totaling €156 million and comprising 31,148,464 shares with a par value of €5 per share, can be broken down as follows:

- 15,574,232 ordinary shares held by the Caisses d'Epargne for €78 million;
- 15,574,232 ordinary shares held by the Banque Populaire banks for €78 million.

At the Ordinary General Meeting of May 27, 2016, BPCE decided to pay dividends to its shareholders in the amount of €350 million, or €11.2364 per share, to be charged in full against income for fiscal year 2015.

The dividend was paid as follows:

- through an interim dividend paid on December 22, 2015 for a total amount of €174,998,300.44, *i.e.* €5.6182 per share, decided on by the Management Board on December 21, 2015;
- the balance of the dividend was paid to shareholders on May 31, 2016 for a total amount of €174,998,300.44, *i.e.* €5.6182 per share.

At its meeting of December 19, 2016, BPCE's Management Board decided to pay an interim dividend to its shareholders totaling €175 million, or €5.6182 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.

	12/31/2016						
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	1,934	3,833	6,713	3,930	2,706	0	19,116
Loans and advances due from credit institutions	26,146	21,707	34,437	63,408	22,285	61	168,044
Customer transactions	175	0	0	258	246	0	679
Bonds and other fixed-income securities	5,380	1,493	8,471	34,226	7,996	0	57,566
Total uses of funds	**33,635**	**27,033**	**49,621**	**101,822**	**33,233**	**61**	**245,405**
Amounts due to credit institutions	54,403	11,112	12,799	25,194	18,731	0	122,239
Customer transactions	2,549	0	200	0	0	0	2,749
Debt securities	4,202	8,999	26,649	29,500	10,365		79,715
Subordinated debt	366	567	583	1,185	15,306	1,919	19,926
Total sources of funds	**61,520**	**20,678**	**40,231**	**55,879**	**44,402**	**1,919**	**224,629**

Note 4 Information on off-balance sheet items and similar transactions

4.1 COMMITMENTS GIVEN AND RECEIVED

4.1.1 Loan commitments

in millions of euros	**12/31/2016**	**12/31/2015**
Financing commitments given		
To banks	**17,971**	**16,993**
Documentary credit	0	0
Other confirmed lines of credit	0	0
Other obligations	0	7
To customers	**0**	**7**
TOTAL FINANCING COMMITMENTS GIVEN	**17,971**	**17,000**
Financing commitments received		
From banks	42,524	27,426
From customers	0	0
TOTAL FINANCING COMMITMENTS RECEIVED	**42,524**	**27,426**

4.1.2 Guarantee commitments

in millions of euros	12/31/2016	12/31/2015
Guarantee commitments given		
Documentary credit confirmations	0	0
Other bonds and endorsements	18	217
Other guarantees	10,031	11,031
To banks	**10,049**	**11,248**
Real estate guarantees	0	0
Government and tax guarantees	0	0
Other bonds and endorsements	628	1,230
Other guarantees given	0	0
To customers	**628**	**1,230**
TOTAL GUARANTEE COMMITMENTS GIVEN	**10,677**	**12,478**
Guarantee commitments received from credit institutions	10	480
Commitments received from customers	1	1
TOTAL GUARANTEE COMMITMENTS RECEIVED	**11**	**481**

4.1.3 Other commitments not recognized off-balance sheet

	12/31/2016		12/31/2015	
in millions of euros	Commitments given	Commitments received	Commitments given	Commitments received
Other securities pledged as collateral provided to credit institutions	31,511	13,958	20,786	14,202
Other securities pledged as collateral received from customers	0	0	0	0
TOTAL	**31,511**	**13,958**	**20,786**	**14,202**

At December 31, 2016, receivables pledged as collateral under funding arrangements included in particular:

- €13,522 million in negotiable debt securities provided to the Banque de France as part of the TRICP system, compared with €6,568 million at December 31, 2015;
- €6,509 million in loans pledged as collateral for funding received from the European Investment Bank (EIB) *versus* €6,904 million at December 31, 2015.

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 COMMITMENTS ON FUTURES AND OPTIONS CONTRACTS

4.2.1 Financial instruments and foreign exchange futures

in millions of euros	12/31/2016 Hedging transactions	12/31/2016 Other transactions	12/31/2016 Total	12/31/2016 Fair value	12/31/2015 Hedging transactions	12/31/2015 Other transactions	12/31/2015 Total	12/31/2015 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	0
Interest rate swaps	96,193	1,231	97,424	3,058	129,107	1,713	130,820	3,645
Foreign exchange swaps	17,324		17,324	(56)	31,772		31,772	52
Currency swaps	17,045		17,045	590	14,643		14,643	718
Other foreign currency contracts	193		193	(5)	185		185	0
Other forward and futures contracts	238	4,383	4,621	(2)	472	4,375	4,847	(77)
Over-the-counter transactions	**130,993**	**5,614**	**136,607**	**3,585**	**176,179**	**6,088**	**182,267**	**4,338**
TOTAL FORWARD TRANSACTIONS	**130,993**	**5,614**	**136,607**	**3,585**	**176,179**	**6,088**	**182,267**	**4,338**
Options								
Interest rate options			0	0			0	0
Foreign currency options		0	0	0		0	0	0
Other options			0				0	
Transactions on organized markets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate options	352		352	(5)	380		380	(6)
Foreign currency options			0	0			0	0
Other options		20,228	20,228	(568)		20,228	20,228	(577)
Over-the-counter transactions	**352**	**20,228**	**20,580**	**(573)**	**380**	**20,228**	**20,608**	**(583)**
TOTAL OPTIONS	**352**	**20,228**	**20,580**	**(573)**	**380**	**20,228**	**20,608**	**(583)**
TOTAL FINANCIAL AND FOREIGN CURRENCY FUTURES	**131,345**	**25,842**	**157,187**	**3,012**	**176,559**	**26,316**	**202,875**	**3,755**

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	12/31/2016 Micro-hedge	12/31/2016 Macro-hedge	12/31/2016 Isolated open positions	12/31/2016 Total	12/31/2015 Micro-hedge	12/31/2015 Macro-hedge	12/31/2015 Isolated open positions	12/31/2015 Total
Forward rate agreements (FRA)				0				0
Interest rate swaps	59,084	37,110	1,231	97,425	54,840	74,267	1,713	130,820
Currency swaps	17,045			17,045	14,643			14,643
Other interest rate futures contracts				0				0
Forward transactions	**76,129**	**37,110**	**1,231**	**114,470**	**69,483**	**74,267**	**1,713**	**145,463**
Interest rate options	352			352	380			380
Options	**352**	**0**	**0**	**352**	**380**	**0**	**0**	**380**
TOTAL	**76,481**	**37,110**	**1,231**	**114,822**	**69,863**	**74,267**	**1,713**	**145,843**

The notional amount of contracts transferred from the interest rate swap portfolio used in macro-hedging to the interest rate swap portfolio used in micro-hedging totaled €5,604 million.

in millions of euros	12/31/2016 Micro-hedge	12/31/2016 Macro-hedge	12/31/2016 Isolated open positions	12/31/2016 Total	12/31/2015 Micro-hedge	12/31/2015 Macro-hedge	12/31/2015 Isolated open positions	12/31/2015 Total
Fair value	3,031	633	(21)	3,643	3,413	986	(42)	4,357

No transactions were transferred to another portfolio during the period.

4.2.3 Commitments on forward financial instruments by maturity

in millions of euros	12/31/2016 Less than 1 year	12/31/2016 1 to 5 years	12/31/2016 Over 5 years	12/31/2016 Total
Transactions on organized markets				0
Over-the-counter transactions	57,295	41,711	37,601	136,607
Forward transactions	**57,295**	**41,711**	**37,601**	**136,607**
Transactions on organized markets				0
Over-the-counter transactions	1	20,511	68	20,580
Options	**1**	**20,511**	**68**	**20,580**
TOTAL	**57,296**	**62,222**	**37,669**	**157,187**

4.3 BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

in millions of euros	12/31/2016 Assets	12/31/2016 Liabilities	12/31/2015 Assets	12/31/2015 Liabilities
Euro	284,099	269,267	303,325	286,758
Dollar	25,042	29,439	16,164	25,404
Pound sterling	423	3,470	77	3,393
Swiss franc	2,666	4,195	2,650	562
Yen	1,001	6,030	195	4,970
Other	1,617	2,447	1,096	2,420
TOTAL	**314,848**	**314,848**	**323,507**	**323,507**

4.4 FOREIGN CURRENCY TRANSACTIONS

in millions of euros	12/31/2016	12/31/2015
Spot foreign exchange transactions		
Currencies receivable not received	16	13
Currencies deliverable not delivered	16	13
TOTAL	**32**	**26**

Note 5 Information on the income statement

5.1 INTEREST AND SIMILAR INCOME AND EXPENSES

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Transactions with credit institutions	1,790	(1,339)	451	1,881	(1,469)	412
Customer transactions	18	(10)	8	19	(24)	(5)
Bonds and other fixed-income securities	2,044	(2,672)	(628)	2,085	(2,397)	(312)
Subordinated debt	0	(901)	(901)	0	(920)	(920)
Macro-hedging transactions	410	(246)	164	539	(361)	178
TOTAL	**4,262**	**(5,168)**	**(906)**	**4,524**	**(5,171)**	**(647)**

5.2 INCOME FROM VARIABLE-INCOME SECURITIES

in millions of euros	Fiscal year 2016	Fiscal year 2015
Equities and other variable-income securities	0	1
Equity interests and other long-term investments	139	51
Investments in affiliates	886	806
TOTAL	**1,025**	**858**

5.3 FEES AND COMMISSIONS

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	1	0	1	1	0	1
Customer transactions	1	(1)	0	4	(1)	3
Securities trading	1	(1)	0	2	(3)	(1)
Payment services	4	(22)	(18)	3	(19)	(16)
Foreign exchange transactions	0	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0	0
Financial services	0	(6)	(6)	0	(6)	(6)
Consulting services	0	0	0	0	0	0
Other fee and commission income/(expense)	0	(5)	(5)	0	(3)	(3)
TOTAL	**7**	**(35)**	**(28)**	**10**	**(32)**	**(22)**

5.4 NET GAINS OR LOSSES ON TRADING BOOK TRANSACTIONS

in millions of euros	Fiscal year 2016	Fiscal year 2015
Trading securities	0	0
Foreign exchange transactions	63	19
Financial futures	(32)	(7)
TOTAL	**31**	**12**

5.5 NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE SECURITIES AND EQUIVALENT

	Fiscal year 2016		Fiscal year 2015	
in millions of euros	Available-for-sale securities	Total	Available-for-sale securities	Total
Impairment				
Charges	(13)	(13)	(170)	(170)
Reversals	122	122	33	33
Net gain/(loss) on disposal	56	56	(84)	(84)
Other items			0	0
TOTAL	**165**	**165**	**(221)**	**(221)**

5.6 OTHER BANKING INCOME AND EXPENSES

	Fiscal year 2016			Fiscal year 2015		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Share in joint operations	0	(2)	(2)	0	(2)	(2)
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	(5)	(5)	0	(3)	(3)
Real estate business	0	0	0	0	0	0
IT services	0	0	0	0	0	0
Other activities	1	0	1	13	0	13
Other related income and expenses	0	0	0	0	0	0
TOTAL	**1**	**(7)**	**(6)**	**13**	**(5)**	**8**

5.7 OPERATING EXPENSES

in millions of euros	Fiscal year 2016	Fiscal year 2015
Wages and salaries	(154)	(127)
Pension costs and similar obligations*	(18)	(15)
Other social security charges	(50)	(50)
Employee incentive scheme	(13)	(13)
Employee profit-sharing scheme	0	0
Payroll taxes	(27)	(29)
Total payroll costs	**(263)**	**(234)**
Taxes other than on income	(36)	(17)
Other operating expenses	(419)	(371)
Rebilled expenses	530	513
Total other operating expenses	**75**	**125**
TOTAL	**(188)**	**(109)**

* *Including additions, utilizations, and reversals of provisions for employee benefit obligations (see Note 3.9.3).*

The average headcount during the year, broken down by professional category, was as follows: 1,385 managers and 122 non-managers, representing a total of 1,507 persons.

The Employment and Competitiveness Tax Credit (CIRCE) 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

	Fiscal year 2016					Fiscal year 2015				
in millions of euros	Charges	Reversals and uses of funds	Losses	Recoveries of bad debts written off	Total	Charges	Reversals and uses of funds	Losses	Recoveries of bad debts written off	Total
Impairment of assets										
Interbank					0					0
Customers		1			1	(1)				(1)
Securities portfolio and other receivables		3	(3)		0					0
Provisions										
Off-balance sheet commitments*		41	(38)		3	(2)	25	(6)	1	18
Provisions for customer credit risks					0					0
Other					0					0
TOTAL	**0**	**45**	**(41)**	**0**	**4**	**(3)**	**25**	**(6)**	**1**	**17**
o/w:										
reversals of obsolete impairment charges		1					0			
reversals of utilized impairment charges		3					0			
reversals of obsolete provisions		4					25			
reversals of utilized provisions		37					0			
Net amount of reversals		***45***					***25***			

* *Including utilization of €37 million and a covered loss of €38 million in respect of the guarantees granted to the Group's institutions.*

5.9 GAINS OR LOSSES ON LONG-TERM INVESTMENTS

	Fiscal year 2016				Fiscal year 2015			
in millions of euros	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	(1,090)			(1,090)	(310)			(310)
Reversals	8			8	2,615			2,615
Net gain/(loss) on disposal	867	349		1,216	19			19
TOTAL	**(215)**	**349**	**0**	**134**	**2,324**	**0**	**0**	**2,324**

Gains or losses on investments in associates, Equity interests, affiliates and other long-term investments included specifically:

- provisions for impairment of investments in associates:
  - BPCE International (€597 million),
  - Natixis (€452 million),
  - VBI Beteiligungs GmbH (€20 million),
  - Banque Palatine (€11 million);
- reversals of provisions for impairment of investments in associates:
  - TEVEA International (€4 million),
  - VBI Beteiligungs GmbH (€3 million, see Note 3.9.1);
- profit or loss on the sale of investments in associates and other long-term securities:
  - Visa Europe: capital gain of €831 million,
  - Norscut: capital gain of €12 million,
  - Banque BCP France capital loss of €8 million,
  - TEVEA International capital loss of €4 million;
- the impact from the total transfer of assets and liabilities:
  - Twins Participations for income of €46 million,

- GCE AVI 007 for income of €6 million;
- the impact on held-to-maturity securities mainly relates to BPCE SFH securities for income of €339 million.

5.10 NON-RECURRING INCOME

No non-recurring income was recorded in the 2016 fiscal year.

5.11 INCOME TAX

5.11.1 Breakdown of income tax in 2016

BPCE is the head of a tax consolidation group that includes the 15 Banque Populaire banks, the 17 Caisses d'Epargne, and the BPCE subsidiaries, including Crédit Foncier, Banque Palatine, BPCE International, BP Covered Bonds and BPCE SFH.

Corporate tax can be broken down as follows:

in millions of euros	Fiscal year 2016		
Taxable bases at the following rates:	**33.33%**	**19%**	**15%**
Tax on current income	2,313		
Tax on non-recurring income			
Taxable bases	**2,313**	**0**	**0**
Applicable tax	(771)		
+contributions 3.3%	(25)		
-deductions in respect of tax credits	55		
Reported income tax	**(741)**	**0**	**0**
Tax consolidation effect	1,008		
Adjustments to previous periods	33		
Impact of tax reassessments	42		
Provisions for the return to profitability of subsidiaries	(95)		
TOTAL	**247**	**0**	**0**

Income tax amounted to €247 million for 2016.

5.11.2 Reconciliation from accounting to taxable income

in millions of euros	Fiscal year 2016	Fiscal year 2015
Net accounting income (A)	**461**	**2,491**
Corporate tax (B)	**(268)**	**(280)**
Add-backs (C)	**1,394**	**479**
Impairments and provisions	151	142
UCITS	0	6
Long-term capital losses under exemptions	1,090	303
Share of profit from partnerships or joint ventures	12	11
Other items	141	17
Deductions (D)	**1,894**	**3,569**
Long-term capital gains under exemptions	838	2,502
Reversals of impairment charges and provisions	123	282
Dividends	864	773
Share of profit from partnerships or joint ventures	0	0
UCITS	6	0
Other items	63	12
Tax base at normal rate (A)+(B)+(C)-(D)	**(307)**	**(879)**

5.12 BREAKDOWN OF ACTIVITY

in millions of euros	Holding company activities	
	Fiscal year 2016	Fiscal year 2015
Net banking income	**281**	**(12)**
Operating expenses	(205)	(130)
Gross operating income	**76**	**(142)**
Cost of risk	4	17
Operating income	**80**	**(125)**
Gains or losses on long-term investments	134	2,324
Income before tax	**214**	**2,199**

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 2016 to members of the Management Board amounted to €3.7 million and €0.7 million was paid to members of the Supervisory Board.

Provisions for retirement indemnities for fiscal year 2016 amounted to €2.5 million for members of the Management Board.

6.3 STATUTORY AUDITORS' FEES

in thousands of euros	PricewaterhouseCoopers Audit				MAZARS				DELOITTE				Total			
	Amount(1)		%		Amount(1)		%		Amount(1)		%		Amount(1)		%	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial statement certification missions	427	411	48%	47%	430	408	51%	47%	419	405	33%	59%	1,276	1,224	43%	50%
Services other than financial statement certification(2)	455	472	52%	53%	413	457	49%	53%	851	287	67%	41%	1,719	1,216	57%	50%
TOTAL	**882**	**883**	**100%**	**100%**	**843**	**865**	**100%**	**100%**	**1,270**	**692**	**100%**	**100%**	**2,995**	**2,440**	**100%**	**100%**
Change (%)(3)				*0%*				*(3%)*				*84%*				*23%*

(1) *Amounts concerning the relevant period are those recognized in the income statement for the reporting year (including unrecoverable VAT).*
(2) *Services other than financial statement certification mainly include services relating to requests for certification, financial transactions (mainly issues) and the program aimed at adapting the Group to BCBS 239 regulatory requirements.*
(3) *The increase in fess is mainly due to work carried out by Deloitte as part of the BCBS 239 program.*

6.4 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, 2016, BPCE had no offices or activities in uncooperative tax havens.

5.7 Statutory auditors' report on the financial statements

For the year ended December 31, 2016

BPCE

50, avenue Pierre Mendès-France

75013 Paris

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of BPCE;
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the parent company 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, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

VALUATION OF INVESTMENTS IN ASSOCIATES, EQUITY INTERESTS AND LONG-TERM INVESTMENTS

Investments in associates, Equity interests and other long-term investments are valued at the lower of their acquisition cost and their value in use, using a multi-criteria approach (Notes 2.3.3, 3.4 and 5.9). As part of our assessment of these estimates, we reviewed the items and the specific calculated used to determine value in use for the main lines in the portfolio.

VALUATION OF SECURITIES PORTFOLIOS AND FINANCIAL INSTRUMENTS

Your company holds securities portfolios and financial instruments. Notes 2.3.3, 2.3.9, 3.3, 4.2, 5.4 and 5.5 detail the accounting methods and rules applied to these securities and financial instruments. We reviewed the control procedures relating to the accounting classification and the determination of inputs used to value these securities and financial instruments. We verified the appropriateness of the accounting methods used by your company and the information provided in the Notes to the financial statements, and ensured that these methods were correctly applied.

These assessments were made as part of our audit of the parent company financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific procedures and disclosures

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

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 documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor , 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 companies controlling your company or controlled by it. Based on this work, we confirm the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris La Défense, March 23, 2017

The Statutory Auditors

Deloitte & Associés	Mazars	PricewaterhouseCoopers Audit
Jean-Marc Mickeler	Michel Barbet-Massin	Agnès Hussherr
Sylvie Bourguignon		Nicolas Montillot

6 SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

6.1 Sustainable development built on our cooperative identity

6.1.1 A full-service banking business model that has confirmed its solidity

MISSION AND AMBITION:

Groupe BPCE is a cooperative, decentralized, multi-brand banking group. Its mission is to act as a full-service bank and to offer banking and insurance products and services to individual customers, associations and professionals, corporates, and local authorities, while meeting the needs of local regions and the economy.

Sources of Funds - Assets

Capital and equity
Cooperative shareholders (cooperative shares)
Customers – deposits and savings

Borrowings and investments
European Institutions
European Investment Bank
European Central Bank
Other financial institutions
Funding in the markets

Human Resources
Employees
Partners
Advisory Expertise

Image of the networks and subsidiaries

Stakeholders' trust
Individuals
Professionals
Corporates
Public sector
Associations
Business providers

Infrastructure and branch network
Branches
Electronic solutions
Call centers
IT centers

Our business lines and our brands

Focused on core business lines serving all customers.
The projects undertaken by the Group's banks aim to develop the customer base and give priority to customer service

Retail Banking

Corporate & Investment Banking

Investment Solutions and Insurance

Specialized Financial Services

What sets Groupe BPCE apart

The solidity of a Group focused on its customers

Moderate risk profile: cost of risk under control at 22 bp in 2016 (vs. 29 bp in 2015)

Retail banking accounts for 71% of the business lines' NBI

High financial ratings

A long-term vision of banking relationships

Proportion of customers who are cooperative shareholders:
Banque Populaire banks 34%
Caisses d'Epargne 23%

9 million cooperative shareholders hold cooperative shares and elect the directors of the 15 Banque Populaire banks and the 17 Caisses d'Epargne

Bankers and insurers

BPCE, founded by a law dated June 18, 2009, is the central institution of Groupe BPCE, a cooperative banking group. Cooperative shareholders own the Banque Populaire banks and the Caisses d'Epargne, the two networks that form the foundation of the Group's retail banking operations.

Groupe BPCE's full-service banking model is based on a three-tier structure:

- the two regional cooperative networks: the fifteen Banque Populaire banks and the seventeen Caisses d'Epargne;
- BPCE, the central institution and holding company, responsible for the Group's strategy, coordination and organization;
- the BPCE subsidiaries, including Natixis, which provides international corporate banking, asset management, insurance and financial services; Crédit Foncier, the real estate financing specialist; Banque Palatine, which serves intermediate-sized enterprises; and BPCE International, for international retail banking.

Products and Services

- Banking services
- Savings products
- Loans – Financing
- Payments and other Specialized Services
- Personal insurance
- Non-life insurance
- Corporate & Investment Banking products & services
- Specialized Financing
- Other

Distribution model

Multi-channel approach: human and digital solutions

Close ties with local regions

A decentralized, but concerted decision-making process focused on the local regions
Commitment to facilitating customers' energy transition and digital transformation
Savings products dedicated to local financing, e.g. the Caisse d'Epargne regional passbook savings account

Precedence to human relations

Employees relay our commitments to our customers
Prevention of banking exclusion and solutions for vulnerable customers
A strategy balanced between human relations and digital

with a different perspective

Results

€ ***Commercial Banking and Insurance***
€15 billion in net banking income
€663 billion in savings
€514 billion in outstanding loans

Investment Solutions, Corporate and Investment Banking and Specialized Financial Services
€8 billion in NBI
€832 billion in assets under management
€48 billion in life insurance outstandings, up 8% on 2015

Remuneration of cooperative shareholders
Average amount of shares held by cooperative shareholders (in €)
Banque Populaire banks
€2,087
Caisses d'Epargne
€2,654

94 % of permanent employees followed at least one training course in 2016

415 branches are located in rural areas

6

IMPACTS

Through its business model, Groupe BPCE has various social, environmental and societal impacts on the local regions. It finances 20% of the French economy[1].

Financing the local economy and regions

87% of the Group's suppliers[4] are SMEs[5]	37% of purchases are made from SMEs

▶ **Supporting SMEs with conventional loans and facilitating their access to the financial markets**

N°. 1 bank for SMEs [2]	N°. 2 bank for professional customers and individual entrepreneurs [3]

▶ **Financing the social and solidarity-based economy**
(total amount of loans granted to the social and solidarity-based economy in thousands of euros)

▶ **Patronage by the Banque Populaire banks**
(in millions of euros)

▶ **Patronage by the Caisses d'Epargne**
(in millions of euros)

Responsible financing

No. 1 in microloans for individuals [9]	A major provider of professional microloans [6] (33% market share at end-2016)

▶ **Microloans and other solidarity-based loans with support[7]** *(in euros)*

▶ **Assets under management in SRI[8] and solidarity-based funds in France** *(in billions of euros)*

▶ **Support for green growth: AUM of €8 billion in 2015**

▶ **Eco-loans for individual and professional customers (€203 million in 2016)**

▶ **Withdrawal of financing for the coal industry around the world by Natixis**

French leader in terms of inflows and AUM in solidarity-based savings[10]

Satisfied customers and a relationship based on trust

- **Cooperative shareholder satisfaction rating** (11)
  7.5/10 for the Banque Populaire banks
  7.3/10 for the Caisses d'Epargne
- **N°. 2 bank for individual customers** (12)

A robust cooperative and full-service banking model

Refocusing the Group on its core business lines to better serve its customers	Priority given to shoring up the balance sheet and reducing the Group's risk profile

Financial performance has enhanced:

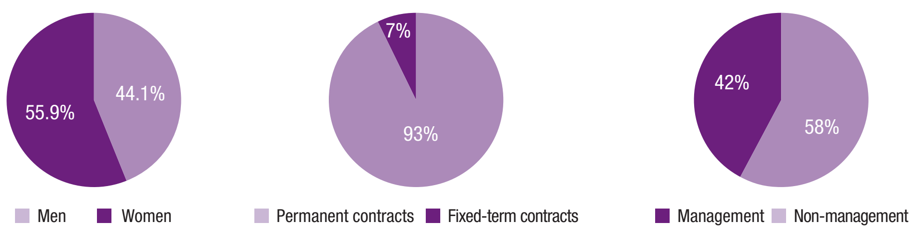
- **the phased-in Total capital ratio which was 18.5% at end-December 2016, well above the European Central Bank requirement (11.25%)(14)**
- **liquidity (solid liquidity reserves, LCR >110% at year-end 2016)**

Employees drive the Group's development

90% of Groupe BPCE's employees are based in France

- **Number of permanent hires**
  4,860 permanent hires
- **Number of staff members trained** (13)
  65,626 employees trained

Breakdown of headcount (15) *(%) in 2016*



(1) 20.7% market share in loans for all non-financial sector customers (source: Banque de France - Q3 2016).
(2) No. 1 by total penetration rate (source: TNS Sofres survey 2015).
(3) No. 2 by penetration rate among professional customers and individual entrepreneurs, dual and professional relationships (source: Pépites CSA survey 2015-2016).
(4) From a sample of 31,031 suppliers with a Codex 2014 SIREN number and approved by INSEE.
(5) Small and medium-sized enterprises (2016 definition): fewer than 250 employees and revenues below €50,000K.
(6) France Stratégie 2014 survey/Group data.
(7) Loans issued to borrowers in vulnerable situations or outside the labour market, covered by a guarantee.
(8) Socially Responsible Investment.
(9) Fonds de cohésion sociale (social cohesion fund) / Caisse des Dépôts.
(10) Finansol 2016 survey.
(11) Groupe BPCE Customer Research and Quality division.
(12) Market share: 22.9% of household savings and 26.2% in home loans (source: Banque de France, Q3 2016). Penetration rate 28.3% (rank 2) among individual customers (SOFIA TNS-SOFRES survey, March 2016).
(13) The scope of the training data includes the Banque Populaire banks and Caisses d'Epargne as well as their IT subsidiaries i-BP and IT-CE, BPCE IT and the BPCE central institution.
(14) Under the 2016 SREP, including the Pillar 2 requirement.
(15) Permanent contracts only.

Groupe BPCE is presented in more detail in Chapter 1.

6.1.2 A strong cooperative identity

As cooperative banks, the Caisses d'Epargne and Banque Populaire banks are owned by 9 million cooperative shareholders, and are themselves shareholders of BPCE, the central institution, which is responsible for coordinating and communicating their common policies. For this reason, the national strategic decisions of Groupe BPCE are made in keeping with their regional requirements and their cooperative governance.

The Banque Populaire banks and the Caisses d'Epargne are members of federations that protect each network's identity and values and defend its interests. They support the networks on CSR strategy, cooperative shareholder involvement, training for directors, and governance.

The Group's "Another way to grow" strategic plan includes specific commitments to embody the cooperative banking model on a daily basis. Groupe BPCE's essential difference as a cooperative banking structure is evident in its long-term vision of banking relationships, its particularly strong regional ties, and the precedence it gives to human relations. This difference is recognizable by its customers, cooperative shareholders and employees. It contributes to the economic, social and human development of each region.

Groupe BPCE's full governance structure is presented in Chapter 2.

BANQUE POPULAIRE BANKS

The 4.1 million cooperative shareholders are the core of the Banque Populaire banks. They vote at Annual General Shareholders' Meetings and directly elect the directors who will represent them at Boards of Directors' meetings. In 2016, over 500,000 cooperative shareholders voted, an average turnout rate of 14.9% for the network.

Alongside the Annual General Shareholders' Meetings, the 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 banks and nominate local solidarity-based projects for bank sponsorship as part of the "Initiative Région" Awards. Cooperative shareholders also have the opportunity to get involved in shareholder clubs (strategic orientations, budgets for associations, etc.) and help support recipients of microloans through organizations such as "Atlantique 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 2016, the Banque Populaire network had 250 directors (and 24 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 creators of value (CEOs, researchers, lecturers, etc.) who, through their roles, are involved in driving economic and social development within their regions. In 2016, the Fédération Nationale des Banques Populaires offered them training on topics such as the history of the Banque Populaire network, the cooperative banking model of the Banque Populaire banks, the roles and responsibilities of directors, risk management (particularly the prevention of fraud and corruption), the opportunities presented by CSR, and how to integrate it into the corporate strategy. The Federation has also made a self-assessment questionnaire available to all the Boards of Directors to allow them to objectively evaluate their performance.

Since 2014, the Fédération Nationale des Banques Populaires has used a new tool to manage the training program for Banque Populaire directors: the "Académie des administrateurs", or Directors Academy. This online tool, which is open to all Banque Populaire directors, includes all of the training options provided by the Federation in the form of classroom presentations and e-learning sessions.

The Directors Academy addresses multiple objectives:

- offering a full view of the training catalog provided by the Federation;
- allowing directors to register for training modules online and to access their transcripts;
- helping directors to keep up to date on current events affecting the committee on which they serve;
- facilitating access to training through e-learning modules;
- measuring directors' enthusiasm for different topics and training content by conducting satisfaction surveys, allowing the Federation to adapt the training offered to meet their expectations.

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDER BASE

Banque Populaire banks	At 12/31/2016	At 12/31/2015	At 12/31/2014	Change 2015/2016
Number of cooperative shareholders *(in millions)*	4.14	33.95	3.90	4%
Percentage of cooperative shareholder customers *(as a %)*	34%(1)	44%	43%	NA(1)
Average amount of shares held per cooperative shareholder *(in €)*(2)	2,087	1,969	1,846	6%
Cooperative shareholder satisfaction rate (out of 10)(3)	7.5/10	7.5/10	7.5/10	0%

(1) Figures corresponding to the average for the Banque Populaire banks (excluding BRED, Crédit Coopératif and CASDEN). As the scope changed in 2016, the change between 2015 and 2016 is not relevant.
(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 individual BP & CE individual customer satisfaction survey coordinated by the Group Customer Research division (excluding Crédit Coopératif and CASDEN).

COOPERATIVE INDICATORS: GOVERNANCE AND DIRECTOR TRAINING

Banque Populaire banks	2016(1)	2015	2014	Change 2015/2016
Governance bodies				
Number of members of Boards of Directors	250	255	270	(2%)
Director attendance rate at Boards of Directors meetings *(as a %)*	82%	83%	81%	(1%)
Percentage of Board Members who are women *(as a %)*	34%	33%	27%	3%
Percentage of Board Chairmen and Vice-Chairmen who are women *(as a %)*	11%	13%	9%	(15%)
Percentage of Audit Committee Chairmen who are women *(as a %)*	28%	22%	11%	27%
Director training				
Audit Committees: percentage of members who took at least one training course over the year *(as a %)*	22%	21%	17%	5%
Audit Committees: average number of training hours per person *(in hours)*	1.45	1.25	1(2)	16%
Boards of Directors: percentage of members who took at least one training course over the year *(as a %)*	39%	34%	21%	15%
Boards of Directors: average number of training hours per person (in hours)	3.85	N/A	N/A	N/A

(1) Pre-merger data, basis: 18 Banque Populaire banks.
(2) Figure corrected in 2015.

CSR & Cooperative Dividend: reflecting the cooperative spirit of the Banque Populaire banks

The Banque Populaire banks use a specialized tool to inform their cooperative shareholders of their actions in the areas of societal and cooperative responsibility. Based on the ISO 26000 CSR standard, the CSR & Cooperative Dividend identifies and values in euros the initiatives taken by each bank for the Banque Populaire network's main stakeholders: its cooperative shareholders and directors, employees, customers and civil society.

CAISSES D'EPARGNE

At the end of 2016, Groupe Caisse d'Epargne had nearly 4.8 million cooperative shareholders, the majority of them individual customers. Cooperative shareholders are represented by 228 local savings companies (LSCs), which form an intermediate layer that helps strengthen each bank's local roots and relationships.

In 2016, the Caisses d'Epargne continued their initiatives to involve their cooperative shareholders 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 their Caisse d'Epargne, information on how to get involved, and regional and national news in general. Some Caisses d'Epargne consult their cooperative shareholders and organize shareholder events, including exclusive meetings and shareholder clubs.

The Caisses d'Epargne provide support to the cooperative shareholder representatives, LSC directors and Steering and Supervisory Board members. Training is a key component of the action taken by the Caisses d'Epargne to allow the representatives of their cooperative shareholders to carry out their mandate in full and contribute actively to their governance. A wide range of training options is available: learning the identity and history of the Caisses d'Epargne, acquiring basic banking knowledge and developing financial and risk management skills.

6

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDER BASE

Caisses d'Epargne	At 12/31/2016	At 12/31/2015	At 12/31/2014	Change 2015-2016
Number of cooperative shareholders *(in millions)*	4.84	4.91	4.96	(1%)
Percentage of cooperative shareholder customers *(as a %)*	23%(1)	20%	20%	N/A(1)
Average amount of shares held per cooperative shareholder *(in €)*(2)	2,654	2,555	2,451	4%
Cooperative shareholder satisfaction rate (out of 10)(3)	7.3/10	7.3/10	7.3/10	0%

(1) Natural persons only (customers and cooperative shareholders). Figures corresponding to the average for the Caisses d'Epargne. As the calculation method was changed in 2016, the change between 2015 and 2016 is not relevant.
(2) Figures calculated based on total "number of customers" and "outstanding cooperative shares"; natural persons only.
(3) Data from the individual BP & CE individual customer satisfaction survey coordinated by the Group Customer Research division.

COOPERATIVE INDICATORS: GOVERNANCE AND DIRECTOR TRAINING

Caisses d'Epargne	2016	2015	2014	Change 2015-2016
Governance bodies				
Number of members on Steering and Supervisory Boards	307	307	306	0%
Director attendance rate at Steering and Supervisory Board Meetings *(as a %)*	94%	92%	91%	2%
Percentage of Steering and Supervisory Board members who are women *(as a %)*	39%	37%	14%	5%
Percentage of Steering and Supervisory Board Chairmen and Vice-Chairmen who are women *(as a %)*	20%	20%	12%	0%
Percentage of Audit Committee Chairmen who are women	18%	12%	0%	50%
Director training				
Audit Committees: percentage of members who took at least one training course over the year *(as a %)*	78%	81%	50%	(4%)
Audit Committees: average number of training hours per person *(in hours)*	4.74	4.20	6	13%
Steering and Supervisory Boards: percentage of members who took at least one training course over the year *(as a %)*	96%	91%	66%	5%
Steering and Supervisory Boards: average number of training hours per person (in hours)	8	N/A	N/A	N/A

CSR Guidelines

The Caisse d'Epargne CSR Guidelines for the 2014-2017 period include six fields of action, in keeping with ISO 26000 guidance: governance, products and customer relations, employee relations and workplace conditions, procurement and supplier relations, environment, and societal engagement. Within these fields of action, 29 priorities were defined[(1)].

The 2014-2017 CSR guidelines outline a framework for action shared by all Caisses d'Epargne by identifying key issues. Each Caisse d'Epargne, as a fully-fledged cooperative bank, is tasked with setting its own strategy for social and environmental responsibility. The existence of this shared framework facilitates the exchange of best practices and the achievement of common goals, while respecting the cooperative structure of the Caisses d'Epargne. The decentralized structure is the very cornerstone of the way cooperatives work, and ensures that CSR strategies are tailored to suit local needs and the people who are affected.

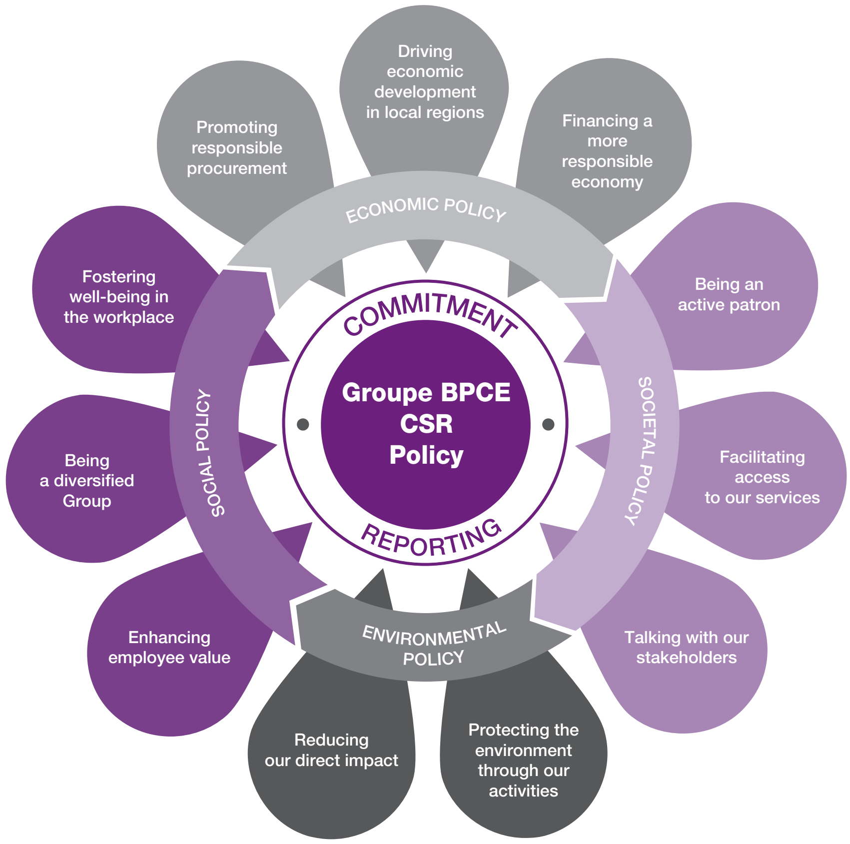
6.1.3 A Group-wide CSR policy that factors CSR into decision-making processes

The "Another way to grow" plan sets out the Group's strategic ambitions for 2014-2017, drawing in part on sustainable development, notably through the project to promote the cooperative banking model. The aim of this project is to showcase the differentiating aspects of the cooperative banking model, centered on the three-fold relationship between employees, customers and cooperative shareholders, all of whom are active participants in the company's transformation. This common goal involves the Banque Populaire banks and the Caisses d'Epargne, which fulfill considerable economic and societal responsibilities in their respective regions, steered by the CSR guidelines proposed by their federations in line with the respective identity of each network. Drawing on their extensive regional roots and the support of the Group's specialized banks (Natixis and its subsidiaries, Crédit Foncier, Banque Palatine), the Banque Populaire banks and the Caisses d'Epargne are contributing to current economic and environmental developments and helping their customers prepare for and make the most of them.

As part of the strategic plan, Groupe BPCE decided to implement a CSR policy, which was approved by its Management Board and the federations in 2016.

This policy is based on the key components of CSR: economic, social, societal and environmental matters. It requires a strong commitment from management and employees, underpinned by robust management solutions.

(1) *Learn more: http://www.federation.caisse-epargne.fr/assets/CE_OrientationsRSE2014-2017/index.html?preventcache=true.*



The global CSR policy identified ten priority projects that were launched in 2016 and will continue in 2017:

- measuring and promoting the local socio-economic footprint;
- distributing SRI and solidarity-based products;
- developing responsible procurement;
- microloans and financial inclusion;
- reducing direct environmental impacts;
- drafting a green growth strategy;
- adopting an innovative policy to encourage well-being, health and sport in the workplace;
- communications and CSR;
- sustainability reporting and ratings;
- raising awareness of reporting and CSR.

The Groupe BPCE Sustainable Development division has set up a structure to implement its policy, with:

- the formation of ten working groups to set out the goals of each project, the collective action required and the implementation terms;
- the appointment of sponsors among senior managers, who will be present at key stages in the project and charged with driving and approving the main guidelines for each project;
- the creation of a steering committee to monitor the overall approach.

The Group CSR policy is also monitored by the Groupe BPCE Cooperative and CSR Committee, which reports to the Supervisory Board.

An organization and governance structure that reflects the group's cooperative banking model

The Group's Sustainable Development division is part of BPCE's Commercial Banking and Insurance business line. Its goals are to:

- drive the Group's CSR policy in cooperation with the federations and in accordance with the principle of subsidiarity;
- 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.

It is particularly committed to positioning Groupe BPCE as a key player in financial inclusion, green, responsible growth, and carbon footprint reduction, in accordance with the goals set by the strategic plan.

To take action, it relies on a sustainable development function whose responsibilities are divided between the Group's central institution, regional banks, and subsidiaries. Each company in the Group has an appointed sustainable development officer tasked with adapting the Group's commitments to the specific features of the company's region, operations and objectives.

The sustainable development function has the following structures:

- bodies that exchange information and coordinate and share skills:
  - a "responsible company club", which meets twice a year and is attended by all of the Group's sustainable development officers. It focuses on improving CSR reporting and designing action plans to enhance internal CSR and low-carbon practices,

- a "green, responsible growth club" to centralize technical and sales expertise around the new economic models presented by sustainable development. Since 2014, a plenary meeting has been held during National Sustainable Development Week, attracting an average of 125 participants. In 2015, this club was enhanced with a digital solution that facilitates the exchange of information about financing issues and expertise for green growth sectors;

- steering and oversight bodies:
  - a Group Sustainable Development Steering Committee, which has two main roles: to help with decision-making for Group-wide operational projects, and to contribute to and provide guidance on Groupe BPCE decisions,
  - a Group Cooperative and CSR Committee, which reports to the BPCE Supervisory Board, whose duties include the formulation of proposals and recommendations to promote cooperative values and CSR within the Group;
- awareness-raising on sustainable development issues:
  - on CSR: in 2016, four training sessions on "The basics of CSR" were provided to the business lines,
  - on CSR reporting: two training courses in the carbon review tool were provided and two CSR reporting telephone hotlines were made available in 2016.

In addition, a Group extranet site for sustainable development officers was set up in 2015.

Commitments that take shape in large-scale operational programs

Global Compact

In April 2012, Groupe BPCE renewed its adherence to the United Nations Global Compact and expanded it to cover all of its entities in France and abroad. The aims of the Global Compact are compatible with those of ISO 26000 and Global Reporting Initiative (GRI) criteria.

Principles for Responsible Investment

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 has been a signatory of the PRI since 2008.

Equator Principles

By signing the Equator Principles in December 2010, Natixis acknowledged the importance of evaluating the environmental and social (E&S) risks and impacts of the projects it finances with a methodology accepted by many financial institutions so that its customers can 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.

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 initiated by the French Ministry for Urban Affairs in late 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. The framework agreement has been renewed until 2017.

By adhering to this charter, companies undertake to support the economic, social, and cultural development of neighborhoods identified as priorities by urban policy in areas such as social inclusion and entry into employment, public services and economic development (including, in particular, support for entrepreneurship for Groupe BPCE).

Responsible Procurement Charter

Groupe BPCE has been a signatory of the Responsible Supplier Relations Charter since December 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 France's economy by giving precedence to partner-based strategies, dialog, and the expertise of procurement professionals[1].

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

Every year since 2011, the Banque Populaire network has measured 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, Banque Populaire Alsace Lorraine Champagne and Banque Populaire Rives de Paris have implemented a global CSR management approach and have held LUCIE certification since 2012, 2015 and 2016 respectively. Similarly, Banque Populaire des Alpes and Banque Populaire Alsace Lorraine Champagne have been certified AFAQ 26000 since 2014.

A CSR self-assessment tool was made available to the Caisses d'Epargne by their federation in late 2014 to help them deploy action plans in accordance with the ISO 26000 CSR standard. Eight Caisses d'Epargne have completed this process since 2014. In 2016, Caisse d'Epargne Bretagne Pays de Loire obtained LUCIE certification, as did Caisse d'Epargne d'Auvergne et du Limousin in 2015. At the same time, several Caisses d'Epargne have undertaken certification initiatives in favor of the environment (ISO 14001 and ISO 50001 in particular), professional equality, diversity and responsible supplier relations.

(1) http://www.bpce.fr/Fournisseur/La-politique-achats-responsables/Engagements-durables

6.1.4 Mapping of societal challenges and stakeholders

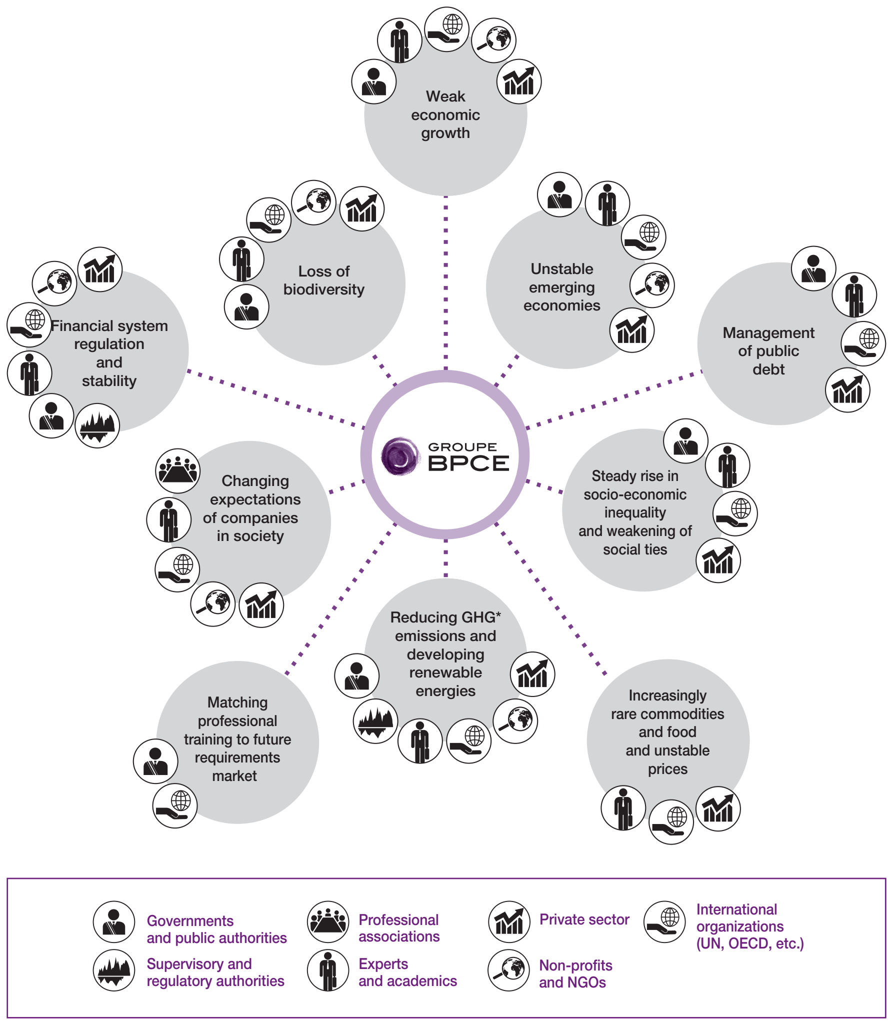
In 2016, Groupe BPCE updated the mapping of societal challenges and stakeholders that it drew up in 2014, with the aim of better identifying the expectations of its stakeholders each year and ensuring they are better taken into account in order to meet the Group's CSR challenges.

The mapping follows GRI-G4 reporting principles and those set by the IIRC (International Integrated Reporting Council).

This new exercise highlighted the key societal challenges that impact banking in France and the different stakeholders involved (see key below).

BPCE seeks to respond to these major societal challenges by focusing its actions on two ambitions:

- to strengthen the Group's CSR practices;
- to set up a strategic policy for green, responsible growth.



* GHG: Greenhouse gases

A consistency test was performed between the new mapping and the Group's CSR policy. The results of the test were satisfactory for the policy as a whole. They nevertheless identified two issues that need to be better taken into account in the Group's CSR policy, namely biodiversity and recycling.

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

6.2.1 Responsible investment

Within the Group, there are three structures that offer socially responsible investment (SRI)[1] products: Natixis Asset Management (Natixis AM) and its subsidiary Mirova, Ecofi Investissements (Crédit Coopératif's asset management company), and Banque Palatine.

ASSETS UNDER MANAGEMENT IN OPEN-ENDED AND DEDICATED SRI AND SOLIDARITY-BASED FUNDS AND EMPLOYEE SAVINGS PLANS

Indicator *(in billions of euros)*	**2016**	**2015**	**2014**	**Change 2015/2016**
Natixis AM	17.2	16.4	12.8	5%
o/w Mirova[1]	6.6	5.6	4.6	18%
Ecofi Investissements	5.6	4.5	3.7	24%
Banque Palatine	0.03	0.06	0.1	(50%)
TOTAL ASSETS UNDER MANAGEMENT IN OPEN-ENDED AND DEDICATED SRI AND SOLIDARITY-BASED FUNDS AND EMPLOYEE SAVINGS PLANS	**22.83**	**20.96**	**16.6**	**9%**

(1) *Mirova is a subsidiary of Natixis Asset Management that has been dedicated to responsible investment since January 1, 2014.*

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

Indicator *(as a %)*	**2016**	**2015**	**2014**	**Change 2015/2016**
Natixis AM	4.95%	4.98%	4.1%	(0.1%)
Ecofi Investissements	66.5%	62.2%	55.6%	7%
Banque Palatine	0.7%	1.6%	3%	(56%)

SOLIDARITY-BASED FUNDS

Indicator *(AUM in millions of euros)*	**2016**	**2015**	**2014**	**Change 2015/2016**
90:10 funds[1] – Natixis	2,335.8	2,124.8	1,964.4	10%
90:10 funds[1] – Ecofi Investissements	255.2	253.1	217.1	1%
Total assets under management in 90:10 funds	**2,591.0**	**2,377.9**	**2,181.5**	**9%**
Funds invested in solidarity-based companies by Natixis	145.5	151.7[2]	129.4	(4%)
Funds invested in solidarity-based companies by Ecofi Investissements	33.2[3]	31.1	25.7	7%
TOTAL FUNDS INVESTED IN SOLIDARITY-BASED COMPANIES BY NATIXIS AND ECOFI	**178.8**	**182.8**	**155.1**	**(2%)**

(1) *90:10 funds combine SRI management of listed securities and management of unlisted solidarity-based securities.*
(2) *Solidarity-based buckets of 90:10 NAM Mirova + Natixis solidarity-based funds.*
(3) *Direct investments in solidarity-based companies.*

Natixis Asset Management is Groupe BPCE's main asset management entity. At end-2016, it had a total of €17.2 billion in assets under management in a broad range of socially responsible investment (SRI) funds. €6.6 billion of these assets are managed by Mirova, which has been dedicated to responsible investment since 2012, and became a subsidiary of Natixis Asset Management on January 1, 2014.

Banque Palatine had €26.7 million in assets under management in SRI funds at December 31, 2016, invested in two equity funds and a balanced fund, Palatine Or Bleu, which focuses on water (the biggest fund, with AUM of €15.2 million), Gérer Multifactoriel Euro and Palatine Actions Défensives Euro. These three funds have the Novethic 2016 label.

(1) *Definition of SRI: AFG/FIR: on July 1, 2013, the AFG (French Asset Management Association) and the FIR (Forum for Responsible Investment) clarified the definition of Socially Responsible Investment (SRI) for the industry. "SRI refers to an investment that aims to reconcile economic performance with social and environmental impact by financing companies and public entities that contribute to sustainable development, regardless of their sector of activity. By influencing market players' governance and behavior, SRI promotes responsible business."*

Ecofi Investissements is a Crédit Coopératif subsidiary that applies an SRI filter to 66% of its investments, with over €5.6 billion under management analyzed using environmental, social and governance (ESG) criteria. The restrictiveness of the SRI filter varies according to the fund: "Committed SRI" for the ethical and solidarity-based range and "Responsible SRI" for the rest. Potential SRI investments include 2,800 securities from around the world. The Committed SRI filter selects the 50% best-rated companies, while the Responsible SRI filter excludes the lowest-rated 30%.

RESPONSIBLE MANAGEMENT POLICY

Natixis Asset Management has been committed to sustainable development and socially responsible investment for nearly 30 years[1]. It applies a responsible asset management policy to all its investment processes, covering all the recommendations of the United Nations Principles for Responsible Investment, of which it has been a signatory since 2008. Its responsible investment policy involves a detailed analysis of ESG criteria, the incorporation of these matters in investment decisions, and the use of exclusion policies. Natixis Asset Management also undertakes to use its influence to encourage issuers to improve their ESG practices *via* its voting and commitment policy. It is involved in sector-wide initiatives and actively contributes to industry-shaping reviews of CSR issues.

Additionally, Natixis Asset Management was persuaded by the potential opportunities provided by sustainable development issues to create Mirova, its responsible investment subsidiary. In particular, Mirova seeks to contribute actively to efforts that combat climate change and support the energy transition by offering investment strategies that provide financing for projects that deliver solutions in these areas. Mirova develops environment-based equity strategies (Europe and Global), includes environmental themes in its multi-theme funds (Euro, Europe and Global), invests in renewable energy infrastructure projects in Europe and supports the development of green bonds. It measures and tracks the carbon footprint of its equity and fixed income strategies. Mirova boasts around sixty multi-disciplinary experts: theme-based investment specialists, engineers, financial and ESG analysts, project financing professionals and experts in solidarity-based finance. It can therefore offer investors solutions that create financial, environmental, economic and social value over the long term.

As a pioneer of SRI in France, Mirova manages responsible investments totaling 6.6 billion.

Mirova obtained the French government's SRI label for 21 of its funds

SRI label

In 2016, Mirova was awarded the French government's SRI label for 21 of its funds spanning its entire range and representing 2.2 billion in assets under management (source: Mirova, at June 30, 2016).

The SRI label was created by the French Ministry of Finance in early 2016, with the support of asset management professionals. It aims to enhance the visibility of SRI (socially responsible investment) funds among savers. The label allows investors to easily identify investment products that incorporate environmental, social and governance (ESG) criteria in their investment policy.

TEEC label – Energy and Ecological Transition for Climate

Mirova, an asset management company specialized in responsible investment, was also awarded the "Energy and Ecological Transition for Climate" (TEEC) Label in 2016 for three of its areas of expertise – environmental equities, green bonds and renewable energy infrastructure.

This label was created by the French Ministry for the Environment, Energy and Oceans to direct savings towards the energy and ecological transition.

References to a ranking, award and/or rating are not an indication of the fund or fund manager's future results.

The SRI process followed by Ecofi Investissements, the asset management company of Crédit Coopératif Group and BTP Banque, selects the best-rated issuers from among the investment universe based on the following two filters:

- an assessment of ESG performance, with emphasis on quantitative indicators of the results achieved by companies and governments (CO_2 emissions per MWh per year for electricity providers, frequency and severity of workplace accidents in the construction sector, etc.), and "Touche Ecofi", which overweights values that match those of Crédit Coopératif Group (balance of power, responsible relations with customers and suppliers, blacklisting of tax havens, non-discrimination policy);
- an assessment of corporate scandals: this filter excludes or reduces investments in companies involved in major incidents (pollution, corruption, money laundering, human rights violations, etc.).

This SRI process is rounded out by a strict voting and dialog policy. Ecofi Investissements firmly believes that voting at Shareholders' Meetings and maintaining a dialog with companies are essential to encouraging them to take ESG issues more seriously in their business. Ecofi Investissements had voted on a total of 5,294 resolutions by the end of 2016, 44.8% of which it voted against, at 339 different Annual General Shareholders' Meetings.

(1) Natixis Impact Nord Sud Développement – Natixis 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.

For its dialog policy, Ecofi Investissements engages with companies individually and collectively, by questioning the management of some companies that represent a significant portion of its portfolio but are controversial in terms of major issues such as business ethics or gender equality.

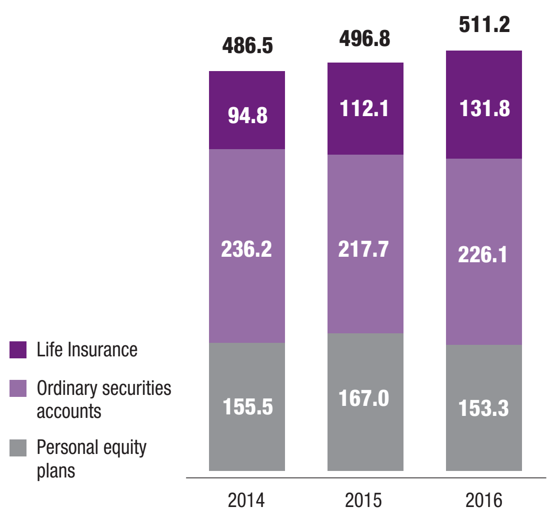
DISTRIBUTION OF SRI AND SOLIDARITY-BASED FUNDS BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE

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 – the Natixis Asset Management subsidiary that pioneered SRI in France – which encompasses theme- and solidarity-based responsible funds. The Finansol, TEEC and SRI labels awarded to some of these funds are a sign of their quality.

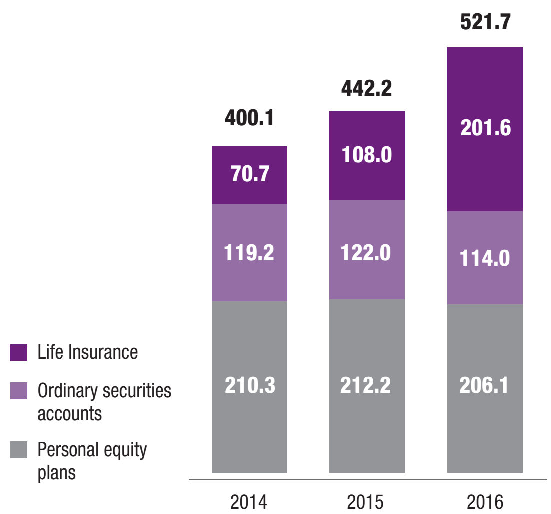
The Banque Populaire banks and the Caisses d'Epargne distributed €1,033 million in SRI and solidarity-based funds to their customers in 2016 (€939 million in 2015).

Indicator *(AUM in millions of euros)*	**2016**	**2015**	**2014**	**Change 2015/2016**
SRI funds sold – Banque Populaire network	511.2	496.8	486.5	3%
SRI funds sold – Caisse d'Epargne network	521.7	442.2	400.2	18%
TOTAL SRI FUNDS SOLD BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE	**1,032.9**	**939**	**886.7**	**8%**

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



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



6.2.2 Solidarity-based finance

The listed assets in Ecofi Investissements' solidarity-based and shared-return funds are managed using the SRI filter. They include a full line of solidarity-based products, "90:10" shared-return funds, an open-ended range of solidarity-based company investment funds under the Responsible Choice brand and employee savings fund for large corporates[(1)]. With assets under management totaling €255.2 million, Ecofi Investissements is now the ninth largest solidarity-based asset manager in the French market, and among the leaders in terms of the number of solidarity-based companies financed. As at December 31, 2016 it had financed 76 companies, for a total amount of €33.2 million.

(1) 11 open-ended funds invested in solidarity-based companies: Ecofi Contrat Solidaire, Ecofi Agir Développement Durable, Choix Solidaire, Confiance Solidaire, Agir avec la Fondation Abbé Pierre, Agir Fondation pour la Recherche Médicale, Faim et Développement Trésorerie, Faim et Développement Solidarité, Faim et Développement Equilibre, Faim et Développement Agir CCFD, Epargne Solidaire; three open-ended solidarity-based company investment funds: Choix Responsable Prudence, Choix Responsable Développement, Choix Responsable Engagement; five dedicated employee savings funds including three invested in solidarity-based companies: Schneider Énergie Sicav Solidaire, Schneider Énergie Solidaire, Dynamis Solidaire, AXA Future Génération and Renault Mobiliz Solidaire.

Mirova – a responsible investment specialist – is the market leader in solidarity-based financial management, with a market share of 34.1%[1] in 2016. Its funds include the Fonds Insertion Emplois Dynamique fund managed in partnership with France Active and available *via* the Ecureuil Bénéfices Emplois fund (Caisse d'Epargne) and the Fructi Emplois France fund (Banque Populaire)[2]. Mirova also manages a solidarity-based employee savings fund sold by Natixis Interépargne and Groupe BPCE's banks.

Solidarity mechanisms have been developed on the basis of the passbook savings accounts. The Banque Populaire banks offer the CODEVair passbook savings account, which funds environmental projects. Crédit Coopératif distributes AGIR[3] shared return funds, with total savings of €542,830,000 at December 31, 2016.

Financial solidarity mechanisms have also been developed on the basis of payment instruments. An example is the AGIR payment card, which supports approximately 20 partner associations through donations made with each payment.

EMPLOYEE SHARE OWNERSHIP PLANS

The legal requirement to include a solidarity-based fund in any employee savings plan encouraged the Group to develop a wide range of investment solutions in this area.

With a market share of 34.3%[4] in solidarity-based employee savings, Mirova is the leading asset management company in this segment. Natixis Interépargne is the leading solidarity-based employee savings and savings company with a market share of 21%[5]. Solidarity-based employee savings plans are invested in the specialized professional fund (FPS) called Natixis Solidaire, which totaled €145 million in assets under management at December 31, 2016. This innovative investment management solution allows for investment in a large number of solidarity-based companies, providing support for a multitude of projects in a range of sectors and delivering tangible social results. Thanks to the investment of their solidarity-based segments in this FPS, all of the solidarity-based company investment funds offered in the employee savings schemes distributed by Natixis Interépargne and the Groupe BPCE networks benefit from this innovation.

Four CAC 40-listed companies use Ecofi Investissements for their solidarity-based and SRI employee savings: Schneider Electric, Orange, AXA and Renault. Ecofi Investissements' longstanding close relations with companies from the social and solidarity-based economy sector, which are often Crédit Coopératif customers, and the wide range of their initiatives – for the planet, international solidarity, a fairer society or alternative enterprise – allow it to offer its customers financing solutions that match their values and commitments.

DISTRIBUTION OF SRI AND/OR SOLIDARITY-BASED FUNDS BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE

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 the leader in employee savings in France. 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.

Indicator *(AUM in millions of euros)*	**2016**	**2015**	**2014**	**Change 2015/2016**
AUM in SRI and/or solidarity-based employee savings funds – Banque Populaire network	1,619.4	1,543	1,394.4	5%
AUM in SRI and/or solidarity-based employee savings funds – Caisse d'Epargne network	197	160.7	125.5	23%
TOTAL SRI AND/OR SOLIDARITY-BASED EMPLOYEE SAVINGS FUNDS SOLD BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE	**1,816.4**	**1,703.7**	**1,519.9**	**7%**

6.2.3 Financial inclusion and microloans

FINANCIAL INCLUSION

In 2016, Groupe BPCE implemented the AFECEI[6] Charter for banking inclusion and the prevention of excessive debt in its banking networks. This charter is aimed at individuals (not acting for professional reasons) who hold a current account or benefit from financial services provided by the Group's entities.

The Group's efforts to prevent banking exclusion and monitor customers experiencing financial difficulties were visible in the first indicators covering all Group entities, which BPCE reported to the Banking Inclusion Observatory in June.

Of a total of 37.9 million customers, including 34.8 million customers of retail banks, 578,866 potentially vulnerable customers were identified in the first half of 2016.

This analysis was based on the statistical modelling of a series of variables concerning customer accounts. The customers identified were offered a meeting to analyze their financial situation as well as solutions and support. The Banque Populaire banks and the Caisses d'Epargne provide banking services adapted to these vulnerable customers *via* the OCF offer. In order to maintain a close, lasting relationship of trust with these customers, dedicated structures set up within the banks or with external partners may also become involved.

Several training modules are provided to train employees in these solutions, including virtual classes, classroom learning, and e-learning. As of mid-2016, these modules had been followed by 9,537 individual account managers out of a total of 17,567 in the Caisses d'Epargne and the Banque Populaire banks. The table below shows 2016 data on new and existing basic banking services and the solutions offered to vulnerable customers of the Group's banks.

(1) Source: Finansol 2016 survey based on AUM at end-December 2016.

(2) Ecureuil Bénéfices Emploi and Fructi Emplois France are feeder funds for the Insertion Emplois Dynamique fund. Before making any investment, please read the Key Investor Information Document, available on www.caisse-epargne.fr and http://www.placementsfinanciers.banquepopulaire.fr.

(3) A passbook savings account in which half the interest is automatically paid to a partner association of Crédit Coopératif.

(4) Calculated based on AUM published by AFG (French Asset Management Association) at 12/31/2015.

(5) Source: Finansol Focus on solidarity-based financing, end-December 2015.

(6) AFECEI: the French Association of Credit Institutions and Investment Firms has drafted a professional charter that has regulatory authority.

BANKING SERVICES FOR VULNERABLE CUSTOMERS

Indicator *(in number of customers)*	**2016**	**2015**	**2014**	**Change 2015/2016**
Basic banking services *(new)*	11,049	12,774	11,214	(14%)
Basic banking services *(existing)*	43,103	44,479	28,841	(3%)
Services for vulnerable customers *(new)*	26,022	25,979	16,853	0%
Services for vulnerable customers *(existing)*	82,410	70,793	57,200	16%

Including the subsidiaries Banque de Nouvelle-Calédonie and Banque de Tahiti but excluding Crédit Coopératif.

Within the framework of the French banking law of July 26, 2013 on the separation and regulation of bank activities, the Banque Populaire banks and the Caisses d'Epargne launched a range of solutions adapted to the needs of vulnerable customers, who can benefit from banking services under regulated conditions. This program replaced the alternative payment range of services at the end of 2015.

INITIATIVES BY THE BANQUE POPULAIRE BANKS

Personal and professional microloans

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. The Banque Populaire banks are also major players in microloan research in France *via* their support for the Microfinance Research Chairs at Audencia business school and ESC Dijon.

In line with their position, the Banque Populaire banks primarily direct their microfinance initiatives towards professional microloans. The network of Banque Populaire banks has reaffirmed and strengthened its support for ADIE, and in particular for young micro-entrepreneurs. In 2016, the Banque Populaire banks remained ADIE's leading provider of microloan financing[1]. The Banque Populaire banks also top up start-up loans requiring no personal guarantees for young people set up by ADIE, and through their federation they co-fund CréaJeunes youth programs and other activities for ADIE's young beneficiaries. The Banque Populaire banks and the FNBP are also partners of Microloan Week and ADIE's "There's No Right Age To Start A Business" campaign, mainly aimed at promoting ADIE to young start-up creators. Additionally, the Banque Populaire banks and ADIE co-founded the "Jeune Créadie Banque Populaire" award, given out in the local regions and at a national level to young people with entrepreneurial projects. With the signing of a three-year framework agreement between ADIE and the FNBP covering the 2016-2018 period, the Banque Populaire network intends this partnership to continue over time. The FNBP, represented by its Chief Executive Officer, is a member of ADIE's Board of Directors.

Finally, the Banque Populaire banks grant top ups for start-up loans requiring no personal guarantees under the Initiative France program, and many of these banks have set up agreements with the incubator France Active.

Crédit Coopératif is one of the main players in personal microloans 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 and Pro-BTP (a social protection agency for construction workers) to enable apprentices in the construction sector to buy a vehicle.

Banking education

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 understanding of banking as a whole. Via their Federation, the Banque Populaire banks are also members of the Finances & Pédagogie association.

Vulnerable customers

In 2016, the Banque Populaire network allocated €2.1 million to banking inclusion, including nearly €1.9 million earmarked for identifying and supporting individual customers, VSEs and SMEs in financial difficulty. Supporting vulnerable customers is one of the Banque Populaire network's major commitments. Around ten Banque Populaire banks have an internal structure to identify and support individual customers facing financial difficulties. These structures include dedicated branches or services, and provide support to vulnerable or over-indebted customers for the time it takes to return to a sustainable, stable financial position, with the goal of allowing these individuals to return to the traditional banking system.

INITIATIVES BY THE CAISSES D'EPARGNE

Personal and professional microloans

The Caisses d'Epargne are now the leading provider of personal microloans[2] and among the leaders in professional microloans. 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 73 advisors are dedicated to this activity across France, alongside over 600 partners providing support for borrowers. In 2016, 4,894 personal microloans and 1,188 professional microloans were granted.

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).

(1) *ADIE data.*

(2) *Fonds de cohésion sociale (social cohesion fund)/Caisse des Dépôts data.*

In 2016, three major areas for research and innovation emerged:

- energy insecurity and inadequate housing: the Caisses d'Epargne continued to develop their offer of home microloans, in order to allow low-income owner-occupiers to finance the renovation of their home;
- women entrepreneurs: the Caisses d'Epargne have published several surveys of the profiles and requirements of women entrepreneurs since 2012. This year, a new qualitative survey was carried out from a behavioral economy viewpoint in order to identify the obstacles that discourage women from starting a business. The Caisses d'Epargne also organized the fifth national women entrepreneurs' day at the microbusiness trade show on October 5, 2016;
- mobility: the FNCE maintained its commitment to inclusive social mobility as part of the "Entreprise et Pauvreté" action tank, which aims to encourage companies to develop economically sustainable projects with a real impact in terms of alleviating poverty and social exclusion in France and which can be rolled out on a large scale.

Finally, the Caisses d'Epargne maintained their international commitments through their involvement in the European Microfinance Network (EMN) and the European Savings Bank Group (ESBG). The FNCE notably participated in the EMN working group on the social impact of microfinance.

Financial education

Since its creation in 1957, the Finances & Pédagogie association has been supported by the Caisses d'Epargne. Through this partnership, in 2016, 21 employees in local regions created an educational program focused on money-related issues. This financial education project is mainly devoted to teaching young people and facilitating their insertion, informing people in economically and financially unstable situations, and training professionals in social action to support these demographic groups.

In 2016, 2,769 sessions were held with about 38,700 participants. They included:

- 14,623 young people from schools and vocational centers;
- 18,481 people receiving support from entities in the social and solidarity-based economy or other social organizations;
- around 872 social workers and volunteers from the social services divisions of associations, mentorship organizations, and local governments.

All of these actions are intended as concrete responses to the current challenges of banking inclusion and the prevention of excessive debt. The initiatives take the form of workshops/training sessions that combine theoretical learning and practical experience.

Nearly 3,800 topics were covered in 2016:

- 59% involved budgeting and money issues in everyday life;
- 18.5% involved banks and banking relationships;
- and over 17% involved issues related to credit and excessive debt.

The association is now an essential, recognized force in financial education in France.

SOLIDARITY-BASED LOANS WITH SUPPORT – BOOSTING EMPLOYMENT

To better analyze the Group's stance on financing business creation with support, in 2016 BPCE updated its internal survey on banks' lending activities *via* partnerships with the three leading organizations offering professional microloans with support: France Active, Initiative France, and ADIE. This survey, which included a review of the Banque Populaire banks and the Caisses d'Epargne, emphasized how the sales and CSR approaches complement each other in this type of offer. It highlighted the advantages of supporting the person behind the project with a partner in order to reduce incidents in the microenterprise segment, which is a driver of job creation at a local level. The survey also underscored the importance of the leverage effect arising from guarantees (1 to 20) or start-up loans with no personal guarantee in relation to bank top-up loans (1 to 7).

In 2016, BPCE remained the leading financer of these three networks[1], funding or refinancing a total of €517.2 million. These solidarity-based loans are broken down as follows (microloans, NACRE (Nouvel accompagnement à la création d'entreprise – new support for business creation) top-up loans and start-up loans provided by Initiative France).

6

SUMMARY OF MICROLOANS[2] WITH SUPPORT ISSUED BY GROUPE BPCE

Type of loans *(in euros)*	New loans in 2016		New loans in 2015		New loans in 2014		Change 2015/2016	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Personal banking microloans	5,554	14,259,435	5,665	14,664,334[(1)]	6,369	15,430,928	(2%)	(3%)
Personal non-banking microloans	1,708	4,728,101	1,561	3,729,470	1,345	3,122,014	9%	27%
Professional banking microloans guaranteed by France Active	2,141	63,420,429	2,196	60,627,529[(2)]	2,253	66,949,787	(3%)	5%
Professional non-banking microloans	5,233	18,445,997	5,587[(3)]	19,875,971	5,261	18,094,493	(6%)	(7%)
GROUPE BPCE TOTAL (CAISSES D'EPARGNE, BANQUE POPULAIRE BANKS, CRÉDIT COOPÉRATIF INCLUDED)	**14,636**	**100,853,962**	**15,009**	**98,897,304**	**15,228**	**103,597,222**	**(2%)**	**2%**

(1) *For the Caisses d'Epargne, new personal banking microloans in 2016 totaled €11,618,764 (excluding specific product code ACC019 for Caisse d'Epargne Bretagne Pays de Loire).*
(2) *For the Caisses d'Epargne, new professional microloans guaranteed by France Active in 2016 totaled €25,148,400.*
(3) *New ADIE microloans (in number of loans) in 2016 amounted to €20,294,674.*

(1) *According to the three organizations: Initiative France, France Active and Adie.*
(2) *Microloans: loans issued to borrowers in vulnerable situations covered by a guarantee and supported by a public interest organization. Funds issued are capped pursuant to the Lagarde Act of July 1, 2010.*

The microloan business of the Banque Populaire banks and the Caisses d'Epargne has ranked Groupe BPCE as the leading French bank in microfinance for many years. In personal microloans guaranteed by the fonds de cohésion sociale (social cohesion fund), the Group accounted for 43.5% market share at the end of 2015 (source: Caisse des dépôts et consignations). In professional microloans, it accounts for one-third of total activity, in particular with 33% market share at end-2016. In 2016, despite the emergence of new players, the Group retained its position as market leader, with 14,636 microloans issued, totaling €100.9 million (vs. 15,009 loans in 2015 totaling €98.9 million).

GROUPE BPCE NACRE[(1)] TOP-UP LOANS

Issuing networks *(in euros)*	New loans in 2016		New loans in 2015		New loans in 2014		Change 2015/2016	
	Number	Payments	Number	Payments	Number	Payments	Number	Payments
GROUPE BPCE TOTAL[(2)]	**2,819**	**95,835,873**	**2,835**	**95,900,048**	**3,530**	**140,870,175**	**(0.6%)**	**(0.1%)**

(1) France Active – Fafi.
(2) Caisses d'Epargne, Banque Populaire banks, Crédit Coopératif included.

In 2016, Groupe BPCE granted €95.8 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 for business creation). Finally, it has bolstered its position as the leading bank group to partner with platforms run by Initiative France, which estimates that it distributed more than €320 million in top-up loans to supplement start-up loans in 2016[(1)].

TOP-UP LOANS FOR START-UP LOANS PROVIDED BY INITIATIVE FRANCE (ESTIMATE AT 01/30/2017)

Issuing networks *(in euros)*	New loans in 2016		New loans in 2015		New loans in 2014		Change 2015/2016	
	Number	Payments	Number	Payments	Number	Payments	Number	Payments
GROUPE BPCE TOTAL[(1)]	**5,040**	**320,500,000**	**5,303***	**335,968,807***	**5,577***	**352,742,343***	**(5%)**	**(5%)**

(1) Caisses d'Epargne, Banque Populaire banks, Crédit Coopératif included.
** The estimated 2014 and 2015 figures published in the 2014 and 2015 registration documents have been updated with the actual 2014 and 2015 figures.*

6.2.4 Support for green, responsible growth

As a major player in banking and insurance, Groupe BPCE puts green growth at the center of its CSR policy. More than a societal trend, the energy and environment sectors are undergoing strong economic growth: for BPCE, this growth driver concerns all its customers, local regions and business lines. By pooling its expertise, the Group has the skills needed to provide all its customers with economic and financial support.

The aim of green growth is to steer the economy toward more eco-friendly manufacturing and consumption methods. It mainly involves making existing activities greener, by integrating regulations, standards and practices that transform entire sectors to make them more compatible with local, national and international commitments to reduce greenhouse gas emissions. In the construction sector, for example, the application of successive thermal renovation regulations, culminating in the ambitious RT 2012 standard in France, has brought about considerable progress in one of the leading sectors of the French economy. The trend is set to continue, as the ground is being prepared for the integration of the RT 2020 standard, which will see the construction of positive-energy buildings that produce more energy than they use.

Green growth is also giving rise to innovations that are revolutionizing certain economic and industrial sectors and even leading to the emergence of new ones. These innovations are of a technical, organizational, social or societal nature and are often made possible by progress in digital technologies. The revolution in terms of renewable energy is symbolic of the transformation. Coupled with energy storage and management technologies, this revolution will allow entire regions to produce and manage their own energy in line with local resources and requirements, while limiting their carbon emissions.

It is also important to finance our customers' energy transition and to support the development of green sectors, which will drive future growth. To achieve its ambition in this field, Groupe BPCE is addressing several challenges:

- a technical challenge: obtaining a firmer grasp on technical innovations to better understand the market, and thus provide more effective financing;
- an organizational challenge: the scope of the green growth market is local, national and European. It is aimed at all target segments, including individuals, SME/VSE professionals, local authorities, large corporates and institutions. To be effective on this market, there need to be appropriate organizations, products and services for each of these segments;
- a financial challenge: innovation is central to these emerging markets and calls for long-term investments.

The Group is working to build expertise in these relatively complex markets and seize the business opportunities they provide. To this end, it draws on a network of experts and officers in the Banque Populaire banks, the Caisses d'Epargne, and in its subsidiaries Natixis, Crédit Foncier, Banque Palatine and BPCE International. Each of these entities has established a network of partners involved in this field, including professional organizations, industrial players, local authorities, think-tanks, associations, NGOs, etc.

(1) The estimates were made by Initiative France on the basis of the data provided by 150 platforms (90% of total respondents) on their annual online survey. These data were then extrapolated to the 227 platforms in the network. The survey is accessible from late December to mid-February, and the data collected are in regard to the full year (from January 1 to December 31, 2016).

Green and blue growth, driving Groupe BPCE's development

In 2016, BPCE carried out a far-reaching analysis to identify green growth segments and to measure their potential in terms of the economy, employment, environmental gains and net income generation. Its analysis aimed to better understand the expectations of players in these segments and their growth models, to allow the Group to build relevant solutions. Groupe BPCE has a longstanding presence in several of these segments, and it wants to help them achieve balanced growth in support of employment and local economies.

The Group's stakeholders were consulted *via*:

- wo customer surveys – one quantitative and one qualitative;
- interviews with internal experts.

The information gathered allowed the Group to characterize the interest and requirements of current and future users of the new goods and services being produced in the green growth segment.

In the nine green growth segments that were identified, the construction and renewable energy segments are already experiencing strong growth. Thermal regulations for new buildings and existing standards for renovation work are driving growth in this market. However, the project sponsorship process – ranging from technical choices to financing solutions – is too complex to be adopted on a large scale and to produce the intended impact in terms of energy savings. Groupe BPCE has considerable experience in this area and has been developing solutions to better support its customers in their green real estate projects for over ten years. It is aided in this area by its membership of professional networks such as Effinergie, the Club d'Amélioration de l'Habitat and the association HQE France GBC, the network of sustainable planning and real estate professionals.

The renewable energy sector is expanding once again, in particular with the development of major wind farm and solar PV energy projects. The Banque Populaire banks and the Caisses d'Epargne, assisted by Natixis Energeco's expertise, are among the major financers of this activity. The challenge now facing the sector is to allow the development of projects that are more widespread and better connected to the local regions.

One of the major changes in renewable energy is the integration of energy management, storage and transport solutions. This nascent segment has real potential and Groupe BPCE intends to be one of the pioneers in financing its growth.

Sustainable agriculture is another fast-growing segment with strong economic and environmental potential. This disparate sector is being driven by consumer demand, and provides the Group with a growth opportunity.

Sustainable transport and mobility solutions, recycling, the renewal of production infrastructure and eco-innovation are other emerging segments that have attracted BPCE's attention.

Finally, the ocean economy – blue growth – covers all ocean-related segments and their specific features: responsible fishing, sustainable tourism, marine energy, etc. Groupe BPCE's banks, led by Crédit Maritime, intend to establish the conditions to foster their development along the coastline.

The Banque Populaire network promoted sustainable agriculture at the 2016 International Agricultural Show

As a recognized player financing 22% of wine-growers and farmers in France, the Banque Populaire network showcased its customers that use sustainable farming methods at the 2016 International Agricultural Show. Farmers are aware that their sector is undergoing major structural and economic changes, and more and more of them are transforming their business model to secure their business's profitability and future. Several topics were addressed during the show, which was held from February 27 to March 6, 2016, including renewable energies, forestry management, agroforestry, permaculture, integrated wine-growing, urban agriculture, organic farming and direct local food distribution chains. The event promoted innovative agricultural solutions that are focused on the future. The presentations illustrated how the Banque Populaire banks support their customers, even when they face ambitious challenges.

FINANCING THE ENERGY TRANSITION AND GREEN GROWTH

As a bank active in all businesses, Groupe BPCE is able to contribute to all types of projects in the four main categories of green growth financing: energy efficiency, greenhouse gas reduction, management and recycling of natural resources, and new eco-goods and services. The diversity of its expertise and operations allows it to support projects at a local, national and international level.

The Group offers innovative solutions and a complete, exclusive line of products. It thereby occupies a leading position in major green growth markets, particularly in renewable energy, public transportation and sustainable real estate.

BPCE International: a leading role in financing the energy transition

The BPCE International network has developed expertise in financing renewable energy in its regions of operation.

In the fourth quarter of 2016, Banque de Nouvelle-Calédonie, Banque de Tahiti, and their parent company BPCE International were involved in financing the construction and operation of a solar power plant in Voh, in the Northern Province of New Caledonia.

As a major player in renewable energy financing, the BPCE International network has funded more than 800 solar, wind, biomass, and hydropower plants in the French overseas territories and abroad since 2006, representing total output of 170 MW.

The BPCE International network is also involved at the other end of the energy chain, by contributing to the recycling of waste hydrocarbons. For example, in the Republic of the Congo, BCI – a BPCE International subsidiary – provided financing to allow a newly-formed company, Africa Eco Resp, to purchase an engine oil recycling machine.

Additionally, the Group also offers:

- savings products: Banque Populaire's "CODEVair" account, Caisse d'Epargne's regional passbook accounts used to fund local projects, Mirova's SRI range for socially responsible financial investments;
- tailored credit solutions: Banque Populaire's "PREVair" and "PROVair" loans, Caisse d'Epargne's "Ecureuil" sustainable development loans for individual or professional customers; "EuroFIDEME" and "FIDEPPP" investment funds for private or public sector investors.

Creation of a biogas(1) working group

Supporting green growth involves anticipating local needs. Groupe BPCE has seen an increase in financing applications for biogas projects and 2016 marked a turning point in this technology's development. An internal project was set up to identify the potential offered by this market, its technical features and uses. The working group involves experts from fourteen Groupe BPCE entities and will determine the most appropriate approach to seize opportunities on the market and recommend the best set-up at a regional and national level.

In 2015, BPCE's outstanding green growth financing amounted to €8 billion. The Banque Populaire and Caisse d'Epargne networks accounted for 54% of the total, while Natixis, BPCE International and Banque Palatine accounted for 46%. In the two cooperative networks, 37% of this financing is for thermal renovations, 60% for renewable energies and 3% for green transport solutions.

77.5% of the total financing amount is for renewable energies, amounting to around €6.2 billion in 2015. The financing is provided by Natixis, which accounts for 52% of outstandings, the Banque Populaire and Caisse d'Epargne networks (20% each), and Banque Palatine and BPCE International, with 4% each. All renewable energies are covered, though the bulk of the financing goes to more mature markets such as solar power (51% of outstandings) and wind power (29%).

This breakdown shows that the issues and the support provided by Groupe BPCE lie with major international projects as well as locally, among SMEs and households.

Improving the visibility, understanding, and promotion of the green, socially responsible products distributed by the networks will be a major focus for the Group in the coming years.

The BPCE-KfW-ELENA project is gaining momentum

In 2012, Groupe BPCE was the first bank to sign an agreement with the European Commission to organize financing for the energy transition in the regions. It is still the only pilot bank in France, and is committed to working hand-in-hand with local authorities to facilitate energy efficiency initiatives taken by households and building managers. After a period of adjustment between the program's various components, including digital training, communication, single point of access, etc., the results confirm the relevance of the chosen model.

At December 31, 2015, €2.8 million in subsidies had been allocated to the partner authorities, €255,000 of which have already been committed. Households received €2.8 million in loans from the participating Banque Populaire banks and the Caisses d'Epargne, representing a total final investment of €29.9 million and generating energy savings of 56.68 GWh. The initiative supported 909 energy efficiency projects. While local thermal renovation platforms are developing in many forms, experience shows that the full involvement of a bank within the structure is a key to its success. As a testament to this success, other local authorities have asked the Banque Populaire banks and the Caisses d'Epargne to expand the program. Although it remains in its pilot phase, a new region and a new bank joined the program in 2016: the Normandy region and the Manche département, partners of Banque Populaire de l'Ouest. They joined Banque Populaire des Alpes and the Pays Voironnais local authority, Banque Populaire Alsace Lorraine Champagne and the Lorraine region, Caisse d'Epargne Bourgogne Franche-Comté and the Franche-Comté region, and Caisse d'Epargne Bretagne Pays de Loire and the Brittany region.

(1) Biogas is produced by anaerobic digestion, a process by which microorganisms break down organic matter in the absence of oxygen. It is composed of 55% methane (CH4), 40% carbon dioxide (CO_2) and 5% other gases and digestate, which contains non-degraded organic matter and water.

Financing green growth also means withdrawing from sectors that are deemed incompatible with the objective of environmental and economic sustainability. In this respect, in 2015 Natixis decided to cease financing the coal industry around the world.

NATIXIS AM AND MIROVA TAKE ACTION TO COMBAT CLIMATE CHANGE

Combating climate change is a major component of the strategy followed by Natixis AM and its subsidiary Mirova and they have set up several initiatives in this area:

- measuring the carbon footprint of their investment portfolios using the Carbon Impact Analytics solution – an innovative methodology co-developed by Mirova and the consultancy Carbone 4. The process was first used to measure the carbon footprint of Mirova's equity portfolios in 2015, with a view to generalizing it to all of Natixis AM's portfolios;
- reducing Natixis Asset Management's exposure to carbon-intensive sectors by taking ESG criteria into account in all its investment processes and drafting an investment policy for the coal sector;
- developing investment solutions in favor of the climate, with a range of products covering multiple asset classes created by Mirova, designed to direct investment flows towards innovative solutions such as:
  - renewable energy infrastructure funds,
  - theme-based equity funds invested in companies likely to benefit from opportunities in energy efficiency, low-carbon solutions and the management of natural resources,
  - increasing investments in green bonds;
- promoting asset management in favor of the climate, in particular by actively contributing to sector initiatives to upgrade regulations and standards, such as:
  - Article 173 of the French law on the energy transition for green growth, which imposes new ESG reporting requirements, and the definition of a low-carbon strategy,
  - the launch of the TEEC label (Energy and Ecological Transition for Climate).

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

	2016		2015	
Voluntary savings products (unregulated) *(in euros)*	**Number**	**Outstandings**	**Number**	**Outstandings**
Savings products				
Livret de Développement Durable (LDD) sustainable development passbook savings account	289,893	4,637,311,301	308,413	4,695,131,381
Green loans				
PREVair (loans backed by LDD savings)	382	4,000,493	772	8,854,613
Ecureuil Crédit DD (loans backed by LDD savings)	4,545	44,638,043	6,461	68,841,352
Éco-PTZ (interest-free eco-loans)	5,347	79,008,160	6,019	89,566,998
TOTAL REGULATED GREEN LOANS	**10,274**	**127,646,696**	**13,252**	**167,262,964**

	2016		2015	
Voluntary savings products (unregulated) *(in euros)*	**Number**	**Outstandings**	**Number**	**Outstandings**
Savings products				
CODEVair (passbook savings accounts)	4,807	224,134,080	4,659	191,236,330
Green loans				
PREVair (loans backed by CODEVair savings)	117	1,913,206	258	3,696,738
PREVair Auto (car loans)	1,903	23,866,031	2,105	26,479,400
Ecureuil Auto DD (car loans)	4,332	44,422,785	4,758	48,681,854
PROVair	62	5,218,016	103	8,722,292
Total unregulated green loans	**6,414**	**75,420,037**	**7,224**	**87,580,284**
TOTAL GREEN LOANS (REGULATED + UNREGULATED)	**16,688**	**203,066,734**	**20,476**	**254,843,248**

6.3 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;
- support for suppliers as part of its social, environmental, and societal commitment: this approach is explained in detail in section 6.4.

6.3.1 Employees: helping to build and develop the Group

HR EXCELLENCE, HR ASPECTS OF THE 2014-2017 STRATEGIC PLAN

Managerial and human issues are central to Groupe BPCE's "Another way to grow" strategic plan with three key words: **AMBITION, PARTICIPATION and CUSTOMERS**. Success rests both on the efficiency of the management chain of command, from top management down to local managers, and on the commitment of all men and women at the Group's companies.

For "Another way to grow", management is a powerful tool for differentiation. It encourages employee commitment to customer service, the ability to implement change rapidly, and teamwork for performance and innovation. Each company takes its own approach to management and HR, emphasizing its own values and identity. Groupe BPCE collectively draws on this leverage by focusing the management chain of command on strong, simple, shared principles and by strengthening employee commitment.

The "HR Excellence for Better Customer Service" project defines the HR vision of what behavior is expected from employees and managers as well as the operational version of that vision, *i.e.* our HR commitments for the 2014-2017 period.

Three HR objectives have been set in pursuit of HR excellence. Meeting these objectives calls for identifying shared behaviors while applying the three keywords of the strategic plan.

Managers who set ambitious goals

The management chain values teamwork, shares strategy, imparts meaning, and achieves the expected results. This chain mobilizes the energy and talent of its teams. Managers promote mobility, diversity and professional development among their employees while guiding change and creating conditions for success.

Men and women motivated on a daily basis

The Group's employees are fully invested in their jobs and actively contribute to earnings and performance. They take action and are proactive within their scope of responsibility. They are active in their own professional development, open to change, and able to adapt constantly. They participate in Group projects and are rewarded for their contributions.

Sustainable performance for better customer service

The Group's employees focus their actions on meeting customer needs. Operational excellence and quality of service are central to each company's systems. Innovation and initiative are valued at every level. Quality of working conditions is an area being constantly improved.

HR policy defined at the Group level benefits from fundamentals shared by all the companies, which apply proven HR practices and structuring systems, namely:

- innovative solutions for those involved in HR performance;
- an HR function that co-builds solutions with the business lines;
- social solidarity organized among all Group companies;
- early executive management to help the Group develop;

- an efficient HR management control system, making it possible to manage and monitor HR policies, in particular employment, which draws on 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 their professional development;
- ensures both the integration of our new employees and the improvement of all employee skills, in order to help them adapt in their roles and steer their career development.

GROUPE BPCE, A MAJOR RECRUITER

Groupe BPCE is one of the biggest recruiters in France.

The recruitment policy aims to attract individuals with the skills needed to allow its businesses to grow, to keep up with changing practices and to maintain a steady headcount.

Groupe BPCE mainly recruits sales specialists to serve its customers in its individual, professional and business customer markets. Experts in risk management, audit, finance and IT are also regularly recruited by all Group companies.

University graduates with or without experience can join Groupe BPCE. With its vast array of tailored business lines and training courses, a wide range of professional opportunities is available to match each individual's motivations and expertise.

Groupe BPCE is deeply committed to societal responsibility and the quality of its recruitment. It has a policy of non-discrimination and strives to encourage diversity in terms of applicant profiles. Each new hire participates in an integration program that includes an individual training plan and follow-up interviews throughout the integration period.

Groupe BPCE has worked to encourage the employment of young people for many years and in January 2015 signed an intergenerational agreement with a target of at least 50% of new annual permanent hires being under the age of 30.

In addition to maintaining a presence at business schools and universities, and through its recruitment website, Groupe BPCE and its companies have expanded their coverage as employers on professional networking websites so they can better promote the diversity of their businesses and career opportunities.

The Group is continuing to enhance the candidate experience by going digital: from initial contact on networking sites to the electronic signing of employment contracts, and including video pre-selection interviews. In 2016, a referral platform was set up and the first business line ambassador programs were created.

DEVELOPING SKILLS TO SUPPORT THE GROUP'S DIGITAL TRANSFORMATION AND IMPROVE CUSTOMER SATISFACTION

The Occupation and Skills Forecasting (GPEC) agreement signed on January 20, 2015 is fully in line with the goals set in the "Another way to grow" strategic plan for 2014-2017, with the three-year professional training guidelines adapted accordingly for the period to 2017. The Banque Populaire and Caisse d'Epargne professional employee representative networks – which as of 2014 aligned their labor agreements with French law No. 2014-288 of March 5, 2014 on professional training, employment and social democracy – have a solid HR foundation that fully supports the Group's training policy, which has three major priorities:

- adapting employee skills to changes in the business lines and the banking model;
- supporting management in the pursuit of collective performance while respecting individual development plans;
- making investments in training and measuring their effectiveness.

The training programs implemented by Group companies in 2016 fully reflect the Group's commitment to bolstering career development at an individual and collective level, with the goal of maintaining employee value on the job market. Professional training is seen as an investment in employee development and the long-term performance of Groupe BPCE companies. The training programs are notably designed to:

- steer the transformation of the banking model and the business lines;
- adapt skills to the increasing pace of regulatory change;
- maintain employee expertise;
- cultivate the benefits of the Group's cooperative banking model;
- enhance customer satisfaction;
- prepare employees for new positions.

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 their professional development;
- ensures both the integration of our new employees and the improvement of all employee skills, in order to help them adapt in their roles and steer their career development.

Groupe BPCE maintained a high level of training investment in 2016, with 94% of employees having followed at least one training course during the year.

Adapting employee skills in line with changes in the business lines and the banking model

Drawing on its Business Observatory and based on expected changes in jobs and skills, the Group strives to enhance its employees' value on the job market. This commitment to a responsible HR development policy is also reflected in the Group's training programs, which support employees throughout their careers, in particular:

- during the integration of new employees;
- for each new regulatory or fiscal development;

- to raise awareness among managers and employees about change management associated with changes in the businesses and about the need for ongoing training throughout their careers;
- when adapting to changes in their business line or in preparation for career advancement;
- through employee professional development initiatives leading to certification.

Initiatives to support the Group's digital transformation gathered pace in 2016. The networks continued to implement programs to adapt advisors' skills to the target omnichannel banking relations model. The MOOC (massive open online course) "Digit'All" designed to raise employee awareness of digital development challenges, which was created and organized collectively in 2015, was renewed independently by 13 companies in 2016.

To obtain an overview of employees' digital culture at an individual and collective level and to fine-tune their training plans, several Group companies designed and developed a solution to assess their employees' digital profile. Four companies have already adopted the solution, which will be rolled out across the board in 2017.

In addition, to ensure all employees have a minimum level of digital skills, the Group enhanced its training offer with new content:

- *Netexplo Academy*, a series of 165 freely-available videos that provide a shared culture, foster the development of digital projects in-house, and enhance employees' skills;
- Voltaire and iBellule Mail – two new services developed in response to the need to improve employees' spelling and writing skills for e-mail in omnichannel banking relationships where they are required to write more often;
- Vodeclic, a library of 350 tutorials and exercises to improve knowledge of office tools, social media, web browsers, and data sharing and management systems.

At the same time, in the interest of attracting new inflows at a time when customers are becoming increasingly demanding, Groupe BPCE continued to develop its advisors' expertise in the savings, private banking and tax fields.

Moreover, the increasingly sophisticated regulatory environment also calls for continuous training efforts for all employees.

Managing collective performance and individual plans

Because management is at the center of Groupe BPCE's strategic plan, the training programs implemented by its companies provide practical support to help managers meet the Group's transformation challenges while ensuring the cohesion and solidarity of their teams in their collective action.

In addition to local initiatives, the Group also developed innovative training schemes tailored to management positions. The co-development workshops that were set up in 2015 continued in 2016. Also, an innovative and fun serious game called "M for Managers" was created to enhance the networks' training offer for managers. It facilitates the integration of good management practice with six educational modules that allow managers to learn – either individually or in groups – without the fear of being wrong or being judged.

Alongside training initiatives in local management, the Group offers a full range of courses and programs for mid-level managers as well as potential and current executive managers. The aim is to engage managers with the Group's strategic goals and to prepare for the succession of top management teams.

Innovative training for greater efficiency in HR investments

The Group's training catalog boasts a range of educational tools, including virtual classes, e-learning, serious games, MOOCs and simulators which, in combination with classroom learning courses, ensure maximum efficiency in the Group's HR investments, at an individual and collective level.

For example, in 2016 in the training scope under review, 37,740 of Groupe BPCE's staff took part in a virtual class, and nearly 304,000 hours of training were provided in e-learning modules.

The Group's companies have a broad nationwide range of 462 e-learning modules, which are regularly updated, plus a catalog of some 60 virtual classes.

These innovative solutions contribute directly to the achievement of the training challenge, namely to train more people, more effectively and at a lower cost. The Return On Expectations (ROE) project that was rolled out in 2015 is already producing encouraging results. For a comparable number of employees trained, the number of training hours increased by 16%, while the average cost per employee trained fell by 2%.

PROMOTING DYNAMIC CAREER MANAGEMENT AND CAREER PATHS FOR EMPLOYEES

At the end of the second year of the Occupation and Skills Forecasting agreement signed on January 20, 2015, the goal of the Human Resources divisions in the Group's companies to anticipate and support the career goals of their employees continues to apply, and is reflected in tangible initiatives taken by the Group's companies' HR teams on a daily basis.

With the aim of enhancing individual prospects and providing more career development opportunities, the companies reinforced the existing dynamic when this agreement was signed, underpinned by a body of common rules designed to encourage mobility within the Group. These rules facilitate this mobility in the best possible conditions through a simplified hiring process, support measures, mobility programs, and the organization of coordination meetings between human resources directors in the local regions.

This led to the organization of the second national Mobiliday on January 26, 2016, during which 35 companies discussed cross-entity matters such as motivation, the creation of talent pools, and the professional mobility market. The main task was to process nearly 90 individual mobility plans.

In addition, the Recruitment, Careers & Mobility departments of the Group Human Resources division jointly organized a two-day meeting on September 22-23, 2016, attended by around forty HR managers from across the Group. They discussed ongoing projects and forthcoming highlights, including the Challenge for universities and business schools and an employee referral program.

It was also the opportunity to test a new format for the forthcoming third Mobiliday event, involving an interactive solution that will enable participants to record and share in real time all the comments made by the different companies regarding each candidate.

The contributions made by each company and the active involvement of career managers in the twelve mobility committees across France boosted the impact of this proactive approach. In 2016, nearly 700 employees transferred to new Group companies – an increase of nearly 15% in relation to the previous year – and more than 10,500 functional transfers were made.

Alongside these proactive initiatives taken by the human resources directors, all Group employees have access to the Group's job website, where they can apply directly for positions available in the mobility program, which average around 700 each month.

DIVERSITY POLICY

True to its cooperative values, Groupe BPCE is a full-service bank that is open to all and close to its 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.

Since its creation, the Group has set targets and taken concrete steps to promote diversity.

The Group Human Resources division has included a Head of Diversity since 2015. A Diversity assessment was carried out at Group level in order to enhance the action plan for 2016-2017.

Groupe BPCE continued working towards its objectives in four priority areas: intergenerational diversity, gender equality, employment of persons with disabilities, and equal opportunities.

INTERGENERATIONAL DIVERSITY

Under its intergenerational 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: reorganized duties, reduced working hours or commute time, awareness of occupational health issues, etc. are considered and implemented as appropriate;
- career development: all employees aged 45 or older can request an interview with human resources to discuss the next stage in their career, access to a skills assessment, etc.;
- skills development: the number of employees aged 55 or older who received training is at least equal to their proportion of the total headcount, while employees aged 45 or older are given priority access to professional training schemes;
- end-of-career adjustments: in some cases, employees aged 58 or older may request a career review interview, receive guidance on preparing for retirement, opt for part-time hours, or take part in skills sponsorship activities.

OBJECTIVES FOR GENDER EQUALITY IN THE WORKPLACE

With women representing nearly 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.

An assessment designed to rebalance the number of men and women in technician-level positions began in the last quarter of 2016.

In 2016, 34 Groupe BPCE companies undertook a diversity certification process. By the last quarter of the year, 18 companies were certified and 16 were awaiting validation of their certification.

In addition to the agreements and action plans set up in each of the Group's companies, an agreement on professional equality and gender equality was renewed as part of the Occupation and Skills Forecasting agreement for 2015-2017.

In 2016:

- women accounted for 41.7% of managers, compared with 40.9% in 2015, and the figure is moving towards the target of 43% set in the Group agreement for the end of 2017;
- women accounted for 23.7% of executive management, an improvement against 2015, and this figure is also moving towards the target of 25% set in the Group agreement for the end of 2017.

To accelerate progress in terms of gender equality, and with the aim of achieving parity at all levels in the main business lines, commitments have been made and initiatives taken in the following areas: recruitment, training, promotions, pay, the work-life balance and awareness raising. Women's networks also help enhance professional equality.

Recruitment

Each company strives 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 integrate this criterion).

Creation of women's networks

Created in 2012, the women's network of Groupe BPCE ("Les Elles de BPCE", or "The Women of BPCE") currently has a membership of 384 women and 31 local networks. In line with the HR policy promoting gender equality, these networks are valuable forums for discussion and mutual assistance.

In 2016, the Group continued the mentoring sessions organized by "Les Elles de BPCE", during which women can meet with a representative of the Group Executive Management Committee and speak with the company Directors Management team.

The creation of the "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 9,000 visits have been logged since the blog's creation.

In 2016, the Group continued to train and identify women directors. Training will continue in 2017, and the creation of a website for directors' vacancies will be considered.

A STRONG COMMITMENT TO PEOPLE WITH DISABILITIES

In 2016, Groupe BPCE continued to support the employment of persons with disabilities in accordance with the agreements signed with the Banque Populaire, Caisse d'Epargne and Natixis professional employee representative networks, which were renewed for the period 2014-2016. It is the leading bank in terms of its overall rate of employment of persons with disabilities.

Accordingly, negotiations with a view to the new labor agreements for 2017-2019 began in June 2016, leading to the signing of agreements with both the Banque Populaire and Caisse d'Epargne professional networks in November.

This year, Groupe BPCE notably developed initiatives designed to encourage direct and indirect employment, with for example:

- sourcing initiatives to help companies with their recruitment (participation in the TalentHandicap and Handi2days recruitment fairs in March and October respectively, presence on professional social networks like Talentéo and handicap.fr);
- the involvement of all business functions with the organization of two regional PHARE (responsible purchasing and disabilities) symposia to identify and select regional service providers that can meet the companies' requirements. The first was held in Auvergne-Rhône-Alpes in April 2016 and the second in the Centre-Ouest region in December. A directory of EAs (companies promoting the professional integration of disabled persons) and ESATs (establishments where persons with disabilities can work in special conditions) specialized in these functions was drawn up to mark the event and distributed to the Group's companies. Group purchases from companies working with disabled persons exceeded 11 million as of the end of 2015.

EQUAL OPPORTUNITIES

Since 2010, the Group has worked with the Our Neighborhoods Have Talent (Nos Quartiers ont des Talents) non-profit to promote the employment of young graduates under the age of 30 who have at least four years' higher education but come from priority neighborhoods or disadvantaged social backgrounds. The Group takes various initiatives in this area, such as participating in the non-profit's Board of Directors, gradually rolling out mentorship programs among companies in the local regions, and holding internal events to encourage new mentors to get involved.

Since 2011, a total of 235 mentors and sponsors have assisted 1,251 young people, more than 544 of whom have now found a job.

LABOR RELATIONS

Organization of labor dialog at the Groupe BPCE level

Labor dialog continued throughout 2016 at the Groupe BPCE level *via* the Group Works Council and the Strategic Planning Committee.

The Group Works Council, a body for information, discussion and dialog, met four times in 2016, including an extraordinary meeting in March to discuss the digital transformation.

The topics addressed included the economic situation and the financial and social audit of the Group's accounts, prepared in advance by the economic and employment/training committees.

As stipulated by the Occupation and Skills Forecasting agreement of January 20, 2015, the strategic planning committee met in October 2016 to follow up on the current strategic plan (2014-2017).

Collective bargaining agreements

Signing of an agreement on the career paths of employee representatives

At Group level, the negotiations that began in 2015 on the career paths of employee representatives led to the signing of an agreement on January 28, 2016.

The agreement was signed by the labor unions CFDT, CFE-CGC and UNSA (representing 60% of employee representatives at Group level). It sets out the terms for supporting the careers of employee representatives in order to facilitate the transition between their term in office and their professional activity. The terms of the agreement cover three key periods: the start of their term as employee representative, during their term, and at the end of the term, before resuming their activity.

The agreement establishes an "academic program" and the organization of an annual economic and social forum.

Highlights of 2016 included the signing of an agreement on working conditions for both networks (Banque Populaire and Caisses d'Epargne).

The Banque Populaire professional agreement was signed by four labor unions (CFDT, CFTC, SNB-CFE/CGC and UNSA, representing 77% of employees) on July 6, 2016.

The Caisse d'Epargne professional agreement was signed by three labor unions (CFDT, SNE/CGC and UNSA, representing 58% of employees) on November 25, 2016.

The two agreements are very similar, thereby contributing to furthering the Group's construction. They aim to support the initiatives taken by the companies to improve employees' working environment, focused on four major themes (supporting change and anticipating impacts on working conditions, the working environment and the work-life balance, the organization of work, and management and workplace relations). The agreements notably provide for the following: the introduction of a right to disconnect after hours, the signing of the charter of 15 commitments for a fair work-life balance and the creation of an Observatory in each network.

The Banque Populaire professional network signed three additional agreements:

- an agreement on branch staff security was signed by CFDT and UNSA on July 22, 2016 for a five-year period. Its main changes concern the definition of a bank branch and branch types, focused on access to cash;
- an agreement on the employment of persons with disabilities, signed on November 14, 2016, which sets the goal of an overall employment rate of 4.7%, an indirect employment rate of 0.7%, and 150 recruitments, 30% of which with permanent contracts. This agreement was signed by CFDT, CFTC, FO, SNB-CFE/CGC and UNSA, representing over 88% of employees;
- an agreement on the inter-company works council signed on November 14, 2016. The inter-company works council manages part of its member committees' social activities. This agreement was signed by CFDT, CFTC, CGT, SNB-CFE/CGC and UNSA, representing over 89% of employees;

Renewal of the Caisse d'Epargne network classification system

For the Caisse d'Epargne network, negotiations on the renewal of the employment classification system began in March and were completed in September with the signing of two amendments, one covering the employment classification agreement and the other on employee careers. The agreements were signed by CFDT, CFTC, FO, SNE-CGC and UNSA, representing more than 71% of employees.

The agreement provides for a new classification system for 39,000 employees under the Caisse d'Epargne professional network. The new system is closer to others in place within Groupe BPCE and the banking industry as a whole. It took effect on January 1, 2017.

An agreement on the employment of persons with disabilities, which follows on from a previous agreement and sets an objective of an overall employment rate of 5.3%, an indirect employment rate of 0.7%, and 150 recruitments, 30% of which with permanent contracts was signed on November 25, 2016 by CFDT, CFTC, SNE/CGC and UNSA, representing over 63% of employees.

For the Group's companies, the agreements signed in 2016 cover the following main topics: employee savings, mandatory annual negotiations, employee representative bodies/trade union law.

OCCUPATIONAL HEALTH AND SAFETY

Improving quality of life in the workplace

Several years ago, all Group companies set up systems for managing 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 support for persons experiencing difficulty (counseling and psychological support group).

Groupe BPCE is committed to developing a workplace quality-of-life policy to move beyond simple risk prevention and promote long-term employee engagement.

In addition, the occupational quality-of-life approach recommended within the Group is aimed at strengthening the appeal of the Group's businesses and increasing the commitment, motivation, and loyalty of all employees, while also reducing stress at work and lowering absenteeism.

Groupe BPCE's Human Resources division works with all of the Group's companies to constantly improve the quality of working life within the Group by coordinating and sharing best practices, supporting change by measuring the human impact, and *via* a dedicated website for the human resources functions.

Signing of agreements on the working environment

Highlights of 2016 included the signing of agreements on working conditions. The Banque Populaire professional network signed an agreement on working conditions in July 2016, Natixis signed an agreement on quality of life in the workplace in August 2016 and the Caisse d'Epargne professional network signed an agreement on working conditions in November 2016. The network-wide agreements notably provide for the appointment of workplace quality-of-life correspondents by the Group Human Resources division.

Occupational Health and Safety

Within the Group, policies and budgets relating to health and safety conditions fall within the remit of each of the entities and the CHSCT committees established with employee representatives.

In addition to expenditure on specific programs to improve occupational health and safety, Group companies implement more traditional monitoring and prevention programs.

For several years, a large number of meetings have been held with the CHSCT committees of companies covered under the scope, demonstrating the desire to build a lasting, constructive social dialog with the help of these committees.

Workplace accidents

Consolidated 2016 data are not yet available; however, the number and frequency of workplace accidents (including while commuting) has declined over the past three years (frequency 5.69% in 2015, compared with 5.75% in 2014 and 6.29% in 2013).

Given the nature of the Group's businesses and the fact that the majority of the accidents take place during home-work commutes, the Group has not established specific mechanisms for monitoring the average rate of severity.

However, all Group companies have a committee 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 within the Group (including parental leave, illness 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 is 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. The companies are also offered solutions to analyze and measure absenteeism.

EMPLOYMENT AND HR OPERATIONS

Acceleration in the digital policy and ongoing improvements in all areas of the Group Human Resources information systems

Once again, regulatory requirements had a major impact on Groupe BPCE's HR information systems. Teams in charge of payroll systems were the most affected, with the intensification of nationwide projects to roll out the electronic employee-related data reporting (DSN) system and the implementation of the simplified payslip. HR training and oversight systems teams were also impacted by regulatory changes in certain business lines, which require approved training courses.

The functional coverage of the Group's HR IS solutions expanded, and applications continued to be more widely rolled out across the Group's companies in order to meet the goal of pooling and standardizing HR data and practices.

HR tools were all upgraded in 2016 to integrate the latest functionalities and to provide new, more user-friendly graphics interfaces.

User training in the Group's HR solutions was provided by the Group's HR Operations division in virtual classes or day-long sessions that took a "user club" format. These events provide the opportunity to train users, share best practices and identify users' requirements and satisfaction level.

The digital conversion of the HR function was ramped up in 2016 as, alongside the ongoing deployment of digital employee onboarding and electronic signature solutions, Groupe BPCE worked with a specialist software editor to co-develop a new service with considerable added value: the Cockpit RH.

This solution will provide HR teams and managers with all the HR information they need in a simple, mobile, intuitive application.

Groupe BPCE's Cockpit RH project won the best initiative award in the digital HR category at the fifth HR IS awards organized by the association of HR managers Le Cercle SIRH.

Career Observatory

Because it operates under a system of multiple labor agreements and multiple 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, two qualitative studies were carried out in 2016 under the auspices of the National Labor Relations Commission (CPNE) for the Banque Populaire and Caisse d'Epargne professional networks. One covered the identification and recognition of skills acquired within and outside the company for the Banque Populaire CPNE, and the second addressed the issue of career-long skills development, maintenance and sharing against the backdrop of changing customer relations for the Caisse d'Epargne CPNE. In parallel, work carried out under the purview of the Group Career Observatory, instituted under the Group's occupation and skills forecasting agreement, which was signed in 2011 and renewed in 2014, identifies and analyzes "sensitive" job types, which are characterized by a substantial change 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's growth is pursued 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, pursuant to the International Labor Organization 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 the founding texts of 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 in this respect.

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 as of December 31, 2016 was 108,177 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 0.2% compared with 2015.

Total headcount	2016	2015	2014	Change
Banque Populaire banks	31,582	31,331	31,155	0.8%
Caisses d'Epargne	36,102	36,280	36,402	(0.5%)
Subsidiaries and other banks	9,972	10,320	10,790	(3.4%)
Natixis	22,905	22,793	22,503	0.5%
Real estate	1,898	1,943	1,990	(2.3%)
Central institution	1,552	1,520	1,574	2.1%
IT and other operations	4,166	4,169	4,151	(0.1%)
GROUP TOTAL	**108,177**	**108,356**	**108,565**	**(0.2%)**

Permanent and fixed-term staff at December 31 (excl. those on work-study contracts).

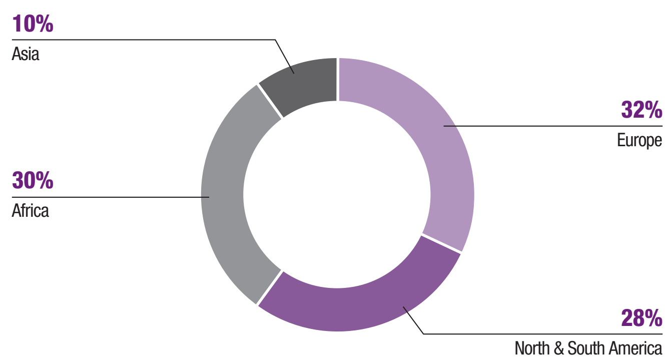
Geographic breakdown of headcount

10% of Groupe BPCE staff work outside of France.

HEADCOUNT OUTSIDE OF FRANCE

	Natixis	Other subsidiaries	Real estate	Total	
	Number	Number	Number	Number	%
Europe	3,165	267	155	3,587	32%
North & South America	3,133	-	-	3,133	28%
Africa	1,322	2,122	-	3,444	31%
Asia	1,037	59	1	1,097	10%
GROUP TOTAL	**8,657**	**2,448**	**156**	**11,261**	**100%**

Permanent and fixed-term staff at 12/31/2016 (excl. those on work-study contracts).



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Scope of HR data

The scope reviewed below represents 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 section 6.5.2).

Breakdown of headcount by contract type, status and gender

	2016		2015		2014	
Permanent + fixed-term staff	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff incl. work-study contracts	80,832	93.2%	80,715	93.6%	81,401	94.0%
Fixed-term staff incl. work-study contracts	5,930	6.8%	5,531	6.4%	5,186	6.0%
TOTAL	**86,762**	**100%**	**86,246**	**100%**	**86,587**	**100%**

Permanent and fixed-term staff present at December 31. 2015 and 2014 data pro forma.

	2016		2015		2014	
Non-management/management staff	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, non-management	46,715	57.8%	47,289	58.6%	48,342	59.4%
Permanent staff, management	34,117	42.2%	33,426	41.4%	33,059	40.6%
TOTAL	**80,832**	**100%**	**80,715**	**100%**	**81,401**	**100%**

Permanent staff incl. work-study contracts present at December 31. 2015 and 2014 data pro forma.

	2016		2015		2014	
Headcount by gender	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, women	45,184	55.9%	44,779	55.5%	44,868	55.1%
Permanent staff, men	35,648	44.1%	35,936	44.5%	36,533	44.9%
TOTAL	**80,832**	**100%**	**80,715**	**100%**	**81,401**	**100%**

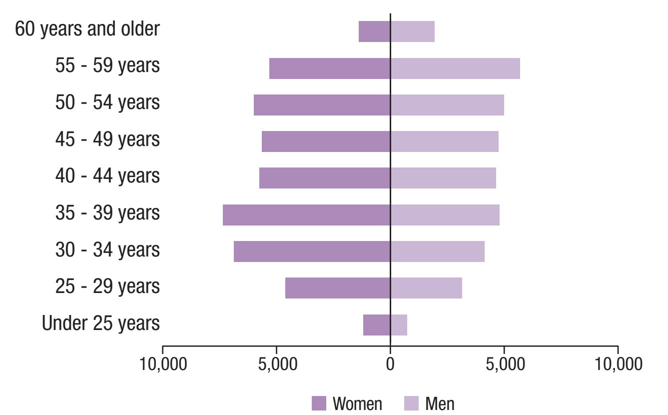
Permanent staff incl. work-study contracts present at December 31. 2015 and 2014 data pro forma.

Over 93% of staff hold permanent contracts. Women remain in the majority, representing nearly 56% of staff on permanent contracts. The proportion of managers is over 42%, a figure that is steadily increasing each year.

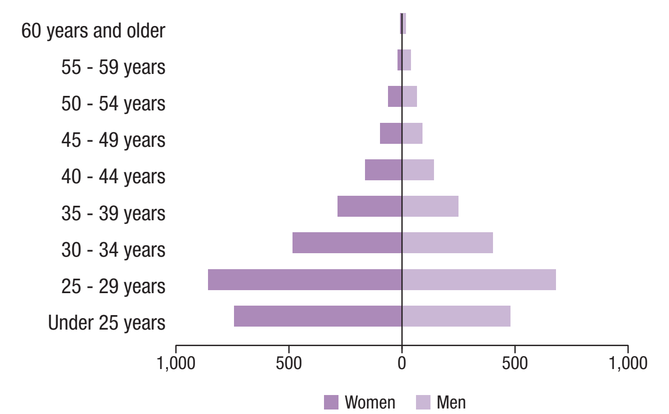
Headcount and recruitment by age group

There is a high proportion of employees under 35, accounting for 26% of permanent staff. This helps balance the overall age pyramid by paving the way for the gradual replacement of employees over 55 (18% of permanent staff) who are due to retire over the next few years.

2016 AGE PYRAMID: STAFF (PERMANENT CONTRACTS)



2016 AGE PYRAMID: HIRES (PERMANENT CONTRACTS)



Breakdown of hires by contract, status and gender

	2016		2015		2014	
Permanent + fixed-term hires	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff incl. work-study contracts	4,860	34.6%	4,565	33.0%	3,694	32.8%
Fixed-term staff incl. work-study contracts	9,182	65.4%	9,275	67.0%	7,568	67.2%
TOTAL	**14,042**	**100%**	**13,840**	**100%**	**11,262**	**100%**

2015 and 2014 data pro forma. The creation of BPCE IT was neutralized in 2015.

	2016		2015		2014	
Non-management/management hires	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, non-management	3,348	68.9%	3,349	73.4%	2,599	70.4%
Permanent staff, management	1,512	31.1%	1,216	26.6%	1,095	29.6%
TOTAL	**4,860**	**100%**	**4,565**	**100%**	**3,694**	**100%**

Permanent staff incl. work-study contracts. 2015 and 2014 data pro forma. The creation of BPCE IT was neutralized in 2015.

	2016		2015		2014	
Hires by gender	**Number**	**%**	**Number**	**%**	**Number**	**%**
Women	2,704	55.6%	2,477	54.3%	1,961	53.1%
Men	2,156	44.4%	2,088	45.7%	1,733	46.9%
TOTAL	**4,860**	**100%**	**4,565**	**100%**	**3,536**	**100%**

Permanent staff incl. work-study contracts. 2015 and 2014 data pro forma. The creation of BPCE IT was neutralized in 2015.

Departures of employees on permanent contracts by reason and gender

Employee dismissals in 2016 represented 11% of all departures of employees on permanent contracts. This figure was up 3 points compared with 2015. Retirement accounted for 2% of 2015 permanent staff.

	2016				2015		2014	
	Women	**Men**	**Total**		**Total**		**Total**	
Departures, permanent staff	**Number**	**Number**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Resignation	802	714	1,516	27.6%	1,298	22.7%	1,111	24.3%
Dismissal	264	348	612	11.1%	485	8.5%	550	12.0%
Transfer	318	276	594	10.8%	555	9.7%	504	11.0%
Retirement	778	814	1,592	29.0%	1,560	27.3%	1,429	31.2%
Mutually-agreed termination	231	198	429	7.8%	435	7.6%	337	7.4%
Departure during a trial period	185	168	353	6.4%	336	5.9%	266	5.8%
Other reasons	203	198	401	7.3%	1,051	18.4%	379	8.3%
TOTAL	**2,781**	**2,716**	**5,497**	**100%**	**5,720**	**100%**	**4,576**	**100%**

Permanent staff incl. work-study contracts. 2015 and 2014 data pro forma.

Remuneration

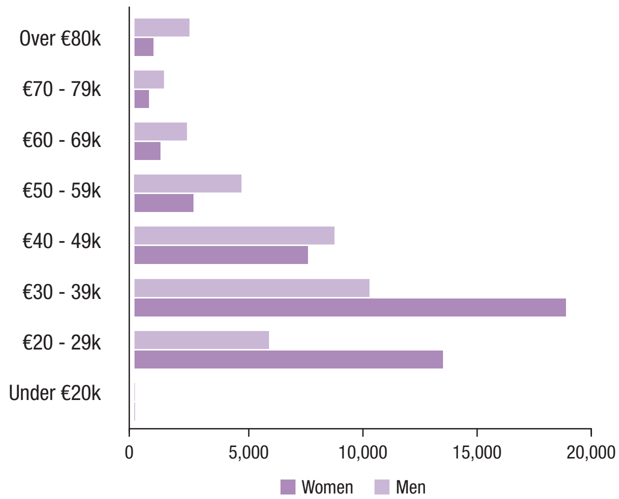
Every year, each Group company analyzes and revises individual pay levels in keeping with performance targets shared with the employees.

MEDIAN BASE SALARY OF PERMANENT STAFF BY GENDER AND STATUS

	Median				
Median base salary	2016	2015	2014	Change	Ratio Men/ Women
Women	34,100	33,665	33,427	1.29%	-
Women, non-management	30,874	30,550	30,500	1.06%	-
Women, management	45,949	45,691	45,559	0.56%	-
Men	41,556	41,000	40,910	1.36%	-
Men, non-management	31,854	31,604	31,734	0.79%	-
Men, management	50,607	50,164	50,032	0.88%	-
Non-management	31,170	30,887	30,880	0.92%	3.08%
Management	48,566	48,288	48,228	0.58%	9.20%
TOTAL	**36,855**	**36,373**	**36,223**	**1.33%**	**17.94%**

Permanent staff excl. work-study contracts present at December 31. Pro forma 2014 data.

BREAKDOWN OF PERMANENT STAFF (EXCL. PERMANENT WORK-STUDY) PRESENT AT DECEMBER 31, 2016 BY SALARY BRACKET



Work arrangements, working hours

Within the Group, 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 2016, nearly 12% of permanent staff worked part-time, and 91% of those working part-time were women.

PERMANENT STAFF WORKING PART-TIME BY GENDER AND STATUS

	2016			2015			2014		
Part time	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management	6,526	526	7,052	6,691	484	7,175	6,869	497	7,366
Management	2,034	326	2,360	1,962	306	2,268	1,889	265	2,154
TOTAL	**8,560**	**852**	**9,412**	**8,653**	**790**	**9,443**	**8,758**	**762**	**9,520**

Permanent staff incl. work-study contracts present at December 31. 2015 and 2014 data pro forma.

BREAKDOWN OF PART-TIME PERMANENT STAFF BY WORKING HOURS

	2016			2015			2014		
Part time	Women	Men	Total	Women	Men	Total	Women	Men	Total
Less than 50%	275	51	326	246	37	283	258	39	297
50%	348	78	426	374	74	448	404	63	467
Between 50% and 80%	2,551	269	2,820	2,665	243	2,908	2,685	256	2,941
80%	2,529	208	2,737	2,598	203	2,801	2,684	184	2,868
More than 80%	2,857	246	3,103	2,770	233	3,003	2,727	220	2,947
TOTAL	**8,560**	**852**	**9,412**	**8,653**	**790**	**9,443**	**8,758**	**762**	**9,520**

Permanent staff incl. work-study contracts present at December 31. 2015 and 2014 data pro forma.

Training

The scope reviewed below represents 87% of permanent staff (including work-study contracts) 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 BPCE central institution.

TRAINING OF PERMANENT STAFF BY GENDER AND STATUS

The total number of training hours in 2016 – more than 2,270,000 – is testament to the efforts of all the Group's 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.

80% of training initiatives are devoted to job skills and maintaining employee value on the job market.

	2016			2015			2014		
Employees trained	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-management	26,975	13,974	40,949	27,301	14,577	41,878	26,318	14,274	40,592
Management	10,053	14,624	24,677	9,617	14,795	24,412	8,863	14,198	23,061
TOTAL	**37,028**	**28,598**	**65,626**	**36,918**	**29,372**	**66,290**	**35,181**	**28,472**	**63,653**

Permanent staff incl. work-study contracts. 2015 and 2014 data pro forma.

BREAKDOWN OF TRAINING HOURS BY GENDER AND STATUS

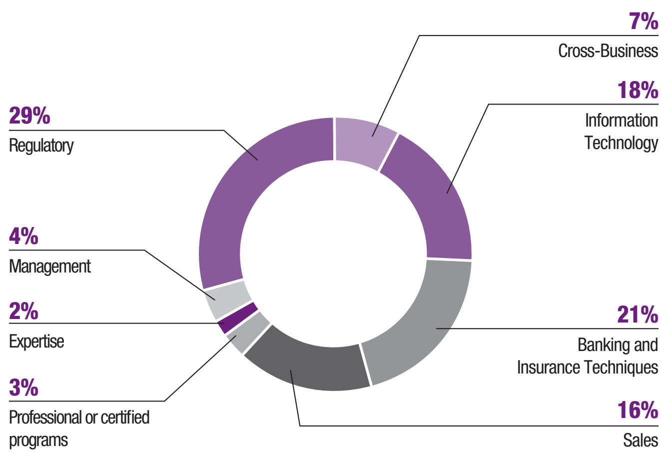
	2016			2015			2014		
Hours of training	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-management	929,593	579,871	1,509,464	799,067	522,445	1,321,512	711,741	470,808	1,182,549
Management	317,623	443,364	760,987	313,679	459,132	772,811	290,654	442,052	732,706
TOTAL	**1,247,216**	**1,023,235**	**2,270,451**	**1,112,746**	**981,577**	**2,094,324**	**1,002,395**	**912,860**	**1,915,255**

Permanent staff incl. work-study contracts. 2015 and 2014 data pro forma.

BREAKDOWN OF PERMANENT STAFF TRAINED BY AREA OF TRAINING

In today's increasingly regulated banking industry, training initiatives focus predominantly on regulatory issues.

Next come areas relating to technology and banking and insurance techniques.



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6.3.2 Reducing our direct environmental footprint

Reducing the environmental impact of the Group's operations is a key focus of its CSR policy. To this end, three projects bringing together the regional banks' sustainable development officers and business experts were set up in 2016, covering:

- paper;
- mobility;
- waste electrical and electronic equipment (WEEE).

As with other projects under the CSR policy, the working groups are tasked with setting targets for each project and tangible measures to be taken in the short, medium and long term to reduce our direct environmental footprint.

CLIMATE CHANGE

Since 2013, the Group's Sustainable Development division has been reinforcing its tool for documenting the Group's industry-specific carbon footprint. This tool is used to assess greenhouse gas (GHG) emissions using a method compatible with that of ADEME, the ISO 14064 standard, and the Greenhouse Gas Protocol.

The tool is used to estimate the GHG emissions from the bank's branch and head office operations each year. Direct emissions caused by bank products and services are, however, excluded from the analysis.

After five years spent collecting carbon data using a stable benchmark shared by all of the Group's 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, property, plant and equipment, and other,
  - by scope[1].

Each year, this tool tells the sustainable development officers the level of these emissions and how it has changed, and gives them a reliable benchmark so they can create a local plan for reducing greenhouse gas emissions. It also allows the Group Sustainable Development division to organize nationwide reduction initiatives.

Every year, the Group's Sustainable Development division places a special focus on training the sustainable development function by holding sessions:

- to raise awareness of CSR, energy and climate issues; in 2016, four sessions were organized for Group employees in different business lines;
- to provide training in the Group tools used to calculate the Group's greenhouse gas emissions. Two such training sessions were held in October and November (one for beginners, one for advanced users) for all the sustainable development officers from the Group's companies and a panel of officers from the Logistics division. Attendees were given a starter kit at the end of each session.

This investment produced positive results in terms of both the number of officers trained in the Group carbon review system and the number of entities having conducted a carbon review (which covers 89% of the Group's permanent employees).

RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW EXCLUDING KYOTO BY SCOPE (EMISSIONS IN TCO_2EQ)

Indicator	2016	2015	2014	Change 2015/2016
Direct greenhouse gas emissions – Scope 1	41,050	41,974	40,977	(2.2%)
Indirect greenhouse gas emissions – Scope 2	36,311	37,953	38,562	(4.3%)
Indirect greenhouse gas emissions – Scope 3	598,152	588,896	600,844	1.5%
Greenhouse gas emissions excl. Kyoto	3.5	141	549	(97.5%)
TOTAL	**675,516[1]**	**668,964**	**680,932**	**1%**

(1) The new entities included in the scope for 2016 (in relation to 2015) are: Banque de Nouvelle-Calédonie and BPCE IT.

Thanks to a national policy on energy, procurement optimization and carbon reduction plans within the entities, between 2015 and 2016 the Group maintained its carbon footprint at the same level, with a slight overall increase due to the expansion of the scope covered. The carbon footprint increased from 675,516 tCO_2eq in 2015 to 675,348 tCO_2eq in 2016.

For 2016, the three biggest causes of carbon emissions, in descending order, were:

- 1: travel, accounting for 30% of CO_2 emissions in 2016, compared with 32% in 2015;
- 2: procurement, accounting for 27% of CO_2 emissions in 2016, compared with 26% in 2015;
- 3: property, plant and equipment (manufacturing of vehicles, IT hardware, buildings, ATMs) accounted for 20% of consolidated carbon emissions, compared with 19% in 2015.

Best practices for reducing emissions include:

- for "business travel": Crédit Coopératif and Caisse d'Epargne Normandie are among the first businesses in France to pay their employees a per-kilometer

(1) The GHG Protocol divides an entity's (or organization's) GHG emissions into the following scopes:

- *scope 1: direct emissions caused by fossil fuel combustion (oil, gas, coal, etc.) and liquid refrigerant leaks from resources owned or operated by the company;*
- *scope 2: indirect emissions caused by purchasing or producing electricity, steam, heating and cooling;*
- *scope 3: sum of all other indirect emissions (from the supply chain, expanded to include freight and human transportation).*

Note that the regulatory requirements under Article 75 of the Grenelle environmental framework cover Scope 1 and Scope 2.

bonus for commuting by bike. Following the review of the Group's travel policy carried out by BPCE Procurement, a guide to best practices was published for 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; several companies have also implemented company travel plans, car-pooling and car-sharing systems, and/or efforts to optimize the use of their vehicle fleet; and several Group companies are testing or have already introduced home-working, which reduces CO_2 emissions caused by employee commutes;

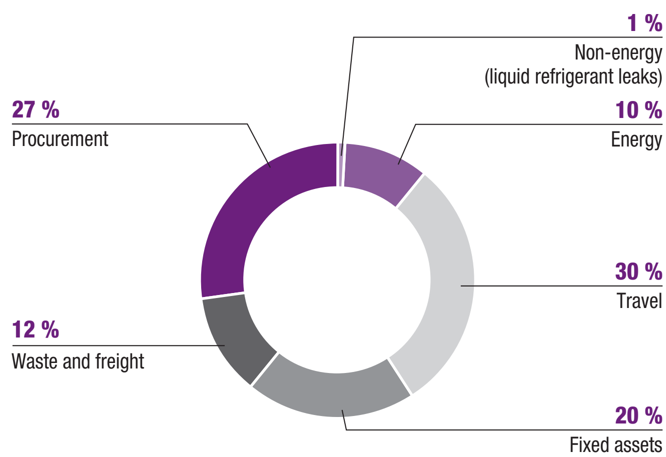
- for "liquid refrigerants": the regulatory requirement under Article R. 543-82 of the French Environmental Code, which requires service providers in charge of maintaining air conditioning systems to report on liquid refrigerant refills. This provides accurate quantitative data and reflects changes in how air conditioning systems are refilled;
- for "energy": energy emissions fell due to better management of energy use, in particular with the installation of automated controllers in branches and energy audits carried out on all buildings; since 2016, the Group's companies have been offered a predictive modelling solution to help them save energy. The 9 companies that adopted this solution, representing 1,713 sites, achieved average energy savings of 23%; the use of heating oil and gas is also on the decline across the networks.

  An increasing number of entities are using renewable energy sources for their electricity. With the end of regulated electricity prices in France, the Group-wide consultation carried out by BPCE Procurement in 2015 enabled 18 companies to opt for electricity produced solely from renewable energy sources, representing 260 GWh in 2,799 locations. This generated significant avoided emissions for the Group;
- for "property, plant and equipment": more efforts are being made to apply the total cost of ownership approach (one of the key aims of the responsible procurement policy, AgiR), to ensure that all economic and environmental (CO_2 emissions) criteria are fully taken into account when selecting company vehicles.

RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW EXCLUDING KYOTO BY ITEM (EMISSIONS IN TCO_2EQ)

Indicator	2016	Share of total	2015	2014	Change 2015/2016
Energy	65,378	10%	68,358	70,902	(4%)
Liquid refrigerants	6,981	1%	7,468	7,180	(6.5%)
Procurement	182,625	27%	175,451	182,727	4%
Business travel	54,614	8%	52,493	50,671	4%
Daily work commute	97,988	14%	97,156	95,571	1%
Customer and visitor travel	52,272	8%	58,544	51,500	(11%)
Property, plant and equipment and intangible assets	134,772	20%	129,013	141,454	4%
Other sources: freight and waste	80,881	12%	80,481	80,927	0%
TOTAL	**675,514**		**668,964**	**680,932**	**1%**

BREAKDOWN OF CARBON REVIEW EMISSIONS EXCLUDING KYOTO 2016 – BY ITEM



THE CIRCULAR ECONOMY

The circular economy aims to limit the use and waste of commodities, water, and energy when producing goods and services.

For Groupe BPCE, this involves:

- optimizing its energy use and the measures taken to improve energy efficiency and the use of renewable energy sources;
- preventing and managing waste;
- the sustainable use of resources (water, commodities, etc.).

ENERGY CONSUMPTION

Groupe BPCE is continuing to implement actions with the aim of:

- reducing its energy consumption and improving the energy efficiency of its buildings;
- encouraging staff to limit their energy consumption at its main sites.

ENERGY SPENDING

Indicator	2016	2015	2014	Change 2015/2016
Total spending on electricity *(in € tax inclusive)*	59,503,226	66,820,297	58,505,398	(11%)
Total spending on natural gas *(in € tax inclusive)*	3,241,506	4,679,938	3,956,027	(31%)
Total spending on heating oil *(in € tax inclusive)*	334,350	806,639	624,706	(59%)
Total spending on energy from other sources *(in € tax inclusive)*	6,085,068	7,238,231	20,077,210	(16%)

Total energy consumption for 2016 is estimated at 547,977,132 kWh (down 5% on 2015), broken down as follows:

ENERGY CONSUMPTION

Indicator	2016	2015	2014	Change 2015/2016
Total final energy consumption (in kWh)[(1)]	547,977,132	593,264,938	684,481,849	(5%)
Share of renewable energy in total final energy consumption *(in kWh)*	123,369,266	38,316,150	34,700,704	222%[(2)]
Total energy consumption per m² *(in kWh/m²)*	**180**	**186**	**213**	**0.2%**
Total heating oil consumption (purchases made) *(in liters)*	1,153,703	1,122,748	737,017	3%
Total electricity consumption *(in kWh)*	449,379,812	478,240,908	560,184,322	(4%)
Total gas consumption *(in kWh HHV Higher Heating Value)*	66,454,704	67,285,416	81,873,720	(3%)
Total consumption of heating systems *(in kWh)*	27,186,409	25,437,285	25,219,833	7%
Total consumption of cooling systems *(in kWh)*	19,527,389	17,898,958	18,050,603	9%

(1) *Sum of lines: kWh of electricity + kWh HHV of gas/1.11 + liters of heating oil x 9.86 + kWh of steam + kWh of cooling.*

(2) *With the end of regulated electricity prices in France, the Group-wide consultation carried out by BPCE Procurement in 2015 enabled 18 companies to opt for electricity produced solely from renewable energy sources.*

MEASURES TAKEN TO REDUCE TRAVEL-RELATED ENERGY CONSUMPTION

Indicator	2016	2015	2014	Change 2015/2016
Fuel consumption (gas and diesel oil) of company cars, fleet cars and the motor pool *(in liters)*	7,656,275	7,800,282	7,249,321	(2%)
Business travel in private cars *(in km)*	73,941,573	74,673,564	73,845,475	(1%)
Total fuel consumption for business travel by car[(1)] *(in liters)*	**13,571,600**	**13,774,167**	**13,156,959**	**(1%)**
Average gram$_s$ of CO2 per km (as stated by manufacturer) for company cars and fleet cars *(grams of CO_2/km)*	100	105	125	(5%)
Business travel by train *(in km)*	61,384,466	75,183,552	72,546,255	(18%)
Business travel by air, short-haul[(2)] *(in km)*	19,279,260	19,272,667	18,339,364	0%
Business travel by air, medium- and long-haul *(in km)*	50,679,692	50,734,652	46,041,547	0%

(1) *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.*

(2) *Journeys under 1,000 km.*

To improve energy consumption related to business travel, 18 companies set up company travel plans in 2016 covering 823 locations and 25,110 employees.

They encourage their employees to take more environmentally friendly means of transportation, or to carpool for commuting to and from work and for business travel. Additionally, some cars in the fleet have been replaced by vehicles that emit less CO_2.

Finally, to limit travel, conference rooms have been fitted with videoconferencing and teleconferencing equipment.

Groupe BPCE implements measures to avoid all forms of pollution and damage to natural resources caused by its operations. It is committed to reducing and streamlining the consumption of raw materials and seeks to maximize the efficiency of its waste management system in order to produce less waste.

PREVENTING AND MANAGING WASTE

Groupe BPCE respects recycling regulations and ensures that its sub-contractors observe regulations governing the prevention, recycling, reuse and elimination of waste paper, metals, plastic, glass and wood as well as waste electrical and electronic equipment (WEEE).

BANKING-RELATED WASTE

Indicator	2016	2015	2014	Change 2015-2016
Total spending on waste management services *(in € excl. VAT)*	4,152,291	5,008,039	4,766,833	(17%)
Volume of waste[(1)] produced by FTE *(in metric tons per FTE)*	0.1	0.2	N/A	(61%)
Amount of recycled ink and toner cartridges *(number)*	172,304	175,211	155,558	(2%)

(1) Non-hazardous industrial waste, fluorescent/neon tubes and compact fluorescent light bulbs, waste electrical and electronic equipment (WEEE).

SUSTAINABLE USE OF RESOURCES

The Group's companies increasingly recycle their paper, which explains the reversal in the trend between the use of virgin paper and recycled paper since 2015.

PAPER CONSUMPTION

Indicator	2016	2015	2014	Change 2015-2016
Virgin paper *(A4) (in kg/FTE)*[(1)]	30.7	39.1	20.7	(21%)
Recycled paper (A4) and/or FSC- or PEFC-certified paper *(in kg/FTE)*[(1)]	28.7	29.4	42.6	(2.3%)
Virgin publishing materials *(in metric tons)*[(2)]	865.1	710.68	N/A	22%
Recycled and/or FSC- or PEFC-certified publishing materials *(in metric tons)*[(2)]	914.9	233	N/A	293%[(4)]
Other virgin paper *(in metric tons)*[(3)]	1,007.14	1,176.12	N/A	(14%)
Other recycled paper and/or FSC- or PEFC-certified paper *(in metric tons)*[(3)]	364.68	992.93	N/A	(63%)

(1) Reams of A4 paper purchased during the year.
(2) Includes publications managed by each company internally and external publishing (managed by a local provider outside the Group), but not publishing managed by i-BP/IT-CE. This mainly concerns account statements.
(3) Includes specific documents, thermal paper for ATM receipts, office supplies, marketing materials, large-volume documents, reams of paper other than A4, prospectuses, forms, envelopes, headed paper, mailings.
(4) This sharp increase can be attributed to a higher number of businesses meeting this indicator.

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).

WATER CONSUMPTION

Indicator	2016	2015	2014	Change 2015-2016
Total spending on water *(in € tax inclusive)*	2,831,718	2,997,207	2,706,677	(6%)
Total water consumption *(in m^3)*	917,864	1,131,569	979,296	(19%)

POLLUTION

As Groupe BPCE is a service-based group, it is not concerned by issues relative to noise pollution and ground use. Its offices and commercial premises often cover several floors so its ground occupancy is much smaller than that of an industrial activity spread over a single level.

The same is true for water, air and soil pollution, in view of the nature of the Group's activities (with respect to greenhouse gas emissions, refer to 6.3.2 "Reducing the carbon footprint" under "Climate change").

With respect to light pollution, Groupe BPCE refers to the regulation in force since July 1, 2013 limiting light pollution, energy consumption and nighttime lighting for non-residential buildings such as shops and offices[1].

BIODIVERSITY MANAGEMENT

Biodiversity is an important component of Groupe BPCE's environmental stance, in the same way as other aspects (reducing the carbon footprint, developing green banking products, etc.).

A number of major initiatives have been pursued by the Group companies in this regard:

- partnerships and patronage:
  - support for three non-profits working on projects involving bee-keeping, biodiversity and nature protection awareness,
  - the Banque Populaire du Sud Corporate Foundation financed 5 charitable biodiversity preservation projects, for a total of €11,000,
  - Banque Populaire Val de France supports Indre Nature (biodiversity guide book), Fermes d'avenir (micro-farms practicing permaculture) and Sologne Nature Environnement (bat protection),
  - financing of biodiversity projects *via* donations made by the Caisse d'Epargne Normandie fund for solidarity-based initiatives,
  - a donation of €12,000 by Caisse d'Epargne d'Auvergne et du Limousin to associations supporting biodiversity and involvement in Solidarity Week (70 participants),
  - a donation of €2,648 by Caisse d'Epargne Côte d'Azur to Apis Campus to finance a comparative study of a commercial beehive and two biodiversity beehives, using a smart solution,
  - Banque Populaire Occitane donated €1,000 to the Comité de Spéléologie Régional Midi-Pyrénées (Midi-Pyrénées Regional Caving Association) to monitor potential sources of pollution in a karst sinkhole (a site polluted by an estimated 300 m^3 of waste);
- installation of beehives:
  - Banque Populaire du Nord installed three beehives to protect biodiversity, in partnership with Beecity,
  - Banque Populaire Rives de Paris installed three additional rooftop beehives in 2016 taking the total to six;
  - Banque Populaire Rhône Alpes installed a rooftop apiary with five beehives on the head office building in Corenc,
  - Caisse d'Epargne Bourgogne Franche Comté installed three beehives near the head office in Dijon,
  - Caisse d'Epargne Ile de France installed four rooftop beehives at its head office,
  - Caisse d'Epargne Loire Centre installed beehives at the Montespan administrative site in Saint Jean de la Ruelle;
- forest management:
  - Caisse d'Epargne Aquitaine Poitou-Charentes manages 745 hectares of PEFC-certified forests (Landes de Gascogne nature park). In 2016, the bank replanted 5 hectares of this forest,
  - Caisse d'Epargne d'Auvergne et du Limousin owns 63 hectares of forest in the Creuse département, which is managed by the Office national des forêts;
- Crédit Coopératif's support for biodiversity preservation efforts through donations to 24 projects in 2016 (donations stemming from shared-return products benefiting non-profits, partnerships and investments in solidarity-based UCITS linked to organizations managing sensitive natural areas).

(1) *Decree of January 25, 2013 establishing guidelines for non-residential lighting from offices, shops, storefronts and display windows. Source: http://www.legifrance.gouv.fr/*

6.4 Sustainable and responsible value creation

6.4.1 Contribution to regional economic development

FINANCING THE ECONOMY: LOCAL ROOTS – A KEY ASSET

The 15 Banque Populaire banks and the 17 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 2016, Groupe BPCE should remain the leading provider of personal microloans with support for individual customers, with 7,262 loans and a total of €19 million in financing, up slightly against 2015, which should confirm its leadership position (43.49% market share at year-end 2015). The Group also remains the leading provider of professional microloans (33% market share at year-end 2016);
- in 2016, donations by the Banque Populaire banks and Caisses d'Epargne to general interest projects in local areas amounted to €32.8 million (versus €31.2 million in 2015):
  - €11.4 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,
  - €21.5 million was earmarked by the Caisses d'Epargne for four uses: direct support of local solidarity-based and cultural initiatives, the Caisse d'Epargne network's charity fund, the Fondation Caisse d'Epargne pour la solidarité (now named the Fondation Partage et Vie) and the Fondation Belem;
- in 2016, 87% of the Group's suppliers[(1)] were SMEs[(2)]. 37% of purchases[(3)] were made from SMEs and 29% from ISEs[(4)]. The Group's companies give preference to local suppliers: 70.78% of suppliers have a local presence in their respective regions[(5)]. 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 play a role in the development of rural areas: 415 branches are located in rural areas[(6)];
- *via* their branches, the Banque Populaire banks and the Caisses d'Epargne are also present in 34.7% of priority neighborhoods as identified by municipal policy[(7)], with 452 branches.

The BPCE International network supports VSEs and SMEs

BTK, BPCE International's subsidiary in Tunisia, teamed up with the International Finance Corporation (IFC, World Bank Group) to develop financing for small and medium-sized enterprises in Tunisia.

Nearly 30% of micro, small and medium-sized enterprises in Tunisia have no access to bank financing. This weighs on growth in this country, which wants to continue its development and create jobs. With this €25 million loan, BTK will be able to extend its loan portfolio to a larger number of SME customers.

Groupe BPCE also continued to use the CICE[(8)] for various investments in real estate, the digital conversion of documents, technological innovations, IT investments, training and recruitment. Details are provided in Chapter 5.

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

The Banque Populaire banks and Caisses d'Epargne are major players in financing local authorities, social housing and organizations in the social and solidarity-based economy. The legal framework governing this sector was reinforced by the French law of July 31, 2014.

As cooperative banks, the two networks are also part of the social and solidarity-based economy, which accounts for 10.5% of salaried employment[(9)] in France, consisting of organizations and companies with the status of non-profits (78%), cooperatives (13%), mutual companies (5.7%) and foundations (3.3%). In France, 30%[(10)] of all banking, financial, and insurance jobs are with cooperatives and mutual companies.

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(1) *From a sample of 31,031 suppliers with a Codex 2015 SIREN number and approved by INSEE.*

(2) *Small and medium-sized enterprises (2016 definition): fewer than 250 employees and revenues below €50,000 K.*

(3) *From the sample of purchases taken from the Codex 2015 database on suppliers with a SIREN number and approved by INSEE; this amount represents 87% of total purchases.*

(4) *Intermediate-sized enterprises (definition used since 2014): 250 to 5,000 employees and revenues greater than or equal to €50,000 K and less than €1,500,000 K.*

(5) *Average calculated based on entity reports according to the Group's regional breakdown.*

(6) *Definition: INSEE, French "communes" (municipalities) 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 municipal population resides in a continuous development zone. Calculated based on the 2009 population census.*

(7) *Neighborhoods identified as being a priority in municipal 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 decrees 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.*

(8) *The CICE (competitiveness and employment tax credit) is aimed at improving the competitiveness of French businesses through efforts in investment, research, innovation, training, recruitment, development of new markets, the eco and energy transition, and the restoration of WCR.*

(9) *Source: Panorama of the social and solidarity-based economy in France, 2015 edition published by the CNRES: http://www.cncres.org/upload/gedit/12/file/observatoire/Panorama%20de%20l'ESS%20 2015-CNCRES.pdf*

(10) *Source: French Observatory for the Social and Solidarity-Based Economy (Observatoire national de l'économie sociale et solidaire).*

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

Indicator *(in thousands of euros)*	**2016**	**2015**	**Change 2015/2016**
Total annual new regional public sector loans	5,313,101	4,809,439	10%
Total annual new social housing loans	2,616,762	2,551,212	3%
Total annual new social economy loans	2,681,586	2,497,782	7%

Groupe BPCE is aware of the major role it plays in financing local players and it has a specialized subsidiary devoted to social housing and committed to CSR in the local regions. Habitat en Région was set up in 2010 to allow the Caisses d'Epargne and their subsidiaries to join forces to promote their nationwide ambition to further social housing. The aim is to help its members address urban and social change more effectively.

RESPONSIBLE PURCHASING POLICY: THE AGIR PROJECT

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.

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 assessment 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 & Logistics 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 and these criteria are included in new calls for tenders.

Applying the responsible procurement policy in daily procurement activities

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

- procurement process: the application of the responsible procurement policy was formalized in the various procurement processing tools through the adaptation or creation of new documentation (tender documentation, specifications, supplier questionnaire with CSR self-assessment tool, bid response grid, price grid, bid selection and evaluation grid);
- procurement performance plan: the implementation of the responsible procurement policy is transposed into national and local procurement action plans ("Procurement Performance Plan") and is based on four drivers:
  - updating the statement of needs and its environmental impact,
  - guaranteeing optimal total cost,
  - expanding cooperation with suppliers,
  - working with stakeholders in the social and solidarity-based economy.

  The objective is to integrate these drivers with initiatives on the national, regional and local levels based on the procurement performance plans developed by the procurement function (BPCE Procurement buyers and Group companies);
- supplier relations: BPCE Procurement evaluates its suppliers on their CSR performance using national listings. New suppliers are required to outline their CSR commitments using a self-assessment questionnaire accompanying their tender documentation. National suppliers that are already listed are required to complete the self-evaluation questionnaire and add it to the regulatory documentation database managed by BPCE Procurement. Procurement managers from the Group's companies are instructed to distribute this questionnaire among their own supplier panel.

A working group formed of procurement and CSR managers carried out an in-depth review to find a reliable and quantifiable way of assessing suppliers' CSR performance. The objective is to identify CSR risks and opportunities and to factor their performance into the overall supplier assessment. A trial conducted in late 2016 validated the methodology and identified the resources required.

PROCUREMENT POLICY

Indicator	2016	2015	2014
Level of integration of the responsible procurement policy in the procurement category strategy in terms of contract amount *(as a %)*[(1)]	30%	37%	27%
Level of integration *(national level)* of the responsible procurement policy in the procurement performance plan *(as a %)*[(2)]	75%	70%	76%
National procurement initiatives implemented with a Total Cost of Ownership approach in the procurement performance plan *(as a %)*[(3)]	65%	79%	N/A
Average payment terms to suppliers *(in days)*[(4)]	28	25	32.40
Control of dependency with national suppliers *(as a %)*[(5)]	87%	93%	N/A

(1) *Amount of purchases by procurement sub-categories that have established a written Responsible Procurement strategy (methodology summaries/Amount of purchases covered by procurement (source Codex 2014).*
(2) *Number of national initiatives under the Procurement Performance Plan (PPP) that include at least one "AgiR" component/Total number of national PPP initiatives.*
(3) *Number of national initiatives under the Procurement Performance Plan (PPP) that include the "Guarantee optimal total cost" AgiR component/Total number of national PPP initiatives.*
(4) *Average payment time from the invoice date. (5) Amount of purchases made from suppliers managed by BPCE Procurement having a dependency rate below 30%/Amount of purchases made from suppliers managed by BPCE Procurement.*
(5) *Amount of purchases made from Group suppliers having a dependency rate below 30%/Amount of purchases made from Group suppliers.*

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 2016, the Responsible Supplier Relations label was awarded to three Groupe BPCE entities, in partnership with BPCE Procurement: Banque Populaire Rives de Paris, Caisse d'Epargne Ile-de-France and Caisse d'Epargne Midi-Pyrénées.

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

The label 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 label.

As part of this continuous improvement policy, the companies that received the label in 2015, namely Banque Populaire Atlantique, Caisse d'Epargne Bretagne Pays de Loire, Caisse d'Epargne Lorraine Champagne-Ardenne and BPCE all received a positive rating in their first audit.

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

Initiatives for SMEs

In December 2013, Groupe BPCE joined Pacte PME, a non-profit association with the goal of helping its major corporate members build, implement, and evaluate actions aimed at strengthening their relations with small and medium enterprises (SMEs). An action plan to assist SMEs was presented to the Pacte PME joint oversight committee (formed of a group of SMEs, major corporates, and qualified individuals), which gave a positive assessment. New initiatives were taken to promote best practices in supplier relations, including the launch of a newsletter for suppliers with a special first edition focused on SMEs and the organization of the first Suppliers Convention, which brought together around a hundred of the most remarkable suppliers selected by Group companies.

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 (procurement morning 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, innovation and sustainable development officers).

Outlook

The Group's goal is to continue to roll out the responsible procurement policy in the procurement strategies for the various categories and to implement the policy under the procurement performance plans. The 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 label 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.

Responsible purchasing and disabilities policy ("PHARE")

Since July 2010, the procurement function has contributed to Groupe BPCE's societal responsibility goals by implementing the responsible procurement and disabilities 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 2016, Groupe BPCE bolstered this commitment by spending nearly €14.9 million including tax[(1)] on companies working with disabled persons, representing a fivefold increase in the amount spent in this area 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 513 full-time equivalent (FTE) positions.

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[(2)] management, as well as services related to its banking operations such as the cleaning and recycling of ATMs, outgoing calls to customers 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.

By working with stakeholders in the social and solidarity-based economy, the "PHARE" policy has become a priority of the "AgiR" project in its own right, taking on new dimensions as an integral part of a more comprehensive responsible procurement policy.

With this approach, the Group has undertaken to continue expanding its cooperation with EAs (*entreprises adaptées*), which are companies that promote the professional integration of disabled persons, and with ESATs (*établissement et service d'aide par le travail*), which are establishments where persons with disabilities can work in special conditions, 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.

In 2016, the symposium adopted a new regional format in order to facilitate meetings between EAs and ESATs and the Group's companies in local regions. The first regional symposium was hosted by Banque Populaire Loire et Lyonnais in Lyon, bringing together managers from the procurement, HR, business line and CSR functions of six Group companies in the Auvergne-Rhône-Alpes region. The second was held in Nantes by Banque Populaire Atlantique, with six companies from the Centre-Ouest region. These symposia provided the opportunity to share the Group's CSR commitments with staff and suppliers and to raise participants' awareness of responsible procurement.

PURCHASES FROM COMPANIES WORKING WITH DISABLED PERSONS

Indicator	2016	2015	2014
Number of full-time equivalent positions created in companies working with disabled persons (2016 estimate)	513	518*	433*
Purchases from companies working with disabled persons (2016 estimate) *(in €k incl. tax)*	14,900	14,900*	12,400*

* *The estimated 2014 and 2015 figures published in the 2014 and 2015 registration documents have been updated with the actual 2014 and 2015 figures.*

6.4.2 A clear contribution to the transformations impacting society

PARTICIPATION IN THE CONSTRUCTION OF NEW INTERNATIONAL FINANCIAL STANDARDS ON CLIMATE CHANGE

Groupe BPCE is actively involved in banking sector initiatives in France, Europe and internationally.

Since 2009, the ambitions set out in international climate change negotiations and European and French policies on the energy transition have found an effective lever in growing investments in renewable energies and energy efficiency. New international financial standards are currently being drafted to facilitate and accelerate financing for green growth.

BPCE is actively involved in sector initiatives to ensure that banks and the regional markets play a full role in future developments:

- at an international level, *via* the European Savings Bank Group (ESBG) and the World Savings Banks Institute (WSBI), BPCE has contributed to defending the interests of local banks, and in particular cooperative banks, and their customers before the G20 and the Financial Stability Board (FSB);
- at a European level, the European Association of Cooperative Banks (EACB) and the ESBG mandated BPCE to represent them in the Energy Efficiency Finance Initiative Group (EEFIG), jointly organized by the European Commission and the United Nations;
- at a national level, pursuant to Article 173 of the French law of August 17, 2015 on the energy transition for green growth, the Group contributed to a government-sponsored project to establish climate stress tests as advocated by the G20;
- finally, within Groupe BPCE, Mirova coordinated the Paris Europlace report entitled "Green and Sustainable Finance Initiative", which made fifteen recommendations to support climate finance.

(1) *Estimates.*

(2) *Waste electrical and electronic equipment.*

6.4.3 Fair practices

COMPLIANCE OF PRACTICES

In accordance with internal control measures and the Group's Legal Compliance Charter, Groupe BPCE's Compliance, Security and Operational Risk division has set up several controls under its financial security and ethics and compliance frameworks.

TRAINING IN ANTI-MONEY LAUNDERING POLICIES AND PROCEDURES

Indicator	2016	2015
Percentage of employees trained in their entity's anti-money laundering policies and procedures[(1)] (based on reports from the entities)	88%[(2)]	98%

(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.

In 2016, Groupe BPCE was not sanctioned for any anti-competitive, anti-trust or monopolistic behavior.

PREVENTION OF CORRUPTION

Preventing corruption is part of the Group's financial security system, reflecting its commitment as a member of the United Nations Global Compact.

The map of existing procedures and applications that fully or partially fall under the heading of preventing corruption, and the source documents formalizing them, notably covers financial security (anti-money laundering, management of embargoes, lists of politically-exposed persons), fraud, conflicts of interests, gifts, perks and invitations, funding of political parties or public figures, donations, patronage and sponsorship, lobbying, supervision of intermediaries and business providers, confidentiality and professional secrecy, employee training and awareness, whistleblowing procedures and the corresponding controls, monitoring and reporting.

Employees are expected to be particularly diligent in terms of the solicitations and pressure that may be placed on them, or situations that reveal abnormally high or excessive fees, as well as informal and private meetings with public companies.

At an international level, Natixis ensures that local regulations are strictly observed, for example the UK Bribery Act or the US Foreign Corrupt Practices Act.

Additionally, as part of the internal control system and in keeping with the Group Compliance Charter, in 2014 the Group Compliance and Security division instituted a framework procedure and corresponding instructions for preventing and handling internal fraud. To this end, the necessary authorization was obtained from the CNIL (French Data Protection Commission).

IT system security

Groupe BPCE has drawn up an IT security policy (PSSI-G) to protect itself from internal and external attacks. This policy comprises a governance charter and 430 rules covering different themes. The themes include: customer authentication for online banking transactions and payments; internet access security, e-mail security, logical access control, IT network security, combating malicious code attacks, telephone system security, workstation security, IT development security, management of cookies, awareness and training in HR ISS (information system security), system and hardware security, outsourced service security, management of backups, archives and removable media, IT operation and production security, wireless network security, mobile IT security, confidential electronic data security, IT room security.

The Group policy was approved by the Group Executive Management Committee, then circulated and adapted operationally by each Groupe BPCE entity.

Over and above these policies, human vigilance is essential. Groupe BPCE has therefore set up a shared approach to raising employee awareness of information system security, based on nearly 20 training modules (e-learning, serious games). It also includes several films, in particular those produced for the Hack Academy public awareness campaign by CIGREF, an IT club for large French corporations.

Alongside this approach, in 2014 the Group established a cybersecurity alert system named VIGIE. VIGIE shares security events and incidents reported throughout the Group and the banking industry, to prevent them from spreading. The Group has a Computer Emergency Response Team (CERT) that is a member of the French and European inter-CERT community.

It also has a Security Operations Center (SOC) backed by a Security Information and Events Management (SIEM) system, which detects abnormal behavior and data flows within the Group information systems or their use.

Groupe BPCE has a Head of IT System Security (RSSI). Each entity has its own RSSI who reports functionally to the Group RSSI. The Group RSSI reports directly to the Chief Executive Officer in charge of Transformation and Operational Excellence (member of the Executive Management Committee) and functionally to the Group Risk, Compliance and Permanent Control division.

Detailed information on IT security is provided in Chapter 2.

RESPONSIBLE MARKETING

CSR analysis of new products and services

In September 2010, Groupe BPCE introduced 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 marketing products and services to customers are adequately managed. It does this by ensuring that all relevant regulatory requirements, in particular those intended to protect customers' interests, are taken into account in a product's design, promotional literature and terms of sale.

The procedure draws on BPCE's various areas of expertise (including in particular legal, finance, risk, information systems, compliance and taxation). Contributions from experts in these areas are presented to the Review and Validation Committee for New Groupe BPCE Products (CEVANOP), and each product must be approved before it can be brought to market.

A similar procedure applies to the sales process, and in particular the remote selling process, as well as sales materials used to promote products and services to the Group's customers on a regular basis.

The Group has not implemented a systematic CSR labeling scheme across all of its banking products. Products with a significant CSR component (environmental products, social and solidarity-based products) form part of a specific range to enable customers to easily identify them (see 6.2.1 "Responsible investment").

The new product approval procedure (CEVANOP procedure) meets the criteria laid out in Article L. 225 of the Grenelle 2 Act on measures taken in favor of consumers' health and safety. Banking products for individual customers are not directly concerned by these issues, and banking regulations are particularly strict in terms of consumer protection.

QUALITY ASSURANCE

The Group has put customer satisfaction at the heart of its strategy. To enable it to deliver on this commitment, each network has put in place mechanisms to measure the quality of customer relationships in a way that is aligned with its identity and distinctive characteristics.

Quality is also included as a priority in Group projects impacting customer and employee satisfaction.

National systems for customer feedback have been set up in all regional banks. Each network conducts a national customer satisfaction survey of individual and professional customers from across the banks every two months. A survey of 1,000 customers is conducted for each institution, which receives a report of its findings. Satisfaction surveys are also carried out among corporate and private banking customers.

Both networks' customers are also routinely surveyed at "key moments" in their relationship with the bank, such as when they sign up as customers, apply for home loans, change advisors or make a complaint. In addition, mystery shoppers and calls are regularly used to evaluate the quality of service offered to customers. Since 2015, these surveys have focused on advisors' customer relations skills.

Since 2015, this approach has been ramped up with the implementation of the "High-Definition Quality" program in which the banks' customers are routinely surveyed after each meeting with their advisor in order to learn how satisfied they are with the advisor's availability, friendliness, quality of advice, and how their requests were handled. The results are reported to the branches each month.

These measures are supported at a regional level: each regional bank is provided with the resources it needs to undertake its own surveys, which serve in particular to break down customer satisfaction by branch. Nearly 12 million customers were surveyed to provide each of the branches with customer satisfaction benchmarks.

All these actions are used to build improvement plans. To aid this, Groupe BPCE rolled out a tool to help the regional banks build their own quality management processes. Projects are being led by Groupe BPCE's Quality division and rolled out across the networks. Quality of Service best practices are shared. Finally, this approach, which is already in place in French overseas departments (Reunion, the French Antilles and Guiana), began to be implemented internationally with quality surveys among customers in Cameroon and Madagascar.

BPCE launched a campaign entitled "The service-minded approach: aiming for the ideal business..." in response to growing customer demands in a fast-changing digital and competitive environment. This campaign aims to pool and implement all projects and practices promoting better handling of customer requests, while supporting employees in this changing environment.

The Group has a customer service department that coordinates complaints management for the banks. This approach allows for the sharing of best practices for handling complaints and achieving the best possible outcome in both sales and legal terms, while monitoring image risk. This department also replies to customers who post messages on social media.

To involve all members of the Group in the continuous improvement policy, 20,000 employees of the Caisses d'Epargne and the Banque Populaire banks are asked each year about the quality of the range of products and services produced by its subsidiaries and partners. Each entity uses the results of the assessment to produce an action plan to improve employee satisfaction and thereby enhance customer satisfaction.

CUSTOMER DISABILITY POLICY

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 2016, the networks provided special training in 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 jobseekers with disabilities;
- BPCE Assurances has established an accessibility system for customers who are deaf or hard of hearing. Policyholders can now directly access contract management, assistance, claim and compensation services *via* the website of their Caisse d'Epargne. In addition, emergency assistance is provided by

SMS 24/7 in the event of a claim or vehicle breakdown. This tool allows customers who are deaf or hard of hearing 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 use advisors trained in sign language. They have also developed products that are specially designed for persons with disabilities, for example financing solutions to help them equip and adapt their home.

Indicator	2016	2015	2014
Number of buildings with environmental or other certification	32	26	22
Surface area of buildings with environmental or other certification *(in m^2)*	219,149	124,565	50,413
Number of accessible branches (Disability Act of 2005)	4,706	4,967	3,831
Percentage of accessible branches (Disability Act of 2005) *(as a %)*	59%	54.5%	45%

SPONSORSHIP ACTIVITIES BY THE BANQUE POPULAIRE BANKS

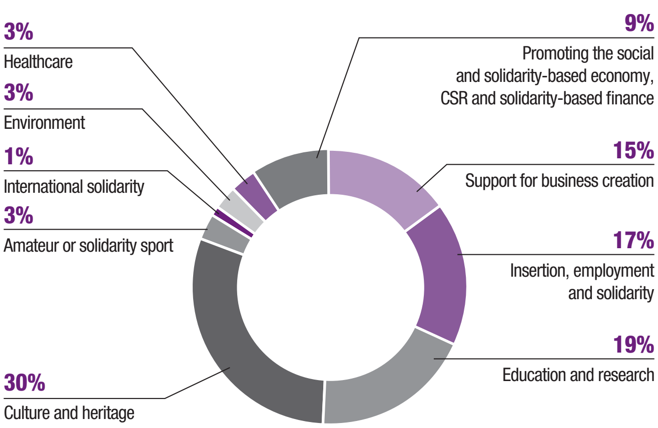
Local patronage and partnerships

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, 10 Banque Populaire banks have their own foundation or charity 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 2016, patronage activities by the Banque Populaire network represented nearly €11.4 million.

DONATION AMOUNTS BY CATEGORY



National partnerships

In line with the Banque Populaire network's local initiatives, the FNBP maintains a patronage partnership policy whose priorities for action are microfinance, education, and professional inclusion. At the request of the Banque Populaire banks, 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 2016 were ADIE, the Banque Populaire Financial Vulnerability and Microloan Research Chair at the Audencia business school, the Banque Populaire Microloan Research Chair at ESC Dijon business school and Entreprendre pour Apprendre ("Learn Through Business"), which aims to develop the entrepreneurial spirit among 8-25 year olds. Since 2015, the FNBP has 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. 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.

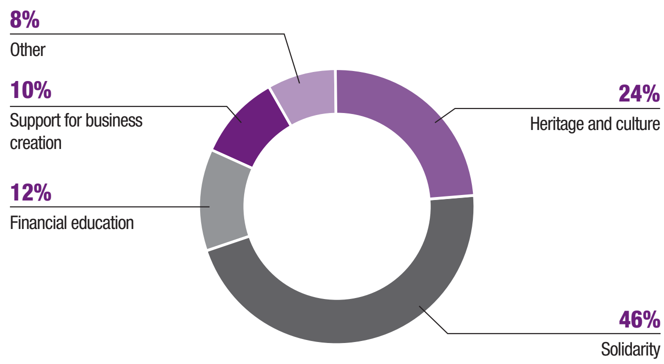
Banque Populaire Corporate Foundation

The Banque Populaire Corporate Foundation is the patronage vehicle of the 15 Banque Populaire banks. As part of the Fédération Nationale des Banques Populaires (FNBP), its purpose is to support the plans of young classical musicians, persons with disabilities and young 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 Banque Populaire bank Chairmen and Chief Executive Officers, 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 nearly 25 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 2016, the Banque Populaire Corporate Foundation funded 38 winning candidates in music, 30 winners from the disability category and 14 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 2016, patronage activities represented €21.5 million. Over 1,300 local projects – primarily solidarity-based – were financed.

DONATION AMOUNTS BY CATEGORY



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 17 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 co-building innovative solutions to local requirements. This partnership produced guidelines and a website for associations seeking to build new social solutions with companies.

Besides initiatives decided upon regionally, the Caisses d'Epargne also support the Caisse d'Epargne network charity fund, and the Fondation Belem.

The Caisse d'Epargne network charity fund promotes and supports public interest initiatives aimed at fighting exclusion and financial hardship as well as initiatives and programs providing humanitarian, educational, health care, social and cultural assistance. The charity fund supports the Finances & Pédagogie association.

The 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 sail ship among the nation's cultural assets. The ship has been listed as a historic monument since 1984. In 2016, Belem spent seven months sailing in the Atlantic, the English Channel, the North Sea, and the Mediterranean, hosting 1,112 experienced sailors and novices over 167 days at sea, and 46,000 visitors during 40 days open to the public. In 2016, it took part in the Rouen Armada in April, the French Naval Academy's "Grand Prix de l'Ecole Navale" in May, festivities to mark the ship's 120th anniversary in Nantes and at the Bordeaux Wine Festival in June, as well as participating in the Brest 2016 maritime festival and the Brest/Douarnenez parade in July, the Tall Ships Race between Lisbon and Cadiz in July, and the Grand Maritime Parade in Marseille in September.

The Caisses d'Epargne also support music (Esprit Musique: espritmusique.fr) and sports (basketball, handball and skiing: espritbasket.fr, esprithandball.fr and espritglisse.fr) through patronage and sponsorship activities.

SPONSORSHIP ACTIVITIES BY NATIXIS

Natixis supports many solidarity-based patronage initiatives, with two major longstanding partnerships.

Cancer research

Natixis has supported the Gustave Roussy Foundation in cancer research since 2011. After sponsoring three teams researching the personalization of cancer treatments, Natixis renewed its support in 2016 by funding three new research teams working on precision medicine and fundamental research. Gustave Roussy has always strongly associated care with fundamental and clinical research, earning it world-renowned expertise in therapeutic innovation in cancer research.

In 2016, Natixis partnered Gustave Roussy's digital campaigns to mark "Blue March", a nationwide colon cancer awareness initiative, and "Pink October", for international breast cancer awareness. It also organized three awareness events among staff throughout the year.

Solidarity-based patronage

In 2010, Natixis AM entered into an exclusive partnership with Mie de Pain, a charity working in the 13th arrondissement of Paris where it provides emergency shelter and helps with the reintegration of persons in extreme financial hardship. This local social patronage is part of Natixis AM's CSR policy and encourages the company and its employees to get involved by providing financial, technical, material and human support to the people helped by the association.

6.4.4 A comprehensive risk management and control policy

Groupe BPCE is active in a changing ecosystem (tightening regulations, changing businesses in an environment of low interest rates, the digital transformation, climate change, etc.) and is facing major challenges (in finance and insurance). It is exposed to various risks, which it has identified so it can manage them, in particular through its strategic plan. These risks are presented in Chapter 3. The management of non-financial risks is an integral part of the Group's overall risk management and control policy.

PREVENTING AND MANAGING CLIMATE CHANGE RISK

Pursuant to Article 173 of the French law on the energy transition, BPCE has begun to ramp up its efforts to reduce its impact on climate change.

Financial risks relating to climate change and mitigating measures

Groupe BPCE is aware of its role in encouraging a low-carbon economy, and as such takes committed actions to account for climate change risk and deploy measures aimed at reducing this risk.

In terms of the recognition of the financial risks relating to the effects of climate change, 2016 saw the integration of climate change in the Group's general credit risk policy as a theme causing a major change in risk, the integration of environmental risk – including climate change risk – in the Group companies' macro risk map, and the Group's active involvement in industry-wide initiatives in France, Europe and around the world. These items are set out in detail in Chapter 2.6 in the Chairman's report on internal risk control and risk management procedures.

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, with:

- the mapping of its main goods and services and activities that have a positive or negative impact on climate change, *i.e.* those generating greenhouse gas emissions;
- an inventory of the actions taken or that remain to be taken.

The 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 brackets, 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 action. However, it did identify improvements that can be made to better account for its commitment, which will be added to existing action plans.

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 V of Article 173 of the French law 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 conclusions showed that the Group has a very low exposure to sectors that are highly vulnerable to climate change risk.

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

BPCE organized meetings between Group members impacted by this new regulation, in order to:

- ensure the new regulatory reporting requirement on climate change is correctly understood and taken into account;
- foster the exchange of best practices in this area.

For 2016, Groupe BPCE recorded no provisions or guarantees to cover environmental risks in its financial statements.

INTEGRATION OF ESG CRITERIA IN PRIVATE EQUITY ACTIVITIES

With six investment management companies, Natixis is able to offer a full range of expertise covering the entire private equity business around the world. Three companies specialize in direct investments in unlisted firms: 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 management services: Euro-Private Equity in Europe, Caspian Private Equity in the United States and Eagle Asia Management in Asia.

Euro Private Equity and Naxicap Partners have been signatories of the UN Principles for Responsible Investment (PRI) since 2015.

Euro Private Equity formalized its responsible investment policy covering its commitments as an asset management company as well as its commitments during fund due diligence (investment philosophy), in the post-investment stage (active investor) and in terms of reporting (transparency). Euro-PE works with Mirova, Natixis Asset Management's responsible investment subsidiary, which assisted it with the integration of ESG criteria in its investment policy. Mirova advised Euro-PE on the drafting of its ESG charter and on the creation of an ESG analysis chart used to assess the ESG commitment of the fund managers

6

it analyzes. The ESG analysis chart has been part of the due diligence and investment scoring process since 2015. Fund managers are rated according to several criteria. Each year, Mirova verifies that the ESG process and the analysis chart set up by Euro-PE are applied.

Naxicap Partners has also adopted an ambitious ESG policy and charter. Since 2015, its teams identify the main ESG risks and opportunities before making any investment, and ESG audits are systematically performed by specialist auditors. After investing, Naxicap Partners supports and advises companies in their ESG initiatives. A questionnaire sent to companies that receive the biggest investments enables the team to steer its action plans. The asset management company also undertakes to actively fulfill its role as a member of the companies' Supervisory Boards.

Incorporating environmental and social (E&S) criteria into financing activities

E&S (environmental and social) criteria are integrated in Natixis CIB's financing activities by the Environmental and Social Responsibility team. This team tracks the quality of E&S assessments and risk monitoring applied to transactions, analyses the reputational risk of the different parties to the transaction, and sets up CSR policies for at-risk sectors.

ASSESSMENT AND MONITORING OF E&S RISKS AND MANAGEMENT SYSTEMS

Equator Principles

As a signatory of the Equator Principles since December 2010, Natixis applies an industry-wide methodology recognized by 89 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 their impacts as best they can.

This methodology applies to the financing of investments in new projects or the extension of existing projects. For Natixis it mainly concerns the infrastructure, energy (oil, gas), electricity and renewable energy, mining and metals sectors around the world.

Natixis has set up an organization in which the business lines and the ESR team are jointly involved in assessing and managing transactions. The process includes an assessment of the quality of existing E&S documentation prepared by the customer (or providing advice if such documentation has not yet been drafted), measurement and classification of the potential E&S impacts and risks, and, if necessary, 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 and compliance with which 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 at https://www.natixis.com/natixis/jcms/ala_5415/fr/gestion-des-risques-environnementaux-et-sociaux).

Assessments performed beyond the scope of the Equator Principles

Natixis is aware that it provides a wide range of transactions and financing solutions to its clients, and applies the same level of diligence to the E&S risks underlying certain types of transaction that fall outside the scope of the Equator Principles.

This includes certain acquisition finance transactions not related to investment programs, multi-purpose financing, asset portfolios that are too broad to allow a bespoke assessment, and certain types of assets.

In each of these cases, the quality of governance and the management of E&S risks inherent to the type of industry are assessed based on best practices and the latest international standards, with the assistance of external consultants where necessary.

Analysis of reputational risk of the parties to transactions

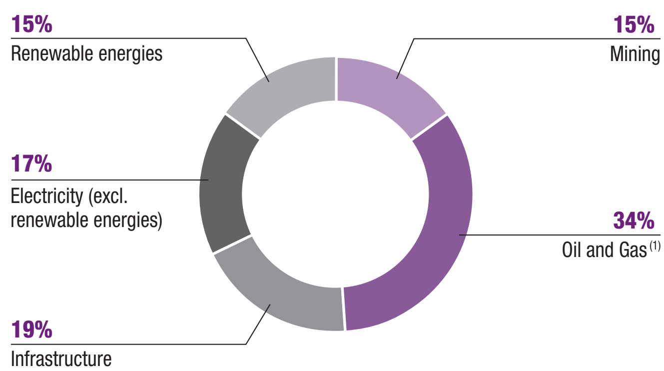
For all the financing transactions referred to above, and also when deemed necessary for any other transaction, an analysis is performed to determine whether the borrowing company, its operator or main shareholder has a history of poor management in its operations, from an environmental, social or health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

Review of financing transactions performed in the past three years

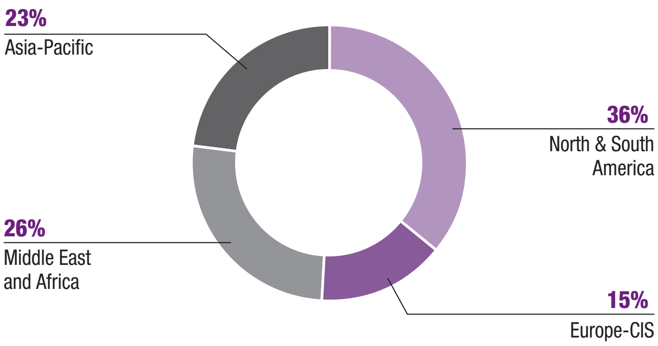
The E&S risk assessment and monitoring and/or reputational risk analysis covered 189 transactions over the past three years. The breakdown of these transactions is shown below:

NUMBER OF TRANSACTIONS BY GEOGRAPHICAL REGION AND SECTOR:



(1) including special vessels and offshore platforms

BREAKDOWN OF PROJECTS CONSIDERED BY SECTOR (NUMBER) – SINCE 2014



CSR policies for at-risk sectors

Internal CSR policies have been drawn up and included in the risk policies of the business lines working with the most at-risk sectors.

To date, CSR policies have been set up for financing activities in the following sectors, based on the guidelines set out below:

- Defense: very specific criteria apply to each transaction, setting out rules for the types of equipment accepted and the eligibility conditions of import and export countries. These criteria complement Natixis' exclusion policy (see below);
- 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;
- Oil, gas and mining industries: selection of operators with proven capacity to manage the environmental, social, health and safety aspect of their activities, in compliance with current regulations, international standards (IFC, World Bank) and recommendations and best practices for the sector;
- Mobile assets for offshore oil and gas production: compliance with maritime and sector regulations; selection of assets based on the quality of their operator, their country of incorporation (flag), and their certification body, based on well-established recognized rankings;
- Palm oil: traceability and compliance with best practices and applicable standards.

Exclusion policies

Exclusion policies are used in the controversial weapons sector.

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.

This exclusion policy notably applies to proprietary and third-party investments managed by Natixis Asset Management, which has set up a program to raise customer awareness.

Cessation of financing for the coal industry

On October 15, 2015, Natixis undertook to no longer finance coal-fired power plants or thermal coal mines anywhere in the world, given the current state of technologies, or to accept new advisory or arrangement mandates relating to such financing. 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 in July 2016 at the following address: https://www.natixis.com/natixis/upload/docs/application/pdf/2016-07/160708_coal_policy_fr.pdf

The amount of Natixis' exposure to coal-industry financing has fallen steadily since the undertaking made in October 2015. It now has no exposure to thermal coal mine financing and only a residual exposure to coal-fired power plants.

In May 2015, Natixis also decided not to finance coal mines using the Mountain Top Removal (MTR) technique, and to no longer provide general purpose corporate financing or invest* in companies for which the MTR technique accounts for over 25% of their activity.

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* *Natixis Asset Management.*

6.5 CSR reporting methodology

This section aims to explain the methodology applied by Groupe BPCE in its CSR reporting.

6.5.1 CSR reporting structure

Sustainable development indicators based on the guidelines of the GRI (Global Reporting Initiative) are used with respect to the 43 themes covered by the Decree of April 24, 2012 on Corporate Social Responsibility transparency requirements. These were supplemented by indicators specific to the banking sector, adjusted based on the fourth generation of GRI standards released in 2013, and the financial services sector supplement, and integrated with Groupe BPCE's indicator guidelines. The indicator guidelines were also updated to incorporate the 2016 regulatory changes, feedback from sustainable development officers in charge of reporting, and the recommendations of the independent third party for fiscal year 2015.

Groupe BPCE also drew on the IIRC (International Integrated Reporting Council) reference framework to make its non-financial communication more transparent and to demonstrate its contribution to value creation over the short, medium and long term. This is one of the goals of the summary presentation of its business model and impacts and the governance diagram included in Chapter 2. The implementation of a Group CSR policy, with priority projects also meets this goal.

ENVIRONMENTAL INDICATORS

For fiscal year 2016, 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 methodology used is that 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.

HUMAN RESOURCES INDICATORS

No major changes were made to the human resources indicators so as to ensure stability and to allow for comparison. In view of the expansion of the scope of consolidation in 2015, and to improve readability over the two-year period, the 2014 human resources data were readjusted pro forma and consequently differ from the data presented in the report for the previous fiscal year.

Human resources data (excluding training) are extracted from two centralized information systems managed by Group Human Resources Operations, 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.

Transfers between different Group companies are taken into account in the new hires and departures figures.

The rate of absenteeism is a projection estimated using data available in the third quarter of the current year and finalized data for the previous year. This estimate is used because data for the reference year were unavailable on the publication date of the registration document.

Indicators related to training are extracted from the "SI Apogée Formation" tool, which was rolled out in 2013. 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.

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.).

A project is also being carried out with the Group's operational divisions (IT, Human Resources, Real Estate & Logistics, Procurement, etc.) and federations (FNBP, FNCE) aimed at making better use of centralized databases.

Finally, various initiatives were taken in 2016 in collaboration with all of the stakeholders of the CSR chapter aimed at encouraging Group entities to incorporate CSR reporting processes into their operations. These included:

- a review of the 2015 reporting campaign and a presentation of the results to the entire sustainable development function;
- Group-wide distribution of a memorandum going over regulations and detailing the reporting process for the businesses;
- organization of 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 (Real Estate & Logistics Conference, national procurement meeting, etc.);
- two carbon review training sessions ("beginners" and "advanced" levels);
- organization of two conference calls attended by nearly all of the sustainable development officers to provide advice and answer questions about the collection of CSR data.

Exclusions

Given the nature of Groupe BPCE's activities, some themes covered by the Decree of April 24, 2012 were not deemed to be relevant:

- **measures to prevent, reduce and remedy air[1], water, and soil pollution seriously affecting the environment:** these issues are largely irrelevant to the Group's activities; however, they are taken into account in financing activities, particularly where the Equator Principles apply;
- **noise and other pollution and ground use:** as Groupe BPCE is a service-based group, it is not concerned by issues relative to noise pollution and ground use. Its offices and commercial premises often cover several floors so its ground occupancy is much smaller than that of an industrial activity spread over a single level;
- **food waste**, in view of our activity as a services company.

Purpose of the user guide

The user guide, addressed to all contributors to the Group's CSR reporting processes, was updated for 2016. It specifies 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, extrapolation rules 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 brought up to date in 2016. 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 carbon reduction action plans 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

The published data cover the period from January 1, 2016 to December 31, 2016. 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 (user guides) based on FTEs and/or the occupied surface area. The contributors reviewed the estimates used and sent their comments along with the information provided and approved by the Group.

For 2016, these comments concerned the change in the source of electricity use data owing to a change of supplier for 36 Groupe BPCE companies. The data provided were unreliable (incomplete, unclear, etc.), so estimates were made based on the recommendations provided in the user guide:

- by extrapolating data for missing months/surface areas pro-rata to existing data;
- by using the default ratio recommended by Carbone 4 in the carbon review methodological guide;
- by completing missing data using information for the same period of the previous year.

Comparability

This year, 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 2015 and some that were newly introduced in 2016.

Controls

The "non-financial information quality control framework" covers the organization of controls of non-financial 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.

(1) *Greenhouse gas emissions are covered in the "Climate change" section.*

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.

6.5.2 Reporting scope for 2016

Groupe BPCE's long-term objective is to meet the regulatory requirement of consolidating CSR reporting on a statutory scope of consolidation (the same as used for the publication of the Group's consolidated financial statements). The scope established for 2016 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 2016, the reporting scope reviewed for human resources indicators (excluding training) 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, Natixis SA and BPCE International.

This year, the scope was expanded to incorporate human resources data from Natixis SA, Natixis Interépargne and Natixis Factor. The human resources reporting scope covers 90% of the Group's headcount in France.

With respect to training data, the scope is limited to the Banque Populaire banks, the Caisses d'Epargne, BPCE, 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 2016, the reporting scope covers 89% of Groupe BPCE's permanent headcount.

It includes the following entities (barring specifically-mentioned exceptions):

- the companies of the Banque Populaire network, composed of the Banque Populaire banks and their subsidiaries in France;
- the companies of the Caisse d'Epargne network and their subsidiaries in France;
- BPCE, BPCE IT, i-BP, IT-CE, Natixis SA and its subsidiaries in France, Banque Palatine and its subsidiaries in France, Crédit Foncier and its subsidiaries CFI and SOCFIM;
- the subsidiaries of BPCE International for a selection of environmental and societal indicators.

The methodologies and scopes related to Banque Palatine, BRED Banque Populaire, Crédit Coopératif, Crédit Foncier and Natixis are outlined in their respective management reports.

DIFFICULTIES AND LIMITS

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).

6.6 Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the 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, 2016

To the Shareholders,

In our capacity as Statutory Auditor of BPCE SA, (the "company"), appointed as independent third party and certified by COFRAC under number(s) 3-1048[1], we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2016 included in the management report (hereinafter named "CSR Information"), pursuant to Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Supervisory Board is responsible for preparing a company's management report including the CSR Information required by Article R. 225-105-1 of the French Commercial Code in accordance with the indicator guidelines used by the company (hereinafter the "Guidelines"), summarised in the management report.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of Article L. 822-11 of the French Commercial Code. 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.

Statutory Auditors' responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved nine persons and was conducted between December and February 2017 during a six week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated May 13, 2013 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.

Attestation regarding the completeness of CSR Information

NATURE AND SCOPE OF OUR WORK

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with Article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the company, its subsidiaries as defined by Article L. 233-1 and the controlled entities as defined by Article L. 233-3 of the French Commercial Code within the limitations set out in the CSR reporting methodology section of the management report.

(1) *Whose scope is available at www.cofrac.fr*

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Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report. As mentioned in the methodology section, disclosed CSR information are related to Groupe BPCE (and not BPCE SA group), the company considering that such disclosure is more appropriate to provide a better information.

Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted approximately fifteen interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important(1):

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us(2) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 16% of headcount, between 15% and 21% of quantitative environmental data disclosed, and between 75% and 100% of the quantitative societal data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, March 23, 2017

One of the Statutory Auditors

Deloitte & Associés

Jean-Marc Mickeler	Julien Rivals
Partner	Partner, Sustainability Services

(1) HR indicators: total headcount and breakdown by contract type, status and gender; breakdown of hires by contract; departures of employees on permanent contracts by reason and gender; breakdown of permanent staff (excl. permanent work-study) present at December 31, 2016 by salary bracket; breakdown of training hours by gender and status; breakdown of permanent staff trained by area of training.

Environmental indicators: total final energy consumption; recycled paper (A4) and/or FSC- or PEFC-certified paper; BPCE's green growth financing.

Societal indicators: assets under management in open-ended and dedicated SRI and solidarity-based funds and employees savings plans; assets under management in SRI and solidarity-based funds as a share of total assets under management; assets under management in open-ended ad dedicated SRI and solidarity-based funds and employee saving plans; distribution of SRI and/or solidarity-based funds by the Banque Populaire banks and the Caisses d'Epargne; summary of microloans with support issued by Groupe BPCE; financing for the regional, public sector, the social economy and social housing by Groupe BPCE; total SRI funds sold by the Banque Populaire banks and the Caisses d'Epargne.

Qualitative HR information: developing skills to support the group's digital transformation and improve customer satisfaction; objectives for gender equality on the workplace.

Qualitative environmental information: prevention and management of climate risk; financing the energy transition and green growth.

Qualitative societal information: implementation of CSR policies for at-risk sectors, inclusion of environmental and social criteria in financing.

(2) Environmental and HR indicators: BPCE SA group, Natixis SA and Crédit Foncier de France SA. Societal indicators: BPCE SA group, BPCE Achats, Natixis Asset Management SA.

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

NAF (business activity) code: 6419Z

The company's fiscal year runs from January 1 to December 31.

Article 2 of BPCE's articles of association concerning its corporate purpose can be found in Chapter 1.3.2.

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.

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 in the registered offices or in any other place 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.

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.

The shareholder, if he cannot personally attend the Annual General Shareholders' Meeting, may select one of the following three options:

- to grant a proxy to another shareholder or to his 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 itself elects its 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 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 the 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 the 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 2.3.4.

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, 2016

The share capital amounts to one hundred and fifty-five million seven hundred and forty-two thousand three hundred and twenty euros (€155,742,320). It is divided into 31,148,464 fully paid-up shares with a nominal value of five euros (€5) each, divided into two categories:

- 15,574,232 category "A" shares;
- 15,574,232 category "B" shares.

Regulation (EC) No. 809/2004 requires the following disclosures for each share category:

The 15,574,232 category "A" shares are authorized and fully paid, 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 15,574,232 category "B" shares are authorized and fully paid, 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 2016.

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 have been 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 canceled 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 canceled 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 duly 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 therefore duly noted the permanent reduction of the company's capital by a nominal amount of €311,484,640, bringing it down 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 new 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.

In accordance with regulation (EC) No. 809/2004, it is noted that BPCE's articles of association do not have any specific provisions governing changes in the 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 mentioned above.

FORM AND MEANS OF REGISTRATION IN A SECURITIES ACCOUNT

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 the 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 could deliberate validly only 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 will also be maintained in 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 by operation of the law.

The Combined General 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 which 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

	Share capital at 12/31/2016			Share capital at 12/31/2015			Share capital at 12/31/2014		
Shareholders	**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%	401,759	1.29%	1.29%
CE Aquitaine Poitou-Charentes	1,176,510	3.78%	3.78%	1,176,510	3.78%	3.78%	1,176,510	3.78%	3.78%
CE d'Auvergne et du Limousin	612,154	1.97%	1.97%	612,154	1.97%	1.97%	612,154	1.97%	1.97%
CE de Bourgogne Franche-Comté	814,658	2.62%	2.62%	814,658	2.62%	2.62%	814,658	2.62%	2.62%
CE Bretagne Pays de Loire	1,084,672	3.48%	3.48%	1,084,672	3.48%	3.48%	1,084,672	3.48%	3.48%
CE Côte d'Azur	625,348	2.01%	2.01%	625,348	2.01%	2.01%	625,348	2.01%	2.01%
CE Île-de-France	2,167,033	6.96%	6.96%	2,167,033	6.96%	6.96%	2,167,033	6.96%	6.96%
CE Languedoc-Roussillon	663,993	2.13%	2.13%	663,993	2.13%	2.13%	663,993	2.13%	2.13%
CE Loire-Centre	722,595	2.32%	2.32%	722,595	2.32%	2.32%	722,595	2.32%	2.32%
CE Loire Drôme Ardèche	496,094	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%	1,034,535	3.32%	3.32%
CE de Midi-Pyrénées	756,562	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%	1,207,197	3.88%	3.88%	1,207,197	3.88%	3.88%
CE Normandie	787,783	2.53%	2.53%	787,783	2.53%	2.53%	787,783	2.53%	2.53%
CE Picardie	547,607	1.76%	1.76%	547,607	1.76%	1.76%	547,607	1.76%	1.76%
CE Provence-Alpes-Corse	1,198,712	3.85%	3.85%	1,198,712	3.85%	3.85%	1,198,712	3.85%	3.85%
CE Rhône Alpes	1,277,020	4.10%	4.10%	1,277,020	4.10%	4.10%	1,277,020	4.10%	4.10%
Total category "A" shares	**15,574,232**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**
BP des Alpes	-	-	-	632,493	2.03%	2.03%	632,493	2.03%	2.03%
BP Alsace Lorraine Champagne	1,748,773	5.61%	5.61%	1,748,766	5.61%	5.61%	1,748,766	5.61%	5.61%
BP Aquitaine Centre Atlantique	980,743	3.15%	3.15%	801,910	2.57%	2.57%	801,910	2.57%	2.57%
BP Atlantique	681,543	2.19%	2.19%	681,543	2.19%	2.19%	681,543	2.19%	2.19%
BP Auvergne Rhône Alpes	1,617,490	5.19%	5.19%	-	-	-	-	-	-
BP Bourgogne Franche-Comté	1,079,095	3.46%	3.46%	989,679	3.18%	3.18%	989,679	3.18%	3.18%
BRED Banque Populaire	1,540,578	4.95%	4.95%	1,495,870	4.80%	4.80%	1,495,870	4.80%	4.80%
BP Côte d'Azur	-	-	-	388,172	1.25%	1.25%	388,172	1.25%	1.25%
BP Loire et Lyonnais	-	-	-	553,183	1.78%	1.78%	553,183	1.78%	1.78%
BP du Massif Central	-	-	-	431,814	1.39%	1.39%	431,814	1.39%	1.39%
BP Méditerranée	630,629	2.02%	2.02%	-	-	-	-	-	-
BP du Nord	435,113	1.40%	1.40%	435,113	1.40%	1.40%	435,113	1.40%	1.40%
BP Occitane	1,240,395	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%	751,505	2.41%	2.41%	751,505	2.41%	2.41%
BP Provençale et Corse	-	-	-	242,457	0.78%	0.78%	242,457	0.78%	0.78%
BP Rives de Paris	1,391,300	4.47%	4.47%	1,391,300	4.47%	4.47%	1,391,269	4.47%	4.47%
BP du Sud	729,534	2.34%	2.34%	640,118	2.06%	2.06%	640,118	2.06%	2.06%
BP Val de France	1,342,454	4.31%	4.31%	1,342,454	4.31%	4.31%	1,342,454	4.31%	4.31%
CASDEN Banque Populaire	1,091,037	3.50%	3.50%	1,493,410	4.79%	4.79%	1,493,410	4.79%	4.79%
Crédit Coopératif	313,964	1.01%	1.01%	313,964	1.01%	1.01%	313,964	1.01%	1.01%
Mr. Guy Bruno	55	0.00%	0.00%	55	0.00%	0.00%	55	0.00%	0.00%
Georges Doittau estate	-	-	-	-	-	-	23	0.00%	0.00%
Mr. Jacques Galiegue	17	0.00%	0.00%	17	0.00%	0.00%	17	0.00%	0.00%
Mr. Claude Raffetin	-	-	-	-	-	-	8	0.00%	0.00%
Mr. Robert Arnaud	-	-	-	7	0.00%	0.00%	7	0.00%	0.00%
Mr. Jean-Michel Laty	6	0.00%	0.00%	6	0.00%	0.00%	6	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	**15,574,232**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**
TOTAL	**31,148,464**	**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 Île-de-France	2,167,033	6.96%	6.96%
BP Alsace Lorraine Champagne	1,748,773	5.61%	5.61%
BP Auvergne Rhône Alpes	1,617,490	5.19%	5.19%

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 2016 fiscal year were approved by the Management Board on February 6, 2017. 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, 2016

BPCE

Registered office: 50 avenue Pierre Mendès-France 75013 Paris

Share capital: €155,742,320

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 and operations 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 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.

Commitments maturing or likely to mature because of the termination or change of position of members of the Management Board

The Supervisory Board Meeting of April 4, 2012 approved the commitments matured or likely to mature in case of termination or change of office of members of the Management Board at this date.

Directors concerned on the applicable date (April 4, 2012): François Pérol, Chairman of the Management Board of BPCE, Olivier Klein, Nicolas Duhamel, Philippe Queuille and Anne Mercier-Gallay, members of the Management Board of BPCE.

Directors concerned on the applicable date (November 16, 2015): François Pérol, Chairman of the Management Board of BPCE, Jean-Yves Forel, Daniel Karyotis, Catherine Halberstadt and Laurent Mignon, members of the Management Board of BPCE.

Due to the renewal of the BPCE Management Board, the commitments already taken by the Supervisory Board at its meeting of April 4, 2012 were presented and approved by the Supervisory Board at its meeting of November 21, 2012, then by the Supervisory Board at its meeting of November 16, 2015 and, lastly, by the Supervisory Board at its meeting of April 22, 2016, in order to expand them to include the members of the new Management Board.

The commitments were made with a view to clarity and transparency, in accordance with Article L. 225-90-1 of the French Commercial Code, in order to provide the directors of BPCE with attractive and secure status.

Directors concerned on the applicable date (April 22, 2016): François Pérol, Chairman of the Management Board of BPCE, Marguerite Bérard-Andrieu, Catherine Halberstadt, Laurent Roubin and Laurent Mignon, members of the Management Board of BPCE.

Indemnity due in the event of forced termination

The Supervisory Board has decided that in the event their term of office is forcibly terminated (by a decision-making body) for reasons other than serious misconduct, change of position within Groupe BPCE or retirement, members of the BPCE Management Board may be paid fixed compensation equal to no less than 12 months of fixed and variable remuneration and no more than 24 months (awarded to those with 12 years of seniority within the Group).

The payment of the forced termination indemnity causes the former director to lose any entitlement under the specific supplementary pension schemes (namely the defined benefit plans, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code) or to the retirement indemnity which he or she might possibly claim.

In case of redeployment within Groupe BPCE, under an employment contract, the termination of such employment contract, notified more than 12 months after the removal of the corporate office, gives a right, except in case of gross negligence or willful misconduct, to the payment of the sole dismissal indemnity provided for in the applicable collective bargaining agreement. Conversely, in case of termination of such an employment contract, notified less than 12 months after the removal of the corporate office, the termination gives a right, except in case of gross negligence or willful misconduct, to the payment of the forced termination indemnity, subject to the deduction of the indemnity liable to be paid in respect of the employment contract's termination.

The director termination indemnity is due only if the Group generated positive net income over the last financial year preceding the termination of the corporate office.

The monthly benchmark pay, taken into account for the calculation, is equal to a 12th of the aggregate of the fixed pay (not including any benefits) paid in respect of the last calendar year of work and the average of the variable pay (whether paid immediately or in arrears) in respect of the last three calendar years of work.

For the calculation of the benchmark pay, the pay taken into account corresponds to the amounts paid in respect of the relevant corporate office.

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 the indemnity is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years of seniority within the Group.

In case of payment of an average amount equal to at least 50% of the maximum variable component during the last three years of the then-current term of office (or during the served term, supplemented where applicable by the term of the preceding office in case of renewal), the indemnity shall be paid in full.

If the amounts paid in respect of the variable share do not reach at least 33.33% of the maximum variable component over the said benchmark period, then no indemnity shall be paid. If the amounts paid range between 33.33% and 50% of the said component, then the amount of the indemnity shall be calculated on a straight-line basis, at the discretion of the company's deliberating body.

In any event, such indemnity is paid subject to the deduction of the indemnity that may be paid for termination of an employment contract, if any.

It was also decided that the members of the BPCE Management Board shall not be entitled to the automatic payment of an indemnity in case of non-renewal of their office; however, the Supervisory Board, acting on an opinion issued by the Appointments and Remuneration Committee, may decide to pay a director termination indemnity after taking into consideration the circumstances under which the office was not renewed and the former director's past career within the Group. Such non-renewal shall not be followed by retirement or by redeployment within Groupe BPCE.

The amount of this indemnity may not be higher than the indemnity paid in the event of termination.

Retirement indemnity

Upon a decision made by the Supervisory Board, members of BPCE's Management Board may benefit from a retirement indemnity equal to no less than 6 months and no more than 12 months of salary, for 10 years of seniority, without any minimum attendance conditions within the Group.

Payment of the retirement indemnity is subject to the same conditions as those which apply to the forcible termination indemnity, *i.e.* that it is contingent on the Group achieving positive net income in the fiscal year immediately preceding the termination of the corporate office, and on the minimum average rate of the variable component during the last three years of the current term of corporate office.

The retirement indemnity may only be paid concurrently with the determination of the social security pension and provided that the beneficiary falls within the applicable scope at the time of such determination.

Payment of the director termination indemnity is at the discretion of the Supervisory Board after consultation of the Appointments and Remuneration Committee.

In case of payment of the director termination indemnity or the corporate office non-renewal indemnity, the company director loses any right to a defined-benefit pension plan that he or she might claim and may not benefit from any retirement severance.

The monthly benchmark pay, taken into account for the indemnity calculation, is equal to a 12th of the aggregate of the fixed pay (not including any benefits) paid in respect of the last calendar year of work and the average of the variable pay (whether paid immediately or in arrears) in respect of the last three calendar years of work.

For the calculation of the benchmark pay, the pay taken into account corresponds to the amounts paid in respect of the relevant corporate office.

The amount of the indemnity is then equal to the monthly benchmark pay x (6 + 0.6A), where A is the number, and where applicable the fractional number, of years during which terms of mandates have been held within the relevant scope of consolidation. The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years.

In any event, such indemnity is paid subject to the deduction of the retirement indemnity that may be paid in respect of an employment contract, if any.

The indemnity is excluded from the calculation base of the annuities due in respect of the defined-benefit pension plans of which the company director is a beneficiary.

This commitment resulted in the recognition of an expense of €2,333,996.00 on BPCE's 2016 financial statements.

Supplementary pension plans

The Supervisory Board has decided that the same defined-contribution pension plan that applies to all BPCE employees (CGP) and the supplementary defined-contribution pension plan for company directors (IPRICAS) shall also apply to members of the BPCE Management Board under the same conditions as for employees of the Group, funded by a 3.5% contribution paid by the company.

As regards fiscal year 2016, the amount of the CGP and IPRICAS contributions paid by BPCE in favor of members of the Management Board were as follows:

- François Pérol from January 1 to December 31, 2016: €94,791.40;
- Catherine Halberstadt from January 1 to December 31, 2016: €37,041.82;
- Marguerite Bérard-Andrieu from April 22 to December 31, 2016: €22,301.94;
- Laurent Roubin from April 22 to December 31, 2016: €22,881.84.

Laurent Mignon is not a beneficiary of the plan.

Defined benefit pension plans

The Supervisory Board noted that Marguerite Bérard-Andrieu does not participate in any pension plans meeting the criteria of the plans referenced in Article L. 137-11 of the French Social Security Code.

It has given the authorization to maintain in favor of Laurent Roubin the benefit of the pension scheme applicable to executive directors of Groupe BPCE defined by the rules of the pension plan for Groupe BPCE company directors on July 1, 2014 and has decided to subordinate the benefit for Laurent Roubin of the conditional rights provided for by that scheme to the attainment by Groupe BPCE of positive net income for the applicable period.

The Supervisory Board was informed of the due compliance of the abovementioned provision with 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 remuneration for the calculation of scheme benefits, since the pension scheme applicable to executive directors of Groupe BPCE of which Laurent Roubin has the benefit enables the acquisition of a pension equal to 15% of the benchmark remuneration, assuming membership of the scheme for a minimum of 7 years.

No employment contract or suspended employment contract – Unemployment insurance

The Supervisory Board decided that Marguerite Bérard-Andrieu and Laurent Roubin may be affiliated with a private unemployment insurance scheme (GSC) with partial coverage of their contributions by the enterprise.

Rules governing the maintenance of rights to receive pay for a period of 12 months in case of temporary work disability

The Supervisory Board decided that Marguerite Bérard-Andrieu and Laurent Roubin shall benefit from the maintenance of their rights to receive pay for a period of 12 months in case of temporary work disability.

Social protection schemes applicable to all employees

The Supervisory Board has decided that Marguerite Bérard-Andrieu and Laurent Roubin may, under the same conditions as employees of the Group, benefit from the implementation of the social protection plans applied within BPCE in favor of all employees, namely the IPBP supplementary protection plan (up to tranche C), the BPCE Mutuelle medical expense reimbursement plan and the death protection plan covering tranche D (above 308,928 in 2016) of the employee's remuneration as a complement to the applicable supplementary plan (this plan, insured with CNP, is funded by a 1.30% contribution of which 0.39% is borne by the employee or member of the Management Board).

AGREEMENTS AND COMMITMENTS 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.

Pension plan through a group insurance policy under Article 82 of the French General Tax Code

Director concerned on the applicable date: Marguerite Bérard-Andrieu, member of BPCE Management Board

The supplemental executive pension plans in which the group's executive directors (Managing Directors of the Banque Populaire banks, Chairmen of the Management Board of the Caisses d'Epargne, Managing Directors of CFF, Banque Palatine and BPCE IOM) 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).

A proposal was also made to make this plan available to members of the Executive Management Committees of BPCE and Natixis, including company directors. Within BPCE's Management Board, this plan would not benefit François Pérol, who, while meeting the conditions, did not wish to participate therein; the same is true for Catherine Halberstadt and Laurent Roubin who participate in the supplemental executive pension plan for executive directors that closed in June 2014. Marguerite Bérard-Andrieu wished to participate in this plan and agreed to pay €100,000 every year for this "Article 82"-type policy.

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 no 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 2016 financial statements.

AGREEMENTS AND COMMITMENTS NOT SUBJECT TO PRIOR AUTHORIZATION

In accordance with Articles L. 225-90 and L. 823-12 of the French Commercial Code, we inform you that the following agreements and commitments were not subject to prior authorization by the Supervisory Board.

We are required to inform you of the reasons for which the authorization procedure was not followed.

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 Poste, 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.

As Amendment 6 to the shareholders' agreement with CNP Assurances was signed at a late date (on February 8, 2017), the authorization procedure could not be followed in a timely manner.

This agreement had no impact on BPCE's 2016 financial statements.

7.6.2 Agreements and commitments approved in prior fiscal years by the Annual General Shareholders' Meeting

AGREEMENTS AND COMMITMENTS APPROVED IN PREVIOUS FISCAL YEARS

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 2016.

Agreements with shareholders

Tacit renewal of the 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 of CNCE 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 Île-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 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, Groupe BPCE 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 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 €8,467,035.77 on BPCE's 2016 financial statements.

Tacit renewal of the CNP Assurances shareholders' agreement

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 French government, Caisse des dépôts et consignations, CNCE and La Poste, 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 July 29, 2015 the shareholders' agreement of September 2, 1998 was tacitly extended by two years, until December 31, 2017, as successively amended and in accordance with the mechanism provided for by the parties.

This agreement had no impact on BPCE's 2016 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.

BPCE and the Banque Populaire banks wished to define the terms and conditions under which the Banque Populaire banks will receive a minimum financial commission in exchange for transferring assets eligible for ECB Monetary Policy Operations and not otherwise eligible for specific remuneration as securities lending or repo transactions.

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 BPCE Supervisory Board authorized the signing with each of the Banque Populaire banks of this agreement, which was entered into on July 15, 2010 for an indefinite period.

This transaction resulted in the recognition of an expense of €4,013,195.10 on BPCE's 2016 financial statements.

Guarantee granted (as a protection mechanism) by the Caisses d'Epargne to Triton (formerly GCE SRD) and BPCE

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Managing Director and a Board Member of CE Participations, Nicolas Duhamel, a member of the Management Board of BPCE and Deputy Managing Director of CE Participations, Yves Toublanc, Vice-Chairman of the Supervisory Board of BPCE, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Rhône Alpes and Chairman of the Board of Directors of CE Participations, Catherine Amin-Garde, a member of the Supervisory Board of BPCE, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche and a Board Member of CE Participations, Bernard Comolet, a member of the Supervisory Board of BPCE, Chairman of the Management Board of Caisse d'Epargne Île-de-France and a Board Member of CE Participations, Francis Henry, a member of the Supervisory Board of BPCE, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Lorraine Champagne-Ardenne and a Board Member of CE Participations, Pierre Mackiewicz, a member of the Supervisory Board of BPCE, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur and a Board Member of CE Participations, Didier Patault, a member of the Supervisory Board of BPCE, Chairman of the Management Board of Caisse d'Epargne Bretagne-Pays de Loire and a Board Member of CE Participations and Pierre Valentin, a member of the Supervisory Board of BPCE, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon and a Board Member of CE Participations.

A protection mechanism has been set up safeguarding, at the Caisses d'Epargne level, economic exposure to certain proprietary workout Portfolio Management (listed and unlisted medium- and long-term and delegated management portfolio) activities by CE Participations in the form of 314 separate swaps.

This protection mechanism was set up through the following transactions:

- the purchase from CE Participations by BPCE and the Caisses d'Epargne, in proportion to their stake in CE Participations, of the entire share capital of GCE SRD 007 (now Triton) followed by a cash capital increase;
- the signing by CE Participations and GCE SRD 007 of an FBF master agreement relating to futures transactions, a master confirmation agreement, a service agreement by GCE SRD 007 and BPCE, a financing agreement under which the Caisses d'Epargne, in their capacity as shareholders of GCE SRD 007, provide the latter with the cash necessary to meet its commitments under the swap contracts and the service agreement and an agreement relating to interim transactions on proprietary trading activities covered by the protection mechanism since January 1, 2010.

In addition, the Caisses d'Epargne, CE Participations and BPCE entered into a guarantee agreement under which the Caisses d'Epargne, in their capacity as shareholders of GCE SRD 007, grant a non-joint guarantee to CE Participations and BPCE as surety and guarantee for the obligations and commitments of GCE SRD 007 under the swap contracts and the sums due under the service agreement.

At its meeting of June 3, 2010, the Supervisory Board authorized the signing of the guarantee agreement between BPCE, CE Participations and the Caisses d'Epargne.

This agreement had no impact on BPCE's 2016 financial statements.

Dated senior loan agreements between Banque Populaire du Sud and BPCE

Director concerned on the applicable date: François Moutte, a Board Member of Banque Fédérale des Banques Populaires and Managing Director of Banque Populaire du Sud.

The purpose of the contract signed on June 24, 2009 in the framework of the reclassification of the equity of the Banques Régionales (formerly HSBC) to certain Banque Populaire banks, and notably Banque Populaire du Sud, was to loan, at 3M Euribor +0.93%, €102,000,000 in principal to Banque Populaire du Sud.

The agreement resulted in the recognition of income of €716,989.16 on BPCE's 2016 financial statements.

Dated subordinated loan agreements between two Banque Populaire banks and BPCE

Directors concerned on the applicable date: Jean Clochet, a director of Banque Fédérale des Banques Populaires, Chairman of the Board of Directors of Banque Populaire des Alpes and François Xavier de Fornel, a director of Banque Fédérale des Banques Populaires, Managing Director of Banque Populaire Provençale et Corse.

The agreements entered into on June 24, 2009 between BPCE, Banque Populaire Provençale et Corse and Banque Populaire des Alpes, as part of the reclassification of the equity of the Banques Régionales (formerly HSBC) to certain Banque Populaire banks have the following characteristics:

- with Banque Populaire Provençale et Corse, for a loan principal of €100,000,000 at the three-month EURIBOR rate +1.55%; BPCE SA recorded €1,333,263.89 in income in its 2016 accounts under this agreement;
- with Banque Populaire des Alpes, for a loan principal of €80,000,000 at the three-month EURIBOR rate +1.55%; BPCE SA recorded €1,066,611.11 in income in its 2016 accounts under this agreement.

Agreements with subsidiaries

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 agreement had no impact on BPCE's 2016 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 €30,000,000.00 on BPCE's 2016 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 perpetual subordinated notes issued by Natixis.

This transaction resulted in the recognition of an expense of €96,227,122.64 on BPCE's 2016 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 €30,647,583.76 on BPCE's 2016 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 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 2016 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 €24,180.77 on BPCE's 2016 financial statements. The debts guaranteed amounted to €1,363,369,000,00 as at December 31, 2016.

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.

This agreement had no impact on BPCE's 2016 financial statements.

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 Natixis and authorized the execution thereof.

The agreement resulted in the recognition of income of €9,382,000.00 on BPCE's 2016 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 the MiFID directive for derivatives activities and concerning the categorization of Natixis' counterparties and the notification of their category.

This agreement had no impact on BPCE's 2016 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 2016 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 had no impact on BPCE's 2016 financial statements.

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 bank insurance business model while at the same time preserving the interests of customers, the level of commissioning 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, in its quality of central institution of Caisse d'Epargne, in the name and on behalf of the members of the Caisse d'Epargne network and the Banque Populaire network and/or of its subsidiaries), Natixis (acting in its name and on behalf of itself and/or, according to the case, 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 cornerstone;
- to define the duration of the New Partnership Agreements, namely seven years with effect from January 1, 2016, at the end of which period BPCE may either extend the agreements for three years with effect from January 1, 2023 or acquire CNP's portfolio of insurance policies. 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,

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- 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.

This agreement had no impact on BPCE's 2016 financial statements.

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, according to the case, in its quality of central institution of Caisse d'Epargne, in the name and on behalf of the members of the Caisse d'Epargne network and, in its quality of central institution of Banque Populaire, in the name and on behalf of the members 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.

This agreement had no impact on BPCE's 2016 financial statements.

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, in its quality of 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 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, in its quality of 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 Saint-Pierre-et-Miquelon and Banque de Tahiti.

  This agreement had no impact on BPCE's 2016 financial statements.

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 quality of 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 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 borrowers' 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 lenders' 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.

This agreement had no impact on BPCE's 2016 financial statements.

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 2016 financial statements.

Paris La Défense and Neuilly-sur-Seine, March 23, 2017

The Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars
Jean-Marc Mickeler	Agnès Hussherr	Michel Barbet-Massin
Sylvie Bourguignon	Nicolas Montillot	

8 STATEMENT BY THE PERSON RESPONSIBLE

8.1 Statement by the person responsible for the registration document and for the annual financial report

François Pérol,

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 information relating to the management report that appears on pages 201 to 222 and 416 to 421 presents a true and fair picture of the development of their respective business, results and financial position and those of all affiliated companies, as well as 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.

The historical financial information presented in this registration document was commented on in reports by the Statutory Auditors, as set out on pages 328 to 329, 414 to 415 and 459 to 460 of this document, concerning, respectively, the consolidated financial statements of Groupe BPCE, the consolidated financial statements of BPCE SA group, and the parent company financial statements of BPCE. The Statutory Auditors' reports referring to the consolidated financial statements of Groupe BPCE and BPCE SA group each contain one observation.

The financial information presented in the 2015 registration document, incorporated by reference, which was filed with the *Autorité des marchés financiers* (AMF – French financial markets authority) on March 15, 2016 under the number D. 16-0134, was commented on in reports by the Statutory Auditors, as set out on pages 326 to 327, 408 to 409 and 454 to 455 of said document, concerning, respectively, the consolidated financial statements of Groupe BPCE, the consolidated financial statements of BPCE SA group, and the parent company financial statements of BPCE. The Statutory Auditors' reports referring to the consolidated financial statements of Groupe BPCE and BPCE SA group each contain one observation.

The financial information presented in the 2014 registration document, incorporated by reference, which was filed with the AMF on March 18, 2015 under the number D. 15-0157, was commented on in reports by the Statutory Auditors, as set out on pages 318 to 319, 400 to 401 and 447 to 448 of said document, concerning, respectively, the consolidated financial statements of Groupe BPCE, the consolidated financial statements of BPCE SA group, and the parent company financial statements of BPCE. The Statutory Auditors' reports referring to the consolidated financial statements of Groupe BPCE and BPCE SA group and the report on the parent company financial statements of BPCE each contain one observation.

Paris, March 23, 2017

François Pérol

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, or from the AMF website www.amf-france.org.

Any person wanting further information about Groupe BPCE may, with no commitment and free of charge, request documents by post 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

9.3 Cross-reference table for the annual financial report and the management report

Information required under Article L. 451-1-2 of the French Monetary and Financial Code	Page No·
Annual financial report	
BPCE SA group consolidated financial statements	330-413
Statutory Auditors' report on the consolidated financial statements	414-415
BPCE individual financial statements	422-458
Statutory Auditors' report on the individual financial statements	459-460
Management report	
1 Activity report (Articles L. 225-100, R. 225-102 and L. 233-6 of the French Commercial Code)	
1.1 Situation and activity during the year	201-222; 416-421
1.2 Results of the Group, its subsidiaries and the companies it controls	224-327; 330-413
1.3 Key financial and non-financial performance indicators	9-11; 127-128; 462-465
1.4 Analysis of the change in results and financial position	201-222; 416-421
1.5 Significant post-balance sheet events	220; 420
1.6 Outlook	221; 420
1.7 Research & Development	195; 420
1.8 Main risks and uncertainties	129-137
1.9 Significant investments or controlling interests in companies headquartered in France	306-307; 409-410; 419; 438-439
1.10 List of powers to carry out capital increases	518-520
2 Information required by Article L. 225-100-3 of the French Commercial Code pertaining to items that may have an impact in the event of a public offering	**NA**
3 Information pertaining to share buybacks (Article R. 225-211, paragraph 2 of the French Commercial Code)	**420; 518-522**
4 Social, environmental and societal information (Article L. 225-102-1 of the French Commercial Code)	**461-512**
5 Information on locations by country and activities (Article 511-45 of the French Monetary and Financial Code)	**317-326**
Pursuant to Articles 212-13 and 211-1 of the AMF General Regulation, the registration document also contains the following regulatory information	
Statement by the person responsible for the document	536
Statutory Auditors' fees	327; 413; 458
Chairman's report on the work of the Supervisory Board and on the internal control procedures as well as the relevant Statutory Auditors' report	97-119

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, 2015 and the Statutory Auditors' report, presented on pages 226 to 327 of the registration document filed with the AMF on March 15, 2016 under number D. 16-0134;
- BPCE SA group's consolidated financial statements for the fiscal year ended December 31, 2015 and the Statutory Auditors' report, presented on pages 328 to 409 of the registration document filed with the AMF on March 15, 2016 under number D. 16-0134;
- BPCE's annual financial statements for the fiscal year ended December 31, 2015 and the Statutory Auditors' report, presented on pages 416 to 455 of the registration document filed with the AMF on March 15, 2016 under number D. 16-0134;
- Groupe BPCE's consolidated financial statements for the fiscal year ended December 31, 2014 and the Statutory Auditors' report, presented on pages 214 to 319 of the registration document filed with the AMF on March 18, 2015 under number D. 15-0157;
- BPCE SA group's consolidated financial statements for the fiscal year ended December 31, 2014 and the Statutory Auditors' report, presented on pages 320 to 401 of the registration document filed with the AMF on March 18, 2015 under number D. 15-0157.
- BPCE's annual financial statements for the fiscal year ended December 31, 2014 and the Statutory Auditors' report, presented on pages 402 to 448 of the registration document filed with the AMF on March 18, 2015 under number D. 15-0157.

9.4 Cross-reference table of the main social, environmental and societal information

Area/Reference	GRI 4 equivalent	Grenelle 2 Act – Article 225 equivalent	Article 173 LTECV[1]	Global Compact	Page No.
Strategy					
Reporting scope	G4-20; G4-21; G4-22; G4-32; G4-33	Art. R. 225-105			512
	G4-2; G4-56; G4-15, G4-16; G4-45; G4-47	Art. R. 225-105-1-I 2° a)			468 – 470; 482 – 488
		Art. R. 225-105-1-I 2° a)			485; 494; 507
Sustainable development strategy		Art. R. 225-105-1-I 3° b)			471
Environment					
Raw materials	G4-EN1; G4-EN2	Art. R. 225-105-1-I 2° c)			496 – 497
Energy	G4-EN3 to G4-EN7	Art. R. 225-105-1-I 2° c)			494 – 496
Water	G4-EN8 to G4-EN10	Art. R. 225-105-1-I 2° c)			497
Biodiversity	G4-EN11; G4-EN12	Art. R. 225-105-1-I 2° e)			498
	G4-EN15 to G4-EN19	Art. R. 225-105-1-I 2° d)	IV		494 – 496; 507
Emissions, run-off and discharges	G4-EN23	Art. R. 225-105-1-I 2° c)		7/8/9	497
	FS2; FS7; FS8; FS11	Art. R. 225-105-1 I 3° a)			472 – 474; 478 – 481; 507 – 509
Products and services	G4-EN27	Art. R. 225-105-1 I 3° a)			478 – 481; 507 – 509
Travel	G4-EN30				496 – 497
Environmental approach		Art. R. 225-105-1-I 2° a)	III	7/8/9	111; 494– 498; 510 – 512
Society					
	G4-S01; G4-S02	Art. R. 225-105-1-I 3° a)			499 – 502; 471; 475 – 478
Communities	FS14				499 – 502
Anti-money laundering procedures	G4-SO3	Art. R. 225-105-1-I 3° d)		10	503
Product liability					
Labeling of products and services		Art. R. 225-105-1-I 3° b)	III-IV[2]	8	472 – 474; 504 – 506
Responsible marketing	G4-PR1	Art. R. 225-105-1-I 3° d)			504 – 506
Legislative compliance	G4-PR9			10	503
Economy					
Economic performance	G4-EC2			7/8/9	462 – 465
Procurement policy	G4-EC5; G4-EC9	Art. R. 225-105-1-I 3° c)		1/2	500 – 502
Indirect economic impacts	G4-EC6; G4-EC7	Art. R. 225-105-1-I 3° a)			478 – 481; 499 – 502; 505 – 506
Employment, labor relations and decent working conditions					
Employment & labor relations	G4-24; G4-10; G4-LA1	Art. R. 225-105-1-I 1° a), c) and d)			483; 486 – 487; 489 – 492
	G4-LA8	Art. R. 225-105-1-I 1° d)			487
Occupational health and safety	G4-LA6; G4-LA7	Art. R. 225-105-1-I 1° b) and d)			487 – 488
	G4-LA9	Art. R. 225-105-1-I 1° e)			
Training and education	G4-LA10	Art. R. 225-105-1-I 1° e)			483 – 484; 493
Diversity and equal opportunities	G4-LA12; G4-LA13	Art. R. 225-105-1-I 1°f)		1/3/4/5/6	484 – 486; 488
Human rights					
Freedom of association and right to collective bargaining	G4-HR4				488; 503
Prohibition of child labor	G4-HR5				488; 503
Abolition of forced or compulsory labor	G4-HR6	Art. R. 225-105-1-I 1° g)		2/3/4/5	488; 503

(1) *Law on the energy transition for green growth (LTECV).*

(2) *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)
ADEME	*Agence de l'environnement et de la maîtrise de l'énergie*/Agency for the environment and control of energy consumption
ADIE	*Association pour le droit à l'initiative économique*/Association for the right to economic initiative
AFEP-MEDEF	*Association française des entreprises privées – Mouvement des entreprises de France*/French business association
AFS	Available for sale
AGIRC	*Association générale des institutions de retraite des cadres*/General association of executive management pension institutions
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 review of asset quality, and stress tests
ARRCO	*Association pour le régime de retraite complémentaire des salariés*/Employee supplementary pension scheme association
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
Capital requirement	The amount of capital that banks are required to hold, i.e. 8% of risk-weighted assets (RWA)
CCF	Credit Conversion Factor
CDD	*Contrat de travail à durée determinée*/Fixed-term employment contract
CDI	*Contrat de travail à durée indeterminée*/Permanent employment contract
CDO	See securitization
CDPC	Credit Derivative Product Companies
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
CGU	Cash Generating Unit
CHSCT	*Comité d'Hygiène, de Sécurité et des Conditions de Travail*/Committee for Hygiene, Safety and Working Conditions
CIC	Cooperative investment certificates
CLDR	Customer loan-to-deposit ratio, i.e. a liquidity indicator that enables a credit institution to measure its autonomy with respect to the financial markets
CLO	See securitization
CMBS	See securitization
CNCE	*Caisse Nationale des Caisses d'Epargne*
CNIL	*Commission Nationale de l'Informatique et des Libertés* (an independent administrative authority protecting privacy and personal data)
CPM	Credit Portfolio Management
CRD	Capital Requirements Directive
CSR	Corporate Social Responsibility

Acronyms	
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
DTAs	Deferred tax assets
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
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
EBA	The European Banking Authority, established by an 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
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
EFTT	European Financial Transaction Tax
EIB	European Investment Bank
EL	Expected Loss, i.e. the value of the loss likely to be incurred given the quality of the transaction structure 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
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
FIDEPPP	*Fonds d'Investissement et de Développement des Partenariats Public-Privé*/Fund for investment and development of public-private partnerships
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
FTE	Full-time equivalent
GAPC	*Gestion active des portefeuilles cantonnés*/Workout portfolio management
GRI	Global Reporting Initiative
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
HQE	*Haute qualité environnementale*/High Environmental Quality
HQLA	High-quality liquid assets
HR	Human Resources department
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 practice 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
ISF	*Impôt sur la fortune*/Wealth tax

Acronyms	
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
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
NBI	Net banking income
NGAM	Natixis Global Asset Management
NPE	Non-performing exposure
NRE	*Loi sur les nouvelles réglementations économiques*/French Law on New Economic Regulations
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
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 financial 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
PERP	*Plan d'Épargne retraite populaire*/Retirement savings plan
PLI	*Prêt locatif intermédiaire*/Loan for investment in property to be rented at prices above "social" housing prices but below market prices for 6 (or 12) years
PLS	*Prêt locatif social*/Social housing loan
PSLA	*Prêt social location-accession*/Loan to finance the leasing or purchase of property by low-income families
PTZ	*Prêt à taux zéro*/Interest-free loan
RMBS	See securitization
ROE	Return on Equity: net income restated for returns on hybrid securities recognized as equity instruments, divided by shareholders' equity (restated for hybrid securities), used to measure the profit generated on capital
RSSI	*Responsable de la sécurité des systèmes d'information*/Head of IT system security
RTT	*Réduction du temps de travail*/Reduction of working time
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
SCPI	*Société civile de placement immobilier*/Real estate investment trust
SEC	Securities and Exchange Commission
SEPA	Single Euro Payments Area
SFS	Specialized Financial Services
Socama	*Sociétés de cautionnement mutuel artisanales*/Mutual Guarantee Companies for small businesses
SME	Small- and medium-sized enterprises
SMI	Small- and medium-sized industries
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
SRI	Socially Responsible Investment
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

Acronyms	
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
TUP	*Transmission universelle de patrimoine*/Total transfer of assets and liabilities
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)
VSE	Very small enterprises

Key technical terms	
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
"Bank acting as originator"	See securitization
"Bank acting as sponsor"	See securitization
"Bank acting as investor"	See securitization
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
Capital or total capital adequacy ratio	Ratio of total capital (Tier 1 and 2) to risk-weighted assets (RWA).
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
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
Collateral	A transferable asset or guarantee pledged to secure reimbursement on a loan in the event the borrower fails to meet its payment obligations
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)
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
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) 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 risk	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 values	Total gross value less allowances/impairments
Netting agreement	Contract in which two parties to a derivative (financial contract, securities lending, repurchase agreement) agree to net their reciprocal debts arising from these contracts; in that case, settlement of these debts concerns only a net balance, particularly in the event of default or termination. Under a master netting agreement, this mechanism is applied to multiple transactions
Operational risk	Risks of losses or penalties due to failed internal procedures or systems, human error or external events
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

Key technical terms	
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
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 principal 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
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
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
Standardized approach	Approach used to determine capital requirements for credit risk under Pillar I of Basel II. In this approach, the risk weightings used in the capital calculation are determined by the regulator
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 exchange rate 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
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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