REGISTRATION DOCUMENT AND FULL-YEAR FINANCIAL REPORT

2017

GROUPE BPCE

Bankers and insurers with a different perspective

Contents

GROUPE BPCE

2017 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.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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 28, 2018, 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 613 and 614 .

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 106,500 employees serve 31 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 14 Banque Populaire banks, 16 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.

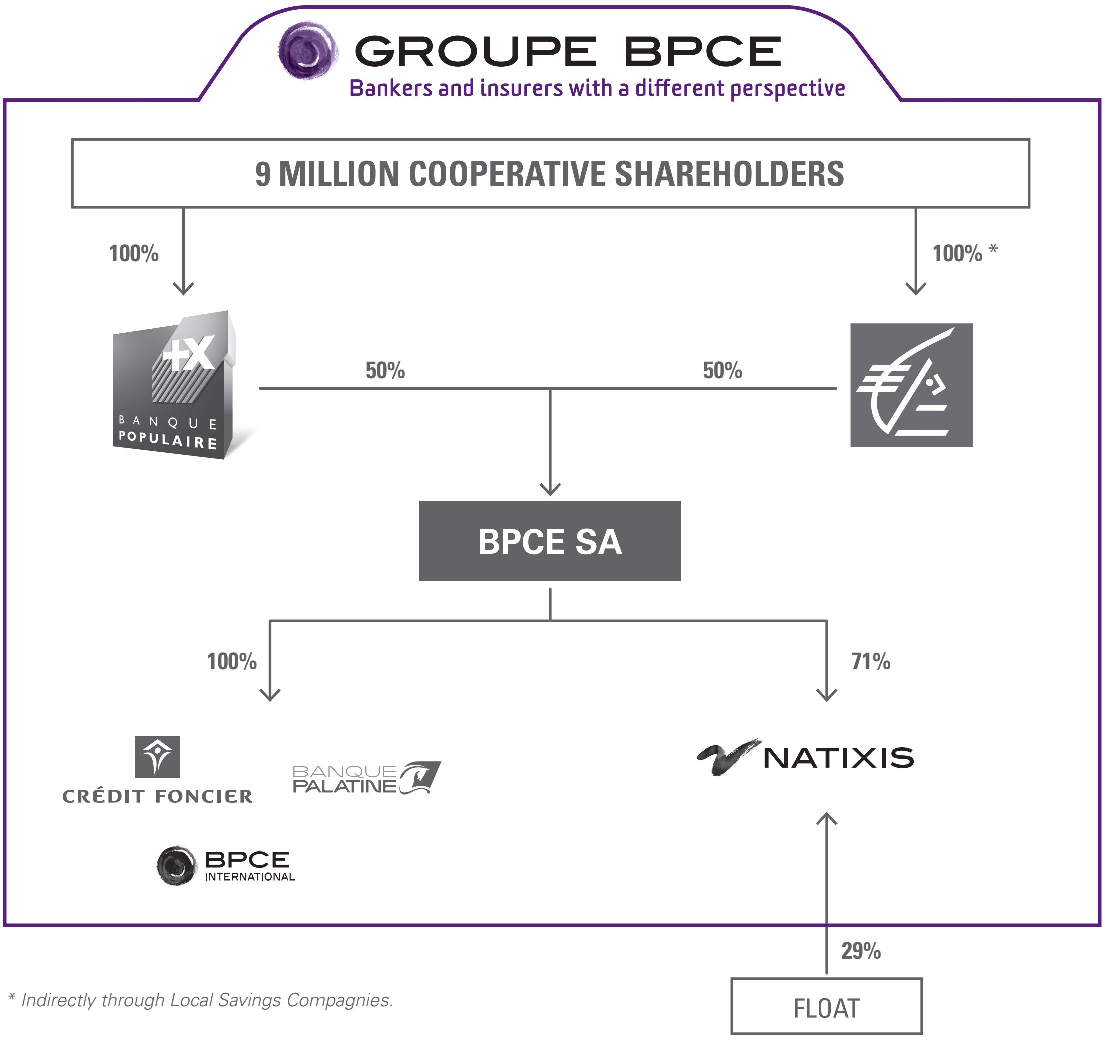
Its full-service banking model is based on a three-tier structure:

- 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 networks and Natixis.

GROUPE BPCE SIMPLIFIED ORGANIZATION CHART



* Indirectly through Local Savings Compagnies.

(1) Market share: 21.6% of on-balance sheet customer deposits & savings and 21.1% of customer loans (Source: Banque de France Q3 2017 – all non-financial customers combined).

1.2 History

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.

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.

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 people 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 assign to Natixis Assurances the design and management of 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.

2017 In November 2017, Groupe BPCE announces the launch of the "TEC 2020" strategic plan for the 2018-2020 period. TEC 2020 focuses on a combination of digital transformation in order to seize opportunities created by the ongoing technological revolution, engagement toward the Group's customers, employees and cooperative shareholders, and growth in all its core businesses.

The Group also carried out additional regional bank mergers during the year:

- Caisse d'Epargne Picardie and Caisse d'Epargne Nord France Europe merged on May 1, 2017 to create Caisse d'Epargne Hauts de France;
- on December 5, 2017, Banque Populaire Atlantique and Banque Populaire de l'Ouest merged, giving rise to Banque Populaire Grand Ouest;
- in May 2017, Caisse d'Epargne d'Alsace and Caisse d'Epargne Lorraine Champagne-Ardenne began planning their upcoming merger, set to take place in April 2018.

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. Local savings companies hold Annual General Shareholders' Meetings at least once a year in order to approve the annual financial statements, and are governed by a Board of Directors elected by the Annual General Shareholders' Meeting from among the 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 14 Banque Populaire banks and their 44 Mutual Guarantee Companies, whose sole corporate purpose is to guarantee loans issued by the Banque Populaire banks;
- the 16 Caisses d'Epargne, whose share capital is held by 228 local savings companies (LSCs);
- Natixis; two Caisses Régionales de Crédit Maritime Mutuel; Banque BCP SAS (France); Banque de Tahiti; Banque de Nouvelle-Calédonie; Banque Palatine; Crédit Foncier de France; Compagnie de Financement Foncier; Locindus; Cicobail; Société Centrale pour le Financement de l'Immobilier (SOCFIM); BPCE International; Batimap; Batiroc Bretagne-Pays de Loire; Capitole Finance-Tofinso; Comptoir Financier de Garantie; Océor Lease Nouméa; Océor Lease Réunion; Océor Lease Tahiti; Sud-Ouest Bail.

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 its shared rights and interests, including before the banking sector institutions, as well as negotiating and entering into national and international agreements,
  - representing the Group and each of its networks as an employer to assert its shared rights and interests, as well as negotiating and entering into collective industry-wide agreements,
  - taking all measures necessary to guarantee the liquidity of the Group and each of its networks, and 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 performing any financial transaction necessary for liquidity management purposes,

- taking all measures necessary to guarantee the solvency of the Group and each of its networks, including implementing the appropriate Group internal financing mechanisms and setting up a Mutual Guarantee Fund shared by both networks, for which it determines the rules of operation, the terms and conditions of use in addition to the funds provided for in Articles L. 512-12 and L. 512-86-1, as well as the contributions of affiliates for its initial allocation and reconstitution,
- defining the principles and conditions for organizing the internal control system of Groupe BPCE and each of its networks, as well as controlling the organization, management and quality of the financial position of affiliated institutions, including through on-site checks within the scope defined in paragraph 4 of Article L. 511-31,
- defining risk management policies and principles and the limits thereof for the Group and each of its networks, and ensuring permanent risk supervision on a consolidated basis,
- approving the Articles of Association of affiliated entities and local savings companies and any changes thereto,
- approving the persons called upon, in accordance with Article L. 511-13, to determine the 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 said code; it also oversees the central banking, financial and technical organization of the network and the Group as a whole;
- **to act as an insurance intermediary,** and particularly as an insurance broker, in accordance with the regulations in force;
- **to act as an intermediary for real estate transactions,** in accordance with the regulations in force;
- **to acquire stakes, both in France and abroa**d, 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 2017

The Ordinary General Shareholders' Meeting of BPCE, which met on May 19, 2017, resolved that a dividend of €383,499,888.77 would be paid out in respect of fiscal year 2016 to category A and B shareholders, equal to €12.312 per share.

At its meeting of December 21, 2017, the Management Board of BPCE resolved to pay an interim dividend totaling €201,502,528.46 in respect of fiscal year 2017 to the 31,148,464 category A and B shares comprising BPCE's share capital, amounting to €6.4691 per share. The Supervisory Board had approved this payment in principle at its meeting of December 21, 2017.

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

In 2016

The Ordinary General Shareholders' Meeting of BPCE, which met on May 27, 2016, resolved that a dividend of €349,996,600.88 would be paid out in respect of fiscal year 2015 to category A and B shareholders, equal to €11.2364 per share.

At its meeting of December 19, 2016, the Management Board of BPCE resolved to pay an interim dividend totaling €174,998,300.44 in respect of fiscal year 2016 to the 31,148,464 category A and B shares comprising BPCE's share capital, amounting to €5.6182 per share. The Supervisory Board had approved this payment in principle at its meeting of December 14, 2016.

In 2015

The Ordinary General Shareholders' Meeting of BPCE, which met on May 22, 2015, resolved that a dividend of €174,998,300.44 would be paid out in respect of fiscal year 2014 to category A and B shareholders, equal to €5.6182 per share.

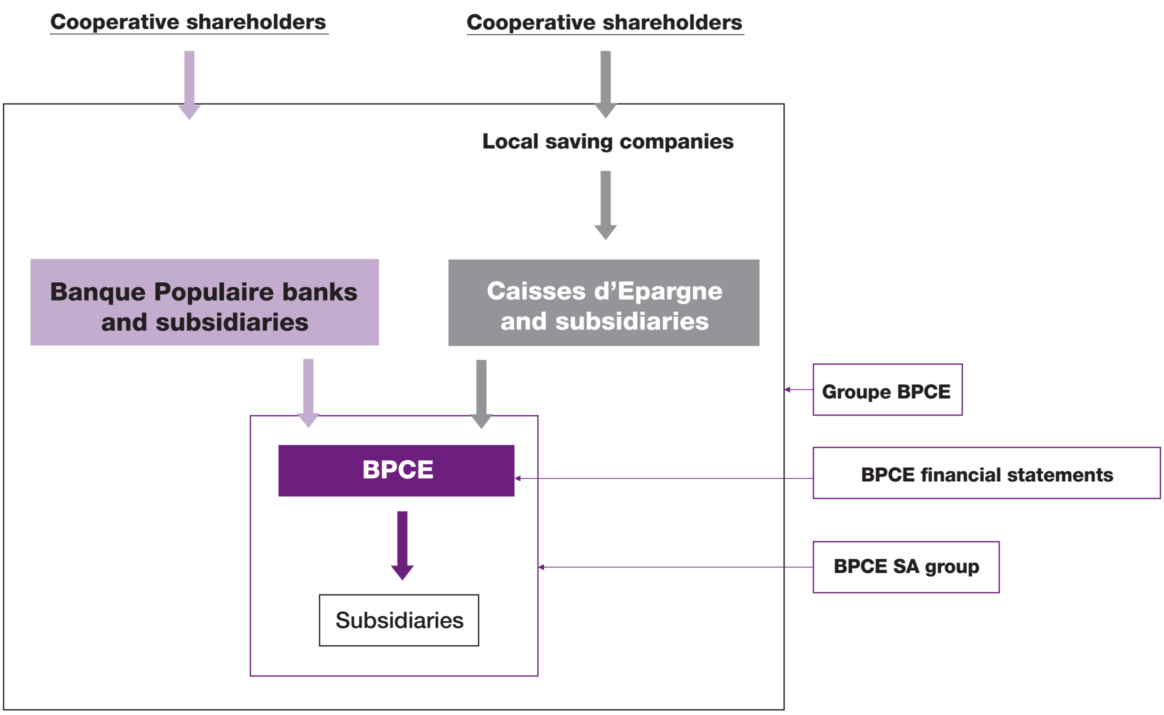
At its meeting of December 21, 2015, the Management Board of BPCE resolved to pay an interim dividend totaling €174,998,300.44 in respect of fiscal year 2015 to the 31,148,464 category A and B shares comprising BPCE's share capital, amounting to €5.6182 per share. The Supervisory Board had approved this payment in principle at its meeting of December 16, 2015.

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 2017

106,500 employees

31 million customers

9 million cooperative shareholders

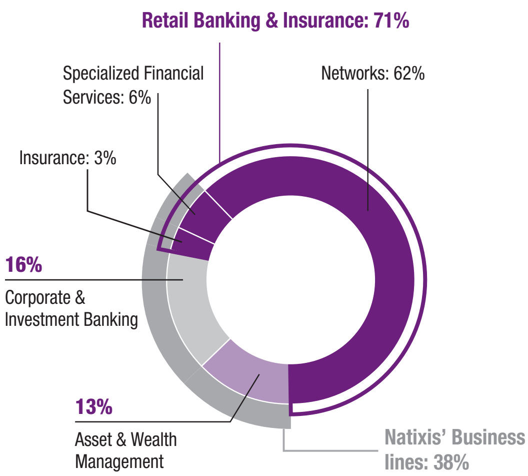
7,800 branches

Groupe BPCE

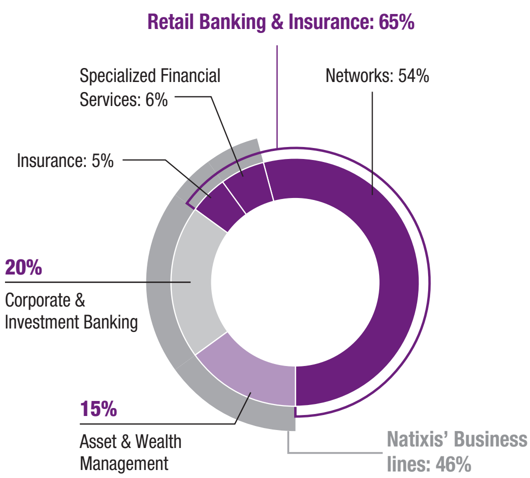
SUMMARY INCOME STATEMENT

in millions of euros	2017	2016	2015
Net banking income	**23,720**	**24,158**	**23,868**
Gross operating income	**6,621**	**7,485**	**7,620**
Cost/income ratio	72.1%	69.0%	68.1%
Cost of risk	1,384	1,423	1,832
Cost of risk in basis points[1]	20	22	29
Income before tax	**5,516**	**6,370**	**6,123**
Net income attributable to equity holders of the parent	**3,024**	**3,988**	**3,242**
ROE	4.8%	6.9%	5.9%

BUSINESS LINE CONTRIBUTION TO GROUP NBI[2] IN 2017 *(AS A %)*



BUSINESS LINE CONTRIBUTION TO GROUP INCOME BEFORE TAX[2] IN 2017 *(AS A %)*



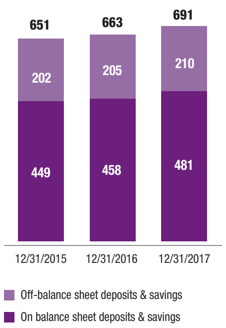
(1) *Cost of risk in annualized bp on gross customer loan outstandings at the start of the period.*
(2) *Excluding the Corporate Center.*

ACTIVITY

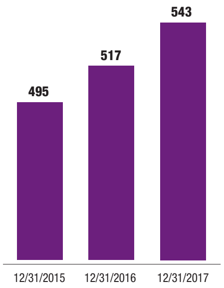
in billions of euros	12/31/2017	12/31/2016	12/31/2015
Balance sheet total	1,259.9	1,235.2	1,166.5
Customer loans (gross loan outstandings)	704.9	679.2	629.8

RETAIL BANKING AND INSURANCE

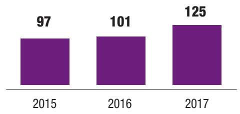
DEPOSITS AND SAVINGS *(IN €BN)*



LOAN OUTSTANDINGS *(IN €BN)*



NEW LOAN PRODUCTION *(IN €BN)*

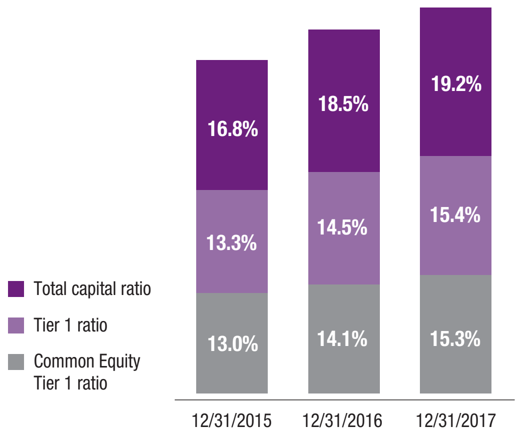


FINANCIAL STRUCTURE AND LIQUIDITY RESERVE

in billions of euros	12/31/2017	12/31/2016	12/31/2015
Equity attributable to equity holders of the parent	64.0	61.5	57.6
Common Equity Tier 1 capital	59.0	55.3	50.9
Tier 1 capital	59.5	56.6	52.2
Total regulatory capital	74.0	72.3	65.8
Liquidity reserve	214	230	196

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, 2017

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

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

BPCE SA group

SUMMARY INCOME STATEMENT

in millions of euros	2017	2016	2015
Net banking income	10,499	10,781	9,923
Gross operating income	2,358	3,076	2,728
Income before tax	2,126	2,823	2,313
Net income attributable to equity holders of the parent	**845**	**1,664**	**803**

FINANCIAL STRUCTURE

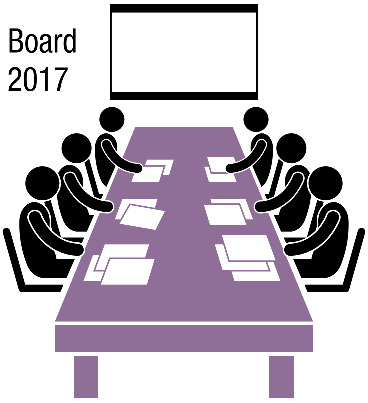
in billions of euros	12/31/2017	12/31/2016	12/31/2015
Equity attributable to equity holders of the parent	18.9	20.2	20.0
Tier 1 capital	18.5	19.4	18.9
Tier 1 ratio	10.3%	10.2%	9.8%
Total capital ratio	18.4%	18.4%	16.6%

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

Non-financial indicators

CORPORATE GOVERNANCE

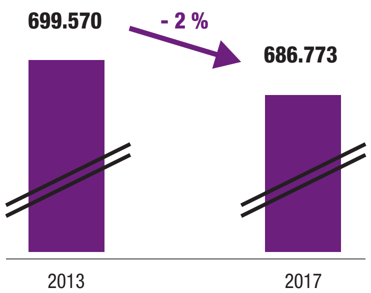
10 Supervisory Board meetings in 2017



92.95%

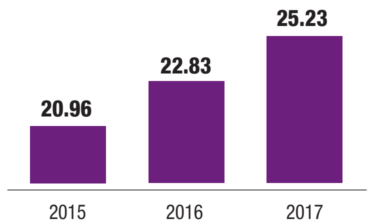
Attendance rate

CARBON FOOTPRINT REDUCTION: CARBON EMISSIONS DOWN 2% SINCE 2013 (IN TCO_2EQ)



DEVELOPMENT OF SOCIALLY RESPONSIBLE INVESTMENT

Groupe BPCE is a leader in socially responsible investment (SRI), with SRI assets under management totaling €25.23bn at end-December 2017.



1.5 Contacts

www.bpce.fr "Investor Relations" section

Roland Charbonnel,

Head of Group Funding and Investor Relations

1.6 Calendar

May 17, 2018	After market close – Publication of first-quarter 2018 results
May 25, 2018	BPCE Annual General Shareholders' Meeting
August 2, 2018	After market close – Publication of second-quarter and first-half 2018 results
November 8, 2018	After market close – Publication of third-quarter 2018 results

Calendar pending modification.

1.7 TEC 2020 Strategic Plan

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 strategic plan, "Another way to grow", was focused on development, and specifically boosting market share in loans, building up deposits and savings – particularly in private banking and asset management – establishing an integrated insurance platform, expanding Natixis on the international market – particularly Corporate and Investment Banking – and ramping up the digital transformation of the group for the first time.

In February 2017, before the strategic plan was introduced, a separate plan was launched with the aim of transforming local retail banking activities. This plan was founded on three structure-building programs: a program on the relationship banking model, with the goal of reaffirming the promise of close personal banking relations while offering more advice and quality of service both in-branch and on the go; an operational excellence plan aimed at pooling and streamlining the group's structure, IT and processes; and, finally, an ambitious digital action plan focused on "keeping it simple" for the group's customers, collaborators and community partners.

In November 2017, Groupe BPCE launched its 2018-2020 strategic plan: TEC 2020 (*TRANSFORMATION DIGITALE ENGAGEMENT CROISSANCE*). TEC 2020 focuses on a combination of DIGITAL TRANSFORMATION in order to seize opportunities created by the ongoing technological revolution, ENGAGEMENT toward the Group's customers, employees and cooperative shareholders, and GROWTH in all its core businesses.

Accelerating our digital transformation

The Group's digital transformation is set to accelerate on the back of the organization introduced in early 2017 around the digital task force and underpinned by five multi-brand platforms developed by the 89C3 Factory. The objective is to lift the Group's digital net promoter score (NPS) into line with the levels commanded by pure players, with 90% of active customers using the Group's digital spaces and 10% of products and services being purchased *via* digital channels on completion of the plan in 2020.

To achieve these ends, the group is going to:

- develop common interfaces for all its brands, to ensure that its customers enjoy an experience that matches the best standards;
- invest massively in data analytics, in order to customize solutions, measure certain risks more precisely, enhance CRM and build artificial intelligence tools;
- make its IT more agile by taking advantage of cloud resources;
- continue to optimize its operational model *via* management by business line, shared platforms (loan management, Group middle offices, etc.), and digitization and robotization of processes.

Digital transformation investments will be increased to €600m per year (2020 target).

Strong commitments to our customers, staff and cooperative shareholders

Groupe BPCE makes a firm commitment to all its customers by pledging to provide them with more expertise and more solutions:

- in Retail Banking and Insurance: by focusing sales forces on advisory services through greater digitization of processes, increasing the number of specialist advisors by over 50%, introducing broader and global solutions in order to adapt to new customer expectations and preferences, and keeping a continuous watch on customer satisfaction;
- in Asset and Wealth Management: by delivering customized, innovative active investment solutions and strategies;
- in Corporate and Investment Banking: by leveraging the group's globally recognized expertise in four sectors (energy & natural resources, infrastructure, aviation, real estate & hospitality), in order to broaden its relations with customers beyond financing.

Groupe BPCE makes a firm commitment to staff by pledging to make them active players in the Group's transformation process:

- by enhancing their employability through ambitious investments in training (10 million hours of training) and facilitating mobility within the Group *via* a dedicated portal;
- by equipping them with digital tools (100% of staff equipped on completion of the plan);
- by reinforcing the Group's employer image, so as to attract and retain top talent (recruitment of 800 highly qualified staff in the IT and digital field).

Groupe BPCE makes a firm commitment to its cooperative shareholders by pledging to reinforce the Group's cooperative roots:

- the bank for everyone (access to banking services for vulnerable customers, such as disabled or protected persons, microloans, etc.);
- the bank that serves local needs (contribution of Group companies to local business and local ecosystems);
- by doing business responsibly (introduction of a code of ethics, prevention of over-indebtedness);
- by assigning priority to green growth and establishing targets out to 2020 that involve granting over €10 billion in energy transition loans, investing over €35 billion in deposits and savings into responsible investment solutions, carrying out two annual green bond issues, and reducing the group's carbon footprint by 10%.

Ambitious growth targets in all business lines

Despite persistently low interest rates, the sizeable sums to be invested in Groupe BPCE's transformation are mirrored in strong growth ambitions for all the Group's business lines:

- Banque Populaire banks: focusing growth on selected customer categories (by 2020: +200,000 new principal active customers, +40,000 active professional customers, +5,500 corporate and institutional customers);
- Caisses d'Epargne: tailoring commercial organization and approaches to customer profiles (by 2020: +430,000 new principal active customers, +30,000 active professional customers, +4,000 corporate and institutional customers);

- Crédit Foncier: further integrating its activities into the group;
- Banque Palatine: providing an offering of high-end services focusing on dual banking relationships;
- Fidor: creating a benchmark European banking community, targeting growth primarily in Germany, the UK and France in the banking business, and across Europe for marketplace solutions and as a provider of B2B solutions;
- Specialized Financial Services: becoming a payments pure player, digitizing all business lines, and increasing synergies between Natixis and the two networks, all with the objective of growing revenues by 6% per year;
- Insurance: becoming one of the top five French life and personal protection insurers by 2020, with the target of increasing revenues by 7% per year;
- Retail Banking and Insurance: meeting a revenue growth target of 2% per year;
- Asset and Wealth Management: reinforcing the group's global distribution capacities, ramping up revenue synergies with the group, developing fast-growing asset classes, expanding the group's presence in the Asia-Pacific region, all with the goal of boosting revenues by 6% per year;
- Corporate and Investment Banking: becoming a benchmark in four key sectors, furthering international development, strengthening the originate-to-distribute model and expanding business with insurers and investment funds, all with the target of lifting revenues by 3% per year.

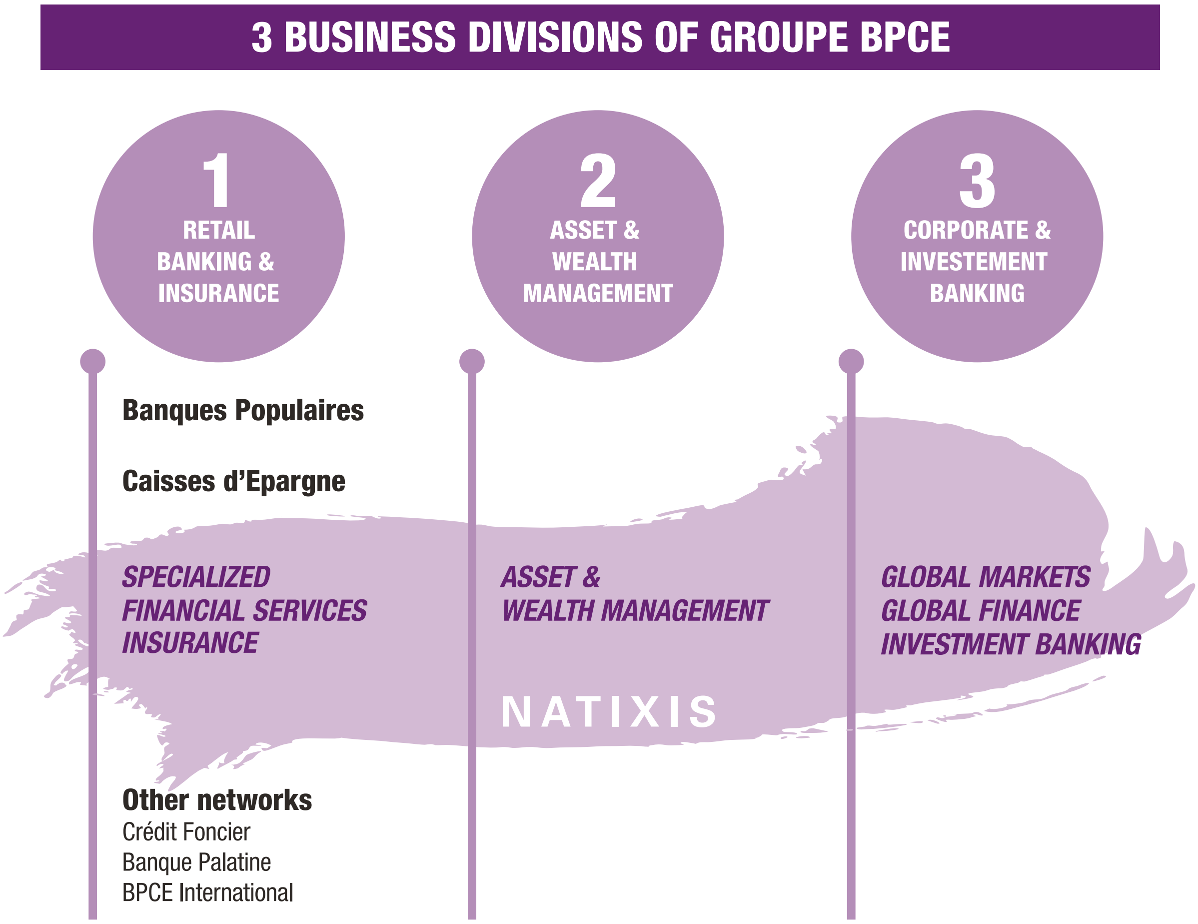
This growth will be achieved while strictly respecting the Group's financial fundamentals, *i.e.* managing the CET1 ratio to ensure it remains above 15.5% and keeping the TLAC ratio above 21.5% (excluding senior preferred debt) from early 2019, by issuing €4 billion to €5 billion in senior non preferred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

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

A full, detailed presentation of the TEC 2020 strategy plan is available at www.groupebpce.fr.

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 Retail Banking and Insurance

Banque Populaire banks

Created by and for entrepreneurs 140 years ago, Banque Populaire is now the No. 1 bank for SMEs[1] and franchise-holders[2], and the No. 2 bank for craftsmen and small retailers[3]. The Banque Populaire banks form the fourth largest banking network[4] in France, with 12 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.

KEY FIGURES

14 Banque Populaire banks

4.3 million cooperative shareholders

9.2 million customers

31,400 employees

3,263 branches

€257.6bn in deposits and savings

€196.1bn in loan outstandings

€6.3bn in net banking income

In 2017

- Banque Populaire du Grand Ouest was created from the merger of Banque Populaire Atlantique, Banque Populaire de l'Ouest, Crédit Maritime Atlantique and Crédit Maritime Bretagne-Normandie. Banque Populaire du Grand Ouest serves 840,000 customers, including 310,000 cooperative shareholders.
- The Banque Populaire banks consolidated their sales momentum, ramped up their digital transformation and built up even closer relations with their customers in 2017.
- Loan outstandings rose 7.7% and deposits and savings 7%. The number of insured individual customers climbed 8%.

Individual customers

In 2017, Banque Populaire became the primary bank for more than 86,000 new individual customers over age 25, up 2.5% compared to 2016.

It rolled out a comprehensive mobile payment offer, *Paylib*, alongside *Apple Pay*, launched *Smart'retrait*, a solution for withdrawing money without using a debit card, and *Moneyfriends*, an openly available money transfer app used to monitor and settle debts among friends.

With new home loans up 15.8% and consumer loans (now available online) up 9.7%, loan outstandings rose 9.3% and 11.4%, respectively.

Portfolios of non-life, provident and health insurance policies expanded by nearly 8%.

€32.5bn in new loans, +14.9%

€120bn in loan outstandings, **+9.4%**

€150.8bn in deposits and savings, +5%

337,200 new non-life insurance policies

172,000 new provident and health insurance policies

CASDEN Banque Populaire

A cooperative bank serving all public-sector workers, CASDEN Banque Populaire boasted more than 1.6 million cooperative shareholders at end-2017.

It optimized its offer through partnerships with public-sector organizations and initiatives to acquire and retain public-sector employees as customers. With new online simulation and application services available at *casden.fr*, plus the donation-based project financing platform for associations, *Ma Belle Tribu*, it accelerated its digital transformation to become the preferred bank of civil servants.

325,000 new cooperative shareholders have joined in the last 2 years, including 30% working in National Education and 70% in other civil service departments.

1.6 million cooperative shareholders

(1) 2017 Kantar TNS survey.
(2) 14th annual franchise survey, CSA 2017.
(3) 2016 CSA Pépites survey.
(4) Internal analysis based on 2016 data.

Private banking

Private banking continued to attract new clients (+6.5%) and build up assets under management (+7.9%), consolidating its momentum with affluent clients.

Drawing on solid expertise in financial engineering and wealth management for CEOs and company directors, Banque Populaire Private Banking provides a tailored offering for this client base.

Assets under management came to €73.4 billion in 2017. Gross inflows in Natixis investment products totaled €1.1 billion in 2017, boosted sharply by the success of the new range of *Sélectiz*, *Sélectiz Plus* and *Sélectiz PEA* funds managed by Natixis Investment Managers.

New life insurance inflows totaled €2.5 billion, with 33.9% consisting of unit-linked assets.

376,400 clients, +6.5%

€73.4bn in assets under management, +7.9%

Professional customers

The Banque Populaire banks have earned over one million professional customers by taking a business partner approach that combines financing with digital services and tools to provide this customer base with the best possible support on a daily basis. A new *à la carte* account agreement, *Rhythméo Pro*, was launched in 2017.

- Financing

New medium and long-term loans picked up 15.9% to €8.4 billion. The Banque Populaire banks, the Fédération Nationale des SOCOMA[1] and the European Investment Fund (EIF) entered into a new loan guarantee agreement of €1 billion for 2017-2018. Under the agreement, they can offer loans without personal collateral, or with reduced collateral. A new fast, simple, no-collateral and single-rate loan (regardless of term), *Pro digital*, was launched this year.

- New services

The new *Direct & Proche* offer for small retailers, craftsmen and farmers combines the creation of showcase or retail websites, Google Adworks marketing solutions and coordination of sales events.

AVIZ&Plus, an online economic and financial information service, helps professional customers and VSEs secure the development of their business by keeping track of their sales partners. Meanwhile, the implementation of employee share ownership plans has been made much easier with the full-digital solution, *Easiris*.

- Partnerships and promotion

Banque Populaire has established a partnership with national start-up network BGE to help support project owners.

It has also entered into partnership agreements with the association of corporate legal advisors, and with Lawyers Without Borders France, which receives a donation with each new account opened.

It also conducted a digital campaign highlighting the nursing profession and the dedication of its customers working in the profession.

1.1 million professional customers

405,800 craftsmen and small retailers

148,000 self-employed professionals

66,150 farmers

€50.4bn in loan outstandings, +4.5%

Crédit Coopératif

Banks and customers can work together to build an economy rooted in stronger social values: this is the conviction held by Crédit Coopératif, the bank for the social and solidarity-based economy and socially engaged citizens.

Crédit Coopératif is the leader in solidarity-based savings and financial products, distributing total donations of €3 million to 53 associations in 2017 and voluntarily contributing a portion of each foreign exchange transaction to the Fondation Simplon's *Refugeeks* program.

In terms of new services and financing solutions, Crédit Coopératif launched the *Prêt Agir pour l'Efficacité Énergétique* loan to allow businesses, local public enterprises (LPEs) and associations to carry out energy efficiency renovations at a subsidized rate.

Understanding that organizations in the social and solidarity-based economy need capital to expand, Crédit Coopératif issued €2 million in charitable bonds for Alima, a humanitarian medical aid association.

The bank also continued its network modernization efforts by renovating 10 business centers and creating a second e-branch in Bordeaux.

It also created the online hub *Agir & Co* to present news on current events in the social and solidarity-based economy and to provide a forum for stakeholders to exchange information.

105,200 cooperative shareholders

342,200 customers

€3m in donations to 53 associations, raised from solidarity-based products

(1) Mutual guarantee companies for the small business sector, having Banque Populaire as an exclusive partner.

Corporate and institutional customers

As the leading bank for SMEs[1], the Banque Populaire banks provide these customers with nearly one thousand specially-trained staff.

The banks offer services designed to make life easier for CEOs, such as *SuiteEntreprise.com*: a unique, competitive tool optimized for all screen sizes, used to easily manage banking flows for multiple companies, accounts, banks and currencies.

They also offer the necessary support and expertise to further the development of their corporate customers.

- Innovation

The *Innov&Plus* medium-term loan promotes innovation under attractive conditions thanks to the EIF. Banque Populaire is not only the first commercial bank to launch this offer in 2014, it also leads the pack in terms of the amount of innovation loans granted. *NEXT INNOV*, launched in late 2016, is one of the top banking networks to support start-ups and innovative companies, with over 50 certified business centers, over 100 specially trained advisors and several partnerships in the French regions.

- Internationalization

Launched in 2017, NEXT INTERNATIONAL is a particularly comprehensive program that provides daily support to businesses through a team of around 60 business managers specializing in international trade and Connector, an alliance of 16 banks covering 46 countries.

NEXT INTERNATIONAL offers access to the Stratexio program developed by MEDEF to accelerate the international development of SMEs and ISEs.

It also facilitates the establishment of their business abroad with Pramex International[2], the leading French consultant to SMEs and ISEs looking to establish international operations and transactions, and the top manager of SME foreign subsidiaries.

- External growth

Backing up the bank's advisors, Banque Populaire Financial Engineering draws on specialist areas of expertise spanning the Banque Populaire network and its subsidiaries, as well as Natixis, to assist companies with mergers and acquisitions, strengthening their capital and structured financing.

139,400 corporate customers

263,800 associations and institutional customers

No. 1 bank for SMEs, with a 41% penetration rate[1]

€26.7bn in medium- and long-term loan outstandings, +11%

Crédit Maritime

Established in 1906, Crédit Maritime has maintained its position as a major creditor of the fishing and fish farming industries. Backed by the Banque Populaire banks located along the coast, Crédit Maritime serves all the "blue" segments of the maritime economy.

(1) Kantar TNS 2017 survey, +3.3 points in two years.
(2) Pramex International, a subsidiary of BPCE International, operates in around 15 different countries in Europe, North & South America and Asia.

Caisses d'Epargne

Caisse d'Epargne celebrates its 200th anniversary in 2018. From the very beginning, its mission has been to serve each and every customer without ever losing sight of its collective purpose. The Caisse d'Epargne slogan, "Être utile" (Being helpful), underscores this ongoing commitment today. Drawing on this rich history, it is constantly innovating to ensure that its customers – individuals, professionals, businesses and all players in the regional economy established counting Caisse d'Epargne as a key partner – receive the very best support in realizing their personal and professional goals, from start to finish.

KEY FIGURES

16 Caisses d'Epargne

4.8 million cooperative shareholders

20.2 million customers

36,100 employees

4,080 branches

€412.4bn in deposits and savings

€253.3bn in loan outstandings

€7.1bn in net banking income

In 2017

- A new major regional bank was established from the merger of Caisse d'Epargne Picardie and Caisse d'Epargne Nord France Europe: Caisse d'Epargne Hauts de France, serving 2.5 million customers including 450,000 cooperative shareholders.
- The Caisses d'Epargne are thus successfully pursuing their customer acquisition strategy in banking and insurance, consolidating their positions in all markets and ramping up their digital transformation.
- Loan outstandings rose 7.3% and deposits and savings 3.2% in 2017.

Individual customers

In 2017, Caisse d'Epargne became the primary bank for more than 135,000 new individual customers over age 25, up 2.5% compared to 2016.

Home loans, consumer loans and insurance posted substantial gains in 2017. Over 1 million non-life, provident and health insurance policies were taken out. Inflows also maintained strong momentum, particularly in terms of demand deposits, up 13.8%.

New services included a digital recognition feature added to mobile app *Banxo*. *Paylib* extended mobile payments to Android smartphone users, while the *Communauté by Caisse d'Epargne* platform created a forum for customers to exchange information and learn about money issues in a hassle-free setting.

€147.1bn in loan outstandings, +8%

€33.8bn in new home loans, +21%

€8bn in new personal loans, +11.8%

€332.1bn in deposits and savings, +1.3%

€11.7bn in life insurance inflows

A portfolio of 5 million non-life insurance policies

Professional customers

The number of active professional customers rose 5.7% year-on-year, driven by solid sales momentum.

2017 was a good year for financing activities, up 18.5% compared to 2016.

10,000 new pro non-life insurance policies were taken out.

Investment loans, employee savings plans, and financing of company cars *via* operating leases all became available online.

In support of entrepreneurs, Caisse d'Epargne launched the interest-free loan Prêt *décollage pro* for project owners and entered into a framework agreement with French Ministry for Gender Equality with the goal of seeing women make up at least 40% of business creators by 2020.

367,000 professional customers

€3.1bn in new MLT loans, +18.5%[1]

€11.1bn in loan outstandings, +7.7%

(1) Including leases.

Private banking

Caisse d'Epargne has developed a range of products and services tailored to the diverse profiles and expectations of private banking clients.

1,550 wealth management advisors work at the branches and 700 specially trained business managers operate across the country. 60 private bankers, 35 wealth management engineers and 20 portfolio managers oversee relations with the most affluent clients.

The range is continuously expanding: the new *Sélectiz* funds recorded assets under management of €1.7 billion, and unit-linked life insurance inflows doubled in 2017. Digital and interactive communication also expanded, with the first web conference on the government's tax policy proving to be a great success.

No. 2 in France[(1)]

1.2 million wealth management clients, +3.5%, o/w 430,000 private banking clients, +4.7%

€119bn in assets under management, +8.2%

Corporate customers

The Caisses d'Epargne support and finance an ever-growing number of corporate customers, totaling 26,500 at end-2017, up 15.5% year-on-year.

Caisse d'Epargne teamed up with Arts et Métiers Accélération to encourage future French champions of industry in the regions.

Just one year after it was launched, the *Néo Business* program was rolled out nationwide, with a target of supporting 1,000 innovative companies and start-ups in two years.

New loans increased 31% and the Caisses d'Epargne continued to invest in financial engineering this year: advisory services on business disposals and transmission, structured financing with over 100 arrangement mandates signed in 2017, private equity with 15 regional private equity entities, private equity company Caisse d'Epargne Développement (€20 million invested in 2017) and Seventure Partners fund Digital Opportunities.

+3,550 new corporate customers

16 private equity entities

+19.7% in loan outstandings

+12.9% in payment processing flows

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 through special-purpose entities.

2017 proved to be a banner year, with short-term loan outstandings climbing 10.5% to €2.2 billion and MLT loan outstandings 11.7% to €5.4 billion.

€3.2bn in new short-term loans, +15.1%

€1.8bn in new MLT loans, +23%

Public sector

Caisse d'Epargne is a major steadfast partner to local authorities and public healthcare institutions, continuously providing a complete range of financing solutions (short-term credit facilities, bridging loans, investment loans) and covering all government authority segments: from major clients to small communities.

It receives funds from the EIB[(2)] to finance projects supported by Europe at subsidized rates, and relies on Natixis to provide payment, leasing, financial engineering and public-private partnership solutions.

In today's hesitant environment, not at all ideal for investments, efforts are predominantly focused on supporting new entities established under the NOTRe[(3)] Act and on improving digital information and simulation tools to aid decision-makers.

€48.2bn in loan outstandings

€3.3bn in new loans

(1) Xerfi/Precepta survey, June 2017.
(2) European Investment Bank.
(3) Nouvelle organisation territoriale de la République (French regional organization reform).

Social housing and semi-public entities

As longstanding partners of social housing organizations, having established relations with 87% of social housing operators[1], the Caisses d'Epargne are well-versed in meeting the needs of this segment, from everyday banking, to financing and investment solutions.

They are also operators themselves: groupe Habitat en Région and its ten social housing companies manage 163,000 housing units, and the Habitat en Région economic interest group (21 members) is No. 2 in social housing in France with 256,000 housing units.

Caisse d'Epargne is the primary bank for 62% of local public-sector enterprises[2], investing alongside local authorities in renewable energy, water and waste treatment, transportation, digital infrastructures and major tourism projects.

€4.3bn in new loans, +13%

€9.6bn in loan outstandings, +7%

€6.3bn in Livret A passbook savings account deposits

Protected persons

More than one out of three protected persons has named Caisse d'Epargne as their bank for its dedication to helping them achieve banking independence: a longstanding commitment highlighted in a TV commercial. Caisse d'Epargne offers in-depth support to persons under legal guardianship or supervision, providing family representatives, legal guardians and guardians' associations with the expertise of 150 specially trained advisors.

No. 1 bank for persons under legal guardianship or supervision[3]

€8.7bn in managed deposits and savings

325,500 protected persons are Caisse d'Epargne customers

Social and solidarity-based economy

The Caisses d'Epargne support nearly 20,000 companies and institutions in the social and solidarity-based economy.

New MLT loans grew 27.2% and payment processing flows climbed over 21% in 2017.

The social entrepreneur segment is attracting a new generation of talented individuals, often proposing highly innovative projects. Caisse d'Epargne has strengthened its ties with movements and incubators focused on providing stronger support to businesses with a positive social impact.

No. 1 lender in the social and solidarity-based economy, with 18.4% market share[4]

€983m in new MLT loans

(1) Internal analysis, 2016.
(2) Fédération des EPL, 2016.
(3) French Ministry of Justice, December 2016.
(4) Banque de France/ISBLM scope, September 2017.

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

2,273 employees

233 branches

7,000 professional real estate partners

€11.8bn in new loans

€85.8bn in loan outstandings(1)

In 2017

- In a fast-growing real estate market, Crédit Foncier delivered robust sales performances across all business lines: individual customers, investors, real estate professionals and local authorities.

Individual customers

Business was strong across the board in this year's buoyant environment: subsidized loans, loans for commonhold properties, investor loans, etc. 2017 also saw the launch of the new *Prêt Viager Hypothécaire*, a reverse mortgage for seniors offered exclusively by Crédit Foncier in the French financial center.

€8.8bn in new loans, +25%

€45.7bn in loan outstandings

Professional customers, investors and local authorities

All business segments were boosted by market momentum in 2017: real estate development financing with subsidiary SOCFIM, long-term financing, social housing loans, and project and infrastructure financing. Crédit Foncier funded large-scale private-sector deals, including the future aquatic center in Amiens, a retail center in Saint-Étienne and office building in Paris Rive Gauche.

€2.9bn in new loans, +22%

€40.1bn in loan outstandings

Real estate services

Crédit Foncier Immobilier, the real estate services subsidiary of Crédit Foncier, delivered respectable results in all business lines: advisory and audit, sales of residential homes and bulk sales and, of course, valuations. As a leader in real estate valuations in France, Crédit Foncier Immobilier launched *Valeur Spot +*, a quick and cost-effective estimate solution used in cases of disputes, in addition to two new offers aimed at real estate professionals: *Sécur'financement* and *Sécur'achèvement*.

Financial transactions

Crédit Foncier Group secured funding through the issuance of €6.1bn in covered bonds by Compagnie de Financement Foncier. The issues were carried under very favorable conditions, in public and private-sector formats. At December 31, 2017, Compagnie de Financement Foncier outstanding covered bond issues amounted to €63.4bn (including related payables).

(1) Gross securities and receivables – Management data at year-end under IFRS 7.

Banque Palatine

Banque Palatine has supported ISEs[(1)] and their management for more than 230 years. It develops relationships rooted in high value-added bespoke advisory services and solutions with each of its customers.

KEY FIGURES

- **12,000 corporate customers**
- **66,000 private banking clients**
- **1,173 employees**
- **50 branches**
- **€16.5bn in deposits and savings**
- **€8.7bn in loan outstandings**
- **€4.3bn in assets under management**

In 2017

- Banque Palatine finalized its 3-year strategic plan, *Impulsions 2014-2017* (Driven to Achieve in 2014-2017). Of the 49 projects undertaken, 36 were finalized and 10 are currently under way.
- It continued the process of digitally converting its offers, rolled out an internal social network and created a Chief Data Officer position.
- A new intra-group synergy was developed with the migration of securities management to the Natixis EuroTitres platform.
- The life insurance process and documentary credit sales were partially digitized.
- Banque Palatine obtained the Professional Gender Equality certification awarded by AFNOR and renewed its support for the Sciences Po "conventions d'éducation prioritaire" program aimed at promoting the entry into employment of recent graduates from modest-income social backgrounds or priority areas.

Corporate customers

Banque Palatine has expanded its business with corporate customers generating over €15 million in revenue by 4 points in as many years, achieving a penetration rate of 10.7%, driven by a highly targeted communication campaign.

New medium and long-term loans, and the arrangement and distribution of financing solutions made strong gains in 2017, buoyed by the creation of a Structured Financing Department tasked with providing ISEs with appropriate development solutions.

The digital offer was expanded to include a mobile app for corporate customers, *ePalatine mobile entreprises*. Corporations operating internationally were pleased with the new *ePalatine Trade* app.

Banque Palatine has risen in the ranks to become a leading bank for real estate managers and is consolidating its positions in the film and television sector.

Private banking clients

The bank stepped up the pace of client acquisition in the private banking segment, particularly among CEOs also using Banque Palatine as their personal bank. 2017 recorded a substantial gain in off-balance sheet deposits and savings inflows, new home loans and synergies across Groupe BPCE.

Asset management

Palatine Asset Management applies a conviction-based portfolio management approach regularly acknowledged for its performance. In 2017, *L'Agefi* recognized *Palatine Immobilier* for its balanced risk/reward over a 5-year period and three of its funds received SRI certification for 3 years: *Palatine Actions Défensives Euro, Palatine Or Bleu* and the new fund *Palatine Entreprises Familiales ISR*.

(1) Intermediate-sized enterprises.

BPCE International

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

KEY FIGURES

3,002 employees	€5.1bn in deposits and savings
155 branches	€5.3bn in loan outstandings

In 2017

- BPCE International conducted a strategic review of international retail banking operations for Groupe BPCE. The BPCE Supervisory Board subsequently began looking for a partner for the five banks in the BPCE International network in Africa and the Indian Ocean.
- Groupwide tools were used across the entire network to develop a more targeted approach to the bank's mid/high-end individual customers and local large corporate customers or subsidiaries of international groups.
- In New Caledonia, Banque de Nouvelle-Calédonie and BPCE International teamed up to finance the construction and operation of two solar PV power plants. They also funded a wind power plant with the help of Banque de Tahiti.

Ingépar

Ingépar, specializing in structured financing, had a very strong year in the transportation and real estate sectors, while expanding its operations in the Pacific. It established commercial partnerships with Banque de Nouvelle-Calédonie and Banque de Tahiti, and opened an office in Papeete.

Pramex International

Pramex International is the French leader in the establishment of international operations and acquisitions among medium and intermediated-sized enterprises, assisting approximately 1,000 French companies each year. In 2017, it joined forces with the Banque Populaire banks and NEXT INTERNATIONAL to launch a support program specially designed for innovative companies.

BPCE International's areas of operation, subsidiaries and equity interests

Africa, Indian Ocean: Banque des Mascareignes (Mauritius), BMOI (Madagascar), BTK (Tunisia), BICEC (Cameroon), BCI (Congo), BNDA[(1)] (Mali), BCP[(1)] (Morocco).

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

Europe: Fransabank France[(1)], Proparco[(1)] (France).

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

(1) 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 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 17,000 employees

Established in 38 countries

€9.5bn in net banking income, +9%

Listed on Euronext Paris CAC Next 20

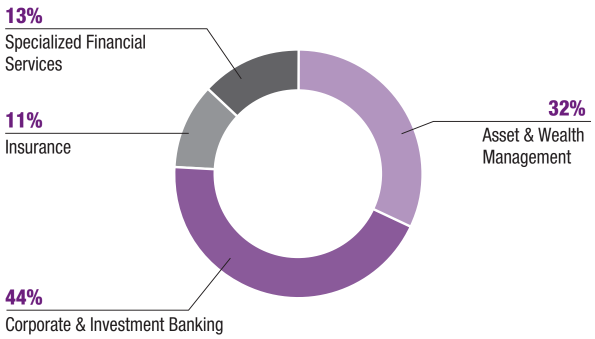
Business line NBI: €8.8bn, +10%

Business line income before tax: €2.9bn, +16%

In 2017

- Natixis successfully completed its strategic plan for 2014-2017, *New Frontier*. Revenues were up across the board in 2017, underscoring the excellent sales momentum recorded in all business lines around the world and sector-leading performances. With a Basel 3 CET1 ratio of 10.65%[1] at December 31, 2017, Natixis boasts a solid, enhanced balance sheet.
- In the Corporate & Investment Banking division, Natixis developed an approach geared towards creating high value-added solutions for the exclusive benefit of its customers. An example of this strategy is the active implementation of O2D, a fee-driven originate-to-distribute model that uses up few scarce resources, and the development of its Global Markets business lines.
- Natixis ramped up its international development, where it now generates nearly 50% of its business. It expanded its expertise by making acquisitions in the asset management, payments and insurance sectors. Natixis also developed multiple synergies with the Groupe BPCE networks.
- Lastly, it implemented its new strategic plan for the 2018-2020 period: *New Dimension*, targeting sustainable value creation. This new development plan is based on taking the business model successfully rolled out under the *New Frontier* plan even further, ramping up digital conversion and differentiation efforts focused on making Natixis a leading player in fields where its teams have developed strong, renowned expertise, and accelerating synergies with the Groupe BPCE networks and between the different Natixis business lines.

BUSINESS LINE CONTRIBUTION TO 2017 INCOME BEFORE TAX



(1) *Without phase-in measures.*

ASSET & WEALTH MANAGEMENT

The Asset & Wealth Management division provides solutions tailored to the individual, private banking and institutional customers of Natixis and the Groupe BPCE networks. Its ambition: to confirm its position as a world leader in active investment strategies thanks to its size, profitability and capacity for innovation.

Asset management

Natixis Investment Managers (IM) is the 15th largest asset manager in the world in terms of assets under management[1]. It comprises over twenty affiliated asset management companies that implement their own investment strategy in all the main asset classes, and a global distribution platform. Its operations are evenly distributed between France and the United States, with substantial development prospects in Asia.

Business continued to rebound in 2017 on both sides of the Atlantic, including positive net inflows buoyed by increased sales of high value-added long-dated products.

Natixis IM further expanded its sustainable portfolio building platform to help investors optimally manage market risk and volatility while diversifying their portfolios.

Its presence in the Asia-Pacific region was also expanded, with the acquisition of Investors Mutual Ltd in Australia, totaling more than AUD9 billion in assets under management. It expects to generate distribution synergies with the Natixis IM sales force in Sydney.

No. 15 asset manager in the world[1]

€831bn in assets under management

French subsidiary Ostrum Asset Management[2] successfully tested the FundsDLT platform, providing blockchain technology to portfolio managers and investors: the funds are securely distributed at lower cost and with shorter deadlines. Ostrum Asset Management is the first asset manager to use this technology.

Responsible investment subsidiary Mirova purchased a 51% stake in Althelia Ecosphere with the goal of becoming the European leader in natural capital investment by offering investment solutions with strong positive ecological impacts.

Wealth management

Serving a proprietary French and international customer base as well as the Groupe BPCE networks, Natixis Wealth Management offers wealth management and financial solutions tailored to major private-sector investors, entrepreneurs and their families.

The financial management range relies on Vega Investment Managers, whose business covers collective investment undertakings, discretionary portfolio management, advisory services and fund selection.

Natixis Wealth Management recorded net inflows of more than €1.4 billion in 2017.

€31.6bn in assets under management, +9%

CORPORATE & INVESTMENT BANKING

Corporate & Investment Banking develops innovative tailor-made solutions for its clients, drawing on the full gamut of its expertise in investment banking and mergers & acquisitions, on the capital markets, in structured financing and in transaction banking services.

It plans to further develop its Investment Banking and M&A activities by capitalizing on the expertise gained in four sectors: energy and natural resources, aviation, infrastructures, and real estate and hospitality.

In 2017, Corporate & Investment Banking bolstered its Investment Banking and M&A expertise with the aim of broadening strategic communications with its clients. It also boosted its potential for offering high value-added integrated solutions, particularly on the capital markets, and reiterated its ambitions in green, sustainable finance by creating a Green & Sustainable hub offering issuers and investors a global cross-business platform of expertise and solutions.

The three international platforms (EMEA, North & South America, Asia-Pacific) continued to grow, expanding their offers and geographic coverage (new branch opened in Taipei) and heightening their visibility, while stepping up inter-platform cooperation for the benefit of their clients.

Lastly, Corporate & Investment Banking increased synergies with the Groupe BPCE networks by further developing the offer designed for the Banque Populaire banks and the Caisses d'Epargne, including fixed income and foreign exchange products, creating proprietary indices and investment solutions (equity derivatives) and participating in loan syndications.

Most Innovative Investment Bank in Equity Derivatives – 2017[3]

Asia-Pacific Structured Products House of the Year – 2017[4]

Commodity Research House of the Year – 2017[5]

Best equity research in France[6] and best credit research in four categories (Covered Bonds – Retail and Consumer Products – Supranationals & Agencies – Utilities) in 2017[7]

(1) Cerulli Associates, Global Markets 2017 report, based on AuM at end-2016.
(2) Ostrum Asset Management is the new name of Natixis Asset Management
(3) The Banker Investment Banking Awards 2017 for the second year in a row.
(4) Asia Risk.
(5) Energy Risk Awards 2017.
(6) Thomson Reuters Analyst Awards 2017.
(7) Euromoney Fixed Income Research survey 2017.

M&A Advisory

Natixis advised on its first M&A deal in Asia for Fintrax (which acquired a 49% stake in Korean firm Cub Refund).

In the US, PJ SOLOMON assisted Kenneth Cole in optimizing its outstanding loans and real estate holdings.

In France, Natixis Partners advised PAI on the sale of Cerba Healthcare to Partners Group PSP.

In Spain, Natixis Partners Spain advised CVC Capital on the acquisition of a 25% stake in Compania Logistica de Hidrocarburos (CLH).

Investment Banking

In France, Natixis arranged financing for the restructuring plans of LVMH-Christian Dior Group (€8.9bn takeover bid and €4.5bn bond issue) and the acquisition of Safway by Brand Energy & Infrastructure Service ($4bn) in the United States.

Financing

The real estate and infrastructure financing activities did excellent business in 2017. For example, Natixis financed the largest solar PV park in the world in Abu Dhabi and consolidated its position as the No. 1 European creditor in EMEA real estate financing[1].

Capital Markets

Natixis continued to grow on the capital markets, highlighting a range of innovative and tailor-made solutions for its clients, as underscored by the numerous awards received. It expanded its business abroad by building up its Fixed Income teams and focusing on diversifying its range of equity derivatives solutions: for example, it formed two partnerships in South Korea and the US (creation of the Kospi 3 index, in partnership with Korea Exchange, and the Nasdaq-100 Target 25 Excess Return index).

2017 was a banner year for green, responsible financing with the first sovereign green bond issued for Agence France Trésor (€7bn, 22-year maturity), the first EUR-denominated green bond issued for an Asian company, China Three Gorges (€650m, 5-year maturity), and for BPCE, the first JPY-denominated social-impact Samourai bond issued on the Japanese market (JPY58.1bn).

Transaction Banking

Natixis once again innovated by creating the first commodity trading blockchain to process crude oil transactions in the US, together with its client Trafigura and IBM. This advancement in the field of transparency and efficiency may subsequently be extended to all commodity trading.

INSURANCE

Natixis Assurances designs and manages a comprehensive range of personal insurance products (life insurance, death benefits, dependency, pension funds, payment protection insurance) and non-life insurance products (automotive, multi-risk home, multimedia devices, supplementary health insurance, legal protection, non-banking insurance, professional insurance) for the group networks and their customers. Its ambition: to consolidate its position as a top-tier insurer in France.

Online purchasing of insurance policies, electronic signature, mobile apps... Natixis Assurances develops offers tailored to new consumer preferences and stresses quality of service in everything it does. In 2017, auto, multi-risk home, legal protection and individual health insurance policies, in addition to private banking life insurance, were recognized with the awarding of the "Label d'Excellence" certification by *Les Dossiers de l'Epargne*.

Total premium income[2] improved by 46% year-on-year, driven by robust business in both life and non-life insurance, coupled with the successful launch of personal insurance across the Caisse d'Epargne network.

No. 3 bancassureur in France[3]

95% customer satisfaction rate (in non-life insurance)

(1) At June 30, 2017 – Dealogic.
(2) Excluding the reinsurance treaty with CNP Assurances.
(3) Based on 2016 revenue, Argus de l'Assurance.

Non-life insurance

A new *à la carte* auto insurance offer was launched on the Caisse d'Epargne network and a new provident insurance policy for professional customers and farmers on the Banque Populaire network.

Work was begun to overhaul the claim management tool in 2017. A third customer reception and relations site was opened in Dijon and a new collaborative working method is being tested at call centers. These initiatives are slated to further improve customer satisfaction.

Natixis Assurances became the sole shareholder of BPCE Assurances by purchasing the 40% stake held by Macif and MAIF[1]. BPCE Assurances distributes non-life insurance policies on the Caisse d'Epargne network and health insurance policies on the Caisse d'Epargne and Banque Populaire networks.

Personal insurance

Premium income on personal insurance policies doubled in 2017 with the roll-out of the offer on the Caisse d'Epargne network. Unit-linked vehicles made up 49% of net inflows (direct business), +16 points compared to 2016. Assets under management amounted to €55 billion, +15% year-on-year (direct business).

Natixis Assurances applies a targeted responsible investment approach, addressed in a special report for the first time this year.

It has initiated a project to build a group succession management platform.

The layout of Paris offices was redesigned to create a modern workplace aimed at promoting teamwork and agility.

SPECIALIZED FINANCIAL SERVICES

The Specialized Financial Services division ramped up synergies with the group networks and furthered a strategy of innovation and digital transformation aimed at improving operational efficiency and customer satisfaction. Its ambition: to become an all-digital business by 2020 and a pure player in the payments sector in Europe.

Payments

All Groupe BPCE payment activities have been reorganized around Natixis Payment Solutions: Natixis Intertitres (service vouchers), S-money, Le Pot Commun (online money pot), E-Cotiz (online fee management solution for non-profits), Depopass (secure peer-to-peer payments).

Contactless payments took off this year, driven by the Groupe BPCE mobile payment offer (*Apple Pay, Paylib*/Android).

Services for small retailers were expanded with the launch of next-generation payment solution *SmartPos*, and two new acquisitions: PayPlug provides small retailers and VSEs with an online and mobile debit card payment system without requiring a special payment terminal; Dalenys offers online and cross-border payment solutions to major retailers and e-retailers.

No. 3 on the Payments market in France[2]

7.4bn mass transactions processed

4.6bn card clearing transactions

Financial Services

Natixis Interépargne manages nearly 3 million employee savings accounts in France, totaling €27.2 billion in off-balance sheet savings and deposits. *Amplus*, a digital tool developed in 2017, rounded out the service offer with a personalized pension fund strategy to help employees of client companies build up long-term savings.

EuroTitres is a custodian responsible for almost 3.3 million securities accounts in France belonging to retail and private banking institutions.

In 2017, Caisse des Dépôts and the DGFIP tax authorities renewed their partnership for another 10 years, and HSBC France chose Natixis Interépargne to assist its retail banking network.

No. 1 in employee savings account administration in France[3]

No. 1 custody service provider for retail and private banking institutions in France[2]

(1) Transaction subject to ACPR approval.
(2) Internal analysis.
(3) AFG (French Asset Management Association) at June 30, 2017.

Specialized Financing

Natixis Financement develops revolving loan solutions and manages consumer loans. New loans amounted to €11.3 billion, up +9% year-on-year, while loan outstandings totaled €22.7 billion.

Natixis Lease provides a full range of non-real estate and real estate leases, operating leases (with or without the option to buy), IT leases and renewable energy financing solutions through its subsidiary Natixis Energeco.

Crédit Coopératif leasing companies Bati Lease and Inter-Coop were sold to Natixis Lease. Combined, they represent over 133,000 leases and outstandings of €12.9 billion.

Natixis Factor develops factoring solutions for companies of all sizes. Factored receivables stood at €53 billion, up 18% year-on-year. The *Activ'Tréso* digital service was launched in 2017 and offers SMEs a real-time, personalized diagnostic review of their credit management solutions as well as recommendations to optimize their cash flow.

Compagnie Européenne de Garanties et Cautions (CEGC) secures €147.3 billion in home loans for individuals, up +15% compared to 2016, and issues guarantees totaling €7.1 billion for real estate managers (+11%). It issued over 90,000 guarantees in 2017.

CEGC obtained the necessary approvals in 2017 to issue guarantees in 11 European countries.

Natixis Coficiné finances the full range of audio-visual professions. It granted new loans totaling €580 million in 2017. Operating in 17 countries, it notably financed TV series and films produced in Canada and the US this year. It is No. 1 in Europe(1).

No. 1 in real estate leasing in France(1)

No. 2 in home loan guarantees in France(1)

No. 3 in consumer finance(1) and factoring in France(1)

No. 1 in film and audiovisual financing in Europe(1)

(1) *Internal analysis.*

2 REPORT ON CORPORATE GOVERNANCE

2.1 Introduction

Dear Shareholders,

In addition to the management report and in accordance with Article L. 225-68 of the French Commercial Code, this report by the Supervisory Board contains information on:

- the composition of the Supervisory Board and implementation of the principle of balanced representation of women and men;
- the conditions governing the preparation and organization of the Supervisory Board's work during the year ended December 31, 2017; and
- the principles and rules governing the determination of all types of pay and benefits granted to corporate officers.

This report was reviewed by the Remuneration Committee on February 8, 2018, then approved by the Supervisory Board at its meeting of February 13, 2018.

The external Statutory Auditors will issue a specific report, appended to their report on the annual financial statements, attesting to the provision of other information required by law in the report on corporate governance (Article L. 225-235 of the French Commercial Code).

2.2 Corporate Governance Code

In preparing this report, BPCE referred to the Corporate Governance Code for listed companies published in December 2008 and revised in 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 the central institution of a cooperative group and its equal ownership by the Banque Populaire and Caisse d'Epargne networks, which is reflected in the composition of its Board. These provisions were as follows: terms of office and the 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.

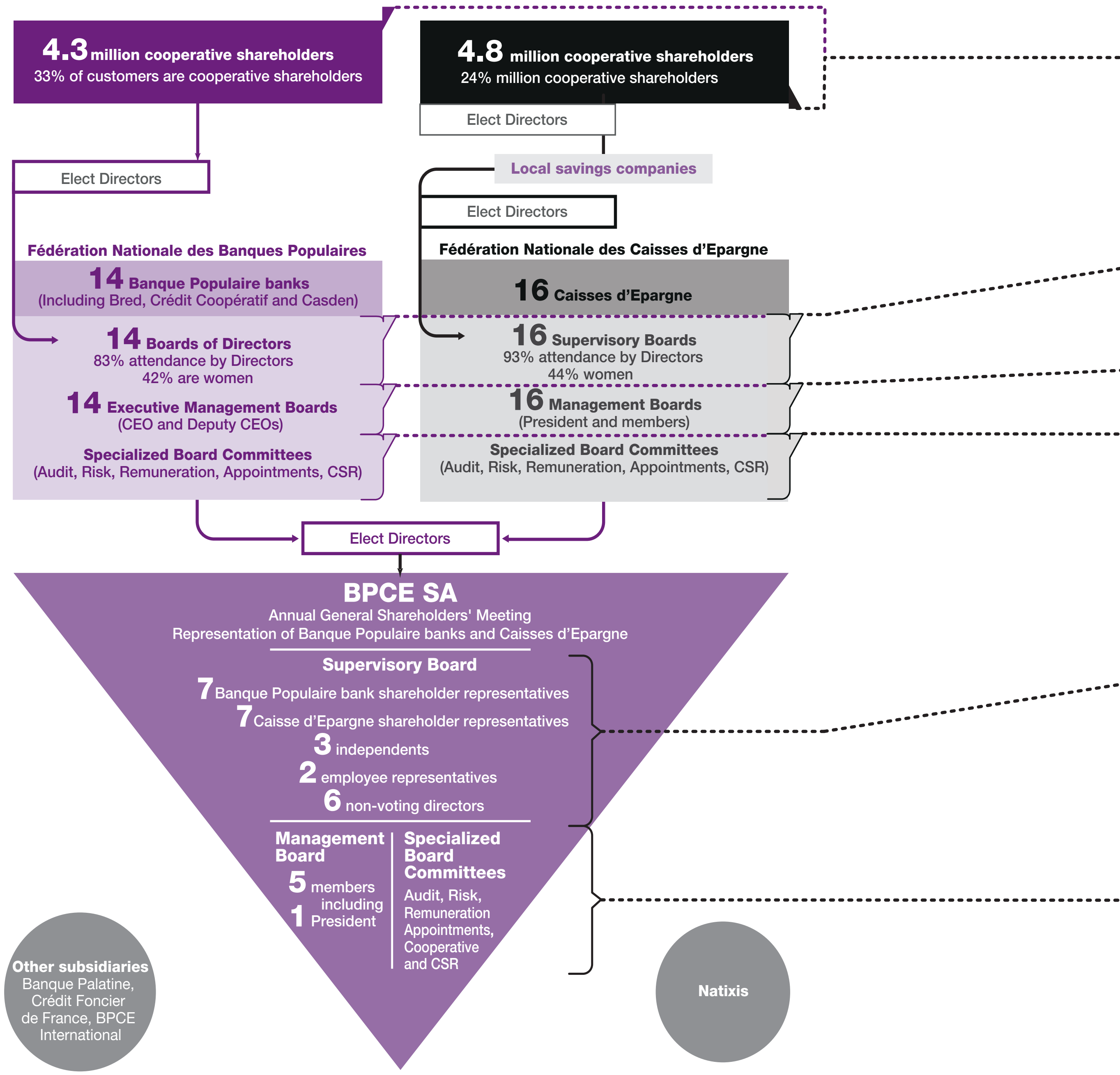
STATEMENT OF COMPLIANCE WITH AFEP-MEDEF CODE RECOMMENDATIONS[(1)]

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.

2.3 Management and Supervisory Bodies

2.3.1 Groupe BPCE governance structure



The cooperative shareholders:
- own cooperative shares.

The Boards of Directors of the Banque Populaire banks and Steering and Supervisory Boards of the Caisses d'Epargne:
- represent the cooperative shareholders (via the LSCs for the Caisses d'Epargne);
- ensure that the regions and civil society are adequately represented;
- review the management activities of the Management Board and Chief Executive Officers.

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

The Specialized Board Committees:
- make recommendations to the Board and prepare its decisions.

The BPCE (SA) Supervisory Board:
- approves the policy and strategic guidelines of Groupe BPCE and each of the networks
- verifies and audits the parent company financial statements.

The Audit Committee:
- is tasked with monitoring the process for preparing financial information, the statutory audit of the annual and consolidated financial statements by the Statutory Auditors and their independence.

The Risk Committee:
- is tasked with assessing the effectiveness of internal control and risk management systems.

The Appointments Committee:
- makes proposals to the Supervisory Board regarding the choices of Supervisory Board members, non-voting directors and experts from outside the Group, as well as the appointment of the President of the Management Board.

The Remuneration Committee:
- makes proposals to the Board regarding the levels and conditions of pay granted to Management Board members and the President of the Management Board, and the distribution of attendance fees payable to the Board members.

The Cooperative and CSR Committee:
- is in charge of making proposals and recommendations aimed at promoting the cooperative and social values of long-term engagement as well as professional and interpersonal ethics. It also ensures that Group and network activities represent these values, thereby strengthening the cooperative banking model of the Group and each of the networks.

2.3.2 Supervisory Board

The terms of the BPCE Supervisory Board Members were renewed at the Ordinary General Shareholders' Meeting of May 22, 2015 for a period of six years.

In accordance with Article L. 225-79-2 of the French Commercial Code, two employee representative members were appointed on April 28 and 30, 2015 by the two unions that received the most votes in the first round of elections referred to in Articles L. 2122-1 and L. 2122-4 of the French Labor Code, namely *Fédération CFDT des banques et assurances* and *Fédération de la finance et de la banque CFE-CGC.*

GUIDELINES

Under Article 21 of the Articles of Association as amended 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 cannot be members of the Supervisory Board, are Non-Voting Directors as of right, in accordance with Article 28.1 of BPCE's Articles of Association.

The other four Non-Voting Directors are appointed by the Ordinary General Shareholders' Meeting in accordance with Article 31.9 of BPCE's Articles of Association: two from among the candidates proposed by Category A shareholders and two from among the candidates proposed by Category B shareholders.

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, 2017, six out of the total 18 members of the BPCE Supervisory Board were women (*i.e.* 37.50%). 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, 2017, BPCE did not meet the gender representation requirement for members of its Supervisory Board (a minimum of 40% for each gender) and therefore was not in compliance with the provisions of Article L. 225-69-1 of the French Commercial Code. Consequently, no attendance fees were paid to Board members in 2017. However, the 40% minimum should be met once the next Board member is appointed. She will replace Stève Gentili, who resigned from office.

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 judgment, decision and action in all circumstances. They avoid being influenced by anything that is contrary to the company's interests, which it is their duty to defend;
- undertake to avoid any conflict that may exist between their moral and material interests and those of the company. They inform the Supervisory Board of any conflict of interest that may affect them. In such cases, they abstain from taking part in any discussions and decisions on the matters concerned.

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

In addition, the Supervisory Board and each of its committees include elected or co-opted independent members. The definition below is based on the AFEP-MEDEF Code recommendations. However, BPCE does not follow the AFEP-MEDEF Code recommendations concerning the proportion of independent directors on the Supervisory Board and its committees: because of Groupe BPCE's cooperative structure, the proportion of directors representing the Banque Populaire and Caisse d'Epargne networks is larger than the proportion of independent directors as defined in the AFEP-MEDEF Code (three in number).

The criteria stated below are designed to define a member's independent status. The guiding principle is that "members are independent if they have no relations of any sort with the company, its group or its management, which might compromise the free exercise of their judgment."

An independent member must not:

- be an employee or 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 judgment;
- 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 September 28, 2017, 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, 2017[1].

With regard to the Chairman:

- on May 19, 2017, the Supervisory Board appointed Michel Grass as its Chairman and Nicolas Plantrou 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 2018, which is scheduled to take place in May 2019.

With regard to members:

- at its meeting on July 11, 2017, the Supervisory Board accepted the resignation of Stève Gentili as a member of BPCE's Supervisory Board, effective June 30, 2017.

At December 31, 2017

SB: Supervisory Board

BD: Board of Directors

SSB: Steering and Supervisory Board

(1) *The biographies of Supervisory Board Members are available in section 2.3.5.*

Office	Date of appointment/ renewal	Term of office ends in	Business address
Chairman of the Supervisory Board	**5/19/2017**	**2019**	
Michel Grass Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté	5/22/2015	2021	Banque Populaire Bourgogne Franche-Comté 5, avenue de Bourgogne – BP 63 21802 Quetigny Cedex
Vice-Chairman of the Supervisory Board	**5/19/2017**	**2019**	
Nicolas Plantrou Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie	5/22/2015	2021	Caisse d'Epargne Normandie 151, rue d'Uelzen – 76230 Bois-Guillaume
Banque Populaire bank representatives			
Thierry Cahn Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne	5/22/2015	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	5/22/2015	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	5/22/2015	2021	Banque Populaire Rives de Paris Immeuble Sirius – 76-78, avenue de France 75204 Paris Cedex 13
André Joffre Chairman of the Board of Directors of Banque Populaire du Sud	5/22/2015	2021	Banque Populaire du Sud 38, bd Georges-Clemenceau 66966 Perpignan Cedex 09
Caisse d'Epargne representatives			
Catherine Amin-Garde Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche	5/22/2015	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	5/22/2015	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	5/22/2015	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	5/22/2015	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	5/22/2015	2021	Caisse d'Epargne Ile-de-France 26, 28 rue Neuve Tolbiac – 75013 Paris
Pierre Valentin Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon	5/22/2015	2021	Caisse d'Epargne Languedoc-Roussillon 254, rue Michel Teule – BP 7330 – 34184 Montpellier Cedex 4
Independent members			
Maryse Aulagnon Chairman of the Board of Directors of Affine Group	5/22/2015	2021	Affine 39, rue de Washington – 75008 Paris
Marwan Lahoud Member of the Supervisory Board of IDEMIA	5/22/2015	2021	IDEMIA 11, boulevard Galliéni 92130 – Issy-les-Moulineaux
Marie-Christine Lombard Chairman of the Management Board of Geodis	5/22/2015	2021	Geodis 26, quai Michelet – 92309 Levallois Cedex
Members representing employees of BPCE and its subsidiaries			
Vincent Gontier Fédération CFDT des Banques et Assurances	4/28/2015	2021	Natixis 47, quai d'Austerlitz – 75013 Paris
Frédéric Hassaine Fédération de la Finance et de la Banque CFE-CGC	4/30/2015	2021	Natixis 68-76, quai de la Rapée – 75012 Paris
Non-Voting Directors			
Jean Arondel[(1)] Chairman of Fédération Nationale des Caisses d'Epargne	5/6/2015	2021	Fédération Nationale des Caisses d'Epargne 5, rue Masseran – 75007 Paris
Dominique Martinie[(1)] Chairman of Fédération Nationale des Banques Populaires	3/12/2014	2018	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	5/22/2015	2021	Caisse d'Epargne de Midi-Pyrénées 10, avenue Maxwell – BP 22306 – 31023 Toulouse Cedex 1
Daniel Karyotis Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes	11/8/2016	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	5/22/2015	2021	Caisse d'Epargne Provence-Alpes-Corse Place Estrangin-Pastré – 13254 Marseille Cedex 06
Dominique Garnier[(2)] Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique	5/9/2017	2021	Banque Populaire Aquitaine Centre Atlantique 10, quai des Queyries – 33072 Bordeaux Cedex

(1) Non-Voting Director as of right.

(2) At the Supervisory Board Meeting of May 9, 2017, Dominique Garnier, Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique, was appointed as a Non-Voting Director on the Supervisory Board (replacing Gonzague de Villèle, who resigned).

COMPOSITION OF BOARD COMMITTEES

Audit Committee

The Audit Committee has been chaired by Marwan Lahoud, an independent member and Chairman of the Supervisory Board of IDEMIA (formerly OT-Morpho), since May 22, 2015.

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;
- Pierre Valentin, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon.

The Chairman and Vice-Chairman of the Supervisory Board are permanent guests of the Audit Committee.

The heads of Group Inspection Générale, Risk Management, Compliance and Permanent Control are invited to the meetings of the Audit Committee as non-voting participants.

The biographies of Audit Committee members are available in section 2.3.5.

Risk Committee

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

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;
- André Joffre, Chairman of the Board of Directors of Banque Populaire du Sud;
- Marwan Lahoud, independent member, Chairman of the Supervisory Board of IDEMIA (formerly OT-Morpho);
- 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 2.3.5.

Appointments Committee

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

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

- Catherine Amin-Garde, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche;
- 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 2.3.5.

Remuneration Committee

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

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

- Catherine Amin-Garde, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche;
- 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 Remuneration 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 2.3.5.

Cooperative and CSR Committee

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

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;
- Michel Grass, Chairman of the Supervisory Board of BPCE and Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Ile-de-France;
- Nicolas Plantrou, Vice-Chairman of the Supervisory Board of BPCE and Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie.

The biographies of Cooperative and CSR Committee members are available in section 2.3.5.

2.3.3 Management Board

GUIDELINES

The Management Board consists of between two and five individuals, who may or may not be selected from among the shareholders.

The age limit for serving on the Management Board is 65. When members reach the age limit, they are deemed to have resigned as of the date of the next meeting of the Supervisory Board, which decides on a replacement.

The Supervisory Board appoints the President 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 December 21, 2017, the Supervisory Board:

- accepted the resignation, effective January 1, 2018, of Marguerite Bérard–Andrieu as a member of the Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies;
- appointed François Riahi, on the recommendation of the President 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 January 1, 2018 and for the remainder of Marguerite Bérard–Andrieu'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, 2017 to December 31, 2017

François Pérol, President 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 Retail Banking and Insurance

As of January 1, 2018

François Pérol, President of the Management Board
François Riahi, Member of the Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies of BPCE
Catherine Halberstadt, Member of the Management Board in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE
Laurent Mignon, Member of the Management Board, Chief Executive Officer of Natixis
Laurent Roubin, Member of the Management Board in charge of Retail Banking and Insurance

2.3.4 BPCE Management bodies

EXECUTIVE MANAGEMENT COMMITTEE

François Pérol, President of the Management Board

François Riahi, 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 Retail 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 the Retail Banking and Insurance division – Business Lines and Resources

Benoît Catel[(2)], Chief Executive Officer of Crédit Foncier

Pierre-Yves Dréan, Chief Executive Officer of Banque Palatine

Nicolas Duhamel, Advisor to the President 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[(3)], Head of Group Communications

Cédric Mignon, Head of the Retail Banking and Insurance division – Advisors

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) At its December 12, 2017 meeting, the Board of Directors of Crédit Foncier appointed Benoît Catel as Chief Executive Officer of Crédit Foncier, replacing Bruno Deletré, effective January 1, 2018.

(3) Benoît Gausseron will replace Yves Messarovitch as of March 26, 2018.

2.3.5 Directorships and offices held by corporate officers

SUPERVISORY BOARD

The composition of the Supervisory Board at December 31, 2017 was as follows.

For the Caisse d'Epargne network

Nicolas PLANTROU
Born 12/14/1949

Nicolas Plantrou has a business school degree and a master's degree in private law and has held a wide range of positions over many years. He began his career at auditing firm Price Waterhouse, then managed a law firm specializing in corporate law (registered with the Bar of Rouen) in addition to an audit firm. Through his various positions in local and national entities, he has acquired expertise recognized by the Institut Français des Administrateurs. He is a certified corporate director.

He is currently Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie and Vice-Chairman of the BPCE Supervisory Board.

Offices held at December 31, 2017

Vice-Chairman of the Supervisory Board (since May 19, 2017) **and Member of the Cooperative and CSR Committee of BPCE** (since June 21, 2017)

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie

Chairman of the Board of Directors: SLE Rouen Elbeuf Yvetot

Foundation Chair: Fondation Belem

Vice-Chairman of the Supervisory Board: CHU Charles Nicolle**

Director: Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion), FNCE

Vice-Chairman of the Board of Directors: Fondation FilSeine

Terms of office expired in 2017

Member of the Audit Committee of BPCE (until June 21, 2017)

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Supervisory Board and the Audit Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie** **Chairman of the Board of Directors:** SLE Rouen Elbeuf Yvetot **Foundation Chair:** Fondation Belem **Vice-Chairman of the Supervisory Board:** CHU Charles Nicolle** **Director:** Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion), FNCE, Fil Seine	**Member of the Supervisory Board and the Audit Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie** **Chairman of the Board of Directors:** SLE Rouen Elbeuf Yvetot **Foundation Chair:** Fondation Belem **Vice-Chairman of the Supervisory Board:** CHU Charles Nicolle** **Director:** Banque Privée 1818, Crédit Foncier, CE Holding Promotion, FNCE, FilSeine	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie** **Chairman of the Board of Directors:** SLE Rouen Elbeuf Yvetot **Corporate Foundation Chair:** Fondation Belem **Vice-Chairman of the Supervisory Board:** CHU Charles Nicolle** **Director:** FNCE, Banque Privée 1818, Crédit Foncier, Fil Seine **Legal Manager:** Cabinet Plantrou – de La Brunière et Associés SELARL**	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie** **Chairman of the Board of Directors:** SLE Rouen Elbeuf Yvetot **Corporate Foundation Chair:** Fondation Belem **Vice-Chairman of the Supervisory Board:** CHU Charles Nicolle** **Director:** FNCE, Coface SA, Banque Privée 1818, Fil Seine **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.

Catherine AMIN-GARDE
Born 3/8/1955

Ms. Amin-Garde holds advanced degrees in both History and European Studies. She joined Groupe Caisse d'Epargne in 1984.
She is currently Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche.

Offices held at December 31, 2017

Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche
Chairman of the Board of Directors: SLE Drôme Provençale Centre, Solidaire à Fond(s) – the Caisse d'Epargne Loire Drôme Ardèche charity fund
Director: FNCE, CE Holding Participations (formerly CE Holding Promotion), Natixis Interépargne

Terms of office expired in 2017

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Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche** **Chairman of the Board of Directors:** SLE Drôme Provençale Centre, Solidaire à Fond(s) – the Caisse d'Epargne Loire Drôme Ardèche charity fund **Director:** FNCE, CE Holding Participations (formerly CE Holding Promotion), Natixis Interépargne	**Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche** **Chairman of the Board of Directors:** SLE Drôme Provençale Centre **Chairman:** Fondation Loire Drôme Ardèche **Director:** FNCE, CE Holding Promotion, Natixis Interépargne	**Member of the Supervisory Board and the Appointments and Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche** **Chairman of the Board of Directors:** SLE Drôme Provençale Centre **Chairman:** Fondation Loire Drôme Ardèche **Director:** FNCE, CE Holding Promotion, Natixis Interépargne	**Member of the Supervisory Board and the Appointments and Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche** **Chairman of the Board of Directors:** SLE Drôme Provençale Centre **Chairman:** Fondation Loire Drôme Ardèche **Director:** FNCE, CE Holding Promotion, Natixis Interépargne

** Listed company.*
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FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Astrid BOOS
Born 11/14/1953

Ms. Boos has been a chartered accountant since 1988 and is registered as a Statutory Auditor with the Commissaires aux Comptes d'Alsace. She has worked in these capacities at Boos Expertise Comptable et Audit** (BEC) since 1991. As part of her community-oriented volunteer work, she has chaired Maison de Santé Amreso-Bethel in Alsace since 2007.

Offices held at December 31, 2017

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

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace

Chairman of the Board of Directors: SLE Strasbourg Ouest, Maison de Santé Amreso-Bethel**

Chairman: BOOS Expertise Comptable et Audit (BEC)**

Co-Chairman: Fondation Solidarité Rhénane, under the aegis of Fondation CE Solidarité**

Member of the Board of Directors: 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 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors:** SLE Strasbourg Ouest, Maison de Santé Amreso-Bethel** **Chairman:** BOOS Expertise Comptable et Audit (BEC)** **Co-Chairman:** Fondation Solidarité Rhénane, under the aegis of Fondation CE Solidarité** **Member of the Board of Directors:** Banque Privée 1818 **Director:** Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**, FNCE, CE Holding Participations (formerly CE Holding Promotion)	**Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors:** SLE Strasbourg Ouest, Maison de Santé Amreso-Bethel** **Legal Manager:** BOOS Expertise Comptable et Audit (BEC)** **Co-Chairman:** Fondation Solidarité Rhénane, under the aegis of Fondation CE Solidarité** **Member of the Board of Directors:** Banque Privée 1818 **Director:** Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**, FNCE, CE Holding Promotion	**Chairman of the Steering and Supervisory Board of Caisse d'Epargne Alsace** **Chairman of the Board of Directors:** SLE Strasbourg Ouest, Fondation CE Solidarité, Maison de Santé Amreso-Bethel** **Legal Manager:** BOOS Expertise Comptable et Audit (BEC)** **Co-Chairman:** Fondation Solidarité Rhénane** **Member of the Board of Directors:** Banque Privée 1818 **Director:** Caisse d'Allocations Familiales du Bas-Rhin** (decision-making committee), Maison des Tanneurs**, FNCE	**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.*
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FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Françoise LEMALLE
Born 1/15/1965

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, 2017

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 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Supervisory Board and the Risk Committee of BPCE **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors:** SLE CECAZ (SLE Ouest des Alpes-Maritimes) **Chief Executive Officer:** LEMALLE ARES-XPERT** **Director:** IMF Créa-Sol**, Natixis*, CE Holding Participations (formerly CE Holding Promotion) **Representative of Caisse d'Epargne Côte d'Azur, Director:** FNCE **Treasurer:** Association Benjamin Delessert	**Member of the Supervisory Board and the Risk Committee of BPCE** **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors:** SLE CECAZ (SLE Ouest des Alpes-Maritimes) **Chief Executive Officer:** LEMALLE ARES-XPERT** **Director:** IMF Créa-Sol**, Natixis*, CE Holding Promotion **Representative of Caisse d'Epargne Côte d'Azur, Director:** FNCE **Treasurer:** Association Benjamin Delessert	**Member of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors:** SLE CECAZ (SLE Ouest des Alpes-Maritimes) **Chief Executive Officer:** LEMALLE ARES-XPERT** **Director:** IMF Créa-Sol**	**Member of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur** **Chairman of the Board of Directors:** SLE CECAZ (SLE Ouest des Alpes-Maritimes) **Chief Executive Officer:** LEMALLE ARES-XPERT** **Director:** IMF Créa-Sol**

** Listed company.*
*** Non-group company.*
SLE: Société locale d'épargne (local savings company).
FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Stéphanie PAIX
Born 3/16/1965

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, 2017

Member of the Supervisory Board and the Risk Committee of BPCE

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

Chairman of the Supervisory Board: Rhône Alpes PME Gestion*

Chairman of the Board of Directors: Banque du Léman (Switzerland), Rhône Alpes Cinéma

Chairman of the Regional Committee of Banques de Rhône Alpes (since September 13, 2017)

Director: Natixis*, Siparex Associés**, 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, Fondation d'Entreprise CERA, FNCE, Habitat en Région, le Club du Musée Saint-Pierre, Fondation Entrepreneurs de la Cité

Permanent Representative of Caisse d'Epargne Rhône Alpes, Legal Manager: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI le Relais

Non-Voting Director of Société des Trois Vallées

Terms of office expired in 2017

Representative of Caisse d'Epargne Rhône Alpes, Treasurer: Fondation Belem (until March 1, 2017)

Offices held at December 31 in previous years

2016

Member of the Supervisory Board and the Risk Committee of BPCE

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

Chairman of the Supervisory Board: Rhône Alpes PME Gestion*

Chairman of the Board of Directors: Banque du Léman (Switzerland), Rhône Alpes Cinéma

Director: Natixis*, Siparex Associés**, CE Holding Participations (formerly CE Holding Promotion)

Representative of Caisse d'Epargne Rhône Alpes, Member of the Supervisory Board: IT-CE

Representative of Caisse d'Epargne Rhône Alpes, Director: GIE BPCE-IT, ERILIA, Fondation d'Entreprise CERA, FNCE, Habitat en Région, le Club du Musée Saint-Pierre, Fondation Entrepreneurs de la Cité

Representative of Caisse d'Epargne Rhône Alpes, Treasurer: Fondation Belem

Permanent Representative of Caisse d'Epargne Rhône Alpes, Legal Manager: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI le Relais

Non-Voting Director of Société des Trois Vallées

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

Non-Voting Director of Société des Trois Vallées

2014

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

Chairman: Agence Lucie**

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

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

Director: Natixis*, Siparex Associés**, Crédit Foncier

Representative of Caisse d'Epargne Rhône Alpes, Member of the Supervisory Board: IT-CE

Representative of Caisse d'Epargne Rhône Alpes, Director: Compagnie des Alpes**, Fondation d'Entreprise CERA, FNCE, Habitat en Région, le Club du Musée Saint-Pierre, Fondation Entrepreneurs de la Cité

Representative of Caisse d'Epargne Rhône Alpes, Treasurer: Fondation Belem

Permanent Representative of Caisse d'Epargne Rhône Alpes, Legal Manager: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI le Relais

Non-Voting Director of Société des Trois Vallées

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

Non-Voting Director of Société des Trois Vallées

** 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 2/22/1961

Chairman of the Caisse d'Epargne Ile-de-France Management Board since 2013, Didier Patault is also a member of the BPCE Supervisory Board. A graduate of the École Polytechnique and the École Nationale des Statistiques et de l'Administration Économique (ENSAE), Mr. Patault, after starting at Caisse des Dépôts et Consignations, has spent his career at Groupe BPCE since 1992.

After holding several financial and sales positions at Caisse d'Epargne des Pays du Hainaut (1992-1999), in 1999 he joined Caisse Nationale des Caisses d'Epargne as Head of Financial Activities, then Head of Group Development Strategy in local markets.

In 2000, he was appointed Chairman of the Management Board of Caisse d'Epargne des Pays du Hainaut, then Chairman of the Management Board of Caisse d'Epargne des Pays de la Loire (2004-2008) and Chairman of the Management Board of Caisse d'Epargne Bretagne Pays de Loire (2008-2013).

Offices held at December 31, 2017

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis Coficiné, CE Holding Participations (formerly CE Holding Promotion)

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: Habitat en Région (association), FNCE, Fondation de France

Permanent Representative of CEIDF, Member of the Supervisory Board: IT-CE

Permanent Representative of CEIDF, Chairman: Bicentenaire Caisse d'Epargne (association)

Legal Representative of CEIDF, Chairman: SAS Immobilière Thoynard Ile-de-France

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis Coficiné, CE Holding Participations (formerly CE Holding Promotion)

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: Habitat en Région (association), FNCE, Fondation de France

Permanent Representative of CEIDF, Member of the Supervisory Board: IT-CE

Permanent Representative of CEIDF, Chairman: Bicentenaire Caisse d'Epargne (association)

Legal Representative of CEIDF, Chairman: SAS Immobilière Thoynard Ile-de-France

2015

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis Coficiné, CE Holding Promotion

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: Habitat en Région (association), Immobilière 3F**, FNCE

Permanent Representative of CEIDF, Member of the Supervisory Board: IT-CE

Permanent Representative of CEIDF, Chairman: Bicentenaire Caisse d'Epargne (Association)

2014

Member of the Supervisory Board of BPCE

Chairman of the Management Board of Caisse d'Epargne Ile-de-France (CEIDF)

Chairman of the Supervisory Board: Banque BCP (France)

Director: Natixis*, Natixis Coficiné, CE Holding Promotion

Director as a qualified person (for CEIDF): Paris Habitat – OPH

Permanent Representative of CEIDF, Director: Habitat en Région (association), Immobilière 3F**, FNCE

Permanent Representative of CEIDF, Member of the Supervisory Board: IT-CE

2013

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

** Listed company.*
*** Non-group company.*
SLE: Société locale d'épargne (local savings company).
FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Pierre VALENTIN
Born 2/6/1953

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 also served as a director, Chairman of the Audit Committee and Vice-Chairman of the Supervisory Board of Banque Palatine between 2008 and 2013 and then as director of listed company Natixis from 2013 to 2015.

Pierre Valentin, a member of the BPCE Supervisory Board since 2009 and a member of the Audit and Risk Committee from 2013 to 2015, was elected Chairman of the BPCE Supervisory Board from May 22, 2015 to May 19, 2017. He was appointed as a member of the Audit Committee on June 21, 2017.

Offices held at December 31, 2017

Member of the Supervisory Board and the Audit Committee (since June 21, 2017) **of BPCE**

Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)

Chairman of the Board of Directors: SLE Vallée des Gardons

Director: CE Holding Participations (formerly CE Holding Promotion), FNCE, Association Maison de Santé Protestante d'Alès **

Legal Manager: SCI Les Trois Cyprès**

Terms of office expired in 2017

Chairman of the Supervisory Board (until May 19, 2017) **and Member of the Cooperative and CSR Committee of BPCE** (until June 21, 2017)

Offices held at December 31 in previous years

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**
Legal Manager: SCI Les Trois Cyprès**

2015
Chairman of the Supervisory Board and Member of the Cooperative and CSR Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)
Chairman of the Board of Directors: SLE Vallée des Gardons
Director: CE Holding Promotion, FNCE, Association Maison de Santé Protestante d'Alès**
Legal Manager: SCI Les Trois Cyprès**

2014
Member of the Supervisory Board and Audit and Risk Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)
Chairman of the Board of Directors: SLE Vallée des Gardons
Director: CE Holding Promotion, FNCE, Natixis, Association Maison de Santé Protestante d'Alès**
Legal Manager: SCI Les Trois Cyprès**, SCI Les Amandiers**

2013
Member of the Supervisory Board and Audit and Risk Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon (CELR)
Chairman of the Board of Directors: SLE Vallée des Gardons
Director: CE Holding Promotion, Association Maison de Santé Protestante d'Alès**, Pierre et Lise Immobilier**, FNCE, Natixis*
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.

For the Banque Populaire network

Michel GRASS
Born 11/12/1957

Michel Grass holds a Master's Degree in Management from Université de Paris 1. He began his career in 1983 as a Clinic Director in the healthcare sector in Sens. From 1987 to 2010, he created and ran a small regional group of private clinics. In 2000, he became a Director at Banque Populaire de Bourgogne and has served as a commercial court judge since 2009.

Mr. Grass has been the Chairman of Banque Populaire Bourgogne Franche-Comté since 2010.

Since May 19, 2017, Michel Grass has been the Chairman of the Supervisory Board of BPCE.

Offices held at December 31, 2017

Chairman of the Supervisory Board (since May 19, 2017) **and Member of the Cooperative and CSR Committee of BPCE** (since June 21, 2017)

Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté

Director: SA HLM Brennus Habitat**

Terms of office expired in 2017

Member of the Risk Committee of BPCE (until June 21, 2017)

Director: Natixis* (until May 24, 2017)

Offices held at December 31 in previous years

2016	2015	2014	2013
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**	**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 Banque Populaire Chairmen	**Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté** **Vice-Chairman:** FNBP **Member of the Supervisory Board:** Banque Palatine **Director:** Natixis*, NGAM Commercial **Court Judge,** Sens **Associate Member:** Yonne Chamber of Commerce and Industry **Secretary:** Conference of Banque Populaire Chairmen

** Listed company.*
*** Non-group company.*
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FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Thierry CAHN
Born 9/25/1956

Since 2008, Mr. Cahn has been a member of the Board of Directors of Banque Fédérale des Banques Populaires, Groupe Banque Populaire's central institution, a member of the Board of Directors of Banques Populaires Participations from July 2009 to August 2010 and a member of the BPCE Supervisory Board since July 2009. He is an attorney at the Colmar Court of Appeals and Honorary Chairman of the Confédération Nationale des Avocats (CNA – French National Federation of Attorneys) and a former Chairman of the Bar. He has been a member of the Board of Directors of Natixis since January 2013 and, since 2003, Chairman of the Board of Directors of Banque Populaire d'Alsace, which has since become Banque Populaire Alsace Lorraine Champagne (as of November 27, 2014).

Offices held at December 31, 2017

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 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Supervisory Board and the Audit Committee of BPCE	**Member of the Supervisory Board and the Audit Committee of BPCE**	**Member of the Supervisory Board and the Audit and Risk Committee of BPCE**	**Member of the Supervisory Board and the Audit and Risk Committee of BPCE**
Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne	**Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne**	**Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne**	**Chairman of the Board of Directors of Banque Populaire d'Alsace**
Member of the Board of Directors: Natixis*	**Member of the Board of Directors:** Natixis*	**Member of the Board of Directors:** Natixis*	**Member of the Board of Directors:** Natixis*

** Listed company.*
*** Non-group company.*
SLE: Société locale d'épargne (local savings company).
FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Alain CONDAMINAS
Born 4/6/1957

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, 2017

Member of the Supervisory Board and the Risk Committee of BPCE

Chief Executive Officer of Banque Populaire Occitane

Director: Natixis*, Natixis Asset Management, Caisse Autonome des Retraites des Banques Populaires (CAR-BP), Institution de Prévoyance des Banques Populaires (IPBP)

Chairman: Fondation d'Entreprise BP Occitane

Permanent Representative of Banque Populaire Occitane, Director: i-BP

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 2017

-

Offices held at December 31 in previous years

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

2015
Member of the Supervisory Board and the Risk Committee of BPCE
Chief Executive Officer of Banque Populaire Occitane
Director: Natixis*, Natixis Asset Management
Chairman: Fondation d'Entreprise BP Occitane
Permanent Representative of Banque Populaire Occitane, Director: i-BP
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

2014
Member of the Supervisory Board of BPCE
Chief Executive Officer of Banque Populaire Occitane
Director: Natixis*, Natixis Asset Management
Chairman: Fondation d'Entreprise BP Occitane
Permanent Representative of Banque Populaire Occitane, Director: i-BP
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

2013
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 11/23/1950

After studying literature at university, Mr. Desvergnes was appointed as an administrator at the high school in Dammarie-les-Lys (Seine-et-Marne) in 1975. He became an administrative advisor for secondary and higher education in 1982 and was appointed as an accounting officer at Lycée Henri-Moissan high school in Meaux. He was appointed special advisor to Michel Gelly in 1990 and subsequently Vice-Chairman under Christian Hébrard. He was Chairman and 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, 2017

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

Chairman of the Board of Directors of CASDEN Banque Populaire

Director: Crédit Foncier, Parnasse MAIF SA, Arts et Vie Association**

Permanent Representative of CASDEN Banque Populaire, Chairman: SAS Finance

Legal Manager: Inter Promo

Terms of office expired in 2017

Chairman of the Board of Directors: Parnasse Finance (until October 3, 2017)

Director: Bureau de Management Financier (BMF) (until October 20, 2017)

Offices held at December 31 in previous years

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

Legal Manager: Inter Promo

2015

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

2014

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

2013

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

** 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.

Stève GENTILI (until June 30, 2017)
Born 6/5/1949

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 Chairman of the economic organization for the summit of the Heads of State of French-speaking countries.

Offices held at December 31, 2017

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 2017

Vice-Chairman of the Supervisory Board (until May 19, 2017) **and Member of the Cooperative and CSR Committee of BPCE** (until June 21, 2017)

Member of the Supervisory Board of BPCE (until June 30, 2017)

Offices held at December 31 in previous years

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

2015

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

2014

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

2013

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

** 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 9/2/1958

Mr. Gevin earned an engineering degree from the Institut National des Sciences Appliquées (INSA) of Lyon in 1981. He also holds an MBA from EM Lyon Business School (CESMA), awarded in 1982. He joined Groupe Banque Populaire in 1987. He joined Banque Populaire Franche-Comté, Maçonnais et Ain, where he served as Head of Organization and Information Technology and, beginning in 1995, Deputy Chief Executive Officer. In 1998, Mr. Gevin was appointed Chief Executive Officer of Banque Populaire Anjou Vendée. In 2002, he led the merger of Banque Populaire Anjou Vendée and Banque Populaire Bretagne Atlantique, which became Banque Populaire Atlantique. In 2008, he was appointed Chairman of the Management Board of Foncia Group. He has served as Chief Executive Officer of Banque Populaire Rives de Paris since 2012.

Offices held at December 31, 2017

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE

Chief Executive Officer of Banque Populaire Rives de Paris

Chairman of the Board of Directors: TURBO SA

Chairman of SAS: Rives Croissance

Member of the Supervisory Board: Naxicap Partners

Director: Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d'Entreprise Banque Populaire Rives de Paris, Fondation d'Entreprise Banque Populaire

Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP, BP Développement

Legal Manager: Equinoxe

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE
Chief Executive Officer of Banque Populaire Rives de Paris
Chairman of the Board of Directors: TURBO SA
Chairman of SAS: Rives Croissance
Member of the Supervisory Board: Naxicap Partners
Director: Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d'Entreprise Banque Populaire Rives de Paris, Fondation d'Entreprise Banque Populaire (since June 14, 2016)
Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP, BP Développement
Legal Manager: Equinoxe (since July 27, 2016)

2015

Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE
Chief Executive Officer of Banque Populaire Rives de Paris
Chairman of the Board of Directors: TURBO SA, Rives Croissance (formerly Sud Participations)
Member of the Supervisory Board: Naxicap Partners
Director: Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d'Entreprise Banque Populaire Rives de Paris
Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP, BP Développement

2014

Non-Voting Director on the Supervisory Board of BPCE
Chief Executive Officer of Banque Populaire Rives de Paris
Chairman and Chief Executive Officer: Sud Participations
Chairman of the Board of Directors: TURBO SA
Member of the Supervisory Board: Naxicap Partners
Director: Compagnie Européenne de Garanties et Cautions (CEGC)
Permanent Representative of Banque Populaire Rives de Paris, Chairman: Sociétariat Banque Populaire Rives de Paris
Permanent Representative of Banque Populaire Rives de Paris, Director: i-BP, BP Développement

2013

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

** Listed company.*
*** Non-group company.*
SLE: Société locale d'épargne (local savings company).
FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

André JOFFRE
Born 12/31/1953

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, 2017

Member of the Supervisory Board, the Appointments Committee, the Remuneration Committee and the Risk Committee (since June 21, 2017) **of BPCE**

Chairman of the Board of Directors 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 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
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	**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:** Banque Privée 1818, Natixis Factor **Legal Manager:** Tecsol Presse** **Permanent Representative of Banque Populaire du Sud, Director:** Caisse Régionale du Crédit Maritime La Méditerranée	**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:** Banque Privée 1818, Natixis Factor, FNBP **Permanent Representative of Banque Populaire du Sud, Chairman:** SAS Sociétariat **Permanent Representative of Banque Populaire du Sud, Director:** Caisse Régionale du Crédit Maritime La Méditerranée **Legal Manager:** Tecsol Presse**	**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:** Banque Privée 1818, Natixis Factor, FNBP **Permanent Representative of Banque Populaire du Sud, Chairman:** SAS Sociétariat **Permanent Representative of Banque Populaire du Sud, Director:** Caisse Régionale du Crédit Maritime La Méditerranée **Legal Manager:** Tecsol Presse**

** Listed company.*
*** Non-group company.*
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 7/29/1954

Vincent Gontier graduated from the HEC business school after working briefly at an acquisitions and disposals firm. He worked for eight years in the Financial Services and Economic Modeling departments at EDF-GDF Group. He subsequently joined Crédit Agricole Group, first as Deputy Head of the fixed income trading desk (bonds, treasuries, forward options) and later as Chief Executive Officer of brokerage firm Bertrand Michel SA. In 1991, he joined Crédit National (which later became Natixis), where he held a series of positions in asset management (Chief Executive Officer of Alfi Gestion, Corporate Secretary of the discretionary asset management subsidiary, Chief Executive Officer of Interépargne) and in capital markets activities (acting Head of Capital Markets Activities, Head of Equity Derivatives). He currently works at Natixis, on the regulatory strategy and quantitative research team.

Offices held at December 31, 2017

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

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Supervisory Board and the Remuneration Committee of BPCE – Employee representative	**Member of the Supervisory Board and the Remuneration Committee of BPCE – Employee representative**	None	None

Frédéric HASSAINE
Born 5/22/1966

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, 2017

Member of the Supervisory Board of BPCE – Employee representative

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Supervisory Board – Employee representative	**Member of the Supervisory Board – Employee representative**	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 4/19/1949

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, 2017

Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member

Chairman of the Board of Directors: Affine R.E. */** (since January 1, 2017), Gesfimmo SA**

Chairman and Chief Executive Officer: MAB-Finances**

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

Permanent Representative of Affine R.E. */, Non-Executive Chairman:** Banimmo*/**, Banimmo France*/**, Promaffine**, Urbismart**

Permanent Representative of Affine R.E. */, Legal Manager:** Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)

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

Permanent Representative of ATIT, 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 2017

-

Offices held at December 31 in previous years

2016

Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member

Chairman and Chief Executive Officer: Affine R.E. */**, Gesfimmo SA**

Chairman and Chief Executive Officer: MAB-Finances** (since June 30, 2016)

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

Permanent Representative of Affine R.E. */, Non-Executive Chairman:** Banimmo*/**, Banimmo France*/**, Promaffine**, Urbismart**

Permanent Representative of Affine R.E. */, Legal Manager:** Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)

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

Permanent Representative of ATIT, 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**

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**

** Listed company.*
*** Non-group company.*
SLE: Société locale d'épargne (local savings company).
FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Marwan LAHOUD
Born 3/6/1966

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-Chairman in charge of mergers and acquisitions. From June 2007 to February 2017, he was Deputy Chief Executive Officer in charge of Corporate Strategy and Marketing and a member of the Executive Committee of Airbus Group. On May 31, 2017, he was appointed Chairman of the Supervisory Board of IDEMIA (formerly OT-Morpho)

Offices held at December 31, 2017

Member of the Supervisory Board, Chairman of the Audit Committee and Member of the Risk Committee of BPCE – Independent Member

Chairman of the Supervisory Board: IDEMIA (since May 31, 2017)

Chairman of the Board of Directors: IHES** (Foundation of the Institut des Hautes Études Scientifiques)

Member of the Board of Directors: École Polytechnique**

Director: Eurotradia International**

Terms of office expired in 2017

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

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

Chairman: GIFAS** (Groupement des Industries Françaises Aéronautiques et Spatiales) (until June 8, 2017)

Offices held at December 31 in previous years

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)**
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**

2015
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**

2014
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**

2013
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**

** 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 12/6/1958

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, 2017

Member of the Supervisory Board, Chairman of the Risk Committee and Member of the Audit Committee of BPCE – Independent Member

Chairman of the Management Board: Geodis SA**

Member of the Board of Directors: VINCI**, BMVirolle**, École Polytechnique**

Director and Member of the Steering Committee: Union TLF**

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Supervisory Board, Chairman of the Risk Committee and Member of the Audit Committee of BPCE – Independent Member **Chairman of the Management Board:** Geodis SA** **Member of the Board of Directors:** VINCI**, BMVirolle** **Director and Member of the Steering Committee:** Union TLF**	**Member of the Supervisory Board, Chairman of the Risk Committee and Member of the Audit Committee of BPCE – Independent Member** **Chairman of the Management Board:** Geodis SA** **Member of the Board of Directors:** VINCI**, BMVirolle** **Director and Member of the Steering Committee:** Union TLF**	**Member of the Supervisory Board, the Risk Committee and the Audit Committee of BPCE – Independent Member** **Chairman of the Management Board:** Geodis SA** **Member of the Board of Directors:** VINCI**, BMVirolle** **Director and Member of the Steering Committee:** Union TLF**	**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**

** 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 4/12/1950

Offices held at December 31, 2017

Non-Voting Director on the Supervisory Board and Member of the Cooperative and CSR Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors of Fédération Nationale des Caisses d'Epargne (FNCE)
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman of the Association pour l'Histoire des CEP
Vice-Chairman: World Savings Banks Institute (WSBI)
Co-Legal Manager: SNC Ecureuil 5 rue Masseran
Director: CE Holding Participations (formerly CE Holding Promotion)
Observer (alternate) at the Annual General Shareholders' Meeting and on the Board of Directors of the European Savings Banks Group (ESBG)
Director: Coface SA*

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016
Non-Voting Director on the Supervisory Board and Member of the Cooperative and CSR Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors of Fédération Nationale des Caisses d'Epargne (FNCE)
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman of the Association pour l'Histoire des CEP (since March 7, 2016)
Vice-Chairman: World Savings Banks Institute (WSBI)
Co-Legal Manager: SNC Ecureuil 5 rue Masseran
Director: CE Holding Participations (formerly CE Holding Promotion), Coface SA*
Observer at the Annual General Shareholders' Meeting and on the Board of Directors of the European Savings Banks Group (ESBG)

2015
Non-Voting Director on the Supervisory Board and Member of the Cooperative and CSR Committee of BPCE
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors of Fédération Nationale des Caisses d'Epargne (FNCE)
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman: Fondation Caisse d'Epargne Loire-Centre, Fonds de Dotation du Réseau des Caisses d'Epargne
Vice-Chairman: World Savings Banks Institute (WSBI)
Co-Legal Manager: SNC Ecureuil 5 rue Masseran
Director: CE Holding Promotion, Coface SA*
Observer at the Annual General Shareholders' Meeting and on the Board of Directors of the European Savings Banks Group (ESBG)
Permanent Representative of Caisse d'Epargne Loire-Centre, Director: Natixis Lease

2014
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman: Fondation Caisse d'Epargne Loire-Centre
Permanent Representative of Caisse d'Epargne Loire-Centre, Director: Natixis Lease, FNCE
Director: Coface SA*

2013
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire-Centre
Chairman of the Board of Directors: SLE Pays Chartrain et Drouais
Chairman: Fondation Caisse d'Epargne Loire-Centre
Permanent Representative of Caisse d'Epargne Loire-Centre, Director: Natixis Lease, FNCE
Director: Coface SA* (formerly SAS Coface Holding)

** Listed company.*
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SLE: Société locale d'épargne (local savings company).
FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Pierre CARLI
Born 8/21/1955

Offices held at December 31, 2017

Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)
Chairman of the Supervisory Board: Capitole Finance-Tofinso, Midi 2I, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne, Ecureuil Immo, Fondation d'Entreprise Espace Ecureuil
Chairman: SOREPAR SAS, Regional Committee (Midi-Pyrénées) of the Fédération Bancaire Française**
Vice-Chairman of the Board of Directors: IRDI**
Vice-Chairman of the Supervisory Board: PROMOLOGIS**
Director: FNCE, BPCE Achats, Groupe Promo Midi, CE Holding Participations (formerly CE Holding Promotion), Toulouse School of Management** since October 6, 2017
Member of the Supervisory Board: Ecureuil Service SAS
Permanent Representative of CEMP, Member of the Supervisory Board: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT, IRDI GESTION**
Permanent Representative of CEMP, Member of the Board of Directors: Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEMECCEL**
Permanent Representative of Midi Foncière: SAINT-EXUPERY MONTAUDRAN**
Permanent Representative of SOREPAR, Member of the Board of Directors: SEM OPPIDEA**
Permanent Representative of CEMP, Director: Association Habitat en Région

Terms of office expired in 2017

Permanent Representative of CEMP, Member of the Board of Directors: Association EDENIS** (formerly Promo Accueil) (until September 20, 2017)

Offices held at December 31 in previous years

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, Comité Régional Fédération Bancaire de Midi-Pyrénées**
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

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, Comité Régional Fédération Bancaire de Midi-Pyrénées **
Vice-Chairman of the Board of Directors: IRDI**
Vice-Chairman of the Supervisory Board: PROMOLOGIS**
Director: FNCE, Midi Capital, BPCE Achats, Groupe Promo Midi, CE Holding Promotion
Member of the Supervisory Board: Ecureuil Service SAS
Member of the Board of Directors: Fondation Caisse d'Epargne pour la Solidarité
Permanent Representative of CEMP, Member of the Supervisory Board: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT, IRDI GESTION**
Permanent Representative of CEMP, Member of the Board of Directors: Association EDENIS** (formerly Promo Accueil), Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEMECCEL**
Permanent Representative of Midi Foncière: SAINT-EXUPERY MONTAUDRAN**
Permanent Representative of SOREPAR, Member of the Board of Directors: SEM OPPIDEA**
Permanent Representative of CEMP, Director: Association Habitat en Région, SEM Tourisme**

2014
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)
Chairman of the Supervisory Board: Capitole Finance-Tofinso, Midi 2I, Sotel**
Chairman of the Board of Directors: Midi Foncière, IDEI Association**, Midi Épargne, Ecureuil Immo, Fondation d'Entreprise Espace Ecureuil
Chairman: SOREPAR SAS
Vice-Chairman of the Board of Directors: IRDI**
Vice-Chairman of the Supervisory Board: PROMOLOGIS**
Vice-Chairman: Comité Régional Fédération Bancaire de Midi-Pyrénées**
Director: FNCE, Midi Capital, BPCE Achats, Groupe Promo Midi, CE Holding Promotion
Member of the Supervisory Board: Ecureuil Service SAS
Member of the Board of Directors: Fondation Caisse d'Epargne pour la Solidarité
Permanent Representative of CEMP, Member of the Supervisory Board: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT
Permanent Representative of CEMP, Member of the Board of Directors: Association EDENIS** (formerly Promo Accueil), Fondation d'Entreprise du Toulouse Football Club**
Non-Voting Director: SEMECCEL**
Permanent Representative of Midi Foncière: SAINT-EXUPERY MONTAUDRAN**
Permanent Representative of SOREPAR, Member of the Board of Directors: SEM OPPIDEA**
Permanent Representative of CEMP, Director: Association Habitat en Région, SEM Tourisme**

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

** Listed company.*
*** Non-group company.*
SLE: Société locale d'épargne (local savings company).
FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Dominique GARNIER (since May 9, 2017)
Born 6/20/1961

Offices held at December 31, 2017

Non-Voting Director on the Supervisory Board of BPCE (since May 9, 2017)
Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique
Director: Crédit Foncier, Compagnie de Financement Foncier, Natixis Factor, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux
Vice-Chairman: Banque Populaire Corporate Foundation
Member as of right of the Board of Directors, as Chief Executive Officer of BPACA: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest
Permanent Representative of BPACA, Chairman of the Supervisory Board: Ouest Croissance Gestion
Permanent Representative of BPACA, Director: GIE BPCE-IT/ALBIAN-IT, i-BP
Permanent Representative of BPACA, Member of the Strategic Steering Board: Ouest Croissance
Treasurer: Comité Régional des Banques d'Aquitaine de la Fédération Bancaire Française

Offices expired at July 30, 2017

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Offices held at December 31 in previous years

2016	2015	2014	2013
Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique **Director:** Crédit Foncier, Compagnie de Financement Foncier, Natixis Factor, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux **Vice-Chairman:** Banque Populaire Corporate Foundation **Member as of right of the Board of Directors, as Chief Executive Officer of BPACA:** Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest **Permanent Representative of BPACA, Chairman of the Supervisory Board:** Ouest Croissance Gestion **Permanent Representative of BPACA, Director:** GIE BPCE-IT/ALBIAN-IT, i-BP **Permanent Representative of BPACA, Member of the Strategic Steering Board:** Ouest Croissance **Treasurer:** Comité Régional des Banques d'Aquitaine de la Fédération Bancaire Française	**Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique** **Director:** Crédit Foncier, Compagnie de Financement Foncier, Natixis Factor, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux **Member as of right of the Board of Directors, as Chief Executive Officer of BPACA:** Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest **Permanent Representative of BPACA, Chairman of the Supervisory Board:** Ouest Croissance Gestion **Permanent Representative of BPACA, Director:** GIE BPCE-IT/ALBIAN-IT, i-BP **Permanent Representative of BPACA, Member of the Strategic Steering Board:** Ouest Croissance **Treasurer:** Comité Régional des Banques d'Aquitaine de la Fédération Bancaire Française	**Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique** **Director:** Crédit Foncier, Compagnie de Financement Foncier, Natixis Factor, Natixis Coficiné, Institut d'Administration des Entreprises de Bordeaux **Member as of right of the Board of Directors, as Chief Executive Officer of BPACA:** Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest **Permanent Representative of BPACA, Chairman of the Supervisory Board:** Ouest Croissance Gestion **Permanent Representative of BPACA, Vice-Chairman:** Crédit Commercial du Sud-Ouest **Permanent Representative of BPACA, Director:** i-BP **Permanent Representative of BPACA, Member of the Strategic Steering Board:** Ouest Croissance **Permanent Representative of Ouest Croissance, Director:** BP Développement	**Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique** **Director:** Crédit Foncier, Natixis Factor, Natixis Coficiné **Member as of right of the Board of Directors, as Chief Executive Officer of BPACA:** Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest **Permanent Representative of BPACA, Chairman of the Supervisory Board:** Ouest Croissance Gestion **Permanent Representative of BPACA, Vice-Chairman:** Crédit Commercial du Sud-Ouest **Permanent Representative of BPACA, Director:** i-BP, BPCE Domaines **Permanent Representative of BPACA, Member of the Strategic Steering Board:** Ouest Croissance **Permanent Representative of Ouest Croissance, Director:** BP Développement

** Listed company.*
*** Non-group company.*
SLE: Société locale d'épargne (local savings company).
FNCE: Fédération Nationale des Caisses d'Epargne.
FNBP: Fédération Nationale des Banques Populaires.

Daniel KARYOTIS
Born 2/9/1961

Offices held at December 31, 2017

Non-Voting Director on the Supervisory Board of BPCE
Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes
Chairman of the Board of Directors: Banque de Savoie (since May 10, 2017)
Director: COFACE SA* (since February 8, 2017)
Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director: i-BP, Pramex International

Terms of office expired in 2017

Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Vice-Chairman: Banque de Savoie
Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director: Compagnie des Alpes* **

Offices held at December 31 in previous years

2016
Non-Voting Director on the Supervisory Board of BPCE (since November 8, 2016)
Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes
Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Vice-Chairman: Banque de Savoie
Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director: i-BP, Compagnie des Alpes* **, Pramex International
Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Vice-Chairman: Banque de Savoie

2015
Member of the Management Board of BPCE, CEO in charge of Finance, Risks and Operations
Deputy Chief Executive Officer: CE Holding Promotion
Permanent Representative of BPCE, Director: Natixis*, Crédit Foncier, CE Holding
Permanent Representative of BPCE, Director: Natixis*, Crédit Foncier, CE Holding Promotion

2014
Member of the Management Board of BPCE – Finance, Risks and Operations
Deputy Chief Executive Officer: CE Holding Promotion
Member of the Board of Directors: Nexity*
Permanent Representative of BPCE, Director: Natixis*, Crédit Foncier, CE Holding Promotion

2013
Member of the Management Board of BPCE – Finance, Risks and Operations
Deputy Chief Executive Officer: CE Holding Promotion
Member of the Board of Directors: Nexity*
Permanent Representative of BPCE, Director: Natixis*, Crédit Foncier, CE Holding Promotion

** Listed company.*
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FNBP: Fédération Nationale des Banques Populaires.

Alain LACROIX
Born 3/25/1953

Offices held at December 31, 2017

Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne CEPAC (formerly Caisse d'Epargne Provence-Alpes-Corse)
Chairman of the Supervisory Board: Sogima
Chairman of the Board of Directors: Logirem
Member of the Management Board: Proxipaca Finance
Director: Natixis Global Asset Management, Natixis Asset Management, FNCE, CE Holding Participations (formerly CE Holding Promotion), Bellechasse**
Chairman-elect: CCI PACA**
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman: Navire BR1, MJ1** (association)
Permanent Representative of CEPAC, Vice-Chairman of the Board of Directors: Finances et Conseil Méditerranée
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, Full Member of the Strategy Committee: Averroès Finance**
Permanent Representative of CEPAC, Member of the Management Board: PRIMAVERIS
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA, Erilia, IT-CE

Terms of office expired in 2017

Permanent Representative of CEPAC, Chairman: Club Top 20 Marseille Provence** (until July 7, 2017)
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade (until May 12, 2017)
Permanent Representative of Club Top 20, Membe (until July 7, 2017): Marseille Provence Culture 2018**

Offices held at December 31 in previous years

2016
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne CEPAC (formerly Caisse d'Epargne Provence-Alpes-Corse)
Chairman of the Supervisory Board: Sogima
Chairman of the Board of Directors: Logirem, MJ1** (association)
Member of the Management Board: Proxipaca Finance
Director: Natixis Global Asset Management, Natixis Asset Management, FNCE, Habitat en Région** (association), CE Holding Participations (formerly CE Holding Promotion), Bellechasse**
Chairman-elect: CCI PACA
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade
Permanent Representative of CEPAC, Chairman: Navire BR1, Club Top 20 Marseille Provence
Permanent Representative of CEPAC, Vice-Chairman of the Board of Directors: Finances et Conseil Méditerranée
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, Full Member of the Strategy Committee: Averroès Finance**
Permanent Representative of CEPAC, Member of the Management Board: PRIMAVERIS
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA, Erilia (since June 3, 2016)

2015
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Provence-Alpes-Corse (CEPAC)
Chairman of the Supervisory Board: Sogima, Logirem
Member of the Management Board: Proxipaca Finance
Director: Erilia, Erixel, Natixis Global Asset Management, Natixis Asset Management, FNCE, Habitat en Région** (association), CE Holding Promotion
Full Member of the Strategy Committee: Averroes**
Member of the Supervisory Board: CE Capital
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade, CEFIM, Banque de la Réunion, Banques des Antilles Françaises, Banque de Saint-Pierre et Miquelon
Permanent Representative of CEPAC, Vice-Chairman of the Board of Directors: Finances et Conseil Méditerranée
Permanent Representative of CEPAC, Chairman: Club Top 20 Marseille Provence
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, Member of the Supervisory Board: IT-CE
Permanent Representative of CEPAC, Member of the Management Board: PRIMAVERIS
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA
Permanent Representative of Club Top 20, Member of the Permanent Assembly: UPE 13**

2014
Non-Voting Director on the Supervisory Board of BPCE
Chairman of the Management Board of Caisse d'Epargne Provence-Alpes-Corse (CEPAC)
Chairman of the Supervisory Board: Sogima, Logirem
Member of the Management Board: Proxipaca Finance
Director: Erilia, Erixel, Natixis Global Asset Management, Natixis Asset Management, FNCE, Habitat en Région** (association), CE Holding Promotion
Full Member of the Strategy Committee: Averroes**
Member of the Supervisory Board: CE Capital
Member of the Executive Board: UPE 13
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, Member of the Supervisory Board: IT-CE
Permanent Representative of CEPAC, Member of the Management Board: Primaveris
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA

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
Member-elect: CCIMP**
Permanent Representative of CEPAC, Chairman of the Board of Directors: BPCE Trade
Permanent Representative of CEPAC, Chairman of the Management Board: CEPAC Investissement et Développement
Permanent Representative of CEPAC, Member of the Supervisory Board: IT-CE, GCE Syndication Risque
Permanent Representative of CEPAC, Member of the Management Board: Primaveris
Permanent Representative of CEPAC, Director: SAMENAR, PROENCIA

** 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 12/19/1947

Offices held at December 31, 2017

Non-Voting Director on the Supervisory Board and Chairman of the Cooperative and CSR Committee of BPCE
Chairman of the Board of Directors of Banque Populaire Auvergne Rhône Alpes
Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP)
Chairman of the Board of Directors: BCI (CONGO)
Chairman: BENAC (SAS)
Chairman and Managing Director: Europhta (SAM) (since September 27, 2017)
Vice-Chairman: THEA (SAS), CIBP (Confédération Internationale des Banques Populaires)
Director: BPCE International, BP Développement (SA), Institut Français de Mécanique Avancée

Terms of office expired in 2017

Director: Natixis Assurances (until March 23, 2017)
Director: Europhta (SAM) (since September 27, 2017)

Offices held at December 31 in previous years

2016	2015	2014	2013
Non-Voting Director on the Supervisory Board and Chairman of the Cooperative and CSR Committee of BPCE **Chairman of the Board of Directors of Banque Populaire Auvergne Rhône Alpes** (since December 7, 2016) **Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP)** **Chairman of the Board of Directors:** BCI (CONGO) **Chairman:** BENAC (SAS) **Vice-Chairman:** THEA (SAS), CIBP (Confédération Internationale des Banques Populaires) **Director:** Natixis Assurances, BPCE International, BP Développement (SA), Institut Français de Mécanique Avancée, Europhta (SAM)	**Non-Voting Director on the Supervisory Board and Chairman of the Cooperative and CSR Committee of BPCE** **Chairman of the Board of Directors of Banque Populaire du Massif Central** **Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP)** **Chairman of the Board of Directors:** BCI (CONGO) **Chairman:** BENAC (SAS) **Vice-Chairman:** THEA (SAS), CIBP (Confédération Internationale des Banques Populaires) **Director:** Natixis Assurances, BPCE International, BP Développement (SA), Institut Français de Mécanique Avancée, Europhta (SAM), Université d'Auvergne (foundation)	**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)

** 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 VILLELE (until May 9, 2017)
Born 1/23/1953

Offices held at December 31, 2017

Director: Banque Tuniso-Koweitienne

Terms of office expired in 2017

Non-Voting Director on the Supervisory Board of BPCE (until May 9, 2017)
Chief Executive Officer of Banque Populaire Val de France (until April 27, 2017)
Chairman: Sociétariat Banque Populaire Val de France (until April 27, 2017), Val de France Transactions (until April 27, 2017)
Chairman of the Supervisory Board: Ouest Croissance Gestion (until April 27, 2017)
Director: Banque Privée 1818 (until April 27, 2017), i-BP (until April 27, 2017), BPCE-IT (until April 27, 2017)
Permanent Representative of BPVF, Chairman: Ouest Ingénierie Financière (until April 27, 2017)
Permanent Representative of BPVF, Member: Ouest Croissance Gestion (until April 27, 2017)
Member of the Supervisory Board: Patrimoine et Commerce** (until November 3, 2017)

Offices held at December 31 in previous years

2016	2015	2014	2013
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	**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 **Senior 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 **Senior Vice-Chairman:** FNBP **Permanent Representative of BPVF, Member:** Ouest Croissance Gestion

** 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 11/6/1963

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 responsible for International Debt Negotiations. He was Deputy Head of Corporate Financing and Development at the Treasury in 2001 and in 2002 was appointed Deputy Head of the cabinet of Francis Mer, Minister for the Economy, Finance and Industry, then Deputy Head of the cabinet of Nicolas Sarkozy, Minister of State and Minister for the Economy, Finance and Industry in 2004.

In 2005, he became a managing partner at Rothschild & Cie.

In May 2007, he was appointed Deputy Secretary General to the President of the French Republic.

From March 2 to July 31, 2009, François Pérol was Chairman of the Management Board of Caisse Nationale des Caisses d'Epargne and Chief Executive Officer of Banque Fédérale des Banques Populaires.

On July 31, 2009, he became President of the Management Board of Groupe BPCE and his appointment was renewed on November 21, 2012 and on November 16, 2015. He is also Chairman of the Board of Directors of Natixis* and Crédit Foncier.

Offices held at December 31, 2017

President of the BPCE Management Board
Chairman of the Board of Directors: Natixis*, Crédit Foncier
Chairman of SAS: CE Holding Participations (formerly CE Holding Promotion)
Director: CNP Assurances*/**, Sopassure, Natixis*, Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion)
Permanent Representative of BPCE, General Partner: SCA Ecufoncier
Permanent Representative of BPCE Maroc, Director: Banque Centrale Populaire*

Terms of office expired in 2017

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Offices held at December 31 in previous years

2016
President of the BPCE Management Board
Chairman of the Board of Directors: Natixis*, Crédit Foncier
Chairman of SAS: CE Holding Participations (formerly CE Holding Promotion)
Director: CNP Assurances*/**, Sopassure, Natixis*, Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion)
Permanent Representative of BPCE, General Partner: SCA Ecufoncier
Permanent Representative of BPCE Maroc, Director: Banque Centrale Populaire*

2015
President of the BPCE Management Board
Chairman of the Board of Directors: Natixis*, Crédit Foncier
Company Chairman: CE Holding Promotion
Director: CNP Assurances*/**, Sopassure, Natixis*, Crédit Foncier, CE Holding Promotion
Permanent Representative of BPCE, General Partner: SCA Ecufoncier
Permanent Representative of BPCE Maroc, Director: Banque Centrale Populaire*

2014
President 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*

2013
President 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*

** 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
Born 12/31/1977

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 responsible for Strategy, Legal Affairs, Corporate Secretary's Office and Compliance.

From May 2016 until December 31, 2017, Marguerite Bérard-Andrieu was the member of the BPCE Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies.

Offices held at December 31, 2017

Member of the Management Board of BPCE in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies

Deputy Chief Executive Officer: CE Holding Participations (formerly CE Holding Promotion)

Director: SCOR*/**, Havas*/**

Permanent Representative of BPCE, Director: Crédit Foncier, Natixis*

Permanent Representative of BPCE, Chairman: CE Holding Participations (formerly CE Holding Promotion)

Offices expired at December 31, 2017

Director and Chairman of the Board of Directors: S-money (until February 9, 2017)

Permanent Representative of BPCE, Director: Coface SA* (until February 8, 2017)

Offices held at December 31 in previous years

2016

Member of the Management Board of BPCE in charge of 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, Chairman: CE Holding Participations (formerly CE Holding Promotion) (effective May 3, 2016)

2015

Deputy Chief Executive Officer* in charge of Strategy, Legal Affairs, Corporate Secretariat 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

2014

Deputy Chief Executive Officer* in charge of Strategy, Legal Affairs, Corporate Secretariat 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*

2013

Deputy Chief Executive Officer* in charge of Strategy, Legal Affairs, Corporate Secretariat 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*

** Listed company.*
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Catherine HALBERSTADT
Born 10/9/1958

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.

From September 1, 2010 to March 25, 2016, Catherine Halberstadt was Chief Executive Officer of Banque Populaire du Massif Central.

Since January 1, 2016, Catherine Halberstadt has served as the BPCE Management Board Member in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE.

Offices held at December 31, 2017

Member of the Management Board of BPCE in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE
Director: Crédit Foncier, Bpifrance Financement**

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Management Board of BPCE in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE (since January 1, 2016) **Director:** Crédit Foncier, Bpifrance Financement**	**Chief Executive Officer of Banque Populaire du Massif Central** **Director:** Crédit Foncier, Bpifrance Financement** **Permanent Representative of Banque Populaire du Massif Central, Chairman: SAS** Sociétariat BPMC **Permanent Representative of Banque Populaire du Massif Central, Director:** i-BP, Association des Banques Populaires pour la Création d'Entreprise **Permanent Representative of Banque Populaire du Massif Central, Member:** Comité des Banques d'Auvergne	**Member of the Supervisory Board and Audit and Risk Committee of BPCE** **Chief Executive Officer of Banque Populaire du Massif Central** **Director:** Natixis*, Crédit Foncier, Bpifrance Financement** (formerly OSEO) **Permanent Representative of Banque Populaire du Massif Central, Chairman: SAS** Sociétariat BPMC **Permanent Representative of Banque Populaire du Massif Central, Director:** i-BP, Association des Banques Populaires pour la Création d'Entreprise **Permanent Representative of Banque Populaire du Massif Central, Member:** Comité des Banques d'Auvergne	**Member of the Supervisory Board and Audit and Risk Committee of BPCE** **Chief Executive Officer of Banque Populaire du Massif Central** **Director:** Natixis*, Crédit Foncier, Bpifrance Financement** (formerly OSEO) **Permanent Representative of Banque Populaire du Massif Central, Chairman:** SAS Sociétariat BPMC **Permanent Representative of Banque Populaire du Massif Central, Director:** i-BP, Association des Banques Populaires pour la Création d'Entreprise **Permanent Representative of Banque Populaire du Massif Central, Member:** Comité des Banques d'Auvergne

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Laurent MIGNON
Born 12/28/1963

A graduate of the HEC business school and Stanford Executive Program, Laurent Mignon worked in several divisions of Banque Indosuez over a period of more than ten years, including positions on the trading floor and in investment banking. In 1996, he joined Schroders in London before moving to AGF in 1997 as Chief Financial Officer, where he was appointed as a member of the Executive Committee in 1998. In 2002, he was successively appointed as Head of Investment, Banque AGF, AGF Asset Management and AGF Immobilier, and in 2003 he was put in charge of the Life Insurance and Financial Services division and of Credit Insurance. Between September 2007 and May 2009, he was a managing partner at Oddo et Cie.

Offices held at December 31, 2017

Member of the Management Board of BPCE

Chief Executive Officer of Natixis*

Chairman of the Board of Directors: Natixis Global Asset Management, Coface SA*, Natixis Assurances (since March 23, 2017)

Director: Arkema*/**, Peter J. Solomon Company LLC, AROP (Association pour le Rayonnement de l'Opéra de Paris)

Terms of office expired in 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
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)	**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*/**

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François RIAHI
Born 4/8/1973

A graduate of the École Centrale de Paris, the Paris IEP, and Stanford, a former ENA student and financial auditor, François Riahi joined Groupe BPCE in March 2009 where he held the position of Deputy Chief Executive Officer in charge of Group strategy, then head of the Asia Pacific platform of Natixis Corporate & Investment Banking.

Since 2016, François Riahi has been a member of Natixis' Executive Management Committee, jointly responsible for Corporate & Investment Banking. Since January 1, 2018, he has been the member of the BPCE Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies.

Offices held at December 31, 2017

Member of the Management Board of BPCE in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies

Chairman of the Supervisory Board: Natixis Pfandbriefbank AG

Director: Natixis North America LLC, Natixis Japan Securities Co. LTD

Permanent Representative of Natixis, Director: Natixis Coficiné, Natixis US CIB LLC

Offices expired at December 31, 2017

Director: Natixis Assurances (until December 31, 2017)

Offices held at December 31 in previous years

2016	2015	2014	2013
Chairman of the Supervisory Board: Natixis Pfandbriefbank AG **Director:** Natixis Japan Securities Co Ltd, Natixis North America LLC	**Director:** Natixis Asia Limited, Natixis Australia PTY Ltd, Natixis Japan Securities Co Ltd	**Director:** Natixis Asia Limited, Natixis Australia PTY Ltd, Natixis Japan Securities Co Ltd	**Director:** Natixis Asia Limited, Natixis Australia PTY Ltd, Natixis Japan Securities Co Ltd

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FNBP: Fédération Nationale des Banques Populaires.

Laurent ROUBIN
Born 11/2/1969

Laurent Roubin is a graduate of the École Centrale Paris school of engineering and the Stanford Executive Program, with a postgraduate degree (DESS) from Université Paris-Dauphine. He began his career at Groupe Compagnie Bancaire in 1992, first at the group's holding company and subsequently in the Risk Management department of Cetelem Spain. In 1996, he joined the Banks and Financial Institutions division at PricewaterhouseCoopers Management Consultants, where he was promoted to director in 2000. In 2002, he was appointed as the member of the Management Board of Caisse d'Epargne du Pas-de-Calais in charge of finance and risk. In 2005, he joined Ixis Asset Management and became Chief Operating Officer of Natixis Asset Management. In 2008, he joined Caisse Nationale des Caisses d'Epargne to coordinate the development of the Caisses d'Epargne for large corporate and institutional customer accounts. In 2009, he served as Head of Business Development for the Caisses d'Epargne at BPCE. Since 2011, Mr. Roubin has been Chairman of the Management Board of Caisse d'Epargne Picardie.

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

Offices held at December 31, 2017

Member of the Management Board of BPCE in charge of Retail Banking and Insurance
Chairman of the Board of Directors: Banque Palatine, BPCE International
Director: Crédit Foncier
Permanent Representative of BPCE, Non-Voting Director: Erilia
Member of the Supervisory Board of FIDOR Bank AG (since March 23, 2017)

Offices expired at December 31, 2017

-

Offices held at December 31 in previous years

2016	2015	2014	2013
Member of the Management Board of BPCE 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)	**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

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2.4 Role and operating rules of governing bodies

2.4.1 Supervisory Board

DUTIES AND POWERS

The Supervisory Board performs the duties attributed to it by law. It carries out all checks and controls it deems appropriate and may request any documents it regards as expedient in fulfilling its mission.

The Supervisory Board:

- receives a report from the Management Board on the company's business activities once every quarter;
- examines and checks the parent company and consolidated financial statements prepared and presented by the Management Board within three months of the end of the accounting period, along with a written report on the position and activities of the company and its subsidiaries during the past year;
- presents 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 President of the Management Board;
- appoint the other members of the Management Board, based on motions by the President of the Management Board;
- set the method and amount of pay received by each Management Board member;
- grant the status of Chief Executive Officer to one or more members of the Management Board, based on motion by the President 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 to another location within the same *département* or to an adjacent *département,* subject to ratification of the decision by the next Ordinary General Shareholders' Meeting.

Decisions subject to a simple majority vote

The following operations proposed by the Management Board must receive prior authorization from the Supervisory Board, acting by simple majority of its present or represented members:

- approval of the policy and strategic guidelines of Groupe BPCE and each of the networks;
- authorization of any transaction[1] exceeding €100 million;
- authorization of any transaction[2] proposed by BPCE that is not part of the BPCE strategic plan, regardless of the transaction amount;
- approval of the company's annual budget and definition of the rules for calculating contributions due from affiliated institutions;
- authorization of related-party agreements pursuant to the French Commercial Code;
- approval of Groupe BPCE's internal solidarity mechanisms;
- approval of the national and international agreements involving each of the networks and Groupe BPCE as a whole;
- approval of the general criteria that must be met by the directors of Groupe BPCE's affiliated institutions, including age limits, which may not exceed:
  - 65 for Chief Executive Officers or members of the Management Board, or
  - 70 for Chairmen of Boards of Directors and Steering and Supervisory Boards, bearing in mind that no one may be appointed Chairman of a Board of Directors or a Steering and Supervisory Board if he cannot, on the date of first appointment, complete at least half the term as Chairman before reaching this age limit; however, the age limit remains set at 68 for offices currently held on the date of the Supervisory Board Meeting that approved the age limit set in this section;
- 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;

(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.

- examination and approval of the main risk limits relating to Groupe BPCE and each network, as defined by the Management Board; regular examinations and checks on Groupe BPCE's risks, any changes therein and the systems and procedures used to control them; examination of the activity and results achieved by Internal Control and the main conclusions of audits performed by the Group's Inspection Générale division;
- appointment of BPCE's representatives to the Natixis Board of Directors. Representatives from the Caisses d'Epargne and from the Banque Populaire banks will be of identical number and will hold at least the majority of seats together;
- 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 kind whatsoever, be they issued by a company or any other entity and directly or indirectly representing an investment or contribution of more than €1 billion;
- any decision to transfer (or any agreement binding the company therein), by any means, securities or rights of any kind whatsoever held by the company and representing a divestment of more than €1 billion for the company;
- any decision by the company to issue equity securities or shares giving immediate or eventual access to the company's capital, without pre-emptive rights;
- any 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 President or remove the President 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 out its internal operating procedures, notably for the purpose of ensuring that governing bodies interact efficiently and operate smoothly.

The internal rules enhance the quality of the work done by Supervisory Board Members, by promoting the application of corporate governance principles and best practices in the interest of ethics and efficiency.

Their purpose is also to supplement the Articles of Association, notably by:

- specifying the procedures for convening Supervisory Board and Supervisory Board Committee Meetings, as well as the rules under which they are to deliberate;
- specifying the general and specific powers of the Board under the law, as set out in Articles 27.1 and 27.2 of the company's Articles of Association;
- specifying those instances requiring the Board's prior approval for material transactions ("Important Decisions" and "Key Decisions"), as set out in Articles 27.3 and 27.4 of the company's Articles of Association;
- specifying the Board's reporting rules;
- specifying the duties of the various committees, for which they serve as the internal rules;
- specifying the professional secrecy and confidentiality obligations binding the members of the Supervisory Board and its committees;
- defining the penalties that apply in the event members of the Supervisory Board or of a committee fail to comply with any of their obligations.

ETHICS AND COMPLIANCE CHARTER

The Supervisory Board of BPCE adopted an Ethics and Compliance Charter for its members at its meeting of June 22, 2016. The Ethics and Compliance Charter is divided into four main chapters that set out good governance principles, in addition to reiterating several laws and regulations.

Chapter 1 covers the Board members' professionalism, as expressed in different ways:

- the total number of offices held by Supervisory Board members and their availability (time spent preparing for meetings and reviewing issues);
- competence, *i.e.* consolidation of knowledge and understanding of information that may be used in performing their duties;
- diligence and effectiveness (active participation);
- duty to intervene and raise the alarm, *i.e.* expressing viewpoints and participating in discussions;
- respect for corporate responsibility and good faith.

Chapter 2 covers ethics, as expressed by:

- respect for the law and the company's Articles of Association;
- integrity (lack of a criminal record, incompatibility with certain duties);
- good credit history, which is checked by the Risk Management division of the institution or network in which the member also holds office, under the authority of the BPCE Risk Management division (except for independent members, whose credit history is checked using any rating either internal or external to the company in which they play a primary role);
- benefits (soliciting or accepting direct or indirect benefits is prohibited).

Chapter 3 covers confidentiality:

- banking secrecy and the duty of discretion;
- management of inside information (with the understanding that all members are on the list of permanent insiders);

- reporting of transactions in financial instruments issued by BPCE and Groupe BPCE companies (if the total exceeds €5,000 in one calendar year);
- compliance with blackout periods on financial instruments issued by Groupe BPCE companies.

Chapter 4 covers conflicts of interest:

- independence of judgment;
- incompatibility with the duties performed on their own behalf in other investment banks or investment companies outside Groupe BPCE (unless explicitly approved by the Management Board of BPCE);
- due diligence in business relationships.

ACTIVITIES

In accordance with Article 25.1 of the Articles of Association, the Supervisory Board meets as often as the company's interests, laws and regulations require, and at least once every quarter in order to examine the Management Board's quarterly report. Board Meetings may be convened by its Chairman, its Vice-Chairman or by one half of its members and take place at the registered office or any other location stated in the notice of meeting.

In accordance with Article L. 823-17 of the French Commercial Code, the Statutory Auditors are invited to Board Meetings examining full-year and half-year financial statements.

The BPCE Supervisory Board met ten times between January 1 and December 31, 2017. In 2017, the average attendance rate for Supervisory Board Members was 92.95%. 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 2016 and establishment of fixed pay and the criteria (amount, trigger, qualitative and quantitative criteria) for determining the variable pay of Management Board Members for 2017;
- adoption of the revised Group standard on pay policy guidelines for persons belonging to the "regulated population" of BPCE and Groupe BPCE credit institutions, pursuant to Article 266 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies;
- appointment, at the meeting of May 19, 2017, of Michel Grass as Chairman of the Supervisory Board to replace Pierre Valentin, whose term as Chairman had expired, and appointment of Nicolas Plantrou as Vice-Chairman of the Supervisory Board to replace Stève Gentili, whose term as Vice-Chairman had expired, for a two-year term ending with the adjournment of the Annual General Shareholders' Meeting convened to approve the financial statements for 2018, which is scheduled to take place in May 2019;
- acceptance of the resignation of Stève Gentili from his office as Supervisory Board Member at the meeting of July 11, 2017;
- acceptance of the resignation of Gonzague de Villèle as Non-Voting Director on the Supervisory Board and appointment of Dominique Garnier at the Supervisory Board Meeting held on May 9, 2017, ratified by the Annual General Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2016;
- acceptance, at the meeting of December 21, 2017 of the resignation of Marguerite Bérard-Andrieu, effective January 1, 2018, from her office as the Member of the Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies, and appointment, based on a motion by the President of the Management Board, of François Riahi as the Member of the Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies, effective January 1, 2018 and for the remaining term of Marguerite Bérard-Andrieu, set to expire at the close of the Annual General Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2019;
- review of fixed pay and the criteria for determining variable pay (level, trigger, quantitative and qualitative criteria) for the Chairman of the Management Board as of January 1, 2018;
- oversight of the Board's self-assessment process based on a questionnaire completed by Supervisory Board members and Non-Voting Directors, as well as on a number of interviews conducted by the Chairman of the Appointments Committee with randomly selected members of the Supervisory Board;
- monitoring of the policy on employment and wage equality;
- follow-up on the Board member training program.

Strategic operations

- approval of the 2018-2020 strategic plan, called TEC 2020 (TEC stands for *Transformation digitale, Engagement, Croissance* or "Digital Transformation, Engagement and Growth"), and of the policy and strategic guidelines for the Group and for the Banque Populaire and Caisse d'Epargne networks as defined by the strategic plan;
- authorization of Natixis' acquisition of a 50.4% stake in Dalenys, a publicly traded Belgian company operating in the payments sector, through its wholly-owned subsidiary Natixis Belgique Investissements;
- authorization of Natixis' acquisition of a 55% stake in Australian asset management firm Investors Mutual Limited;
- authorization of Natixis Assurances's acquisition of a 40% stake in BPCE Assurances from Macif and Maif;
- authorization of the merger-absorption of Caisse d'Epargne d'Alsace by Caisse d'Epargne Lorraine Champagne-Ardenne;
- monitoring and post-mortem review of indicators for the 2014-2017 "Another way to grow" strategic plan.

Finance

- presentation of BPCE's annual financial statements for the year ended December 31, 2016;
- presentation of BPCE's 2017 quarterly and half-year financial statements;
- approval of the 2018 budget;
- follow-up on the implementation of IFRS 9 and the IFRS 9 financial communication plan;
- review and follow-up on Groupe BPCE's solvency and liquidity ratios.

Audit – Compliance – Risks

- follow-up on the reports and investigations of the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) and the European Central Bank (ECB);
- risk monitoring: monitoring of consolidated risks, review of the impact of conditions in Europe on the Group, forward-looking risk management approach, monitoring of the Group's market and credit limits, monitoring of risk governance and annual review and reconsideration of Groupe BPCE's risk appetite;
- review of the report on internal control prepared in accordance with Article 258 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies and the report on risk measurement and supervision, prepared in accordance with Article 262 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies: work carried out by the Inspection Générale division, annual compliance report (annual report of the investment services compliance officer [RCSI], report on the annual check control program, report on credit risks), update on accounting risks;
- examination of the independence and fees of Statutory Auditors;
- adoption of the Groupe BPCE Preventive Recovery Plan for 2017;
- follow-up on the ICAAP (Internal Capital Adequacy Assessment Process) for 2017, the methods used within this framework and the results of internal stress tests used to determine figures for 2017;
- follow-up on the Supervisory Review and Evaluation Process (SREP);
- follow-up on the enhanced compliance program established in accordance with the Volcker rule, review of the senior management report on the effectiveness of the enhanced program, prepared by the Management Board (Senior Management) and expanded to include an assessment of the system to ensure compliance with the French Act on the Separation and Regulation of Banking Activities (SRAB) of July 26, 2013.

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.

2.4.2 Specialized committees

The Supervisory Board has instituted five specialized committees in charge of preparing its decisions and making recommendations. Their duties, resources, operating procedures and composition are set out in the Supervisory Board's internal rules.

As far as possible, and depending on applicable circumstances, any discussion by the Supervisory Board that falls within the remit of a committee created by the Board is preceded by the referral of the matter to said committee and a decision may only be made after that committee has issued its recommendations or motions.

The purpose of such consultation with committees is not to delegate to them powers that are allocated to the Supervisory Board by law or the Articles of Association, nor is it to reduce or limit the Management Board's powers.

Whenever it is necessary to consult with a committee, the Chairman of that committee receives from the Management Board, within a reasonable time frame (given the circumstances), all of the items and documents that will enable the committee to carry out its work and formulate its opinions, recommendations and motions relating to the Supervisory Board's upcoming agenda.

Committee members are chosen by the Supervisory Board based on a motion made by the Chairman of the Board from among its members. Members may be dismissed by the Supervisory Board.

The term of office of committee members coincides with their term of office as Supervisory Board Members. The renewal of both terms of office may take place concomitantly.

Each committee is made up of at least three and at most seven members, except for the Remuneration Committee which contains eight members, including one employee representative as stipulated by Article L. 225-79-2 of the French Commercial Code.

The Supervisory Board may also appoint a person from outside Groupe BPCE or a Non-Voting Director to any of these committees. The Cooperative and CSR Committee includes both Non-Voting Directors as of right among its members.

A Chairman is in charge of organizing the work conducted by each committee. The Chairman of each committee is appointed by the Supervisory Board.

AUDIT COMMITTEE

Duties

The Audit Committee assists the Supervisory Board in verifying and reviewing the financial statements and the Management Board report on the company's business.

The Audit Committee is tasked with overseeing the process for preparing financial information, the statutory audit of the annual and consolidated financial statements by the Statutory Auditors and their independence.

Accordingly, it ensures the quality of information provided to shareholders and, more generally, fulfills the duties set out in the French Commercial Code.

The Audit Committee oversees:

The preparation of financial information

In this respect, its duties include:

- reviewing the quarterly, half-year and annual consolidated financial statements of the company and Groupe BPCE, as well as the parent company financial statements, which are presented by the Management Board prior to their review by the Supervisory Board;
- verifying that the information provided is clear;
- reviewing the scope of consolidated companies and supporting evidence thereof;
- assessing the appropriateness of accounting methods adopted in preparing the company's individual financial statements and the consolidated financial statements of the company and Groupe BPCE;
- reviewing the draft of the Supervisory Board Chairman's report on internal control and risk management procedures as regards preparing and processing accounting and financial information;
- reviewing the prudential and accounting impacts of any material acquisition by the company or Groupe BPCE.

The statutory audit of the annual and consolidated financial statements, as well as the Statutory Auditors' independence

In this respect, its duties include:

- ensuring that the "Framework for Statutory Auditor Assignments at Groupe BPCE", approved by BPCE's Supervisory Board on June 27, 2012 and which defines the rules and principles aimed at guaranteeing Statutory Auditor independence in Groupe BPCE companies, is observed and updated;
- ensuring that the Statutory Auditor selection procedure is observed and issuing an opinion on the Statutory Auditors proposed for appointment at the Annual General Shareholders' Meeting;
- in accordance with applicable regulations, authorizing services (other than certification of the financial statements) that are provided by the Group's Statutory Auditors;
- ensuring that the Statutory Auditors are independent, specifically by reviewing fees paid to them by Group companies as well as fees paid to any network to which they might belong and by overseeing, on a quarterly basis, any services that do not fall within the strict framework of the statutory audit;
- reviewing the Statutory Auditors' work schedule, the results of their audits and recommendations and any follow-up action.

Activity

The Audit Committee met five times between January 1 and December 31, 2017. The average attendance rate 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, 2016 and review of the 2018 Budget;
- presentation of BPCE's 2017 quarterly and half-year financial statements;
- analysis and follow-up of the Supervisory Board Chairman's report on internal control and risk management;
- follow-up on the implementation of the audit reform (the "Barnier reform") and its impact;
- validation of changes made to the framework for Statutory Auditor assignments pursuant to the audit reform;
- follow-up on the implementation of IFRS 9 and the IFRS financial communication plan;
- follow-up on mergers of Group institutions;
- review and examination of Groupe BPCE's solvency and liquidity ratios;
- oversight of the management of intra-group capital adequacy ratio requirements;
- regular reporting on Crédit Foncier's earnings;
- regular reporting on the earnings of BPCE International and its subsidiaries;
- 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, future and when the Supervisory Board reviews the strategy's implementation. Accordingly, it is tasked with assessing the effectiveness of the internal control and risk management systems and, more generally, fulfills the duties set out in Articles L. 511-92 *et seq.* of the French Monetary and Financial Code and by the Ministerial Order of November 3, 2014 on internal control of banking sector companies.

In this respect, its duties include:

- conducting a regular review of the strategies, policies, procedures, systems, tools and limits referred to in Article 148 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies and the underlying assumptions, and sharing its findings with the Supervisory Board;
- reviewing the total risk exposure of company and Groupe BPCE activities, based on the associated reports;
- advising the Supervisory Board on the company's overall strategy and risk appetite, both current and future;
- assisting the Supervisory Board when it reviews the implementation of this strategy by the members of the Management Board and the Head of Risk Management;
- assisting the Supervisory Board in regularly reviewing the policies established to comply with the provisions of the Ministerial Order of November 3, 2014 on internal control of banking sector companies, assessing the effectiveness of these policies and that of the provisions and procedures implemented for the same purposes as well as any corrective measures undertaken in the event of failures;
- reviewing the annual report(s) on risk measurement and supervision and on the conditions under which internal control is conducted throughout the Group;
- proposing to the Board the materiality criteria and thresholds referred to in Article 98 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies, *i.e.* the criteria and thresholds used to identify incidents that must be brought to the Board's attention;
- ensuring the independence of Groupe BPCE's Inspection Générale division, which is authorized to request or access all items, systems, or information required for the successful completion of its duties;
- reviewing the annual schedule of the Group's Inspection Générale division;
- ensuring that the findings of audits performed by the ACPR and/or the ECB and the Group's Inspection Générale division, whose summaries regarding the company and Groupe BPCE entities are disclosed to it, are addressed;
- reviewing the follow-up letters sent by the ACPR and/or by the ECB and issuing an opinion on the draft replies to these letters;

- determining, in accordance with its purview, if the prices of products and services (referred to in Books II and III of the French Monetary and Financial Code: financial instruments, savings products, bank transactions, investment services, etc.) offered to customers are compatible with the company's risk strategy and, if not, presenting a corrective action plan to the Supervisory Board;
- determining if incentives provided by the company's pay practices and policy are compatible with the risks incurred by the company, its capital and liquidity and the likelihood that the expected benefits will vest, as well as their staggered vesting over time.

Activity

The Risk Committee met eight times between January 1 and December 31, 2017. The average attendance rate at these meetings was 93.75%.

The main issues that it addressed were as follows:

- follow-up on the reports and investigations of the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) and the European Central Bank (ECB), and on the recommendations made by the Group's Inspection Générale division;
- analysis and follow-up of the Supervisory Board Chairman's report on internal control and risk management;
- review of reports on internal control prepared in accordance with Article 258 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies and on risk measurement and supervision, prepared in accordance with Article 262 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies: work carried out by the Inspection Générale division, annual compliance report (annual report of the investment services compliance officer [RCSI], report on the annual check control program, report on credit risks), update on accounting risks;
- review of compliance work conducted by the Risk, Compliance and Permanent Control division;
- review of the work of the Inspection Générale division and presentation of the 2018 audit plan;
- review of risk management and measurement work conducted by the Risk, Compliance and Permanent Control division, particularly the review of Group risk supervision mechanisms (supervision of consolidated risks, review of the impact of conditions in Europe on the Group, forward-looking risk management approach, oversight of the Group's market and credit limits);
- analysis of Group risk measurement and quantification systems, and review of their performance;
- review of the ALM risk limit criteria (Article 98 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies);
- review of the anti-money laundering system;
- review of Groupe BPCE's risk governance;
- annual review and reconsideration of Groupe BPCE's risk appetite;
- review of the architecture and tools used to monitor interest rate and liquidity risks;
- review of the results of alternative crisis scenarios and measures taken on liquidity;
- review of Groupe BPCE's overall credit risk policy;
- regular analyses of the various exposures of Crédit Foncier and BPCE International and its subsidiaries;
- analysis of EBA stress testing methods and review of the methods and results of the 2017 internal stress tests carried out to assess BPCE's resilience under certain extreme scenarios, especially the "reverse stress test", which aims to define a scenario based on a specific solvency impact;
- follow-up on the implementation of the Eckert law;
- review of the methods and results of the annual ICAAP (Internal Capital Adequacy Assessment Process) process intended to analyze capital adequacy;
- review of the economic viability of the transactions and credit risks of Groupe BPCE's banking institutions, in accordance with Article L. 511-94 of the French Monetary and Financial Code;
- monitoring of internal caps and Group limits (credit risks, market risks, interest rate risks and liquidity risks);
- review of changes made to a resilience threshold related to risk appetite;
- review of the enhanced compliance program established in accordance with the Volcker rule and of the senior management report on the effectiveness of the enhanced program, prepared by the Management Board (Senior Management) and expanded to include an assessment of the system to ensure compliance with the SRAB Act of July 26, 2013;
- review of the Contingency and Business Continuity Plan (CBCP);
- follow-up on the implementation of the BCBS 239 regulatory provisions on data quality, risk data aggregation and risk reporting;
- review of cybersecurity throughout Groupe BPCE;
- update to Groupe BPCE's Recovery Plan (RP).

APPOINTMENTS COMMITTEE

Duties

The Appointments Committee is in charge of submitting motions to the Supervisory Board concerning:

- the choice of members of the Supervisory Board and Non-Voting Directors who come from outside Groupe BPCE. Supervisory Board Members from inside Groupe BPCE are nominated in compliance with the company's Articles of Association and Article L. 512-106 of the French Monetary and Financial Code;
- the appointment of the President 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 a year, assesses:
  - the structure, size, composition and effectiveness of the Supervisory Board with respect to its assigned tasks, and submits all useful recommendations to the Board,
  - the knowledge, skills and experience of the members of the Supervisory Board, both individually and collectively, and reports on this assessment to the Board;
- periodically reviews the policies of the Supervisory Board governing the selection and appointment of Management Board members and the Head of Risk Management and makes appropriate recommendations;
- ensures that the Supervisory Board is not dominated by any one person or small group of people under conditions that are detrimental to the company's interests;
- examines the draft of the Supervisory Board's corporate governance report.

Activity

The Appointments Committee met twice between January 1 and December 31, 2017. The average attendance rate at these meetings was 92.85%.

The main issues that it addressed were as follows:

- the Supervisory Board's performance self-assessment, based on a questionnaire completed by Supervisory Board members and Non-Voting Directors;
- annual review of independent member status on the Supervisory Board.

REMUNERATION COMMITTEE

Duties

The Remuneration Committee is in charge of submitting motions to the Supervisory Board concerning:

- the amounts and conditions of pay, compensation and benefits of any kind awarded to members of the company's Management Board, including benefits in kind, provident insurance and pension plans;
- the pay granted to the Chairman of the Supervisory Board and, where applicable, the Vice-Chairman;
- the distribution of attendance fees among members of the Supervisory Board and committees and the total amount of attendance fees submitted for approval at the company's Annual General Shareholders' Meeting.

Furthermore, the Remuneration Committee:

- conducts an annual review:
  - of the principles of the company's pay policy,
  - of the pay, compensation and benefits of any kind granted to corporate officers of the company,
  - of the pay policy for categories of personnel, including Management Board members, risk takers, persons exercising control duties and any employees who, as a result of their total income, are in the same pay bracket, whose professional activities have a material impact on the company's or Group's risk profile;
- directly controls the pay granted to the Head of Risk Management, referred to in Article L. 511-64 of the French Monetary and Financial Code and, where applicable, the Head of Compliance;
- reports regularly on its work to the Supervisory Board;
- examines the draft of the 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 its opinion to the Board on the section of the annual report covering issues within the remit of the Remuneration Committee.

Activity

The Remuneration Committee met six times between January 1 and December 31, 2017. The average attendance rate at these meetings was 97.92%.

The main issues that it addressed were as follows:

- variable pay of Management Board members for 2016 and the amounts and conditions of fixed and variable pay for Management Board members for 2017 (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 2017, commitments owed or likely to be owed due to the cessation or change of duties of the new Management Board members (compensation for involuntary termination, retirement bonus, supplementary pension plan and defined-benefit pension obligations) and other remuneration for new members of the Management Board (unemployment insurance, retention of entitlement to compensation in the event of a temporary inability to work and social security plan benefits);
- review of fixed pay and the criteria for determining variable pay (level, trigger, quantitative and qualitative criteria) for the President of the Management Board as of January 1, 2018;
- pay policy guidelines for persons belonging to the "regulated population" of BPCE and Groupe BPCE credit institutions (review of Group standards on risk takers, identification of BPCE's risk takers for 2016, establishment of a minimum capital threshold that must be met for variable components to be received, establishment of a penalty based on financial position, review of the system of penalties for bad behavior in 2016, review of the pay policy's compliance with SRAB regulations and the Volcker rule);
- review of pay for the BPCE SA Risk and Compliance functions;
- review of changes to the distribution of attendance fees among Board and committee members to allow the payment of attendance fees to the Chairman and members of the Cooperative and CSR Committe

- review of the report on internal control of Groupe BPCE credit institutions regarding the policy and practices governing pay in respect of 2016 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 Supervisory Board Chairman's report 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 submitting motions and recommendations aimed at promoting the cooperative and social values of long-term commitment and professional and interpersonal ethics. It also ensures that Group and network activities represent these values, thereby strengthening the cooperative banking model of the Group and each of the networks.

To this end, the Cooperative and CSR Committee monitors cooperative share sales and dividend practices exercised by the Banque Populaire banks and the Caisses d'Epargne, changes to their share capital and fair distribution among cooperative shareholders.

Activity

The Cooperative and CSR Committee met twice between January 1 and December 31, 2017. The average attendance rate at these meetings was 91.66%.

The main issues that it addressed were as follows:

- review of cooperative shares;
- review of the Group strategic plan's Societal Engagement initiative;
- follow-up on the progress to date of each federation's strategic CSR and cooperative projects;
- review of the FNBP's "Highlight the Cooperative Difference plan";
- review of the 2018-2020 CSR and Cooperatives guidelines established by FNCE;
- review of Groupe BPCE's ESG ratings;
- review of the post-mortem report on the Cooperative Banking Model initiative under the Group's 2014-2017 strategic plan.

2.4.3 Attendance of Supervisory Board and specialized Committee Meetings

Members of the Supervisory Board	Supervisory Board	Specialized committees	Total	Individual attendance rate
	Meetings attended/number of meetings			
Pierre Valentin, Chairman of the Board until May 19, 2017	10/10	3/3	13/13	100%
Michel Grass, Chairman of the Board since May 19, 2017	10/10	5/5	15/15	100%
Stève Gentili[1], Vice-Chairman of the Board until May 19, 2017	5/5	NA	5/5	100%
Nicolas Plantrou, Vice-Chairman of the Board until May 19, 2017	10/10	3/4	13/14	92.86%
Caisse d'Epargne representatives				
Catherine Amin-Garde	10/10	8/8	18/18	100%
Didier Patault	10/10	15/15	25/25	100%
Astrid Boos	9/10	6/8	15/18	83.33%
Françoise Lemalle	10/10	7/8	17/18	94.44%
Stéphanie Paix	9/10	8/8	17/18	94.44%
Banque Populaire bank representatives				
Thierry Cahn	8/10	4/5	12/15	80%
Alain Condaminas	10/10	8/8	18/18	100%
Pierre Desvergnes	9/10	8/8	17/18	94.44%
Yves Gevin	10/10	15/15	25/25	100%
André Joffre	10/10	12/12	22/22	100%
Independent members				
Marwan Lahoud	8/10	13/13	21/23	91.30%
Maryse Aulagnon	8/10	8/8	16/18	88.88%
Marie-Christine Lombard	6/10	10/13	16/23	69.56%
Employee representatives				
Vincent Gontier	10/10	6/6	16/16	100%
Frédéric Hassaine	10/10	NA	10/10	100%
Non-Voting Directors				
Jean Arondel (FNCE)	NA	2/2	2/2	100%
Dominique Martinie (FNBP)	NA	2/2	2/2	100%
Pierre Carli	NA	NA	NA	NA
Daniel Karyotis	NA	NA	NA	NA
Alain Lacroix	NA	NA	NA	NA
Dominique Garnier[2] (since May 9, 2017)	NA	NA	NA	NA
Gonzague de Villèle[2] (until May 4, 2017)	NA	NA	NA	NA
AVERAGE	**92.95%**	**93.90%**		**94.73%**

(1) At its meeting on July 11, 2017, the Supervisory Board accepted the resignation of Stève Gentili as a member of BPCE's Supervisory Board, effective June 30, 2017.

(2) At its meeting on May 9, 2017, the Supervisory Board accepted the resignation of Gonzague de Villèle as a Non-Voting Director, effective May 4, 2017, and appointed Dominique Garnier to replace him as Non-Voting Director for the remainder of his term of office, or until the Annual General Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2020.

2.4.4 Management Board

In accordance with Article 18 of BPCE's Articles of Association, the Management Board has the broadest powers to act under all circumstances in the company's name, within the corporate purpose and subject to decisions requiring prior authorization by the Supervisory Board and the Annual General Shareholders' Meeting, in accordance with the law or the Articles of Association.

In particular, the Management Board:

- performs duties as the company's central institution as specified by law and, where applicable, after receiving prior authorization from the Supervisory Board, as specified by the company's Articles of Association;
- exercises all banking, financial, administrative and technical powers;

- approves the appointment of executive management at the company's main direct and indirect subsidiaries;
- appoints the person or persons tasked with provisional management or control functions for an affiliated institution in the event the Supervisory Board decides to dismiss any persons referred to in Article L. 512-108 of the French Monetary and Financial Code;
- decides, in an emergency, to suspend one or more executive managers of an affiliated institution as a protective measure;
- uses the Group's internal solidarity mechanisms, notably by calling on the guarantee and solidarity funds of the Networks and the Group;
- approves the Articles of Association of affiliated institutions and local savings companies and any changes thereto;
- determines the rules governing the pay granted to executive managers of affiliated institutions, including any contingent pay and benefits granted to such individuals on or after termination of employment;
- issues general internal directives to affiliated institutions, covering the objectives defined in Article L. 511-31 of the French Monetary and Financial Code.

The Management Board is required to comply with the limitations of powers defined in Articles 27.1, 27.2, 27.3 and 27.4 of BPCE's Articles of Association, which set out the duties of the Supervisory Board.

The President of the Management Board represents the company in its dealings with third parties.

On the recommendation of the President 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 President 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 President 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.

2.4.5 Annual General Shareholders' Meetings

The provisions governing the participation of shareholders at the Annual General Shareholders' Meeting (Article 30 of BPCE's Articles of Association) are as follows:

1° Annual General Shareholders' Meetings are called and convened in accordance with regulations in force.

Annual General Shareholders' Meetings take place at the registered office or at any other location specified in the notice of the meeting.

The Ordinary General Shareholders' Meeting called to approve the annual financial statements of the previous fiscal year convenes within five months of the end of the fiscal year.

2° Only Category "A" shareholders, Category "B" shareholders and owners of ordinary shares are entitled to take part in the Annual General Shareholders' Meetings.

Their participation is subject to the registration of the shares in the 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 the shareholders who have voted by absentee ballot.

The Ordinary General Shareholders' Meeting called to approve the financial statements for the past fiscal year is consulted on the components of pay due or granted for the fiscal year ended to the President 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, reoslve 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.

2.5 Rules and principles governing the determination of pay and benefits

2.5.1 Pay policy, components of pay, benefits in kind, loans, guarantees and attendance fees received by BPCE company directors(1)

MEMBERS OF THE SUPERVISORY BOARD

At the Combined General Meeting on May 19, 2017, the total amount of attendance fees payable by BPCE was set at €700,000. This pay is detailed in the statement regarding attendance fees and other pay collected by the non-executive directors of BPCE.

At the meeting on May 19, 2017, the Supervisory Board set the pay for the Chairman and Vice-Chairman of the Supervisory Board as well as the terms for distributing the attendance fees among the Supervisory Board members.

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

Pay granted to Pierre Valentin, Chairman of the Supervisory Board from January 1, 2017 to May 19, 2017, and Michel Grass, Chairman of the Supervisory Board from May 19, 2017:

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

Attendance fees paid to Supervisory Board Members

Stève Gentili, Vice-Chairman of the Supervisory Board from January 1, 2017 to May 19, 2017 and Nicolas Plantrou, Vice-Chairman of the Supervisory Board from May 19, 2017:

- fixed annual attendance fees: €80,000;
- attendance fees paid for each meeting attended, up to a limit of nine meetings during the fiscal year: €1,500.

Other members of the Supervisory Board:

- fixed annual attendance fees: €8,200;
- attendance fees paid for each meeting attended, up to a limit of nine meetings during the fiscal year: €1,200.

Additional pay granted to Supervisory Board Members

Marwan Lahoud, Chairman of the Audit Committee:

- 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 six meetings during the fiscal year: €2,400.

Other members of the Risk Committee:

- fixed annual attendance fees: €750;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the fiscal year: €875.

Maryse Aulagnon, Chairman of the Appointments Committee:

- fixed annual attendance fees: €13,100;
- attendance fees paid for each meeting attended, up to a limit of three meetings during the fiscal year: €1,650.

Other members of the Appointments Committee:

- fixed annual attendance fees: €750;
- attendance fees paid for each meeting attended, up to a limit of three meetings during the fiscal year: €600.

Maryse Aulagnon, Chairman of the Remuneration Committee:

- fixed annual attendance fees: €13,100;
- attendance fees paid for each meeting attended, up to a limit of five meetings during the fiscal year: €1,650.

Other members of the Remuneration Committee:

- fixed annual attendance fees: €750;
- attendance fees paid for each meeting attended, up to a limit of five meetings during the fiscal year: €600.

Dominique Martinie, Chairman of the Cooperative and CSR Committee:

- fixed annual attendance fees: €13,100;
- attendance fees paid for each meeting attended, up to a limit of two meetings during the fiscal year: €1,650.

Other members of the Remuneration Committee:

- fixed annual attendance fees: €750;

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

- attendance fees paid for each meeting attended, up to a limit of two meetings during the fiscal year: €600.

Pay granted to Non-Voting Directors

Pursuant to Article 28.3 of the Articles of Association, the Supervisory Board has resolved to compensate non-voting directors by making a deduction from the attendance fees allocated to Supervisory Board members at the Annual General Shareholders' Meeting.

Non-Voting Directors receive:

- fixed annual attendance fees: €4,000;
- attendance fees paid for each meeting attended, up to a limit of nine meetings during the fiscal year: €600.

MEMBERS OF THE MANAGEMENT BOARD

Pay received by the President and members of the Management Board for fiscal year 2017:

François Pérol:

- fixed pay: €550,000;
- variable pay: target at 150%, with a maximum of 200%;
- annual housing allowance: 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.

Marguerite Bérard-Andrieu, member of the Management Board from May 2, 2016 to December 31, 2017 inclusive:

- fixed pay: since January 1, 2017, subsequent to the resolution of the Supervisory Board of BPCE SA on February 9, 2017, €600,000 (including an increase to the special pension scheme pursuant to Article 82 of the French General Tax Code);
- variable pay: target at 80%, with a maximum of 100%.

Laurent Roubin, member of the Management Board since 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 to determine variable pay for 2017:

- the criterion for triggering variable pay is to meet a specific target for the Group's Basel III Common Equity Tier 1 ratio (COREP regulatory view, using phase-in measures), *i.e.* the ratio had to be above the level set by the ECB in its letter of November 25, 2016[1], as at December 31, 2017. Should this criterion not be met, no variable portion would be paid. This criterion was verified at December 31, 2017 and had been 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 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%[2],
  - the Group's cost/income ratio 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%[2],
  - the Group's net banking income 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%[2];
- qualitative criteria account for 40% of variable pay. These criteria comprise the following duties:
  - sales development: promotion,
  - human resources,
  - finance/strategy,
  - governance,
  - digital transformation of the banks and information systems.

These qualitative criteria are in the process of being changed as part of the 2018 pay policy, which will be put to a vote at the Annual General Shareholders' Meeting called to approve the 2017 financial statements.

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;
- 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 the Group business lines 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;
- 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 Group business lines 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;

(1) The total CET1 ratio requirement set by the ECB, including the "Pillar II Guidance" component, is not subject to disclosure.
(2) The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not publicly disclosed.

- 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 the 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 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, 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 the Group business lines 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 2017:

- deferred for a fraction representing 60% in 2019, 2020 and 2021 (20% each year), for François Pérol;
- deferred for a fraction representing 50% in 2019, 2020 and 2021 (16.66% each year) for Catherine Halberstadt, 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 the core Group businesses that is at least equal to 4% during the fiscal year before payment falls due.

The terms of payment for variable pay in respect of 2017 were approved by the Supervisory Board at its meeting of February 13, 2018.

In accordance with Article L. 511-73 of the French Monetary and Financial Code, the BPCE Annual General Shareholders' Meeting will be consulted in 2018 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 2018 on the components of pay due or granted in respect of the fiscal year ended to each company director.

In accordance with Article L. 511-78 of the French Monetary and Financial Code, the approval of the BPCE Annual General Shareholders' Meeting will be required in 2018 in order to implement variable pay for the President of the Management Board liable to exceed 100% of the fixed pay component in 2018.

Pursuant to Article L. 225-82-2 of the French Commercial Code, the principles and criteria for determining, distributing and granting the fixed, variable and non-recurring items constituting the total pay and benefits of any kind that may be granted to members of the Management Committee and the Supervisory Board for the 2018 fiscal year, as compensation for fulfilling their duties, will be covered in resolutions submitted for the approval of the BPCE Annual General Shareholders' Meeting in 2018.

The figures shown below comply with the rules and guidelines for determining pay and benefits adopted by the BPCE Supervisory Board and approved at the Annual General Shareholders' Meeting in 2017.

STATEMENT OF PAY, STOCK OPTIONS AND SHARES GRANTED TO EACH COMPANY DIRECTOR FROM JANUARY 1 TO DECEMBER 31, 2017 (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)
François Pérol						
President of the Management Board	2016	€1,247,125	€1,405,160	€0	€0	€0
	2017	**€1,477,300**	**€1,461,621**	**€0**	**€0**	**€0**
Catherine Halberstadt						
Management Board Member, Chief Executive Officer – Human Resources, Internal Communications, Corporate Secretary's Office of BPCE	2016	€882,080	€544,080	€0	€0	€0
	2017	**€993,680**	**€713,080**	**€0**	**€0**	**€0**
Marguerite Bérard-Andrieu						
Management Board Member – Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies (as of May 2, 2016)	2016	€557,322	€331,989	€0	€0	€0
	2017	**€1,139,520**	**€712,667**	**€0**	**€0**	**€0**
Laurent Roubin						
Management Board Member – Retail Banking and Insurance (as of May 17, 2016)	2016	€548,255	€336,774	€0	€0	€0
	2017	**€994,904**	**€651,045**	**€0**	**€0**	**€0**
Laurent Mignon						
Member of the Management Board – Chief Executive Officer of Natixis[(2)]	2016	€1,914,761	€1,787,082	€0	€0	€0
	2017	**€2,815,242**	**€2,088,305**	**€0**	**€0**	**€99,305**

(1) No multi-year variable pay or bonus share plan was granted during the 2016 and 2017 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 May 23, 2017, he received 29,911 performance shares with a fair value of €99,305, amounting to €192,000 (gross) at the grant date, 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 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.

Amounts due in respect of 2017[1]: all remuneration granted on a pro rata basis in respect of duties performed in 2017, regardless of the date of payment.

Amounts paid in 2017[2]: all remuneration actually paid and received in 2017 (due in 2013 and paid in 2017 + due in 2014 and paid in 2017 + due in 2015 and paid in 2017 + due in 2016 and paid in 2017 + due in 2017 and paid in 2017) in respect of duties performed during the period.

PAY STATEMENT: FRANÇOIS PÉROL

	Fiscal year 2016		Fiscal year 2017	
President of the Management Board	**Amount due[1]**	**Amount paid[2]**	**Amount due[1]**	**Amount paid[2]**
Fixed pay	€550,000	€550,000	€550,000	€550,000
Variable pay	€697,125[a]	€855,160[b]	€927,300[c]	€911,621[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)	€0	€0	€0	€0
Attendance fees	€0	€0	€0	€0
Other pay	-	-	-	-
TOTAL	**€1,247,125**	**€1,405,160**	**€1,477,300**	**€1,461,621**

(a) Variable pay in respect of 2016, of which €278,850 (40%) paid in 2017 and the balance (60%) deferred over three years in equal shares of €139,425.
(b) 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).
(c) Variable pay in respect of 2017, of which €370,920 (40%) paid in 2018 and the balance (60%) deferred over three years in equal shares of €185,460.
(d) Amount paid in 2017 for variable pay in respect of 2016 (€278,850), for the deferred portion of variable pay in respect of 2015 (€184,655), for the deferred portion in respect of 2014 (€211,414) and for the deferred portion in respect of 2013 (€236,701).
(e) François Pérol has waived his annual housing allowance since 2010.

PAY STATEMENT: CATHERINE HALBERSTADT

	Fiscal year 2016		Fiscal year 2017	
Management Board Member, Chief Executive Officer – Human Resources, Internal Communications, Corporate Secretary's Office of BPCE	**Amount due[1]**	**Amount paid[2]**	**Amount due[1]**	**Amount paid[2]**
Fixed pay	€500,000	€500,000	€500,000	€500,000
Variable pay	€338,000[a]	€0	€449,600[c]	€169,000[d]
Multi-year variable pay	€0	€0	€0	€0
Exceptional pay	€0	€0	€0	€0
Benefits in kind (company car, housing and other benefits)	€44,080[b]	€44,080[b]	€44,080(b)	€44,080[b]
Attendance fees	€0	€0	€0	€0
Other pay	-	-	-	-
TOTAL	**€882,080**	**€544,080**	**€993,680**	**€713,080**

(a) Variable pay 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) Housing allowance of €40,000 and "car" allowance of €4,080.
(c) Variable pay in respect of 2017, of which €224,800 (50%) paid in 2018 and the balance (50%) deferred over three years in equal shares of €74,933.
(d) Amount paid in 2017 for variable pay in respect of 2016 (€169,000).

PAY STATEMENT: MARGUERITE BÉRARD-ANDRIEU

Management Board Member – Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies (as of May 2, 2016)	Fiscal year 2016		Fiscal year 2017	
	Amount due[1]	Amount paid[2]	Amount due[1]	Amount paid[2]
Fixed pay	€331,989	€331,989	€600,000	€600,000
Variable pay	€225,333[a]	€0	€539,520[b]	€112,667[c]
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	**€557,322**	**€331,989**	**€1,139,520**	**€712,667**

(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. Marguerite Bérard-Andrieu, who resigned from her office, will not collect the deferred variable pay for 2016 that was awarded to her by the Supervisory Board on February 9, 2017.
(b) Variable pay for fiscal year 2017, in the amount of €215,808 (40%), paid in 2018. It should be noted that Marguerite Bérard-Andrieu waived her option to receive the deferred portions of her 2017 variable pay.
(c) Amount paid in 2017 for the variable portion due in respect of 2016 (€112,667).

PAY STATEMENT: LAURENT ROUBIN

Management Board Member – Retail Banking and Insurance (as of May 17, 2016)	Fiscal year 2016		Fiscal year 2017	
	Amount due[1]	Amount paid[2]	Amount due[1]	Amount paid[2]
Fixed pay	€311,828	€311,828	€500,000	€500,000
Variable pay	€211,481[a]	€0	€449,600[c]	€105,740[d]
Multi-year variable pay	€0	€0	€0	€0
Exceptional pay	€0	€0	€0	€0
Benefits in kind (company car, housing and other benefits)	€24,946[b]	€24,946[b]	€45,304[b]	€45,304[b]
Attendance fees	€0	€0	€0	€0
Other pay	-	-	-	-
TOTAL	**€548,255**	**€336,774**	**€994,904**	**€651,044**

(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 of €40,000 and "car" allowance of €5,304.
(c) Variable pay in respect of 2017, of which €224,800 (50%) paid in 2018 and the balance (50%) deferred over three years in equal shares of €74,933.
(d) Amount paid in 2017 for the variable portion due in respect of 2016 (€105,740).

PAY STATEMENT: LAURENT MIGNON[a]

Member of the Management Board – Chief Executive Officer of Natixis	Fiscal year 2016		Fiscal year 2017	
	Amounts due[1]	Amounts paid[2]	Amounts due[1]	Amounts paid[2]
Fixed pay	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]	€1,914,761	€1,787,082	€2,815,242	€2,088,305
TOTAL[C]	**€1,914,761**	**€1,787,082**	**€2,815,242**	**€2,088,305**

(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 was granted during the 2016 and 2017 fiscal years for his duties as a member of the BPCE Management Board.
(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 July 28, 2016, Laurent Mignon received 47,463 performance shares valued at €160,000 on that date, and on May 23, 2017, he received 29,911 performance shares valued at €192,000 at that date.

STATEMENT OF ATTENDANCE FEES AND OTHER PAY RECEIVED BY BPCE NON-EXECUTIVE DIRECTORS FROM JANUARY 1 TO DECEMBER 31, 2017 (TABLE 3)

Rules for the awarding of attendance fees

With regard to amounts paid during fiscal year 2017:

Article 6 of the French 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.

With regard to amounts to be paid during fiscal year 2018:

The French Finance Act for 2018 changed the methods for assessing attendance fees received on or after January 1, 2018 by directors and members of the Supervisory Boards of French limited liability companies *(sociétés anonymes)*.

Attendance fees collected on or after January 1, 2018 are subject to single mandatory withholding tax at the global rate of 30%, consisting of a flat 12.8% of the income tax plus social security contributions at the global rate of 17.2%.

Taxpayers may, if so desired, opt for the progressive income tax scale instead of the flat 12.8% when filing their tax return. This option can be used for the full amount, provided that it applies to all income and gains that fall within the scope of the single flat-rate withholding tax, which are collected or earned during a single year by all members of the tax household.

The following taxation conditions apply:

- withholdings:
  - a non-exempting flat-rate withholding tax, serving as income tax, at a rate of 12.8%. This tax entitles taxpayers to a tax credit that can be applied to the tax calculated for the attendance fee collection year, at either the flat rate or using the progressive scale, as per their choice. Taxpayers may ask to be exempted from this withholding if they provide the attendance fee distributing company with a sworn statement that the baseline tax income thresholds set out by law have been met, no later than November 30 of the year preceding the year in which the attendance fees are paid,
  - social security charges at rates applicable on the date of the levy (17.2% since January 1, 2018, including a CSG [*contribution sociale généralisée* – general social security tax] of 6.8% deductible from taxable income for the year of the payment, if the taxpayer has opted for the progressive scale);
- declaration of attendance fees on the 2042 income tax return and taxation at the flat rate of 12.8% or, optionally, using the progressive income tax scale. The tax credit attributed for the non-exempting flat withholding tax is determined in this way.

Other pay

Other pay consists of total attendance fees received by corporate officers in respect of their duties on the Boards of Group companies during the period in question.

Each attendance fee payment relates to the corporate officer's presence at Board Meetings and is calculated on the basis of the total budget set by each company's Annual General Shareholders' Meeting.

	Fiscal year 2016		Fiscal year 2017	
	Amount due[1]	Amount paid[2]	Amount due[3]	Amount paid[4]
Pierre Valentin (Chairman of the Supervisory Board until May 19, 2017)				
Annual fixed pay	€399,999.96	€399,999.96	€155,555.54	€155,555.54
BPCE director attendance fees	NA	NA	€16,494.00	€0
Other pay	€3,000.00	€3,600.00	€2,400	€2,400
Michel Grass Chairman of the Supervisory Board since May 19, 2017				
Annual fixed pay	NA	NA	€244,444.42	€244,444.42
BPCE director attendance fees	€24,125.00	€24,125.00	€9,768.00	€0
Other pay	€27,600.00	€27,600.00	€13,731.50	€13,731.50
Nicolas Plantrou (Vice-Chairman of the Supervisory Board since May 19, 2017)				
BPCE director attendance fees	€23,250.00	€23,250.00	€66,719.00	€0
Other pay	€18,000.00	€15,600.00	€13,900.00	€13,900.00
Stève Gentili (Vice-Chairman of the Supervisory Board until May 19, 2017)				
Annual fixed pay	€80,000.04	€80,000.04	€31,111.13	€31,111.13
BPCE director attendance fees	€13,500.00	€13,500.00	€8,339.00	€0
Other pay	NA	NA	NA	NA
CAISSE D'EPARGNE REPRESENTATIVES				
Catherine Amin-Garde				
BPCE director attendance fees	€24,700.00	€24,700.00	€24,700.00	€0
Other pay	€6,600.00	€6,600.00	€5,100.00	€5,100.00
Astrid Boos				
BPCE director attendance fees	€21,700.00	€21,700.00	€24,100.00	€0
Other pay	€7,800.00	€8,400.00	€5,700.00	€5,700.00
Françoise Lemalle				
BPCE director attendance fees	€22,050.00	€22,050.00	€25,000.00	€0
Other pay	€26,400.00	€27,000.00	€31,479.45	€31,479.45
Stéphanie Paix				
BPCE director attendance fees	€23,250.00	€23,250.00	€25,000.00	€0
Other pay	€45,300.00	€51,300.00	€38,906.84	€38,906.84
Didier Patault				
BPCE director attendance fees	€29,550.00	€29,550.00	€30,900.00	€0
Other pay	€3,900.00	€4,500.00	€3,300.00	€2,400.00
BANQUE POPULAIRE BANK REPRESENTATIVES				
Thierry Cahn				
BPCE director attendance fees	€22,050.00	€22,050.00	€22,050.00	€0
Other pay	€24,000.00	€24,000.00	€26,786.30	€26,786.30
Alain Condaminas				
BPCE director attendance fees	€23,250.00	€23,250.00	€25,000.00	€0
Other pay	€38,800.00	€38,800.00	€33,813.69	€30,213.69
Pierre Desvergnes				
BPCE director attendance fees	€24,700.00	€24,700.00	€24,700.00	€0
Other pay	€7,500.00	€7,500.00	€7,500.00	€7,500.00
Yves Gevin				
BPCE director attendance fees	€29,550.00	€29,550.00	€30,900.00	€0
Other pay	€2,400.00	€2,400.00	€2,400.00	€0

	Fiscal year 2016		Fiscal year 2017	
	Amount due[(1)]	Amount paid[(2)]	Amount due[(3)]	Amount paid[(4)]
André Joffre				
BPCE director attendance fees	€24,100.00	€24,100.00	€28,596.00	€0
Other pay	€7,200.00	€7,200.00	€4,500.00	€0
INDEPENDENT MEMBERS				
Maryse Aulagnon				
BPCE director attendance fees	€51,950.00	€51,950.00	€55,550.00	€0
Marwan Lahoud				
BPCE director attendance fees	€51,950.00	€51,950.00	€57,300.00	€0
Marie-Christine Lombard				
BPCE director attendance fees	€57,950.00	€57,950.00	€57,950.00	€0
EMPLOYEE REPRESENTATIVES				
Vincent Gontier[(5)]				
BPCE director attendance fees	€22,150.00	€22,150.00	€22,750.00	€0
Frédéric Hassaine[(5)]				
BPCE director attendance fees	€19,000.00	€19,000.00	€19,000.00	€0
NON-VOTING DIRECTORS				
Jean Arondel (FNCE)				
BPCE director attendance fees	€10,000.00	€10,000.00	€11,350.00	€0
Other pay	€86,374.56	€86,374.56	€84,799.58	€84,799.58
Pierre Carli				
BPCE director attendance fees	€8,800.00	€8,800.00	€9,400.00	€0
Other pay	€3,000.00	€19,600.00	€1,800.00	€13,800.00
Daniel Karyotis				
BPCE director attendance fees	€1,266.67	€1,266.67	€9,400.00	€0
Other pay	NA	NA	€17,333.00	€17,333.00
Alain Lacroix				
BPCE director attendance fees	€8,800.00	€8,800.00	€9,400.00	€0
Other pay	€9,000.00	€9,600.00	€10,800.00	€1,200.00
Dominique Martinie (FNBP)				
BPCE director attendance fees	€11,050.00	€11,050.00	€25,800.00	€0
Other pay	€4,500.00	€10,500.00	€0	€10,490.93
Gonzague de Villèle (until May 9, 2017)				
BPCE director attendance fees	€9,400.00	€9,400.00	€2,644.00	€0
Other pay	€6,000.00	€6,000.00	€0	€3,792.00
Dominique Garnier (since May 9, 2017)				
BPCE director attendance fees	NA	NA	€6,756.00	€0
Other pay	NA	NA	€27,300.00	€23,250.00
TOTAL PAY	**€1,399,533.56**	**€1,428,733.56**	**€1,412,227.45**	**€763,894.38**

(1) Amounts due in respect of 2016: all amounts owed in respect of 2016, regardless of the date of payment.
(2) Amounts paid in 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).
(3) Amounts due in respect of 2017: all amounts owed in respect of 2017, regardless of the date of payment.
(4) Amounts paid in 2017: all amounts paid and received in 2017 (due in 2016 and paid in 2017 and due in 2017 and paid in 2017) excluding withholding taxes (amounts actually received by members include withholding taxes).
(5) Both employee representatives have waived attendance fees in favor of their unions.
NA not applicable.

2.5.2 Stock options

(Table 4)

Stock options allocated to company directors during the 2017 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 2017 fiscal year.

(Table 5)

Stock options exercised by company directors during the 2017 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 2017 fiscal year.

(Table 6)

Bonus shares granted to company directors during the 2017 fiscal year
Bonus shares granted by the Natixis Annual General Shareholders' Meeting during the fiscal year to each corporate officer by the issuer and by each company in the Group

Name of company director	Date of plan	Number of shares granted during the fiscal year	Value of shares based on the method used for consolidated financial statements	Vesting date	End of lock-up period(2)	Performance conditions
	5/23/2017	29,911	€99,305	5/23/2021	5/23/2021	Yes
	4/10/2017	17,947(3)	€101,581(4)	3/1/2019	10/1/2019	Yes
Laurent Mignon(1)	4/10/2017	35,894(3)	€203,163(4)	3/1/2020	10/1/2020	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.
(3) Shares granted under the deferred annual variable pay plan for 2016.
(4) Corresponding to the values at the grant date.

(Table 7)

Bonus shares granted that vested during the fiscal year for each company director

Bonus shares granted that vested for each corporate officer	Number and date of plan	Number of shares vested during the fiscal year	Vesting conditions
Laurent Mignon	N/A	0	N/A
TOTAL	**N/A**	**0**	**N/A**

No bonus shares granted to Laurent Mignon vested during the 2017 fiscal year.

(Table 8)

Past grants of stock options and bonus shares during the 2017 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 2017 fiscal year.

(Table 9)

Stock options exercised by the 10 non-executive director employees who exercised the most options during the 2017 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 2017 fiscal year.

(Table 10)

Past bonus share allocations to company directors

Name of company director	Date of Natixis Annual General Shareholders' Meeting	Date of Natixis Board of Directors meeting	Total number of bonus shares granted	Vesting date	End of holding period(2)	Number of shares	Total number of shares canceled or lapsed	Bonus shares outstanding or lapsed at period end
Laurent Mignon(1)	5/21/2013	11/6/2013	90	3/1/2016	3/1/2018(2)	90	0	90
Laurent Mignon(1)	5/21/2013	7/31/2014	31,955	8/1/2018	8/1/2018(3)	31,955	0	31,955
Laurent Mignon(1)	5/21/2013	2/18/2015	27,321	2/18/2019	2/18/2019(3)	27,321	0	27,321
Laurent Mignon(1)	5/24/2016	7/28/2016	47,463	7/28/2020	7/28/2020(3)	47,463	0	47,463
Laurent Mignon(1)	5/24/2016	7/28/2016	28,755(4)	3/1/2018	10/1/2018(3)	28,755(4)	0	28,755(4)
Laurent Mignon(1)	5/24/2016	7/28/2016	57,510(4)	3/1/2019	10/1/2019(3)	57,510(4)	0	57,510(4)
Laurent Mignon(1)	5/24/2016	4/10/2017	17,947(4)	3/1/2019	10/1/2019(3)	17,947(4)	0	17,947(4)
Laurent Mignon(1)	5/24/2016	4/10/2017	35,894(4)	3/1/2020	10/1/2020(3)	35,894(4)	0	35,894(4)
Laurent Mignon(1)	5/24/2016	5/23/2017	29,911	5/23/2021	5/23/2021(3)	29,911	0	29,911

(1) Past grants of performance shares by Natixis and by any Natixis Group company to Laurent Mignon for his duties as Chief Executive Officer of Natixis. Only the 90 shares granted in 2013 are not subject to performance conditions.

(2) Obligation to hold all vested shares until the end of the term of office as Chief Executive Officer of Natixis.

(3) 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.

(4) Shares granted under the deferred annual variable pay plan for fiscal years 2015 and 2016.

2.5.3 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	Compensation or benefits due or potentially due as a result of termination of/change in duties	Compensation related to a non-compete clause
François Pérol President of the Management Board	11/16/2015	2020	no	CGP, IPRICAS	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 Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies	5/2/2016	2020	no	CGP, IPRICAS, Group System Article 82	yes	no
Laurent Roubin Member of the Management Board Retail Banking and Insurance	5/17/2016	2020	no	CGP, IPRICAS, Groupe BPCE executive director pension	yes	no
Laurent Mignon(1) Member of the Management Board Chief Executive Officer of Natixis	11/16/2015	2020	no	Group System Article 82	No(2)	No(2)

(1) Laurent Mignon does not receive benefits as a member of the BPCE Management Board.

(2) Laurent Mignon, due to his corporate office as Chief Executive Officer of Natixis, receives severance and non-compete pay, last subject to changes approved at the Ordinary General Shareholders' Meeting of Natixis on May 20, 2014 (5th resolution), the renewal of which was authorized by the Board of Directors of Natixis on February 18, 2015.

COMMENTS ON 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.

IPRICAS: mandatory collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors.

The contribution rate is 3.5% of total pensionable pay. This contribution is funded entirely by the company.

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

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 granted by credit institutions.

The annuity is capped at four times the annual ceiling for social security annuities.

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

This plan, which is funded entirely by the Group, is covered by two insurance policies taken out with the Quatrem and Allianz insurance companies, with a target obligation coverage rate of 80% of assets and 100% of pension recipients.

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

For Catherine Halberstadt, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2017 is €103,813.

For Laurent Roubin[(1)], the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2017 is €96,732.

Pension plan through a group insurance policy under Article 82 of the French General Tax Code

Members of the Management Board who are not on the Group's supplementary executive pension plan are entitled to participate in the **pension plan through a group insurance policy** under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein.

The member of the Management Board affected by this policy is Marguerite Bérard Andrieu[(2)] who thus receives a special supplement equal to 20% of her fixed pay.

SUPPLEMENTS

The pension plan for company directors of Groupe BPCE, which is a supplementary pension plan subject to Article L. 137-11 of the French Social Security Code, is governed by the provisions of section 23.2.6 of the AFEP-MEDEF Code. 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.

This plans complies with the terms set out in Article L. 225-90-1 of the French Commercial Code on the application of performance conditions for the vesting of conditional entitlements and the 3% limit on the annual increase of conditional entitlements.

For Catherine Halberstadt and Laurent Roubin, the annual vesting of conditional entitlements is contingent on Groupe BPCE generating a net profit for the period considered.

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 is subject to the following conditions:

  <u>Conditions for receiving involuntary-termination severance pay</u>

  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 compensation liable to be paid in respect of the termination of the employment contract.

  <u>Determination of involuntary-termination severance pay</u>

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

(1) As of 12/31/2017, Laurent Roubin had not yet earned the minimum seven years' seniority required by the plan. Laurent Roubin's annuity was estimated without taking the seniority condition into consideration in accordance with Article D. 225-101-1 of the French Commercial Code.

(2) Laurent Mignon also benefits from this policy in respect of his dutues at Natixis.

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 current term of office (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full.

Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the 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;
- **a 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 six months' and no more than 12 months' salary, provided they have at least 10 years' seniority, without any minimum presence conditions.

Payment is subject to the following conditions:

<u>Conditions for receiving a retirement bonus</u>

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:

- 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.

<u>Amount of the retirement bonus</u>

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 bonus is equal to:

Monthly benchmark pay x (6 + 0.6 A)

where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope.

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.

In June 2018, the retirement bonus payment conditions will be modified as part of the amendment of the company's pay policy. They will be put to a vote at the Annual General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2017 under the related-party agreements procedure governed by Articles L. 225-86 *et seq.* of the French Commercial Code.

2.5.4 2018 Pay Policy

The pay policy described below was defined by the Supervisory Board on February 13, 2018, based on a motion by the Remuneration Committee.

This policy is subject to a vote at the Annual General Shareholders' Meeting. This policy update will take effect once approved by the Annual General Shareholders' Meeting called to approve the 2017 financial statements.

The members of the Management Board (Catherine Halberstadt, Laurent Roubin, François Riahi) are paid in respect of their corporate offices and their respective duties as Chief Executive Officer – Human Resources, Group Internal Communications, Corporate Secretary's Office; Chief Executive Officer – Retail Banking and Insurance; and Chief Executive Officer – Finance, Strategy, Legal Affairs, Secretary's Office of the Governing Bodies. Given his duties as Chief Executive Officer of Natixis, Laurent Mignon is paid solely for his corporate office at Natixis. As such, he does not collect any pay from BPCE.

The President of the Management Board is paid solely in respect of his corporate office.

The principles and rules for determining their pay and other benefits granted in respect of their office and employment contract are approved by the Supervisory Board based on a motion by the Remuneration Committee.

PAY POLICY APPLICABLE TO THE PRESIDENT OF THE MANAGEMENT BOARD

Pay component	Principles and criteria adopted
Annual fixed pay	In accordance with Article 19 of the BPCE Articles of Association and based on a motion by the Remuneration Committee, the Supervisory Board sets the pay granted to the President of the Management Board, taking into account the unique responsibilities of the President of the Management Board compared to other Board members. This pay primarily reflects the professional experience related to the position held and the responsibilities exercised, and is determined by comparison to market practices. Since January 1, 2018, it has included a special increase equal to 20% of his fixed pay in respect of the Article 82 supplemental pension scheme.

Pay component	Principles and criteria adopted
Annual variable pay	For the President of the Management Board: the variable portion is determined based on target pay equal to 150% of his fixed pay for the fiscal year, with a maximum of 200%. As of fiscal year 2018, the variable portion is determined based on target pay equal to 100% of his fixed pay (including the special increase) for the fiscal year, with a maximum of 120%. Variable pay is determined based on the quantitative and qualitative criteria previously validated by the Supervisory Board. It is awarded if the criterion for triggering variable pay is met, specifically pertaining to the Group Basel III Common Equity Tier 1 ratio. For 2017, this level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of December 19, 2017. No variable portion is paid if this criterion is not met[(1)]. **Quantitative criteria** account for 60% of variable pay and are defined based on quantitative factors that reflect how well a number of the Group's financial fundamentals are being satisfied. These criteria are defined by the Supervisory Board, and take into account[(2)]: – net income attributable to equity holders of the parent (30%): 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%; – the Group's cost/income ratio (20%): 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%; – the Group's net banking income (10%): 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%. For each of these criteria, if the target as set by the Supervisory Board is reached, Management Board members would be entitled to receive the entire fixed percentage. In respect of fiscal year 2018, **qualitative criteria** account for 40% of variable pay and are determined based on key targets in terms of: – Retail Banking and Insurance; – Human Resources and BPCE SA Corporate Secretary's Office; – Finance and Strategy; – Supervision – control – governance; – Digital and Information System. Only quantitative criteria can be used to determine outperformance. Between 50% and 70% of variable pay is deferred in equal installments over three years, depending on the variable pay amount. The deferred portion is indexed to the change in net income attributable to equity holders of the parent, assessed as a rolling average over the last three calendar years preceding the allocation year and the payment year. Payment of the deferred portion is contingent upon attaining a standard Return on Equity (ROE) for core Group businesses that is at least equal to 4% during the fiscal year before payment falls due. With regard to the terms of payment for variable pay owed to François Pérol: – in respect of fiscal year 2014: deferred for a fraction representing 60% over 2016, 2017, and 2018 (20% each year); – in respect of fiscal year 2015: deferred for a fraction representing 60% over 2017, 2018, and 2019 (20% each year); – in respect of fiscal year 2016: deferred for a fraction representing 60% over 2018, 2019, and 2020 (20% each year); – in respect of fiscal year 2017: deferred for a fraction representing 60% over 2019, 2020, and 2021 (20% each year); – in respect of fiscal year 2018: deferred for a fraction representing 50% to 70% over 2020, 2021, and 2022, depending on the amount of variable pay; Deferred pay, 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[(3)], assessed as a rolling average over the last three calendar years preceding the allocation year and the payment year. Payment of variable pay owed in respect of 2018 will be submitted for an *ex-post* vote of the Annual General Shareholders' Meeting in 2019 called to approve the financial statements for fiscal year 2018.
Multi-year variable pay	The President of the Management Board does not receive any multi-year variable pay.
Exceptional pay	The President of the Management Board does not receive any exceptional pay.
Grants of stock options/preference shares	The President of the Management Board does not receive any stock options or preference shares.
Grants of bonus shares	The President of the Management Board does not receive any bonus shares.
Attendance fees	The President of the Management Board does not collect attendance fees.
Sign-on bonus	The President of the Management Board does not receive a sign-on bonus.

(1) The total CET1 ratio requirement set by the ECB, including the "Pillar II Guidance" component, is not subject to disclosure.
(2) The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not publicly disclosed.
(3) For fiscal years preceding 2016, deferred variable p ais indexed to net income attributable to equity holders of the parent after neutraliwing the impact of the revaluation of own debt.

Pay component	Principles and criteria adopted
Involuntary-termination severance pay and retirement bonus	The President of the Management Board, under certain conditions, receives a severance or bonus when his duties cease. The President of the Management Board, under certain conditions, receives involuntary-termination severance pay equal to at least 12 months' pay (fixed and variable portions), and up to 24 months, earned for 12 years' seniority with the Group. Payment is subject to the following conditions: – **Conditions for receiving involuntary-termination severance pay** The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE. It cannot be paid in the event of a departure from the Group at the company director's initiative. Payment of involuntary-termination severance causes former directors to lose any entitlement to the retirement bonus they otherwise may have claimed (it being specified that they do not benefit from a defined-benefit pension plan). For persons re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract. Finally, involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office. – **Determination of involuntary-termination severance pay** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office are taken into account. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (12 months + 1 month per year of seniority with the Group)* Seniority is calculated in years and fractions of a year. The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group. Where at least 50% of the maximum variable component is awarded on average during the last three years of the current term of office (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full. Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the company's governing body. Regardless, any compensation paid for termination of an employment contract is deducted from the amount of involuntary-termination severance pay. Upon a decision made by the Supervisory Board, the President of the Management Board may receive a **retirement bonus** equal to no less than six months' and no more than 12 months' salary, provided he has at least 10 years' seniority, without any minimum presence conditions. Payment is subject to the following conditions: – **Conditions for receiving a retirement bonus** Payment of a retirement bonus is subject to the same conditions as those applicable to involuntary-termination severance pay, *i.e.:* – the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and – beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office. The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn. Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Appointments and Remuneration Committee. If involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus. – **Amount of the retirement bonus** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. The amount of the bonus is equal to: *Monthly benchmark pay x (6 + 0.6 A)* where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA). The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years. Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

Pay component	Principles and criteria adopted
Supplementary pension plan	The President of the Management Board is entitled to: – the mandatory CGP collective supplementary defined-contribution pension plan for all BPCE employees and by extension applicable to BPCE company directors. The contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; 70% of this contribution is paid by the company and 30% by the employee; – the mandatory collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors. The contribution rate is 3.5% of total pensionable pay. This contribution is funded entirely by the company. Entitlements to both of these plans, which the members of the Management Board may have vested during their previous career as an employee or director of Group companies, are taken into account where applicable. If the President of the Management Board is not on the Group's supplemental executive pension plan, he is entitled to participate in the **pension plan through a group insurance policy** under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. On February 8, 2017, the Supervisory Board authorized BPCE to join this "Article 82" insurance plan. Accordingly, effective January 1, 2018, the President of the Management Board receives a special increase equal to 20% of his fixed pay and participates in this plan.
Benefits in kind	Based on a motion by the Remuneration Committee, the Supervisory Board may resolve to grant an annual housing allowance to the President of the Management Board.

PAY POLICY APPLICABLE TO THE MEMBERS OF THE MANAGEMENT BOARD

Pay components	Principles and criteria adopted
Fixed pay	Based on a motion by the Remuneration Committee, the Supervisory Board sets the pay granted to the members of the Management Board. Fixed pay primarily reflects the professional experience related to the position held and the responsibilities exercised, and is determined by comparison to market practices.
Annual variable pay	For members of the Management Board, the variable portion is determined based on target pay equal to 80% of their fixed pay (including the special increase, if applicable) for the fiscal year, with a maximum of 100%. Variable pay is determined based on the quantitative and qualitative criteria previously validated by the Supervisory Board. It is awarded if the criterion for triggering variable pay is met, pertaining specifically to the Group Basel III CET1 ratio. This level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of December 19, 2017. No variable portion is paid if this criterion is not met(1). **Quantitative criteria** account for 60% of variable pay and are defined based on quantitative factors that reflect how well a number of the Group's financial fundamentals are being satisfied. These criteria are defined by the Supervisory Board, and take into account(2): – net income attributable to equity holders of the parent, – the Group's cost/income ratio, – the Group's net banking income. For each of these criteria, if the target as set by the Supervisory Board is reached, Management Board members would be entitled to receive the entire fixed percentage. In respect of fiscal year 2018, **qualitative criteria** account for 40% of variable pay and are determined based on key targets in terms of: – Retail Banking and Insurance; – Human Resources and BPCE SA Corporate Secretary's Office; – Finance and Strategy; – Supervision – control – governance; – Digital and Information System. Only quantitative criteria can be used to determine outperformance. Between 50% and 70% of variable pay is deferred in equal installments over three years, depending on the variable pay amount. The deferred portion is indexed to the change in net income attributable to equity holders of the parent(3), assessed as a rolling average over the last three calendar years preceding the allocation year and the payment year. Payment of the deferred portion is contingent upon attaining a standard Return on Equity (ROE) for core Group businesses that is at least equal to 4% during the fiscal year before payment falls due. With regard to the terms of payment for variable pay owed to Catherine Halberstadt and Laurent Roubin: – in respect of fiscal year 2016: deferred for a fraction representing 50% over 2018, 2019, and 2020 (16.66% each year); – in respect of fiscal year 2017: deferred for a fraction representing 50% over 2019, 2020, and 2021 (16.66% each year); – in respect of fiscal year 2018: deferred for a fraction representing 50% over 2020, 2021, and 2022 (16.66% each year); Deferred pay, 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 variable pay owed in respect of 2018 will be submitted for an *ex-post* vote of the Annual General Shareholders' Meeting in 2019 called to approve the financial statements for fiscal year 2018.
Multi-year variable pay	Members of the Management Board do not receive any multi-year variable pay.
Exceptional pay	Members of the Management Board do not receive any exceptional pay.
Grants of stock options/preference shares	Members of the Management Board do not receive any stock options or preference shares.
Grants of bonus shares	Except when related to the nature of the corporate office, members of the Management Board do not receive any bonus shares.
Attendance fees	Members of the Management Board do not collect attendance fees.
Sign-on bonus	Members of the Management Board do not receive a sign-on bonus.

(1) The total CET1 ratio requirement set by the ECB, including the "Pillar II Guidance" component, is not subject to disclosure.
(2) The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not publicly disclosed.
(3) For fiscal years preceding 2016, deferred variable pay is indexed to net income attributable to equity holders of the parent after neutralising the impact of the revaluation of own debt.

Pay components	Principles and criteria adopted
Involuntary-termination severance pay and retirement bonus	Members of the Management Board, under certain conditions, receive a severance or bonus when their duties cease. Members of the Management Board are entitled to **involuntary-termination severance pay** equal to at least 12 months' pay (fixed and variable portions), and up to 24 months, earned for 12 years of seniority with the Group. Payment is subject to the following conditions: – **Conditions for receiving involuntary-termination severance pay** The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE. This severance is not paid if the company director leaves the Group at his own initiative. Persons receiving involuntary-termination severance pay lose any entitlement under the defined-benefit plan, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code, and/or to any retirement bonus they may claim. For persons re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any indemnity liable to be paid in respect of the termination of the employment contract. Finally, involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office. – **Determination of involuntary-termination severance pay** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office and employment contract are taken into account. The amount of involuntary-termination severance pay is equal to: Monthly benchmark pay x (12 months + 1 month per year of seniority with the Group) Seniority is calculated in years and fractions of a year. The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group. Where at least 50% of the maximum variable component is awarded on average during the last three years of the current term of office (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full. Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the company's governing body. Regardless, any compensation paid for termination of an employment contract is deducted from the amount of involuntary-termination severance pay. Upon a decision made by the Supervisory Board, members of the Management Board may benefit from a **retirement bonus** equal to no less than six months' and no more than 12 months' salary, for 10 years of seniority, without any minimum presence conditions. Payment is subject to the following conditions: – **Conditions for receiving a retirement bonus** Payment of a retirement bonus is subject to the same conditions as those applicable to involuntary-termination severance pay, *i.e.:* – the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and – beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office. The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn. Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation of the Appointments and Remuneration Committee. If involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus. – **Amount of the retirement bonus** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. The amount of the bonus is equal to: *Monthly benchmark pay x (6 + 0.6 A)* where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA). The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years. Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

Pay components	Principles and criteria adopted
Supplementary pension plan	Members of the Management Board receive: – the mandatory CGP collective supplementary defined-contribution pension plan for all BPCE employees and by extension applicable to BPCE company directors. The contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; 70% of this contribution is paid by the company and 30% by the employee; – the IPRICAS mandatory collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors. The contribution rate is 3.5% of total pensionable pay. This contribution is funded entirely by the company. Entitlements to both of these plans, which the members of the Management Board may have vested during their previous career, as an employee or director of Group companies, are taken into account where applicable. Management Board members were also able to vest entitlements under this plan during their previous careers as Group employees or company directors. Furthermore, there are other supplementary pension plans offered to members of the Management Board, based on their professional career spent with the Group, namely: **Pension plan for company directors of Groupe BPCE:** pension plan governed by Article L. 137-11 of the French Social Security Code. – Until June 30, 2014, Chairmen of Caisse d'Epargne Management Boards, Members of the Management Board of the former CNCE and Chief Executive Officers of Crédit Foncier, Banque Palatine and BPCE International could benefit from a supplementary defined-benefit pension plan entitling them to additional retirement income based on their salary. – Until June 30, 2014, Banque Populaire Chief Executive Officers could benefit from a differential defined-benefit pension plan. Effective July 1, 2014, these two pension plans were harmonized under a single supplementary pension plan, now closed to new members and subject to conditions. – they must end their career with Groupe BPCE. This condition is met when beneficiaries are Group employees on the day before their social security pension is drawn following voluntary retirement; – they must have served in an executive management position for at least the required minimum period (seven years) at the date on which their social security pension is drawn. Beneficiaries who meet the above conditions are entitled to an annuity set at 15% of benchmark pay, *i.e.* their average annual pay earned in the three highest-paid years during the five calendar years before the date on which their social security pension is drawn and capped at four times the annual ceiling for social security annuities. Annual pay refers to the sum of the following types of pay received for the year in question: – fixed pay, excluding benefits in kind or duty-related bonuses; – variable pay – not exceeding 100% of fixed pay – and defined as the total variable amount paid, including the portion that may have been deferred over several years and subject to attendance and performance requirements, in accordance with regulations on variable pay granted by credit institutions. Once drawn, this supplementary pension may be paid to a spouse or former non-remarried spouse, at a rate of 60%. This plan, which is funded entirely by the Group, is covered by two insurance policies taken out with the Quatrem and Allianz insurance companies, with a target obligation coverage rate of 80% of assets and 100% of pension recipients. Expenses paid by the company consist of the 32% contribution on annuities paid by the insurer to the beneficiaries. The pension plan for company directors of Groupe BPCE, which is a supplementary pension plan subject to Article L. 137-11 of the French Social Security Code, is governed by the provisions of section 23.2.6 of the AFEP-MEDEF Code. It complies with the principles governing the capacity of beneficiaries, overall establishment of base pay, seniority conditions, the progressive increase in potential entitlements depending on seniority, the reference period used to calculate benefits and the prevention of artificially inflated pay. The plan complies with the terms set out in Article L. 225-90-1 of the French Commercial Code on the application of performance conditions for the vesting of conditional entitlements and the 3% limit on the annual increase of conditional entitlements. For Catherine Halberstadt and Laurent Roubin2, the annual vesting of conditional entitlements is contingent on Groupe BPCE generating a net profit for the period considered. Members of the Management Board who are not on the Group's supplemental executive pension plan are entitled to participate in the **pension plan through a group insurance policy** under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE", as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. The member of the Management Board affected by this policy is François Riahi (from January 1, 2018), who thus receives a special supplement equal to 20% of his fixed pay.
Benefits in kind	Based on a motion by the Remuneration Committee, the Supervisory Board may decide to grant an annual housing allowance to members of the Management Board.

(1) The Supervisory Board has established specific expected targets for these quantitative goals, but for confidentiality reasons, they are not being publicly disclosed.
(2) Laurent Mignon also benefits from this policy in respect of his dutues at Natixis.

PAY POLICY APPLICABLE TO THE CHAIRMAN AND MEMBERS OF THE SUPERVISORY BOARD

Pay components	Principles and criteria adopted
Attendance fees (fixed pay)	The total distributable sum of BPCE attendance fees is set by the Annual General Shareholders' Meeting, and the Supervisory Board, based on recommendations by the Remuneration Committee, sets the terms for distributing the attendance fees among the Supervisory Board members. Aside from the Chairman, who receives annual fixed pay, Supervisory Board Members are paid in the form of attendance fees. **Attendance fees paid to Supervisory Board Members** Board members, except for the Chairman, receive an annual sum. **Additional pay granted to Board Committee Members** Members and Chairmen of the Audit Committee, the Risk Committee, the Remuneration Committee, the Appointments Committee, and the Cooperative and CSR Committee also collect an additional annual amount for attendance fees. **Pay granted to Non-Voting Directors** Pursuant to Article 28.3 of the Articles of Association, the Supervisory Board has resolved to compensate non-voting directors by making a deduction from the attendance fees allocated to Supervisory Board members at the Annual General Shareholders' Meeting. Non-Voting Directors receive an annual sum.
Attendance fees (variable pay)	**Attendance fees paid to Supervisory Board Members** In addition to an annual sum, the members of the Supervisory Board, except for the Chairman, collect an amount for each meeting they attended, within the limit of nine meetings during the fiscal year. Except for the Vice-Chairman, this supplemental portion of variable pay is greater than the annual sum. **Additional pay granted to Board Committee Members** In addition to an annual sum, the Board Committee Members (including Chairmans) collect an amount for each meeting they attended: – for the Audit Committee, within the limit of four meetings during the fiscal year; – for the Risk Committee, within the limit of six meetings during the fiscal year; – for the Appointments Committee, within the limit of three meetings during the fiscal year; – for the Remuneration Committee, within the limit of five meetings during the fiscal year; – for the Cooperative and CSR Committee, within the limit of two meetings during the fiscal year. For the Committee Chairmen, the annual sum that they collect is greater than the supplemental portion of variable pay, given their unique responsibilities. **Pay granted to Non-Voting Directors** In addition to an annual sum, the non-voting directors collect an amount for each meeting they attended, within the limit of nine meetings during the fiscal year.
Benefits in kind	The Chairman and members of the Supervisory Board and of the Board Committees do not receive benefits in kind.

2.5.5 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.

2.6 Potential conflicts of interest

2.6.1 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. This may require all persons taking part in a meeting to sign a confidentiality agreement.

If a member of the Board or one of its committees fails to comply with an obligation, in particular the obligation of confidentiality, the Chairman of the Supervisory Board refers the matter to the Board in order to issue a warning to said member, independently of any measures taken under the applicable legal, regulatory or statutory provisions. Said member is given advance notice of the penalties being considered, and will be able to present observations to the Supervisory Board.

In addition, Supervisory Board Members:

- undertake to devote the necessary time and attention to their duties;
- attend all meetings of the Supervisory Board and the committees of which they are members, unless this is impossible;
- stay informed about the company's business lines, activities, issues and values;
- endeavor to maintain the level of knowledge they need to fulfill their duties;
- request and make every effort to obtain, in a timely manner, the information deemed necessary to be able to hold informed discussions at Supervisory Board Meetings.

Finally, Supervisory Board members participate in the training programs set up for them.

CONFLICTS OF INTEREST

To the company's knowledge:

- there are no potential conflicts of interest between the duties of the Supervisory Board Members with regard to the issuer and other private duties or interests. If required, the Supervisory Board's internal rules and the Ethics and Compliance Charter govern the conflicts of interest of any member of the Supervisory Board;
- there is no arrangement or agreement with an individual shareholder, customer, supplier, or other, under which any of the Supervisory Board's members has been selected;
- there are no family ties between the Supervisory Board members;
- no restriction, other than legal, is accepted by any of the Supervisory Board Members regarding the disposal of their equity interest in the company.

DISCLOSURE OF CONVICTION

To the company's knowledge, to date, no member of BPCE's Supervisory Board has been convicted of fraud in the last five years. To the company's knowledge, to date, no member of BPCE's Supervisory Board has been declared bankrupt or in liquidation, or had assets placed in receivership, in the last five years.

2.6.2 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.

3 RISK REPORT

Some disclosures required under IFRS 7 on the nature and the extent of various risks are presented in this report and covered by the Statutory Auditor's opinion on the consolidated financial statements. Such disclosures are flagged by the statement "Information provided in the respect of IFRS 7" and should be interpreted as an integral part of the notes to the consolidated financial statements.

The Pillar III report is available in the "Results" section of Groupe BPCE website (www.groupebpce.fr), under "Registration document".

3.1 General structure of Groupe BPCE'S internal control system

The Group control system relies on three levels of controls, in accordance with banking regulations and sound management practices: two levels of permanent controls and one level of periodic control, as well as the establishment of consolidated control processes in accordance with provisions approved by BPCE's Management Board.

3.1.1 Participants in the control system

PERMANENT CONTROL BY LINE MANAGEMENT (LEVEL 1)

Level 1 permanent control is the first link in internal control and is primarily performed by operational or support departments under the supervision of their line management.

These departments are responsible for:

- implementing formalized, documented and reportable self-checks;
- documenting and verifying compliance with transaction processing procedures, detailing the responsibility of those involved and the types of checks carried out;
- verifying the compliance of transactions;
- implementing recommendations drawn up by Level 2 control functions on the Level 1 control system;
- reporting to and alerting Level 2 control functions.

Depending on the 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, by the operational staff themselves, or by line managers.

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

PERMANENT CONTROL BY DEDICATED ENTITIES (LEVEL 2)

Level 2 permanent controls, within the meaning of Article 13 of Ministerial Order A-2014-11-03 on internal control, are performed by entities dedicated exclusively to this duty within the Group's Risk, Compliance and Permanent Control division.

Other central functions also contribute to the permanent control system: 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 3)

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.

3.1.2 Permanent and periodic control departments

Integrated permanent and periodic control departments have been set up throughout Groupe BPCE. Two Permanent and Periodic Control divisions are established within the central institution, under its authority: the Group Risk, Compliance and Permanent Control division for permanent controls and the Group *Inspection Générale* division for periodic controls. The permanent and periodic control functions, which are located at affiliates and subsidiaries subject to banking supervision, 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. 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.

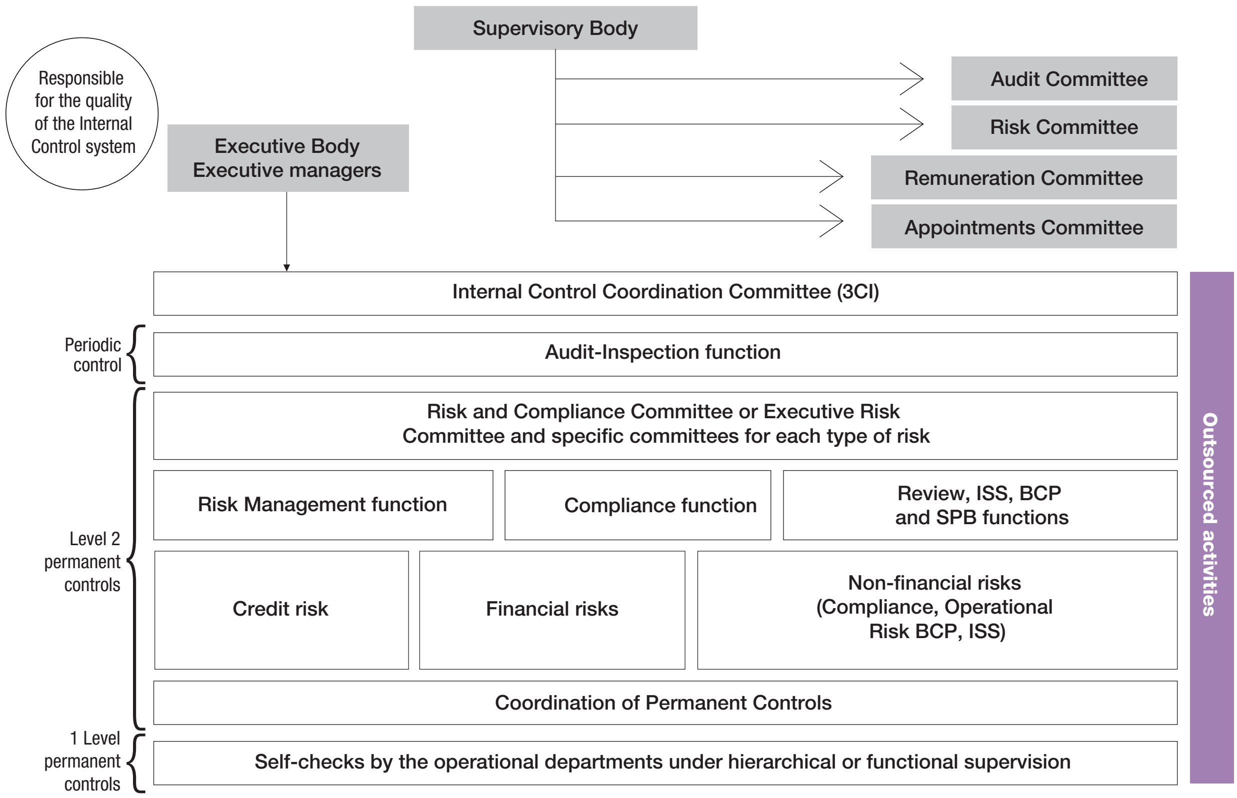
The entire system was approved by the Management Board on December 7, 2009 and presented to the Audit Committee on December 16, 2009. It was also presented to the Supervisory Board of BPCE. The Risk Charter was reviewed at the beginning of 2017 and the body of standards now consists of three Group charters covering all activities:

- the Group's Internal Control Charter: an umbrella charter based on the following two separate charters:
  - the Internal Audit Charter,
  - and the Risk, Compliance and Permanent Control Charter.

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

3.1.3 Structure of Groupe BPCE's internal control system

ORGANIZATION OF GROUPE BPCE'S INTERNAL CONTROL SYSTEM



INTERNAL CONTROL COORDINATION COMMITTEE

The President 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 President of the Management Board or his representative, meets periodically.

This committee is responsible for dealing with all issues relating to the consistency and effectiveness of the Group internal control system, as well as the results of risk management and internal control work and follow-up work.

The committee's main responsibilities include:

- validating the Group's Internal Control Charter, the Risk, Compliance and Permanent Control Charter and the Group Audit Charter;
- reviewing dashboards and reports on group control results, and presenting permanent control coordination initiatives and results;
- validating action plans to be implemented in order to achieve a consistent and efficient group permanent control system, and assessing progress made on corrective measures adopted subsequent to recommendations issued by the Group *Inspection Générale* division, the national or European supervisory authorities, and the permanent control functions;
- reviewing the Group's internal control system, identifying any shortcomings, and suggesting appropriate solutions to further secure the institutions and the Group;
- reviewing the allocation of resources with respect to risks incurred;
- presenting the results of institution controls or benchmarks;
- deciding on any cross-business initiatives or measures aimed at strengthening the Group's internal control system;
- ensuring consistency between measures taken to strengthen permanent control and risk areas identified during the consolidated macro-level risk mapping exercise.

This committee's members include the member of the Executive Management Committee in charge of Risk, Compliance and Permanent Control and the Group Head of Internal Audit, who is a member of the Group's Executive Committee. The Management Board member in charge of retail banking and Insurance is a standing member. If applicable, this committee may hear reports from operational managers about measures they have taken to apply recommendations made by internal and external control bodies.

GROUP RISK MANAGEMENT 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, Articles 98 and 244). It notifies the Group Risk Management Committee twice a year of the conditions under which the established limits were observed (Ministerial Order of November 3, 2014 on internal control, Article 252).

At the same time, several committees are responsible either for defining 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.

Non-Financial Risk Committee

This committee meets quarterly and includes the various Groupe BPCE business lines affected by non-compliance and operational risks, while incorporating 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.

PERIODIC CONTROL

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 providing 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 President 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 risk 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, and 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 at 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 President 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 *Inspection Générale* division reports its findings to the company directors of the audited entities and to their supervisory body. It also reports to the President 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 may refer matters to the Risk Management Committee of the Supervisory Board if such 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 the Heads of the Group's Risk division and of the 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 2017

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 entity restructuring initiatives initially provided for in the plan, and to regulatory priorities. It also conducted a half-yearly follow-up on 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

Structure 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. This charter was updated in June 2016.

The aim of this structure is to ensure coverage of all Group operational or support units within the **shortest possible timeframe, and to achieve effective coordination with each entity's Internal Audit division.**

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 is subject to the prior approval of the Group Head of Internal Audit;
- the existence of a single Group Audit Charter covering all of 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. The 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 Internal Audit divisions of Group entities have the necessary resources to perform their duties; the budget and staff levels of these divisions are set by the executive body of the affiliates and subsidiaries, in conjunction with the Group's *Inspection Générale* division;
- the Internal Audit divisions use audit methods defined by the Group's *Inspection Générale* division that are drawn up in consultation with them;
- the multi-year and annual audit programs of the Internal Audit divisions are established with the approval of the Group's *Inspection Générale* division, which then consolidates the programs. The Group's *Inspection Générale* division is kept regularly informed of their implementation and of any changes in scope;
- the entities trans, it their Internal Audit reports 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 structure is duplicated at parent company subsidiaries and affiliates.

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 audit function's activities, 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 2017

BPCE's *Inspection Générale* division keeps audit standards and methodology regularly updated based on best practices.

The preparation and updating of audit guides were continued to maintain a current body of uniform guidelines covering the most commonly audited areas. In 2017, the division focused on methodology in updating guides on financial security and KYC, ALM and accounting. A working group was also formed to update the sales network audit guide. Another audit guide was drawn up for the Procurement function. Supplemented by appendices and supporting documentation, these audit guides are primarily accessible via the Group's audit function's intranet and/or the Group *Inspection Générale*'s shared server. Priority audit items were also defined in terms of credit risk, compliance risk (AML-TF, Fraud, controls of investment services), financial risk (ALM, Cash management, Trading floor), accounting, finance control, the cooperative shareholder base and risk-takers.

The Group's *Inspection Générale* division and Natixis' *Inspection Générale* maintained their close coordination, in terms of harmonizing ratings, assessing recommendation follow-up, and synchronizing respective annual macro-timetables for a common scope of auditable units. They use a shared risk assessment approach, prepare audit plans together and take a common approach to fields of investigation/audit standards. In 2017, joint methodology projects led to the preparation of shared audit guides on market risks, insurance, structured financing and asset management.

Finally, the features of the recommendation follow-up tool, which has been shared by all Group entities since the end of 2014, are continuously being expanded for the benefit of auditors and audited alike.

3.2 Summary of risks

Types of risk

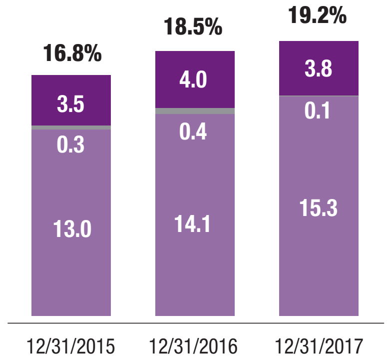
Given the diversity and developments in Groupe BPCE's activities, risk management is centered on the following main categories:

- credit and counterparty risk (including country risk): risk of loss resulting from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes counterparty risk related to market transactions (replacement risk) and securitization activities. Moreover, credit risk may be exacerbated by concentration risk, resulting from high exposure to a given risk, to one or more counterparties, or to one or more groups of similar counterparties.

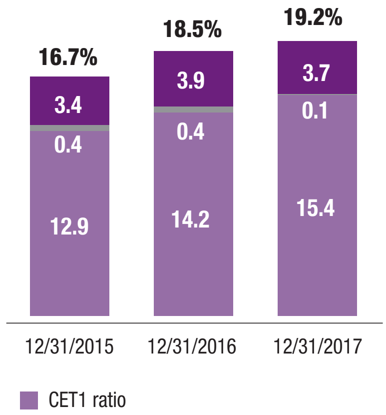
  Country risk arises when an exposure is liable to be adversely affected by changes in the political, economic, social and financial conditions of the country of exposure;
- market risks: risk of loss in value of financial instruments resulting from changes in market parameters, from the volatility of 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;
- 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;
- non-compliance risk: risk of a legal, administrative or disciplinary penalty, material financial loss or reputational risk arising from a failure to comply with the provisions specific to banking and financial activities (whether these are stipulated by directly applicable national or European laws or regulations), with professional or ethical standards, or instructions from the executive body, notably issued in accordance with the policies of the supervisory body;
- operational risk: risk of loss resulting from inadequacies or malfunctions attributable to procedures, employees and internal systems, or external events, including events with a low probability of occurrence, but with a risk of high loss;
- risk related to insurance activities: the Group is also exposed to a series of risks inherent to this business through its insurance subsidiaries or equity interests. In addition to asset-liability risk management (interest rate, valuation, counterparty and foreign exchange risks), these risks include pricing risk in respect of mortality risk premiums and structural risks related to life and non-life insurance activities, including pandemics, accidents and disasters (earthquakes, hurricanes, industrial accidents, terrorist acts or military conflicts);
- climate risk: the vulnerability of banking activities to climate change, where a distinction can be made between physical risk directly relating to climate change and transition risk associated with efforts to combat climate change.

3.2.1 Key figures

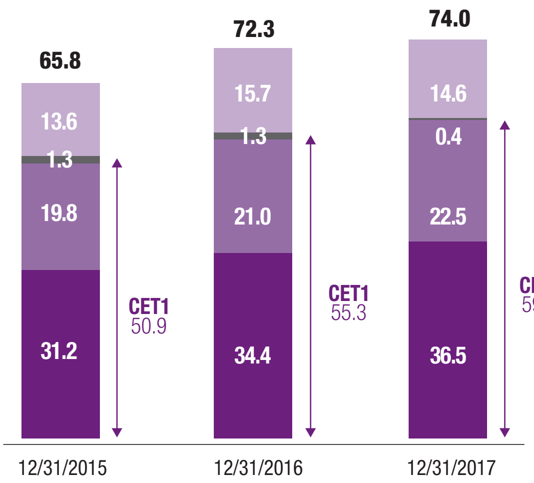
PHASED-IN CAPITAL RATIOS



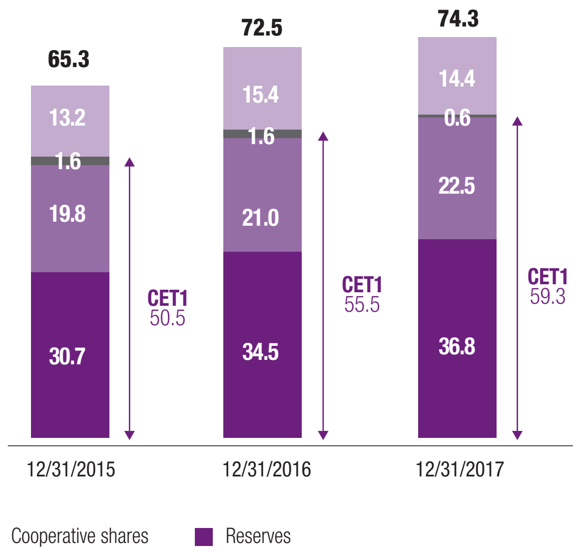
FULLY-LOADED[(1)] CAPITAL RATIOS



PHASED-IN REGULATORY CAPITAL *(IN €BN)*

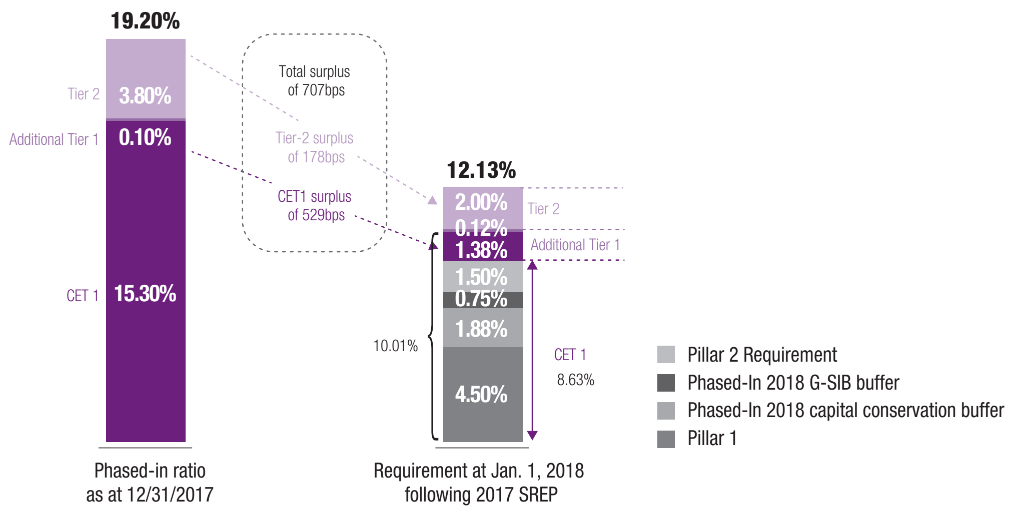


FULLY-LOADED[(1)] REGULATORY CAPITAL *(IN €BN)*

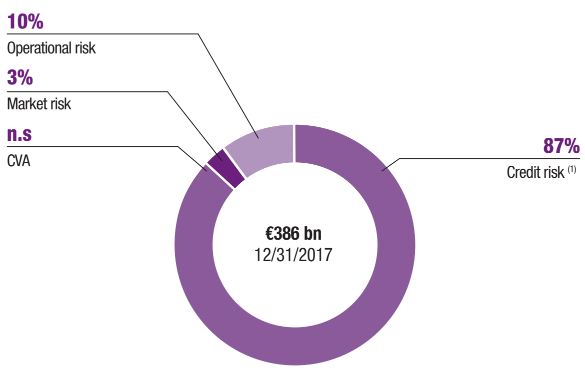


(1) CRR/CRD IV without transitional measures; additional Tier-1 capital takes account of subordinated debt issues that have become ineligible and capped at the phase-out rate in force.

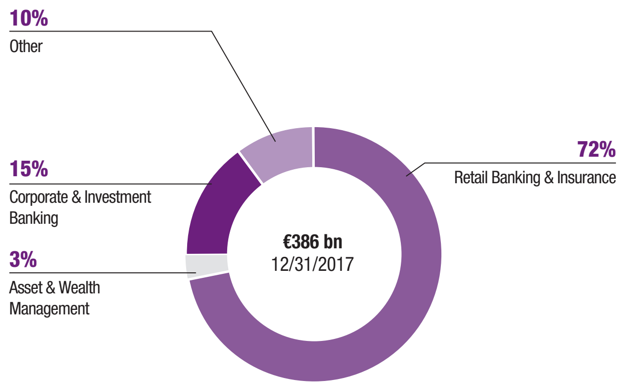
CAPITAL REQUIREMENT / SREP 2017 (AS A%)



BREAKDOWN OF RISK-WEIGHTED ASSETS PER TYPE OR RISK[1]



BREAKDOWN OF RISK-WEIGHTED ASSETS PER BUSINESS LINES



ADDITIONAL INDICATORS

	12/31/2017	12/31/2016
Cost of risk *(in basis points)*	20	22
Non-performing/gross outstanding loans	3.3%	3.4%
Impairment recognized/non-performing loans	51.4%	52.4%
Groupe BPCE's consolidated VaR *(in millions of euros)*	5.3	9.7
Leverage ratio	5.1%	5.0%
LCR	> 110%	> 110%
Liquidity reserves *(in billions of euros)*	214	230

(1) Including settlement/delivery risk.

3.2.2 Regulatory changes

Prudential requirements provide for major regulatory changes both at international and European level, on which the Group is already focusing attention.

Internationally, in the second half of 2017, the Basel Committee on Banking Supervision (BCBS) published the "Finalization of Basel III" on the revision of credit risk measurement methods, CVA risk, and operational risk, thereby finalizing the Basel III cycle on capital requirements. The package includes a floor for risk-weighted assets, including on the output of internal models, set at 72.5% of RWAs calculated using the Basel III standardized approach. Moreover, the Basel package also includes a gradual introduction of this floor between 2022 and 2027. This point will be confirmed by the European legislator for enactment purposes. A period of implementation is beginning for banks and a period of monitoring for the regulatory authorities, and the European Commission has stated that it will launch a consultation and an impact analysis before the transposition phase.

The Basel Committee has also confirmed the schedule for FRTB recalibration (consultation set for Q1 2018) and has pushed back the implementation date to 2022, in line with transposition work in Europe. The Standardized Approach for Measuring Counterparty Credit Risk (SA-CCR), as applied to derivatives, and the treatment of derivatives for the leverage ratio and for the Net Stable Funding Ratio (NSFR) are being re-examined. No clear schedule has been established for the time being, but this work will probably be completed before the Basel III phase-in period. Finally, on December 7, 2017, the Basel Committee published a discussion paper on sovereign risk, while stressing that the working group had failed to reach a consensus. As we understand it, the matter will not be taken up again at least in the short term.

From an implementation standpoint in Europe, the first half of 2017 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"). The upcoming effective date is January 2019, and implementation work is already under way.

Work relating to the RRM (risk reduction measures) package was launched on November 23, 2016 when the European Commission's proposal was remitted to the Council of Europe and the European Parliament. This work involves several regulation and directives (CRR II/CRD V/BRRD II/SRMR II) and addresses:

- capital: update to definition and issue categories;
- 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 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: introduction of a binding leverage ratio requirement;
- net stable funding ratio: recalibration and introduction of a binding ratio;
- interest rate risk in the banking book: transposition of the revised Basel framework (BCBS 368 – 2016);
- MREL (Minimum Requirement for own funds and Eligible Liabilities): methodology update;
- TLAC: introduction of a TLAC requirement applicable to G-SIBs and setting 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).

By late June 2017, a compromise had already been reached on two accelerated procedures: the review of the insolvency hierarchy in the bank resolution scheme, and incorporation of the IFRS 9 accounting reform in the capital ratio. 2017 also saw increasingly heated discussions on the proportionality principle and the powers held by financial sector supervisors (ECB) and technical authorities (EBA, ESMA, etc.).

The European Council and Parliament made considerable headway on these matters in 2017. Under the Estonian Presidency, three new consolidated regulatory packages made the rounds, with agreements reached on several key issues. In the first half of 2018, the Bulgarian Presidency is expected to wind up the Council's work on bank resolution issues in particular. Parliament's schedule is also much clearer, with the publication of draft reports by G. Hökmark and P. Simon. Trilogue negotiations are scheduled for second-half 2018 on regulatory proposals before the European Commission, Council and Parliament. The resulting final regulations could therefore be published in January 2019, meaning the new measures would become effective in January 2021 at the earliest.

The next step will be to develop implementing texts for supervisors and technical authorities. This in turn will set the stage for implementation by banking and financial institutions, from both a technical standpoint in order to comply with the new regulatory requirements, and from a strategic standpoint to adapt their products and services accordingly.

3.2.3 Main risks and emerging risks

MAIN RISKS

Credit and counterparty risk: Groupe BPCE's credit and counterparty risk monitoring system is regularly reviewed to continuously adapt to changes in portfolio quality.

The key components of this system include risk appetite, individual, sector and country limits, regulatory and internal ceilings, at both the Group and institution level. Strict risk diversification is applied to maintain a low risk profile.

Three new indicators on concentrations by risk calss were introduced to the Group's risk appetite framework in 2017: a maximum percentage of "at-risk" outstandings in the professional and corporate customer segments, and a maximum percentage of outstandings for exposures in the statement of large exposures. In 2018, a maximum percentage of exposures to the French public sector will be introduced for institutions with material outstandings in this asset class. The aim is first to limit risks on at-risk outstandings in the asset classes in question and second to limit each institution's largest outstandings.

Sector risks are monitored at Group level for all business sectors, and especially sectors with the highest at-risk ratings and default rates. 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.

Groupe BPCE also has 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 international business. The Group is vigilant regarding risks associated with European periphery countries and geopolitical risks borne by certain countries. The Group is predominantly exposed to country risks in the banking and corporate asset classes. Virtually all exposures to these asset classes are subject to individual Group limits (by counterparty or groups of counterparties).

For counterparty risk, BPCE has begun keeping track of business conducted with CCPs, due to the obligation to centrally clear over-the-counter (OTC) derivatives, potentially resulting in concentrated exposure to CCPs.

In monitoring internal caps and Group, sector or country limits over the course of the year, no counterparties were found to have exceeded the regulatory caps and no unusual risk concentration was identified.

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 2017 (VaR of €5.3 million at end-2017 and stress test at -€67 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: "fraud", "execution, delivery and procedure management" and "customers, products and sales practices".

Liquidity, interest rate and currency risks: Groupe BPCE's liquidity position improved over the course of 2017 thanks to improved coverage of stress scenarios. At December 31, 2017, liquidity reserves covered 174% of all short-term funding as well as short-term maturities of MLT debt (versus 158% at end-2016).

Groupe BPCE also improved its oversight of interest rate risk in the banking book to ensure a dynamic multi-scenario approach better suited to managing this risk. Future regulatory changes relating to this risk are also currently being integrated to the management system.

EMERGING RISKS

Like other European and French players, Groupe BPCE must address the risks caused by its environment and is placing greater emphasis on the anticipation and management of emerging risks.

The international situation continues to be a source of concern, despite strengthening global economic growth and more positive conditions in emerging countries. Certain regions remain affected by political instability and budget imbalances, notably due to persistently low commodity prices. In Europe, Brexit coupled with 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 generates a 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 information system security and customers, with cybersecurity calling for increasing levels of watchfulness.

Climate change and Corporate Social Responsibility are a growing concern for financial institutions, as addressed in their risk management policies, but also from a commercial standpoint in regards to customer expectations.

Misconduct risk is monitored with operational risks and has been written into ethics and conflict-of-interest charters at all levels of Groupe BPCE.

Another area of permanent supervision is regulatory developments. Increasingly strict requirements are being imposed on the banking industry and 2017 saw particularly close supervision of model risks.

3.2.4 Risks 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 shortterm economic outlook of European Union countries as well as the quality of the debt securities of sovereign European Union issuers. There has also been an indirect impact on financial markets in Europe and worldwide.

While the impact on its sovereign bond holdings has remained limited, Groupe BPCE has been indirectly affected by the consequences of the 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 (the "ECB") along with other central banks around the world. The financial markets have also been subject to strong volatility in response to various events, including but not limited to the decline in oil and commodity prices, the slowdown in emerging economies and turbulence on the equity markets.

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 23 June 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 United Kingdom will trigger the appropriate measures to implement Brexit. On 29 March 2017, the government of the United Kingdom invoked Article 50 of the Treaty on the European Union (the "Lisbon Treaty") relating to withdrawal. Negotiations have begun to determine future relations between the United Kingdom and the European Union, particularly in terms of commercial, financial and legal agreements. The nature, timetable as well as the economic and political impacts of a potential Brexit are still highly uncertain and will depend on the outcome of the 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 assetimpairment expenses.

Some of these measures could also raise Groupe BPCE's financing costs. For example, on 9 November 2015, the Financial Stability Board finalized international standards requiring systemically important banks to maintain large sums of loans subordinated (by law, contract or structure) to certain secured operating liabilities, such as guaranteed or insured deposits. The purpose of these requirements, relative to the "TLAC" ("total loss absorbing capacity") ratio, is to ensure that losses are absorbed by shareholders or creditors (excluding creditors in respect of secured operating liabilities) and thus without calling on public funds.

On 21 November 2017, the Financial Stability Board ("FSB"), in consultation with Basel Committee on Banking Supervision and national authorities, has published the 2017 list of global systemically important banks ("G-SIBs"). Groupe BPCE has been removed from this list and as a result is no longer classified as a G-SIB under the FSB assessment framework. However, Groupe BPCE was also on the list of the Global Systemically Important Institutions ("G-SIIs") and its removal from such list will come into effect only on 1st January 2019. Groupe BPCE however does not intend to change the way it manages its capital and bail-in buffer requirements.

On 23 November 2016, the European Commission issued several legislative proposals proposing to amend a number of key EU banking directives and regulations, including the CRD IV Directive, the CRD IV Regulation, the BRRD and the Single Resolution Mechanism Regulation (as these terms are defined below). If adopted, these legislative proposals would, among other things, give effect to the FSB TLAC Term Sheet and modify the requirements applicable to the "minimum requirement for own funds and eligible liabilities" (MREL). The implementation of the current texts and the new proposals, and their application to Groupe BPCE or the taking of any action thereunder is currently uncertain.

The law n°2016-1691 dated 9 December 2016 entered into force on 11 December 2016 created a priority between senior preferred securities and senior non-preferred securities (such as the Senior Preferred Notes and the Senior Non-Preferred Notes) issued by credit institutions and which rank senior to ordinary subordinated instruments.

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 RELATING TO GROUPE BPCE'S 2018-2020 STRATEGIC PLAN

Groupe BPCE will implement a strategic plan for the 2018-2020 period which focuses on a combination of (i) digital transformation in order to seize opportunities created by the ongoing technological revolution, (ii) commitment towards its customers, employees and cooperative shareholders, and (iii) growth in all of the Group's core businesses. This document contains forward-looking information, which is necessarily subject to uncertainty. In particular, in connection with the 2018-2020 Strategic Plan, Groupe BPCE announced certain financial targets, including revenue synergies between Natixis and the Banque Populaire and Caisse d'Epargne networks and cost reduction objectives. In addition, the Groupe BPCE has also disclosed targets for regulatory capital and TLAC ratios, strategic initiatives and priorities, as well as the management of the cost of risk on outstandings. The financial objectives were established primarily for purposes of planning and allocation of resources, are based on a number of assumptions, and do not constitute projections or forecasts of anticipated results. The actual results of Groupe BPCE are likely to vary from these targets for a number of reasons, including the materialisation of one or more of the risk factors described in this section "Risk Factors" of this Base Prospectus. If Groupe BPCE does not realise its objectives, then its financial condition and the value of its financial instruments could be adversely affected.

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 established to cover liquidity and insolvency risks, totaled nearly €1.3 billion at 31 December 2017. The regional banks and entities belonging to the group of affiliates are obligated to make additional contributions to the guarantee fund on their future profits. While the guarantee fund represents a substantial source of resources to fund the solidarity mechanism, there is no guarantee these revenues will be sufficient. Should the guarantee fund prove insufficient, BPCE will have to make up the deficit in its capacity as the central institution.

RISKS RELATING TO GROUPE BPCE'S 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.

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 nonperforming 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 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 Groupe BPCE entities to their customers are generally based on the value or performance of portfolios, any decline in the markets causing the value of these portfolios to decrease or generating an increase in the amount of redemptions would reduce the revenues earned by these entities through the distribution of mutual funds or other investment products (for the Caisses d'Epargne and the Banque Populaire banks) or through asset management activities (for Natixis).

Even if there is no market decline, 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, Groupe 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 Groupe BPCE records costs in currencies other than the euro only partly offsets the impact of exchange rate fluctuations on net banking income. Natixis is particularly exposed to fluctuations between the euro and US dollar, as a major share of its net banking income and operating income is generated in the United States. 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 further details see Section 3.10 ("Legal risks") of the BPCE 2016 Registration Document, and in particular the Sections 3.10.1 and 3.10.2 on legal and arbitration proceedings, Section 3.6 ("Legal Risks") of the Second Update to the BPCE 2016 Registration Document as well as Section 2.4 ("Legal Risks") of the Third Update to the BPCE 2016 Registration 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 non-viable, 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.

3.3 Capital management and capital adequacy

3.3.1 Regulatory framework

Regulatory monitoring of credit institutions' capital is based on regulations defined by the Basel Committee.

These regulations were reinforced following the introduction of Basel III, with an increase in the level of regulatory capital requirements and the introduction of new risk categories.

Basel III recommendations were incorporated in EU directive 2013/36/EU (Capital Requirements directive – CRD IV) and regulation No. 575/2013 (Capital Requirements Regulation – CRR) of the European Parliament and of the Council. As of January 1, 2014, all EU credit institutions are subject to compliance with the prudential requirements set out in these texts.

Credit institutions subject to 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 Groupe BPCE),
  - the different systemic risk buffers aimed at reducing the risk of failure of systemically important financial institutions. These buffers are specific to each bank. Groupe BPCE is on the list of other systemically important institutions (O-SIIs) and global systemically important banks (G-SIBs). As these buffers are not cumulative, the highest buffer applies.

The ratios are equal in terms of the relationship between capital and the sum of:

- credit and dilution risk-weighted assets; and
- capital requirements for the prudential supervision of market risk and operational risk, multiplied by 12.5.

They are subject to a phase-in calculation aimed at gradually transitioning from Basel 2.5 to Basel III. These phase-in arrangements mainly cover:

- changes in capital ratios before buffers: since 2015, the minimum Common Equity Tier 1 ratio has been 4.5%, the minimum Tier 1 capital ratio 6%, and the minimum total capital ratio 8%;
- changes in capital buffers, applied gradually from fiscal year 2016 until 2019:
  - the capital conservation buffer, comprised of Common Equity Tier 1, is set for 2019 at 2.5% of the total amount of risk exposures (0.625% as from January 1, 2016, plus 0.625% per year until 2019),
  - Groupe BPCE's countercyclical buffer is the EAD-weighted average of the buffers defined for each of the Group's countries of operation. Groupe BPCE's maximum countercyclical buffer as from January 1, 2016 is 0.625%. As most of Groupe BPCE's exposures are located in countries whose countercyclical buffer has been set at 0%, the Group considers that this rate will be very close to 0%,
  - the 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. This elimination is being implemented gradually each year in 20% increments for Common Equity Tier 1 capital. Accordingly, as of 2017, 80% of unrealized capital gains are included. 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. In 2017, 80% of unrealized capital gains were included,

- the capped or excluded share of non-controlling interests has been gradually deducted from each capital tier in 20% increments every year since 2014, therefore totaling 80% in 2017,
- 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 60% in 2017 and will be fully deducted in 2019,
- deferred tax assets depending on future taxable income and related to temporary differences have been gradually deducted in 20% increments since 2014 (80% in 2017) for the share exceeding the common allowance for equity interests of more than 10%. In 2017, the remaining 20% was still accounted for in accordance with CRD III; the items covered by the allowance 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 2017, the remaining 20% 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 2017, 50% of all such instruments reported at December 31, 2013 were recognized, 40% will be recognized in 2018 and so forth in subsequent years. The unrecognized share may be included in the lower equity tier if it meets the relevant criteria.

Credit institutions must comply with prudential requirements, which are based on three pillars that form an indivisible whole:

PILLAR I

Pillar I sets minimum requirements for capital. It aims to ensure that banking institutions hold sufficient capital to provide a minimum level of coverage for their credit risk, market risk and operational risk. The bank can use standardized or advanced methods to calculate its capital requirement.

3

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, G-SIB buffer maintained following Groupe BPCE's removal from the G-SIB list at end-2017. Consequently, Groupe BPCE will no longer be subject to the G-SIB buffer as from January 1, 2019, but will continue to observe an equivalent D-SIB buffer.*

(2) *The countercyclical buffer is calculated quarterly. It was virtually nil in 2017, as Groupe BPCE's activities are mainly carried out in France or in countries which have set this buffer at 0%.*

PILLAR II

Pillar II establishes a process of prudential supervision that complements and strengthens Pillar I.

It consists of:

- an analysis by the bank of all of its risks, including those already covered by Pillar I;
- an estimate by the bank of the capital requirement for these risks;
- 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 2017, the total capital ratio in force for Groupe BPCE under Pillar II was 9.5%, excluding the capital conservation buffer and the G-SIB buffer. This ratio remains unchanged for 2018.

PILLAR III

The purpose of Pillar III is to establish market discipline through a series of reporting requirements. These requirements – both qualitative and quantitative – are intended to improve financial transparency in the assessment of risk exposure, risk assessment procedures and capital adequacy.

3.3.2 Scope of application

REGULATORY SCOPE

Groupe BPCE is required to submit consolidated regulatory reports to the European Central Bank (ECB), the supervisory authority for euro zone banks. Pillar III is therefore prepared on a consolidated basis.

The regulatory scope of consolidation is established based on the statutory scope of consolidation. The main difference between these two scopes lies in the consolidation method for insurance companies, which are accounted for by the equity method within the regulatory scope, regardless of the statutory consolidation method.

The following insurance companies are accounted for by the equity method within the regulatory scope of consolidation:

- Surassur;
- Muracef;
- Coface;
- Natixis Assurances;
- Compagnie Européenne de Garanties et de Cautions;
- Prépar-Vie;
- Prépar-IARD;
- Nexgen Reinsurance Limited.

The following insurance companies are accounted for by the equity method within both the statutory and regulatory scopes of consolidation:

- CNP Assurances;
- Caisse de Garantie Immobilière du Bâtiment;
- Parnasse Garanties.

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION

The table below shows the transition from an accounting balance sheet to a regulatory balance sheet for Groupe BPCE at December 31, 2017.

Assets at 12/31/2017 *in millions of euros*	**BPCE statutory scope**	**Prudential restatements**	**BPCE prudential scope**
Cash and amounts due from central banks	94,702	63	94,765
Financial assets at fair value through profit or loss	169,768	(23,949)	145,820
– o/w securities portfolio	77,843	(21,729)	56,115
– o/w loan book	10,262	(2,011)	8,251
– o/w repurchase agreements	34,504	0	34,504
– o/w derivative financial instruments	47,159	(209)	46,950
Hedging derivatives	9,809	(1)	9,807
Available-for-sale financial assets	104,669	(51,197)	53,472
Loans and receivables due from credit institutions	92,061	(1,535)	90,526
Loans and receivables due from customers	693,128	(7,518)	685,610
Revaluation differences on interest rate risk-hedged portfolios	5,805	0	5,805
Held-to-maturity financial assets	7,834	(2,655)	5,179
Current tax assets, deferred tax assets	4,551	(163)	4,387
Accrued income and other assets	60,290	(13,367)	46,922
Assets held for sale	1,195	(698)	498
Deferred profit-sharing	0	0	0
Investments in associates	4,112	3,582	7,694
Investment property	1,994	(1,204)	790
Property, plant and equipment	4,461	(49)	4,413
Intangible assets	1,167	(216)	951
Goodwill	4,304	(331)	3,972
TOTAL	**1,259,850**	**(99,239)**	**1,160,611**

Liabilities at 12/31/2017 *in millions of euros*	**BPCE statutory scope**	**Prudential restatements**	**BPCE prudential scope**
Amount due to central banks	0	0	0
Financial liabilities at fair value through profit or loss	135,917	(2,175)	133,742
– o/w trading securities portfolio	26,947	0	26,947
– o/w loans and repurchase agreements	42	0	42
– o/w portfolio measured under the market value option	61,257	(1,996)	59,261
– o/w derivative financial instruments	47,670	(179)	47,491
Hedging derivatives	14,725	0	14,725
Amounts due to credit institutions	92,145	(3,415)	88,729
Amounts due to customers	569,879	1,554	571,433
Debt securities	216,957	1,098	218,055
Revaluation differences on interest rate risk-hedged portfolios	367	0	367
Current tax liabilities, deferred tax liabilities	998	(382)	616
Accrued expenses and other liabilities	49,431	(9,963)	39,468
Liabilities associated with non-current assets held for sale	717	(698)	19
Insurance companies' technical reserves	83,711	(83,711)	0
Provisions	6,392	(154)	6,237
Subordinated debt	17,410	(603)	16,807
Equity attributable to equity holders of the parent	**64,029**	**11**	**64,039**
Share capital and additional paid-in capital	*22,722*	*0*	*22,722*
Retained earnings	*36,884*	*10*	*36,894*
Gains and losses recognized directly in other comprehensive income	*1,399*	*0*	*1,400*
Net income for the period	*3,024*	*0*	*3,024*
Non-controlling interests	7,172	(799)	6,373
TOTAL	**1,259,850**	**(99,239)**	**1,160,611**

The differences between the statutory and regulatory scopes of consolidation can be attributed to restatements for subsidiaries excluded from the regulatory scope of consolidation (see description of regulatory scope of consolidation below) and the reincorporation of intra-group transactions associated with these subsidiaries.

3.3.3 Composition of regulatory capital

REGULATORY CAPITAL

Regulatory capital is determined in accordance with regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms.

It is divided into three categories: Common Equity Tier 1, Additional Tier 1 capital and Tier 2 capital. Deductions are made from these categories.

These categories are broken down according to decreasing degrees of solidity and stability, duration and degree of subordination.

PHASED-IN REGULATORY CAPITAL

in millions of euros	12/31/2017 Basel III phased-in[(1)]	12/31/2016 Basel III phased in[(1)]
Share capital and additional paid-in capital	22,722	21,947
Retained earnings	36,894	33,796
Income	3,024	3,987
Gains and losses recognized directly in equity	1,400	1,726
Consolidated equity attributable to equity holders of the parent	**64,039**	**61,456**
Perpetual deeply subordinated notes classified as equity	(683)	(1,629)
Consolidated equity attributable to equity holders of the parent excluding perpetual deeply subordinated notes classified as equity	**63,356**	**59,827**
Non-controlling interests	4,569	4,550
– o/w prudential filters	229	461
Deductions	(4,912)	(4,719)
– o/w goodwill	(3,962)	(3,875)
– o/w intangible assets	(951)	(844)
Prudential restatements	(3,971)	(4,355)
– o/w shortfall of credit risk adjustments to expected losses	(1,285)	(1,232)
– o/w prudent valuation	(409)	(414)
Common Equity Tier 1[(2)]	**59,042**	**55,303**
Additional Tier 1 capital	448	1,304
Tier 1 capital	**59,490**	**56,607**
Tier 2 capital	14,557	15,693
TOTAL REGULATORY CAPITAL	**74,047**	**72,300**

(1) Phased-in: after taking phase-in measures into account.
(2) Common Equity Tier 1 included €22,477 million in cooperative shares at December 31, 2017 and €21,036 million at December 31, 2016.

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**
12/31/2016	**55,303**
Cooperative share issues	1,645
Income net of proposed dividend payout	2621
Other items	(527)
12/31/2017	**59,042**

BREAKDOWN OF NON-CONTROLLING INTERESTS (MINORITY INTERESTS)

in millions of euros	**Non-controlling interests**
Carrying amount (regulatory scope) – 12/31/2017	**6,373**
Perpetual deeply subordinated notes classified as non-controlling interests	(430)
Ineligible non-controlling interests	(434)
Proposed dividend payout	(336)
Caps on eligible non-controlling interests	(487)
Other items	(117)
Prudential amount – 12/31/2017	**4,569**

ADDITIONAL TIER 1 (AT1) CAPITAL

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**
12/31/2016	**1,304**
Redemptions	(1,063)
Issues	-
Foreign exchange effect	43
Phase-in adjustments	164
12/31/2017	**448**

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**
12/31/2016	**15,693**
Redemption of subordinated notes	(29)
Prudential haircut	(335)
New subordinated note issues	0
Phase-in deductions and adjustments	161
Foreign exchange effect	(933)
12/31/2017	**14,557**

3.3.4 Regulatory capital requirements and risk-weighted assets

In accordance with regulation No. 575/2013 (CRR) of the European Parliament, credit risk exposure can be measured using two approaches:

- the "standardized" approach, based on external credit ratings and specific risk weightings according to Basel 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 IRB approaches is described in greater detail in section 5 "Credit risk".

In addition to requirements related to counterparty risk in market transactions, the directive of June 26, 2013 provides for the calculation of an additional charge to hedge against the risk of loss associated with the counterparty's credit quality. Capital requirements for the CVA (Credit Valuation Adjustment) are determined using the Standardized Approach.

OVERVIEW OF RWA

The table below complies with the CRR format, presenting capital requirements for credit and counterparty risks, before the CVA and after the application of risk mitigation techniques.

	12/31/2017		12/31/2016
in millions of euros	**RWA amounts**	**Capital requirements**	**RWA**
Credit risk (excluding counterparty credit risk) (CCR)	**313,064**	**25,045**	**305,239**
– o/w standardized approach (SA)	126,916	10,153	121,639
– o/w internal ratings-based (IRB) approach	51,357	4,109	45,343
– o/w advanced measurement approach	94,978	7,598	99,866
– o/w equity IRB under the simple risk-weight approach or the internal models approach	39,813	3,185	38,391
Counterparty credit risk	**10,281**	**822**	**14,518**
– o/w Marked-to-market	8,096	648	9,224
– o/w Original exposure	0	0	0
– o/w standardized approach for counterparty credit risk	0	0	0
– CCR o/w internal model method (IMM)	0	0	0
– o/w risk exposure amount for contributions to the default fund of a CCP	337	27	339
– o/w CVA	1,848	148	4,955
Settlement risk	**10**	**1**	**27**
Securitization exposures in banking book	**5,310**	**425**	**9,320**
– o/w internal ratings-based approach (RBA)	1,392	111	1,980
– o/w IRB Supervisory Formula Approach (SFA)	0		0
– o/w standardized approach (SA)	3,918	313	7,340
Market risk	**10,700**	**856**	**12,205**
– o/w standardized approach (SA)	6,471	518	6,768
– o/w internal model approaches (IM)	4,229	338	5,437
Operational risk	**38,055**	**3,044**	**37,669**
– o/w Basic Indicator Approach	0		0
– o/w Standardized Approach	38,055	3,044	37,669
– o/w Advanced Measurement Approach	0		0
Amounts below the thresholds for deduction (subject to 250% risk weight)	**8,911**	**713**	**12,003**
Floor adjustment	0		0
TOTAL	**386,331**	**30,906**	**390,981**

Note: risk-weighted assets (RWA) and capital requirements for counterparty risk are presented according to the model recommended by the EBA in its final report dated December 14, 2016 (counterparty risk apart and including CVA and risk linked to the contribution to the default fund.)

RWA BY TYPE OF RISK AND BY BUSINESS LINE

Groupe BPCE redefined its business lines in the TEC 2020 strategic plan announced on November 29, 2017. The Group now has three core business lines: Retail Banking and Insurance, Asset & Wealth Management, and Corporate & Investment Banking.

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

		Basel III phased-in				
in millions of euros		Credit risk(1)	CVA	Market risks	Operational risk	Total
	December 31, 2016	243,704	1,014	1,094	26,696	272,508
Retail Banking and Insurance(2)	**December 31, 2017**	**250,837**	**393**	**962**	**26,266**	**278,458**
	December 31, 2016	13,747	1	-	4,026	17,774
Asset & Wealth Management(2)	**December 31, 2017**	**6,935**	**0**	**0**	**4,424**	**11,359**
	December 31, 2016	46,977	3,539	8,999	6,171	65,686
Corporate & Investment Banking	**December 31, 2017**	**42,930**	**1,162**	**7,577**	**6,866**	**58,535**
	December 31, 2016	31,724	401	2,112	776	35,013
Other	**December 31, 2017**	**35,026**	**293**	**2,161**	**499**	**37,979**
	December 31, 2016	336,152	4,955	12,205	37,669	390,981
TOTAL RISK-WEIGHTED ASSETS	**DECEMBER 31, 2017**	**335,728**	**1,848**	**10,700**	**38,055**	**386,331**

(1) Including settlement/delivery risk.

(2) Segment reporting information was modified as of March 31, 2017, with the creation of the Retail Banking and Insurance division, which includes the Banque Populaire and Caisse d'Epargne retail banking networks, the Specialized Financial Services division of Natixis and the Other Networks (Crédit Foncier, Banque Palatine, and BPCE International); the above figures are estimates, equal to the sum of the former CBA and SFS divisions. Additionally, as of December 31, 2017, in line with the presentation of the business lines under the new strategic plan "TEC 2020", the Natixis insurance business lines (life insurance, provident insurance, payment protection insurance and non-life insurance), previously included in the Investment Solutions division, are now part of the Retail Banking & Insurance division. The Investment Solutions division is now the Asset & Wealth Management division.

3.3.5 Management of capital adequacy

The methods used by Groupe BPCE to calculate risk-weighted assets are described in section 3.4 "Regulatory capital requirements and risk-weighted assets".

REGULATORY CAPITAL AND CAPITAL RATIOS

REGULATORY CAPITAL AND PHASED-IN BASEL III CAPITAL RATIOS

in millions of euros	12/31/2017 Basel III phased-in	12/31/2016 Basel III phased-in
Common Equity Tier 1 (CET1)	59,042	55,303
Additional Tier 1 (AT1) capital	448	1,304
TOTAL TIER 1 (T1) CAPITAL	**59,490**	**56,607**
Tier 2 (T2) capital	14,557	15,693
TOTAL REGULATORY CAPITAL	**74,047**	**72,300**
Credit risk exposure	335,718	336,125
Settlement/delivery risk exposure	10	27
CVA risk exposure	1,848	4,955
Market risk exposure	10,700	12,205
Operational risk exposure	38,055	37,669
TOTAL RISK EXPOSURE	**386,331**	**390,981**
Capital adequacy ratios		
Common Equity Tier 1 ratio	15.3%	14.1%
Tier 1 ratio	15.4%	14.5%
Total capital ratio	19.2%	18.5%

Changes in Groupe BPCE's capital adequacy in 2017

Groupe BPCE's capital adequacy was strengthened during 2017: the Common Equity Tier 1 ratio, which takes into account phase-in measures set out in CRR/CRD IV, was 15.3% at December 31, 2017, improving on the ratio of 14.1% at December 31, 2016.

The Common Equity Tier 1 ratio improved by 120 basis points in 2017, on the back of:

- the €3.7 billion rise in Common Equity Tier 1, driven by retained earnings;
- the strict management of risk-weighted assets, which totaled €386 billion at December 31, 2017, down €4.6 billion compared with December 31, 2016.

In addition, acquisitions carried out by Natixis had a limited impact on the Group's ratio in 2017, with an impact of around -4 basis points on the Common Equity Tier 1 ratio for the acquisition of Investors Mutual Limited and around -3 basis points for the acquisition of 60% of Dalenys.

At December 31, 2017, the Tier 1 ratio stood at 15.4%, representing an increase compared with December 31, 2016.

Finally, the total capital ratio stood at 19.2% at December 31, 2017, as no Tier 2 issues were carried out during the fiscal year.

Excluding the CRR/CRD IV phase-in measures, the Common Equity Tier 1 ratio was 15.4% at December 31, 2017 *versus* 14.2% at December 31, 2016.

Groupe BPCE capital adequacy management policy

Capital and total loss absorbing capacity (TLAC) objectives are determined according to Groupe BPCE's target ratings, in line with prudential constraints.

Capital adequacy management is therefore subject to a high management buffer which not only greatly exceeds prudential constraints on capital adequacy ratios, but is also well below the trigger for the Maximum Distribution Amount.

Capital and TLAC management is thus less sensitive to prudential changes (e.g. not dependent on G-SIB classification). As a result, the Group very predominantly builds its total loss absorbing capacity from CET1 and additionally from TLAC-eligible debt (mainly Tier 2 capital and senior non-preferred debt). Moreover, taking a "single point of entry" (SPE) approach, BPCE issues this TLAC-eligible debt.

Finally, in addition to TLAC, Groupe BPCE carries debt eligible for bail-in, the majority of which is accepted for the calculation of MREL when deemed by the supervisory authority to have a high capacity for activation: by that definition, senior preferred debt issued by BPCE is eligible for MREL, with Groupe BPCE leaving the possibility of meeting MREL requirements open, beyond its total loss absorbing capacity, with any "bail-inable" debt instrument.

Capital allocation measures and capital adequacy supervision

The Group implemented action plans in 2017 aimed specifically at ensuring the capital adequacy of its networks and its subsidiaries. For example, BPCE granted redeemable subordinated loans to CASDEN Banque Populaire (€140 million) and Banque Palatine (€50 million) and subscribed for two perpetual deeply subordinated notes issued by Natixis ($500 million each).

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, with a gradual implementation timetable. The ratio has been under review by the supervisory authority since 2014 and will not be officially implemented until CRR II comes into force, *i.e.* not before 2019.

The leverage ratio is determined by dividing Tier 1 capital by exposures, which consist of assets and off-balance sheet items, restated to account for derivatives, 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 No. 2015/62 of October 10, 2014, was 5.1% at December 31, 2017 based on phased-in Tier 1 capital.

TRANSITION FROM THE STATUTORY BALANCE SHEET TO LEVERAGE RATIO EXPOSURE

in millions of euros	12/31/2017	12/31/2016
TOTAL CONSOLIDATED ASSETS AS PER PUBLISHED FINANCIAL STATEMENTS	**1,259,850**	**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	(99,239)	(88,774)
Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
Adjustments for derivative financial instruments	(36,598)	(59,513)
Adjustment for securities financing transactions (*i.e.* repos and similar secured lending)	(13,400)	(7,332)
Adjustment for off-balance sheet items (*i.e.* conversion to credit equivalent amounts of off-balance sheet exposures)	73,177	74,010
Other adjustments	(6,377)	(7,520)
LEVERAGE RATIO EXPOSURE	**1,177,414**	**1,146,111**

Without applying the phase-in measures and without including subordinated debt issues which have become ineligible, Groupe BPCE's leverage ratio stood at 5.1% at December 31, 2017 compared with 4.9% at December 31, 2016.

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 1.*

The calculation of surplus capital is based on the statutory scope. Insurance company capital requirements, determined for the banking capital adequacy ratio by weighting the equity-method value, are replaced with capital requirements based on the solvency margin. Capital requirements within the banking scope are determined by multiplying risk-weighted assets by the rate in force under Pillar II, *i.e.* 11.25% at December 31, 2017 *versus* 9.75% at December 31, 2016.

At December 31, 2017, Groupe BPCE's surplus capital amounted to €27 billion.

SUPERVISORY REVIEW AND EVALUATION PROCESS

SREP-ICAAP process

As the supervisory authority under Pillar II, the ECB conducts an annual assessment of banking institutions. This assessment, referred to as the Supervisory Review and Evaluation Process (SREP), is primarily based on 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 2017, Groupe BPCE must maintain a phased-in consolidated Common Equity Tier 1 ratio of 8.625% as from January 1, 2018, including:

- 1.5% in respect of Pillar II requirements (excluding Pillar II guidance);
- 1.875% in respect of the capital conservation buffer;
- 0.75% in respect of the buffer for global systemically important banks (G-SIB buffer).

The total capital requirement has been set at 12.125% (excluding Pillar II guidance).

With a Common Equity Tier 1 ratio of 15.3% at end-2017 (with phase-in measures), Groupe BPCE has exceeded the specific capital requirements set by the ECB.

As regards the internal capital adequacy assessment under Pillar II, the principles defined in the ICAAP/ILAAP guidelines published by the ECB in February 2017 were applied as of this year in Groupe BPCE's ICAAP. The assessment is thus carried out using two different approaches:

- a "normative" approach aimed at measuring the impact of internal stress tests within three years of the initial Pillar I regulatory position;
- an "economic" approach aimed at identifying, quantifying and hedging risks using internal capital over the short term (one year) and using internal methodologies. The methodologies developed by Groupe BPCE provide a better assessment of risks that are already covered under Pillar I, and also an additional assessment of risks that are not covered by Pillar I.

The results obtained using these two approaches confirmed the Group's financial soundness and no capital buffer is necessary in addition to the existing regulatory buffers.

OUTLOOK

In 2018, Groupe BPCE as a whole will remain focused on its CET 1 ratio organic growth target (excluding cooperative share inflows), set at +50-or-more basis points by the end of the 2018-2020 strategic plan, as well as a target TLAC ratio of above 21.5% from 2019.

In this respect, the removal of Groupe BPCE from the list of G-SIBs in 2017 had no impact, since the group has kept its target TLAC ratio above the regulatory minimum requirement and since the same prudential constraints will be applicable due to its D-SIB *(Domestic Systemically Important Bank)* status.

MREL – TLAC

The regulatory framework for bank resolution and bail-in was stabilized in 2015. New complementary indicators for capital adequacy and leverage ratios will be implemented *via* the Minimum Requirement for own funds and Eligible Liabilities (MREL) and Total Loss Absorbing Capacity (TLAC). Groupe BPCE has already established internal oversight of these indicators.

The MREL (Minimum Requirement for own funds and Eligible Liabilities) ratio was introduced by 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 be broken 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 Single Resolution Board publicly stated on November 21, 2017 that an MREL requirement, eligible for a TLAC of 12% of risk-weighted assets + capital buffers, would be set for O-SIIs and that the requirement set for G-SIIs would be 13.5% of risk-weighted assets.

The Group has already launched a program to issue this new senior non-preferred debt.

Excluding the CRR/CRDIV phase-in measures, Groupe BPCE's TLAC ratio came to 20.8% at December 31, 2017.

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.

3.4 Governance and risk management system

3.4.1 Governance of risk management

The Group Risk Management Committee, chaired by the President of the Management Board, met six times during fiscal year 2017 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 different 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 and 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, as each Group entity's operational functions are independent from its Risk and Compliance functions. It also promotes a risk management and compliance culture and the application of shared risk management standards, and ensures that managers are given independent, objective and detailed information on the Group's risk exposures and any possible deterioration in its risk profile.

Groupe BPCE places a strong focus on efficient organization of risk management across all Group entities, which is applied to all business lines, financing activities, customer segments, markets and regions where it operates. The governance structure is based on a series of Risk and Compliance Committees, coordinated by the DRCCP.

STANDARD RISK GOVERNANCE STRUCTURE AT A GROUP INSTITUTION

(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.

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 diverging 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;
- carries out the annual macro-level risk mapping exercise, factoring in the overall risk policy, risk appetite and annual permanent control plan.

RISK AND COMPLIANCE FUNCTIONS

Groupe BPCE's Risk, Compliance and Permanent Control division (DRCCP) oversees the Group's risk management, Compliance and permanent control functions, focusing on the management of credit, financial, operational and non-compliance risks, extended to business continuity and financial audit functions, and information system security. It ensures that the risk policies of the affiliates and subsidiaries comply with those of Groupe BPCE.

The Risk Management and Compliance departments of the Banque Populaire banks and Caisses d'Epargne 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, the Group's institutions rely on the Group's Risk, Compliance and Permanent Control Charter. The charter specifies that each institution's supervisory body and executive managers promote the risk management culture at all levels of their organization.

GOVERNANCE AND COORDINATION

Organization

Relying on strong functional links, the Risk, Compliance and Permanent Control division (DRCCP) coordinates Groupe BPCE Risk and Compliance functions. The Risk, Compliance and Permanent Control Charter calls for the DRCCP to participate, at its own initiative, in the annual performance assessment of the heads of the permanent control functions, particularly risk and/or compliance, in consultation with the President of the Management Board or the Chief Executive Officer.

More specifically, to coordinate cross-business projects, the DRCCP relies on the Governance and Coordination department. This department also handles day-to-day coordination of the entire system, which is supported by a strong functional link between the institutions' Risk Management and Compliance divisions and Groupe BPCE's Risk, Compliance and Permanent Control division, and contributes to the overall monitoring of Group risk, mainly through:

- oversight and updates of key Risk and Compliance function documents such as charters and standards;
- 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, 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 library dedicated to the risk, compliance and permanent control functions;
- operational efficiency work (headcount benchmark standards, risk and compliance half-year reporting, risk appetite framework and the institutions' macro risk map);
- 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. In addition, a university training course on "internal control and risk management at financial institutions" is given at Université Paris-Dauphine. Participants earn a degree upon successful completion of the course;
- and, in general, the practice of risk and compliance awareness and sharing of best practices throughout the Group, in particular *via* a digital document library and the introduction of a new slogan for the risk and compliance functions: "long-term development is our job, let's move together".

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. The division also dispenses training and organizes awareness-building campaigns for 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 ACPR and the other French supervisory (AMF) or regulatory authorities (Banque de France, Trésor), and foreign authorities (e.g. US Federal Reserve).

The team attends all supervisory meetings within the Risk and Compliance scope. It also follows up on the primary on-site audits conducted by the supervisory bodies and the resulting recommendations. Finally, it coordinates all *ad hoc* or one-time requests received from the ECB or ACPR by the central institution.

For coordination purposes, the DRCCP relies on a half-yearly report drawn up by the institutions, aimed at ensuring that the various components of the local systems are properly implemented and operate under satisfactory conditions, particularly with respect to banking regulations and Group Charters. The findings of this report improve operational efficiency and optimize best practices throughout Groupe BPCE.

Activities specifically focused on the Lagarde Report are being monitored in conjunction with the Group's institutions.

Activities in 2017

In 2017, the DRCCP carried out several projects that strengthened the Risk and Compliance oversight and coordination system, including in particular:

- annually reviewing the Group risk appetite system and its interaction with the single risk mapping system, and implementing Article 98 of the Ministerial Order of November 3, 2014 on internal control. The risk appetite system is reviewed on a quarterly basis to ensure it remains consistent with the Group system;
- enhancing the function's regulatory briefings and half-yearly reports submitted by the DRCCP to the directors and Heads of Risk Management for the Banque Populaire banks, Caisses d'Epargne and subsidiaries;
- performing an enhanced analysis of the half-yearly summaries prepared by all Executive 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 summary of all reports issued by the Group *Inspection Générale* division or by the supervisory and control authorities, used to identify trends and shared with the entire function during Risk Management and Compliance days;
- contributing to Group institution risk assessments;
- making the rounds of virtually all Group institutions over the course of the year;
- acclimating new Heads of Risk Management and Compliance by putting them through special training courses;
- organizing regional platforms to exchange best practices and address collective efficiency issues concerning the risk and compliance functions;
- defining a standard format, derived from best practices, for the Executive Risk Management Committee;
- defining benchmark standards applicable to all Risk, Compliance and Permanent Control division employees.

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 allocate additional resources to promoting and strengthening the risk and compliance culture at all levels.

To this end, the Governance and Coordination department's Risk and Compliance Culture division is tasked with:

- developing risk and compliance training and awareness programs, at all Group levels;
- overseeing macro-level risk mapping for the institutions and BPCE SA group;
- assisting the institutions with changes pertaining to risk and compliance in their operations (sharing best practices, new procedures, structures, etc.);
- including the risk and compliance culture in human resources management processes, such as employee career management and mobility;
- coordinating the preparation of the risk and compliance sections of the Groupe BPCE registration document and Pillar III Report – for the DRCCP;
- coordinating the Group credit function;
- providing the benefit of its risk expertise to the Sales functions through its participation in the New Products Committee.

Activities in 2017

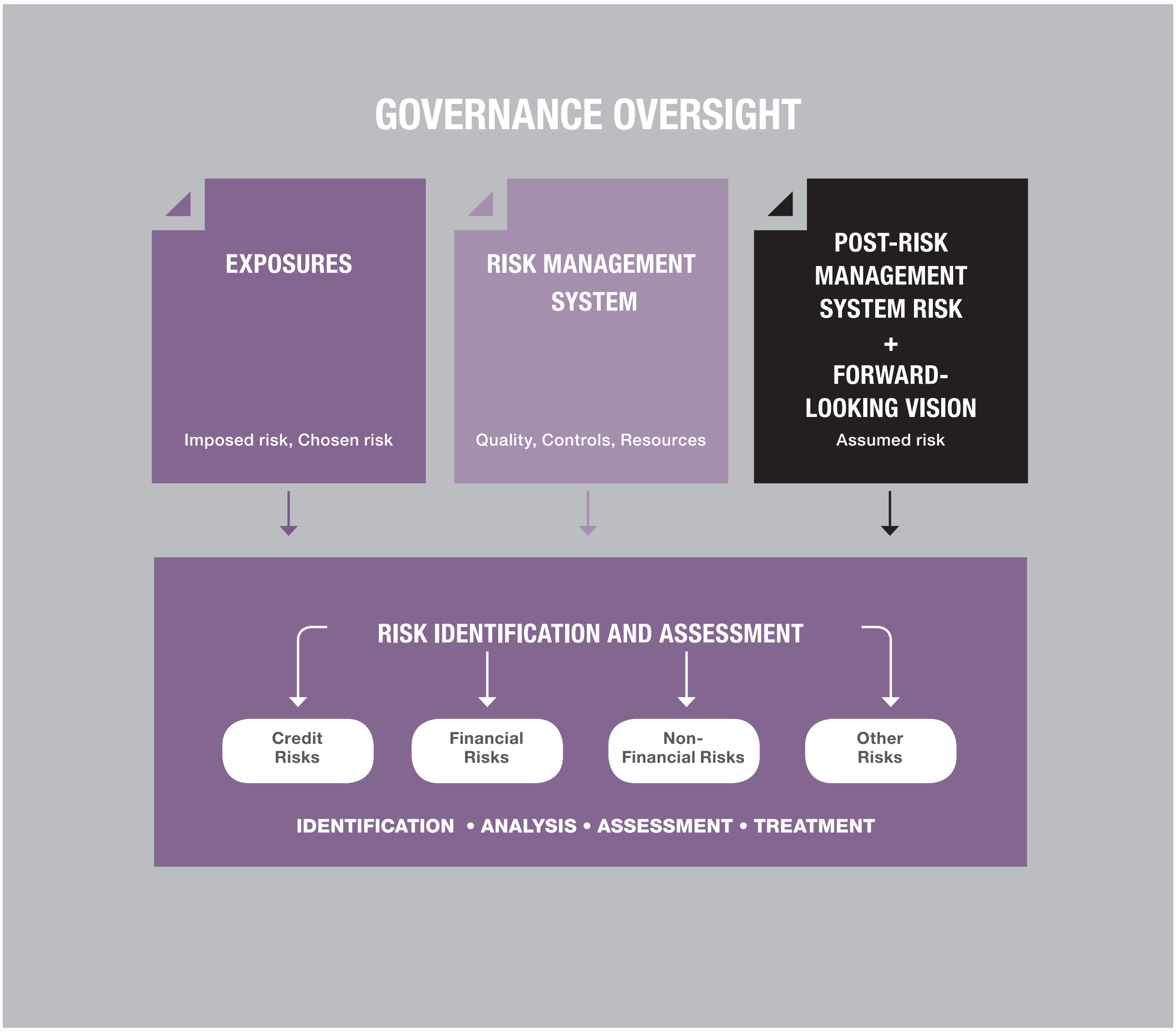
Launch of macro-level risk mapping at Group institutions

Macro-level mapping of the risks incurred by Group institutions complies with regulations, and specifically with the Ministerial Order of November 3, 2014 on internal control which stipulates, in Articles 100,101 and 102, the requirement of a "risk mapping system that identifies and assess risks incurred due to internal and external factors". The Group meets this obligation with its "macro-level risk mapping" system.

The aim of this system is to secure the operations of its institutions and support their long-term financial profitability and growth. By identifying and rating its risks, each Group institution establishes its own risk profile and priority risks. This risk-based approach, based on the rating of the risk management system, lays the groundwork for the implementation and follow-up of targeted action plans.

Macro-level risk mapping plays a central role in an institution's overall risk management system:

- it is closely linked to the risk appetite system by establishing the institution's risk profile and determining its priority risks;
- it contributes to the Group's SREP – Supervisory Review and Evaluation Process – by identifying the its main risks from a risk management and supervisory standpoint;
- it assesses the risk management system, in particular by examining the results of the internal control system (permanent and periodic controls). Identifying potential areas of risk helps enhance the internal control system and allocate control resources where they are needed;
- it serves as a source of information for various documents, including the internal control annual report, ICAAP report, documentation for JST meetings, etc.



Development of training programs

- Annual training plan for the Group risk and compliance function: the risk and compliance academy;
- Video learning module on the priorities of the annual review of corporate customers, in terms of sales and risk, aimed at corporate account managers and branch-based corporate customer advisors;
- Quiz aimed at raising awareness of banking risks, called Risk Pursuit, designed in gaming format and available for multiple devices, including tablets.

Increased coordination and exchange of best practices

- Coordination of Banque Populaire network credit exposure managers beginning in 2017;
- Oversight of change management initiatives in cooperation with the business lines, for example with post-AQR changes in credit procedures (2016 projects: annual review, supervision, seizure of retail collateral; 2017 projects: syndications, provisioning, home loan indicators).

3.4.2 Groupe BPCE's risk management system

All credit, financial and non-financial risks, including non-compliance risks, are covered by central and local mechanisms serving to ensure the adequacy of risk management systems linked to Groupe BPCE's risk appetite and strategy.

Groupe BPCE's Supervisory Board unanimously approved Groupe BPCE's risk appetite framework at its meeting 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 December 21, 2017 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, with a more targeted approach to retail banking customers).

In terms of risk profile, Groupe BPCE incurs risks intrinsically associated with its retail banking and corporate & investment banking activities.

Risk profile

The following risks are incurred by the Group because of its business model:

- credit risk generated by the Group's predominant business, *i.e.* lending to individual and corporate customers, which is managed under risk policies applied to all Group entities, concentration limits defined by counterparty, country and sector, and finally extensive oversight of loan books;
- structural interest rate risk, primarily linked to fixed-rate home loans and regulated liabilities. It is managed under group-wide standards and limits set for each entity;
- liquidity risk, steered centrally by allocating budget-defined liquidity to round out customer deposits raised by the entities;
- non-financial risks, managed under group-wide standards. These standards cover non-compliance, fraud, information system security and misconduct risks, as well as other operational risks. Acccordingly:
  - 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.

Risk appetite framework

Groupe BPCE's general risk appetite framework was validated by the BPCE Supervisory Board, as was its 2017 annual review. It is consistent with the "TEC 2020" strategic plan, as applied to the entire risk governance structure, including the Risk Management Umbrella Committee.

More specifically, this general framework draws in turn on a framework document that gives both a qualitative and quantitative description of risks the Group is willing to take. It also describes the governance and operational principles currently in force at Groupe BPCE.

The operational risk appetite framework is based on indicators broken down by major risk category. There are six major risk categories: solvency risk, credit risk (credit and counterparty risk, concentration risk), 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 high-quality assets eligible for market funding mechanisms and those offered by the ECB.

The Group ensures the robustness of this system by conducting comprehensive stress tests on a regular basis, designed to verify the Group's resilience in the event of a major crisis.

The implementation of the risk appetite framework is centered on four key components: (i) the definition of 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.

CROSS-BUSINESS RISK ANALYSIS

Organization

In addition to the risk supervision conducted both individually and by type of risk, Groupe BPCE's Risk, Compliance and Permanent Control division (DRCCP) also consolidates the Group's risks. It calculates and consolidates credit risk-weighted assets at Group level, produces regulatory reports (particularly COREP statements on loans, large exposures, etc.) and internal dashboards. In particular, it produces a consolidated risk dashboard, which is used to monitor the risk appetite defined by the Group as well as for comprehensive monitoring of risks based on an analysis of the Group's risk profile in each area (mapping of risk-weighted assets, credit risks and counterparty risks – by customer segment –, market risks, structural ALM risks, operational risk and risks related to insurance activities).

The DRCCP also conducts or coordinates cross-business risk analyses on the Group's main portfolios or activities and, if needed, for the entities. It has also developed half-yearly forward-looking risk analyses aimed at identifying economic risk factors (known and emerging; international, national and regional), circumstantial threats (regulations, etc.) and their potential impact on the Group. These prospective analyses are presented at Group Supervisory Board Risk Management Committee meetings.

It 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.

Activities in 2017

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

- reinforcement of consolidated risk management by carrying out Groupe BPCE's annual risk appetite review and developing an appropriate system of indicators and limits tracked operationally *via* the Group consolidated risk dashboard. A cross-business risk identification and materiality definition system has been added to the Group's consolidated risk monitoring system;
- the Group risk dashboard, a key risk supervision tool, was subject to a comprehensive review aimed at improving improve the coverage and granularity of risk analysis. Additional monthly oversight was also introduced;
- two forward-looking risk analyses, several in-depth and multi-risk analyses of loan books (mapping of oversight procedures, and analyses of SME, financial company and real estate professional loan books);
- contribution to the internal solvency stress test, particularly on estimating cost of risk.

The Risk, Compliance and Permanent Control division kept the credit risk models operational, in particular by rolling out a new model for corporate customers generating revenue of €3 million to €10 million.

Finally, 2017 saw the launch by the supervisory body of Target Review Internal Model (TRIM) audits.

The Group also continued making the transition to IFRS 9 in 2017, 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 Level 2 permanent risk control system covering matters of governance, risk, organization, the work of the risk management and compliance functions, and the implementation of standards, norms and charters. The main role of the Permanent Control Coordination department is to coordinate the Group's permanent control system;
- manages a Group-level permanent control tool (Pilcop) in close collaboration with the Group's institutions;
- uses this tool to implement, centralize and use the Level 2 permanent controls carried out by the Risk, Compliance and Permanent Control divisions. The various Level 1 permanent control standards are continuously updated and enhanced.

Activities in 2017

In 2017, the DRCCP carried out several structure-building projects aimed at reinforcing the Group's permanent control system.

The structure of the Permanent Control Coordination department was adapted to bring it closer to the institutions and business lines, and the Permanent Control Coordination, Standards and Analyses division was thus created.

In terms of permanent controls standards, the Group's permanent control system framework document – an operational offshoot of the internal control charter – was validated. In addition a sampling standard was introduced, calling for samples used in permanent controls to be both random and representative.

The main permanent control forms in the Pilcop software tool were revised, with the aim of converging the Banque Populaire banks and the Caisses d'Epargne towards a single control framework and optimizing the number of items covered by controls. The DRCCP also worked on the annual control plan and the risk-based approach.

3.4.3 Recovery Plan

BPCE's Supervisory Board approved the Group's Recovery Plan (RP) for 2018.

The plan is in line with European regulatory measures on the recovery and resolution of banks and investment firms and the provisions of the French Monetary and Financial Code.

The objective of the Recovery Plan is to identify measures to restore the Group's financial solidity in the event it deteriorates significantly.

The plan presents the options available to the Group to 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 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 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 Recovery Plan is updated annually.

3.5 Credit risk

3.5.1 Organization of credit risk management

CREDIT 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, Groupe BPCE manages the following risks:

- 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, potentially leading to the establishment and/or revision of risk policies or management procedures and thereby updating risk coverage through special policies, limits, sector-based supervision, etc.;
- 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;
- average risk-weighted assets by entity and by asset class;
- counterparty risk using a Group-level consolidated approach through various regulatory measurements (CVA, EEPE and IRC in particular).

The results of these management initiatives are presented to the Group Risk and Compliance Committee, the Group Credit and Counterparty Committee and the Group Credit Risk and Permanent Control Committee.

Furthermore, special reviews, particularly sector- and portfolio-based reviews, are carried out at Group level to obtain a consolidated view of the credit quality of a given sector or asset class and, where applicable, to 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 system made up of:

- risk policies taken up, adapted, or expanded at each Group institution;
- Group sector policies adapted locally;
- 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, for the main asset classes excluding retail, expanded as needed by local limit systems;
- at each Group institution, a counter-analysis involving the Risk Management function, which hold veto power. Use of this power may result in escalation to the higher-level Credit Committee, or a duly authorized delegate. Decision-making at each Groupe BPCE entity is carried out within the framework of authorization procedures, and a veto may only be lifted by the head of the entity in question;
- a permanent control system, which is currently being revised, to ensure that these systems and procedures are being enforced. The DRCCP monitors compliance with regulatory caps at Group level for the Group Risk Management Committee, in accordance with regulation No. 93-05 of December 21, 1993 governing oversight of large risk exposures. Monitoring of compliance with Group internal caps and limits is regularly checked by the Group Risk Management Executive Committee and the Audit and Risk Committees of the Supervisory Board. Each institution is responsible for ensuring compliance with internal limits.

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

Activities in 2017

Risk policies and limits

A provision policy was introduced for corporate customer off-balance sheet commitments, based on the methodology employed by the ECB during the 2014 asset quality review. A collateral valuation method was defined and will be rolled out in 2018.

Individual risk policies and limits were reviewed and updated. This system was expanded to include policies for the renewable energy, agriculture, food & beverage, and electrical and mechanical construction sectors.

The method used to set Group limits for corporate customers was also reviewed, improving the objectivity of proposed Group limits.

Lastly, the Group's credit risk appetite indicators were updated.

Ratings

A new rating model for corporates generating revenue of €3 million to €10 million was rolled out at the end of 2017: this model is more conservative than the internal corporate rating model for this revenue bracket in terms of risk classification. The revenue line separating professional and corporate customers was thus standardized at €3 million for all Group institutions.

Rating tools for credit transactions carried out by real estate professionals were rolled out on the networks in 2016, and the first complete rating exercise was performed in 2017, thereby ensuring that rating rules for these transactions are consist throughout the Group.

Project finance rating tools were also rolled out: staff will be trained on how to use the new tools in early 2018, ensuring perfectly consistent ratings across the Group for project financing.

Projects were undertaken with BPCE's 89C3 Digital Factory, focusing in particular on the credit approval process.

Standards

The sector classification standard was reviewed in a bid to draw clearer distinctions in the real estate professionals sector. The standard now clearly separates the real estate leasing and the real estate services segments.

LBO and leverage transaction standards were defined and began to be deployed. LBO transaction reporting was updated and, in today's higher-risk market environment, the frequency of publication increased. Group reporting on leverage transactions will be introduced during the first half of 2018.

The watchlist standard was reviewed and reinforced, a shadow-banking standard was drafted and is currently being rolled out.

The Director creditworthiness rule was extended to apply to employee representative directors.

Syndicated loans are governed by a risk policy that clearly delineates the rights and obligations of lead arrangers and Groupe BPCE participants. The syndicated loan charter increases the lead arranger's disclosure obligations.

The definition of home loan indicators was reviewed and the indicators consistently rolled out to each institution's information system.

Lastly, the Risk division began working to incorporate EBA guidance on non-performing loans in the Group risk management system.

Controls

A methodology for selecting *ex-post* controls was established and tested. The methodology explains how the items subject to *ex-post* controls are selected.

The review of the Groupwide framework for Level 1 and 2 permanent controls was initiated in 2017 and will continue in 2018. Over the course of the review, the nature and content of each institution's permanent control standards will be examined.

The ECB's bad loans plan on the public works and real estate professionals sector resulted in an in-depth review of the main exposures in this sector. Moreover, a comprehensive review of watchlist counterparties was very nearly completed over the fiscal year.

Change management and communication

Major change management initiatives were carried out in close coordination with all of the Group's institutions on home loan indicators, syndications and allocated provisions.

The Banque Populaire network's commitment oversight tool was updated to include all financial triggers, and a new commitment oversight tool is being rolled out for the Caisse d'Epargne network.

A credit risk briefing was introduced in addition to the information already addressed to company directors.

CREDIT POLICY

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

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

Groupe BPCE does not conduct business unless it has the associated risks strictly under control, nor does it exercise proprietary trading activities. Activities with high risk-reward profiles are strictly limited.

From a structural standpoint, Groupe BPCE's business model incurs a lower-than-average cost of risk for 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 risk taking and management standards and methods for consolidated risk measurement, risk mapping, risk-taking approval, risk control and reporting, and compliance with laws and regulations;
- assesses and controls the level of risk across the Group;
- conducts permanent supervision, including detecting and resolving limit breaches and centralized forward-looking risk reporting on a consolidated basis;
- conducts controls, or ensures through subsidiarity that controls are conducted, to verify that the operations and internal procedures of Group companies comply with legal, professional, or internal standards that apply to banking, financial and insurance activities;
- performs Level 2 controls of certain processes used to prepare financial information and implements a Group Level 2 permanent risk control system;
- manages risk information systems in accordance with an annual IT plan, working closely with the IT departments, while defining the standards to be applied for the measurement, control, reporting and management of credit risks.

The different levels of control at Groupe BPCE operate under the supervision of the DRCCP, which is also responsible for consolidated summary reporting to the various decision-making bodies and committees, in particular the Group Watchlist and Provisions Committee.

The aim of risk supervision is to:

- improve the identification of various degrees of situations that are stressed or becoming stressed, which may worsen and veer into default. A set of indicators used to identify incidents on customer accounts (past due payments, irregular payments, etc.) or external events (rejected notes, external ratings, customer life events) contributes to this supervisory system;
- enhance the quality of customer data through a data quality supervision and gradual improvement system, in addition to seeking out high-quality exposures.

Risk prevention and monitoring at Groupe BPCE focuses on the quality of information, which is a heightened concern under the requirements of regulation BCBS 239 and is necessary for proper risk assessment, as well as the amount of risk taken and changes in these risks.

The supervision teams are responsible for ensuring that the sector-based watch is updated by focusing on sectors of activity identified as high-risk and for analyzing portfolios to help identify the main concentrations of risk. This system is enhanced by a set of industry-based limits.

High-risk loans and counterparties (on the watchlist) and the provisioning policy for the main risks shared by several entities (including Natixis) are regularly examined by the Group Watchlist and Provisions Committee.

RATING POLICY

Credit risk measurement relies on internal rating systems adapted to each category of customer and transaction. The Risk, Compliance and Permanent Control division is responsible for defining and controlling the performance of these rating systems.

Groupe BPCE applies an internal rating methodology, shared by both networks and the main subsidiaries (specific to each customer segment), for individual and professional retail customers, as well as for corporate customers, "real estate professionals", "central banks and other sovereign exposures", "central administrations", "public-sector and similar debt" and "financial institutions" segments.

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 at the end of 2016 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 structured in accordance with a monthly 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 verifies that these risk supervision mechanisms (individual and topical limits) are correctly implemented at each institution.

The Group Supervisory Board is kept informed as Group internal limits are monitored, and of any breaches of the limits defined in accordance with the risk appetite framework.

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 shall 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 Group level for the networks, with the subsidiaries defining appropriate levels for their exposures based on the Group's ground rules.

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 hardships if those hardships are expected to result in another company struggling to meet its commitments. This principle is applied early in the process, when KYC data are collected on groups of customer counterparties, through the ties binding the groups together.

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 or future 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 was established. In terms of the valuation of guarantees, this policy lays the foundations for the calculation of loan impairment and defines the methodology for determining individual impairment based on expert opinion.

It also defines concepts (credit risk measurement, accounting principles on the impairment of customer receivables under IFRS and French GAAP) and data to include in a non-performing loan or disputed loan assessment, as well as essential items to include in a provisioning record.

The methodology section for determining individual impairment based on expert opinion defines impairment approaches:

- going concern (the company can continue operating, and is generating repayment flows that generally require the existing debt to be restructured);
- gone concern (the company has ceased operations and the repayment of the loans depends on the value of the collateral held);
- combined approach (the company will substantially reduce its activity, and in order to recover its money the bank must combine a collection strategy based on operating cash flows with a strategy that involves calling in collateral).

Finally, the policy defines other items that affect the calculation of collection flows and covers the special circumstances of loans to real estate professionals.

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, the new impairment methodology for credit risk on financial assets, and hedge accounting, except for macro-hedging, which is currently under review by the IASB in a separate draft standard.

The following accounting treatment methods will apply to fiscal years beginning on or after January 1, 2018, replacing the accounting standards currently used to recognize financial instruments.

On initial recognition, financial assets are measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on the type of instrument (debt or equity), their contractual cash flow characteristics (Solely Payments of Principal and Interest – SPPI) and how the entity manages its financial instruments (its business model).

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, loan commitments and financial guarantees given that are not recognized at fair value through profit or loss, as well as lease receivables and trade receivables, shall be systematically impaired or covered by a provision for expected credit losses (ECL).

Impairment is recorded, for financial assets which have not been individually subject to ECL, based on observed past losses but also on reasonable and supportable DCF forecasts. This more forward-looking credit risk approach is already partially factored in when collective provisions are recognized on similar financial asset portfolios pursuant to IAS 39. 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
  - there is no significant increase in credit risk,
  - 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 amount 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 amount of the asset before impairment;
- Stage 3
  - there is objective evidence of impairment loss due to an event which represents a counterparty risk occurring after the initial recognition of the asset in question. This category is equivalent to individually impaired assets under IAS 39,
  - impairment for credit risk will continue to be calculated based on the instrument's lifetime expected credit losses,
  - 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

Governance

Since 2015, the IFRS 9 plan has been overseen by a strategic planning committee covering both the Risk and Finance divisions. The committee meets four times a year and most of its members also sit on the Management Board of BPCE. The strategic planning committee settles on guidelines, makes decisions, and defines the schedule for implementing and consolidating the budget for the plan. A steering committee also meets five times a year for the purposes of the IFRS 9 plan. It is comprised of company directors or corporate officers of Caisses d'Epargne and Banque Populaire banks as well as their main subsidiaries (Crédit Foncier, Natixis). The steering committee settles on guidelines and operational decisions relating to the implementation of IFRS 9. It also reports on the progress of the work done by the Finance, Risk, IS and Change Management Committees which meet once every six weeks.

A complete review of IFRS 9 implementation (progress, guidelines and options taken) was presented and discussed during BPCE's Audit Committee meeting. IFRS 9 will also be on the agenda of upcoming Audit Committee meetings to update information on how the program is progressing. The stakes and challenges raised by IFRS 9 were also explained in October to members of the Supervisory Board of BPCE and its main subsidiaries.

The second half of 2017 was mainly spent finalizing user tests for various projects, general user testing, preparing the opening balance sheet (first-time application), performing final model calibrations, measuring the impact of provisions on the third quarter, completing documentation, and adapting 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.

Impairment

As indicated above, impairment for credit risk will be equal to 12-month expected credit losses or lifetime expected credit losses, depending on the level of increase in credit risk since initial recognition (Stage 1 or Stage 2 asset). A set of qualitative and quantitative criteria is used to assess the increase in credit risk.

A significant increase in credit risk is measured individually, based on reasonable and supportable information, and by comparing the default risk on the financial instrument at the closing date with the default risk on the financial instrument at the date of initial recognition. Any significant increase in credit risk shall be recognized before the transaction is impaired (Stage 3).

In order to assess a significant increase in credit risk, the Group applies a process based on rules and criteria which apply to all Group entities. For the Individual Customers, Professional Customers and SME loan books, the quantitative criterion is based on the measurement of the change in the 12-month probability of default since initial recognition (probability of default measured as a cycle average). For the Large Corporates, Banks and Specialized Financing loan books, it is based on the change in rating since initial recognition. These quantitative criteria are accompanied by a set of qualitative criteria, including the existence of a payment more than 30 days past due, the classification of the contract as at-risk, the identification of forbearance exposure or the inclusion of the portfolio on a Watch List. Exposures rated by the Large Corporates, Banks and Specialized Financing software tool are also downgraded to Stage 2 depending on the sector rating and the level of country risk.

Financial assets where there is objective evidence of impairment loss due to an event which represents a counterparty risk and which occurs after their initial recognition will be considered as impaired and will be classified as Stage 3. Identification criteria for impaired assets are similar to those under IAS 39 and are aligned with the default criterion.

IFRS 9 calls for modified contractual cash flows that are renegotiated or otherwise modified (whether or not as a result of financial hardships), but not subsequently derecognized, to be identified. Any profit or loss is recognized as a modification gain or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. The materiality of the modifications is analyzed on a case by case basis.

Recognition of loans restructured due to financial hardship will be identical to IAS 39.

For Stage 1 and Stage 2 assets, expected credit losses are calculated as the product of three inputs:

- probability of default (PD);

- loss given default (LGD);
- exposure at default (EAD) – this depends on contractual cash flows, the contract's effective interest rate and the expected prepayment rate.

The Group draws on existing concepts and mechanisms to define these inputs, and in particular on internal models developed to calculate regulatory capital requirements and on projection models used for stress tests. Specific adjustments are made to factor in current conditions and forward-looking macroeconomic projections:

- IFRS 9 parameters therefore aim to provide an accurate estimate of losses for accounting provision purposes, whereas prudential parameters are more cautious for regulatory framework purposes. Several of these safety buffers are restated;
- IFRS 9 parameters must allow lifetime expected credit losses to be estimated, whereas prudential parameters are defined to estimate 12-month expected credit losses. 12-month parameters are thus projected over long periods;
- IFRS 9 parameters must be forward-looking and reflect forecasts of future economic conditions over the estimated period, whereas prudential parameters consist of cycle-average (for PD) or cycle-trough estimates (for LGD and EAD). Prudential parameters are therefore also adjusted to reflect forecasts of future economic conditions.

The parameters thus defined allow expected credit losses for all rated exposures to be measured, regardless of whether they refer to an entity approved to use the IRB method or the standardized method to determine its RWA. Conservative default rules are applied to non-rated exposures.

Parameters are adjusted to economic conditions by defining reasonable and supportable economic scenarios, coupled with the probability of occurrence and the calculation of a probable average credit loss. This adjustment calls for the definition of models which link IFRS 9 parameters to a set of economic variables. These models are based on those developed for stress tests. Projections are also based on the budget process. Three economic scenarios (the budget scenario, along with optimistic and pessimistic views of this scenario), coupled with probabilities, are defined over a three-year period to estimate the probable economic loss. The scenarios and weightings are defined using analyses produced by Natixis' Economic Research department and Management's expert judgment.

Although the majority of the parameters are drawn up by the BPCE and Natixis Risk divisions, other entities including Natixis Financement, BPCE International and certain regional institutions for their subsidiaries also contribute to the Group IFRS 9 provisioning system. Moreover, regional institutions are responsible for assessing the consistency of provisions determined for the Group with the local and sector characteristics of their loan books and for defining additional sector provisions if necessary.

The mechanism for validating IFRS 9 provisions is fully aligned with the Group's existing model validation process. Parameters are reviewed by the independent internal model validation unit. This unit's work is reviewed by the Group Modeling Committee. Finally, the recommendations issued by the validation unit are followed up. This process is scheduled to ensure that the main parameters will be reviewed before the first-time application of IFRS 9.

In short, the new IFRS 9 provisioning model points to an increase in the amount of impairment on loans and securities measured at amortized cost or at fair value through non-recyclable OCI, and on off-balance sheet commitments as well as on lease receivables and trade receivables.

The calibration and validation process is ongoing and cannot currently be disclosed in the financial statements.

FORBEARANCE, PERFORMING AND NON-PERFORMING EXPOSURES

Institutions were asked to identify the concepts of "forbearance" and "non-performing exposure" (NPE) 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.

Forbearance results from the combination of a concession and financial hardship.

Forbearance may relate to performing or non-performing loans.

Two types of concessions can be made when restructuring a loan (performing forborne exposures):

- a contractual modification, which is formalized through a rider or waiver;
- refinancing, which is formalized by setting up a new loan agreement at the same time as or in the seven days preceding the full or partial repayment of another loan agreement.

Meanwhile, financial hardships are observed when:

- a payment has been past due for over 30 days (excluding payments past due for technical reasons); or
- an overdraft authorization has been exceeded for more than 60 days in the three months preceding the rider or refinancing operation;
- the loan is assigned an at-risk rating.

The decision to downgrade a loan from the "performing forborne exposure" to the "non-performing forborne exposure" category is subject to a different set of rules than the rules for default (new concession or payment more than 30 days past due) and, like the decision to move a loan out of the "forborne" category, is subject to probationary periods.

Forced restructuring, overindebtedness proceedings, or any kind of default as defined by the Group standard, which involves a forbearance measure as previously defined, results in classification as a non-performing forborne exposure.

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 estate, the concepts of default and NPEs under accounting and regulatory approaches are converging. The Basel Committee's 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.

The discontinuation of the 180-day option for exposures secured by real estate, the Basel Committee internal control guidelines of April 4, 2017 regarding the prudential treatment of non-performing exposures and forbearance definitions, EBA guidelines published in September 2016 on the application of the definition of default under Article 178 of (EU) regulation No. 575/2013, as well as the publication by the ECB in March 2017 of guidelines for non-performing loans are paving the way for the convergence of the concepts of non-performing exposures and Basel default.

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 loans to non-retail counterparties.

Disclosures on "forbearance, performing and non-performing exposures" are being added to those already provided on default and impairment.

3.5.2 Internal ratings and risk measurements

FACTORS IMPACTING LOSSES INCURRED OVER THE PERIOD

The dollar's depreciation had less of an impact on new-generation oil assets in 2017. Moreover, as oil prices steadily climbed, operators and struggling as-yet non-restructured operations saw an improvement in their financial position.

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 (Revenue > €3 million)	F-IRB/Standardized	Standardized	Standardized	A-IRB	Standardized
Retail customers	A-IRB	A-IRB	Standardized	Standardized	

BREAKDOWN OF EAD BY APPROACH FOR THE MAIN CUSTOMER CATEGORIES

	12/31/2017			12/31/2016		
	EAD			EAD		
% breakdown	Standardized	F-IRB	A-IRB	Standardized	F-IRB	A-IRB
Central banks and other sovereign exposures	30%	45%	25%	35%	46%	19%
Central governments	53%	27%	20%	56%	26%	17%
Public sector and similar entities	99%	0%	1%	100%	0%	0%
Financial institutions	37%	24%	39%	45%	11%	44%
Corporates	37%	24%	39%	35%	22%	43%
Retail customers	15%	0%	85%	16%	0%	84%

RATING SYSTEM

Information provided in respect of IFRS 7

Internal rating system models are developed based on historical data for observed defaults and losses. They are used to measure the credit risks to which Groupe BPCE is exposed, expressed as a one-year probability of default (PD), as a Loss Given Default (LGD) and as Credit Conversion Factors (CCF), depending on the characteristics of the transactions. The models are generally built and validated based on internal historical data from as far back as possible, in accordance with 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 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 PD and LGD models, IMM models for counterparty risk, IMA and standard models for market risk and cautious valuation models has been delegated to the independent validation team at Natixis.

The internal validation process for new models or for changes to existing models is broken down into three steps:

- a review of the model and its adequacy, conducted independently of the entities having worked on the model;
- a review by the Group 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, which decides to implement the necessary changes, particularly in terms of processes and operational adaptation. These changes are submitted, where applicable, to the European supervisory authority for prior approval, in accordance with Commission Delegated regulation No. 529/2014 on changes of the Internal Ratings Based Approach used in determining capital requirements.

After the completion of this governance process, internal control reports and statements of decisions are made available to Group management (and 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 internal rating models, clearly indicating their scope in terms of Group segments and entities, as well as their main features, including a general score derived from the annual model review characterizing the performance and freshness of each model (age/year of development).

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, Crédit Foncier and Banque Palatine.

New models have been added to the system since 2016, to better reflect the specific nature of certain scopes of operation. In particular, two rating models were introduced for small enterprises (€3 million < Revenue < €10 million) in October 2017. These models draw on account behavior variables and the company's financial data. Separate LGD models have also been introduced for commodities trade financing agreements and financing with listed equities.

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 (Revenue > €1 billion)	5	Expert criteria including quantitative and qualitative variables, depending on the business sector Portfolio with low default risk
	SMEs (Revenue > €3 million)	11 (o/w 4 NS)	Statistical models (logistic regression) or flat scores, on companies publishing parent company or consolidated financial statements, mainly based on balance sheet data depending on the business sector, and banking behavior/history
	Non-profits and insurance companies	2	Expert criteria including quantitative and qualitative variables Portfolio with low default risk
	Specialized Financing (real estate, asset pool, aircraft, etc.)	8 (o/w 1 NS)	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 (socioeconomic category, differentiated according to certain sectors)	10	Statistical models (logistic regression) including balance sheet and behavioral variables
	Residential real estate	5 (o/w 2 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
Corporates	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.)	8 (o/w 3 NS)	Models based on estimated losses, segmented by type of contract and guarantee, or expert criteria
	Lease financing	1	Models based on estimates of asset resale conditions, segmented by type of asset financed
Retail customers	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
	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
Retail customers	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
	Revolving loans	1	Conversion factors, segmented by type of contract

* NS refers to non-standardized models used in determining capital requirements.

INTERNAL RATINGS-BASED APPROACHES – RETAIL CUSTOMERS

For retail customers, Groupe BPCE has established standardized internal ratings-based methods and centralized ratings applications used to assess the credit quality of its loan books for better risk supervision. In the Banque Populaire and Caisse d'Epargne networks, they are also used to determine capital requirements according to the Advanced IRB method.

The probability of default of retail customers is modeled by the DRCCP, based in large part on the banking behavior of the counterparties. The models are segmented by type of customer, distinguishing between individual and professional customers (with or without balance sheets) and according to products owned. The counterparties in each segment are automatically classified using statistical models (usually logistic regression models) into similar and statistically separate risk categories. Probability of default is estimated for each of these categories, based on the observation of average default rates over the longest period possible. These estimates are systematically adjusted to factor in a safety buffer for the uncertainty of the estimates. Where pas internal data do not cover a full economic cycle, an additional safety buffer is determined in order to maintain a TTC (through the cycle) approach. For comparison purposes, risk reconciliation is carried out between internal ratings and agency ratings.

Loss given default (LGD) is an economic loss measured by incorporating all inherent factors in a transaction as well as the costs incurred during the collection process. LGD estimation models for retail customers are applied specifically to each network. LGD values are first estimated by product and based on whether or not any collateral has been provided. Other factors may also be considered secondarily, where they can be used to statistically distinguish between degrees of loss. The estimation method employed is based on the observation of marginal collection rates, depending on how long the customer has been in default. The advantage of this method is that it can be directly used to estimate LGD rates applied to performing loans and ELBE[1] rates applied to outstandings in default. Estimates are based on internal collection histories for exposures at default over an extended period. Two safety buffers are then systematically added: the first to cover estimate uncertainties and the second to mitigate any economic slowdown effect.

Groupe BPCE uses three models to estimate EAD. The first estimates a Credit Conversion Factor (CCF) for off-balance sheet exposures. This model is automatically applied depending on the type of product, where the off-balance sheet has a non-zero balance. A multiplying factor is specifically applied to the balance sheet for account overdrafts, where the balance sheet has a non-zero balance but the off-balance sheet has a zero balance. Furthermore, a standard EAD is applied for accounts with credit balances and no overdrafts (authorized or unauthorized).

INTERNAL RATINGS-BASED APPROACHES – NON-RETAIL CUSTOMERS

Groupe BPCE has comprehensive systems for measuring non-retail customer risks, using either the Foundation IRB or Advanced IRB approach depending on the network and the customer segment. These systems can also be used to assess the credit quality of its loan books for better risk supervision.

The rating system consists in assigning a score to each counterparty. Given the Group's cooperative structure, a network of officers is responsible for using the uniqueness of the score to determine the customer's rating for the Group. The score assigned to a counterparty is usually suggested by a model, then adjusted and validated by Risk function experts after they perform an individual analysis. The counterparty rating models are mainly structured according to the type of counterparty (corporates, financial institutions, public entities, etc.) and size of the company (measured by its annual revenue). When volumes are sufficient (SMEs, ISEs, etc.), the models rely on statistical modeling (logistic regression methods) of customer defaults, combined with qualitative questionnaires. Otherwise, expert criteria are used, consisting of quantitative factors (financial ratios, solvency, etc.) derived from financial data, and qualitative factors assessing the customer's economic and strategic components. With respect to country risk, the system is based on sovereign ratings and country ratings that limit the ratings that can be given to non-sovereign counterparties. The Non-Retail rating scale is built using the past Standard & Poor's ratings to ensure the direct comparability in terms of risks with the rating agencies.

LGD models (excluding retail customers) are predominantly applied by type of counterparty, type of asset, and whether or not any collateral has been provided. Similar risk categories are then defined, particularly in terms of collections, procedures and type of environment. LGD estimates are assessed on a statistical basis if the number of defaults is high enough (e.g. for the Corporate customers asset class). Past internal data on collections covering the longest possible period are used. If the number of defaults is not high enough, external databases and benchmarks are used to determine expert rates (e.g. for banks and sovereigns). Finally, some values are based on stochastic model, for loans in collection. Downturn LGD is checked and safety buffers are added if necessary.

Groupe BPCE uses three models to estimate EAD for corporates. The first estimates a Credit Conversion Factor (CCF) for off-balance sheet exposures. This model is automatically applied depending on the type of product, where the off-balance sheet has a non-zero balance. A multiplying factor is specifically applied to the balance sheet for account overdrafts, where the balance sheet has a non-zero balance but the off-balance sheet has a zero balance. Otherwise, a standard EAD is applied for accounts with credit balances and no overdrafts (authorized or unauthorized).

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.

For fixed-income securities (bonds), short-term external ratings of the bond take precedence over external ratings of the issuer. If there are no external ratings for the bond, the issuer's long-term external rating is taken into account for senior debt only, except in the specific case of exposure to institutions for which the weighting is derived from the credit quality rating of the sovereign country in which it is established.

(1) Expected Loss Best Estimate.

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.

3.5.3 Credit risk mitigation techniques

Information provided in respect of IFRS 7

Credit risk mitigation techniques are widely used within the Group and are divided into real guarantees and personal guarantees.

In some cases, the Group's institutions choose to include opportunities for eliminating disputed loans among their use of risk mitigation 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 Corporate 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 rights of the institution subject to exposure, in the event of default or other specific credit events affecting the counterparty;
- obtain the transfer of ownership of certain amounts or assets.

A personal guarantee is collateral that reduces the credit risk on an exposure, due to the commitment provided by a third party to pay a set amount if the counterparty defaults or due to any other specific event.

ACCOUNTING 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 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, which 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 professionals and Mutual Guarantee Companies (such as SOCAMAs, which guarantee loans to craftsmen), for its loans, in addition to the real guarantees used.

For loans to individual customers, it also turns to CASDEN Banque Populaire to back loans to civil servants in the French national education system, Crédit Logement and increasingly Compagnie Européenne de Garanties et de Cautions (CEGC, a subsidiary of Natixis).

For home loans, the Caisse d'Epargne network mainly uses the services of the 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).

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. In some cases, organizations such as Auxiga are used for the seizure of inventory and the transfer of its ownership to the bank as collateral for commitments made in the event of financial hardships.

Finally, on an occasional basis, Natixis purchases credit insurance for certain transactions and in some circumstances, from private (SCOR) or public (Coface, Hermes, other sovereign agencies) reinsurance companies, while also making use of Credit Default Swaps (CDSs).

VALUATION AND MANAGEMENT OF INSTRUMENTS COMPRISING REAL GUARANTEES

Groupe BPCE has an automatic valuation tool for real-estate guarantees available to all its 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.

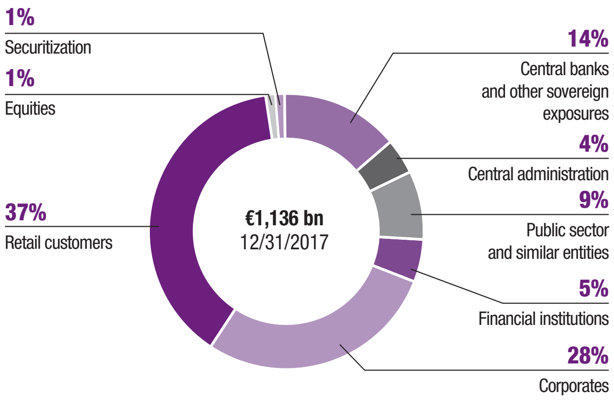
3.5.4 Quantitative disclosures

EXPOSURE TO CREDIT AND COUNTERPARTY RISKS

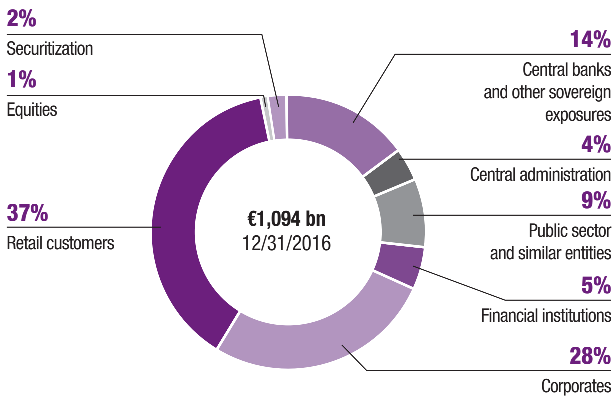
Portfolio breakdown by exposure class (excluding other assets)

Information provided in respect of IFRS 7

AT DECEMBER 31, 2017



AT DECEMBER 31, 2016

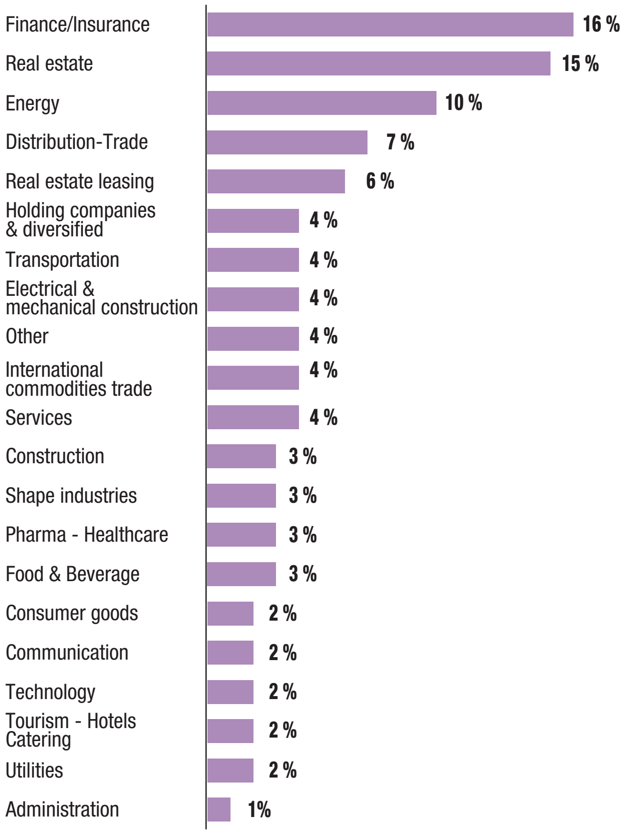


Groupe BPCE's total gross exposures amounted to more than €1,136 billion at 12/31/2017, up €42 billion.

Breakdown of gross exposures in the corporate customers category by economic sector

Information provided in respect of IFRS 7

12/31/2017



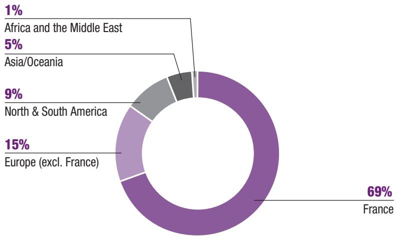
The top three sectors are finance/insurance, real estate and energy. The concentration of the three top sectors remains moderate.

Geographic breakdown of gross exposures

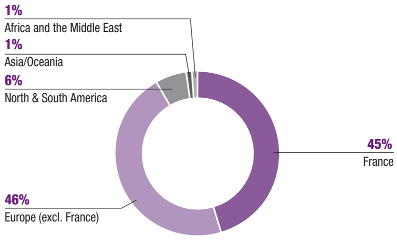
Information provided in respect of IFRS 7

12/31/2017

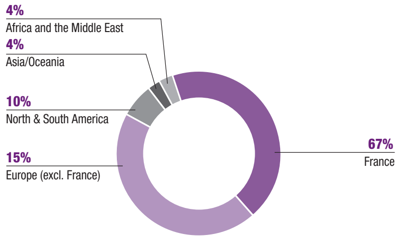
Institutions



Central administrations /Central banks and other sovereign exposures

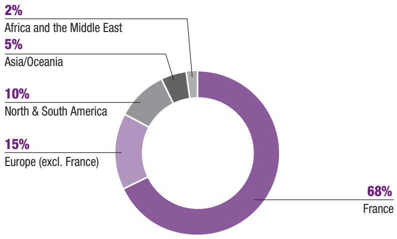


Corporates

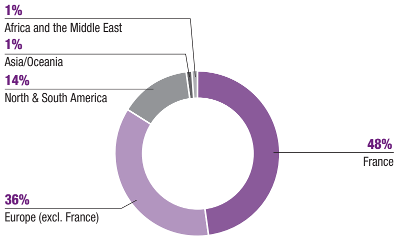


12/31/2016

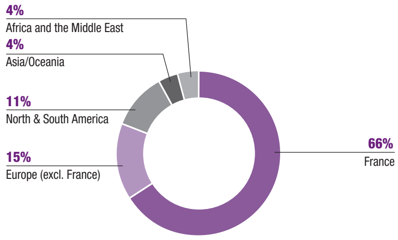
Institutions



Central administrations /Central banks and other sovereign exposures



Corporates



Gross exposures are very predominantly located in Europe, especially in France, for all asset classes (67% of corporates).

Concentration

CONCENTRATION BY BORROWER

Information provided in respect of IFRS 7

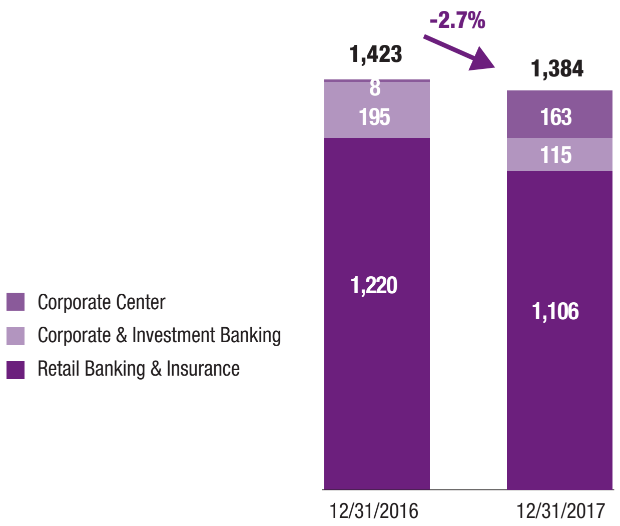
Concentration by borrower	12/31/2017 Breakdown Gross amounts relative to total large risks[(1)]	12/31/2017 Weight relative to capital Gross amounts/capital[(2)]	12/31/2016 Breakdown Gross amounts relative to total large risks[(1)]	12/31/2016 Weight relative to capital Gross amounts/capital[(2)]
No. 1 borrower	4.2%	8.6%	3.5%	7.8%
Top 10 borrowers	21.5%	43.9%	19.4%	43.6%
Top 50 borrowers	55.7%	113.8%	53.4%	120.3%
Top 100 borrowers	76.3%	155.9%	74.5%	167.9%

(1) Total large risks excluding Groupe BPCE sovereign exposures (€151.4 billion at 12/31/2017).
(2) Groupe BPCE regulatory capital (Corep line 11 CA4 at 12/31/2017): €74 billion.

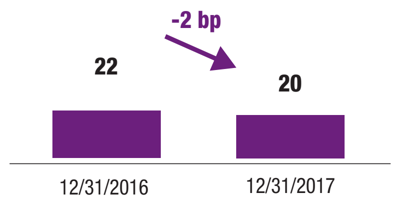
The percentage of the Top 100 borrowers climbed slightly in 2017 and did not show any particular concentration.

PROVISIONS AND IMPAIRMENTS

CHANGE IN GROUP COST OF RISK *(IN €M)*



COST OF RISK IN BP (GROUPE BPCE)



At €1.4 billion in 2017, Groupe BPCE's cost of risk decreased slightly (by 2.7%) compared to 2016. Average annual cost of risk (expressed in basis points *versus* customer outstandings at the start of the period) reached a record low of 20 bp in 2017, down 2 bp from 2016.

In Retail Banking and Insurance, cost of risk fell by more than 9% year-on-year. The Banque Populaire banks posted an average annual cost of risk of 23 bp (down 5 bp compared to 2016) *versus* 15 bp for the Caisses d'Epargne (down 3 bp from 2016). This change for both networks reflected a decline in individual provisions.

For Corporate & Investment Banking, average annual cost of risk stood at 20 bp, down 14 bp *versus* 2016, which included an effort to build provisions on the Oil & Gas sector.

COVERAGE OF NON-PERFORMING LOANS

in millions of euros	12/31/2017	12/31/2016	12/31/2015
Gross customer loan outstandings	704,905	679,176	629,775
o/w non-performing loans	22,918	23,427	23,098
Non-performing loans/gross loans	3.3%	3.4%	3.7%
Impairments	11,777	12,278	12,310
Impairments/non-performing loans	51.4%	52.4%	53.3%

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 on the books;
- a current account overdraft carried in "Loans and advances" is considered past due if the overdraft period or authorized limit has been exceeded at the 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:

BREAKDOWN OF NON-IMPAIRED LOANS SHOWING PAST DUE BALANCES

	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	-	-	-	-	66	66
Loans and advances	8,905	323	65	36	11,751	21,080
Other financial assets	-	-	-	-	-	-
TOTAL AT 12/31/2017	**8,905**	**323**	**65**	**36**	**11,817**	**21,146**

	Non-impaired outstandings 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	-	-	-	-	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**

RESTRUCTURED LOANS

Information provided in repect of IFRS 7

ADJUSTMENTS DUE TO FINANCIAL HARDSHIPS

	12/31/2017			12/31/2016		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Impaired restructured loans	6,625	93	6,718	7,101	222	7,323
Performing restructured loans	2,542	73	2,615	2,759	36	2,795
TOTAL RESTRUCTURED LOANS	**9,167**	**166**	**9,333**	**9,860**	**258**	**10,118**
Impairment	**(1,976)**	**2**	**(1,974)**	**(2,015)**		**(2,015)**
Guarantees received	**5,341**	**23**	**5,364**	**5,642**	**3**	**5,645**

BREAKDOWN OF GROSS LOAN OUTSTANDINGS

	12/31/2017			12/31/2016		
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	5,848	113	5,961	6,852	225	7,077
Restructuring: refinancing	3,319	53	3,372	3,008	33	3,041
TOTAL RESTRUCTURED LOANS	**9,167**	**166**	**9,333**	**9,860**	**258**	**10,118**

COUNTERPARTIES BY GEOGRAPHIC AREA

	12/31/2017			12/31/2016		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Off-balance sheet commitments	Loans and receivables	Off-balance sheet commitments
France	7,189	139	7,328	7,100	79	7,179
Other countries	1,978	27	2,005	2,760	179	2,939
TOTAL RESTRUCTURED LOANS	**9,167**	**166**	**9,333**	**9,860**	**258**	**10,118**

3.6 Counterparty risk

3.6.1 Counterparty risk management

Information provided in respect of IFRS 7

Counterparty risk is the credit risk generated on market, investment and/or settlement transactions. It is the risk of the counterparty not being able to meet its obligations to Group institutions.

Counterparty risk is also linked to the cost of replacing a derivative if the counterparty defaults. It is similar to market risk in the event of default.

Counterparty risk arises on cash management and market activities conducted with customers, and on clearing activities via a clearing house or external clearing agent.

Exposure to counterparty risk is measured using the internal ratings-based approach and standardized approach. BPCE SA group manages counterparty risk daily using a standardized approach, given the nature of vanilla transactions.

MEASURING COUNTERPARTY RISK

Information provided in respect of IFRS 7

In economic terms, Groupe BPCE and its subsidiaries measure counterparty risk for derivative instruments (swaps or structured products, for instance) using the IRB method for Natixis, or the market price assessment method for other institutions. In order to perfect the economic measurement of the current and potential risk inherent in derivatives, a tracking mechanism based on a consistent economic measurement is currently being instituted throughout 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 measures the positions on each counterparty and for the entire lifespan of the exposure, taking netting and collateralization criteria into account.

The model thus determines the EPE (Expected Positive Exposure) profile and the PFE (Potential Future Exposure) profile, the latter being the main indicator used by Natixis for assessing counterparty risk exposure. This indicator is calculated as the 97.7% percentile of the distribution of exposures for each counterparty.

With respect to the Group's other entities, the counterparty risk base for market transactions is calculated using a mark-to-market valuation.

COUNTERPARTY RISK MITIGATION TECHNIQUES

Information provided in respect of IFRS 7

Counterparty risk is subject to Group wide 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 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 businesses (mainly Natixis) and ALM management activities include credit valuation adjustments. The CVA is an adjustment to the valuation of the trading book aimed at factoring in counterparty credit risks. It thus reflects the expectation of loss in fair value terms on the existing exposure to a counterparty due to the potential positive value of the contract, the counterparty's probability of default and the estimated 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.

3.6.2 Quantitative disclosures

BREAKDOWN OF GROSS COUNTERPARTY RISK EXPOSURES BY ASSET CLASS (EXCLUDING OTHER ASSETS) AND METHOD

Information provided in respect of IFRS 7

	12/31/2017							12/31/2016		
	Standardized			IRB			Total	Total		
in millions of euros	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	Exposure	EAD	RWA
Central banks and other sovereign exposures	-	-	-	4,086	4,086	91	4,086	2,860	2,860	182
Central administrations	138	138	-	2,145	2,110	13	2,283	2,296	2,260	13
Public sector and similar entities	904	904	199	146	146	1	1,050	1,249	1,249	237
Financial institutions	21,394	19,828	1,073	20,165	20,165	3,386	41,559	35,218	34,150	7,399
Corporates	3,452	760	549	14,546	14,505	4,379	17,998	17,072	17,070	6,103
Retail customers	4	4	5	3	3	1	7	12	12	12
Equities	-	-	-				-	-	-	-
Securitization	0	0	0	1,489	1,489	285	1,489	2,517	2,517	388
TOTAL	**25,892**	**21,634**	**1,827**	**42,579**	**42,503**	**8,156**	**68,471**	**61,224**	**60,118**	**14,333**

The majority of counterparty risk is carried by the "Financial institutions" asset class (61% of exposures).

BREAKDOWN BY EXPOSURE CLASS OF RISK-WEIGHTED ASSETS FOR THE CREDIT VALUATION ADJUSTMENT (CVA)

in millions of euros	12/31/2017	12/31/1016
Central banks and other sovereign exposures	-	-
Central administrations	-	-
Public sector and similar entities	-	-
Financial institutions	1,418	3,881
Corporates	430	1,033
Retail customers	-	-
Equities	-	-
Securitization	-	41
Other assets	-	-
TOTAL	**1,848**	**4,955**

COUNTERPARTY RISK RELATED TO DERIVATIVE AND REPURCHASE AGREEMENT EXPOSURES

	12/31/2017			12/31/2016		
in millions of euros	Standardized	IRB	Total	Standardized	IRB	Total
Derivatives						
Central banks and other sovereign exposures	-	342	342	-	335	335
Central administrations	8	1,335	1,343	1,046	589	1,635
Public sector and similar entities	827	146	973	1,160	59	1,218
Financial institutions	17,518	6,141	23,659	14,468	8,187	22,655
Corporates	401	7,524	7,926	634	9,285	9,919
Retail customers	4	3	7	9	3	12
Securitization	0	1,489	1,489	426	2,091	2,517
TOTAL	**18,759**	**16,980**	**35,739**	**17,743**	**20,549**	**38,291**
Repurchase agreements						
Central banks and other sovereign exposures	-	3,743	3,743	-	2,525	2,525
Central administrations	130	810	940	35	626	661
Public sector and similar entities	77	-	77	22	9	31
Financial institutions	3,875	14,024	17,900	2,846	9,647	12,493
Corporates	3,051	7,021	10,072	165	6,988	7,153
Retail customers						
Securitization						
TOTAL	**7,133**	**25,599**	**32,732**	**3,068**	**19,794**	**22,863**

3.7 Securitization transactions

3.7.1 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, as stipulated in Chapter 5 of the CRR.

Prudential requirements relating to securitization positions are governed by Articles 242 to 266 of European Regulation No. 575/2013 (Capital Requirements Regulation – CRR) and are separate from conventional loans. The Group uses two methods to measure exposure to securitization risk: the standardized approach and the internal ratings-based approach with specific weighting categories.

The CRR defines 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.

The European regulation defining the new general framework for securitization and creating a clear set of criteria for Simple, Transparent and Standardized (STS) securitizations, as well as the related amendments to the CRR, were published in the Official Journal of the European Union on December 28, 2017, with an effective date of January 2019.

In line with the Basel Committee's end-2014 publications, the European Commission aims to revive high-quality securitization markets, without repeating the mistakes made before the 2008 financial crisis. The introduction of an STS market is a key component of the Capital Markets Union (CMU). The Union intends to strengthen the legislative framework introduced in the wake of the financial crisis, with the aim of better distinguishing between different types of securitization (simple, transparent and standardized securitizations versus complex, non-transparent and high-risk instruments) and applying a more risk-sensitive prudential framework.

ACCOUNTING METHODS

Securitization transactions in which Groupe BPCE is an investor (*i.e.* the Group invests directly in some securitization positions, provides liquidity, and is a counterparty for derivatives exposures or guarantees) are recognized in accordance with the Group's accounting principles, as referred to in the notes to the consolidated financial statements 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 at 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 measured at fair value, at both the initial recognition date and the reporting date. Changes in fair value over the period, interest, and gains or losses on disposals related to securitization positions are recognized in "Net gains or losses on financial instruments at fair value through profit or loss".

Synthetic 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 the relatively low value of the assets in question and relative infrequency of securitization transactions, assets pending securitization continue to be recognized in their original portfolio. Specifically, they continue to be recognized under "Loans and receivables" 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.

3.7.2 Management of securitization at Groupe BPCE

MANAGEMENT OF SECURITIZATION AT GROUPE BPCE

Banking book EAD amounted to €14.2 billion at December 31, 2017 (down €4.2 billion year-on-year).

The positions were mainly carried by Natixis (€9.9 billion) and BPCE (€4.5 billion, positions 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 mainly due to workout portfolio activities at BPCE SA (-€1.4 billion) and Natixis (-€0.8 billion).

Outstandings comprising the workout portfolio of the Corporate & Investment Banking division (formerly GAPC – workout portfolio management) and BPCE are managed under a run-off method, whereby positions are gradually amortized but still managed (including disposals) in order to safeguard the Group's interests by actively reducing positions under acceptable pricing conditions.

Note:

- Crédit Foncier's securitization positions, which boast solid credit quality, were sold to BPCE at their 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 division, are managed on a run-off basis;
- BRED also holds investments in securitization vehicles outside Groupe BPCE in the form of debt securities amounting to €1.2 billion, mostly in the Consolidated Management of Investments (GCI) business line. This portfolio's investment objective is to generate recurring income or unrealized capital. NJR is a GCI subsidiary that invests mainly in securitized assets eligible for Central Bank refinancing and in real estate.

The various relevant portfolios are specially monitored by the entities and subsidiaries, and by the central institution. Depending on the scope involved, 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.

3.7.3 Quantitative disclosures

BREAKDOWN OF EXPOSURES AND RISK-WEIGHTED ASSETS

BREAKDOWN OF EXPOSURES BY TYPE OF SECURITIZATION

	12/31/2017		12/31/2016	
in millions of euros	Outstandings	EAD	Outstandings	EAD
Banking book	**15,710**	**14,180**	**18,563**	**18,443**
Conventional securitization	13,388	11,984	16,865	16,833
Synthetic securitization	2,322	2,195	1,698	1,610
Trading book	**663**	**663**	**248**	**248**
TOTAL	**16,373**	**14,843**	**18,811**	**18,690**

Note: exposures before guarantees.

BREAKDOWN OF EAD AND RWA BY TYPE OF PORTFOLIO

	12/31/2017		12/31/2016		Change	
in millions of euros	EAD	RWA	EAD	RWA	EAD	RWA
Banking book	**14,180**	**5,310**	**18,443**	**9,604**	**(4,263)**	**(4,294)**
Investor	7,048	3,485	12,102	8,743	(5,054)	(5,258)
Originator	2,421	324	1,787	192	634	132
Sponsor	4,711	1,501	4,554	669	157	832
Trading book	**663**	**259**	**248**	**79**	**415**	**180**
Investor	663	259	248	79	415	180
Sponsor	0	0	0	0	(0)	(0)
TOTAL	**14,843**	**5,569**	**18,691**	**9,683**	**(3,848)**	**(4,114)**

Note: exposures before guarantees.

BREAKDOWN BY RATING

BREAKDOWN OF INVESTOR SECURITIZATION EXPOSURES IN THE BANKING BOOK BY RATING

	12/31/2017		12/31/2016	
	Equivalent rating		Equivalent rating	
as a %	Standard & Poor's	Banking book	Standard & Poor's	Banking book
	AAA	19%	AAA	16%
	AA+	2%	AA+	7%
	AA	22%	AA	29%
	AA-	8%	AA-	3%
	A+	11%	A+	5%
	A	11%	A	11%
	A-	13%	A-	7%
	BBB+	9%	BBB+	6%
	BBB	0%	BBB	5%
Investment grade	BBB-	0%	BBB-	1%
	BB+	0%	BB+	1%
	BB	1%	BB	4%
	BB-	0%	BB-	0%
	B+	0%	B+	0%
	B	0%	B	0%
	B-	0%	B-	0%
	CCC+	0%	CCC+	0%
	CCC	0%	CCC	1%
	CCC-	0%	CCC-	0%
	CC	0%	CC	0%
Non-investment grade	C	0%	C	0%
Not rated	Not rated	4%	Not rated	3%
Default	D	0%	D	0%
TOTAL		**100%**		**100%**

3

BREAKDOWN OF INVESTOR AND SPONSOR SECURITIZATION EXPOSURES IN THE TRADING BOOK

	12/31/2017		12/31/2016	
	Equivalent rating		Equivalent rating	
as a %	Standard & Poor's	Trading book	Standard & Poor's	Trading book
	AAA	64%	AAA	44%
	AA+	4%	AA+	6%
	AA	17%	AA	23%
	AA-	1%	AA-	2%
	A+	2%	A+	1%
	A	1%	A	8%
	A-	1%	A-	12%
	BBB+	2%	BBB+	3%
	BBB	3%	BBB	0%
Investment grade	BBB-	1%	BBB-	1%
	BB+	1%	BB+	1%
	BB	2%	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%**

3.8 Market risks

3.8.1 Market risk policy

Risk policies governing market transactions are defined by the Risk Management divisions of institutions with trading activities. These policies are based on a qualitative and forward-looking perspective.

For banking book activities, investment policies at Group level are defined centrally for group institutions with market risk activities. The risk management framework related to this activity is defined in accordance with investment policies and is reviewed annually.

3.8.2 Market risk management

ORGANIZATION

The Risk, Compliance and Permanent Control division (DRCCP) works in the areas of risk measurement, definition and oversight of limits, and supervision of market risks. It is tasked with the following duties:

- risk measurement:
- establishing the principles of market risk measurement, which are then validated by the various appropriate Risk Management Committees,
- implementing the tools needed to measure risk on a consolidated basis,
- producing risk measurements, including those corresponding to operational market limits, or ensuring that they are produced as part of the risk management process,
- determining policies for adjusting values or delegating them to the Risk Management divisions of the relevant institutions and centralizing the information,
- performing Level 2 validation of operating results and cash valuation methods;
- definition and oversight of limits:
- examining the limit framework and setting limits (global caps and, where necessary, operational limits) adopted by the various appropriate Risk Management Committees, as part of the comprehensive risk management process,
- examining the list of authorized products for the relevant institutions and the conditions to be observed, and submitting them for approval to the appropriate Market Risk Committee,
- examining requests for investments in financial products, or in new capital market products or activities, by the relevant banking institutions via the New Market Product Committee,
- harmonizing processes used to manage trading book allocations and medium- to long-term portfolios of the Banque Populaire and Caisse d'Epargne networks (monitoring indicators, definition of indicator limits, oversight and control process, and reporting standards);
- market risk supervision:
- consolidated mapping of Group market risks,
- performing or overseeing daily supervision of positions and risks with respect to allocated limits (overall and operational limits) and established resilience thresholds, organizing the decision-making framework for limit breaches and performing or overseeing permanent supervision of limit breaches and their resolution,
- preparing the consolidated dashboard for the various decision-making bodies.

In addition, the DRCCP coordinates the market risk management process through national market risk days, or through theme-based working groups.

Activities in 2017

In the changing regulatory environment of 2017, the DRCCP carried out several structure-building projects for the Group:

- mapping of capital market activities and mandates for the Banque Populaire and Caisse d'Epargne networks for the purposes of the French Banking Separation and Regulation Act ("SRAB");
- finalization of compliance with EMIR requirements and drafting of a control plan (with a targeted roll-out to all institutions by December 31, 2017);
- internal stress testing for the ICAAP and resolution planning. In addition to these two processes, a project to improve the stress test process was launched in 2017 with the aim of improving the quality and efficiency of stress tests;
- participation in BCBS 239 compliance initiatives, covering the scope of market risks, in particular by improving and automating production and reporting processes.

RISK MONITORING

Information provided in respect of IFRS 7

The Risk, Compliance and Permanent Control division (DRCCP) is responsible for the permanent control of market activities across Groupe BPCE, which is subject to regular review by the Group Market Risk Committee.

Within the scope of the trading book, market risk is monitored daily by measuring Group Value at Risk (VaR) and 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 networks and the BPCE subsidiaries, on a daily basis and taking account of correlations between the various portfolios. There are certain distinctive characteristics of Groupe BPCE that must be considered, in particular:

- for Natixis: given the significance of its capital market activities, Natixis' risk management system is specifically adapted to this entity;
- for the Banque Populaire network: only BRED Banque Populaire has a capital markets business. It monitors the financial transactions carried out by the Banque Populaire network trading floor and Finance division daily, using 99% 1-day value-at-risk, sensitivity, volume and stress scenario indicators;
- for Banque Palatine: daily monitoring of trading book activities is based on supervision by the DRCCP of 99% 1-day value-at-risk, stress tests and compliance with regulatory limits.

All limits (operational indicators, VaR, and stress tests) are monitored daily by the each institution's Risk Management division. 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 interest rates, both overall and by time buckets, as well as by counterparty, is monitored daily. Supervision of this activity also includes specific stress scenarios as well as exposure limits per operator (for both individual and cumulative transactions processed per day).

3.8.3 Market risk measurement methods

The market risk monitoring system relies on three types of indicators used to manage activity, on an overall basis and by similar activity, by focusing on more directly observable criteria, including:

- sensitivity to variations in the underlying instrument, variations in volatility or to correlation, nominal amounts, and diversification indicators. The limits corresponding to these qualitative and quantitative operational indicators thus complement the VaR limits and stress tests;
- daily assessment of global market risk measurement through a 99% 1-day VaR;
- stress tests to measure potential losses on portfolios in extreme market conditions. The Group system relies on comprehensive stress tests and specific stress tests for each activity.

Special reports on each business line are sent daily to the relevant operational staff and managers. The DRCCP also provides a weekly report summarizing all of the Group's market risk, with a detailed breakdown for Natixis, BRED Banque Populaire and Banque Palatine.

Moreover, for Natixis, a global market risk report is submitted daily to the central institution, covering the scope of the BPCE guarantee.

When significant changes are detected, Natixis sends detailed controls and appropriate justifications to the DRCCP.

Finally, a 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 reports prepared for the entities.

SENSITIVITIES

Each institution's Risk Management division monitors and verifies compliance with sensitivity limits on a daily basis. If a limit is breached, an alert procedure is triggered in order to define the measures required to return within operational limits.

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 over a given holding period (one day). For calculation purposes, changes in market inputs used to determine portfolio values are modeled using statistical data.

All decisions relating to risk factors using the internal calculation tool are revised regularly by committees involving all of the relevant participants (DRCCP, Front Office and Results department). Quantitative and objective tools are also used to measure the relevance of risk factors.

VaR is based on numerical simulations, using a Monte Carlo method which takes into account possible non-linear portfolio returns based on the different risk factors. It is calculated and monitored daily for all of the Group's trading books, and a VaR limit is defined on a global level and per business line. The calculation tool generates 10,000 scenarios, which provides satisfactory precision levels. For certain complex products, which account for a minor share of the trading books, their inclusion in the VaR is obtained by using sensitivities. VaR backtesting is carried out on approved scopes and confirms the overall robustness of the model used. Extreme risks, which are not included in VaR, are accounted for using stress tests throughout the Group.

This internal VaR model used by Natixis was approved by the ACPR in January 2009. Natixis thus uses VaR to calculate capital requirements for market risks in approved scopes.

STRESS TESTS

Stress tests are calibrated according to severity and occurrence levels, which are consistent with the portfolio management objectives:

- trading book stress tests are calibrated over a 10-day period and a 10-year probability of occurrence. They are based on:
  - historic scenarios which reproduce changes in market conditions observed during past crises, their impacts on current positions and P&Ls. They can be used to assess the exposure of the Group's activities to known scenarios. Eleven historic stress tests have been in place since 2010,
  - hypothetical scenarios which consist in simulating changes in market conditions in all activities on the basis of plausible assumptions concerning the dissemination of an initial shock. These shocks are based on scenarios defined according to economic criteria (real estate crisis, economic crisis, etc.), geopolitical considerations (terrorist attacks in Europe, toppling of a regime in the Middle East, etc.) or other factors (bird flu, etc.). The Group has had six theoretical stress tests since 2010;
- banking book stress tests are calibrated over a longer period (three months) in line with the banking book's management periods:
  - a bond stress test calibrated using a mixed hypothetical-historic approach which reproduces a stress on European sovereigns (similar to the 2011 crisis),
  - a bond stress test calibrated using a mixed hypothetical-historic approach which reproduces a stress on corporates (similar to the 2008 crisis),
  - an equity stress test calibrated over the 2011 historic period, applied to equity investments for the purpose of the liquidity reserve.

The various stress tests are subject to limits set for each institution, monitored through the regular limit control system, and regularly reported.

OVERSIGHT OF WORKOUT PORTFOLIOS

The scope of workout portfolio activities has been further reduced. The SONIC portfolio (the securitization portfolio that was transferred from CFF to BPCE SA group) was once again reduced. The SONIC portfolio totaled €4.8 billion in outstandings and €2.4 billion in RWA at December 31, 2017.

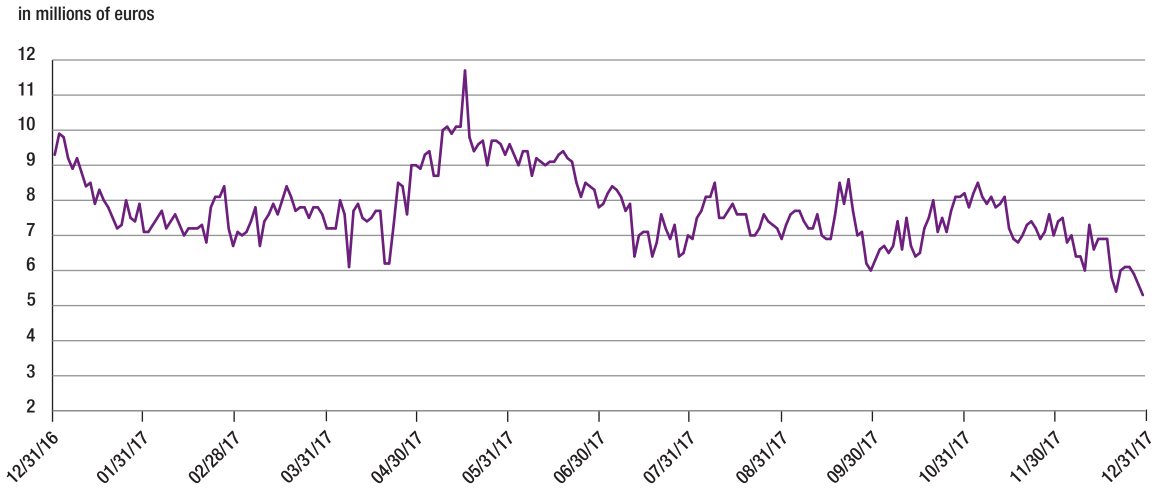
3.8.4 Quantitative disclosures

GROUPE BPCE VAR

BREAKDOWN BY RISK CLASS

	Monte Carlo 99% 1-day VaR				
in millions of euros	**12/31/2017**	**2017 average**	**2016 min**	**2017 max**	**12/31/2016**
Interest rate risk	2.8	3.8	0.0	6.5	4.9
Credit risk	2.1	2.9	0.0	5.1	2.5
Equity risk	3.5	5.3	0.0	9.3	7.3
Foreign exchange risk	1.3	2.0	0.8	8.6	2
Commodity risk	0.4	0.5	0.0	5.0	0.7
TOTAL	**10.1**				**17.4**
Netting	(4.8)				(7.6)
Consolidated VaR	**5.3**	**7.7**	**5.3**	**11.7**	**9.7**

CHANGE *IN MILLIONS OF EUROS*



Consolidated VaR for Groupe BPCE's trading operations (99% one-day Monte-Carlo VaR) amounted to €5.3 million at December 31, 2017, down €4.4 million over the fiscal year. Group VaR ranged from €5.3 million to €11.7 million over the year.

STRESS TEST RESULTS

MAIN HYPOTHETICAL STRESS TESTS

in millions of euros	12/31/2017					
	Fall in stock market indices	Increase in interest rates	Default by a bank	Commodities	Emerging market crisis	Default by an influential corporation
Natixis trading	180.0	11.0	120.0	27.0	10.0	41.0
BRED trading	(8.4)	1.0	(17.7)	(6.4)	(0.4)	(4.5)
BPCE subsidiaries trading	0	0	0	0	0	0
OVERALL TRADING BOOK	171.6	12.0	102.3	20.6	9.6	36.5

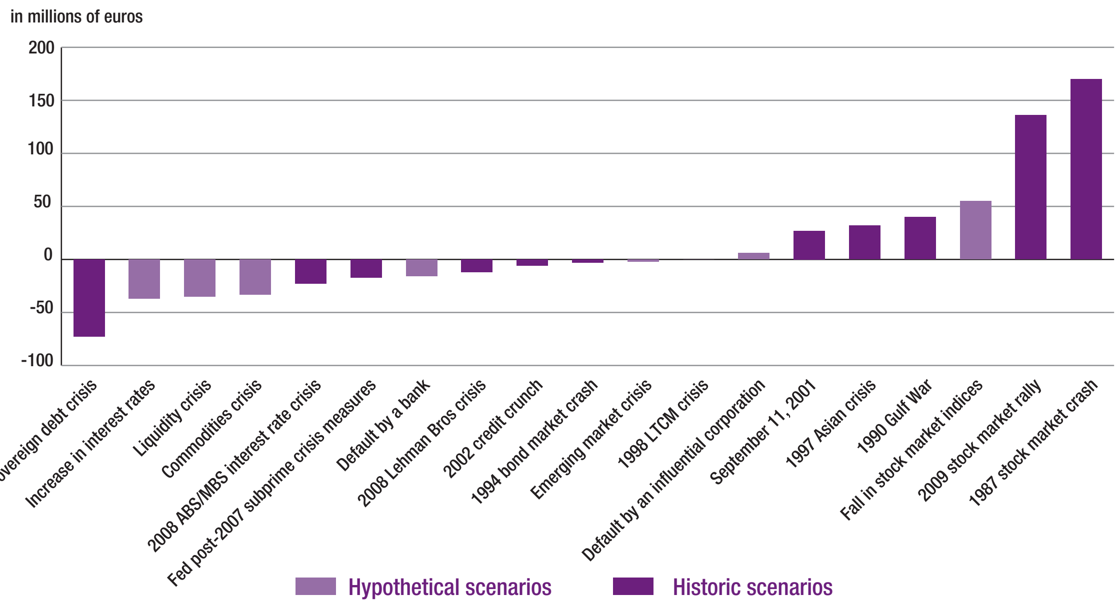
The most sensitive hypothetical stress is the rate hike scenario.

MAIN HISTORICAL STRESS TESTS

in millions of euros	12/31/2017			
	2011 sovereign debt crisis	2008 corporate ABS/MBS interest rate crisis	Fed. post-2007 subprime crisis measures	2002 credit crunch
Natixis trading	(64)	(6)	2	(3)
BRED trading	(2.6)	(12.5)	(16.2)	2.9
BPCE subsidiaries trading	0	0	0	0
OVERALL TRADING BOOK	(66.6)	(18.5)	(14.2)	(0.1)

The most sensitive historic stress test was the 2011 sovereign crisis, mainly within the Natixis CIB scope.

GROUP STRESS TEST AVERAGE FOR 2017



RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

RWA AND CAPITAL REQUIREMENTS BY TYPE OF RISK

	12/31/2017		12/31/2016	
in millions of euros	RWA	Capital requirements	RWA	Capital requirements
Interest rate risk	2,150	172	2,287	183
Ownership securities risk	443	35	438	35
UCI position risk	46	4	47	4
Foreign exchange risk	2,853	228	3,209	257
Commodity risk	720	58	709	57
Settlement/delivery risk	10	1	27	2
Major trading book risks	-	-	-	-
Specific risk on securitization positions	259	21	79	6
IML risk	4,229	338	5,437	435
TOTAL	**10,710**	**856**	**12,233**	**979**

CHANGE IN RISK-WEIGHTED ASSETS BY IMPACT

in billions of euros	
Market risks – 12/31/2016	**12.2**
VaR impact	(1.21)
Interest rate risk	0.02
Foreign exchange risk	(0.33)
Other	(0.03)
Market risks – 12/31/2017	**10.7**

3.9 Liquidity, interest rate and foreign exchange risks

3.9.1 Governance and structure

Information provided in respect of IFRS 7

Like all credit institutions, Groupe BPCE is exposed to structural liquidity, interest rate and foreign exchange risks. These risks are closely monitored by the Group and its institutions to secure immediate and future income, 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 President 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 IFRS 7

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	12/31/2017	12/31/2016
Cash placed with central banks	83	71
LCR securities	58	66
Assets eligible for central bank funding	73	93
TOTAL	**214**	**230**

At December 31, 2017, liquidity reserves covered 174% of the Group's short-term funding and the short-term maturities of MLT debt (€123 billion at December 31, 2017 compared with €146 billion at December 31, 2016). The coverage ratio was 158% at December 31, 2016.

LIQUIDITY GAPS

The Group's liquidity gap (liabilities – assets) complies with internal limits.

in billions of euros	1/1/2018 to 12/31/2018	1/1/2019 to 12/31/2021	1/1/2022 to 12/31/2025
Liquidity gap	22.1	20.8	16.1

CUSTOMER LOAN-TO-DEPOSIT RATIO

The Group's customer loan/deposit ratio[(1)] was 120% at December 31, 2017 (compared to 120% at December 31, 2016).

SOURCES AND USES OF FUNDS BY MATURITY

in millions of euros	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity	Total at 12/31/2017
Cash and amounts due from central banks	94,696	6	-	-	-	-	94,702
Financial assets at fair value through profit or loss – trading book	-	-	-	-	-	104,665	104,665
Financial assets at fair value through profit or loss – fair value option	12,506	9,875	7,272	4,953	7,718	22,779	65,103
Hedging derivatives	-	-	-	-	-	9,809	9,809
Available-for-sale financial assets	2,866	2,095	7,773	33,687	36,173	22,075	104,669
Loans and receivables due from credit institutions	69,500	12,604	3,757	2,996	851	2,353	92,061
Loans and receivables due from customers	72,293	32,036	52,771	196,646	316,987	22,395	693,128
Revaluation differences on interest rate risk-hedged portfolios	-	-	-	-	-	5,805	5,805
Held-to-maturity financial assets	145	122	750	3,353	3,464	0	7,834
Financial assets by maturity	**252,006**	**56,738**	**72,323**	**241,635**	**365,193**	**189,881**	**1,177,776**
Amount due to central banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss – trading book	-	-	-	-	-	74,660	74,660
Financial liabilities at fair value through profit or loss – fair value option	22,362	11,415	2,247	7,313	14,363	3,557	61,257
Hedging derivatives	-	-	-	-	-	14,725	14,725
Amounts due to credit institutions	27,527	9,080	6,894	34,461	13,719	464	92,145
Amounts due to customers	447,660	20,987	28,334	52,832	19,004	1,062	569,879
Subordinated debt	409	24	197	589	15,670	521	17,410
Debt securities	20,303	26,054	50,286	61,544	53,758	5,012	216,957
Revaluation differences on interest rate risk-hedged portfolios	-	-	-	-	-	367	367
Financial liabilities by maturity	**518,261**	**67,560**	**87,958**	**156,739**	**116,514**	**100,368**	**1,047,400**
Loan commitments given to credit institutions	549	23	128	532	-	1	1,233
Loan commitments given to customers	28,511	5,907	15,141	46,773	18,126	1,454	115,912
TOTAL LOAN COMMITMENTS GIVEN	**29,060**	**5,930**	**15,269**	**47,305**	**18,126**	**1,455**	**117,145**
Guarantee commitments given to credit institutions	333	507	715	613	3,975	713	6,856
Guarantee commitments given to customers	3,092	3,025	5,503	14,136	7,019	5,375	38,150
TOTAL GUARANTEE COMMITMENTS GIVEN	**3,425**	**3,532**	**6,218**	**14,749**	**10,994**	**6,088**	**45,006**

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 remeasurement 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);

(1) Excluding SCF (Compagnie de Financement Foncier, the Group's "société de crédit foncier", a French covered bond issuer).

- or measured on the balance sheet for an amount impacted by revaluation effects.

Accrued interest not yet due is shown in the "Less than 1 month" column.

The amounts shown are contractual amounts excluding projected interest.

The technical provisions of insurance companies, which, for the most part are equivalent to demand deposits, are not shown in the Table above.

FUNDING STRATEGY AND CONDITIONS IN 2017

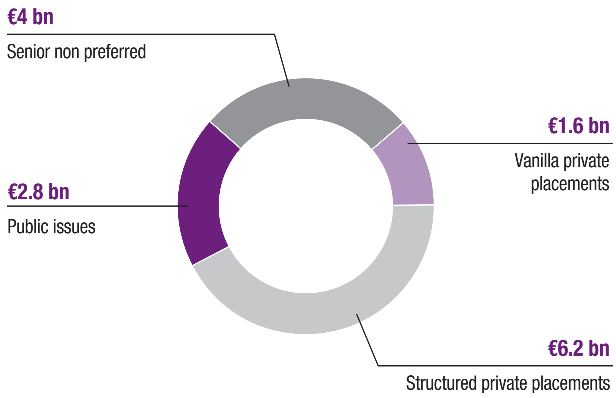
One of the Group's priorities in terms of medium- and long-term funding in the markets is to ensure that sources of funding are properly diversified, in terms of types of investors, vehicles, geographic regions and currencies.

Another priority is extending the average maturity of its liabilities to help strengthen Groupe BPCE's funding structure.

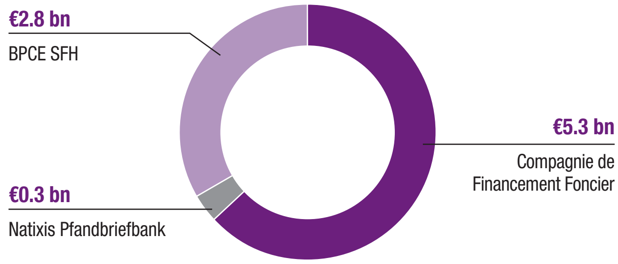
In recent years, Groupe BPCE has also implemented a policy designed to control the percentage of encumbered assets so as to protect its creditors holding unsecured debt. As a result, MLT funding in the secured category is limited to about one-third of total MLT funding raised.

Under the 2017 wholesale medium- and long-term funding plan, Groupe BPCE raised a total of €23 billion, including an issue at the end of 2016 to pre-fund its 2017 funding requirements; public issues made up 55% of this amount and private placements 45%.

UNSECURED BOND SEGMENT



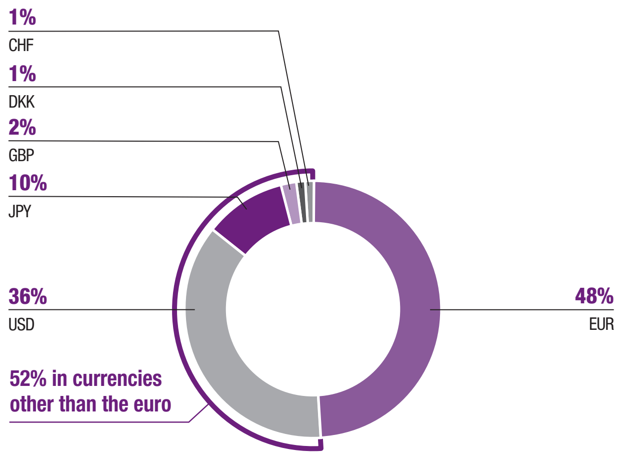
COVERED BOND SEGMENT



In 2017, funds raised in the unsecured bond segment stood at €14.7 billion, of which €10.7 billion in senior preferred debt and €4 billion in senior non-preferred debt; funds raised in the covered bond segment amounted to €8.4 billion.

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, 52% of these issues were in currencies other than the euro; the two largest were the USD (36%) and the JPY (10%). The breakdown of these 2017 issues by currency is as follows:

DIVERSIFICATION OF INVESTOR BASE



The average maturity at issue for Groupe BPCE as a whole was 7.1 years in 2017 compared with an average maturity of 7.2 years in 2016.

The unsecured bond segment (senior preferred + senior non-preferred) accounted for 64% (€14.7 billion) of funds raised and the covered bond segment 36% (€8.4 billion). Groupe BPCE therefore met the guidance it gave the market in early 2017 (75% unsecured and 25% covered bond).

The vast majority of medium- and long-term funding raised in 2017 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

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.

Groupe BPCE also improved its oversight of interest rate risk in the banking book to ensure a dynamic multi-scenario approach better suited to managing this risk. Future regulatory changes relating to this risk are also currently being added to the management system.

QUANTITATIVE DISCLOSURES

INTEREST RATE GAP

Most of the Group's interest rate gap is carried by retail banking and Insurance and primarily by the networks. This gap is relatively stable over time and complies with internal limits.

in billions of euros	1/1/2018 to 12/31/2018	1/1/2019 to 12/31/2021	1/1/2022 to 12/31/2025
Interest rate gap (fixed-rate)*	35.3	19.1	(5.2)

* *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 bp variation in interest rates is much lower than the 20% regulatory limit. Groupe BPCE's sensitivity to interest rate rises was -1.9% at December 31, 2017.

The change in the Group's projected one-year net interest income calculated under five scenarios (increase in rates, decrease in rates, steepening of the curve, flattening of the curve, gradual recovery) compared to the central scenario showed, at September 30, 2017, the decrease in rates to be the most adverse scenario, with expected losses of €196 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, 2017, Groupe BPCE, subject to regulatory capital requirements for foreign exchange risk, saw its foreign exchange position decrease to €2,792 million versus €2,993 million at end-2016, with €228 million for foreign exchange risk compared to €257 million at end-2016. The foreign exchange position is mainly carried by Natixis.

3.10 Legal risks

Outstanding legal risks at December 31, 2017 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 initially involving Banques Populaires Participations (BP Participations) and Caisses d'Epargne Participations (CE Participations) and BPCE since it merged with and absorbed BP Participations and CE Participations

On March 18, 2008, BFBP and CNCE received, as was the case for other banks on the marketplace, a notice of grievance from the French anti-trust authority. The banks are accused of having established and mutually agreed on the amount of the check imaging exchange commission, as well as related check commissions.

The anti-trust authority delivered its decision on September 20, 2010 to fine the banks found guilty (€90.9 million for BPCE). These banks (except for the Banque de France) lodged an appeal.

On February 23, 2012, the Paris Court of Appeals overruled the anti-trust authority's decision and the €90.9 million fine paid by BPCE was refunded.

On March 23, 2012, the anti-trust authority launched an appeal of the Court of Appeals' ruling.

On the referral of the anti-trust authority, on April 14, 2015, the Court of Cassation overturned the Court of Appeals' 2012 ruling due to breach of procedure. The banks were once again required to pay the fine.

BPCE, along with the other 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.

The Second Court of Appeals ruled on December 21, 2017 and confirmed the 2010 analysis of the anti-trust authority, thus contradicting the initial decision by the Paris Court of Appeals in 2012.

The Court considered that the introduction of the EIC commission and CSCs constitute anti-competitive practice in its nature and confirmed the conviction to pay the fine set by the ADLC. However, the Court reduced the amount of the Caisse d'Epargne's fine by €4.07 million, by cancelling the 10% increase to the fine imposed by ADLC on certain banks for their key roles in negotiations. BPCE, taking over the rights of CE Participations, should retrieve this amount of €4.07 million from the Treasury.

On January 22, 2018, the banks filed an appeal with the Court of Cassation.

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, 2017, the financial consequences of litigation deemed likely to have, or which have in the recent past had, a material impact on the financial situation of Natixis and/or Natixis and its consolidated subsidiaries as a whole, or on their profitability or their business, have been included in Natixis' consolidated financial statements.

The most significant disputes are described below. Their inclusion in the list does not indicate that they will necessarily have an impact on Natixis and/or its consolidated subsidiaries. The other disputes are deemed unlikely to have a material impact on Natixis' financial situation or profitability and/or that of Natixis and its consolidated subsidiaries as a whole, or have not reached a stage where it can be determined whether they will have such an impact.

MADOFF FRAUD

Outstanding Madoff assets, net of insurance, were estimated at €388.8 million at December 31, 2017, 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, which had been taken out with successive insurers for a total amount of €123 million. In November 2016, the Paris Court of Appeal confirmed (like the Commercial Court before it) the liability of the first-line insurers, in the amounts of the policies taken out, for the losses incurred by Natixis as a result of the Madoff fraud. 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. The hearing was held on January 31, 2018.

Irving H. Picard, the court-appointed trustee for Bernard L. Madoff Investment Securities LLC (BMIS), submitted a restitution claim concerning the liquidation of amounts received prior to the discovery of the fraud through a complaint filed with the United States Bankruptcy Court for the Southern District of New York against several banking institutions, including a $400 million claim against Natixis. Natixis denies the allegations made against it and has taken the necessary steps to defend its position and protect its rights. Natixis has launched appeals, including a motion to dismiss, requesting that the case be dismissed on a preliminary basis or prior to any ruling on merit, and a motion to withdraw the reference to transfer certain matters to the United States district court. These proceedings have been subject to numerous rulings and appeals and are still ongoing. A November 2016 ruling by the bankruptcy court dismissed a number of restitution claims initiated by the trustee on the grounds of extraterritoriality. The case is still in progress.

Furthermore, the trustees for the liquidation of Fairfield Sentry Limited and Fairfield Sigma Limited have initiated a large number of proceedings against investors having previously received payment from these funds for redemptions of shares (over 200 proceedings have been filed in New York). Some Natixis entities have been named as defendants in some of these proceedings. Natixis deems these proceedings to be entirely unfounded and is vigorously defending its position. These proceedings have been suspended for several years, and in October 2016 the bankruptcy court authorized the trustees to modify their initial claim. The defendants jointly responded in May and June 2017 and are awaiting the announcement of the hearing date.

CRIMINAL COMPLAINTS COORDINATED BY ADAM

In March 2009, the Paris public prosecutor's office (Parquet de Paris) launched a preliminary investigation into a complaint filed by Natixis minority shareholders and coordinated by the Association de Défense des Actionnaires Minoritaires (ADAM – Association for the Defense of Minority Shareholders). As the plaintiffs have initiated civil proceedings, a judicial investigation opened in 2010. On February 14, 2017, Natixis came under investigation for two messages sent in the second half of 2007, at the beginning of the subprime crisis.

The judicial investigation is still 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. In a ruling dated February 28, 2018, the Court of Cassation rejected their appeal.

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.

MMR Investment Ltd filed an appeal on March 27, 2017. The case is still in progress.

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 Union Mutualiste Retraite total €139 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. In an order dated July 17, 2017, the Paris Court of Appeal ruled the AEW Europe annulment to be inadmissible.

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, five separate legal proceedings regarding residential mortgage-backed security (RMBS) transactions executed between 2001 and mid-2007 have been initiated against Natixis Real Estate Holdings LLC before the New York Supreme Court.

Two of these proceedings relate to accusations of fraud. One was dismissed in 2015 as time-barred. Some claims related to the second proceeding were also dismissed as time-barred. That case, for the remaining claims, is currently in the discovery phase, and Natixis believes that it has meritorious defenses.

Three of these proceedings have been brought against Natixis, purportedly on behalf of certificate holders, alleging that Natixis failed to repurchase defective mortgages from certain securitizations. Natixis considers the claims brought against it to be without merit for multiple reasons, including that they are time-barred under applicable statute of limitations and that 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 filed a motion to dismiss the case in January 2017. Its request was granted in September 2017; as such, the dispute is now closed.

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

Following an inspection by the AMF (French Financial Markets Authority) in February 2015 on Natixis Asset Management's compliance with its professional obligations, particularly the management of its formula funds, the AMF's Enforcement Committee delivered its decision on July 25, 2017, issuing a warning and a fine of €35 million. The Enforcement Committee found a number of failings concerning the redemption fees charged to funds and structuring margins.

Natixis Asset Management is mounting a rigorous defense against this decision and has filed an appeal with the French Council of State.

In addition, UFC-QUE CHOISIR, in its capacity as a consumer rights non-profit, brought claims before the Paris Disstrict Court (Tribunal de Grande Instance de Paris) on March 5, 2018, against the asset management company to obtain compensation for the financial losses suffered by the holders of the formula funds in question.

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.

Furthermore, on March 16, 2017 Natixis filed an appeal with the Paris Court of Appeal challenging the appeal ruling's legal enforceability in France, and on August 3, 2017 Natixis summoned the Walloon regional authority to appear before the Namur Court of First Instance regarding the appeal of its performance bond as part of the aforementioned swap agreement.

3.10.3 Dependency

BPCE is not dependent upon any specific patents, licenses, industrial procurement contracts, or commercial or financial agreements.

3.11 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 has three major divisions:

- a Compliance division which covers three areas: banking compliance, investment services and financial security, including BPCE's Tracfin officers;
- a Security division covering all areas: personal and property safety, business continuity, information system security and cyber security and fraud watch, as well as the coordination of the new DPO (Data Protection Officer) function;
- an Operational Risk Management division.

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 Heads of the Compliance, Security and Operational Risk gunvyiond of the affiliates and subsidiaries. The compliance officers appointed by the various affiliates, including the Caisse d'Epargne and Banque Populaire parent companies and direct subsidiaries covered by the regulatory system of banking and financial supervision, have a strong functional link with DCSG.

The Compliance, Security and Operational Risk department conducts any necessary initiatives to strengthen compliance, security and operational risk management throughout Groupe BPCE. As such, it sets out standards, shares best practices and coordinates working groups consisting of departmental representatives.

Promoting a culture of risk management and taking into account the legitimate interests of customers is also achieved through employee training.

Consequently, the Compliance, Security and Operational Risk department:

- puts together the training materials mainly used by the Compliance function and manages interaction with the Group Human Resources division;
- helps train Compliance staff, mainly through specialized annual seminars (financial security, ethics and compliance, banking compliance, coordination of permanent compliance controls, cybersecurity, etc.);
- coordinates training for compliance officers through a dedicated system and appropriate courses;
- coordinates the compliance, security and operational risk process through national operational risk days and theme-based working groups.

Moreover, BPCE's corporate compliance as well as the compliance of the Group's insurance businesses is handled by a dedicated team in the DRCCP Secretary's Office.

3.11.1 Banking compliance and customer protection

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 support for operational departments in their compliance with regulatory changes, the distribution of standards (including ACPR recommendations and EBA guidelines), compliance expertise for the purpose 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 of complaints analysis, the operation of compliance 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.

PRODUCT GOVERNANCE

All new products and services, regardless of their distribution channels, as well as 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.

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 2017

Several regulatory projects were carried out in 2017: implementation of the Eckert Act for dormant accounts, support for Sales departments in implementing new banking mobility requirements (Macron Act), improved access to deposit accounts in line with the Payment Accounts Directive, incorporatin of initial skill sets and continuous training in the enactment of the Mortgage Credit Directive.

At the same time, particular focus was placed on:

- management of non-compliance risks by re-mapping these risks and drawing more information from customer complaints;
- use of social media for sales purposes, with stricter communication guidelines for institutions.

3.11.2 Investment services compliance

ORGANIZATION

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

Since the end of 2016, this area has also included SRAB commitments (Separation and Regulation of Banking Activities) – *Volcker office*.

ACTIVITIES IN 2017

BPCE, drawing on the work and discussions undertaken by the French financial center, has adapted its sales procedures governing financial savings products to reflect the impact of the Markets in Financial Instruments Directive and Regulation, the Insurance Distribution Directive and PRIIPs obligations.

These regulations improve market transparency and investor protection. They have an impact on the Group in its role as a distributor of financial instruments, thus calling for the following changes to the new customer experience in terms of financial savings and insurance products:

- adjustments to customer and KYC data collection (customer profile, characteristics of customer plans in terms of objectives, risks and investment horizons), but also an updated questionnaire on customer financial investment knowledge and experience to ensure that suitable advisory services are provided;
- adaptation of offers associated with the financial services and products sold;
- formalization of customer advice (suitability report) and the customer's acceptance of said advice (issuance of customer alerts where necessary);
- arrangement of relationships between producers and distributors in order to meet the new applicable regulatory requirements;
- inclusion of provisions related to the transparency of fees and charges according to required granularity;
- production of value-added reports for customers and recording of conversations for customer relations and advisory purposes;
- disclosure of transaction reports to regulators, particularly on best-execution and best-selection requirements;
- participation in the development of employee training and the change management program related to these new provisions.

In response to the enactment of the Market Abuse Directive and Regulation, the Group uses a market abuse alert analysis and reporting tool. This tool covers the Banque Populaire banks, the Caisses d'Epargne and their subsidiaries. In cooperation with the institutions, BPCE reviewed the tool's configuration for market abuse detection.

At the same time, standards and procedures administered by the central institution were updated in the interest of reviewing the regulatory and IT framework for market abuse vigilance.

Regarding the sale of cooperative shares, changes were made to the normative frameworks to reflect regulatory requirements on the dilution and control of capital by the institutions and the rules governing the sale of cooperative shares to the public, in particular in terms of information in the event of an institution's resolution.

An opportunity study on the creation of a Group ethics tool to maintain lists of insiders was conducted with the help of a working group involving the Group's Investment Services Compliance department.

Investment services non-compliance risks were analyzed, measured, monitored and managed, in line with the Ministerial Order of November 3, 2014, with the aim of:

- ensuring a permanent overview of these risks and the system implemented to prevent or reduce them, including updated mapping;
- ensuring that the largest risks, if necessary, are subject to controls and action plans aimed at supervising them more effectively.

With regard to implementation of the SRAB Act on the Banque Populaire and Caisse d'Epargne networks, operational implementation of the management and risk mandates was completed in the first half of 2017, based on the mapping of internal units in the Group's institutions.

In addition, the Group was "Volcker Rule"-certified in March 2017 based on Independent Testing performed by the Group's *Inspection Générale* division and the senior management report, which identifies the controls carried out on the Volcker Units.

Finally, SRAB and Volcker Units as well as methodologies governing indicators were converged. Monitoring and compliance with these two regulations were covered in a report to the SRAB Volcker Coordinating Committee, chaired by the Group Compliance division.

3.11.3 French Banking Separation and Regulation Act (SRAB)

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 annual 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.

In July 2017, the AMF and the ACPR published directives on market-making indicators aimed at harmonizing the calculation methodologies of banking institutions in the French marketplace. At the end of 2017, Groupe BPCE had taken more than 80% of these recommendations into account.

Moreover, the Banque Populaire banks and the Caisses d'Epargne rolled out the SRAB system at June 30, 2017.

In conjunction with the calculations and other work done in accordance with this act, an enhanced compliance program was adopted and implemented as from July 2015 in response to the Volcker Rule (a sub-section of the US Dodd-Frank Act) within the scope of BPCE SA and its subsidiaries. Taking a broader approach than that of the French Banking Separation and Regulation Act, this program aims to map out all the financial and commercial activities of BPCE SA group, notably to ensure that they comply with the two major bans imposed by the Volcker Rule: the ban on proprietary trading and on certain activities related to covered funds.

In March 2017, the Group certified its compliance with the Volcker Rule with the US regulator, as it has every year since July 2015. In early 2017, Groupe BPCE appointed a SRAB-Volcker officer, responsible for the security of the banking segregation mechanisms.

3.11.4 Financial security

ORGANIZATION

Financial security includes anti-money laundering and terrorist financing (AML-TF) measures as well as adherence to international sanctions aimed at people, entities or countries.

BPCE'S INVOLVEMENT IN THE PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

Groupe BPCE works to prevent money laundering and terrorist financing through:

Corporate culture

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 program for Group employees, which has been expanded over the past few years with the implementation of specialized training for the Financial Security function;
- regular staff information and coordination on the risk of money laundering and terrorist financing.

Organizational structure

In accordance with Groupe BPCE's charters, each institution has its own financial security division or unit. DRCCP has a specialized division that coordinates AML-TF processes, defines the financial security policy for the entire Group, establishes the various standards and guidelines, and ensures consistency across all of the decisions made for each project. 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 specific to their risk classification. These can be used, if needed, to conduct closer analysis and to submit the required reports to Tracfin (French AML-TF agency) as promptly as possible. The Group's risk classification system takes into account "high-risk" countries (listed by the FATF, the OECD Global Forum on Transparency and Exchange of Information for tax purposes, Transparency International, the Directorate General of the French Treasury responsible for areas controlled by terrorist organizations, etc.).

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 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 closely monitors each institution's activities in this area through regular meetings.

ACTIVITIES IN 2017

Targeted improvements were made to detection tools for the prevention of terrorist financing. With this system, Groupe BPCE also meets the requirement of establishing a procedure to assess a customer's situation with respect to corruption, as set out in Article 17, section 4, of Act No. 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.

Group commitments in the prevention of corruption

Corruption, which is defined as an act in which a person offers or grants an undue reward to another person in exchange for an act falling within that person's remit, is a fraudulent and unethical behavior subject to severe criminal and administrative sanctions.

Groupe BPCE denounces corruption in all forms and in all circumstances. Accordingly, it is a signatory of the United Nations Global Compact, whose tenth principle states that "Businesses should work against corruption in all its forms, including extortion and bribery."

Anti-corruption measures

The Group strives to prevent corruption in order to guarantee the financial security of its activities, including in particular:

- by taking measures against money laundering and terrorist financing, measures against fraud, supervising "politically exposed persons", and complying with embargoes;
- ensuring that employees observe professional rules of compliance and ethics by applying policies governing conflicts of interest, exchanges of gifts, benefits and invitations, confidentiality and professional secrecy. Disciplinary sanctions have been defined for any failure to respect professional rules governing the activities conducted by Group companies;
- exercising vigilance when making contributions to political campaigns or to government agents, donations, patronage and sponsorship, and lobbying;
- supervising relations with intermediaries and business introducers via groupwide standardized contracts describing the reciprocal services and obligations and contractually establishing compensation terms.

A whistleblowing system is available to employees and included in the internal rules. Employees also have access to a whistleblowing procedure.

For the purposes of implementing the Act of December 9, 2016 on transparency, prevention of corruption and modernization of the economy ("Sapin II Act"), Groupe BPCE has undertaken initiatives to analyze and expand existing measures.

These initiatives include:

- Group risk exposures have been mapped out and distributed to all Group institutions, based on an analysis of their activities and associated risk management systems;
- the internal rules adopted by each institution are in the process of being amended with the employee representative bodies to incorporate the following changes:
  - existing whistleblowing systems have been extended to reports of corruption or influence-peddling, and expanded to include provisions to protect whistleblowers,
  - codes of compliance or ethics now include, where applicable, examples of corruption and influence-peddling.

The Group has also defined standards and procedures governing KYC and due diligence procedures used for customer classification and supervision purposes. In the interest of organizing the internal control system, whistleblowing/detection tools and permanent control plans serve to bolster the security of this system.

BPCE also has accounting policies and procedures in place in line with professional standards. The purpose of the Group's internal control system for accounting information is to check the conditions in which such information is assessed, recorded, stored and made available, in particular by verifying the existence of the audit trail, within the meaning of the Ministerial Order of November 3, 2014 on internal control. This control system is part of the fraud, corruption and influence-peddling prevention and detection plan.

From a more general standpoint, these systems are formalized and detailed in the umbrella charter governing the organization of Group internal control and the Risk, Compliance and Permanent Control Charter. Parent company affiliates and all BPCE subsidiaries have adopted these charters.

3.11.5 Business continuity

The management of business interruption risk is handled from a cross-business perspective. This includes the analysis of the Group's main critical business lines, notably liquidity, payment instruments, securities, individual and corporate loans and fiduciary activities.

ORGANIZATION

As of September 1, 2017, the Group Business Continuity manager, responsible for the Group Business Continuity division, reports to the Security division, which in turn reports hierarchically to the Compliance, Security and Operational Risk department and functionally to the Transformation and Operational Excellence department.

The Group Business Continuity division performs its tasks independently of operational divisions. These include:

- managing Group business continuity and coordinating the Group Business Continuity department;
- 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 2017

The importance of digital technology in the bank's activities and the heightened risk of cybercrime calls for the development of a specific response in terms of emergency management and business continuity in the event of cyber-attacks, drawn up jointly with the departments in question. The development of a cyber Contingency and Business Continuity Plan (CBCP) was launched in 2017.

Group crisis governance, which provides enhanced coordination of incidents involving several Group companies or their suppliers, has a multi-disciplinary monitoring unit capable of handing incidents in cooperative mode. The Group management procedure for serious incidents was finalized in 2017.

The new supplier tracking system, implemented by the central institution, was adopted in June 2017. It is based on a decentralized model, drawing on contributions from the business lines to take advantage of their operational skills and knowledge while taking a Groupwide approach to ensure consistency.

Continuity mechanisms are presented to the Group's CBCP steering committee on a regular basis.

3.11.6 IT System Security (ISS)

ORGANIZATION

Created on September 1, 2017, the Group Security division (DS-G) establishes and adapts Group IT System Security 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, DS-G represents Groupe BPCE with respect to banking industry groups and to public authorities.

As a contributor to the permanent control system, the Group Head of Security reports to the Compliance, Security and Operational Risks division. Within the central institution, the Group ISS division also maintains regular contact with the Group's *Inspection Générale* division.

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

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

- the RSSI-G is notified of the appointment of any heads of IT system security;
- the Group's IT system security policy is adopted within the companies and that each company's application methods of the Group IT system security policy must be presented for validation 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 2017

The Group's IT system security policy (PSSI-G) incorporates the Group's security requirements. It is comprised of an IT System Security framework associated with the Group's Risk, Compliance and Permanent Control Charter, 430 rules divided into 19 categories and three organizational instruction documents[1]. It is revised annually according to an ongoing process of improvement. The 2017 review of the PSSI-G examined legal and regulatory developments (French Military Spending Act, new directive on payment services, European Data Protection regulation) and changes in group structure and governance.

Moreover, the information system security permanent control Group standards were also entirely revised and will be rolled out to all companies in 2018.

In 2017, IT System Security risk mapping was expanded to include:

- operational availability of the group's Archer IT System Security risk-mapping platform to group companies;
- convergence of standards in the IT System Security function;
- coordination with operational risks.

The Group Security division also took over responsibility for overseeing the groupwide implementation of European Data Protection Regulation (EDPR) requirements. Twelve projects were identified for this purpose (overall organization and standards, creation of a consistent data processing register, incorporation of EDPR requirements in projects, training and awareness-raising, etc.).

As part of the Group's digital transformation, an IT System Security support system for digital projects was introduced, specifically tailored to the agile development cycle.

(1) Operating procedures of the Groupe BPCE IT System Security department, information system security permanent control, classification of sensitive IS assets.

ANTI-CYBERCRIME MECHANISMS

As a result of its digital transformation, the Group's information systems are becoming increasingly open to the outside (cloud computing, big data, etc.) and 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 are constantly 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 buildings and datacenters.

In 2016, the ECB carried out a cybersecurity audit of Groupe BPCE, relating to governance regarding risks, cybersecurity and information technology, with a special focus on online banking security for the Banque Populaire banks and Caisses d'Epargne. Recommendations were made to Groupe BPCE in summer 2017.

A number of initiatives aimed at enhancing anti-cybercrime mechanisms were continued in 2017.

Strengthened application access controls

In conjunction with Natixis, the Group strengthened the system launched in 2015 and used to review access rights to cross-business information systems (Natixis and BPCE) granted to the institutions. The number of applications in the review scope was increased to 29 in 2017.

Reinforced detection of unusual flows and events in information systems (cyberattack detection)

- Implementation of systems to detect any compromise to customer data that, in addition to directly preventing fraud, provide information used to define detection scenarios addressed by the Security Operations Center (SOC).
- Creation of Groupe BPCE's CERT (Computer Emergency Response Team) to extend oversight and improve information-sharing on incidents, fraud and attempted fraud.

The Group's cybersecurity alert system, named VIGIE, which was established in 2014, was expanded with more than 70 members from all Group institutions. In 2017 VIGIE proved to be an effect defense against the Wannacry and Petya cyber attacks.

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 (an IT club for large French corporations) and relayed by the Group's institutions. Two awareness-raising films (one for advanced attacks and one for phishing) were also produced.

Within BPCE's scope of operations, the massive user authorization project defined in 2010 was continued. In 2017, the rights of 115 applications were reviewed as well as user authorization management procedures.

Moreover, new employee awareness-raising campaigns were launched:

- Serious Game-IT Security training campaign;
- phishing test and phishing awareness-raising campaign;
- participation in new employee acclimation meetings.

3.11.7 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 verifies the implementation of the operational risk monitoring and management system;
- manages the data collection tool for incidents, indicators, risks and corrective action and teaches the institutions 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;
- co-builds, with the business lines and support functions, and monitors remedial actions relating to major incidents as well as risks deemed excessive;
- contributes to permanent risk supervision by preparing consolidated summary reports for submission to various bodies.

Activities in 2017

The fiscal year saw the deployment of a new tool called osirisk at all Group institutions, along with new and revised standards, procedures and working methods defining rules and a forward-looking operational risk management methodology. This tool offers data consolidation and forward-looking management of exposure to risks.

The scope and methodology of operational risk-mapping were revised to measure entity risk exposure more effectively. This new methodology is part of the Group's permanent control system and includes the operational risk, compliance, information system security, personal and property safety and permanent control functions.

Measurement of risk exposure is based on a forward-looking model which quantifies and classes risk scenarios and thus provides the Non-Financial Risk Committees with the necessary elements to define their risk appetites.

The mechanism was completed at end-2017 with an overhaul of forward-looking risk indicators. These indicators are produced from the main risks identified in the non-financial risk map.

Finally, risk supervision and monitoring were improved through the drafting of reports aimed at providing a uniform measurement to the Group as a whole of its risk exposure and cost of risk.

As of 2018, permanent controls of the operational risk system are implemented centrally based on statements provided to each function. The centralization of controls aims to improve the oversight of action plans and ensure better data quality.

Operational risk oversight

Operational risk oversight within the Group is coordinated at two levels:

- at the level of each Group entity, the committee responsible for operational risks, prepared by the Operational Risk function, 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 is responsible for adapting the risk management policy and ensuring the relevance and effectiveness of the operational risk management system. It monitors the level of risks and the primary incidents through internal reports. It reviews major and recurring incidents, validates local risk mapping, and decides on corrective measures.

It reviews Key Risk Indicator (KRI) breaches and decides on corrective measures. It is responsible for examining permanent controls carried out by the operational risk function and in particular any excessive delays in implementing corrective measures. It defines the organizational structure of the network of operational risk officers and oversees awareness-raising measures and training. At least twice a year it examines any incidents liable to trigger claims (reconciliation between the operational risk incident database and the local and group claim databases) to highlight the net residual loss after the application of insurance coverage and notes any necessary changes in local insurance policies. The committee meets once a quarter;

- at the Groupe BPCE level, a quarterly Non-Financial Risk Management Committee is responsible for cross-business relationships and coordination among the different functions contributing to Level 2 permanent controls. These include operational risk, compliance, information system security, personal and property safety, contingency and business continuity planning, and financial audits. Its main duties are to:
  - define the Group's operational risk policies and standards, and ensure their deployment throughout Group entities,
  - assess the level of resources to be allocated to the operational risk function,
  - review major incidents within its remit and draw up a consolidated report on losses, incidents and alerts,
  - validate the aggregated map of operational risks at the Group level and monitor major risk positions across all Group businesses, including risks relating to non-compliance, financial audits, personal and property safety, contingency and business continuity planning, financial security and information system security (ISS),
  - validate Group risk appetite indicators related to non-financial risks as well as their thresholds,
  - decide on the implementation of overall corrective measures affecting the Group and monitor their progress.

INCIDENT AND LOSS DATA COLLECTION

Incident data are collected to build knowledge of the cost of risks, continuously improve management systems, and meet regulatory objectives.

An incident log (incident database) was created to:

- broaden risk analysis and gain the knowledge needed to adjust action plans and assess their relevance;
- produce COREP regulatory half-year operational risk statements;
- produce reports for the executive and governing bodies and for non-management personnel;
- establish a record that can be used for operational risk modeling.

Incidents are reported as they occur, as soon as they are detected, in accordance with Group procedure.

OPERATIONAL RISK MONITORING

Mapping

The operational risk management system relies on a mapping process which is updated annually by all Group entities.

Mapping enables the forward-looking identification and measurement (using expert opinion and combined with quantitative analysis which includes scenarios taken from external events) of high-risk processes. For a given scope, it allows the Group to measure its exposure to risks for the year ahead. This exposure is then assessed and validated by the relevant committees in order to launch action plans aimed at reducing exposure. The mapping scope includes emerging risks, IS risks (including cyber risk), and non-compliance risks.

This same mapping mechanism is used as part of the Group's ICAAP to identify and measure the Group's main operational risks. The operational risk map also serves as a basis for the macro-level mapping of institutional risks.

Action plans and monitoring of corrective actions

Corrective actions are implemented to reduce the frequency, impact or spread of operational risks. They may be introduced following risk mapping, breaches of risk indicator thresholds or specific incidents.

Progress on key actions is monitored by each entity's Operational Risk Management Committee.

At Group level, progress on action plans for the principal risk areas is also specifically monitored by the Non-Financial Risk Management Committee.

INCIDENT ALERT PROCEDURE

The alert procedure for serious incidents has been extended to the entire scope of Groupe BPCE. The aim of this system is to enhance and reinforce the system for collecting loss data across the Group.

An operational risk incident is deemed to be serious when the potential financial impact at the time of detection is over €300,000, or over €1 million for Natixis. Operational risk incidents with a material impact on the image and reputation of the Group or its subsidiaries are also deemed to be serious.

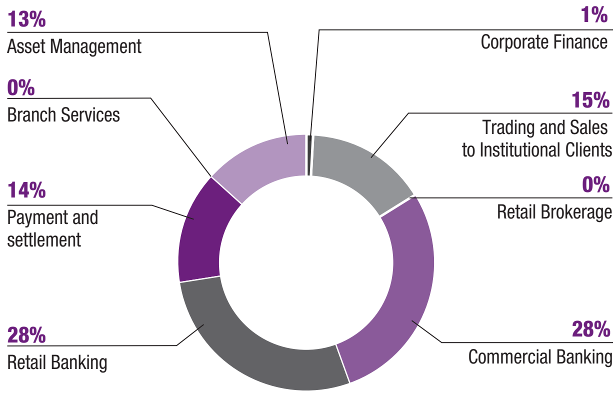
There is also a procedure in place covering material operational risks, within the meaning of Article 98 of the Ministerial Order of November 3, 2014, for which the minimum threshold is set at 0.5% of Common Equity Tier 1.

OPERATIONAL RISK MEASUREMENT

Groupe BPCE applies the standardized approach to calculate its capital requirements. Moreover, elements of internal control are considered in the assessment of the Group's net risk exposures.

BREAKDOWN OF LOSSES

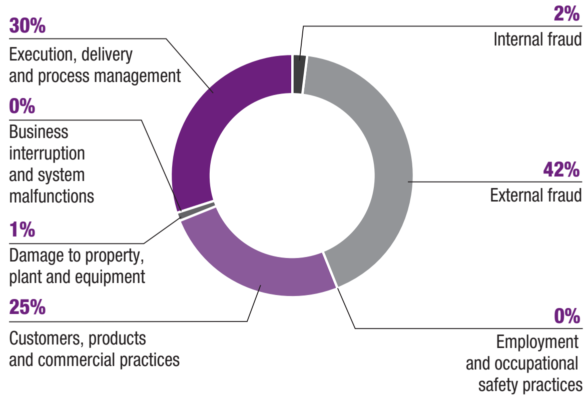
BREAKDOWN OF GROSS LOSSES BY BASEL BUSINESS LINE



56% of Groupe BPCE's losses were generated by the following two business lines:

- retail banking (28%);
- commercial banking (28%).

BREAKDOWN OF GROSS LOSSES BY BASEL CATEGORY



Gross losses are predominantly generated in the following Basel categories: "fraud", "execution, delivery and procedure management" and "customers, products and commercial practices".

OPERATIONAL RISK MITIGATION TECHNIQUES

In terms of insurance, the networks and subsidiaries benefit from coverage of their insurable operational risks under group insurance policies contracted from leading insurance companies. In addition, the Group has set up its own captive insurance company.

Coverage of insurable risks

At January 1, 2017, BPCE SA had taken out, for itself:

- and for its subsidiaries, with the exception of Natixis concerning the insurance coverage described in point A.a) below, with Natixis also holding its own similar coverage with a maximum payout of €15 million per year,
- and for the Banque Populaire and Caisse d'Epargne networks, except for:
- Caisse d'Epargne Rhône Alpes 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,
  - the "Global Banking" component of the insurance coverage described 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 €178 million per year of insurance, of which:

a) €30 million per year, combined "Fraud/Professional Civil Liability" insurance available, subordinate to the amounts guaranteed set out in b) and/or c) and/or d) below (with Natixis also holding its own similar coverage with a maximum payout of €15 million per year);

b) €38 million per claim and per year, solely reserved for "Global Banking" risk;

c) €25 million per claim and per year, solely reserved for "Professional Civil Liability" risk;

d) €70 million per claim and per year, combined "Global Banking/Professional Civil Liability" insurance available in addition to or after use of the amounts guaranteed set out in b) and/or c) above.

The maximum amount that can be paid out for any one claim under this arrangement is €109.75 million under "Professional Civil Liability" coverage and €109.75 million under "Fraud" coverage in excess of the applicable deductibles.

B. "Regulated Intermediation Liability" (in three areas: Financial Intermediation, Insurance Intermediation, Real Estate Transactions/Management) with a total maximum payout of €10 million per claim and per year.

C. "Operating Civil Liability" covering €100 million per claim, as well as a "Subsidiary Owner Civil Liability"/"Post Delivery-Reception Civil Liability" coverage extension for up to €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. "Protection of Digital Assets against Cyber-Risks" & the consecutive "losses in banking activities", for up to €100 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.

3.11.8 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. Insurance risk oversight committees have been formally set up for each company which meet once a quarter. CNP Assurances, in which the Group is a minority shareholder, is also subject to DRCCP supervision due to its materiality through a dedicated mechanism (CNP additional Supervisory Committee).

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 Groupe BPCE's DRCCP, which reports to the Group Risk and Compliance 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 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 reviewed and 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 function.

In order to provide forward-looking insight into the Group's capital adequacy from a financial conglomerate standpoint, the Capital Management function defines multi-year forecasts for surplus capital. The conglomerate's surplus capital is tracked using the Level 1 indicators derived from the Group RAF (risk appetite framework).

All three aspects of the system (insurance, banking and financial conglomerates) are presented to and discussed with the ECB/ACPR joint supervisory team (JST). Governance is reviewed, as are the main management reports or analyses that have been provided to BPCE Executive Management over the course of the year.

ACTIVITIES IN 2017

In 2017, the main projects undertaken with the function were aimed at expanding stress tests and forecasting under Solvency II, Basel III, and the Financial Conglomerates Directive, and at strengthening governance:

- coordination of the Group's approach to insurance stress tests, particularly the 2017 ORSAs (own risk and solvency assessments);
- establishment of detailed financial assumptions shared by the companies (ORSAs), as well as an analysis of results and recommendations;
- monitoring of major risks and contagion mechanisms;
- analysis of regulatory interactions (Basel III, Solvency II[1], Financial Conglomerates Directive).
- After 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), the model was expanded to include:
  - commissions paid by insurance companies to the retail networks, as well as fees paid to the Group's asset managers;
  - stressed insurance inputs (based on ORSAs) in addition to the economic and financial inputs used by the Group;
  - the simulation of SCR and MCR SII sector ratios based on ICAAP scenarios, to document any capital requirements under stress;
  - the integration of CNP Assurances in the Group's ICAAP approach, following the establishment of the additional Supervisory Committee.

In terms of insurance compliance, a regulatory project was launched in 2017 and will be completed in 2018 with the Investment Services Compliance function. The project pertains to IDD, PRIIPs and MiFID 2. BPCE's Compliance department is responsible for monitoring the operational application of these directives throughout the Group.

In addition to the MiFID 2, IDD and PRIIPs projects, producer/distributor working groups were specifically created to cover the five Pillars of the Insurance Distribution Directive:

- Pillar 1 *"Product governance and distribution rules":* this Pillar ensures consistency between the level of risk, the target market and the distribution strategy of a product;
- Pillar 2 *"Customer information and prevention of conflicts of interest":* the aim of this Pillar is to improve customer information on insurance and investment products;
- Pillar 3 *"Advice and long-term customer service":* this Pillar addresses the duty to advise and the updating of advice over the customer's life and over the term of the business relationship,
- Pillar 4 *"Price transparency":* the aim of this Pillar is full transparency for the customer regarding the prices charged by insurance distributors and rebates on insurance products (life and non-life);
- Pillar 5 *"Continuous training":* the purpose of this Pillar is to ensure the continuous training of sales teams, taking into account both regulatory developments and best practices.

3.11.9 Technical insurance risks

Insurance risk is the risk of any difference between expected and actual claims. Depending on the insurance product in question, the risk varies according to macroeconomic changes, changes in customer behavior, changes in public healthcare policy, pandemics, accidents and natural disasters (such as earthquakes, industrial accidents or acts of terrorism or war). The Credit Insurance activity is also exposed to credit risk.

Insurance risk management requires solid comprehension of technical insurance risks in order to meet commitments to insurers and policyholders. Particular attention must also be paid to the financial risks borne through assets held to back commitments.

In addition to protecting the balance sheet and income statement of insurance companies, the aim is to guarantee the solvency and liquidity of the insurance companies.

To this end, Groupe BPCE's companies have set up effective procedures aimed at measuring, reporting and supervising risks. A major preparatory stage ensured the implementation of systems which allows the Group to comply with the new regulatory requirements which came into effect on January 1, 2016 with the application of Solvency II (Pillar I Quantitative Solvency Requirements, Pillar II Governance & ORSA, Pillar III Prudential reporting and public information).

The Group created an Insurance Risk function in 2011. This function meets the requirements set out in the Financial Conglomerates Directive (FICOD) 2011/89 and its transposition in France by the Ministerial Order of November 3, 2014 governing the additional supervision of financial conglomerates, through the cross-divisional Group insurance risk monitoring system.

NATIXIS ASSURANCES

Natixis Assurances is the Insurance division of the Natixis group and is divided into two businesses:

- the personal insurance business, focused on developing portfolios of life insurance and endowment policies for investment and retirement purposes, as well as provident insurance portfolios;
- the non-life insurance business, focused on developing portfolios for auto and multi-risk home insurance, personal accident insurance, legal protection, healthcare and property and casualty insurance.

(1) The DRCCP exercises caution in terms of changes to Solvency II. It is due to be reviewed in December 2018 along with the standard formula.

Given the predominance of the Investment Solutions activity, the main risks to which Natixis Assurances is exposed are financial. The company is also exposed to underwriting risks (life and non-life), as well as counterparty risk.

Market risk

Market risk is in large part borne by the subsidiary BPCE Vie on the financial assets that underpin its commitments with guaranteed principal and returns (euro-denominated policies: €48.5 billion on the main fund balance sheet). The company is exposed to asset impairment risk (fall in the equity or real estate market, widening spreads, interest rate hikes) as well as the risk of lower interest rates which would generate insufficient income to meet its guaranteed principal and returns. To deal with this risk, BPCE Vie has only sold policies with a minimum guaranteed return in recent years: more than 90% of the policies have a zero minimum guaranteed return. The minimum guaranteed return averages 0.15%.

To manage market risk, the sources of return have been diversified, namely via investments in new asset classes (financing the economy, low-volatility equities, 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 12/31/2017, 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 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 match 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 helps to detect potential risks arising from large claims, and to arrange adequate reinsurance coverage;
- risk of loss: each time inventory is taken, an actuarial assessment of the reserves for claims to be paid is conducted based on methods widely recognized by the profession and required by the regulator;
- catastrophe risk: catastrophe risk is the exposure to an event of significant magnitude generating a multitude of claims (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 that are subject to a financial rating by at least one of the three internationally recognized rating agencies, and that have a Standard & Poor's equivalent rating of A- or higher;
- 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 defined as the risk of loss, due to non-payment by a debtor, of a receivable owed to a policyholder of the Group. Coface manages credit risk through a number of procedures, whose scope includes the approval of the terms of policies relating to products, pricing, monitoring of credit risk hedges and portfolio diversification. Credit risk can be exacerbated due to the concentration of exposure (country, sector, debtor, etc.) and is modeled as premium risk, reserve risk and disaster risk. Traditionally, Coface makes a distinction between frequency risk and event risk:

- frequency risk represents the risk of a sudden material increase in delinquency by a large number of debtors. This risk is measured for each region and country by monitoring the instantaneous loss ratio[1] and the monthly indicator that breaks down the changes in domestic/export credit by DRA[2] and business sector, by acceptance rate on the DRA scale, or by product line (deposit, single risks). As regards exposure and portfolio monitoring, the Group has set up a refined management of its risks based on a sector/country breakdown. Accordingly, delinquent payments are analyzed weekly by the Senior Management Committee and monthly by Coface's Underwriting Committee. This risk is mitigated by Coface Re reinsurance. Loss ratios for the different underwriting regions are also monitored at the consolidated Coface level;

(1) The instantaneous loss ratio is a weekly indicator that reproduces the change in the loss ratio. It is monitored for each region and each country and is reported weekly by Coface, particularly so that underwriters can monitor the change in their portfolio and detect any deterioration in order to introduce corrective actions as early as possible.

(2) Debtor Risk Assessment : Assessment of debtors using a Group-wide grid.

- 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 reinsurance.

In addition to weekly and monthly monitoring of each region and country, Coface has implemented a system based on:

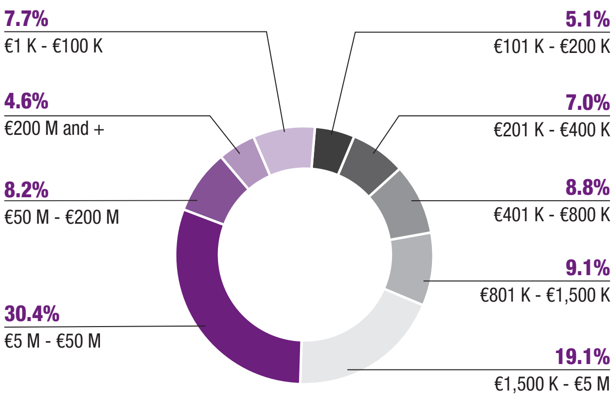
- the centralization of reserves for claims exceeding a certain amount per debtor which are then analyzed ex-post to improve the information, underwriting and recovery activity's performance;
- monitoring at the risk underwriting level, which, above a given level of DRA-based outstandings, generates 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, 2017:



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 maximum sensitivity of the bond portfolio has been deliberately capped at 4 and stood at 3.6 at December 31, 2017. Coface still has no exposure to Portuguese and Greek sovereign debt. The Group continued to increase its international diversification in 2017, particularly in the developed countries of North America, in order to benefit from higher rates of return and to accommodate the various interest rate hikes. Interest rate hedges were applied to a portion of exposure to European sovereign debt;
- 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 2017, Coface systematically set up hedges against the euro in the portfolio combining its European entities, to protect investments in bonds denominated in dollars, Pound sterling, Canadian dollars and Australian dollars;
- equity risk: exposure is capped at less than 10% of the portfolio and is concentrated in the euro zone, in connection with its core business. At December 31, 2017, listed equities represented 7.5% of the investment portfolio. These investments were subject to hedging for 30% of the invested portfolio through the purchase of put options on Eurostoxx indices. This hedging can be adjusted in line with investments and the amount of unrealized capital gains or losses on shares held;
- 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 the bonds are Investment Grade and therefore have a median rating equal to at least BBB-;
- liquidity risk: 52% of the bond portfolio had maturities of less than three years at December 31, 2017. The vast majority of the portfolio is listed on OECD markets and carries a liquidity risk that is currently considered as low.

Level 2 controls on compliance with Coface's investment policy are also carried out.

CEGC

Compagnie européenne de garanties et cautions is the Group's multiple business line security and guarantee platform. It is exposed to underwriting risk, market risk, reinsurer default risk and operational risk.

In 2017 underwriting risk was managed effectively, reflected by a level of claims at 26% of earned premiums. New committed risks on the balance sheet, particularly those on refinanced mortgage loans, made for a good risk profile.

As part of the Solvency 2 supervisory regime, which came into effect on January 1, 2016, CEGC submitted an application to certify its internal assessment model for underwriting risks on mortgage guarantees for retail customers. The ACPR (French Prudential Supervisory Authority for the Banking and Insurance Sector) approved the model in March 2017. CEGC's partial internal model therefore meets the specific requirement applicable to mortgage loan guarantors aimed at improving the robustness of the French banking system for home loans.

CEGC submitted the new annual quantitative statements required by Solvency 2 regulations, accompanied by the qualitative and quantitative reports intended for the supervisor (RSR) and the public (SFCR).

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 €1.85 billion at December 31, 2017 (up 15.7% compared to the end of 2016). This increase was in line with fiscal year 2016, driven mainly by mortgage guarantees for individual customers.

CEGC'S OUTSTANDINGS (IN MILLIONS OF EUROS)

CEGC's activities	December 2017	Change December 2017 versus December 2016
Individual customers	1,658	16.3%
Single-family home builders	20	17.6%
Property administrators – Realtors	11	22.2%
Corporates	29	38.1%
Real estate developers	15	(16.7%)
Professional customers	70	7.7%
Social economy – Social housing	42	23.5%
Run-off activities	5	(37.5%)
TOTAL	**1,849**	**15.7%**

Market risk

CEGC held an investment portfolio of about €1.92 billion on its balance sheet as at December 31, 2017, hedging underwriting provisions, up 13.62% since the end of 2016. In 2017, CEGC set up an investment program in the real estate segment (which has an allocation target of 10%). 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.

	12/31/2017			12/31/2016		
in millions of euros	Gross balance sheet value, net of provision	% breakdown	Mark to market	Balance sheet value, net of provision	% breakdown	Mark to market
Equities	137	7.2%	164	130	7.7%	155
Bonds	1,338	69.8%	1,476	1,244	73.5%	1,387
Diversified	131	6.8%	137	111	6.6%	115
Cash	124	6.5%	124	119	7.0%	119
Real estate	169	8.8%	174	63	4.2%	99
FCPR	14	0.7%	19	18	1.0%	22
Other	3	0.2%	2	1	0.1%	1
TOTAL	**1,915**	**100%**	**2,096**	**1,686**	**100%**	**1,899**

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 recession leading to a loss of up to 2% of outstanding guaranteed loans.

In the Corporate segments, the program is used to protect CEGC's capital by hedging against high-intensity risks. It has been calibrated to protect against three individual loss events (loss related to a counterparty or a group of counterparties) 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 director.

Reinsurer default risk is governed by counterparty concentration and rating limits. CEGC's reinsurance programs are underwritten by a broad panel of international reinsurers with a minimum rating of A on the S&P scale.

3.12 Climate risks

3.12.1 Organization

Mindful of its responsibility to promote a lower carbon footprint economy, Groupe BPCE and as such takes committed actions to incorporate climate risk and implement measures to reduce this risk. The Group endeavors to identify and manage climate change risk as it does all other risks incurred in its activities, and has included it in the 2018-2020 strategic plan.

Like all French banking groups, Groupe BPCE takes part in the work of the ACPR, in accordance with Article 173, paragraph V, of the French Energy Transition for Green Growth Act.

Since 2016, the general credit risk policy has included climate risk and incorporated Corporate Social Responsibility as a major risk development priority. Climate risk is also addressed in the macro-level mapping of risks incurred by Group institutions.

The Group CSR approach was formally established and approved by the Executive Management Committee, including 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 financing coal-fired power plants or thermal coal mines anywhere in the world, given the current state of technologies;
- the financing of renewable energy and thermal renovations, through all of the Group's main sales networks;
- a range of green savings and lending products offered to its customers.

Direct impacts:

- annual measurement of carbon emissions stemming from energy, travel, real estate and procurement for all Group companies;
- establishment of action plans aimed, for example, at improving the energy efficiency of office buildings and reducing the impact of employee travel.

Details on these actions are given in Chapter 6 of this document on the Group's social, environmental and societal information.

3.12.2 Activities in 2017 and strategic guidelines

Groupe BPCE confirmed its commitment by aiming for transparent sector risk policies which also incorporate ESG criteria (environment, social and corporate governance).

Accordingly:

- the Group made this one of the ambitions of the "financing a responsible economy" project in the 2018-2020 strategic plan;
- a one-day event on climate risk and green financing was organized for the risk and compliance functions, and attended by renowned experts in the field, including the ACPR, Banque de France, members of the European Commission's High Level Expert Group (HLEG), and Finance for Tomorrow (Paris Europlace);
- four working groups combining experts from the Risk, Compliance and Permanent Control division (DRCCP) and CSR experts from various Group institutions were formed to develop an action plan on the following issues:
  - extreme weather events,
  - incorporation of ESG risks in the credit policy,
  - identification and monitoring of green assets,
  - global governance of climate risk through Group institutions.

These efforts will expand on the risk analysis centered around the duty of vigilance and the Sapin II Act.

On December 11, 2017, Natixis announced new commitments in favor of the environment and the climate. In 2018, Natixis will implement an internal green incentive mechanism to further the alignment of its financing programs the objectives of the Paris Agreement and its contribution to the transition towards a low-carbon economy.

Natixis is also committed to no longer financing oil extracted from oil sands or companies whose activities are mainly based on the production of oil derived from oil sands.

Natixis is also committed to no longer financing the exploration and production of oil in the Arctic.

Natixis Assurances is involved in initiatives supporting the fight against global warming announced by the French Insurance Federation (the FFA) on December 7, 2017.

4 2017 ACTIVITIES AND FINANCIAL INFORMATION

4.1 Foreword

The financial data for the fiscal year ended December 31, 2017 and the comparative data for 2016 were prepared under IFRS as adopted by the European Union and applicable on December 31, 2016, therefore excluding some provisions of IAS 39 on hedge accounting.

This management report discusses the results of Groupe BPCE and BPCE SA group, built around the central institution, BPCE, which was established on July 31, 2009 following the merger of Groupe Banque Populaire and Groupe Caisse d'Epargne.

BPCE SA group's results are summarized because the operations and results of the two groups are closely related. The main differences in scope relative to Groupe BPCE concern the exclusion of the contributions of the Banque Populaire banks and the Caisses d'Epargne.

4.2 Significant events of 2017

4.2.1 Economic and financial environment

FRENCH GROWTH ON THE MEND

2017 was a year of increasingly synchronized global growth, a break in the clouds driven by advanced and emerging economies alike that ultimately triggered no inflationary tensions liable to slow it down. It also saw all members of the euro zone – and France in particular – move forward on the road to recovery, starting to make up the ground lost since the sovereign debt crisis despite the euro's moderate trend towards appreciation. A series of events combined to stimulate economic activity. First, despite the rally launched in June ahead of OPEC's decision to extend the production cut agreement signed in November 2016 until the end of 2018, oil prices stabilized at a relatively low average of $54.2 per barrel (North Sea Brent), thus keeping inflation under control. Second, sovereign yields declined on both sides of the Atlantic in the wake of the French presidential election, due in large part to a paradoxical rise in inflation expectations affecting energy prices and wages. Finally, alongside the spectacular take-off of bitcoin prices, most stock markets delivered strong performances amid low volatility. The CAC 40 enjoyed its third straight year of gains, climbing 9.26% to end the year at 5,312.56 points on December 29.

As a result, global GDP grew by at least 3.7% in 2017, getting more of a boost than it did in 2015-2013 (3% YoY) from the extension of exceptional monetary measures, the re-emergence of relatively expansionist fiscal policies and low inflation. It helped that the various economic regions managed to gradually get back in sync, from the end of the recessions in Russia and Brazil, to the economic resilience in China, to the bursts of energy in the US and European economies. The UK stood out as an exception after Brexit 2016.

France began catching up to the euro zone growth rate in 2017, with French GDP climbing 1.9% *versus* 1% per year from 2014 to 2016. This performance was primarily fuelled by the recovery of exports, thanks largely to renewed tourism after the 2015 and 2016 terrorist attacks, but still not fully tapping into the strength of global demand. Additional contributing factors included the confirmed resilience of investment, the rebound in consumer spending, and a positive inventory effect. In particular, business investment kept up its momentum even after the government's additional depreciation measure ended in April. Household consumption improved somewhat in the second half, helped by relatively low inflation, a slight upturn in wages and better job market conditions. Prices only rose 1% in 2017. The French unemployment rate fell 0.5 point to 9.3%, even after climbing slightly in the summer, probably due to the termination of the hiring aid mechanism for SMEs. Finally, the public deficit fell from 3.4% of GDP in 2016 to 2.8% in 2017, but public debt continued to balloon, reaching 97.7% of GDP, as opposed to Germany where it slid to 64.7%.

The divide between Fed and ECB monetary policy widened even further in 2017. The Fed stuck to a cautious and gradual monetary tightening process, and began reducing its balance sheet size in October 2017. At the same time, it raised its key rates three times by 25 basis points, setting them in the 1.25% to 1.5% range at mid-December. Conversely, the ECB upheld its ultra-accommodating monetary policy, despite changing the tone of its message. On October 26, 2017, it announced on the one hand that it would taper its net monthly asset purchases from €60bn to €30bn from January to September 2018, and on the other that the three key rates would remain unchanged for an extended period after the end of the bond buying program and that most of the maturing bonds would be reinvested on the financial markets. Sovereign yields took another tumble on both sides of the Atlantic, mainly due to renewed inflation expectations and the gradual pace of monetary normalization. After the French presidential election, the 10-year OAT followed this trend, hovering between 0.5% and 0.8% from May to December *versus* 1.1% in February.

4.2.2 Significant events of the fiscal year

Against this backdrop, Groupe BPCE implemented its digital strategy, consolidated its business line positions and prepared its new strategic plan, which was initially presented at a focus group on the transformation of local banking activities in February 2017, followed by a full presentation in November 2017.

Under the digital action plan, a new digital ecosystem dubbed "89C3" was installed in 2017 with the aim of developing the products and services of tomorrow in agile mode before rolling them out groupwide. The new system takes a seasonal approach, with each season spanning six months. The goal of 89C3: keep it simple for our customers, employees and partners.

Season 1 began in February 2017 and ended in September 2017: 20 concrete projects targeting customers, employees and partners were initiated and incubated. On the heels of Season 1's success, Season 2 was launched in October 2017 and will predominantly focus on digitizing the corporate customer offer, data analytics and improving the employee experience.

Digital centers have already been opened in Aix-en-Provence, Toulouse, Nantes, Metz and Paris to service these projects. The centers boast all the necessary coordination, expertise and production capacities all in one place. These facilities are also available to the external digital ecosystem (fintechs, insurtechs, etc.) in a bid to place the Group squarely in the center of innovation in the field.

This new ecosystem also relies on 40 digital champions responsible for steering the transformation within each group institution. More than 500 employees are currently working towards this goal, with another 500 to come by 2020.

New digital services designed for customers of the Groupe BPCE networks were launched throughout the year:

- after staking its claim as the first banking group in France to offer Apple Pay in 2016, Groupe BPCE rolled out the Paylib contactless payment solution for customers of the Banque Populaire banks and Caisses d'Epargne with Android smartphones;
- every month since July 2017, new services have been provided with the aim of improving customer independence and everyday management of banking transactions on their mobile phones (transaction searches, bank account details forms, management of forgotten passwords or lost identifiers, general availability of Touch ID, etc.);
- Banque Populaire customers can now apply for consumer loans online in a simplified, modernized process including the electronic signature of the loan agreement;
- a customer feedback system was set up for the purpose of detecting problems, resolving complaints, continuously improving our services and determining our digital Net Promoter Score;
- Banque Populaire, Caisse d'Epargne and Natixis Car Lease launched the MyCarLease website, an innovative digital operating lease solution giving professional customers the choice of any car model on the market, and Lookar, an innovative vehicle recognition app;
- Banque Populaire and Caisse d'Epargne rolled out fast and easy all-digital employee savings solutions;
- Banque Populaire launched Money Friends, a money transfer app (Android & iOS) designed to monitor and settle debts among friends;
- Natixis Assurances brought out two full-digital innovations to improve insurance claim management: WeProov and Oculus Rift. WeProov is a self-care claim submission app for customers of the Caisse d'Epargne and Banque Populaire networks, while Oculus Rift helps them keep track of the different steps in the claim management process.

For its partners, Groupe BPCE was the first commercial bank in France to adopt a transparency policy under which partners are given open access to structured data to use as needed. Nearly 60 sets of data were already available at end-December. The Group has fully embraced the open banking approach and is preparing to launch an API[1] portal in 2018.

Working alongside over 500 start-ups, Groupe BPCE also launched a fast and easy contractual procedure to work more efficiently with this ecosystem. Known as "Start-up PASS", this procedure simplifies relations between start-ups and Groupe BPCE by speeding up the initiation of the operational phase while respecting the start-up's intellectual property and facilitating cooperation on a daily basis.

Lastly, Groupe BPCE also made a subscription commitment to Truffle Financial Innovation Fund, an institutional fund whose purpose is to create, support and finance 10-15 future Fintech and Insurtech leaders in France and Europe.

The digital transformation has also made day-to-day operations easier for all Groupe BPCE employees. For example, an ambitious digital acclimation program (B'digit) and an internal social network (Yammer), already boasting over 40,000 members, were both set up in 2017.

Groupe BPCE further consolidated its positions in Retail Banking and Insurance activities as well, with loan outstandings and on-balance sheet deposits and savings climbing 5.1% and 4.4%, respectively, in 2017. The Banque Populaire and Caisse d'Epargne networks continued to expand their customer bases, gaining approximately 250,000 new principal active customers and increasing their product and service ownership rate. Relations progressed between Natixis' core business lines and the customers of the Banque Populaire banks and Caisses d'Epargne: at December 31, 2017, revenue synergies since the start of 2014 hit €810 million, globally in line with the target set in the "Another way to grow" strategic plan. The Insurance business, a key component of the Group's strategy, kept the momentum going strong in 2017, generating NBI growth of 12% year-on-year. Life insurance AuM amounted to €54.7 billion (excluding the reinsurance treaty with CNP), up +14%. Net inflows came out at €5.9 billion, with 49% consisting of unit-linked assets. The non-life insurance portfolio expanded 8.5% and the Group now manages more than 5.7 million policies.

The Natixis business lines delivered excellent performances. Asset management profit margins improved, thanks in large part to positive net inflows of €24 billion, predominantly concentrated in long-term and value-added products. Asset & Wealth Management generated a 14.5% gain in net banking income. After an excellent first half, Corporate & Investment Banking revenues ended the year on a strong note, climbing over 9.5% in 2017, buoyed by very strong showings from the Global Markets, Investment Banking and M&A activities.

Groupe BPCE forged ahead with its bancassurance strategy in 2017. Natixis Assurances became the sole shareholder of BPCE Assurances after buying a total stake of 40% in the company from Macif (25%) and Maif (15%). This purchase served to consolidate the strategy of integrating the insurance value chain by establishing a single Insurance division at Natixis focused on achieving Groupe BPCE's ambitions in this sector.

Groupe BPCE continued optimizing its structure with the sale of S-money and its subsidiaries to Natixis Payment Holding and BPCE SA's acquisition of Crédit Foncier's indirect equity interest in MFC Prou-Investissements, giving it a 49% stake in the company.

In the Payments business line, Groupe BPCE has now centered all its expertise around Natixis Payment Solutions to gain efficiency and competitiveness: Natixis Intertitres (securities services), S-money, Le Pot Commun (online money pot), E-Cotiz (payments to associations) and Depopass (secure peer-to-peer payments). This new structure, designed to promote commercial development and priority objectives, combines a commercial focus, a technological approach and an entrepreneurial drive. At the same time, an external growth policy was enacted, with several start-ups brought into the fold to expand the range of retailer services:

- PayPlug provides small retailers and VSEs with an online and mobile debit card payment system without requiring a special payment terminal;
- Dalenys is strengthening Natixis' penetration of the European market for payment solutions targeting major stores and e-retailers.

(1) *Application Programming Interface.*

Furthermore, in December, BPCE SA bought a 16.66% stake in PAYLIB SERVICES, a joint venture in payment services between five French banks: BNP Paribas, Société Générale, Crédit Mutuel Arkéa Crédit Agricole and La Banque Postale.

In addition to bolstering the payments and insurance business lines, Natixis furthered its efforts to transform its core businesses.

The Specialized Financial Services division stepped up its relations with the Groupe BPCE networks and rolled out new offers and new tools designed to accommodate the changes in distribution and customer needs in an increasingly digitized world that.

The Asset Management business line underwent major changes. Natixis Global Asset Management (NGAM) changed its name to Natixis Investment managers to highlight the multi-affiliate model it is still working to develop. Purchasing a majority holding (51.9%) in Investors Mutual Limited (IML) opened the door to the individual customers and pension fund markets in Australia, and Mirova's acquisition of a 51% stake in Althelia Ecosphere at the end of September allowed it to create a European platform exclusively dedicated to natural capital investment.

Meanwhile, Corporate & Investment Banking further expanded its three international platforms by broadening their areas of expertise and boosting their visibility.

A number of streamlining projects were initiated or finalized on the Banque Populaire and Caisse d'Epargne networks in 2017. Caisse d'Epargne Hauts de France was created in May 2017, realizing the mutual goal held by Caisses d'Epargne Picardie and Caisse d'Epargne Nord France Europe of joining forces to become the leading bank serving customers in the Hauts de France region. The new bank covers the Hauts de France region perfectly, making it ideally suited to support projects, economic operators and residents of the area.

In September 2017, the Steering and Supervisory Boards of Caisse d'Epargne d'Alsace and Caisse d'Epargne Lorraine Champagne-Ardenne settled on a founding agreement to initiate the merger of the two banking institutions, with the legal merger scheduled to take place in April 2018.

In December 2017, the 310,000 cooperative shareholders of Banque Populaire Atlantique, Banque Populaire de l'Ouest, Crédit Maritime Atlantique and Crédit Maritime Bretagne-Normandie validated the merger of all four entities to create Banque Populaire Grand Ouest, a powerful regional cooperative bank covering the Brittany/Pays de la Loire regions and the Manche and Orne *départements* in Normandy.

In keeping with the Operational Excellence Plan, Groupe BPCE restructured the procurement function. As of September 1, 2017, BPCE Procurement combines the procurement functions of BPCE-IT, i-BP, IT-CE and Natixis, with the goal of generating performance gains while simplifying the overall structure. BPCE Procurement comprises a unified team of 88 employees, primarily based in Paris and Nantes, with two objectives: (i) to improve the function's efficiency by paving the way for new synergies; (ii) to optimize the cost of the procurement function and thus benefit all Group entities.

4.3 Groupe BPCE financial data

4.3.1 Groupe BPCE results

Groupe BPCE once again generated solid earnings, confirming the resilience of its full-service banking model.

	Groupe BPCE		Change	
in millions of euros	**2017**	**2016**	**€m**	**%**
Net banking income	23,720	24,158	(438)	(1.8%)
Operating expenses	(17,099)	(16,673)	(426)	2.6%
Gross operating income	**6,621**	**7,485**	**(864)**	**(11.5%)**
Cost/income ratio	72.1%	69.0%	--	3.1 pts
Cost of risk	(1,384)	(1,423)	39	(2.7%)
Share in income of equity-accounted associates	276	259	17	6.6%
Gains or losses on other assets	88	203	(115)	(56.7%)
Change in the value of goodwill	(85)	(154)	69	(44.8%)
Income before tax	**5,516**	**6,370**	**(854)**	**(13.4%)**
Income tax	(1,811)	(1,882)	71	(3.8%)
Non-controlling interests	(681)	(500)	(181)	36.2%
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,024**	**3,988**	**(964)**	**(24.2%)**

NET BANKING INCOME

At December 31, 2017, Groupe BPCE's net banking income amounted to €23.7 billion, down 1.8% compared to 2016, when a capital gain of +€831 million was recognized on the sale of Visa Europe shares. Excluding this capital gain, net banking income was up 1.7%, reflecting robust activity and the resilience of the Group's business lines despite the low interest rate environment.

Retail Banking and Insurance posted a dynamic sales performance in 2017.

Retail banking recorded loan outstandings of €543 billion at December 31, 2017, up 5.1% year-on-year. Home loans increased 4.8% year-on-year, equipment loans 5.4% and consumer loans 9.8%. Retail banking continued to contribute actively to the funding of the economy. The volume of new loans picked up in all segments, hitting a record peak of over €125 billion in 2017 *versus* €101 billion in 2016.

Retail banking deposits and savings came to €692 billion at December 31, 2017, up 4.4% since December 31, 2016. On-balance sheet deposits and savings (excluding centralized regulated deposits and savings) exceeded €25 billion year-on-year and consisted predominantly of demand deposits, up 15.6%.

Growth drivers such as Payments and Insurance maintained solid momentum in 2017. Gross unit-linked inflows climbed 84% (share of unit-linked assets in gross inflows: +12.4 points year-on-year). The non-life insurance portfolio grew 8.5% year-on-year, recording a 6.8% increase in Provident and Health insurance policies and 10.6% in Non-Life policies.

These improvements limited the highly adverse impact of the interest rate environment on Retail Banking and Insurance revenues, which fell 1.6%. This revenue decline was offset by very robust growth in Asset & Wealth Management revenues (+14.5%), driven by the rise in fees on assets under management and incentive fees earned by asset management companies, and the solid showing by Corporate & Investment Banking, with revenues up 9.5%.

OPERATING EXPENSES

Operating expenses came out at -€17.1 billion, up 2.6% compared to 2016, impacted by efforts to ramp up the Group transformation and restructuring plans, with the aim of simplifying its structure and generating synergies. The resulting costs (mergers, migration to existing IT platforms, Natixis transformation and operational excellence plan) represented -€297 million in 2017 *versus* -€176 million in 2016. Restated for these items, operating expenses posted a moderate increase of 1.8%.

Operating expenses for the Retail Banking and Insurance arm, excluding transformation and restructuring costs, increased slightly by 0.4%. The lion's share of this increase stemmed from the development of activities in the Asset & Wealth Management and Corporate & Investment Banking business lines.

The Group headcount dipped 1.6% year-on-year to 106,463 at December 31, 2017.

Gross operating income amounted to €6.6 billion in 2017, down 11.5% on 2016. At 72.1%, the cost/income ratio climbed +3.1 pts *versus* 2016 (70.8% restated for 2017 transformation and restructuring costs).

INCOME BEFORE TAX

At €1.4 billion, Groupe BPCE's cost of risk decreased 2.7% compared to 2016. Divided by customer loan outstandings, Groupe BPCE's cost of risk in basis points[(1)(2)] hit a low of 20 bp on average over the year *versus* 22 bp in 2016. Non-performing loans accounted for 3.3% of gross loan outstandings at December 31, 2017, representing a slight year-on-year decline. The coverage rate for non-performing loans, including collateral on impaired loan outstandings, came to 82.0% at December 31, 2017 *versus* 83.5% at December 31, 2016.

Cost of risk fell sharply (-9.4%) for the Retail Banking and Insurance division. For the Banque Populaire and Caisse d'Epargne networks, the decline in cost of risk confirmed the downtrend in individual provisions with the improvement in the French economic environment.

For Corporate & Investment Banking, cost of risk was down substantially compared to 2016, which included an effort to build provisions on the Oil & Gas sector, and came to 20 basis points[(2)] (*versus* 34 bp in 2016 and 36 bp in 2015).

The share in income of associates climbed €17 million, thanks in large part to the improvement in CNP's earnings (+€14 million).

"Gains and losses on other assets" shed €115 million. In 2017, this line mainly included the capital gain of €84 million on the sale of the Parc Avenue building, sales of entities by Natixis for €32 million and the liquidation of Nexgen Financial Holding for €18 million. These capital gains were offset by provisions on securities.

The change in the value of goodwill was -€85 million in 2017, reflecting goodwill impairment on Banque Palatine (-€53 million), Banque de Savoie (-€17 million) and Banque de Tahiti (-€14 million).

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Groupe BPCE's income tax totaled €1,811 million, down 3.8% compared to 2016.

Net income attributable to equity holders of the parent amounted to €3.0 billion, down 24.2% year-on-year. Restated for the basis effect created by the sale of Visa Europe shares in 2016, it fell 5.2%, in line with the drop in Retail Banking and Insurance revenues, adversely affected by low interest rates despite robust sales activity. 2017 was another year of strong development for the Insurance and Payments business lines, consolidating their position as key growth drivers for the Retail Banking and Insurance division. Asset Management and Corporate & Investment Banking also performed very well in 2017.

Groupe BPCE furthered its transformation in 2017, once again delivering robust earnings rooted in its full-service banking model, despite the persistently challenging environment over the year.

At 4.8%, Group ROE was down 2.1 points *versus* 2016.

SOLVENCY

Groupe BPCE's CET1 ratio[(3)] continued to improve in 2017, ending the year at 15.4% *versus* 14.2% at December 31, 2016, a gain of 120 bp. The increase in the CET1 ratio reflected the ongoing generation of Common Equity Tier 1, largely owing to income placed in reserve (+67 bp since December 31, 2016) and cooperative share issues (+38 bp since December 31, 2016).

At 15.3%, Groupe BPCE's phased-in CET1 ratio at December 31, 2017 was significantly higher than the ECB's minimum requirement, as defined during the 2017 Supervisory Review and Evaluation Process (SREP). The CET1 ratio requirement set by the ECB, including the P2R component, was 8.63% as of January 1, 2018. Added to this is the regulatory AT1 requirement of 1.38%, met by CET1, giving a CET1 requirement of 10.01%. Groupe BPCE exceeded this requirement by 529 bp.

The phased-in Total Capital Ratio of 19.2% at December 31, 2017 was 707 bp above the ECB requirement (12.13%), *i.e.* 529 bp for CET1 and 178 bp for Tier 2.

TLAC (total loss absorption capacity)[(4)] totaled €80.2 billion at end-December 2017. The TLAC ratio[(5)], 19.3% at December 31, 2016, increased to an estimated 20.8% at December 31, 2017, with a target of 21.5% for early 2019, in line with the TEC 2020 strategic plan.

The leverage ratio[(6)] stood at 5.1% at December 31, 2017 *versus* 4.9% at December 31, 2016 (pro forma).

LIQUIDITY

Groupe BPCE's total liquidity reserves amounted to €214 billion at December 31, 2017, including €73 billion in available assets eligible for central bank funding, €58 billion in LCR-eligible assets and €83 billion in liquid assets placed with central banks.

Short-term funding fell from €119 billion at December 31, 2016 to €101 billion at December 31, 2017, stemming from the decrease in liquidity reserves.

At December 31, 2017, Groupe BPCE's total liquidity reserves covered 174% of all short-term funding as well as short-term maturities of MLT debt (*versus* 158% at end-2016).

The Liquidity Coverage Ratio (LCR) was once again above 110% at December 31, 2017.

(1) Cost of risk in annualized basis points on gross customer loan outstandings at the start of the period.
(2) Basis points (1 basis point = 0.01%).
(3) CRR/CRD IV without phase-in measures; additional Tier 1 capital includesf subordinated debt issues that have become ineligible, capped at the phase-out rate in force.
(4) Within the meaning of the Financial Stability Board term sheet of 11/9/2015 on Total Loss-Absorbing Capacity.
(5) Including the senior non-preferred debt (€1.6 billion) issues in January 2017
(6) Under the rules of Commission Delegated Regulation (EU) 2015/62 of October 10, 2014.

4.3.2 Groupe BPCE's core businesses

Groupe BPCE redefined its business lines in the TEC 2020 strategic plan presented on November 29, 2017, notably making the decision to split up the Investment Solutions, Corporate & Investment Banking and Specialized Financial Services division. The Investment Solutions sub-division's Insurance business line and the Specialized Financial Services sub-division were transferred to the Retail Banking and Insurance division.

The Group now has three core business divisions:

Retail Banking and Insurance, which includes:

- the Banque Populaire network, comprised of 14 Banque Populaire banks and their subsidiaries, Crédit Maritime Mutuel, and the Mutual Guarantee Companies;
- the Caisse d'Epargne network, consisting of the 16 Caisses d'Epargne;
- Specialized Financial Services (SFS), a Natixis business line encompassing specialized financing activities (factoring, leasing, consumer credit, sureties and financial guarantees), payments and financial services;
- Insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- Other networks, which comprise Crédit Foncier group, BPCE International (BPCE I) and Banque Palatine.

Asset & Wealth Management, a Natixis business line consisting of:

- Asset Management, which operates on several international markets, combining expertise in investment management and distribution;
- Wealth Management, with Natixis Wealth Management, which offers wealth management and financing solutions for large private-sector investors.

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public sector entities.

The Corporate Center, which primarily includes:

- the Group's central institution and holding company;
- Natixis' equity interests in Coface, Corporate Data Solutions, Natixis Algérie and Natixis Private Equity;
- unlisted investments and cross-business activities;
- items related to goodwill impairment and amortization of valuation differences, which are associated with the Group's equity interest acquisition strategy;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund.

As of the publication of the 2017 annual results, the presentation of the business divisions reflects these segment reporting amendments, in addition to changes in the capital allocation standards applied by Natixis (Basel III average RWA increased to 10.5% *versus* 10% previously) and in the rate of return on capital (lowered to 2% from 3% previously).

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

4.3.3 Income statement by sector[1]

	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate Center		Groupe BPCE	
in millions of euros	**2017**	**2016 pf**	**2017**	**2016 pf**	**2017**	**2016 pf**	**2017**	**2016 pf**	**2017**	**2016**
Net banking income	16,673	16,948	3,113	2,718	3,581	3,270	352	1,222	23,720	24,158
Operating expenses	(11,491)	(11,360)	(2,178)	(1,981)	(2,194)	(2,046)	(1,236)	(1,286)	(17,099)	(16,673)
Gross operating income	**5,183**	**5,588**	**936**	**737**	**1,387**	**1,224**	**(884)**	**(64)**	**6,621**	**7,485**
Cost/income ratio	68.9%	67.0%	69.9%	72.9%	61.3%	62.6%	ns	ns	72.1%	69.0%
Cost of Risk	(1,106)	(1,220)	0	1	(115)	(195)	(163)	(8)	(1,384)	(1,423)
Share in income of equity-accounted associates	49	48	1	(9)	10	14	216	206	276	259
Gains or losses on other assets	(29)	68	13	30	18	0	86	105	88	203
Change in the value of goodwill							(85)	(154)	(85)	(154)
Income before tax	**4,096**	**4,484**	**950**	**759**	**1,300**	**1,043**	**(831)**	**85**	**5,516**	**6,370**
Income tax	(1,334)	(1,453)	(329)	(261)	(380)	(322)	232	154	(1,811)	(1,882)
Non-controlling interests	(136)	(165)	(276)	(187)	(269)	(207)	1	59	(681)	(500)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,626**	**2,867**	**345**	**310**	**651**	**513**	**(598)**	**298**	**3,024**	**3,988**

Net banking income for the Group's three business divisions improved slightly by 1.9% compared to 2016, reflecting solid performances by Asset Management and Corporate & Investment Banking coupled with resilient earnings by Retail Banking and Insurance despite the low interest rate environment. The relative contribution of Retail Banking and Insurance to net banking income, as compared to the contribution of the Group business lines, was 71.4%, *versus* 13.3% for Asset & Wealth Management and 15.3% for Corporate & Investment Banking.

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(1) BPCE SA group's segment reporting for previous periods has been restated in line with the new sector breakdown and the restatements carried out by Natixis on the allocation of capital to the business lines and the rate of return on capital.

4.3.4 Retail Banking and Insurance

	Banque Populaire banks		Caisses d'Epargne		Specialized Financial Services		Insurance (Natixis)		Other networks		Retail Banking and Insurance		Change	
in millions of euros	**2017**	**2016**	**2017**	**2016**	**2017**	**2016 pf**	**2017**	**2016 pf**	**2017**	**2016**	**2017**	**2016**	**€m**	**%**
Net banking income	6,284	6,295	7,086	7,216	1,382	1,352	734	655	1,187	1,431	16,673	16,948	(274)	(1.6%)
Operating expenses	(4,418)	(4,363)	(4,788)	(4,800)	(939)	(885)	(439)	(378)	(907)	(933)	(11,491)	(11,360)	(131)	1.2%
Gross operating income	**1,866**	**1,932**	**2,298**	**2,415**	**443**	**466**	**295**	**277**	**280**	**497**	**5,183**	**5,588**	**(405)**	**(7.2%)**
Cost/income ratio	70.3%	69.3%	67.6%	66.5%	67.9%	65.5%	59.8%	57.6%	76.4%	65.2%	68.9%	67.0%	--	1.9 pt
Cost of Risk	(449)	(508)	(365)	(419)	(73)	(57)	0	0	(220)	(236)	(1,106)	(1,220)	114	(9.4%)
Share in income of equity-accounted associates	35	37	0	1	0	0	13	9	1	2	49	48	1	1.4%
Gains or losses on other assets	(9)	36	(4)	(5)	0	31	0	0	(17)	6	(29)	68	(97)	ns
INCOME BEFORE TAX	**1,443**	**1,497**	**1,930**	**1,992**	**371**	**440**	**308**	**287**	**44**	**268**	**4,096**	**4,484**	**(387)**	**(8.6%)**

Income before tax generated by the Retail Banking and Insurance division rose 8.6% on 2016, with a decrease in net interest income amid unsupportive interest rates, partially offset by a gain in fees and commissions and a strong contribution from prepayment penalty fees in the first half of 2017. Operating expenses were under control excluding transformation and restructuring costs, picking up slightly by 0.4% compared to 2016. Cost of risk came down 9.4% *versus* 2016, averaging 20 bp in 2017.

The Banque Populaire and Caisse d'Epargne networks accounted for 82% of the division's income before tax in 2017.

BANQUE POPULAIRE BANKS

The Banque Populaire network maintained robust sales activity as economic conditions improved in 2017, drawing on the expansion and continued sales of products to its customer base. The Banque Populaire banks posted +2.7% growth in its individual customer base (o/w +3.7% in customers using banking services) and a +1.1% increase in its professional customer base.

On-balance sheet deposits and savings driven by strong sales momentum: +8.5% (excluding centralized savings)

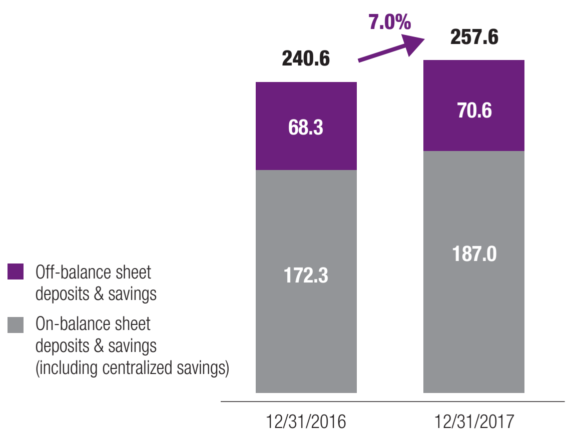
The Banque Populaire banks recorded substantial overall inflows in what remained a highly competitive market. On-balance sheet deposits and savings (excluding centralized savings) climbed 8.5% to €177.1 billion. Off-balance sheet deposits and savings amounted to €70.6 billion at end-2017 (+3.3%), propelled by a strong showing from life insurance (+3.3% to €47.6 billion in AuM).

Business was strong across all markets and major customer segments: deposit outstandings were up 5.0% in the individual customer segment and 9.3% in the professional, corporate and institutional customer segments.

Risk aversion steered individual customer investments into on-balance sheet deposits and savings. Growth was driven primarily by demand deposits (+10.1% to €25.7 billion at end-2017) and home savings (+5.9% to €20.2 billion). Passbook savings accounts posted global growth of 7.5%, *i.e.* +€3.4 billion year-on-year, led by ordinary passbook savings account deposits, up 11.3% to €23.4 billion in 2017, and Livret A and LDD passbook savings account outstandings, up 10.5% and 3.4%, respectively, to €11.4 billion and €8.6 billion at end-2017. Meanwhile, term deposits fell 23.6% to €2.4 billion.

Professional, corporate and institutional customers also made a robust contribution to the increase in on-balance sheet deposits and savings, primarily in terms of demand deposits (+21.8%, *i.e.* +€10.1 billion to €56.3 billion at end-2017), while term deposits fell 10.6% (*i.e.* -€2.8 billion).

CUSTOMER DEPOSITS AND SAVINGS
(IN BILLIONS OF EUROS)



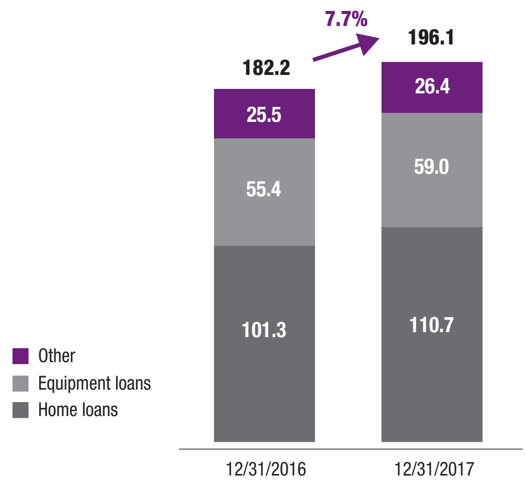
Loan outstandings rose +7.7% in an improving economic environment

The Banque Populaire banks consolidated their active role in financing the economy, with an annual increase of +7.7% in loan outstandings to €196.1 billion at end-2017.

Loan outstandings in the individual customer market were buoyed by robust growth in home loans (+9.3% to €110.7 billion), amid low interest rates which triggered demand, but also as a result of renegotiations of existing loans and purchases of loans from competitors. Consumer loans also contributed to the rise in total outstandings, with consumer loan outstandings recording double-digit growth of +11.6% to €9.2 billion at end-2017.

Loan outstandings (including leases) also improved in the professional, corporate and institutional customer segments, increasing 5.1% to nearly €75.7 billion by end-2017, driven by renewed momentum in short-term credit facilities (+13.7%) and equipment loans, which began climbing again in 2017 (+8.2% to €55.7 billion) on the back of dynamic new lending activity.

LOAN OUTSTANDINGS *(IN BILLIONS OF EUROS)*



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Financial results

The Banque Populaire network's net banking income totaled €6.3 billion in 2017, relatively stable compared to 2016.

			Change	
in millions of euros	**2017**	**2016**	**€m**	**%**
Net interest income	3,804	3,910	(106)	(2.7%)
Fees and commissions	2,609	2,453	156	6.4%
Other income and expenses	(129)	(68)	(61)	89.7%
NET BANKING INCOME	**6,284**	**6,295**	**(11)**	**(0.2%)**

Net interest income[1] came to €3.8 billion, down -€106 million year-on-year. Positive volume effects were not strong enough to offset the erosion in the intermediation margin, with the interest rate on loans declining more than the rate on savings.

Fees and commissions made a substantial gain of +6.4% (+€156 million) compared to 2016, driven by all categories. Fees on loans increased by +€73 million, largely due to prepayment penalty fees (+€30 million, +25.8% *versus* 2016), which nevertheless recorded a slowdown in the second half. Fees on off-balance sheet deposits and savings rose +€56 million or +16.9%, +10.7% of which was attributable to life insurance business. Fees on payment instruments shot up considerably (+€38 million, +10.8%) as the banking penetration rate increased. Account management fees improved (+€20 million, +1.9%) with the expansion of the customer base.

Other income and expenses fell -€61 million, in line with the development of Prépar Vie (BRED's life insurance business).

Operating expenses increased slightly compared to 2016 (-€55 million, +1.3%) to -€4.4 billion. Restated for transformation and restructuring costs, they inched up +0.7% on 2016 tp €4.3 billion. Transformation costs stemmed primarily from the creation of Banque Populaire Grand Ouest from the merger of Banque Populaire Atlantique, Banque Populaire Ouest and their subsidiaries.

Restated for non-recurring items, gross operating income slid -0.1% to €2 billion and the cost/income ratio increased 0.2 pt to 68.0% in fiscal year 2017.

Cost of risk declined -11.6% on 2016 to -€0.4 billion. Divided by loan outstandings, it stood at 23 bp in 2017, down -4.8 bp compared to 2016.

The Banque Populaire banks contributed €1.4 billion to the Retail Banking and Insurance division's income before tax, down -3.6% relative to 2016.

(1) Fees and commissions on centralized savings have been restated for net interest income and included in fees and commissions income.

CAISSES D'EPARGNE

The Caisses d'Epargne maintained dynamic business activity and remained highly involved in financing the French economy over the course of 2017 (€58.5 billion in loans granted). Their strategy is based on providing additional banking products and services to individual customers and gaining new corporate and professional customers. The number of principal active customers increased by +2.2%, active professional customers by +5.7% and active corporate customers by +15.5% in 2017.

Growth of +5.6% in on-balance sheet deposits & savings (excluding centralized deposits & savings)

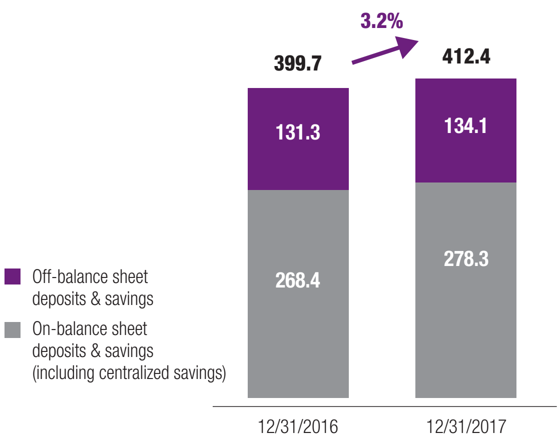
Despite the highly competitive savings market, the Caisses d'Epargne saw their on-balance sheet deposits and savings (excluding centralized savings) climb +5.6% (*i.e.* +€11.8 billion) on 2016 to €223.5 billion.

Growth in on-balance sheet deposits and savings was mainly led by demand deposits (+15.4%, *i.e.* +€9.2 billion). Passbook savings account deposits picked up +2.0% to €122.7 billion, with varying impacts depending on the market. The individual customers market posted net outflows of -€1 billion in these vehicles (-1.0%) in 2017, *versus* net inflows of +3.3 billion for professional, corporate and institutional customers market (+19.5%).

Amid record-low interest rates, some products continued to grow, especially home savings products, still favored by investors and recording +2.5% growth (+1.4 billion).

Off-balance sheet deposits and savings rose +2.1% to €134.1 billion, driven by growth in life insurance products in 2017 (+2.1%, *i.e.* +€2.6 billion).

CUSTOMER DEPOSITS AND SAVINGS *(IN BILLIONS OF EUROS)*



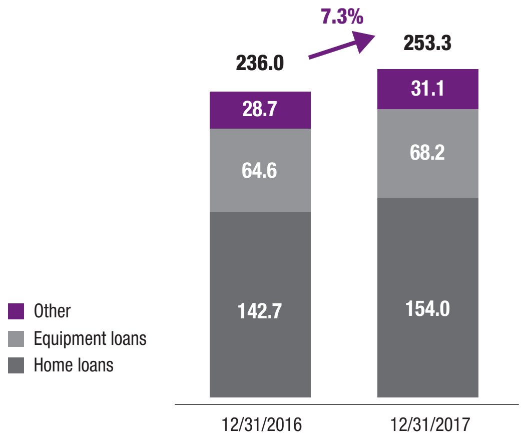
2017: another banner year for lending activity

The Caisse d'Epargne network was as committed as ever to its role in funding the economy and the regions, with robust growth in loan outstandings (+7.3% on 2016) to €253.3 billion.

Individual customer loan outstandings increased +8.0% on 2016 to €147.1 billion, driven by an upturn in home loans (+8.3%, *i.e.* +€10.0 billion), with activity boosted by low interest rates, resulting in another strong performance in outstandings in 2017 (€131.1 billion).

Loans to professional, corporate and institutional customers climbed +6.3% to €106.3 billion, largely consisting of equipment loans (+5.5% to €68.2 billion).

LOAN OUTSTANDINGS *(IN BILLIONS OF EUROS)*



Financial results

The Caisse d'Epargne network generated net banking income of €7.1 billion in 2017, down -1.8% compared to 2016.

			Change	
in millions of euros	**2017**	**2016**	**€m**	**%**
Net interest income	4,052	4,200	(148)	(3.5%)
Fees and commissions	3,088	2,990	98	3.3%
Other income and expenses	(54)	26	(80)	ns
NET BANKING INCOME	**7,086**	**7,216**	**(130)**	**(1.8%)**

Net interest income[1] fell -3.5% 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 2017. The increase in savings and loan volumes was not enough to offset the drop in the intermediation margin.

Fees and commissions were up +3.3% over the year, driven by positive momentum in fees charged on sales of new banking products and services, mainly on payment instruments (+€41 million, +10.7%) and off-balance sheet deposits and savings (life insurance +€11.4 million, +1.8%). Fees on loans increased by +63 million (+9.2%), largely owing to the combined effect of prepayment penalty fees (+€23.0 million, +12.3%) and payment protection insurance fees (+€26.6 million, +7.7%), buoyed by very robust lending activity.

Operating expenses dipped slightly by -0.3% to -€4.8 billion. Restated for transformation and restructuring costs, they slid -1.1% on 2016 to €4.7 billion. Transformation costs comprised set-up costs for creating Caisse d'Epargne Hauts de France from the merger of Caisse d'Epargne Nord-France-Europe and Caisse d'Epargne Picardie, and to a lesser extent the costs of consolidating overseas banks by Caisse d'Epargne Provence-Alpes and the merger costs already recorded on the upcoming merger of Caisse d'Epargne Lorraine Champagne-Ardenne and Caisse d'Epargne Alsace.

As a result, gross operating income (excluding non-recurring items) came to €2.4 billion in 2017, down -1.2% on 2016. The cost/income ratio held steady at 65.8%.

Cost of risk for the Caisses d'Epargne was down -13.0% to -€0.4 billion, and divided by loan outstandings hit a low of 15 bp in 2017 (vs. 18 bp in 2016).

The Caisses d'Epargne contributed €1.9 billion to the Retail Banking and Insurance division's income before tax in 2017, down -3.1% compared to 2016.

SPECIALIZED FINANCIAL SERVICES (SFS)

Specialized Financing posted solid momentum overall in 2017.

With €54.9 billion in factoring revenues in France, up 17%, the Factoring business line boasted market share of 18.5% at September 30, 2017.

Leasing developed its business with the Banque Populaire and Caisse d'Epargne networks. New business, half of which is in equipment leasing, was up 4% year-on-year.

Consumer Finance achieved record sales, up 9% over the year, 10% of which for personal loans and virtually stable for revolving loans.

After two outstanding years, sureties and guarantees maintained strong business volumes, with a very active loan guarantee market for retail customers, especially in the first half, amid low interest rates.

The Payments business was strong, particularly in electronic payment systems and service vouchers. Electronic payment systems continued to fare well, particularly in clearing transactions, which saw 10% growth. The Flows and Services business was more contrasted, with national check processing down and mass transaction processing on the rise. Service vouchers continued to do brisk business in 2017. Revenue in the Merchant Acquiring business increased a substantial 64% compared to 2016, on the back of the consolidation of Dalenys and PayPlug.

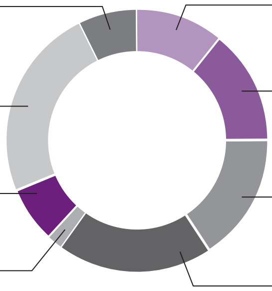
The Financial Services business remained strong.

Assets under management in Employee Benefits Planning continued to climb and posted annual growth of 11%.

Securities Services recorded a 2% increase in transaction volumes in 2017. The service offering to the networks continued to expand.

(1) Fees and commissions on centralized savings have been restated for net interest income and included in fees and commissions income.

BREAKDOWN OF 2017 SFS NET BANKING INCOME BY BUSINESS LINE



Net banking income totaled €1,382 million in 2017, up 2%. Specialized Financing revenues picked up by 3%. Sureties and Guarantees posted 5% NBI growth. Consumer Finance and Leasing gained 3% and 2% in NBI respectively, year-on-year. Revenues from the Payments business were up 2%, led by the consistently strong Electronic Banking and Service Vouchers business lines. Revenues from Financial Services excluding Payments were up 1%, with net banking income on Employee Benefits Planning up 3%.

At €939 million, SFS expenses were up 6% compared to 2016, a result largely owed to scope changes for the Payments and Leasing business lines.

Overall, gross operating income shed 5% to €443 million.

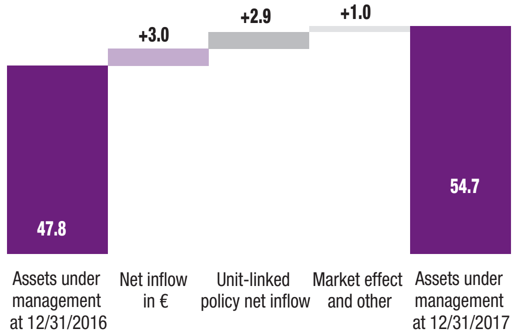
At €73 million, cost of risk increased mainly from collective provisions.

INSURANCE

In terms of business levels, sales momentum in all the Insurance segments was particularly dynamic in 2017.

With €9.5 billion in direct business premiums, life insurance inflows were up 59% compared to 2016, thanks to the roll-out on the market of life insurance and Provident Insurance on the Caisse d'Epargne network, 2017 being the first full year of distribution. In 2017 inflows were more directed at unit-linked assets, driven by the launch of the new Sélectiz range. Premiums on unit-linked assets totaled €3.3 billion (+160%) and made up 35% of total gross inflows, up 14 points year-on-year and 7 points higher than the market rate (late-November data).

CHANGE IN LIFE INSURANCE ASSETS UNDER MANAGEMENT *(IN BILLIONS OF EUROS)*



Premiums on Provident Insurance and Payment Protection Insurance (€820 million) continued to climb at a steady pace (+8%). In a competitive and evolving market dictated by digital innovations, non-life insurance grew at a rapid rate, stimulated by the positive impacts of the Hamon Act and the increase in real estate financing on the networks. The Banque Populaire banks and Caisse d'Epargne sold 1.3 million non-life insurance policies in 2017, an increase of 2.4% compared to 2016, buoyed by strong momentum in automotive (+3%), multi-risk home (+6%) and personal accident policies (+15%). The number of policies under management rose 5% to 5.6 million for the Banque Populaire and Caisse d'Epargne networks. Earned premiums increased by 8% to €1,386 million.

Net banking income in the Insurance business lines totaled €734 million, up 12.0% compared to 2016, resulting from:

- strong net banking income growth in life insurance, propelled by considerable growth in assets under management (up 15%), driven in turn by the roll-out of the offer on the Caisse d'Epargne network. Despite the persistently low interest rate environment in 2017, lower bond yields were offset through the diversification of investment sources (private placements or the direct funding of the economy);
- the stability of net banking income in Provident and Payment Protection insurance, as growth was offset by a less favorable claims expense compared to 2016;
- growth in Non-Life NBI (+13%), attributable to lower costs for extreme weather events in 2017 compared to 2016, an improvement in the past claims expense and fewer large claims in 2017 *versus* 2016. The combined ratio stood at 92.1%, a slight improvement on 2016.

Operating expenses were up 16.2% to €439 million, as the business developed and the strategic ambitions fell into place: in the Caisses d'Epargne, the deployment of the new life insurance range, the launch of strategic non-life insurance projects (overhaul of the claims information system) and the amortization of the Assurément#2016, Impulse and Paris Digitaux programs.

Gross operating income rose 6.4% to €295 million.

OTHER NETWORKS

Crédit Foncier group

The real estate market posted very solid growth in 2017, with some indicators even pointing to a record year. This performance was attributable to the residential real estate market (first-time home buying and rental investments) and the commercial real estate market (offices, stores, etc.). In such a fast-growing market, Crédit Foncier delivered very robust sales performances across all business lines and all customer bases (individual customers, investors, real estate professionals and local authorities). Crédit Foncier's new loans totaled €11.8 billion in 2017, including €8.8 billion in the individual customer segment.

Crédit Foncier group recorded a 31.0% year-on-year drop in net banking income, due in large part to prepayments brought on by low interest rates.

At €451 million, operating expenses decreased 8.7% year-on-year, illustrating the Group's ongoing cost management efforts, particularly aimed at bringing down payroll costs.

Cost of risk came to €81 million, representing a decline of 32.4% compared to 2016, primarily thanks to the improvement in risk associated with generations of loans recorded on the balance sheet since 2011; it should be noted that this improvement also includes a positive effect on the revaluation of guarantees and the impact of reduced cost of risk stemming from the sale of the non-performing loan portfolio in July 2017.

BPCE International and Banque Palatine

For BPCE International (BPCE I), gross operating income declined by -12.9% *versus* 2016 to €72 million, reflecting the slowdown in international business and non-recurring expenses generated by the disposal of Banque des Mascareignes, BM Madagascar and Sky Elite Tour. Its contribution to the division's net income was -€67 million *versus* -€4 million in 2016, due to the heavily adverse impact of higher cost of risk for the international subsidiaries and the projected loss on the sale of Banque des Mascareignes shares (-€19 million).

Lastly, Banque Palatine's contribution to the division's net income was stable at €49 million, attributable to a slight +0.3% rise in NBI (+€1 million) and a +14.3% improvement in cost of risk (+€7 million), offsetting the +3.2% upturn in operating expenses (-€6 million).

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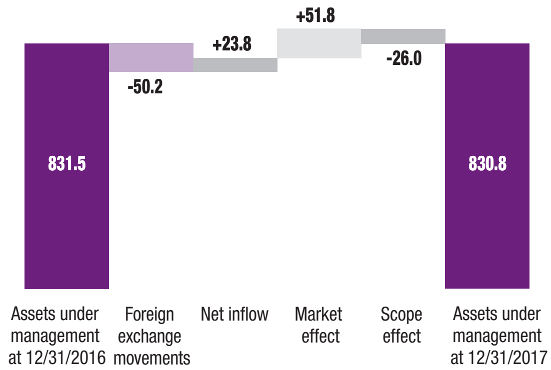
4.3.5 Asset & Wealth Management

	Asset & Wealth Management		Change	
in millions of euros	**2017**	**2016 pf**	**€m**	**%**
Net banking income	3,113	2,718	395	14.5%
Operating expenses	(2,178)	(1,981)	(196)	9.9%
Gross operating income	**936**	**737**	**198**	**26.9%**
Cost/income ratio	69.9%	72.9%		(2.9 pts)
Cost of Risk	0	1	0	(60.3%)
Share in income of equity-accounted associates	1	(9)	10	NS
Gains or losses on other assets	13	30	(17)	(56.4%)
Income before tax	**950**	**759**	**191**	**25.1%**

Asset management

Assets under management amounted to €830.8 billion at end-December 2017, which was stable at current exchange rates (+6% at constant exchange rates) relative to December 31, 2016, driven by inflows and a very positive market effect.

YEAR-ON-YEAR CHANGE IN ASSETS UNDER MANAGEMENT *(IN BILLIONS OF EUROS)*



The business line recorded net inflows of €23.8 billion over the period, €27.2 billion of which in long-term products, with positive net inflows across the regions:

- in the US, net inflows totaled €13.9 billion, boosted by Harris Associates in equity products, Loomis in bond products and, to a lesser extent, Alpha Simplex in alternative products;
- net inflows in Europe totaled €9.0 billion on the back of diversified products (NAM, H20, DNCA and Mirova), equities (DNCA, Mirova and Dorval) and bonds (H2O and DNCA), partially offset by outflows in life insurance and money market products (NAM).

At €820.1 billion, average assets under management were up 5.9% in 2017 compared to 2016 (at constant exchange rates).

The average rate of return on AuM was up 4.5% to 29.5 bp, i.e. 1.3 bp *high*er compared to December 31, 2016 at constant exchange rates. At December 31, 2017, AuM can be broken down as predominantly bond products (28.4%), followed by equity products (25.4%) and life insurance (21.5%).

At December 31, 2017, net banking income stood at €2,972 million, up 15% year-on-year, driven by higher fees on AuM across the regions due to the increase in average AuM and in the commission rate over the period, the rise in incentive fees charged by European asset management companies, and the increase in financial income.

Expenses stood at €2,034 million, up 10% compared to December 31, 2016 (+12% at constant exchange rates), the increase mainly attributable to the variable pay expenses of asset management companies in Europe and the US for the most part and, to a lesser extent, to fixed payroll costs linked to the increase in average headcount and pay raises.

Wealth Management

At December 31, 2017, Wealth Management posted net inflows of €1.4 billion, driven essentially by the strong performance in international wealth management and the private banking services provided by the networks. Assets under management stood at €31.6 billion, up 9.0% year-on-year.

In 2017, Wealth Management NBI rose €6 million to €142 million (+4%) compared to 2016, representing a €19.2 million increase (+15%) excluding the scope effect and non-recurring items. The increase in net banking income was underpinned by a high level of incentive fees in 2017, after zero fees were recorded in 2016, successful structured products campaigns and other drivers, as well as the increase in fees on assets connected to the business.

4.3.6 Corporate & Investment Banking

	Corporate & Investment Banking		Change	
in millions of euros	**2017**	**2016 pf**	**€m**	**%**
Net banking income	3,581	3,270	311	9.5%
Operating expenses	(2,194)	(2,046)	(148)	7.3%
Gross operating income	**1,387**	**1,224**	**163**	**13.3%**
Cost/income ratio	61.3%	62.6%		(1.3 pt)
Cost of Risk	(115)	(195)	80	(41.1%)
Share in income of equity-accounted associates	10	14	(3)	(24.5%)
Gains or losses on other assets	18	0	18	ns
Income before tax	**1,300**	**1,043**	**258**	**24.7%**

Preliminary remark: this section on CIB includes Cash & Collateral Management.

In 2017, Corporate & Investment Banking NBI totaled €3,581 million, up 9.5% compared to 2016 at current exchange rates.

Revenues from the Capital Market business line (excluding cash) totaled €1,781 million in 2017, up 6.0% compared to 2016 at constant exchange rates. At €1,177 million, revenues from Fixed Income, Forex, Credit and Commodities activities climbed +4.2% on 2016. The following changes were observed in each segment:

- fixed Income and Forex revenues were down 2.4% to €487 million, with Fixed Income business up 7.1% to €371 million thanks to very strong sales momentum in Asia in particular, while Forex business was down 24.1% to €116 million. Weaker currency volatility in 2017, compared to 2016 which was fraught with deep uncertainty surrounding Brexit and the US elections at the end of the year, reduced flow volumes;

- credit revenues were up 10.2% compared to 2016 to €297 million. The business recorded continued growth in securitization activities, in both Europe and the US, as the roll-out of these activities in Asia continued;
- revenues from Repo activities were up +19.1% to €218 million compared to 2016, powered by strong business in both France and the US, and taking into account increased revenues from the solutions range.

Acquisition & Strategic Finance revenues experienced growth thanks to auspicious market conditions in the Leverage Finance and Sponsor Finance sectors.

At €599 million, Equities revenues grew by 18.0% year-on-year at constant exchange rates, buoyed by Equity Derivatives and the Solutions activities rounding out and rolling out its offering abroad, including Equity Finance.

At €1,328 million, revenues in Global Finance including GTB (Global Transaction Banking) increased 4.9% compared to 2016 at constant exchange rates.

In origination, new business increased by 4.0% *versus* 2016 and was particularly dynamic in structured financing, especially in real estate financing in the US. Origination revenues rose compared to 2016, as significant fees and commissions were recorded for the period in the infrastructure, aviation and real estate financing segments. Commodities Trade Finance remained strong in 2017, boosted by an increase in drawdown amid more supportive oil price conditions compard to 2016.

Revenues from Investment Banking including M&A activities were up 27.9% at constant exchange rates compared to 2016 for cumulative revenues of €362 million. Excluding the scope effect for the consolidation of US subsidiary Peter J. Solomon Company (PJSC) revenues since the end of the second quarter of 2016, revenues posted a 18.8% increase during the period. The Investment Banking business line also benefited from: strong growth in Acquisition & Strategic Finance, with 50% of revenues recognized under Investment Banking; dynamic trade on the equity capital markets in the first half of 2017 when European banks carried out several capital increases; and robust M&A activity, driven by Natixis Partners France and Spain.

In 2017, Corporate & Investment Banking's expenses totaled €2,194 million, up 7.3% compared to 2016 at constant exchange rates.

Gross operating income amounted to €1,387 million, up 13.3% compared to 2016. The cost/income ratio was 61.3% in 2017, up 1.3 points *versus* 2016 (62.6%).

At €115 million, cost of risk fell 41.1% compared to 2016, which recorded higher provisions on oil sector exposures due to the sharp decline in the price per barrel that lasted until early 2016.

4

4.3.7 Corporate Center

	Corporate Center		Change	
in millions of euros	**2017**	**2016 pf**	**€m**	**%**
Net banking income	352	1,222	(870)	(71.2%)
Operating expenses	(1,236)	(1,286)	50	(3.9%)
Gross operating income	**(884)**	**(64)**	**(820)**	**ns**
Cost/income ratio	ns	ns	--	
Cost of Risk	(163)	(8)	(155)	ns
Share in income of equity-accounted associates	216	206	10	4.9%
Gains or losses on other assets	86	105	(19)	(17.9%)
Income before tax	**(831)**	**85**	**(915)**	**ns**

The Corporate Center generated income before tax of -€831 million in 2017, *versus* 85 million in 2016, which included the capital gain of €831 million on the sale of Visa Europe shares. This figure included the following activities and items in 2017:

- Natixis' equity interests, primarily including Coface. The Corporate Center's annual revenue came to €1.4 billion, down 4% on 2016, in line with the 4% decline in trade credit insurance and 2% gain in factoring. Coface's loss ratio net of reinsurance was 51.4% compared to 65.5% in 2016, *i.e.* an improvement of 14.1 points thanks to the efficiency of claims expense management plans and an improved economic climate. It should also be noted that Natixis Private Equity continued its withdrawal strategy and that the disposal of Corporate Data Solutions entities was completed in mid-2017;
- the sale of the Caceis holding by Natixis in the last quarter of 2017, which generated a capital gain of €74 million;
- the contribution of €207 million by CNP Assurances, up 7.1% year-on-year or €14 million;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund of -€260 million, in operating expenses, *i.e.* a -€30 million increase on 2016;

- the -€91 million impact of the disposals of international workout portfolio assets, and of asset impairments (-€85 million), on income before tax;
- finally, the Corporate Center included the contributions of the Group's central institution, BPCE SA group, and Natixis, income from private equity activities and from various other investment companies, central resource or support companies, and property management companies.

4.3.8 Analysis of the Groupe BPCE consolidated balance sheet

in billions of euros	12/31/2017	12/31/2016	Change	
			€bn	%
Cash and amounts due from central banks	94.7	83.9	10.8	12.8%
Financial assets at fair value through profit or loss	169.8	173.2	(3.4)	(2.0%)
Hedging derivatives	9.8	14.8	(5.0)	(33.9%)
Available-for-sale financial assets	104.7	100.2	4.5	4.5%
Loans and receivables due from credit institutions	92.1	96.7	(4.6)	(4.8%)
Loans and receivables due from customers	693.1	666.9	26.2	3.9%
Revaluation differences on interest rate risk-hedged portfolios	5.8	7.9	(2.1)	(26.7%)
Held-to-maturity financial assets	7.8	9.5	(1.6)	(17.4%)
Current and deferred tax assets and other assets	70.1	70.2	(0.1)	(0.1%)
Fixed assets	7.6	7.6	0.1	0.8%
Goodwill	4.3	4.4	(0.1)	(2.1%)
ASSETS	**1,259.9**	**1,235.2**	**24.6**	**2.0%**
Amount due to central banks	0.0	0.0	0.0	ns
Financial liabilities at fair value through profit or loss	135.9	133.4	2.5	1.9%
Hedging derivatives	14.7	19.8	(5.1)	(25.6%)
Amounts due to credit institutions	92.1	87.2	5.0	5.7%
Amounts due to customers	569.9	531.8	38.1	7.2%
Debt securities	217.0	232.4	(15.4)	(6.6%)
Revaluation differences on interest rate risk-hedged portfolios	0.4	0.7	(0.3)	(44.0%)
Current and deferred tax liabilities and other liabilities	51.1	58.5	(7.3)	(12.5%)
Technical reserves of insurance companies	83.7	75.8	7.9	10.4%
Provisions	6.4	6.5	(0.1)	(1.6%)
Subordinated debt	17.4	20.1	(2.7)	(13.5%)
Equity attributable to equity holders of the parent	**64.0**	**61.5**	**2.6**	**4.2%**
Non-controlling interests	7.2	7.7	(0.5)	(6.5%)
LIABILITIES	**1,259.9**	**1,235.2**	**24.6**	**2.0%**

At December 31, 2017, the consolidated balance sheet of Groupe BPCE totaled €1,259.9 billion, up 2.0% compared with December 31, 2016. The return on assets stood at 29 bp in 2017.

CHANGES IN SIGNIFICANT ASSET ITEMS

The main asset items are loans and receivables due from customers (55.0% of total assets at December 31, 2017) and credit institutions (7.3%), financial assets at fair value through profit or loss (13.5%), and available-for-sale financial assets (8.3%). Taken together, these items account for nearly 84.1% 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.

Total financial instruments measured at fair value through profit or loss decreased by €3.4 billion compared to December 31, 2016, due to:

- an increase in the variable-income securities portfolio (+€9.8 billion);
- a decline in securities purchased under resale agreements (-€5.9 billion) and trading derivatives (-€5.7 billion);
- and, to a lesser extent, the shrinking of the fixed-income securities portfolio (-€1.0 billion), largely owing to interbank market securities (-€1.3 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 €104.7 billion at December 31, 2017 *versus* €100.2 billion at end-2016. This €4.5 billion increase was attributable to the rise in fixed income securities (+€3.2 billion).

Provisions on available-for-sale financial assets fell slightly (€1.2 billion at December 31, 2017 *versus* €1.3 billion at December 31, 2016).

Loans and receivables due from credit institutions

Loans and receivables due from banks (net of provisions) amounted to €92.1 billion at December 31, 2017, down by €4.6 billion *versus* December 31, 2016. They consisted of current accounts, loans to credit institutions and repurchase agreements. Non-performing loan outstandings and recognized impairments were relatively stable over the period.

Loans and receivables due from customers

Loans and receivables due from customers comprise current accounts with overdrafts, customer loans, repurchase agreements and finance leases.

Net outstanding loans and receivables due from customers totaled €693.1 billion, up €26.2 billion year-on-year (+3.9%), thanks in large part to the resilience of Group business lines and particulary Retail Banking and Insurance. This performance can be attributed to the Caisses d'Epargne network for +€15.6 billion and the Banque Populaire network for +€11.4 billion.

This momentum was mainly propelled by home loans (+19.8 billion, up 6.5%), but also by equipment loans (+€4.7 billion) and short-term credit facilities (+€4.3 billion). The momentum of commercial activity was barely affected by the Group's withdrawal from certain activities. Securities classified as loans and receivables posted a decline of €6.4 billion, mainly recorded by BPCE SA (-€1.5 billion) owing to disposals and the amortization of the RMBS portfolio, by Crédit Foncier (-€1.4 billion) due to the downsizing of the international portfolio, and lastly by Natixis (-€3.3 billion).

Non-performing loans accounted for 3.3% of gross loan outstandings at December 31, 2017, representing a slight decrease compared to December 31, 2016, while recognized impairment (including collective impairment) amounted to €11.8 billion.

CHANGES IN SIGNIFICANT LIABILITY AND EQUITY ITEMS

At December 31, 2017, nearly 85.6% of all balance sheet liabilities consisted of:

- amounts due to customers (45.2%) and credit institutions (7.3%);
- debt securities (17.2%);
- financial liabilities at fair value through profit or loss (10.8%);
- equity attributable to equity holders of the parent (5.1%).

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 on the income statement. At December 31, 2017, these liabilities amounted to €135.9 billion, up by €2.5 billion (+1.9%) over the period. This change resulted from the increase in securities sold short (+3.1 billion), debt securities (+€1.7 billion) and other financial liabilities (+€1.8 billion). Conversely, this rise was offset by the decrease in trading derivatives (-€3.0 billion), primarily recorded on forward transactions (-€8.3 billion).

Amounts due to credit institutions

The "Amounts due to credit institutions" line consists mainly of borrowings and to a lesser extent current accounts and repurchase agreements. It amounted to €92.1 billion, up +5.7% (€5.0 billion) year-on-year, including a €7.0 billion increase in borrowings that was partially offset by the decline in demand deposits by credit institutions (-€2.5 billion).

Amounts due to customers

Amounts due to customers mainly comprise current accounts in credit, term accounts, savings accounts and repurchase agreements. This line totaled €569.9 billion at December 31, 2017, up €38.1 billion compared to December 31, 2016 largely owing to:

- a sharp rise in current accounts with credit balances (+€21.5 billion);

- a decline in current accounts and term accounts (-€2.3 billion);
- higher investments in regulated savings accounts (+€8.4 billion), powered by a strong performance in home savings plans (+€2.6 billion) and passbook savings account inflows (+€6.0 billion);
- an increase in securities sold under repurchase agreements (+€10.5 billion).

Debt securities

Debt securities predominantly consist of negotiable debt securities and bonds, which amounted to €217.0 billion at December 31, 2017. The €15.4 billion decrease over the period can be attributed to bonds (-€16.9 billion), adversely affected by upward pressure on key rates.

Shareholders's equity

Equity attributable to equity holders of the parent totaled €64.0 billion at December 31, 2017 compared to €61.5 billion at December 31, 2016. This increase resulted from:

- net income for the period: +€3.0 billion;
- the change in capital: +€1.6 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 2017, 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	2017
GROUPE BPCE NET INCOME	**3,024**
Entities not consolidated or consolidated under a different method[1]	(2,198)
Other items	19
BPCE SA GROUP NET INCOME	**845**

(1) *Including the Banque Populaire banks, the Caisses d'Epargne and their consolidated subsidiaries.*

The Group generated net income attributable to equity holders of the parent of €845 million in 2017, down €819 million compared to 2016 (pro forma), which set a comparison base of +€797 million linked to the acquisition of Visa Europe by Visa Inc. on June 21, 2016.

	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate Center		BPCE SA group	
in millions of euros	2017	2016 pf	2017	2016 pf	2017	2016 pf	2017	2016 pf	2017	2016
Net banking income	3,303	3,448	3,113	2,718	3,581	3,270	501	1,344	10,499	10,781
Operating expenses	(2,284)	(2,199)	(2,178)	(1,981)	(2,194)	(2,046)	(1,485)	(1,479)	(8,141)	(7,705)
Gross operating income	**1,019**	**1,249**	**936**	**737**	**1,387**	**1,224**	**(984)**	**(135)**	**2,358**	**3,076**
Cost/income ratio	69.1%	63.8%	69.9%	72.9%	61.3%	62.6%	ns	ns	77.5%	71.5%
Cost of Risk	(292)	(294)	0	1	(115)	(195)	(104)	(20)	(511)	(508)
Share in income of equity-accounted associates	14	16	1	(9)	10	14	216	181	241	202
Gains or losses on other assets	(15)	35	13	30	18	0	89	105	104	170
Change in the value of goodwill							(66)	(117)	(66)	(117)
Income before tax	**725**	**1,006**	**950**	**759**	**1,300**	**1,043**	**(849)**	**15**	**2,126**	**2,823**
Income tax	(231)	(355)	(329)	(261)	(380)	(322)	329	274	(611)	(665)
Non-controlling interests	(130)	(159)	(276)	(187)	(269)	(207)	6	59	(670)	(494)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**364**	**492**	**345**	**310**	**651**	**513**	**(514)**	**348**	**845**	**1,664**

Retail Banking and Insurance recorded a -€129 million decline in net income attributable to equity holders of the parent *versus* 2016 (pro forma), reflecting a business downturn at Crédit Foncier and BPCE International.

With income of €345 million, the Asset & Wealth Management division posted a 11.1% year-on-year gain on a pro forma basis, driven by higher fees on AuM due to the increase in average AuM and in the commission rate over the period, the rise in incentive fees charged by European asset management companies, and the increase in interest income.

Corporate & Investment Banking earned income of €651 million, up 26.8% compared to 2016 (pro forma), buoyed by positive market conditions and strong performance in all business lines.

In addition to the contribution of the Group's central institution, BPCE SA, and Natixis, the Corporate Center's net income attributable to equity holders of the parent included a -€150 million contribution to the Single Resolution Fund, disposals of international workout portfolio assets amounting to -€60 million, and asset impairments of -€66 million.

4.4.2 Analysis of the consolidated balance sheet of BPCE SA group

in billions of euros	12/31/2017	12/31/2016	Change €bn	Change %
Cash and amounts due from central banks	82.7	72.0	10.7	14.8%
Financial assets at fair value through profit or loss	167.0	171.2	(4.1)	(2.4%)
Hedging derivatives	8.6	13.2	(4.6)	(34.8%)
Available-for-sale financial assets	65.2	60.9	4.2	7.0%
Loans and receivables due from credit institutions	121.6	123.3	(1.7)	(1.4%)
Loans and receivables due from customers	241.3	247.8	(6.4)	(2.6%)
Revaluation differences on interest rate risk-hedged portfolios	5.1	6.7	(1.6)	(24.0%)
Held-to-maturity financial assets	2.1	3.0	(0.9)	(30.0%)
Current and deferred tax assets and other assets	59.1	60.1	(0.9)	(1.5%)
Fixed assets	3.1	3.1	0.1	1.8%
Goodwill	3.7	3.8	(0.1)	(2.0%)
ASSETS	**759.6**	**765.1**	**(5.4)**	**(0.7%)**
Amount due to central banks	0.0	0.0	0.0	ns
Financial liabilities at fair value through profit or loss	138.5	136.5	2.0	1.5%
Hedging derivatives	10.0	13.8	(3.8)	(27.5%)
Amounts due to credit institutions	122.1	113.7	8.4	7.4%
Amounts due to customers	116.0	103.9	12.1	11.6%
Debt securities	205.9	223.7	(17.8)	(8.0%)
Revaluation differences on interest rate risk-hedged portfolios	0.3	0.5	(0.2)	(43.3%)
Current and deferred tax liabilities and other liabilities	44.5	52.9	(8.5)	(16.0%)
Technical reserves of insurance companies	76.6	68.8	7.8	11.3%
Provisions	2.8	3.0	(0.2)	(6.8%)
Subordinated debt	17.0	20.4	(3.3)	(16.4%)
Equity attributable to equity holders of the parent	**18.9**	**20.2**	**(1.3)**	**(6.6%)**
Non-controlling interests	7.0	7.6	(0.5)	(7.2%)
LIABILITIES	**759.6**	**765.1**	**(5.4)**	**(0.7%)**

At December 31, 2017, the consolidated balance sheet of BPCE SA group totaled €759.6 billion, down 0.7% compared with December 31, 2016.

The balance sheet was stable over the year, concealing the disparity between the gain in cash and amounts due from central banks (+€10.7 billion) and available-for-sale financial assets (+4.2 billion), and the decline in financial assets at fair value through profit or loss (-€4.1 billion), hedging derivatives (-€4.6 billion) and loans and receivables due from customers (-€6.4 billion).

Equity attributable to equity holders of the parent totaled €18.9 billion at December 31, 2017, representing a decline compared to December 31, 2016. The change over the period notably included net income for the year, *i.e.* +€0.8 billion.

4.5 Investments

4.5.1 In 2017

BPCE made no material investments (*i.e.* investments of more than €1 billion requiring the approval of the qualified majority of the Supervisory Board) during fiscal year 2017.

4.5.2 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.

4.5.3 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.

4.6 Post-balance sheet events

On February 20, 2018, the Group announced the signing of an agreement on the disposal of 100% of the capital in Banque des Mascareignes to Banque Centrale Populaire and Sipromad groups.

The agreement covers the sale by BPCE International of Banque des Mascareignes, a bank located in Mauritius, and its subsidiary in Madagascar (Banque des Mascareignes Madagascar), to the Moroccan cooperative group Banque Centrale Populaire and its strategic partner in the region, Madagascan conglomerate Sipromad, a long-standing shareholder in the Madagascan subsidiary.

The completion of the sale is subject to the usual conditions precedent for this type of transaction, including in particular the approval of the regulatory authorities in Mauritius, Madagascar and Morocco. It should be finalized by the end of the first-half 2018.

This sale is part of the Group's strategy of refocusing on priority development sectors and regions.

4.7 Outlook for Groupe BPCE

Forecasts for 2018: persistently robust French growth

Global growth is expected to be reasonably dynamic yet again in 2018 at 3.7% year-on-year, meaning the likely slowdown in economic activity will be pushed back to 2019. In addition to the continued possibility of a sharper slowdown in the Chinese economy, one potential cause is the growing and unexpected risk of renewed tensions affecting prices and wage costs over the year, especially in the United States, stemming from pressure on production factors and substantial volumes of global liquidity. In the generally accepted scenario, however, there will be an ongoing synchronized economic improvement between the world's major economic regions, in principle with no real surge in inflation given that the mutual economic support process is expected to carry over from 2017 and grow stronger in 2018. This improvement is set to benefit significantly from the business investment cycle in the US and the euro zone, driven by persistently positive corporate financial positions. It should also get a helping hand from 1) the extension of economic stimulus policies, with monetary normalization likely to remain very gradual and cautious on both sides of the Atlantic, barring an unexpected inflationary spike, 2) the implementation of an admittedly less ambitious-than-announced US tax reform, though set to launch at the peak of the cycle with a relatively inflationary impact as a result; and 3) a neutral-to-accommodative fiscal policy in the main euro zone countries.

Also, oil prices are projected to stabilize at around $60 per barrel (Brent crude) in the second half, after climbing at the top of the year. Barring any geopolitical surprises, upward pressures should be kept in check by US unconventional shale oil production, poised to pick up sharply by June 2018 amid persistently high reserves (though on the decline).

With French business climate indicators restored to their 2000 and 2007 highs, France is all set to take part in this positive overall trend, maintaining roughly the same GDP growth as 2017 at around 1.8% over the year before slowing. Growth should continue to be fueled by robust global demand, and more importantly by relentlessly resilient business investment. After all, economic activity is likely to hit a wall of capacity constraints and supply problems, which in turn are liable to curb the recovery. Consumption is expected to provide slightly less modest economic support than in 2017, thanks to the relative decline in the savings rate. Purchasing power is in for a weaker improvement in 2018 (1.1% over the year) compared to 2017 (1.4%), due to the adverse calendar effects of tax measures during the winter and the rise (albeit modest) in inflation (1.3%). The unemployment rate is pegged to average 9.1% in 2018 *versus* 9.3% in 2017. The government still has many challenges ahead, calling for cleaner public finances and restored competitiveness.

The Fed and the ECB are still afraid of destabilizing the bond markets, primarily to avoid penalizing institutional investors and public finances. The Fed is expected to cautiously move forward with the monetary normalization process already under way, while reducing its balance sheet size and raising the fed funds rate at least three times by 25 bp per quarter, given the as-yet modest increase in inflation, falling unemployment and the adoption of a more lenient fiscal policy by the Trump administration. Similarly, the ECB will be tapering its bond purchases from January until at least end-September 2018, without tightening its policy rates before 2019, as price rises (1.6%) are holding below the 2% target for now. Without any tangible signs of wage acceleration, long rates should slowly make their way back up, keeping pace with very gradual monetary tightening and improved economic activity. Aside from the probable risk of volatility triggered by contagion with US yields, the 10-year OAT has the potential to hit a shade over 1.2% by end-2018, *versus* an annual average of 0.8% in 2017.

Outlook for the Group and its business lines

The Group will continue implementing the transformation plan in 2018, as presented in February 2017, in addition to the TEC 2020 strategic plan announced on November 29, 2017, with three priorities:

- seizing the opportunities presented by the digital transformation to simplify and personalize the bank's products, services and tools, make customers more independent, generate new revenues and gain efficiency;
- making commitments:
  - to customers: by differentiating the Group over the long term and creating value for customers through the implementation of cross-business expertise in its strongest sectors,
  - to cooperative shareholders: by furthering its commitments to society and funding the French economy, in a spirit of responsibility and green growth reflected in the development of responsible savings inflows, the funding of the energy transition, and the reduction of the Group's carbon footprint,
  - to employees: by keeping its promise as an employer to develop employability, simplify the employee experience and promote diversity by attracting and retaining top talent;
- setting ambitious growth targets for our business lines:
  - Banque Populaire: by developing the affinity model, particularly in the civil service sector,
  - Caisse d'Epargne: by serving all customer segments while tailoring the sales approach to fit their profile,
  - Crédit Foncier: by further integrating its activities into the Group,
  - Banque Palatine: by developing private banking activities while migrating to a shared IT platform,
  - Fidor: by launching the new-generating European banking community,
  - Specialized Financial Services: by boosting market share in all business lines,
  - Insurance: by consolidating our position as a top-tier insurer in France,
  - Asset & Wealth Management: by confirming our position as a world leader in active investment strategies thanks to our size, profitability and capacity for innovation,
  - Corporate & Investment Banking: by becoming a leading bank in four key sectors: Energy and Commodities, Infrastructure, Aviation, Real Estate & Hospitality.

DEFINITIONS AND CLARIFICATIONS ON METHODOLOGY

Pro forma 2016 segment reporting

Segment reporting was modified in 2017, in accordance with the presentation of the business lines in the 2018-2020 strategic plan.

Retail Banking and Insurance now includes the Banque Populaire and Caisse d'Epargne networks, Natixis' Specialized Financial Services division and Insurance business line (life insurance, provident insurance, payment protection insurance and non-life insurance), and Other networks (Crédit Foncier, Banque Palatine and BPCE International). Natixis' Insurance business line was previously part of the Investment Solutions division. The SFS division includes Specialized Financing (factoring, sureties and financial guarantees, consumer finance) and Financial Services (payments, employee benefits planning, and securities services), which serve and are central to the development of the Group networks.

The Investment Solutions division is now the Asset & Wealth Management division.

The non-controlling interest in CNP Assurances, consolidated using the equity method, previously belonged to the Commercial Banking and Insurance division and was transferred to the Corporate Center.

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 deposits and savings (Livret A, LDD, LEL) and the change in the home savings provision. Net interest on centralized deposits and savings is recorded under fees and commissions.

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 of property, plant and equipment and intangible assets."

Cost of risk

Cost of risk is expressed in basis points and measures the level of risk by business division, as a percent of the volume of loan outstandings. It is calculated by dividing the net allowance for credit risk over the period by gross customer loan outstandings at the start of the period.

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.

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.

Additional Tier 1 capital includes subordinated debt issues which have become ineligible for deferred tax assets, capped at the phase-out rate in force.

The leverage ratio is calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014, without phase-in arrangements. Securities financing operations carried out with clearing houses are offset on the basis of the criteria set forth in IAS 32, without consideration of maturity and currency criteria. Deposits centralized with Caisse des Dépôts et Consignations were included in total leverage exposure as of Q1 2016.

Total Loss Absorption Capacity

The amount of liabilities eligible for the TLAC numerator is determined in accordance with our interpretation of the FSB term sheet published on November 9, 2015, "Principles on Loss-Absorbing and Recapalisation Capacity of G-SIBs in Resolution."

This amount comprises the following four items:

- Common Equity Tier 1 capital, in compliance with applicable CRR/CRD IV rules;
- Additional Tier 1 capital, in compliance with applicable CRR/CRD IV rules;
- Tier 2 capital, in compliance with applicable CRR/CRD IV rules;
- subordinated debt not recognized in the above categories, with a residual maturity of more than 1 year, *i.e.:* the share of AT1 instruments not recognized in capital (*i.e.* subject to phase-out); the share of the prudential discount on Tier 2 instruments with a residual maturity of more than 1 year; the nominal amount of senior non preferred debt with a maturity of more than 1 year; eligible amounts vary somewhat from the amounts included in the numerator of solvency ratios; these eligible amounts are determined in accordance with the principles of the FSB term sheet of November 9, 2015.

Liquidity

Total liquidity reserves include:

- central bank-eligible assets: ECB-eligible securities not eligible for the LCR, taken for their ECB valuation (after ECB haircut), securities held (securitization and covered bonds) that are available and ECB-eligible, taken for their ECB valuation (after ECB haircut) and private debt available and eligible for central bank funding (ECB and Federal Reserve), net of central bank funding;
- LCR eligible assets comprising the Group's LCR reserve taken for their LCR valuation;
- liquid assets placed with central banks (ECB and the Federal Reserve), net of US MMF (Money Market Funds) deposits, plus fiat money.

Short-term funding comprises funding with an initial maturity of less than or equal to 1 year, and the short-term maturities of medium-/long-term debt comprise debt with an initial maturity of more than 1 year maturing within the next 12 months.

5 FINANCIAL REPORT

5.1 IFRS Consolidated Financial Statements of Groupe BPCE as at December 31, 2017

5.1.1 Consolidated balance sheet

ASSETS

in millions of euros	*Notes*	**12/31/2017**	**12/31/2016**
Cash and amounts due from central banks	*5.1*	94,702	83,919
Financial assets at fair value through profit or loss	*5.2.1*	169,768	173,161
Hedging derivatives	*5.3*	9,809	14,842
Available-for-sale financial assets	*5.4*	104,669	100,157
Loans and receivables due from credit institutions	*5.6.1*	92,061	96,664
Loans and receivables due from customers	*5.6.2*	693,128	666,898
Revaluation differences on interest rate risk-hedged portfolios		5,805	7,925
Held-to-maturity financial assets	*5.7*	7,834	9,483
Current tax assets		1,470	501
Deferred tax assets	*5.9*	3,081	4,097
Accrued income and other assets	*5.1*	60,290	60,795
Non-current assets held for sale	*5.11*	1,195	947
Investments in associates	*8.1*	4,112	3,891
Investment property	*5.12*	1,994	1,980
Property, plant and equipment	*5.13*	4,461	4,510
Intangible assets	*5.13*	1,167	1,073
Goodwill	*5.14*	4,304	4,397
TOTAL ASSETS		**1,259,850**	**1,235,240**

LIABILITIES

in millions of euros	*Notes*	12/31/2017	12/31/2016
Financial liabilities at fair value through profit or loss	*5.2.2*	135,917	133,436
Hedging derivatives	*5.3*	14,725	19,787
Amounts due to credit institutions	*5.15.1*	92,145	87,192
Amounts due to customers	*5.15.2*	569,879	531,778
Debt securities	*5.16*	216,957	232,351
Revaluation differences on interest rate risk-hedged portfolios		367	655
Current tax liabilities		311	325
Deferred tax liabilities	*5.9*	687	781
Accrued expenses and other liabilities	*5.17*	49,431	56,550
Liabilities associated with non-current assets held for sale	*5.11*	717	813
Technical reserves of insurance companies	*5.18*	83,711	75,816
Provisions	*5.19*	6,392	6,499
Subordinated debt	*5.20*	17,410	20,121
Equity		**71,201**	**69,136**
Equity attributable to equity holders of the parent		**64,029**	**61,462**
Share capital and additional paid-in capital	*5.21.1*	22,722	21,947
Retained earnings		36,884	33,802
Gains and losses recognized directly in other comprehensive income		1,399	1,725
Net income for the period		3,024	3,988
Non-controlling interests	*5.22*	7,172	7,674
TOTAL LIABILITIES AND EQUITY		**1,259,850**	**1,235,240**

5.1.2 Consolidated income statement

in millions of euros	*Notes*	**Fiscal year 2017**	**Fiscal year 2016**
Interest and similar income	*6.1*	25,941	26,957
Interest and similar expenses	*6.1*	(15,709)	(16,053)
Commission income	*6.2*	11,588	10,952
Commission expenses	*6.2*	(2,137)	(2,171)
Net gains or losses on financial instruments at fair value through profit or loss	*6.3*	3,177	2,428
Net gains or losses on available-for-sale financial assets	*6.4*	803	1,367
Income from other activities	*6.5*	12,720	22,063
Expenses from other activities	*6.5*	(12,663)	(21,385)
Net banking income		**23,720**	**24,158**
Operating expenses	*6.6*	(16,248)	(15,820)
Depreciation, amortization and impairment for property, plant and equipment, and intangible assets		(851)	(853)
Gross operating income		**6,621**	**7,485**
Cost of risk	*6.7*	(1,384)	(1,423)
Operating income		**5,237**	**6,062**
Share in net income of associates	*8.2*	276	259
Gains or losses on other assets	*6.8*	88	203
Net income after tax from discontinued activities or activities in the process of being sold			
Change in the value of goodwill	*5.14*	(85)	(154)
Income before tax		**5,516**	**6,370**
Income tax	*6.9*	(1,811)	(1,882)
Net income		**3,705**	**4,488**
Non-controlling interests	*5.22*	(681)	(500)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,024**	**3,988**

5.1.3 Comprehensive income

in millions of euros	Fiscal year 2017	Fiscal year 2016
Net income	**3,705**	**4,488**
Revaluation differences on defined-benefit pension schemes	50	(205)
Revaluation of own credit risk on financial liabilities at fair value through profit or loss[(1)]	(198)	(142)
Income taxes[(2)]	16	109
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	**(133)**	**(238)**
Foreign exchange rate adjustments	(699)	118
Change in the value of available-for-sale financial assets	28	(340)
Change in the value of hedging derivatives	153	134
Income taxes[(2)]	78	(114)
Share of gains and losses recognized directly in other comprehensive income of associates that can be reclassified in income	9	112
Items that can be reclassified in income	**(431)**	**(90)**
Gains and losses recognized directly in other comprehensive income (after income tax)	**(564)**	**(328)**
COMPREHENSIVE INCOME	**3,141**	**4,160**
Attributable to equity holders of the parent	2,693	3,583
Non-controlling interests	448	577

(1) The early application at January 1, 2016 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 2017 and booked in equity amounted to -€198 million, or -€148 million after tax (-€142 million, or -€93 million after tax for 2016). Fair value gains and losses attributable to own credit risk generated on the early redemption of securities over the period were transferred to consolidated reserves in the amount of €3 million (€8 million in 2016).

(2) In 2017, the French Finance Act for 2018 and the fiscal reform in the United States lowered tax rates, which allowed Groupe BPCE to revalue its net deferred tax position (see Note 5.9).

5.1.4 Statement of changes in equity

	Share capital and additional paid-in capital				
in millions of euros	Share capital(1)	Additional paid-in capital(1)	Preference shares	Perpetual deeply subordinated notes	Retained earnings
SHAREHOLDERS' EQUITY AT JANUARY 1, 2016	17,261	3,835		1,395	33,011
Distribution					(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(3)					(147)
Total activity arising from relations with shareholders	851			(165)	(339)
Gains and losses recognized directly in other comprehensive income(4)					
Net income for the period					
Comprehensive income					
Other changes	1	(1)			(100)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2016	18,113	3,834		1,230	32,572
Allocation of net income for 2016					3,988
First application of IFRS 9 for financial liabilities designated at fair value through profit or loss					
SHAREHOLDERS' EQUITY AT JANUARY 1, 2017	18,113	3,834		1,230	36,560
Distribution					(354)
Capital increase(2)	775				870
Redemption of deeply subordinated notes(5)				(547)	(505)
Interest on deeply subordinated notes					(75)
Impact of acquisitions and disposals on non-controlling interests(6)					(226)
Total activity arising from relations with shareholders	775			(547)	(290)
Gains and losses recognized directly in other comprehensive income(7)					
Net income for the period					
Comprehensive income					
Other changes(8)					(69)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2017	18,888	3,834		683	36,201

(1) At December 31, 2017, "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, 2017, the Banque Populaire banks and the Caisses d'Epargne have carried out capital increases of €775 million (€851 million in 2016), resulting in an increase in "Share capital" and "Additional paid-in capital." The shareholders' equity of the local savings companies is included in "Retained earnings" after the elimination of the Caisses d'Epargne cooperative shares held. The issuance of cooperative shares since January 1, 2017 resulted in an increase in retained earnings of €870 million.

(3) Including a reduction in retained earnings 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 attributable to non-controlling interests) for stock options granted to the minority shareholders of Ciloger;*
- *-€65 million (-€46 million attributable to equity holders of the parent and -€19 million attributable to non-controlling interests) for the change in the fair value of 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.*

(4) 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;

(5) Redemptions of perpetual deeply subordinated notes over the period amounted to:

- *€990 million for BPCE SA group issues; this redemption led to the reversal of the capital gain recorded in equity in the amount of €443 million (see Note 5.21.2);*
- *€276 million for the redemption by Natixis of a perpetual deeply subordinated note issued in 2007, which was fully subscribed for by non-controlling interests. This redemption led to the reversal of the capital gain recorded in equity in the amount of €87 million (€62 million attributable to equity holders of the parent and €25 million attributable to non-controlling interests).*

(6) Including a reduction in retained earnings of €490 million and an increase in the translation difference of €5 million (-€221 million attributable to equity holders of the parent and -€264 million attributable to non-controlling interests) arising from the impact of acquisitions and other movements. This reduction was mainly due to the following:

- *-€292 million (-€80 million attributable to equity holders of the parent and -€212 million attributable to non-controlling interests) for the purchase of 40% of BPCE Assurances from minority shareholders;*

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[9]	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**
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
					(3,988)			
603	(275)	(58)	1,889	(434)		61,462	7,674	69,136
						(354)	(411)	(765)
						1,645	29	1,674
						(1,052)	(301)	(1,353)
						(75)		(75)
5						(221)	(264)	(485)
5						(57)	(946)	(1,003)
(524)	17	(109)	212	73		(331)	(233)	(564)
					3,024	3,024	681	3,705
(524)	17	(109)	212	73	3,024	2,693	448	3,141
						(69)	(4)	(73)
84	(258)	(167)	2,101	(361)	3,024	64,029	7,172	71,201

- *-€122 million (-€87 million attributable to equity holders of the parent and -€35 million attributable to non-controlling interests) for stock options granted to minority shareholders in the Australian company Investor Mutual Limited (IML), in PayPlug and for the results of the public bid for the shares in Dalenys group held by minority shareholders made in December 2017;*
- *-€111 million (-€79 million attributable to equity holders of the parent and -€32 million attributable to non-controlling interests) for the change in the fair value of stock options granted to the minority shareholders of:*
  - *DNCA France (-€45 million attributable to equity holders of the parent and -€18 million attributable to non-controlling interests),*
  - *Ciloger (-€11 million attributable to equity holders of the parent and -€5 million attributable to non-controlling interests),*
  - *Dorval (-€21 million attributable to equity holders of the parent and -€8 million attributable to non-controlling interests),*
  - *Darius (-€5 million attributable to equity holders of the parent and -€2 million attributable to non-controlling interests),*
  - *Lakooz (+€3 million attributable to equity holders of the parent and +€1 million attributable to non-controlling interests);*
- *+€40 million impact on non-controlling interests attributable to the inclusion of Bretagne Participations and Sodero Participations in the consolidation scope.*

(7) Including a variation in the translation difference of -€22 million (-€16 million attributable to equity holders of the parent and -€6 million attributable to non-controlling interests) following the reclassification linked to the sale of two Natixis group entities (Caspian 1A and 1B) and the liquidation of Nexgen Financial Holding.

(8) Other changes also include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

(9) 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" was booked in opening equity at January 1, 2016 in the amount of +€17 million (+€8 million attributable to equity holders of the parent). Changes in fair value attributable to own credit risk on financial liabilities at fair value through profit or loss booked in equity amounted, after tax, to:

- *-€93 million (-€66 million in equity attributable to equity holders of the parent) in 2016. Early repayment balances recognized in equity in 2016 stood at +€8 million net of tax;*
- *-€148 million (-€109 million in equity attributable to equity holders of the parent) in 2017. Early repayment balances recognized in equity in 2017 stood at +€3 million net of tax.*

5.1.5 Consolidated cash flow statement

in millions of euros	Fiscal year 2017	Fiscal year 2016
Income before tax	**5,516**	**6,370**
Net depreciation and amortization of property, plant and equipment, and intangible assets	969	951
Goodwill impairment	80	154
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	7,699	5,006
Share in net income of associates	(170)	(159)
Net cash flows generated by investing activities	(745)	(1,865)
Income/expense from financing activities	87	139
Other changes	(1,844)	(2,878)
Total non-monetary items included in net income before tax	***6,076***	***1,348***
Net increase or decrease arising from transactions with credit institutions	8,257	3,315
Net increase or decrease arising from transactions with customers	15,069	(8,305)
Net increase or decrease arising from transactions involving financial assets and liabilities	(15,255)	1,814
Net increase or decrease arising from transactions involving non-financial assets and liabilities	(6,474)	(1,184)
Income taxes paid	(1,019)	(695)
Net increase (decrease) in assets and liabilities resulting from operating activities	***578***	***(5,055)***
Net cash flows generated by operating activities (A)	**12,170**	**2,663**
Net increase or decrease related to financial assets and equity investments	4,870	4,524
Net increase or decrease related to investment property	133	172
Net increase or decrease related to property, plant and equipment, and intangible assets	(793)	(590)
Net cash flows generated by investing activities (B)	**4,210**	**4,106**
Net increase (decrease) arising from transactions with shareholders[1]	(357)	45
Other increases or decreases generated by financing activities[2]	(1,691)	1,355
Net cash flows generated by financing activities (C)	**(2,048)**	**1,400**
Impact of changes in exchange rates (D)	**(2,201)**	**634**
TOTAL NET CASH FLOWS (A+B+C+D)	**12,131**	**8,803**
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)
Opening cash and cash equivalents	**75,952**	**67,149**
Cash and net balance of accounts with central banks		
Cash and net balance of accounts with central banks (assets)	94,701	83,919
Net balance of demand transactions with credit institutions		
Current accounts with overdrafts[3]	6,877	8,215
Demand accounts and loans	142	60
Demand accounts in credit	(8,879)	(11,235)
Demand repurchase agreements	(4,758)	(5,007)
Closing cash and cash equivalents	**88,083**	**75,952**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**12,131**	**8,803**

(1) Cash flows from or to the shareholders mainly include:
- *the redemption of deeply subordinated notes recorded as equity for -€1,353 million (-€350 million in 2016);*
- *interest paid on deeply subordinated notes recorded as equity for -€75 million (-€151 million in 2016);*
- *net changes in share capital and additional paid-in capital of the Banque Populaire banks and Caisses d'Epargne amounting to +€1,645 million (+€1,304 million in 2016);*
- *dividend payouts amounting to -€765 million (-€804 million in 2016).*

(2) Cash flows from financing activities mainly include the impact of redemptions of subordinated notes and loans for -€1,654 million (-€1,684 million in 2016) In 2016, this item included the impact of issuances of subordinated notes and loans for +€3,020 million. No new issues were made in 2017.

(3) Current accounts with overdrafts do not include Livret A, LDD and LEP savings accounts centralized with the Caisse des Dépôts et Consignations.

5.1.6 Notes to the financial statements of Groupe BPCE

5

Note 1 General background

1.1 GROUPE BPCE

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Epargne network, the BPCE central institution and its subsidiaries.

Two banking networks: the Banque Populaire banks and the Caisses d'Epargne

Groupe BPCE is a cooperative group whose shareholders own the two local retail banking networks: the 14 Banque Populaire banks and the 16 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 14 Banque Populaire banks and the 16 Caisses d'Epargne.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banque Populaire banks and the Caisses d'Epargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, organizes depositor protection, approves key appointments of company directors and oversees the smooth functioning of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures between the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It defines the Group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries, including Natixis, a 71.02%-owned listed company, are organized around three core business lines:

- Retail Banking and Insurance includes the Banque Populaire and Caisse d'Epargne networks, the Natixis Specialized Financial Services and Insurance business line and Other networks (Crédit Foncier, Banque Palatine and BPCE International);
- Asset & Wealth Management;
- Corporate & Investment Banking.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to 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 million as of December 31, 2017.

The total amount of deposits made to BPCE in respect of the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may not be less than 0.15% and may not exceed 0.3% of the total risk-weighted assets of the Group.

The booking of deposits in the institutions' individual accounts under the guarantee and solidarity system results in the recording of an item of an equivalent amount under a dedicated capital heading.

The mutual guarantee companies (*sociétés de caution mutuelle*), whose sole corporate purpose is to guarantee loans issued by Banque Populaire banks, are covered by the liquidity and capital adequacy guarantee of the Banque Populaire banks with which they are jointly licensed in accordance with Article R. 515-1 of the French Monetary and Financial Code.

The liquidity and capital adequacy of the Caisses de Crédit Maritime Mutuel are guaranteed in respect of each individual Caisse, by the Banque Populaire bank which is both the core shareholder and provider of technical and operational support for the Caisse in relation to the partner Banque Populaire bank.

The liquidity and capital adequacy of the local savings companies are secured, firstly, at the level of each individual local savings company by the Caisse d'Epargne of which the local savings company in question is a shareholder.

BPCE's Management Board holds all the requisite powers to mobilize the resources of the various contributors without delay and in accordance with the agreed order, on the basis of prior authorizations given to BPCE by the contributors.

5

1.3 SIGNIFICANT EVENTS

Banque Populaire bank and Caisse d'Epargne mergers

After the Extraordinary Shareholders' Meetings of cooperative shareholders held on April 29, 2017, Caisse d'Epargne Picardie and Caisse d'Epargne Nord France Europe merged, giving rise to Caisse d'Epargne Hauts de France.

On December 5, 2017, the cooperative shareholders of Banque Populaire Atlantique, Banque Populaire de l'Ouest, Crédit Maritime Atlantique and Crédit Maritime Bretagne-Normandie voted in Extraordinary Shareholders' Meetings to approve the merger of all four entities to create Banque Populaire Grand Ouest.

Finalization of Natixis' acquisition of PayPlug

In 2017, Natixis finalized the acquisition of PayPlug, a fintech specializing in online payment solutions for SMEs and VSEs.

Following the capital increase conducted immediately after the acquisition, Natixis held 78.54% of PayPlug's capital at December 31, 2017.

The company's management holds shares alongside Natixis and exit provisions are in place which, if exercised, would allow Natixis to acquire all the remaining capital.

Acquisition of Dalenys by Natixis

In the fourth quarter of 2017, Natixis – *via* one of its subsidiaries – finalized the acquisition of 54.3% of Dalenys (representing 61.3% of voting rights) from Dalenys' main shareholders.

Following this acquisition, a mandatory public bid was made for the outstanding Dalenys shares (the initial acceptance period ran from December 11, 2017 to January 22, 2018).

Dalenys provides payment solutions for retailers and e-commerce.

Acquisition of Althelia Ecosphère by Natixis

Natixis – *via* one of its subsidiaries – finalized the acquisition of 51% of Althelia Ecosphère, an asset management company specialized in impact investing in natural capital (global warming and protection of local regions, biodiversity, ground resources and maritime resources).

Acquisition of Investors Mutual Limited (IML) by Natixis

In 2017, Natixis – *via* one of its subsidiaries – acquired a majority stake (51.9%) in the Australian investment management company Investors Mutual Limited (IML).

This acquisition will allow Natixis to enter the individual customer and retirement savings markets and enhance its distribution platform in Australia.

The company's management holds shares alongside Natixis and exit provisions are in place which, if exercised, would allow Natixis to acquire all the remaining capital.

Acquisition of 40% of BPCE Assurances from Macif and Maif by Natixis

Natixis, *via* Natixis Assurances, finalized the acquisition of 40% of BPCE Assurances from Macif (25%) and Maif (15%). Following this transaction, Natixis Assurances is the sole shareholder of BPCE Assurances.

Disposal of Banque des Mascareignes

On December 15, 2017, a consortium comprising Banque Centrale Populaire (BCP Maroc) and Sipromad group, acting jointly and severally, signed a firm and definitive agreement with BPCE International et Outre-Mer to purchase all the capital and voting rights in Banque des Mascareignes.

A capital loss was recorded on the removal of this bank from the consolidation scope in the amount of €20 million at December 31, 2017 (see Note 6.8).

1.4 POST-BALANCE SHEET EVENTS

On February 20, 2018, the Group announced the signing of an agreement on the disposal of 100% of the capital in Banque des Mascareignes to Banque Centrale Populaire and Sipromad groups.

The agreement covers the sale by BPCE International of Banque des Mascareignes, a bank located in Mauritius, and its subsidiary in Madagascar (Banque des Mascareignes Madagascar), to the Moroccan cooperative group Banque Centrale Populaire and its strategic partner in the region, Madagascan conglomerate Sipromad, a long-standing shareholder in the Madagascan subsidiary.

The completion of the sale is subject to the usual conditions precedent for this type of transaction, including in particular the approval of the regulatory authorities in Mauritius, Madagascar and Morocco. It should be finalized by the end of the first-half 2018.

This sale is part of the Group's strategy of refocusing on priority development sectors and regions.

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, 2017 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 as at December 31, 2016 were complemented by standards, amendments and interpretations whose application is mandatory for reporting periods starting from January 1, 2017.

(1) *These standards are available on the website of the European Commission at the following URL: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr*

As specified in the financial statements of Groupe BPCE at December 31, 2016, 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.

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

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 defines the new rules for classifying and measuring financial assets and liabilities, the new impairment methodology for the credit risk of financial assets, and hedge accounting, except for macro-hedging, which the IASB is currently studying in a separate draft standard.

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

On initial recognition, financial assets will be classified at amortized cost, at fair value through other comprehensive income, or at fair value through profit of loss, according to the type of instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).

Business model

The entity's business model represents the way in which it manages its financial assets to produce cash flow. The entity must exercise judgement to assess the business model.

The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information.

For example:

- the way in which the performance of financial assets is assessed and presented to the main company directors;
- risks which have an impact on the business model's performance, in particular the way in which these risks are managed;
- the way in which directors are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency, volume and motivation of sales.

Moreover, the choice of business model must be made at a level which reflects the way in which groups of financial assets are managed collectively with a view to achieve a given economic objective. The business model is therefore not decided on an instrument by instrument basis, but rather at a higher level of aggregation, by portfolio.

The standard uses three business models:

- a business model whose objective is to hold financial assets in order to receive contractual cash flows (collection model);
- a mixed-business model under which assets are managed with the objective of both receiving contractual cash flows and disposing of financial assets (collection and sale model);
- a business model whose objective is to collect cash flows from the disposal of financial assets (held for trading purposes).

Types of contractual cash flows: the SPPI (Solely Payments of Principal and Interest) test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due.

The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.

The instrument's contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubts as to whether only the time value of money is represented must therefore be analyzed. For example:

- events that would change the amount and date of the cash flows;
- the applicable interest rate features;
- early redemption and extension conditions.

Rules for accounting for financial assets

Debt instruments (loans, receivables or debt securities) may be valued at amortized cost or at fair value through other comprehensive income or at fair value through profit and loss.

A debt instrument is valued at amortized cost if it meets the following two conditions:

- the asset is held in a business model where the objective is to collect contractual cash flows; and
- the contractual terms of the financial asset define it as SPPI within the meaning of the standard.

A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:

- the asset is held in a business model where the objective is both to collect contractual cash flows and to sell financial assets; and
- the contractual terms of the financial asset define it as SPPI within the meaning of the standard.

Equity instruments will, by default, be recorded at fair value through profit or loss unless they qualify for 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. However, if opting for the latter category, dividends continue to be recognized in income.

All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading purposes, financial assets at fair value through profit or loss and non-SPPI assets. Recognition at fair value through profit or loss as an option for financial assets only applies in the case of the elimination or significant reduction of an accounting mismatch. This enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy.

Embedded derivatives will no longer be recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must be recognized at fair value through profit or loss.

For financial liabilities, the classification and measurement rules set out in IAS 39 are carried forward to IFRS 9 unchanged, with the exception of those applicable to financial liabilities that the entity chooses to record at fair value through profit or loss (fair value option), for which revaluation adjustments related to changes in own credit risk 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, loan commitments and financial guarantee contracts that are not recognized at fair value through profit or loss, as well as lease receivables and business loans, shall be systematically impaired or covered by a provision for expected credit losses (ECL).

For financial instruments which have not been individually subject to objective evidence of loss, impairment or a provision for expected credit losses will be recorded based on observed past losses but also on reasonable and justifiable discounted future cash flow forecasts. This more forward-looking credit risk approach is already partially factored in when collective provisions are recognized on similar financial asset portfolios pursuant to IAS 39. 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

- there is no significant deterioration in credit risk;
- the impairment or the provision 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 amount 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 or the provision 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 amount of the asset before impairment.

Stage 3

- there is objective evidence of impairment loss due to an event which represents a counterparty risk occurring after the initial recognition of the asset in question. This category corresponds to the individually impaired outstandings scope under IAS 39;
- impairment or the provision for credit risk will continue to be calculated based on the instrument's lifetime expected credit losses;
- 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.

Moreover, the standard makes the distinction between purchased or originated credit impaired (POCI) assets, which correspond to financial assets purchased or created and impaired for credit risk at their initial recognition. At initial recognition, an adjusted effective interest rate is calculated which includes estimated recoverable cash flows. Subsequent impairment will be calculated by re-estimating recoverable cash flows, as the restated effective interest rate is fixed. A gain may be recognized in income if the revised cash flow estimate exceeds recoverable cash flows.

HEDGE ACCOUNTING

IFRS 9 introduces an amended hedge accounting model to be better aligned with risk management activities.

Implementation work

Since 2015, the steering of the IFRS 9 plan is organized around a strategic committee which is cross-divisional between the Risk and Finance departments. This committee meets four times a year and the majority of its members also sit on the Executive Management of BPCE. The strategic committee settles on guidelines, makes decisions, and defines the schedule for implementing and consolidating the plan's budget. The IFRS 9 plan also includes a meeting, five times a year, of a steering committee made up of the company directors of Caisse d'Epargne and Banque Populaire banks as well as their main subsidiaries (Crédit Foncier, Natixis). The steering committee settles on guidelines and operational decisions relating to the implementation of the standard. The steering committee also reports on the progress of work monitored to the finance, risk, information systems and change management department committees which meet once every six weeks.

At the same time, a complete review of the implementation of the standard (progress, guidelines and options taken) was presented and discussed during BPCE's audit committee meeting. Challenges relating to the standard were also presented to members of the Supervisory Board of BPCE and its main subsidiaries.

Work during the second half of 2017 mainly focused on finalizing functional testing on the various projects, general testing, the preparation of the opening balance sheet (first-time application), the final calibration of models, measuring the impact of impairment, 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 retail banking loan book, the impact will be limited and 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.

  Groupe BPCE holds some fixed-rate loans with symmetrical prepayment clauses in its loan book. In an amendment to IFRS 9 published in October 2017, the IASB stated that negative prepayment compensation is not in itself incompatible with the notion of SPPI. The application of this amendment is mandatory as of January 1, 2019 and early application is possible. Groupe BPCE intends to apply this amendment early, as of January 1, 2018, as soon as the text is adopted by the European Commission;
- for securities portfolios:
  - under IAS 39, liquidity reserve securities were either carried at amortized cost because they were classified as loans and receivables or held-to-maturity financial assets, or they were measured at fair value because they were classified as available-for-sale securities, depending on their characteristics, how they were managed and whether or not they were hedged against interest rate risk. The breakdown of these debt securities 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 recorded 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 potentially have a net impact on Groupe BPCE's consolidated equity owing to the different calculation methods applicable to these assets and to the retrospective application of the standard. Nevertheless, as these reclassifications are limited or affect assets whose fair value does not vary significantly from their value at cost due notably to the residual maturity of the transactions in question, these reclassifications are not expected to have a material impact on Groupe BPCE's opening equity at January 1, 2018.

As indicated above, and as permitted by IFRS 9, the Group also elected to early-apply, from fiscal year 2016, 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

As indicated above, impairment for credit risk will be equal to 12-month expected losses or lifetime expected losses according to the level of deterioration of risk since underwriting the credit (Stage 1 or Stage 2 asset). A set of qualitative and quantitative criteria is used to assess this deterioration of risk.

The significant increase in credit risk will be valued on an individual basis by taking into account all reasonable and justifiable information and by comparing the default risk on the financial instrument at the end of the fiscal year with the default risk on the financial instrument at the date of its initial recognition. This deterioration must be recognized before the transaction is impaired on an individual basis (Stage 3).

In order to assess the material deterioration, the Group applies a process based on rules and criteria which apply to all Group entities. For Individual Customer, Professional Customer and Small and Medium-Sized Enterprise portfolios, the deterioration is measured using quantitative criteria based on the change in the 12-month probability of default since underwriting (probability of default measured on average over a business cycle). For Large corporates, Banks and Specialized Financing portfolios, it is based on the change in rating since underwriting. These quantitative criteria are accompanied by a set of qualitative criteria, including the existence of a payment more than 30 days past due, the classification of the contract as at-risk, the identification of forbearance exposure or the inclusion of the portfolio on a Watch List. Exposures rated by the tool dedicated to Large corporates, Banks and Specialized Financing are also downgraded to Stage 2 according to the sector rating and the level of country risk.

The standard provides that the credit risk of a financial instrument has not increased materially since its initial recognition if this risk is considered to be low at the end of the fiscal year. This provision could be applied to a limited extent to certain investment grade debt securities.

Financial instruments where there is objective evidence of impairment due to an event which represents a counterparty risk and which occurs after their initial recognition will be considered to be impaired and will be classed as Stage 3. Identification criteria for impaired instruments are similar to those under IAS 39 and are aligned with the default criterion in prudential terms.

The standard requires that modified contracts for financial assets that are renegotiated, restructured or adjusted whether due to financial hardships or not and which are not subject to derecognition are identified. Any profit or loss must be recognized as income in the event of amendment. The gross carrying amount of the financial asset must be recalculated so that it is equal to the renegotiated or amended present value of contractual cash flows at the original effective interest rate. An analysis of the substantial nature of amendments must be carried out on a case by case basis.

The processing of restructuring due to financial hardships must remain the same as that under IAS 39.

For Stage 1 and Stage 2 assets, expected credit losses (ECL) are calculated as the result of three inputs:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD) – this depends on contractual cash flows, the contract's effective interest rate and the expected prepayment rate.

To define this input, the Group draws on existing concepts and mechanisms used for internal models developed to calculate regulatory capital requirements and on projection models used for stress tests. Specific adjustments are made to factor in current conditions and macro-economic forward-looking projections:

- IFRS 9 parameters nonetheless aim to provide the most accurate estimate of losses possible for accounting provision purposes, whereas prudential parameters are more cautious for regulatory framework purposes. Several of these safety buffers are therefore restated;
- IFRS 9 parameters must allow losses to be estimated until the contract's maturity, whereas prudential parameters are defined to estimate 12-month losses. 12-month parameters are thus projected over long timescales;
- IFRS 9 parameters must be forward-looking and take into account the expected economic environment over the projection timescale, whereas prudential parameters correspond to the cycle's average estimates (for PD) or bottom-of-the-cycle estimates (for LGD and EAD). Prudential parameters are therefore also adjusted based on this expected economic environment.

The parameters thus defined allow credit losses for all rated exposures to be valued, regardless of whether they belong to a scope approved using an internal method or they are processed using the standard method for the calculation of risk weighted assets. Conservative default rules are applied to non-rated exposures. The stakes are not material for the Group.

The adjustment of parameters to the economic backdrop is carried out through the definition of reasonable and justifiable economic scenarios, coupled with the probability of occurrence and the calculation of a probable average credit loss. This adjustment mechanism requires the definition of models which link IFRS 9 parameters to a set of economic variables. These models are based on those developed for stress tests. The projection mechanism also draws on the budget process. Three economic scenarios (the budget scenario, along with optimistic and pessimistic views of this scenario), coupled with probabilities, are therefore defined over a three-year time line to value the probable economic loss. The scenarios and weightings are defined using analysis produced by Natixis' Economic Research and management's expert judgement.

Although the majority of the parameters are drawn up by BPCE and Natixis' Risk departments, other entities including Natixis Financement, BPCE International and certain regional institutions for their subsidiaries also contribute to the Group IFRS 9 provision mechanism. Moreover, regional entities are responsible for assessing the consistency of provisions determined for the Group with the local and sector characteristics of their portfolio and for defining additional sector provisions if necessary.

The mechanism for validating IFRS 9 parameters is fully integrated in the validation mechanism for existing models within the Group. The validation of parameters follows a review process by the independent internal validation of models unit, the review of this work by the Group model committee and monitoring of recommendations issued by the validation unit. Validation work has been structured so that the main calculation parameters are reviewed upstream of the first-time application of IFRS 9.

In short, the new IFRS 9 provisioning model will lead to an increase in the amount of impairment on loans and securities carried at amortized cost or at fair value through recyclable OCI, and in impairment on off-balance sheet commitments as well as on lease receivables and business loans.

Calibration and validation work is in progress and at this stage does not allow for its disclosure in the financial statements.

HEDGE ACCOUNTING

Groupe BPCE used the option available in IFRS 9 not to apply at this stage 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.

Application of IFRS 9 to insurance activities

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable as of January 1, 2018. The European regulation will allow insurance sectors within European financial conglomerates to defer application of IFRS 9 until January 1, 2021 (effective date of the new IFRS 17 standard Insurance Contracts) as long as they:

- do not transfer financial instruments between the insurance sector and other sectors of the conglomerate (with the exception of financial instruments designated at fair value through profit or loss for the two sectors affected by the transfer);
- communicate the insurance entities which apply IAS 39;

- disclose specific additional information in the notes to the financial statements.

As Groupe BPCE is a financial conglomerate, it plans to apply this provision to its insurance activities, which will continue to be covered by IAS 39. The main entities affected by this measure are CEGC, the insurance subsidiaries of COFACE, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, ADIR, BPCE Prévoyance, BPCE Assurances, BPCE IARD, Muracef, Surassur, Prépar Vie and Prépar Iard.

PHASE-IN MEASURES

Under the option available in IFRS 9, the Group does not intend to restate previous fiscal years published as comparative information for its financial statements.

Regulation (EU) 2017/2395 dated December 12, 2017 relating to transitional arrangements for mitigating the impact of the introduction of IFRS 9 on capital and for the large exposures treatment of certain public-sector exposures was published in the OJ on December 27, 2017. Groupe BPCE has decided not to opt to neutralize IFRS 9 transitional impacts at the prudential level due to the limited impact expected when applying the standard.

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.

The amendment "Clarifications on IFRS 15" published by the IASB on April 12, 2016 was adopted by the European Commission on October 31, 2017. This should also be applicable retrospectively as of January 1, 2018.

Under this standard, recognition of revenue from ordinary activities must now reflect the transfer of control of goods and services promised to customers in an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services. IFRS 15 thus introduces a new five-stage general approach for the recognition of income:

- identification of contracts with customers;
- identification of specific performance obligations (or items) to be recognized separately from one another;
- determination of overall transaction price;
- allocation of transaction price to the various specific performance obligations;
- recognition of revenue when performance obligations are met.

IFRS 15 applies to contracts entered into by an entity with its customers, with the exception of leases (covered by IAS 17), insurance contracts (covered by IFRS 4) and financial instruments (covered by IFRS 9). If specific stipulations relating to revenue or contract costs are given under a different standard, these will first be applied.

The impact analysis of the application of this new standard began in 2016 and notably drew on self-assessments carried out by certain pilot institutions and subsidiaries, which were then transposed by all the Group's significant institutions and subsidiaries. This work helped identify the main items potentially concerned, in particular:

- fee and commission income, notably that relating to banking services when this income is not included in the effective interest rate, or that relating to asset management or financial engineering services;
- income from other activities, in particular for services included in leases.

This work also confirmed that the Group is either only slightly or not affected by certain first-time application of IFRS 15 issues such as real estate development, loyalty programs and telephony.

Based on the work performed, the Group does not expect any material impact upon the application of IFRS 15, on either opening equity at January 1, 2018 or on income and expense items in fiscal 2018.

Under the option available in IFRS 15, the Group does not intend to publish comparative information for its financial statements.

IFRS 16

IFRS 16 "Leases" will replace IAS 17 "Leases" and the interpretations related to the accounting of such contracts. The standard was adopted by the European Commission on October 31, 2017. It will be applicable as of January 1, 2019.

As defined under IFRS 16, leases shall identify an asset and convey the right to use this asset for a period of time. From the lessor's perspective, the impact is expected to be limited, as the provisions will not change substantially in relation to the current IAS 17.

Under the current IAS 17, operating leases are not recognized on the balance sheet, only the corresponding rental income is recorded in income.

In contrast, for lessees, IFRS 16 requires that leases be recorded in the balance sheet such that they convey the right to use the leased asset presented, as the case may be, among property, plant & equipment or investment property, and a lease liability. The lease liability corresponds to the discounted value of lease payments that have not yet been paid. The Group has decided to opt for the exception included in the standard of not modifying the accounting method for short-term leases (less than 12 months) or leases related to low value underlying assets. The right to use the asset will be amortized on a straight-line basis and the lease liability will be calculated on an actuarial basis over the term of the lease.

The expense on the lease debt will thus be included in interest income under net banking income and the amortization expense on the right to use the asset will be recognized in operating expenses.

The Group began to analyze the impact of the application of this new standard following its publication by the IASB at the start of 2016. This work continued during 2017 and entered the stage where structural choices to be made in terms of organization and information systems were analyzed.

Regarding Groupe BPCE's activities, the implementation of IFRS 16 will mainly affect real estate assets leased for operational purposes as offices and sales branches. A material impact is therefore expected on "Property, plant & equipment" without modifying in itself the relatively weak weighting of property, plant & equipment in total assets.

For the first-time application of this standard, the Group has chosen the modified retrospective method, which recognizes the cumulative impact at January 1, 2019, with no comparison with 2018, and listing in the Notes to the financial statements any of the standard's impacts on the various items in said financial statements.

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, 2017 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 4.15).

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, 2017. The Group's consolidated financial statements for the period ended December 31, 2017 were approved by the Management Board on February 05, 2018. They will be presented to the Annual General Shareholders' Meeting on May 25, 2018.

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 12 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif;
- the 16 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 *sociétés de caution mutuelle* (SCM or Mutual guarantee companies) collectively affiliated with the Banque Populaire banks to which they are linked;
- the Group's central institution, BPCE.

In addition, the Group comprises:

- the subsidiaries of the Banque Populaire banks;
- the subsidiaries of the Caisses d'Epargne, including CE Holding Participations and its subsidiaries;
- the subsidiaries owned by the central institution, including Natixis, Crédit Foncier, Banque Palatine and BPCE International.

3.2 SCOPE OF CONSOLIDATION – CONSOLIDATION AND VALUATION METHODS

The Group's financial statements include the financial statements of all the entities over which it exercises control or significant influence, whose consolidation had a material impact on the aforementioned financial statements.

The scope of entities consolidated by Groupe BPCE is described in Note 17 – Scope of consolidation.

3.2.1 Entities controlled by the Group

The subsidiaries controlled by Groupe BPCE are fully consolidated.

Definition of control

Control exists when the Group has the power to govern an entity's relevant activities, when it is exposed to or is entitled to variable returns due to its links with the entity and has the ability to exercise its power over the entity to influence the amount of returns it obtains.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control exercised. These potential voting rights may result, for example, from share call options traded on the market, debt or equity instruments that are convertible into ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account to calculate the percentage of ownership.

Exclusive control is presumed to exist when the Group holds directly or indirectly either the majority of the subsidiary's voting rights, or at least half of an entity's voting rights and a majority within the management bodies, or is in a position to exercise significant influence.

Specific case of structured entities

Entities described as structured entities are those organized in such a way that voting rights are not a key criterion when determining who has control. This is the case in particular when voting rights only apply to administrative duties and relevant activities are managed through contractual agreements.

A structured entity frequently exhibits some or all of the following characteristics:

(a) well-defined activities;

(b) a specific and well-defined aim, for example: implementing a 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 17.5.

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 included within the scope of IFRS 3;
- costs directly linked to business combinations are recognized in net income for the period;
- contingent considerations payable are included in the acquisition cost at their fair value at the date of acquisition of a controlling interest in an entity, even if they are only potential. Depending on the settlement method, transferred considerations are recognized against:
  - capital and later price revisions will not be booked,
  - or debts and later adjustments are recognized against income (financial debts) or according to the appropriate standards (other debts outside the scope of 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 its future activity, or may be set as the fair value of the subsidiary's securities on the day on which the options are exercised.

For accounting purposes, these commitments are treated as follows:

- pursuant to the provisions of IAS 32, the Group recognizes a financial liability with respect to the put options sold to minority shareholders in fully-consolidated entities. This liability is initially recognized at the discounted value of the put option exercise price under "Other liabilities";
- the obligation to record a liability even though the put options are not exercised means, for purposes of consistency, that the same accounting treatment as that for transactions related to non-controlling interests must be applied. As a result, the corresponding entry for this liability is deducted from "Non-controlling interests" underlying the options and the balance is deducted from "Retained earnings, attributable to equity holders of the parent";

- subsequent changes in this liability relating to any change in the estimated exercise price of the options and the carrying amount of "Non-controlling interests" are fully booked as "Retained earnings, attributable to equity holders of the parent";
- in the event of a buyback, the liability is settled by the cash payment related to the acquisition of minority shareholders' stakes in the subsidiary in question. However, on maturity of the commitment, if the buyback does not take place, the liability is written off against non-controlling interests and "Retained earnings, attributable to equity holders of the parent" according to their respective amounts;
- as long as the options have not been exercised, results from non-controlling interests subject to put options are included in the consolidated income statement as "Non-controlling interests".

3.3.5 Consolidated entities' balance sheet date

The entities included in the scope of consolidation close their accounts on December 31.

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 valuation 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. Fair-value fluctuations over the period, interest, and gains or losses related to these instruments are booked as "Net gains or losses on financial instruments at fair value through profit or loss," except for fair-value fluctuations attributable to the change in own credit risk, which since January 1, 2016 (see Note 2.2) are booked as "Revaluation of own credit risk of financial liabilities designated as at fair value through profit or loss" within "Gains and losses recognized directly in equity". In the event of early redemption, fair value gains or losses attributable to own credit risk are directly transferred to consolidated reserves under 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. It is 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.

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 and comparing its changes in fair value from inception to those for the documented hedging derivatives.

The characteristics of this instrument model those of the hedged item. Effectiveness is then assessed by comparing the changes in value of the hypothetical instrument with the actual hedging instrument. This method requires the preparation of a maturity schedule.

The effectiveness of the hedge must be shown prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test calculates the retrospective effectiveness of a hedge initiated at various balance sheet dates.

At each balance sheet date, changes in the fair value of hedging instruments, excluding accrued interest, are compared with those of hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealized gain or loss recognized in 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 their overall exposure to interest rate risk. In particular, this "carve-out" allows the Group to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). The Group mainly uses plain vanilla interest rate swaps designated at inception as fair value hedges of fixed-rate deposits or loans.

Macro-hedging derivatives are accounted for in the same manner as derivatives used to hedge the fair value of specific transactions (micro-hedging).

In a macro-hedging relationship, gains and losses on the revaluation of the hedged item are recorded in "Revaluation differences on interest rate risk-hedged portfolios", under balance sheet assets for hedges of a portfolio of financial assets and under balance sheet liabilities for hedges of a portfolio of financial liabilities.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account.

Effectiveness is tested in two ways:

- asset-based testing: for plain vanilla swaps designated as hedging instruments at inception, the Group verifies 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 to the selling costs. It reflects the cost requested by a market player in respect of the risk of acquiring a position or of selling at a price proposed by another market player.

MODEL UNCERTAINTY ADJUSTMENT

This adjustment takes into account imperfections in the valuation techniques used, and in particular risk factors not considered even though observable market inputs are available. This is the case when the risks inherent in the instruments differ from those incurred by the observable market data used to determine their valuation.

INPUT UNCERTAINTY ADJUSTMENT

Observing certain prices or inputs used in valuation techniques may be difficult or the price or input may be too regularly unavailable to determine the selling price. Under these circumstances, an adjustment may be necessary to reflect the probability that market participants might adopt different values for the same inputs when evaluating the financial instrument's fair value.

CREDIT VALUATION ADJUSTMENT (CVA)

This adjustment applies to valuations that do not account for the counterparty's credit quality. It corresponds to the risk of loss linked to the risk of default by a counterparty and aims to take into account the fact that the Group may not recover the full market value of the transactions.

The method for determining the CVA is primarily based on the use of market inputs in connection with professional market practices, for all segments of counterparties subject to this calculation. In the absence of liquid market inputs, proxies by type of counterparty, rating and geographic area are used.

DEBIT VALUATION ADJUSTMENT (DVA) AND FUNDING VALUATION ADJUSTMENT (FVA)

The DVA is symmetrical to the CVA and represents the risk of loss, from the counterparty's perspective, on liability valuations of financial instruments. It reflects the impact of the Group's credit quality on the valuation of these instruments. The DVA 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 Control department). Second-level controls are carried out by the Risk department.

On less liquid markets, other market information, primarily observable data, is used to validate the fair value of instruments.

The factors taken into account include the following:

- the origin of the external source (stock market pages, content contribution services, etc.);
- the consistency of the various sources;
- the frequency of data feeds;
- the representative nature of inputs based on recent market transactions.

For fair values determined using valuation models, the control system consists of the independent validation of model construction and of the inputs included in these models.

This is carried out under the responsibility of the Risk department.

It involves verifying that the model is consistent with and relevant to its intended function (price setting, valuation, coverage, measurement and control of risk) and the product to which it applies, based on:

- a theoretical approach: the financial and mathematical foundations of the model;
- the application of the model: the pricing models used to generate risk and earnings data;
- the stability of the model under parametric stress;
- an assessment of the stability and consistency of the numerical methods used;
- the independent re-implementation of the model as part of algorithm validation;
- the comparative analysis of the calibration of model inputs;
- an assessment of the modeling risk, particularly the comparative analysis of the model with other valuation models, in order to ensure the adequacy of the model and the payoff (the formula of positive or negative flows attached to the product at maturity);
- the implementation of an adjustment in respect of modeling risk to account for potential deficiencies in the model or its calibration;
- the incorporation of the model into information systems.

The methods for determining fair value are monitored by a number of bodies including the Inputs and Observability Committee, the Valuation Committee, the Impairment Committee and the Model Validation Committee, which comprise representatives of the Risk department, the Finance department and the Market Data Control 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 – 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, credit derivatives, forward rate agreements, caps, floors and plain vanilla options are traded in active markets, *i.e.* liquid markets in which trades occur regularly.

These instruments are valued using generally accepted models (discounted cash flow method, Black & Scholes model, interpolation techniques), and on the basis of directly observable inputs.

For these instruments, the extent to which models are used and the observability of inputs has been documented.

Instruments measured using Level 2 inputs also include:

- securities that are less liquid than those classified as Level 1, whose fair value is determined based on external prices put forward by a reasonable number of active market makers and which are regularly observable without necessarily being directly executable (prices mainly taken from contribution and consensus databases); where these criteria are not met, the securities are classified as Level 3 fair value;
- securities not quoted on an active market whose fair value is determined based on observable market data (for example, using market data for listed peers or the earnings multiple method based on techniques widely used in the market);
- Greek sovereign securities, whose fair value is recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS whose NAV is not determined and published on a daily basis but is subject to regular reporting or which offer observable data from recent transactions;
- debt securities designated at fair value, mainly by Natixis, and to a lesser extent Crédit Foncier. The methodology used by Natixis to value the "issuer credit risk" component of issues designated at fair value is based on the discounting of future cash flows using 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, 2017 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, local volatility combined with Hull & White 1 factor (H&W1F), Tskew and Pskew.

  The local volatility model treats volatility as a function of time and the price of the underlying. Its main property is that it considers the implied volatility of the option (derived from market data) relative to its exercise price.

  The local volatility hybrid model, paired with the H&W1F, consists of pairing the local volatility model described above with a Hull & White 1 factor type fixed-income model, described below (see fixed-income products).

  The Tskew model is a valuation model for mono and multi-underlying options. Its principle is to calibrate the distribution of the underlying asset or assets at maturity to standard option prices.

  The Pskew model is similar to the Tskew model. It is used in particular for simple ratchet equity products such as capped or floored ratchet products;
- **fixed income products:** fixed income products generally have specific characteristics which justify the choice of model. Underlying risk factors associated with the payoff are taken into account.

  The main models used to value and manage fixed-income products are Hull & White models (one-factor and two-factor models or one-factor Hull & White stochastic volatility model), the Hunt Kennedy model and the "smiled" BGM model.

  The Hull & White models are simple pricing models for plain vanilla fixed-income products and can be calibrated easily. Products valued using these models generally contain a Bermudan-type cancellation option (*i.e.* one that may be exercised at certain dates set at the beginning of the contract).

  SBGM and Hunt Kennedy models are used to value fixed-income products that are sensitive to volatility smiles (*i.e.* implied change in volatility relative to the exercise price) and to autocorrelation (or correlation between interest rates);
- **foreign exchange products:** foreign exchange products generally have specific characteristics which justify the choice of model.

  The main models used to value and manage foreign-exchange products are local and stochastic volatility models, as well as hybrid models, which combine modeling of the underlying foreign exchange with two Hull & White 1 factor models to ascertain the fixed-income factors.

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Inputs relating to all such Level 2 instruments were demonstrated to be observable and documented. From a methodology perspective, observability is based on four inseparable criteria:

- inputs are derived from external sources (primarily a recognized contributor, for example);
- they are updated periodically;
- they are representative of recent transactions;
- their characteristics are identical to the characteristics of the transaction. If necessary, a proxy may be used, provided that the relevance of such an arrangement is demonstrated and documented.

The fair value of instruments obtained using valuation models is adjusted to take account of liquidity risk (bid-ask), counterparty risk, the risk relating to the cost of funding uncollateralized or imperfectly collateralized derivatives, internal credit risk (measurement of liability derivative positions), as well as modeling risk and input risk.

The margin generated when these instruments begin trading is immediately recognized in income.

LEVEL 3: VALUATION USING UNOBSERVABLE MARKET INPUTS

Level 3 comprises instruments measured using unrecognized models and/or models based on unobservable market data, where they are liable to materially impact the valuation. This mainly includes:

- unlisted shares whose fair value could not be determined using observable inputs;
- private equity securities not listed on an active market, measured at fair value with models commonly used by market participants, in accordance with International Private Equity Valuation (IPEV) standards, but which are sensitive to market fluctuations and whose fair value determination necessarily involves a judgement call;
- structured securities or securities representative of private placements, held by the Insurance business line;
- hybrid interest rate and currency derivatives and credit derivatives that are not classified in Level 2;
- instruments with a deferred day-one margin;
- 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 pursuant to the European regulation of June 26, 2013 (CRR) on the Basel III requirements, for each of the models used, a description of crisis simulations applied is provided in Chapter 3 "Risk Management."

Under 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. It is taken to income on a straight-line basis over the life of the transaction or until the date the inputs become observable. Any losses incurred at the trade date are immediately recognized in income.

At December 31, 2017, instruments for which the recognition of day-one profit/loss has been deferred mainly included:

- multi-underlying structured equity and index products;
- synthetic loans;
- options on funds (multi-assets and mutual funds);
- structured fixed income products;
- securitization swaps.

These instruments are almost all located at Natixis.

The table below provides the main unobservable inputs and the value ranges for these instruments:

Class of instrument	Main types of products comprising Level 3 within the instrument class	Valuation techniques used	Main unobservable data	Unobservable data ranges among relevant Level 3 products
	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)]
Credit derivatives	Private Finance Initiative CDS (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/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	0%-30%
	Spread Lock Swap and Spread Lock Option	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: (2.288 bp), +29.94 bp TEC volatility:50 bp/70 bp TEC-CMS correlation 70%/95%
Interest rate derivatives	Volatility cap/floor	Black & Scholes model	Interest rate vol. for currencies absent from Totem or long maturities	Interest rate vol.: 4.69% to 101.36%
Currency derivatives	European barrier call option, Asian call option, Vanilla digital call option, European call option	Skew Model, Local volatility model, Black & Scholes model,	Interest rate vol. for current pairs absent from Totem or long maturities	ATM vol.: 0.84% to 22.25%
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	General collateral repo: (0.84%)/+0.5%
	Strips of long-term options, Strips of quanto options, Strips of digital options	Black & Scholes model	Currency/currency correlation	EUR/CHF correlation: 36.7%; 40.9% Long-term volatility: 9%-16% USD/CHF correlation: (69.10%); (78.80%)
Helvetix derivatives	Options spread and Digital options spread	Gaussian copula	USD/CHF & EUR/CHF long-term volatility	Long-term volatility: 9%-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	Fund correlation – Interest rates: (40%) to 25%
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: 15%-50% Long-term volatility: 8%-15%
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= 20%, 50% EQ/IR= 30%, 50% FX/IR= 20%, 30%
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: (13%), 3% Credit vol: Structure by term ([2Y, 200%],[5Y, 60%],[10Y, 50%]
Equity derivatives	Long maturity multi-underlying payoffs	Volatility options valuation model incorporating correlation between assets	Correlation inputs	Stock/stock correlation: 18.4 to 92.13

(a) All transactions including this type of data are fully back-to-back; this input justifying the Level 3 classification is entirely hedged.

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Policy concerning fair value hierarchy transfers

Transfers between fair value levels are reviewed and validated by *ad hoc* committees at Natixis comprising representatives of various functions, particularly Finance, Risk and Business Lines. The committee considers various indicators of market activity and liquidity as described in the General Principles.

A review is undertaken for any instrument that ceases to meet these criteria or once again complies with the criteria. Transfers to and from Level 3 are subject to prior validation.

At December 31, 2017, in accordance with this procedure, certain foreign currency options, along with volatility caps/floors, were transferred to Level 3 of the fair value hierarchy depending in their liquidity horizons, determined by underlying currencies (see Note 5.5.3).

Under this procedure, multi-underlying equity products with a residual maturity of between 4 and 5 years were transferred to fair value Level 3 over the course of 2016 (see Note 5.5.3).

Instruments affected by the financial crisis

Instruments affected by the financial crisis and carried at fair value on the balance sheet are essentially held by Natixis, which calculates their fair value using the models described below:

CDS CONTRACTED WITH CREDIT ENHANCERS (MONOLINE INSURERS AND CDPCS)

Since December 31, 2015 the valuation model used to measure write-downs on CDS contracted with monoline insurers has been similar to the Credit Valuation Adjustment (CVA) used for counterparty risk. It also takes into account the expected amortization of exposures and the counterparty spread implicit in market data.

The method for determining provisions for contracts with CDPCs (Credit Derivatives Product Companies) consisted 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 were associated with a probability of default whenever the losses resulting from the calculation exceeded the CDPC's net available assets.

As CDPC positions reached maturity in 2017, impairment previously recorded (specific impairment and general reserve) using the above-mentioned method was fully reversed.

OTHER INSTRUMENTS NOT EXPOSED TO US RESIDENTIAL MORTGAGE 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

At December 31, 2017, Natixis no longer held any CLO positions valued using a scoring model. This scoring model defining the level of risk associated with certain structures was 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.

The fair value of repurchase agreements is calculated by discounting expected cash flows at the market rate on the closing date and adding a liquidity spread.

If there is a quoted price that meets the criteria of IFRS 13, the quoted price is used.

The fair value of loans with an initial term of less than one year is generally considered to be their carrying amount. This is also generally the case for financial assets with a term of one year or less and current accounts. The corresponding receivables are classified in Level 2 of the fair value hierarchy. Loans and receivables granted to affiliates are also classified in Level 2.

Borrowings and savings

At Natixis, the assessment of the fair value of securities borrowings and debts is based on the method of discounting future cash flows using inputs on the reporting date such as the interest rate curve of the underlyings and the spread at which Natixis lends or borrows.

The fair value of debts maturing in less than one year is considered to be the book value and they are classified in Level 2 of the fair value hierarchy, as are debts payable to affiliates.

The fair value of other amounts due to credit institutions and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the balance sheet date, plus the own credit risk of Groupe BPCE.

Investment property recognized at cost

The fair value of investment property (excluding investment property held by insurance companies) is determined by reference to the capitalization of rents, a method widely used by real estate professionals. The capitalization rate applied to the property depends on a number of factors such as location, the quality and type of building, use, type of ownership, quality of lessee and characteristics of the lease, the interest rate and competition in the real estate market.

FINANCIAL INSTRUMENTS OF THE RETAIL BANKING BUSINESS LINES

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is mainly based on collection of contractual cash flows.

Consequently, the following simplified assumptions were used:

The carrying amount of the assets and liabilities is deemed to be their fair value in certain cases.

These notably include:

- short-term financial assets and liabilities (whose initial term is one year or less) provided that sensitivity to interest-rate risk and credit risk is not material during the period;
- demand liabilities;
- variable-rate loans and borrowings;
- transactions in a regulated market (particularly regulated savings products), whose prices are set by the public authorities.

Fair value of loans to retail customers

The fair value of loans is 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.

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 are liable to lead to the recognition of incurred losses.

Impairment is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows taking into account the impact of any collateral. 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 is generally 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 5.24).

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 on 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 lease provides the lessee with the option to purchase the asset at a price that is expected to be sufficiently below the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if there is no transfer of ownership;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

IAS 17 also describes three indicators that may also individually or collectively lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the change in the fair value of the residual value accrue to the lessee;
- 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

A lease which is not considered as a finance lease is automatically classed as an operating lease.

Assets provided under operating leases are shown in the balance sheet under property, plant and equipment or intangible assets in the case of equipment leases, and investment property in the case of property leases. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term, under "Income or expenses from other activities".

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.

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.

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;

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- 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

Real estate development projects in progress at the end of the fiscal year 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 was changed by a Ministerial Order dated October 27, 2015. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund by the Group for deposit, collateral and securities guarantee mechanisms amount to €868 million. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) represent €233 million. Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet totaled €635 million.

Directive 2014/59/EU (BRRD – Bank Recovery and Resolution Directive) which establishes the framework for the recovery and resolution of banks and investment firms and European regulation 806/2014 (SRM regulation) established the introduction of a resolution fund as of 2015. In 2016, this fund became a Single Resolution Fund (SRF) between the member States participating in the Single Supervisory Mechanism (SSM). The SRF is a resolution financing mechanism available to the resolution authority (Single Resolution Board), which may use this fund when implementing resolution procedures.

In accordance with delegated regulation 2015/63 and implementing regulation 2015/81 supplementing 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 2017. The amount of contributions paid by the Group for the fiscal year totaled €321 million, of which €273 million recognized as an expense and €48 million in cash security deposits recognized as assets on the balance sheet (15% of funds in cash security deposits). The cumulative amount of contributions recognized as assets on the balance sheet totaled €134 million at December 31, 2017.

Note 5 Notes to the balance sheet

5.1 CASH AND AMOUNTS DUE FROM CENTRAL BANKS

in millions of euros	12/31/2017	12/31/2016
Cash	2,712	2,490
Amount due from central banks	91,990	81,429
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**94,702**	**83,919**

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.

	12/31/2017			12/31/2016		
in millions of euros	Trading	Fair value option	Total	Trading	Fair value option	Total
Treasury bills and equivalent	10,948	114	11,062	10,617	126	10,743
Bonds and other fixed-income securities	4,152	2,571	6,723	5,825	2,210	8,035
Fixed-income securities	**15,100**	**2,685**	**17,785**	**16,442**	**2,336**	**18,778**
Equities and other variable-income securities	**40,467**	**19,591**	**60,058**	**35,364**	**14,913**	**50,277**
Loans to credit institutions	186	2	188	405	34	439
Loans to customers	1,752	8,322	10,074	1,350	9,099	10,449
Loans	**1,938**	**8,324**	**10,262**	**1,755**	**9,133**	**10,888**
Repurchase agreements(1)		**34,504**	**34,504**		**40,371**	**40,371**
Trading derivatives(1)	**47,159**	**///**	**47,159**	**52,847**	**///**	**52,847**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**104,664**	**65,104**	**169,768**	**106,408**	**66,753**	**173,161**

(1) *This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.24).*

Financial assets at fair value through profit or loss held by the insurance companies controlled by Groupe BPCE amounted to €23,948 million at December 31, 2017 and €18,018 million at December 31, 2016.

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.

5

in millions of euros	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial assets designated at fair value
Fixed-income securities	986	137	1,562	2,685
Equities and other variable-income securities	15,093	4,498		19,591
Loans and repurchase agreements	7,299	32,951	2,578	42,828
TOTAL	**23,378**	**37,586**	**4,140**	**65,104**

Loans and receivables designated at fair value through profit or loss and credit risk

Exposure to credit risk can represent 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, 2016 and December 31, 2017.

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	12/31/2017	12/31/2016
Securities sold short	26,948	23,834
Other financial liabilities	42	329
Financial liabilities held for trading	**26,990**	**24,163**
Trading derivatives[(1)]	**47,670**	**50,707**
Interbank term accounts and loans	93	19
Customer term accounts and loans	11	3
Debt securities	22,695	20,964
Subordinated debt	103	95
Repurchase agreements[(1)]	34,965	35,944
Other financial liabilities	3,390	1,541
Financial liabilities designated at fair value through profit or loss	**61,257**	**58,566**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**135,917**	**133,436**

(1) This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.24).

These liabilities are recorded at fair value on the reporting date with changes in value, including coupon, in the "Net gains or losses on financial instruments at fair value through profit or loss" line on the income statement, with the exception of changes in fair value attributable to own credit risk associated with financial liabilities designated at fair value through profit or loss, which are recognized in "Revaluation of own credit risk on financial liabilities at fair value through profit or loss" within other comprehensive income due to the early application of this component of IFRS 9.

Financial liabilities at fair value through profit or loss held by the insurance companies controlled by Groupe BPCE amounted to €2,176 million at December 31, 2017 and €466 million at December 31, 2016.

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	22		71	93
Customer term accounts and loans			11	11
Debt securities	16,493		6,202	22,695
Subordinated debt			103	103
Repurchase agreements and other financial liabilities	4,487	33,868		38,355
TOTAL	**21,002**	**33,868**	**6,387**	**61,257**

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

	12/31/2017			12/31/2016		
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	93	78	15	19	3	16
Customer term accounts and loans	11	12	(1)	3	3	
Debt securities	22,695	21,915	780	20,964	20,287	677
Subordinated debt	103	100	3	95	100	(5)
Repurchase agreements	38,355	38,284	71	37,485	37,406	79
TOTAL	**61,257**	**60,389**	**868**	**58,566**	**57,799**	**767**

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 €314 million at December 31, 2017. Under the early adoption of the amendment to IFRS 9 on own credit risk from January 1, 2016, the change is now recognized in non-recyclable gains and losses recognized directly in OCI. As a reminder, revaluations in respect of own credit risk totaled €116 million at December 31, 2016 (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.

	12/31/2017			12/31/2016		
in millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate derivatives	3,908,793	28,070	28,092	4,014,284	25,100	22,017
Currency derivatives	1,087,057	14,292	13,429	1,161,338	19,340	18,890
Equity derivatives	230,498	3,574	5,006	177,359	6,567	8,124
Credit derivatives	36,975	590	784	58,065	856	843
Other contracts	84,808	632	359	94,373	984	833
TOTAL TRADING DERIVATIVES	**5,348,131**	**47,158**	**47,670**	**5,505,419**	**52,847**	**50,707**
o/w organized markets	*785,962*	*1,088*	*2,052*	*935,125*	*3,503*	*4,173*
o/w over-the-counter transactions	*4,562,169*	*46,070*	*45,618*	*4,570,294*	*49,344*	*46,534*
o/w credit institutions	*1,408,442*	*29,944*	*28,355*	*1,800,071*	*31,286*	*28,832*
o/w other financial companies	*2,863,830*	*10,167*	*11,797*	*2,496,472*	*9,454*	*10,576*

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.

	12/31/2017			12/31/2016		
in millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate derivatives	39,360	180	671	33,576	241	965
Currency derivatives	7,489	320	593	3,336	859	579
Equity derivatives	197			225		1
Cash flow hedges	**47,046**	**500**	**1,264**	**37,137**	**1,100**	**1,545**
Interest rate derivatives	655,634	8,534	11,300	849,916	11,864	14,906
Currency derivatives	11,888	775	2,161	16,092	1,878	3,336
Credit derivatives	128			33		
Fair value hedges	**667,650**	**9,309**	**13,461**	**866,041**	**13,742**	**18,242**
TOTAL HEDGING INSTRUMENTS	**714,696**	**9,809**	**14,725**	**903,178**	**14,842**	**19,787**

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	12/31/2017	12/31/2016
Treasury bills and equivalent	44,530	42,929
Bonds and other fixed-income securities	45,312	43,690
Impaired securities	173	156
Fixed-income securities	**90,015**	**86,775**
Equities and other variable-income securities	**15,848**	**14,683**
Loans	**34**	**33**
Available-for-sale financial assets, gross	**105,897**	**101,491**
Impairment of fixed-income securities and loans	(107)	(83)
Permanent impairment of equities and other variable-income securities	(1,121)	(1,251)
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**104,669**	**100,157**
Gains and losses recognized directly in equity on available-for-sale financial assets (before tax)(1)	**5,960**	**5,945**

(1) *Including the portion attributable to non-controlling interests (€1,297 million at December 31, 2017, compared with €1,342 million at December 31, 2016). In the insurance subsidiaries, this net unrealized capital gain gave rise to the symmetrical recognition of deferred profit-sharing of €3,780 million at December 31, 2017, compared with €3,780 million at December 31, 2016 (see Note 5.18).*

Available-for-sale financial assets held by the insurance companies controlled by Groupe BPCE amounted to €51,197 million at December 31, 2017 and €47,458 million at December 31, 2016.

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:

	12/31/2017				12/31/2016			
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	50,301	5,010	256	55,567	44,651	6,890	265	51,806
Fixed-income securities	*12,751*	*2,093*	*256*	*15,100*	*12,482*	*3,695*	*265*	*16,442*
Variable-income securities	*37,550*	*2,917*		*40,467*	*32,169*	*3,195*		*35,364*
Derivatives	677	44,298	2,183	47,158	1,167	49,728	1,952	52,847
Interest rate derivatives	*2*	*27,756*	*312*	*28,070*	*304*	*24,370*	*426*	*25,100*
Equity derivatives	*533*	*2,477*	*564*	*3,574*	*738*	*4,824*	*1,005*	*6,567*
Currency derivatives	*2*	*13,184*	*1,106*	*14,292*	*5*	*19,100*	*235*	*19,340*
Credit derivatives		*390*	*200*	*590*		*573*	*283*	*856*
Other derivatives	*140*	*491*	*1*	*632*	*120*	*861*	*3*	*984*
Other financial assets		276	1,662	1,938		411	1,344	1,755
Financial assets held for trading	**50,978**	**49,584**	**4,101**	**104,663**	**45,818**	**57,029**	**3,561**	**106,408**
Securities	17,381	2,359	2,536	22,276	13,811	1,151	2,287	17,249
Fixed-income securities	*766*	*101*	*1,818*	*2,685*	*699*	*95*	*1,542*	*2,336*
Variable-income securities	*16,615*	*2,258*	*718*	*19,591*	*13,112*	*1,056*	*745*	*14,913*
Other financial assets	22	39,138	3,668	42,828		45,300	4,204	49,504
Financial assets designated at fair value through profit or loss	**17,403**	**41,497**	**6,204**	**65,104**	**13,811**	**46,451**	**6,491**	**66,753**
Interest rate derivatives		*8,713*		*8,713*		*12,105*		*12,105*
Currency derivatives		*1,090*	*5*	*1,095*		*2,735*	*2*	*2,737*
Hedging derivatives		**9,803**	**5**	**9,808**		**14,840**	**2**	**14,842**
Investments in associates	140	314	2,931	3,385	152	350	3,165	3,667
Other securities	87,955	7,910	5,380	101,245	82,397	8,089	5,960	96,446
Fixed-income securities	*80,704*	*5,609*	*3,591*	*89,904*	*76,023*	*6,094*	*4,565*	*86,682*
Variable-income securities	*7,251*	*2,301*	*1,789*	*11,341*	*6,374*	*1,995*	*1,395*	*9,764*
Other financial assets		10	29	39		28	16	44
Available-for-sale financial assets	**88,095**	**8,234**	**8,340**	**104,669**	**82,549**	**8,467**	**9,141**	**100,157**
FINANCIAL LIABILITIES								
Securities	26,605	343		26,948	22,796	1,038		23,834
Derivatives	735	44,920	2,015	47,670	1,248	48,518	941	50,707
Interest rate derivatives	*53*	*27,756*	*283*	*28,092*	*524*	*21,164*	*329*	*22,017*
Equity derivatives	*551*	*4,200*	*255*	*5,006*	*523*	*7,443*	*158*	*8,124*
Currency derivatives	*1*	*12,269*	*1,159*	*13,429*	*1*	*18,858*	*31*	*18,890*
Credit derivatives		*469*	*315*	*784*		*420*	*423*	*843*
Other derivatives	*130*	*226*	*3*	*359*	*200*	*633*		*833*
Other financial liabilities		42		42		329		329
Financial liabilities held for trading	**27,340**	**45,305**	**2,015**	**74,660**	**24,044**	**49,885**	**941**	**74,870**
Securities		22,416	373	22,789		19,546	93	19,639
Other financial liabilities	2,908	34,448	1,112	38,468	1,170	37,062	695	38,927
Financial liabilities designated at fair value through profit or loss	**2,908**	**56,864**	**1,485**	**61,257**	**1,170**	**56,608**	**788**	**58,566**
Interest rate derivatives		*11,971*		*11,971*		*15,870*	*1*	*15,871*
Equity derivatives							*1*	*1*
Currency derivatives		*2,754*		*2,754*		*3,915*		*3,915*
Hedging derivatives		**14,725**		**14,725**		**19,785**	**2**	**19,787**

5.5.2 Analysis of assets and liabilities classified in Level 3 of the fair value hierarchy

At December 31, 2017

		Gains and losses recognized during the period – In the income statement[(1)]		Gains and losses recognized during the period	Transactions carried out during the period		Transfers during the period			
in millions of euros	**01/01/2017**	**On transactions in progress at the reporting date**	**On transactions removed from the balance sheet at the reporting date**	**In equity**	**Purchases/ Issues**	**Sales/ Redemptions**	**To another reporting category**	**From and to another level[(2)]**	**Other changes[(3)]**	**12/31/2017**
FINANCIAL ASSETS										
Securities	265	(8)	(1)		182	(70)	42	(150)	(4)	256
Fixed-income securities	*265*	*(8)*	*(1)*		*182*	*(70)*	*42*	*(150)*	*(4)*	*256*
Derivatives	1,952	214	(25)		160	(1,153)		1,068	(33)	2,183
Interest rate derivatives	*426*	*18*	*(16)*		*3*	*(120)*		*22*	*(21)*	*312*
Equity derivatives	*1,005*	*434*	*38*		*86*	*(1,008)*		*9*		*564*
Currency derivatives	*235*	*(165)*	*(47)*		*70*	*(20)*		*1,041*	*(8)*	*1,106*
Credit derivatives	*283*	*(73)*				*(5)*		*(4)*	*(1)*	*200*
Other derivatives	*3*				*1*				*(3)*	*1*
Other financial assets	1,344	7	23		5,841	(5,485)			(68)	1,662
Financial assets held for trading	**3,561**	**213**	**(3)**		**6,183**	**(6,708)**	**42**	**P918**	**(105)**	**4,101**
Securities	2,287	47	(3)		770	(571)			6	2,536
Fixed-income securities	*1,542*	*7*	*10*		*735*	*(478)*			*2*	*1,818*
Variable-income securities	*745*	*40*	*(13)*		*35*	*(93)*			*4*	*718*
Other financial assets	4,204	(351)	(5)		1,233	(1,377)	2		(38)	3,668
Financial assets designated at fair value through profit or loss	**6,491**	**(304)**	**(8)**		**2,003**	**(1,948)**	**2**		**(32)**	**6,204**
Interest rate derivatives		(1)							1	
Currency derivatives	2	5							(2)	5
Hedging derivatives	**2**	**4**							**(1)**	**5**
Investments in associates	3,165	89	122	110	190	(712)	7	17	(57)	2,931
Other securities	5,960	19	39	119	1,279	(1,581)	(43)	(527)	115	5,380
Fixed-income securities	*4,565*	*(2)*	*(3)*	*198*	*483*	*(1,041)*	*(47)*	*(585)*	*23*	*3,591*
Variable-income securities	*1,395*	*21*	*42*	*(79)*	*796*	*(540)*	*4*	*58*	*92*	*1,789*
Other financial assets	16				5	(3)			11	29
Available-for-sale financial assets	**9,141**	**108**	**161**	**229**	**1,474**	**(2,296)**	**(36)**	**(510)**	**69**	**8,340**
FINANCIAL LIABILITIES										
Securities										
Derivatives	941	(311)	(10)		369	(254)		1,268	12	2,015
Interest rate derivatives	*329*	*52*	*(9)*		*5*	*(97)*		*(8)*	*11*	*283*
Equity derivatives	*158*	*(103)*	*15*		*286*	*(101)*				*255*
Currency derivatives	*31*	*(189)*	*(9)*		*78*	*(30)*		*1,277*	*1*	*1,159*
Credit derivatives	*423*	*(74)*	*(7)*			*(26)*		*(1)*		*315*
Other derivatives		*3*								*3*
Financial liabilities held for trading	**941**	**(311)**	**(10)**		**369**	**(254)**		**1,268**	**12**	**2,015**
Securities	93	(6)			243	(8)		51		373
Other financial liabilities	695	78	(79)		1,019	(601)				1,112
Financial liabilities designated at fair value through profit or loss	**788**	**72**	**(79)**		**1,262**	**(609)**		**51**		**1,485**
Interest rate derivatives	*1*								*(1)*	
Equity derivatives	*1*		*(1)*							
Hedging derivatives	**2**		**(1)**						**(1)**	

(1) *The main impacts recognized in the income statement are mentioned in Note 6.3.*
(2) *The main transfers to and from Level 3 are described in Note 4.1.6. At December 31, 2017, the net impact on the balance sheet of foreign currency options transferred to Level 3 was €235 million in liabilities. The income statement was not impacted.*
(3) *Other changes include the impact of changes in the consolidation scope and foreign exchange differences.*

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/ Redemptions	To another reporting category	From and to another level(2)	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	2,036	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 half of 2016 in accordance with the agreement signed with Visa Inc. This sale generated a capital gain of €831 million.*

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 2017					
From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros — To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL ASSETS						
Securities	422		325			150
Fixed-income securities	*239*		*239*			*150*
Variable-income securities	*183*		*86*			
Derivatives	15		8	1,093		25
Interest rate derivatives				*35*		*13*
Equity derivatives	*10*		*7*	*14*		*5*
Currency derivatives				*1,044*		*3*
Credit derivatives						*4*
Other derivatives	5		*1*			
Financial assets held for trading	**437**		**333**	**1,093**		**175**
Securities			2			
Fixed-income securities			*2*			
Financial assets designated at fair value through profit or loss			**2**			
Investments in associates				17		
Other securities	561	9	737	269	479	326
Fixed-income securities	*513*	*7*	*728*	*150*	*478*	*264*
Variable-income securities	*48*	*2*	*9*	*119*	*1*	*62*
Other financial assets			6			
Available-for-sale financial assets	**561**	**9**	**743**	**286**	**479**	**326**
FINANCIAL LIABILITIES						
Securities	7		69			
Derivatives	8		23	1,323		55
Interest rate derivatives				*19*		*27*
Equity derivatives	*6*		*23*	*25*		*25*
Currency derivatives				*1,279*		*2*
Credit derivatives						*1*
Other derivatives	*2*					
Financial liabilities held for trading	**15**		**92**	**1,323**		**55**
Securities				51		
Financial liabilities designated at fair value through profit or loss				**51**		

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**	**Level 3**
in millions of euros	**To**	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**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*
Other financial assets							
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**
Other financial liabilities					3		
Financial liabilities designated at fair value through profit or loss					**3**		

5.5.4 Sensitivity of Level 3 assets and liabilities to changes in the principal assumptions

At December 31, 2017, 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 "standardize[(1)]" variation in unobservable inputs related to assumptions of additional valuation adjustments for fixed income, currency and equity instruments. The resulting sensitivity was €17 million;
- 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 €10 million, should the inputs mentioned above improve, or a decrease in value of €9 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	12/31/2017	12/31/2016
Loans and receivables due from credit institutions	92,135	96,737
Specific impairment	(66)	(65)
Impairment on a portfolio basis	(8)	(8)
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**92,061**	**96,664**

The fair value of loans and receivables due from credit institutions is presented in Note 15.

Breakdown of gross loans and receivables due from credit institutions

in millions of euros	12/31/2017	12/31/2016
Current accounts with overdrafts	6,989	8,359
Repurchase agreements	13,943	15,406
Accounts and loans [(1)]	70,753	72,502
Securities classified as loans and receivables	303	267
Other loans and receivables due from credit institutions	73	121
Impaired loans and receivables	74	82
TOTAL GROSS LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**92,135**	**96,737**

(1) *Livret A, LDD and LEP savings accounts centralized with Caisse des Dépôts et Consignations and recorded under "Accounts and loans" amounted to €65,006 million at December 31, 2017 versus €66,172 million at December 31, 2016.*

5.6.2 Loans and receivables due from customers

in millions of euros	12/31/2017	12/31/2016
Loans and receivables due from customers	704,905	679,176
Specific impairment	(10,435)	(10,744)
Impairment on a portfolio basis	(1,342)	(1,534)
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**693,128**	**666,898**

The fair value of loans and receivables due from customers is presented in Note 15.

Breakdown of gross loans and receivables due from customers

in millions of euros	12/31/2017	12/31/2016
Current accounts with overdrafts	**11,634**	**12,454**
Loans to financial sector customers	6,356	3,911
Short-term credit facilities	65,553	61,216
Equipment loans	150,713	146,060
Home loans	322,188	302,434
Export loans	3,085	3,573
Repurchase agreements	50,467	44,857
Finance leases	16,281	16,057
Subordinated loans	585	601
Guarantee deposits made for the acceptance of reinsurance treaties(1)	10,258	10,825
Other loans	23,345	25,902
Other facilities granted to customers	**648,831**	**615,436**
Securities classified as loans and receivables	**13,668**	**20,093**
Other loans and receivables due from customers	**7,854**	**7,766**
Impaired loans and receivables	**22,918**	**23,427**
TOTAL GROSS LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**704,905**	**679,176**

(1) *These deposits were made with CNP Assurances in 2016 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

	12/31/2017			12/31/2016		
in millions of euros	Real estate	Non-real estate	Total	Real estate	Non-real estate	Total
Performing loans	**7,607**	**8,674**	**16,281**	**7,995**	**8,062**	**16,057**
Impaired loan outstandings(1)	**513**	**318**	**831**	**135**	**233**	**368**
Impairment	(145)	(94)	(239)	(85)	(109)	(194)
TOTAL LOAN OUTSTANDINGS ON FINANCE LEASES	**7,975**	**8,898**	**16,873**	**8,045**	**8,186**	**16,231**

(1) *At December 31, 2017, impaired outstandings include all positions with defaulting counterparties, even though Groupe BPCE owns the assets subject to the contracts. At December 31, 2016 they only included unpaid amounts in respect of counterparties in default.*

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	12/31/2017	12/31/2016
Treasury bills and equivalent	5,451	6,645
Bonds and other fixed-income securities	2,385	2,840
Gross amount of held-to-maturity financial assets	**7,836**	**9,485**
Impairment	(2)	(2)
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	**7,834**	**9,483**

The fair value of held-to-maturity assets is presented in Note 15.

Available-for-sale assets held by the insurance companies controlled by Groupe BPCE amounted to €2,655 million at December 31, 2017 and €2,890 million at December 31, 2016.

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 2016 or 2017.

	Carrying amount		Fair value	
in millions of euros	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Assets reclassified to				
Loans and receivables	6,969	8,390	6,905	7,375
TOTAL SECURITIES RECLASSIFIED	**6,969**	**8,390**	**6,905**	**7,375**

Change in fair value that would have been recognized if the securities had not been reclassified

in millions of euros	Fiscal year 2017	Fiscal year 2016
Change in fair value		
– that would have been recognized in income if the securities had not been reclassified	(2)	1
– that would have been recognized in gains and losses recognized directly in equity if the securities had not been reclassified	604	(99)

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	12/31/2017	12/31/2016
Unrealized capital gains on UCITS	29	64
Fiscal EIGs	(123)	(198)
Provisions for employee-related liabilities	246	293
Provisions for regulated home savings products	208	214
Impairment on a portfolio basis	273	313
Other non-deductible provisions	448	647
Changes in fair value of financial instruments recorded in equity	(129)	(207)
Other sources of temporary differences[(1)]	264	769
Deferred tax related to timing differences	**1,216**	**1,895**
Deferred tax arising on the capitalization of tax loss carryforwards	**2,344**	**2,496**
Unrecognized deferred tax assets and liabilities	**(1,166)**	**(1,075)**
NET DEFERRED TAX ASSETS AND LIABILITIES	**2,394**	**3,316**
Deferred taxes recognized:		
– as assets in the balance sheet	3,081	4,097
– as liabilities in the balance sheet	(687)	(781)

(1) *A deferred tax liability of €311 million was recognized at December 31, 2017 (€530 million at December 31, 2016) on certain goodwill items recorded in the United States, which will give rise to tax amortization over 15 years.*

In 2017, the French Finance Act for 2018 and the fiscal reform in the United States allowed Groupe BPCE to revalue its net deferred tax position (see Note 6.9):

- for French companies, deferred taxes are calculated by applying the tax rate that will be charged when the temporary difference reverses. Tax rates will be gradually lowered through to 2022 (including the social security contribution on profits), from 34.43% in 2018 to 25.83% in 2022 and thereafter for taxable profit taxed at the normal rate;
- the US tax reform adopted at the end of December 2017 also includes a measure limiting deferrable tax deficits and it introduces a tax similar to corporate tax, the Base Erosion Anti-Abuse Tax. Neither of these changes were deemed likely to have a significant impact on the income received from the reduction in the federal tax rate.

At December 31, 2017, deductible temporary differences, tax losses and unused tax credits for which no deferred tax asset has been recorded in the balance sheet amounted to €4,504 million, compared with €4,152 million at December 31, 2016.

5.10 ACCRUED INCOME AND OTHER ASSETS

in millions of euros	12/31/2017	12/31/2016
Collection accounts	3,292	5,358
Prepaid expenses	307	311
Accrued income	1,121	1,760
Other accruals	3,477	4,014
Accrued income and prepaid expenses	**8,197**	**11,443**
Security deposits paid[(1)]	20,786	22,992
Settlement accounts in debit on securities transactions	353	259
Reinsurers' share of technical reserves	11,457	9,551
Other insurance-related assets	1,935	1,902
Other debtors	17,562	14,648
Other assets	**52,093**	**49,352**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**60,290**	**60,795**

(1) *"Security deposits paid" includes margin calls paid in respect of repurchase agreements and derivatives for €11,580 million as at December 31, 2017, compared with €13,255 million at December 31, 2016.*

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 will be completed within the next twelve months.

At December 31, 2017, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" notably include the assets and liabilities of the subsidiary Banco Primus.

On July 19, Crédit Foncier signed a sale and purchase agreement setting out the terms of sale of its Portuguese subsidiary Banco Primus. The completion of the sale is subject to the approval of the Portuguese supervisory authorities, for which the deadline is set at March 31, 2018. Pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", Groupe BPCE:

- reclassified consolidated assets in separate asset items for €457 million and liability items for €19 million;
- adjusted the value of the assets to the lowest of their book value and their fair value less costs relating to the sale, leading to a net expense of €17 million, recorded under "Gains or losses on other assets".

Other non-current assets and liabilities held for sale mainly concern the Natixis group.

At December 31, 2016, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" mainly concerned Natixis group companies 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.

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5.12 INVESTMENT PROPERTY

	12/31/2017			12/31/2016		
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)]	///	///	1,355	///	///	1,182
Property recognized at historical cost	1,253	(614)	639	1,393	(595)	798
TOTAL INVESTMENT PROPERTY			**1,994**			**1,980**

(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 89% of the related base amount on average at December 31, 2017, compared to 88% at December 31, 2016 (See Note 5.18).*

The fair value of investment property came to €2,311 million at December 31, 2017 (€2,254 million at December 31, 2016).

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

	12/31/2017			12/31/2016		
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	3,961	(2,001)	1,960	4,066	(1,996)	2,070
– leased real estate	579	(211)	368	526	(210)	316
– equipment, furniture and other property, plant and equipment	7,475	(5,342)	2,133	7,448	(5,324)	2,124
TOTAL PROPERTY, PLANT AND EQUIPMENT	**12,015**	**(7,554)**	**4,461**	**12,040**	**(7,530)**	**4,510**
Intangible assets						
– leasehold rights	390	(213)	177	407	(219)	188
– software	2,757	(2,159)	598	2,660	(2,071)	589
– other intangible assets	687	(295)	392	565	(269)	296
TOTAL INTANGIBLE ASSETS	**3,834**	**(2,667)**	**1,167**	**3,632**	**(2,559)**	**1,073**

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	12/31/2017	12/31/2016
Opening net value	**4,397**	**4,354**
Acquisitions[1]	194	177
Disposals		(4)
Impairment[2]	(85)	(154)
Reclassifications		(24)
Foreign exchange rate adjustments	(202)	48
Closing net value	**4,304**	**4,397**

(1) The main transactions during the period that led to the recognition of goodwill are as follows:

- *in accordance with IFRS 3, "Business combinations", analysis of the accounting treatment of the acquisition of Fidor group was finalized in 2017. This analysis led to the recognition of a haircut on a portfolio of financial assets for -€52 million net of deferred tax assets and liabilities and the recognition of intangible assets covering the technological platform, the brand and a major contract for +€49 million net of deferred tax assets and liabilities. Further to the analysis, goodwill on Fidor group, which had been assessed on a provisional basis at the end of 2016, was adjusted by +€2 million and amounted to €82 million;*
- *Natixis' acquisitions of PayPlug (€14 million), Dalenys (€72 million), Investor Mutual Limited – IML (€100 million) and Althelia Ecosphere (€3 million).*

(2) Losses for the period primarily concern the following cash-generating units (CGUs): Regional Banks (€17 million), Banque Palatine (€53 million) and BPCE International (€13 million). In 2016, impairment was recorded on Coface (€75 million), Banque Palatine (€42 million) and the Regional Banks (€35 million).

At December 31, 2017, gross goodwill stood at €4,961 million and total impairment stood at €657 million.

Certain goodwill items recognized in the United States gave rise to tax amortization over 15 years, leading to a difference between the carrying amount of the goodwill and its tax base. This difference in treatment generated a deferred tax liability of €311 million at December 31, 2017, compared with €530 million at December 31, 2016 (see Note 5.9).

Breakdown of goodwill:

	Carrying amount	
in thousands of euros	**12/31/2017**	**12/31/2016[1]**
Regional banks[2]	633	650
Banque BCP France	42	42
Other	8	7
Retail Banking	**683**	**699**
BPCE International	27	42
Fidor AG	82	80
Banque Palatine		53
Crédit Foncier	13	13
Other[3]	3	15
Other networks	**125**	**203**
Specialized Financial Services[3]	**132**	**33**
Insurance[1]	**39**	**39**
Equity Interests (Coface)	**281**	**282**
Retail Banking and Insurance	**1,260**	**1,256**
Asset & Wealth Management[1]	**2,967**	**3,054**
Corporate & Investment Banking	**77**	**87**
TOTAL GOODWILL	**4,304**	**4,397**

(1) *Under the new strategic plan, New Dimension, and in line with the creation of the new Insurance business line, the Investment Solutions CGU was split into two separate CGUs: "Asset & Wealth Management" and "Insurance". Goodwill recorded on the Investment Solutions CGU in the amount of €3,093 million as of December 31, 2016 was reassigned to the two new CGUs in line with the entities to which the goodwill related, since each entity is assigned to just one CGU.*

(2) *Regional banks: Banque de Savoie, Banque Dupuy, de Parseval, Banque Marze, goodwill carried by Banque Populaire Aquitaine Centre Atlantique (transfer of CCSO – Pelletier's goodwill to Banque Populaire Aquitaine Centre Atlantique after their merger) and goodwill carried by Banque Populaire Méditerranée (transfer of Banque Chaix's goodwill to Banque Populaire Méditerranée after their merger).*

(3) *Goodwill on S-money totaling €12 million was reassigned to Specialized Financial Services after this entity was transferred to Natixis group in 2017.*

5

Impairment tests

All goodwill has been impairment-tested, based on the assessment of the value in use of the cash-generating units (CGUs) to which it is attached.

Key assumptions used to determine recoverable value

Value in use 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
Retail Banking and Insurance		
Insurance	11.5%	2.5%
Specialized Financial Services	12.2%	2.5%
Banque Palatine	8.5%	2.0%
Regional banks	7.5%	2.0%
BPCE International	8.9% – 18.9%	1.9% – 5.3%
Asset & Wealth Management	**9.7%**	**2.5%**
Equity Interests (Coface)	**10.8%**	**2.5%**
Corporate & Investment Banking	**11.4%**	**2.5%**

The discount rates were determined by factoring in the following:

- for the Asset & Wealth Management, Insurance, Specialized Financial Services and Corporate & Investment Banking 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 Coface CGU, the benchmark interest rates used were determined according to a similar method as applied to the other CGUs, using samples of equivalent companies for insurance, services and factoring activities;
- for the Banque Palatine and Regional banks CGUs, a risk-free rate (10-year OAT) over a depth of six 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 latest available market information. The long-term growth rates are based on the long-term inflation rates in their countries of operation.

These tests led to the recognition of goodwill impairment of €85 million in 2017.

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:

- -7.1% for the Asset & Wealth Management CGU;
- -3.3% for the Corporate & Investment Banking CGU;
- -5.3% for the Insurance CGU;
- -3.6% for the Specialized Financial Services CGU;
- -2.6% for the Coface CGU;
- -6.2% for the Regional Banks CGU.

These changes would only result in the booking of additional impairment losses for the Regional Banks CGU (€17 million).

Similarly, the sensitivity of these CGUs' future cash flows, as forecast in the business plan, to changes in the main assumptions would not significantly affect their recoverable value:

- for Asset & Wealth Management, a 10% decline in the equity markets would have a -8% 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 40 would have a limited impact on net banking income and would not result in recognition of impairment;
- for Insurance, the main vector of sensitivity for life insurance is interest rates but various steps are being taken to reduce their impact (diversification of investments, reserves, etc.). Accordingly, the impact on the income statement is limited and would not significantly impact the CGU's value. For non-life insurance, the main vector of sensitivity is the loss ratio, which is notably measured *via* the combined ratio. Natixis' strategic plan, New Dimension, sets this ratio at below 94%. A one-point deterioration in this ratio each year from 2018 in relation to the assumptions used to value the CGU would lead to a limited fall of 3% in this value, with no impact on impairment.
- for Specialized Financial Services, a one-point increase in the 3-month Euribor applied to the factoring business and the replication of a "2008/2009"-type crisis (decline in new business and increase in cost of risk) in the leasing business would have a negative impact of -6% on the CGU's recoverable value and would have no impact in terms of impairment;
- for Coface, the primary sensitivity vector is the loss ratio. The projected level of this ratio is below 54% (net of reinsurance) for 2017. A one-point increase in the loss ratio, relative to the assumptions used for the DCF calculation over all years from 2018, would impact the average multi-criteria value by less than 5% and would not lead to the recognition of impairment on the CGU. A valuation at the lowest price of the year 2017 would have a limited impact on the weighted average valuation determined using the different methods (-2%);
- for the Regional Banks, the sensitivity of future cash flows, as forecast in the business plan, to a 5% point fall in normative net income, combined with a 50 basis point rise in the target capital adequacy ratio, 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 €14 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	12/31/2017	12/31/2016
Demand deposits	9,488	11,944
Repurchase agreements	4,841	5,305
Accrued interest	8	8
Amounts due to credit institutions – repayable on demand	**14,337**	**17,257**
Term deposits and loans	64,397	57,392
Repurchase agreements	13,431	12,398
Accrued interest	(20)	145
Amounts due to credit institutions – repayable at agreed maturity dates	**77,808**	**69,935**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**92,145**	**87,192**

The fair value of amounts due to credit institutions is presented in Note 15.

5.15.2 Amounts due to customers

in millions of euros	12/31/2017	12/31/2016
Current accounts	**172,889**	**151,368**
Livret A savings accounts	89,898	87,071
Regulated home savings products	77,498	74,844
Other regulated savings accounts	84,009	80,570
Accrued interest	9	543
Regulated savings accounts	**251,414**	**243,028**
Demand deposits and loans	15,474	15,435
Term accounts and loans	65,074	67,123
Accrued interest	1,964	2,223
Other customer accounts	**82,512**	**84,781**
Demand	22,348	12,172
Term	38,335	38,067
Accrued interest	34	27
Repurchase agreements	**60,717**	**50,266**
Other amounts due to customers	**2,347**	**2,335**
TOTAL AMOUNTS DUE TO CUSTOMERS	**569,879**	**531,778**

The fair value of amounts due to customers is presented in Note 15.

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	12/31/2017	12/31/2016
Bonds	129,960	146,894
Interbank market instruments and negotiable debt securities	78,186	81,125
Senior non-preferred debt	4,832	
Other debt securities	1,871	1,853
Total	**214,849**	**229,872**
Accrued interest	2,108	2,479
TOTAL DEBT SECURITIES	**216,957**	**232,351**

A new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation has been introduced by French law and is commonly referred to as senior non-preferred debt. These liabilities have a ranking between the ranking of own funds and other "senior preferred" debt.

The fair value of debt securities is presented in Note 15.

5.17 ACCRUED EXPENSES AND OTHER LIABILITIES

in millions of euros	12/31/2017	12/31/2016
Collection accounts	4,857	8,789
Prepaid income	1,421	1,415
Accounts payable	2,696	2,547
Other accruals	4,854	5,430
Accrued expenses and other liabilities	**13,828**	**18,181**
Settlement accounts in credit on securities transactions	773	664
Guarantee deposits received[1]	10,367	15,996
Other payables	14,625	12,760
Other insurance-related liabilities	9,838	8,949
Other liabilities	**35,603**	**38,369**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**49,431**	**56,550**

(1) "Security deposits received" includes margin calls on repurchase agreements and derivatives for €6,659 million as at December 31, 2017, compared with €8,978 million at December 31, 2016.

5.18 TECHNICAL RESERVES OF INSURANCE COMPANIES

in millions of euros	12/31/2017	12/31/2016
Life insurance technical reserves	**5,061**	**4,698**
Life insurance technical reserves – EUR policies	59,777	56,103
Life insurance technical reserves – unit-linked policies	15,054	11,433
Life insurance technical reserves	**74,831**	**67,536**
Financial contract technical reserves	**31**	**29**
Deferred profit-sharing	**3,788**	**3,553**
TOTAL TECHNICAL RESERVES OF INSURANCE COMPANIES	**83,711**	**75,816**

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	01/01/2017	Increase	Use	Reversals unused	Other changes[(1)]	12/31/2017
Provisions for employee benefit commitments[(2)]	2,546	200	(198)	(235)	(35)	2,278
Provisions for restructuring costs[(3)]	104	109	(41)	(18)	(2)	152
Legal and tax risks[(4)]	1,537	560	(106)	(205)	(74)	1,712
Loan and guarantee commitments	366	163	(29)	(140)	(61)	299
Provisions for regulated home savings products	713	36		(54)		695
Other operating provisions	1,233	310	(103)	(209)	25	1,256
TOTAL PROVISIONS	**6,499**	**1,378**	**(477)**	**(861)**	**(147)**	**6,392**

(1) Other changes include primarily the variation in revaluation differences on employee benefits (-€22 million before tax) and the impacts related to changes in the scope of consolidation and foreign exchange rate adjustments (-€117 million).

(2) O/w €2,104 million for post-employment defined-benefit plans and other long-term employee benefits (see Note 9.2.1).

(3) At December 31, 2017, provisions for restructuring costs notably included:

- *€2 million for the workforce adjustment plan at Natixis completed in 2015 (€6 million at December 31, 2016);*
- *€31 million in provisions for restructuring costs for the COFACE plan (€42 million at December 31, 2016);*
- *€30 million for Caisse d'Epargne Provence-Alpes-Corse (€22 million at December 31, 2016 for "overseas" voluntary redundancy).*

(4) Provisions for legal and tax risks included:

- *€389 million for the net insurance exposure on the Madoff fraud. The insurance amount totals €123 million for disputes relating to this case. The provision for Madoff net outstandings totaled €480 million at December 31, 2016;*
- *€87 million for the fine associated with the exchange of truncated checks following the unfavorable ruling by the Paris Court of Appeals on December 21, 2017.*

5.19.1 Deposits held in regulated home savings products

in millions of euros	12/31/2017	12/31/2016
Deposits held in PEL regulated home savings plans		
– less than 4 years	8,441	41,569
– more than 4 years and less than 10 years	51,926	15,748
– more than 10 years	11,481	11,997
Deposits held in PEL regulated home savings plans	**71,848**	**69,314**
Deposits held in CEL regulated home savings accounts	**5,625**	**5,621**
TOTAL DEPOSITS HELD IN REGULATED HOME SAVINGS PRODUCTS	**77,473**	**74,935**

The significant change in the first and second tranches (under 4 years and 4-10 years) is attributable to the maturation of the strata of the PEL home savings plan.

5.19.2 Loans outstanding granted under regulated home savings products

in millions of euros	12/31/2017	12/31/2016
Loans outstanding granted under regulated home savings plans	64	98
Loans outstanding granted under regulated home savings accounts	254	379
TOTAL LOANS OUTSTANDING ON REGULATED HOME SAVINGS PRODUCTS	**318**	**477**

5.19.3 Provisions on regulated home savings products

in millions of euros	12/31/2017	12/31/2016
Provisions for PEL regulated home savings plans		
– less than 4 years	147	405
– more than 4 years and less than 10 years	308	99
– more than 10 years	192	169
Provisions for PEL regulated home savings plans	**647**	**673**
Provisions for CEL regulated home savings accounts	**52**	**45**
Provisions for PEL regulated home savings loans	(1)	(1)
Provisions for CEL regulated home savings loans	(3)	(4)
Provisions for regulated home savings loans	**(4)**	**(5)**
TOTAL PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS	**695**	**713**

The change in the provisions on regulated home savings products reflects the maturation of the PEL strata (see Note 5.19.1).

5.20 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.

in millions of euros	12/31/2017	12/31/2016
Term subordinated debt	16,115	18,620
Perpetual subordinated debt	321	321
Mutual guarantee deposits	157	166
Subordinated debt and similar	**16,593**	**19,107**
Accrued interest	328	356
Revaluation of the hedged component	489	658
TOTAL SUBORDINATED DEBT	**17,410**	**20,121**

The fair value of subordinated debt is presented in Note 15.

Changes in subordinated debt and similar during the year

in millions of euros	01/01/2017	Issuance[(1)]	Redemption[(2)]	Other changes[(3)]	12/31/2017
Term subordinated debt	18,620		(1,654)	(851)	16,115
Perpetual subordinated debt	321				321
Mutual guarantee deposits	166	12	(21)		157
SUBORDINATED DEBT AND SIMILAR	**19,107**	**12**	**(1,675)**	**(851)**	**16,593**

(1) No new issuance was made in the 2017 fiscal year.

(2) Redemptions of subordinated borrowings and securities specifically involved:

- *the maturing of subordinated securities issued by BPCE in the amount of €1,150 million, in 2017;*
- *the maturing of subordinated securities issued by Natixis in the amount of €500 million, in 2017.*

(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 5.22.2.

5.21 ORDINARY SHARES AND EQUITY INSTRUMENTS ISSUED

5.21.1 Cooperative shares

At December 31, 2017, share capital broke down as follows:

- €9,223 million in cooperative shares fully subscribed for by the cooperative shareholders of the Banque Populaire banks (compared to €8,538 million at December 31, 2016);
- €9,665 million in cooperative shares fully subscribed for by the cooperative shareholders of the Caisses d'Epargne (compared to €9,575 million at December 31, 2016).

At December 31, 2017, additional paid-in capital broke down as follows (amounts unchanged in relation to December 31, 2016):

- €949 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[(1)] 12/31/2017	12/31/2016
BPCE	July 30, 2004	USD	200 million	September 30, 2017	None	Min (10-year CMAT 0.3%; 9%)		142
BPCE	October 12, 2004	EUR	80 million	July 12, 2017	None	Min (10-year CMS; 7%)		80
BPCE	January 27, 2006	USD	300 million	July 27, 2017	None	6.75%		214
BPCE	October 30, 2007	EUR	509 million	October 30, 2017	October 30, 2017	6.12%		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							**683**	**1,628**

(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.

Redemptions during the period (€945 million) led to the write-back of the capital gain recorded in equity in 2009 for the equivalent in euros of €399 million. This write-back is recorded in retained earnings for -€443 million for 2017 (including a translation adjustment of €44 million).

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 2017						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage of non-controlling interests	Income attributed during the period to holders of non-controlling interests	Amount of subsidiary's non-controlling interests	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Comprehensive income attributable to equity holders of the parent
Natixis Group	**28.98%**	**684**	**6,896**	**392**	**519,986**	**499,000**	**1,669**	**973**
o/w Coface[1]	58.62%	33	1,082	12	7,360	5,554	83	76
o/w H2O[1]	49.99%	83	89	28	256	78	167	165
Locindus	**25.18%**	**2**	**64**	**2**	**709**	**455**	**8**	**8**
Other entities		**(5)**	**212**	**17**				
TOTAL AT 12/31/2017		**681**	**7,172**	**411**				

(1) *Non-controlling interests in Natixis group.*

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[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
o/w H2O[1] [2]	49.99%	29	35	55	107	37	58	52
Locindus	**25.18%**	**1**	**64**	**3**	**724**	**471**	**6**	**6**
Other entities		**10**	**178**	**22**				
TOTAL AT 12/31/2016		**500**	**7,674**	**443**				

(1) *Non-controlling interests in Natixis group.*
(2) *H2O data have been added since the disclosure made in 2016.*

5.23 CHANGE IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	Fiscal year 2017			Fiscal year 2016		
in millions of euros	**Gross**	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Revaluation differences on defined-benefit pension schemes	50	(34)	16	(205)	60	(145)
Revaluation of own credit risk on financial liabilities at fair value through profit or loss(1)	(198)	50	(148)	(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			**(133)**			**(238)**
Foreign exchange rate adjustments	(699)	///	(699)	118	///	118
Change in the value of available-for-sale financial assets(2)	28	134	162	(340)	(49)	(389)
Change in the value of hedging derivatives(3)	153	(56)	97	134	(65)	69
Share of gains and losses recognized directly in other comprehensive income of associates that can be reclassified in income	///	///	9	///	///	112
Items that can be reclassified in income			**(431)**			**(90)**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER INCOME TAX)			**(564)**			**(328)**
Attributable to equity holders of the parent			(331)			(405)
Non-controlling interests			**(233)**			**77**

(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 -€304 million (before tax) reclassified as income for 2017, compared with -€830 million in 2016; 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.
(3) O/w €88 million (before tax) reclassified as income for 2017 compared with €96 million in 2016.

5.24 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities were offset on the balance sheet in accordance with IAS 32. Under this standard, a financial asset and financial liability are offset and a net balance is recorded in the balance sheet if and only if:

- the Group has the legally enforceable right to offset the recorded amounts; and
- it has the intention either to settle the net amount or to simultaneously realize the asset and settle the liability.

Within Groupe BPCE, most offset amounts are the result of repurchase agreements and derivatives transactions mostly carried out by Natixis with clearing houses, which fulfilled the requirements of IAS 32:

- for OTC derivatives, this involves the effects of the currency offset between asset valuations and liability valuations of the derivatives;
- for asset switch transactions that have similar nominal amounts and identical maturities and currencies, the Group presents them as a single financial asset or liability;
- for listed derivatives, the positions recorded under the respective asset and liability items for:
  - index options and futures options are offset by maturity and by currency,
  - equity options are offset by ISIN code and maturity date;
- for repurchase agreements, the amount recorded in the balance sheet corresponds to the net value of repurchase and reverse repurchase agreements that:
  - are entered into with the same clearing house,
  - have the same maturity date,
  - involve the same custodian,
  - are denominated in the same currency.

Financial assets and liabilities "Under netting agreements not offset in the balance sheet" comprise transactions under netting agreements or similar agreements, but that do not meet the restrictive netting criteria set by IAS 32. This is particularly the case for derivatives or OTC repurchase agreements subject to master agreements under which the net settlement criteria or realization of a simultaneous settlement of the asset and liability cannot be demonstrated or for which the offsetting right can only be exercised in the event of default, insolvency or bankruptcy by one of the parties to the agreement.

5

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

	12/31/2017			12/31/2016		
in millions of euros	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amount of financial assets recognized in the balance sheet	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amount of financial assets recognized in the balance sheet
Derivatives (trading and hedging)	74,393	17,426	56,967	87,394	19,705	67,689
Repurchase agreements	42,969	8,465	34,504	47,873	7,502	40,371
Financial assets designated at fair value	**117,362**	**25,891**	**91,471**	**135,267**	**27,207**	**108,060**
Repurchase agreements (loans and receivables portfolio)	**70,869**	**6,459**	**64,410**	**72,835**	**12,572**	**60,263**
TOTAL	**188,231**	**32,350**	**155,881**	**208,102**	**39,779**	**168,323**

Financial assets under netting agreements not offset in the balance sheet

	12/31/2017				12/31/2016			
in millions of euros	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives (trading and hedging)	56,967	31,550	6,645	18,772	67,689	33,604	8,928	25,157
Repurchase agreements	98,914	92,622	14	6,278	100,634	84,089	50	16,495
TOTAL	**155,881**	**124,172**	**6,659**	**25,050**	**168,323**	**117,693**	**8,978**	**41,652**

5.24.2 Financial liabilities

Financial liabilities under netting agreements offset in the balance sheet

in millions of euros	12/31/2017			12/31/2016		
	Gross amount of financial liabilities	Gross amount of financial assets offset in the balance sheet	Net amount of financial liabilities recognized in the balance sheet	Gross amount of financial liabilities	Gross amount of financial assets offset in the balance sheet	Net amount of financial liabilities recognized in the balance sheet
Derivatives (trading and hedging)	79,823	17,426	62,396	90,199	19,705	70,494
Repurchase agreements	43,430	8,465	34,965	43,446	7,502	35,944
Financial liabilities at fair value	**123,523**	**25,891**	**97,361**	**133,645**	**27,207**	**106,438**
Repurchase agreements (liabilities portfolio)	**85,448**	**6,459**	**78,989**	**80,545**	**12,572**	**67,973**
TOTAL	**208,701**	**32,350**	**176,350**	**214,190**	**39,779**	**174,411**

Financial liabilities under netting agreements not offset in the balance sheet

in millions of euros	12/31/2017				12/31/2016			
	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 (trading and hedging)	62,396	31,977	11,579	18,840	70,494	34,547	13,247	22,700
Repurchase agreements	113,954	103,729	1	10,224	103,917	82,520	8	21,389
TOTAL	**176,350**	**135,706**	**11,580**	**29,064**	**174,411**	**117,067**	**13,255**	**44,089**

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 2017			Fiscal year 2016		
in millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Loans and receivables due from customers	17,007	(5,505)	11,502	17,816	(5,238)	12,578
Loans and receivables due from credit institutions(1)	1,378	(809)	569	1,314	(682)	632
Finance leases	495	///	495	533	///	533
Debt securities and subordinated debt	///	(4,420)	(4,420)	///	(4,794)	(4,794)
Hedging derivatives	4,877	(4,948)	(71)	5,074	(5,282)	(208)
Available-for-sale financial assets	1,832	///	1,832	1,855	///	1,855
Held-to-maturity financial assets	269	///	269	287	///	287
Impaired financial assets	71	///	71	73	///	73
Other interest income and expenses	12	(27)	(15)	5	(57)	(52)
TOTAL INTEREST INCOME AND EXPENSES	**25,941**	**(15,709)**	**10,232**	**26,957**	**(16,053)**	**10,904**

(1) Interest income from loans and receivables with credit institutions consists of €707 million in income (€760 million in 2016) 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 2017			Fiscal year 2016		
in millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Cash and interbank transactions	22	(57)	(35)	16	(32)	(16)
Customer transactions	3,294	(22)	3,272	3,094	(39)	3,055
Financial services	662	(751)	(89)	563	(678)	(115)
Sales of life insurance products	1,220	///	1,220	1,298	///	1,298
Payment services	1,570	(546)	1,024	1,625	(604)	1,021
Securities transactions	326	(188)	138	285	(159)	126
Trust management services	3,606	(8)	3,598	3,220	(6)	3,214
Financial instruments and off-balance sheet transactions	455	(156)	299	401	(146)	255
Other fee and commission income/(expense)	433	(409)	24	450	(507)	(57)
TOTAL FEE AND COMMISSION INCOME AND EXPENSES	**11,588**	**(2,137)**	**9,451**	**10,952**	**(2,171)**	**8,781**

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 2017	Fiscal year 2016
Gains and losses on financial instruments held for trading[1]	2,751	2,229
Gains and losses on financial instruments designated at fair value through profit or loss	531	34
Gains and losses on hedging transactions	(187)	(123)
– Ineffective portion of fair value hedges	(197)	(114)
– Ineffective portion of cash flow hedges	10	(9)
Gains and losses on foreign exchange transactions[2]	82	288
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**3,177**	**2,428**

(1) In 2017, "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 €7 million in cumulative impairments in 2017, versus income of €19 million in 2016 excluding foreign exchange effect, bringing cumulative impairments to €63 million at December 31, 2017 versus €73 million at December 31, 2016;*
- *a reversal of the full portfolio-based provision recorded on exposures in respect of CDPCs (Credit Derivative Product Companies) was recorded in 2017 in the amount of €1 million. In 2016, a €4 million reversal was carried out, bringing the cumulative balance of the portfolio-based provision to €1 million;*
- *the +€95 million change in the fair value of derivatives due to the difference in impairments for counterparty risk (Credit Valuation Adjustment – CVA), in the amount of -€55 million due to the consideration of non-performance risk in the valuation of derivative financial liabilities (Debit Valuation Adjustment – DVA), and in the amount of +€25 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA).*

(2) Income of €47 million was recorded in 2016, corresponding to the reclassification of foreign exchange gains and losses arising on the reimbursement by certain entities of capital in foreign currencies or equity items treated as capital.

Day-one profit

in millions of euros	Fiscal year 2017	Fiscal year 2016
Day-one profit at the start of the year	74	82
Deferred profit on new transactions	100	53
Profit recognized in income during the year	(97)	(62)
Other changes		
DAY-ONE PROFIT AT YEAR-END	**77**	**73**

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 2017	Fiscal year 2016
Gains or losses on disposal	607	1,250
Dividends received	257	237
Permanent impairment of variable-income securities	(61)	(120)
TOTAL NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	**803**	**1,367**

In 2016, "Gains and losses on disposal" included €831 million related to the capital gain on the disposal of Visa Europe shares.

In 2017, permanent impairment of variable-income securities amounted to €61 million, *versus* €120 million in 2016. This expense involves insurance portfolios for €15 million (€40 million at December 31, 2016), the impact of which is neutralized given the profit-sharing mechanism.

In 2017, permanent impairment in value of variable-income securities[1] also included an additional impairment loss of €18 million on previously impaired securities (€59 million in 2016).

The allowance for newly-impaired securities linked to the application of analysis criteria as defined in the accounting principles and methods (see Note 4.1.7) amounted to €9 million, primarily applicable to insurance portfolios (€43 million in 2016, €35 million of which was applicable to insurance portfolios).

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 2017			Fiscal year 2016		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Income and expenses from insurance activities[(1)]	**11,536**	**(11,784)**	**(248)**	**20,884**	**(20,573)**	**311**
Income and expenses from real estate activities	**2**		**2**	**3**		**3**
Income and expenses from leasing transactions	**346**	**(339)**	**7**	**300**	**(300)**	
Income and expenses from investment property	**213**	**(105)**	**108**	**209**	**(92)**	**117**
Share of joint ventures	7	(7)		7	(9)	(2)
Transfers of expenses and income	18	(7)	11	15	(7)	8
Other operating income and expenses	598	(362)	236	645	(300)	345
Additions to/reversals from provisions to other operating income and expenses		(59)	(59)		(104)	(104)
Other banking income and expenses	**623**	**(435)**	**188**	**667**	**(420)**	**247**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**12,720**	**(12,663)**	**57**	**22,063**	**(21,385)**	**678**

(1) In 2016, the implementation of the partnership with CNP Assurances concerning receivables arising from reinsurance transactions linked to reinsured contracts was reflected by an entry of €11.9 billion recorded under "Income and expenses from insurance activities":

- *income from insurance companies included the effect of the implementation of the reinsurance treaty covering 10% of the savings deposit outstandings held by CNP;*
- *expenses included the recognized allocations to technical reserves.*

(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.

in millions of euros	Banking format 2017				Insurance format 2017	Insurance format 2016
	Net banking income[1]	Operating expenses	Gross operating income	Other items		
Earned premiums	14,033		14,033		14,033	22,428
Revenues or income from other activities	246		246		246	305
Other operating income	28	19	47		47	19
Net financial income before finance costs	2,863	(15)	2,848	(24)	2,824	2,008
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**17,170**	**4**	**17,174**	**(24)**	**17,150**	**24,760**
Claims and benefits expenses	(13,919)	(116)	(14,035)		(14,035)	(21,726)
Expenses from other activities	(313)	(14)	(327)	(4)	(331)	(399)
Net income from reinsurance disposals	(36)		(36)		(36)	(58)
Policy acquisition costs	(758)	(221)	(979)	1	(978)	(945)
Administrative expenses	(394)	(389)	(783)	(1)	(784)	(710)
Other operating income and expenses/recurring	(76)	(249)	(325)	(2)	(327)	(221)
TOTAL OTHER RECURRING INCOME AND EXPENSES	**(15,496)**	**(989)**	**(16,485)**	**(6)**	**(16,491)**	**(24,059)**
OPERATING INCOME	**1,674**	**(985)**	**689**	**(30)**	**659**	**701**

(1) O/w -€248 million recorded in "Income and expenses from insurance activities" (see Note 6.5).

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 2017	Fiscal year 2016
Payroll costs	**(10,327)**	**(10,025)**
Taxes other than on income and regulatory contributions	(861)	(826)
External services and other operating expenses	(5,060)	(4,969)
Other administrative costs	**(5,921)**	**(5,795)**
TOTAL OPERATING EXPENSES	**(16,248)**	**(15,820)**

Taxes and regulatory contributions included, in particular, the contribution to the SRF (Single Resolution Fund) for an annual amount of €273 million (*versus* €229 million in 2016) and the systemic risk tax for an annual amount of €86 million (*versus* €102 million in 2016).

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 2017	Fiscal year 2016
Net charge to provisions and provisions for impairment	(1,209)	(1,308)
Recoveries of bad debts written off	66	80
Irrecoverable loans not covered by provisions for impairment	(241)	(195)
TOTAL COST OF RISK	**(1,384)**	**(1,423)**

Cost of risk for the period by type of asset

in millions of euros	Fiscal year 2017	Fiscal year 2016
Interbank transactions	(17)	5
Customer transactions	(1,339)	(1,385)
Other financial assets	(28)	(43)
TOTAL COST OF RISK	**(1,384)**	**(1,423)**

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 2017	Fiscal year 2016
Gains or losses on disposals of property, plant and equipment and intangible assets used in operations	87	167
Gains or losses on disposals of consolidated investments	1	36
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**88**	**203**

In 2017, gains or losses on disposals of property, plant and equipment and intangible assets mainly included the €84 million capital gain on the sale of the Parc Avenue building.

Gains or losses on disposals of consolidated investments primarily concerned the disposal by Natixis of Ellisphère and IJCOF (+€22 million), the two Caspian private equity companies (+€10 million) and the liquidation of Nexgen Financial Holding (+€18 million). These gains were offset by the -€37 million provision recorded ahead of the disposal of Banco Primus (see Note 5.11) and Banque des Mascareignes. The sale of Banque des Mascareignes should be completed in early 2018 (see Note 1.4).

In 2016, gains or losses on disposals of property, plant and equipment and intangible operating assets included 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 by the Corporate Center).

Gains or losses on the disposal of consolidated equity interests mainly correspond to the sale by Natixis of the Capital Growth Management entities, in the amount of €18 million, of Reich and Tang for €5 million, and the disposals of the Corporate Data Solutions activities.

6.9 INCOME TAX

in millions of euros	Fiscal year 2017	Fiscal year 2016
Current income tax expense	(675)	(1,026)
Deferred tax assets and liabilities[(1)]	(1,136)	(856)
INCOME TAX	**(1,811)**	**(1,882)**

(1) *In 2017, deferred tax assets and liabilities included the effect of the change in the tax rate in the United States (+€105 million) and the impact of the gradual reduction in the corporate tax rate in France, as recorded in the French Finance Act for 2018 (-€145 million), representing an expense of -€40 million.*

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	Fiscal year 2017		Fiscal year 2016	
	in millions of euros	Tax rate	in millions of euros	Tax rate
Net income attributable to equity holders of the parent	3,024		3,988	
Change in the value of goodwill	85		154	
Non-controlling interests	681		500	
Share in net income of associates	(276)		(259)	
Income taxes	1,811		1,882	
INCOME BEFORE TAX AND CHANGES IN THE VALUE OF GOODWILL (A)	**5,325**		**6,265**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical income tax expense (income) at the tax rate applicable in France (AxB)	**(1,833)**		**(2,157)**	
Impact of the change in unrecognized deferred tax assets and liabilities	(113)	2.1%	(67)	1.1%
Impact of permanent differences[(1)]	(169)	3.2%	151	(2.4%)
Reduced rate of tax and tax-exempt activities	25	(0.5%)	5	(0.1%)
Difference in tax rates on income taxed outside France	76	(1.4%)	12	(0.2%)
Tax on prior periods, tax credits and other tax[(2)]	230	(4.3%)	605	(9.7%)
Other items[(3)]	(27)	0.5%	(431)	6.9%
TAX EXPENSE RECOGNIZED	**(1,811)**		**(1,882)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**34.0%**		**30.0%**

(1) Permanent differences include in particular the impacts of the SRT (systemic risk tax) and the contribution to the SRF (single resolution fund), consisting of non-deductible expenses (see Note 6.6). Permanent differences also include gains on investments in associates taxed under the long-term scheme (notably the capital gain on the sale of Visa securities in 2016).

(2) Tax on prior periods included, for €159 million, the effects of the reimbursement of the 3% tax on dividend payouts and the impact of tax audits and the resolution of ongoing disputes.

(3) Other items include the effects of the extraordinary additional corporate tax charge introduced by the amended Finance Act for 2017, for -€85 million, and the impact of the reduction in the corporate tax rate introduced by the French Finance Act for 2018, for -€41 million.

Note 7 Exposure to risks

Information relating to capital management as well as regulatory ratios are presented in the Risk Management section.

Information on financial assets with past due payments and remodeling due to financial difficulties is provided in the section on "Credit Risk" in Chapter 3 – "Risk Management".

Information on liquidity risk (analysis of financial assets and liabilities and commitments by contractual maturity date) is provided in the section on "Liquidity, Interest Rate and Exchange Rate Risks" in Chapter 3 – "Risk Management".

7.1 CREDIT RISK AND COUNTERPARTY RISK

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	Impairments and provisions	Net outstandings at 12/31/2017	Net outstandings at 12/31/2016
Financial assets at fair value through profit or loss (excluding variable-income securities)	107,699			107,699	121,418
Hedging derivatives	9,809			9,809	14,842
Available-for-sale financial assets (excluding variable-income securities)	89,877	173	(107)	89,943	86,725
Loans and receivables due from credit institutions	92,061	74	(74)	92,061	96,665
Loans and receivables due from customers(1)	671,798	22,918	(11,777)	682,939	656,025
Held-to-maturity financial assets	7,833	3	(2)	7,834	9,483
Other insurance-related assets	1,710	595	(371)	1,934	1,902
Other debtors	16,831	923	(193)	17,561	14,648
Exposure to balance sheet commitments	**997,618**	**24,686**	**(12,524)**	**1,009,780**	**1,001,708**
Exposure to off-balance sheet commitments	**160,211**	**1,222**	**(299)**	**161,134**	**157,495**
TOTAL CREDIT AND COUNTERPARTY RISK EXPOSURE AT DECEMBER 31, 2017	**1,157,829**	**25,908**	**(12,823)**	**1,170,914**	**1,159,203**
TOTAL CREDIT AND COUNTERPARTY RISK EXPOSURE AT DECEMBER 31, 2016	**1,145,730**	**26,773**	**(13,300)**	**1,159,203**	

(1) *Excluding deposits of €10,190 million with CNP under the reinsurance treaty.*

7.1.3 Impairment and provisions for credit risk

in millions of euros	01/01/2017	Charges	Reversals(1)	Other changes(2)	12/31/2017
Available-for-sale financial assets	83	30	(8)	2	107
Interbank transactions	73	10	(5)	(4)	74
Customer transactions	12,278	3,590	(4,046)	(45)	11,777
Held-to-maturity financial assets	2				2
Other assets related to insurance activities	309	121	(58)	(1)	371
Other debtors	188	25	(26)	6	193
Impairment losses recognized in assets	**12,933**	**3,776**	**(4,143)**	**(42)**	**12,524**
Provisions for loan and guarantee commitments	366	163	(169)	(61)	299
Other provisions for credit risk	732	108	(41)	(86)	713
Provisions for liabilities	**1,098**	**271**	**(210)**	**(147)**	**1,012**
TOTAL IMPAIRMENT AND PROVISIONS FOR CREDIT RISK	**14,031**	**4,047**	**(4,353)**	**(189)**	**13,536**

(1) *Including €1,245 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 2017	Fiscal year 2016
Non-current assets available for sale		1
Investment property	1	1
Equity and debt instruments		76
Other	39	38
TOTAL ASSETS OBTAINED BY TAKING POSSESSION OF COLLATERAL	**40**	**117**

7.2 MARKET RISK

Market risk refers to the possibility of financial loss due to market trends, such as:

- interest rates: interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market rates of interest;
- exchange rates;
- prices: market price risk is the risk of a potential loss resulting from changes in market prices, whether they are caused by factors specific to the instrument or its issuer, or by factors affecting all market traded instruments. Variable-income securities, equity derivatives and commodity derivatives are exposed to this type of risk; and
- more generally, any market parameter involved in the valuation of portfolios.

Systems for the measurement and monitoring of market risks are presented in the risk management report.

The information provided in the risk management report required under IFRS 7 and relating to the management of market risk comprises:

- VaR for the Groupe BPCE scope;
- the conclusions of the global stress tests.

7.3 INTEREST RATE RISK AND EXCHANGE RATE RISK

Interest rate risk is the risk that unfavorable changes in interest rates will adversely impact the Group's annual results and net worth. Exchange rate risk is the risk of losses resulting from changes in exchange rates.

The Group's approach to the management of overall interest rate risk and foreign exchange risk is discussed in Chapter 3 – Risk management report – Liquidity, interest rate and exchange rate risks.

7.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to honor its payment commitments as they fall due and replace funds when they are withdrawn.

The funding procedures and liquidity risk management arrangements are disclosed in the risk management report.

Disclosures relating to the management of liquidity risk required by IFRS 7 are provided in Chapter 3 – Risk management report – Liquidity, interest rate and foreign exchange risk.

Note 8 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	12/31/2017	12/31/2016
CNP Assurances (group)	2,567	2,450
Socram Banque	76	76
EDF Investment Group (EIG)	521	524
Banque Calédonienne d'investissement	145	135
Other	493	410
Financial sector companies	**3,802**	**3,595**
Other	310	296
Non-financial companies	**310**	**296**
TOTAL INVESTMENTS IN ASSOCIATES	**4,112**	**3,891**

8.1.2 Financial data for the main joint arrangements and associates

Summarized financial data for material joint ventures and/or companies under notable influence are as follows (based on the last available data published by the entities in question):

	Associates			
in millions of euros	CNP Assurances (group)	Socram Banque	EDF Investment Group (EIG)	Banque Calédonienne d'investissement (BCI)
DIVIDENDS RECEIVED	**88**	**2**	**11**	**4**
MAIN AGGREGATES				
Total assets	**423,298**	**2,066**	**8,583**	**2,723**
Total debt	**405,040**	**1,839**	**57**	**2,432**
Income statement				
Operating income or net banking income	2,519	56	247	91
Income tax	(896)	(2)	(77)	(20)
Net income	1,623	5	170	25
CARRYING VALUE OF INVESTMENTS IN ASSOCIATES				
Equity of associates(1)	18,258	227	8,526	290
Percentage of ownership	16.11%	33.42%	6.11%	49.90%
VALUE OF INVESTMENTS IN ASSOCIATES	**2,567**	**76**	**521**	**145**
o/w goodwill				2
MARKET VALUE OF INVESTMENTS IN ASSOCIATES	**2,129**	**///**	**///**	**///**

(1) *The equity used by Groupe BPCE to consolidate CNP Assurances (group) via the equity method is subject to restatement (deeply subordinated notes).*

Groupe BPCE has no interest in any joint venture that has a material impact on the consolidated financial statements.

Summarized financial data for non-material joint ventures and companies under significant influence at December 31, 2017 is as follows:

in millions of euros	Fiscal year 2017	Fiscal year 2016
Value of investments in associates	**803**	**545**
Total amount of share in:		
Net income	44	35
Gains and losses recognized directly in other comprehensive income	(1)	
COMPREHENSIVE INCOME	**43**	**35**

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 2017	Fiscal year 2016
CNP Assurances (group)	207	193
EDF Investment Group (EIG)	10	14
Socram Banque	2	4
Banque Calédonienne d'investissement	13	13
Other	37	20
Financial sector companies	**269**	**244**
Other	7	15
Non-financial companies	**7**	**15**
SHARE IN NET INCOME OF ASSOCIATES	**276**	**259**

Note 9 Employee benefits

9.1 PAYROLL COSTS

in millions of euros	Fiscal year 2017	Fiscal year 2016
Wages and salaries	(6,416)	(6,185)
Costs of defined-contribution plans	(690)	(717)
Other social security costs and payroll-based taxes	(2,628)	(2,564)
Profit-sharing and incentive schemes	(593)	(559)
TOTAL PAYROLL COSTS	**(10,327)**	**(10,025)**

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. It came to €120 million in respect of fiscal year 2017 (€103 million for 2016). 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 (CAR-BP), covers the pension benefits deriving from the closure of the Banque Populaire banks' banking pension scheme at December 31, 1993.

The pension plans managed by CAR-BP are partially covered by 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 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 also with 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 CAR-BP'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 "closed" (retained benefits) pension plan of the Caisses d'Epargne, previously managed by Caisse Générale de Retraite des Caisses d'Epargne (CGRCE), is now incorporated within Caisse Générale de Prévoyance des Caisses d'Epargne (CGP). The rights were crystallized at the plan's closing date of December 31, 1999. The strategic guidelines for managing retained benefits plan funds for the Caisses d'Epargne are decided by the CGP's 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 regularly.

Bonds represent a predominant portion of the plan's assets; in a bid to manage interest rate risk, the CGP matches projected liabilities flows on the assets side of the balance sheet. Due to liabilities constraints, assets must be held over the long term in order to have a duration as close as possible to that of the corresponding liabilities. A significant proportion of inflation-indexed bonds is held due to the decision to revalue annuities annually. The annuities nonetheless remain the prerogative of the CGP's Board of Directors.

The CAR-BP and CGP-CE 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 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	12/31/2017	12/31/2016
Actuarial liabilities	7,649	959	277	172	9,057	9,005
Fair value of plan assets	(7,254)	(502)	(10)		(7,766)	(7,696)
Fair value of reimbursement rights	(589)	(43)			(632)	(601)
Effect of ceiling on plan assets	813				813	1,067
Net amount reported on the balance sheet	**619**	**414**	**267**	**172**	**1,472**	**1,775**
Employee benefit commitments recorded in the balance sheet	1,208	457	267	172	2,104	2,376
Plan assets recorded in the balance sheet	589	43			632	601

9.2.2 Change in amounts recognized on the balance sheet

Changes 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 2017	Fiscal year 2016
Actuarial liabilities at start of year	**7,625**	**933**	**264**	**183**	**9,005**	**8,587**
Service cost	18	53	18	47	136	123
Service cost for prior periods	(43)	3	4	(11)	(47)	(22)
Interest cost	123	10	2		135	166
Benefits paid	(183)	(44)	(10)	(48)	(285)	(267)
Other	(7)	3	(3)		(7)	1
Changes recorded in income	**(92)**	**25**	**11**	**(12)**	**(68)**	**1**
Revaluation adjustments – demographic assumptions		22			22	(14)
Revaluation adjustments – financial assumptions	199	(6)			193	529
Revaluation adjustments – past-experience effect	(55)	(16)			(71)	(93)
Changes recognized directly in non-recyclable equity	**144**				**144**	**422**
Foreign exchange rate adjustments	**(33)**	**(1)**		**(3)**	**(37)**	**1**
Other	**5**	**2**	**2**	**4**	**13**	**(6)**
ACTUARIAL LIABILITIES AT END OF YEAR	**7,649**	**959**	**277**	**172**	**9,057**	**9,005**

Change in plan assets

The plan assets presented in the table below include the fair value of plan assets and reimbursement rights (see Note 9.2.1).

in millions of euros	Post-employment benefits related to defined-benefit pension plans		Other long-term employee benefits		
	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Fiscal year 2017	Fiscal year 2016
Fair value of plan assets at start of year	**7,930**	**357**	**10**	**8,297**	**7,932**
Interest income	132	3		135	159
Plan participant contributions	46	187		233	27
Benefits paid	(147)	(23)		(170)	(143)
Other	(2)	7		5	1
Changes recorded in income	**29**	**174**		**203**	**44**
Revaluation adjustments – Return on plan assets	(84)	5		(79)	329
Changes recognized directly in non-recyclable equity	**(84)**	**5**		**(79)**	**329**
Foreign exchange rate adjustments	**(29)**			**(29)**	**(1)**
Other	**(3)**	**9**		**6**	**(7)**
FAIR VALUE OF PLAN ASSETS AT END OF YEAR[(1)]	**7,843**	**545**	**10**	**8,398**	**8,297**

(1) *O/w €589 million in reimbursement rights included in retirement benefits and €43 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 2017	Fiscal year 2016
Revaluation adjustments at start of period	**407**	**59**	**466**	**258**
Revaluation adjustments over the period	221	(7)	214	101
Adjustments to asset ceiling	(275)		(275)	107
Revaluation adjustments at end of period	**353**	**52**	**405**	**466**

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".

in millions of euros	Post-employment benefits related to defined-benefit pension plans		Other long-term employee benefits			
	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	Fiscal year 2017	Fiscal year 2016
Service cost	(18)	(53)	(18)	(47)	(136)	(123)
Service cost for prior periods	43	(3)	(4)	11	47	22
Interest cost	(123)	(10)	(2)		(135)	(166)
Interest income	132	3			135	159
Benefits paid	36	21	10	48	115	124
Plan participant contributions	46	187			233	27
Other (o/w asset ceiling)	(13)	4	3		(6)	(18)
TOTAL EXPENSE FOR THE YEAR[(1)]	**103**	**149**	**(11)**	**12**	**253**	**25**

(1) *O/w: a charge of €95 million recorded under payroll costs and a net payment of +€348 million in benefits and contributions.*

9.2.4 Other disclosures

Main actuarial assumptions

	Fiscal year 2017		Fiscal year 2016	
	CAR-BP	CGP-CE	CAR-BP	CGP-CE
Discount rate	1.32%	1.58%	1.22%	1.65%
Inflation rate	1.70%	1.70%	1.60%	1.60%
Life tables used	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05
Duration	15 years	18 years	15 years	19 years

Sensitivity of actuarial liabilities to changes in main assumptions

At December 31, 2017, a 0.5% change in the discount rate and the inflation rate would have the following impact on actuarial commitments:

	12/31/2017				12/31/2016			
	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	(6.73%)	(57)	(8.48%)	(504)	(6.99%)	(61)	(8.68%)	(506)
Variation of (0.5%) in the discount rate	7.55%	63	9.68%	575	7.67%	67	9.94%	579
Variation of +0.5% in the inflation rate	6.99%	59	8.02%	476	7.12%	62	8.15%	475
Variation of (0.5%) in the inflation rate	(5.84%)	(49)	(7.23%)	(430)	(5.81%)	(51)	(7.34%)	(428)

Payment schedule – (non-discounted) benefits paid to beneficiaries

	12/31/2017		12/31/2016	
in millions of euros	CAR-BP	CGP-CE	CAR-BP	CGP-CE
N+1 to N+5	185	720	185	682
N+6 to N+10	181	860	182	829
N+11 to N+15	169	932	171	920
N+16 to N+20	149	904	152	913
> N+20	346	2,713	366	2,883

Breakdown of the fair value of plan assets: CAR-BP (including reimbursement rights) and CGP-CE

	12/31/2017				12/31/2016			
	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	3.23%	15	0.30%	20	1.93%	8	0.25%	17
Equities	42.03%	191	9.80%	661	38.45%	166	7.41%	510
Bonds	46.43%	211	88.20%	5,950	51.60%	222	89.02%	6,134
Real estate			1.70%	115			0.46%	32
Investment funds	8.32%	37			8.03%	35	2.85%	197
TOTAL	**100.00%**	**454**	**100.00%**	**6,746**	**100.00%**	**431**	**100.00%**	**6,890**

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 13, 2018, as the allocations had not been formally completed on the balance sheet date, the cost assessment was based on the best possible estimate of the inputs on the balance sheet date, both in terms of the share value and dividend assumptions.

Long-term payment plans settled in cash and indexed to the Natixis share price

Settlement is subject to presence and performance conditions.

Year of plan	Grant date	Number of units granted at inception[(1)]	Vesting date	Number of units vested by beneficiaries	Fair value of indexed cash unit at valuation date *in euros*
			October 2015	1,682,810	
			October 2016	1,610,145	
2013 plan	02/19/2014	5,095,419	October 2017	1,468,937	
			October 2016	1,576,403	
			October 2017	1,449,399	
2014 plan	02/18/2015	4,493,016	October 2018	-	6.37
			March 2018		
2015 plan	02/10/2016	6,084,435	March 2019		6.11
			March 2019		
2016 plan	04/10/2017	2,835,311	March 2020		5.47
			March 2020		
2017 plan	02/23/2018	2,660,487	March 2021		5.34

(1) *The expected number of units at the vesting date is funded by equity swaps.*

Short-term cash-settled payment plans indexed to the Natixis share

Year of plan	Grant date	Vesting date	Value of indexed cash unit *(in euros)*	Number of indexed cash units granted at inception	Number of probable indexed cash units at vesting date	Fair value of indexed cash unit at valuation date *in euros*
2017 plan	02/23/2018	02/23/2018	7.06	5,313,272	5,313,272	7.06

The expense associated with the short-term plan, estimated based on the probability of the presence condition being met, is fully recognized in the 2017 financial statements in the amount of €42 million (€38 million for 2016).

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Share-based payment plans

Settlement is subject to presence and performance conditions.

Year of plan	Grant date	Number of shares granted at inception	Vesting date	Number of units vested by beneficiaries	Bonus share price at grant date *in euros*	Fair value of bonus share at valuation date *in euros*
2013 plan	07/31/2014	31,955	July 2018		4.83	4.02
2014 plan	02/18/2015	95,144	February 2019		6.18	3.45
2015 plan	07/28/2016	3,081,642	March 2018 March 2019		3.43	2.80
2016 plan	07/28/2016	151,283	July 2020		3.43	1.62
2016 plan	04/10/2017	3,012,307	March 2019 March 2020		4.28	4.43
2017 plan	05/23/2017	79,369	May 2021		6.44	3.32
2017 plan	02/23/2018	2,765,576	March 2020 March 2021		7.06	5.34

Expense for the period for loyalty and performance plans

	Fiscal year 2017			
in millions of euros	Plans settled in shares	Plans settled in cash indexed to Natixis shares	Total	Fiscal year 2016
Previous loyalty plans	(9)	(22)	(31)	(15)
Loyalty plans from the fiscal year		(6)	(6)	(7)
TOTAL	**(9)**	**(28)**	**(37)**	**(22)**

Valuation inputs used to assess the expense relative to these plans

	12/31/2017	12/31/2016
Share price	6.60	5.36
Risk-free interest rate	(0.67%)	0.00%
Dividend pay-out ratio	6.57%	6.09%
Loss of rights rate	3.90%	4.25%

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 2017 was:

Year of plan	Grant date	Vesting date	Fiscal year 2017 *in millions of euros*	Fiscal year 2016 *in millions of euros*
2012 plan	02/17/2013	March 2014 March 2015 March 2016		
2013 plan	02/19/2014	March 2015 March 2016 March 2017		(3)
2014 plan	02/18/2015	March 2016 March 2017 March 2018	(3)	(7)
2015 plan	02/10/2016	March 2017 March 2018	(6)	(16)
2016 plan	04/10/2017	March 2018 March 2019	(16)	(16)
2017 plan	02/23/2018	March 2020 March 2021	(20)	
TOTAL			**(44)**	**(42)**

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Note 10 Segment reporting

Groupe BPCE redefined its business lines in the TEC 2020 strategic plan presented on November 29, 2017, notably making the decision to split up the Investment Solutions, Corporate & Investment Banking and Specialized Financial Services division. The Investment Solutions sub-division's Insurance business line and the Specialized Financial Services sub-division were transferred to the Retail Banking and Insurance division.

The Group now has three core business divisions:

Retail Banking and Insurance, which includes:

- the Banque Populaire network, comprised of 14 Banque Populaire banks and their subsidiaries, Crédit Maritime Mutuel, and the Mutual Guarantee Companies;
- the Caisse d'Epargne network, consisting of the 16 Caisses d'Epargne;
- Specialized Financial Services (SFS), a Natixis business line encompassing specialized financing activities (factoring, leasing, consumer credit, sureties and financial guarantees), payments and financial services;
- Insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- Other networks, which comprise Crédit Foncier group, BPCE International (BPCE I) and Banque Palatine.

Asset & Wealth Management, a Natixis business line consisting of:

- Asset Management, which operates on several international markets, combining expertise in investment management and distribution;
- Wealth Management, with Natixis Wealth Management, which offers wealth management and financing solutions for large private-sector investors.

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public sector entities.

The Corporate Center, which primarily includes:

- the Group's central institution and holding companies;
- Natixis' equity interests in Coface, Corporate Data Solutions, Natixis Algérie and Natixis Private Equity;
- unlisted investments and cross-business activities;
- items related to goodwill impairment and amortization of valuation differences, which are associated with the Group's equity interest acquisition strategy;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund;

As of the publication of the 2017 annual results, the presentation of the business divisions reflects these segment reporting amendments, in addition to changes in the capital allocation standards applied by Natixis (Basel III average RWA increased to 10.5% *versus* 10% previously) and in the rate of return on capital (lowered to 2% from 3% previously).

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

10.1 SEGMENT ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

Results by division(1)

in millions of euros	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate Center		Groupe BPCE	
	2017	**2016 pf**	**2017**	**2016 pf**	**2017**	**2016 pf**	**2017**	**2016 pf**	**2017**	**2016**
Net banking income	16,673	16,948	3,113	2,718	3,581	3,270	352	1,222	23,720	24,158
Operating expenses	(11,491)	(11,360)	(2,178)	(1,981)	(2,194)	(2,046)	(1,236)	(1,286)	(17,099)	(16,673)
Gross operating income	**5,183**	**5,588**	**936**	**737**	**1,387**	**1,224**	**(884)**	**(64)**	**6,621**	**7,485**
Cost/income ratio	68.9%	67.0%	69.9%	72.9%	61.3%	62.6%	ns	ns	72.1%	69.0%
Cost of risk	(1,106)	(1,220)	0	1	(115)	(195)	(163)	(8)	(1,384)	(1,423)
Share in income of equity-accounted associates	49	48	1	(9)	10	14	216	206	276	259
Gains or losses on other assets	(29)	68	13	30	18	0	86	105	88	203
Change in the value of goodwill							(85)	(154)	(85)	(154)
Income before tax	**4,096**	**4,484**	**950**	**759**	**1,300**	**1,043**	**(831)**	**85**	**5,516**	**6,370**
Income tax	(1,334)	(1,453)	(329)	(261)	(380)	(322)	232	154	(1,811)	(1,882)
Non-controlling interests	(136)	(165)	(276)	(187)	(269)	(207)	1	59	(681)	(500)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,626**	**2,867**	**345**	**310**	**651**	**513**	**(598)**	**298**	**3,024**	**3,988**

Results of the Retail Banking and Insurance sub-divisions

in millions of euros	Banque Populaire banks		Caisses d'Epargne		Specialized Financial Services		Insurance (Natixis)		Other networks		Retail Banking and Insurance	
	2017	**2016**	**2017**	**2016**	**2017**	**2016 pf**	**2017**	**2016 pf**	**2017**	**2016**	**2017**	**2016 pf**
Net banking income	6,284	6,295	7,086	7,216	1,382	1,352	734	655	1,187	1,431	16,673	16,948
Operating expenses	(4,418)	(4,363)	(4,788)	(4,800)	(939)	(885)	(439)	(378)	(907)	(933)	(11,491)	(11,360)
Gross operating income	**1,866**	**1,932**	**2,298**	**2,415**	**443**	**466**	**295**	**277**	**280**	**497**	**5,183**	**5,588**
Cost/income ratio	70.3%	69.3%	67.6%	66.5%	67.9%	65.5%	59.8%	57.6%	76.4%	65.2%	68.9%	67.0%
Cost of risk	(449)	(508)	(365)	(419)	(73)	(57)		-	(220)	(236)	(1,106)	(1,220)
Share in income of equity-accounted associates	35	37	0	1		-	13	9	1	2	49	48
Gains or losses on other assets	(9)	36	(4)	(5)	(0)	31		-	(17)	6	(29)	68
INCOME BEFORE TAX	**1,443**	**1,497**	**1,930**	**1,992**	**371**	**440**	**308**	**287**	**44**	**268**	**4,096**	**4,484**

10.2 SEGMENT ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

in millions of euros	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate Center		Groupe BPCE	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**
Segment assets	842,634	811,003	4,684	5,286	277,040	299,448	135,492	119,502	1,259,850	1,235,240
Segment liabilities *	676,921	650,534	4,196	4,786	255,308	274,581	179,848	151,256	1,116,274	1,081,158

(1) *BPCE SA group's segment reporting for previous periods has been restated in line with the new sector breakdown and the restatements carried out by Natixis on the allocation of capital to the business lines and the rate of return on capital*

	Banque Populaire banks		Caisses d'Epargne		Specialized Financial Services		Insurance (Natixis)		Other networks		Retail Banking and Insurance	
in millions of euros	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Segment assets	276,443	260,206	332,364	317,972	24,243	22,486	89,650	79,324	119,935	131,016	842,634	811,003
Segment liabilities*	218,603	205,953	268,944	256,711	17,985	17,033	79,878	70,800	91,512	100,038	676,921	650,534

* *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	2017	2016
France	18,663	19,700
Rest of Europe	1,448	1,145
North America	2,640	2,510
Rest of world	969	803
TOTAL	**23,720**	**24,158**

Total segment assets

in millions of euros	2017	2016
France	1,145,030	1,097,926
Rest of Europe	21,967	31,857
North America	59,779	73,757
Rest of world	33,075	31,700
TOTAL	**1,259,850**	**1,235,240**

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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	12/31/2017	12/31/2016
Loan commitments given to:		
– credit institutions	1,233	1,400
– customers	115,912	114,952
Credit facilities granted	*106,916*	*109,694*
Other commitments	*8,996*	*5,258*
TOTAL LOAN COMMITMENTS GIVEN	**117,145**	**116,352**
Loan commitments received from:		
– credit institutions	46,956	48,781
– customers	6,514	4,508
TOTAL LOAN COMMITMENTS RECEIVED	**53,470**	**53,289**

11.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2017	12/31/2016
Guarantee commitments given to:		
– credit institutions	6,856	5,575
– customers*	38,150	37,191
TOTAL GUARANTEE COMMITMENTS GIVEN	**45,006**	**42,766**
Guarantee commitments received from:		
– credit institutions	22,493	19,847
– customers	131,827	126,242
TOTAL GUARANTEE COMMITMENTS RECEIVED	**154,320**	**146,089**

* *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 13.1 "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 13.1.3 "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.

The statement below only provides data on intercompany transactions concerning:

- companies over which the Group exercises joint control (joint operations) in respect of the non-eliminated portion: no significant transactions were identified in this category;
- entities over which the Group exercises significant influence and which are equity-accounted (associates). The significant transactions that have been identified were carried out with CNP Assurances group:
  - under a sales agreement, the Group received commission income amounting to €974 million in 2017 (€956 million in 2016),
  - for the management of the Group's pension plans, reimbursement rights of €454 million were recorded to cover post-employment benefits (see Note 9.2.2),
  - under a partnership agreement that took effect on January 1, 2016, a cash deposit of €11.8 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 are recorded as "Income and expenses from other activities" (see Note 6.5).

A list of fully consolidated subsidiaries is presented in Note 18, "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 2017 (vs. €6 million in 2016).

These include remuneration, directors' attendance fees and benefits paid to members of the Management Board and Supervisory Board.

Post-employment benefit commitments, long-term benefits and termination benefits

Post-employment benefit commitments, long-term benefits and termination benefits for the Group's company directors are described in paragraph 2.4 in Chapter 2 of the registration document on Corporate Governance. The amount provisioned by BPCE in respect of retirement bonuses came to €3 million at December 31, 2017 (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	12/31/2017	12/31/2016
Loans outstanding	1,819	1,501
Commitments given	195	213
Deposit account balances	665	461
Outstanding financial investments (UCITS and securities)	36	21

in millions of euros	Fiscal year 2017	Fiscal year 2016
Interest income from loans	46	36
Interest expense on bank deposits	(6)	(7)
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

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2017
Financial assets pledged as collateral					
Financial assets held for trading	2,314	14,243	83	653	17,293
Financial assets designated at fair value through profit or loss			12		12
Available-for-sale financial assets	3,500	1,301	7,402		12,203
Loans and receivables		23	85,797	33,454	119,274
Held-to-maturity financial assets		119			119
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**5,814**	**15,686**	**93,294**	**34,107**	**148,901**
o/w transferred financial assets not fully derecognized	***5,814***	***15,686***	***81,646***	***34,107***	***137,253***

	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	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
Held-to-maturity financial assets	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 €14,943 million at December 31, 2017 (€19,195 million at December 31, 2016).

The fair value of financial assets pledged as collateral for non-deconsolidating securitization transactions stood at €34,107 million at December 31, 2017 (€13,041 million at December 31, 2016).

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.

13.1.1 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.

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 Groupe BPCE may sell or repledge amounted to €220 billion at December 31, 2017, compared to €206 billion at December 31, 2016.

The fair value of the financial assets received as collateral that were actually sold or repledged amounted to €139 billion at December 31, 2017, compared with €118 billion at December 31, 2016.

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, 2017.

Note 14 Finance and operating leases

14.1 LEASING TRANSACTIONS AS LESSOR

	12/31/2017				12/31/2016			
	Term outstanding				Term outstanding			
in millions of euros	< 1 year	≥ 1 year to < 5 years	> 5 years	Total	< 1 year	≥ 1 year to < 5 years	> 5 years	Total
Finance leases								
Gross investment	3,985	10,027	5,093	19,105	3,704	9,422	5,567	18,693
Present value of minimum lease payments receivable	3,571	9,163	4,325	17,059	3,316	8,485	4,535	16,336
Financial income not received	306	874	831	2,011	309	900	977	2,186
Operating leases								
Minimal lease payments receivable on non-cancellable contracts	58	168	164	390	56	185	123	364

Non-guaranteed residual value

in millions of euros	12/31/2017 Real estate assets	12/31/2017 Movable assets	12/31/2017 Total	12/31/2016 Real estate assets	12/31/2016 Movable assets	12/31/2016 Total
Finance leases						
Non-guaranteed residual value accruing to the lessor	1,161	492	1,653	1,235	415	1,650

Contingent rental income for the period recorded as Income

in millions of euros	Fiscal year 2017	Fiscal year 2016
Finance leases	4	2
Operating leases	14	8

14.2 LEASING TRANSACTIONS AS LESSEE

Fixed assets by category

in millions of euros	12/31/2017 Real estate assets	12/31/2017 Movable assets	12/31/2017 Total	12/31/2016 Real estate assets	12/31/2016 Movable assets	12/31/2016 Total
Finance leases						
Carrying amount	51	1	52	54	1	55

Minimum future lease payments

	12/31/2017				12/31/2016			
	Term outstanding				Term outstanding			
in millions of euros	< 1 year	≥ 1 year to < 5 years	> 5 years	Total	< 1 year	≥ 1 year to < 5 years	> 5 years	Total
Operating leases								
Minimal future lease payments payable on non-cancellable contracts	457	1,305	746	2,508	410	1,220	390	2,020
Minimal future lease payments receivable on non-cancellable subleasing contracts	///	///	///	1	///	///	///	2

Amounts recognized in net income

in millions of euros	Fiscal year 2017	Fiscal year 2016
Operating leases		
Minimum payments	(499)	(454)
Contingent rental payments included in expenses for the period	(20)	(11)
Income from subleasing activities	9	6

Note 15 Fair value of financial assets and liabilities at amortized cost

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is based on 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.

	12/31/2017				12/31/2016			
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	93,229	100	31,811	61,318	96,678	34	26,669	69,975
Loans and receivables due from customers	713,515	1,581	142,774	569,160	687,218	556	119,064	567,598
Held-to-maturity financial assets	8,716	8,353	231	132	10,689	10,175	200	314
FINANCIAL LIABILITIES AT AMORTIZED COST								
Amounts due to credit institutions	91,844	62	79,476	12,306	86,617		67,096	19,521
Amounts due to customers	570,782	36	316,348	254,398	533,836		246,081	287,755
Debt securities	223,045	1,124	146,462	75,459	241,049		142,252	98,797
Subordinated debt	20,562		19,893	669	21,831		20,192	1,639

Note 16 Interests in non-consolidated structured entities

16.1 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.

16.2 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, 2017

in millions of euros	Securitization	Asset management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**233**	**10,300**	**935**	**308**
Trading derivatives	124	227	99	308
Trading financial instruments (excluding derivatives)	88	5,008	623	
Financial instruments designated at fair value through profit or loss	21	5,065	213	
Available-for-sale financial assets	**874**	**4,307**	**61**	**190**
Loans and receivables	**3,634**	**1,887**	**14,235**	**1,302**
Other assets	**16**	**38**	**39**	**27**
TOTAL ASSETS	**4,757**	**16,532**	**15,270**	**1,827**
Financial liabilities at fair value through profit or loss	**103**	**237**	**499**	**37**
Provisions		**5**	**42**	**6**
TOTAL LIABILITIES	**103**	**242**	**541**	**43**
Financing commitments given	**4,457**	**515**	**2,422**	**593**
Guarantee commitments given	**191**	**6,340**	**2,297**	**67**
Collateral received		**10**	**3,099**	**331**
Notional amount of derivatives	**1,235**	**286**	**2,380**	**922**
MAXIMUM LOSS EXPOSURE	**10,640**	**23,658**	**19,228**	**3,072**
SIZE OF STRUCTURED ENTITIES	**56,208**	**256,784**	**71,717**	**4,123**

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**
Financing commitments given	**3,959**	**253**	**2,133**	**1,040**
Guarantee commitments given	**379**	**7,841**	**1,594**	**74**
Collateral 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**

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.

16.3 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 2017

in millions of euros	Securitization	Asset management
Income from entities	**(36)**	**211**
Net interest income		2
Net fee and commission income	(7)	204
Net gains or losses on financial instruments at fair value through profit or loss	(29)	5
Carrying amount of assets transferred to the entity during the fiscal year	**2,365**	

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**	

Note 17 Scope of consolidation

17.1 CHANGES IN SCOPE OF CONSOLIDATION DURING FISCAL YEAR 2017

The main changes in the scope of consolidation during 2017 are presented below:

Establishment of Caisse d'Epargne des Hauts de France

On April 29, 2017, Caisse d'Epargne Picardie and Caisse d'Epargne Nord France Europe merged, giving rise to Caisse d'Epargne Hauts de France.

This merger between the two companies comprising the consolidating entity had no material impact on the Group's consolidated financial statements.

Establishment of Banque Populaire Grand Ouest

On December 5, 2017, the cooperative shareholders of Banque Populaire Atlantique, Banque Populaire de l'Ouest, Crédit Maritime Atlantique and Crédit Maritime Bretagne-Normandie merged to create Banque Populaire Grand Ouest.

This merger between the four companies comprising the consolidating entity had no material impact on the Group's consolidated financial statements.

Merger of Caisse Régionale de Crédit Maritime Mutuel du Nord and Banque Populaire du Nord

On April 22, 2017, Caisse Régionale de Crédit Maritime Mutuel du Nord merged with Banque Populaire du Nord.

This merger between the two companies comprising the consolidating entity had no material impact on the Group's consolidated financial statements.

Changes in the ownership interest in subsidiaries at December 31, 2017 (with no impact on control)

Change in the Group's ownership interest in Natixis

Following a number of transactions in its own shares, the Group's stake in Natixis stood at 71.02% at December 31, 2017 (*versus* 71.03% at December 31, 2016). The impact of this change on equity attributable to equity holders of the parent was not material.

Acquisition of 40% of BPCE Assurances' capital

Natixis, *via* Natixis Assurances, finalized the acquisition of 40% of BPCE Assurances from Macif (25%) and Maif (15%). Following this transaction, Natixis Assurances is the sole shareholder of BPCE Assurances.

As this acquisition had no impact on Natixis' control of the company, goodwill was charged directly against equity attributable to equity holders of the parent in the amount of €80 million.

Transfer of S-money and its subsidiary Lakooz from BPCE SA group to Natixis

In 2017, Natixis acquired the 100% stake held by BPCE SA group in S-money and its subsidiary Lakooz in two stages (51% in the first half of 2017 and 49% in the second half of the year). These two companies specialize in new online payment methods.

The Group's interest in these entities stood at 71.02% as of December 31, 2017, compared to 100% at December 31, 2016. This transfer had no material impact on equity attributable to equity holders of the parent.

Transfer of Inter-Coop and Bati Lease owned by Crédit Coopératif to Natixis

As of December 31, 2017, Natixis purchased the majority holdings owned by Crédit Coopératif.

The Group's interest in Inter-Coop and Bati Lease stood at 71.02% and 68.73% respectively at December 31, 2017, compared to 100% and 96.77% at December 31, 2016. The impact of this on equity attributable to equity holders of the parent was not material.

Acquisition of a controlling interest in subsidiaries

Acquisition of PayPlug

In 2017 Natixis finalized the acquisition of PayPlug, in which it held a 78.54% interest as of December 31, 2017 and an option to buy the remaining shares by exercising reciprocal put and call options.

Natixis exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This transaction generated goodwill of €14 million as at December 31, 2017, as determined using the partial goodwill method.

Acquisition of Dalenys

In the fourth quarter of 2017, Natixis finalized the acquisition of 54.3% of Dalenys, *via* a subsidiary.

Following this acquisition, a mandatory public bid was made for all of the outstanding Dalenys shares (the initial acceptance period ran from December 11, 2017 to January 22, 2018).

Natixis, *via* its subsidiary, exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This transaction generated goodwill of €72 million as at December 31, 2017, as determined using the partial goodwill method.

Acquisition of Althelia Ecosphère

In 2017, Natixis finalized the acquisition of 51% of Althelia Ecosphère. As of December 31, 2017, Natixis exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This transaction generated goodwill of €3 million as at December 31, 2017, as determined using the partial goodwill method.

Acquisition of Investors Mutual Limited (IML)

In 2017, Natixis, *via* one of its subsidiaries, acquired a majority stake (51.9%) in the Australian investment management company Investors Mutual Limited (IML). It has the option to acquire the remaining shares by exercising reciprocal put and call options.

Natixis exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This transaction generated goodwill of €100 million as at December 31, 2017, as determined using the partial goodwill method.

Other changes in scope

Sale of Ellisphère and its subsidiary IJCOF Corporate

As part of the Corporate Data Solutions activities, Natixis sold Ellisphère and its subsidiary IJCOF Corporate in the first half of 2017. These entities had been treated under IFRS 5 since 2016 owing to ongoing negotiations for their disposal. The full sale of these entities outside the Group generated a capital gain (excluding the tax impact) of €21 million.

Sale of Sky Elite Tours Sarl

BPCE International sold its stake in Sky Elite Tours Sarl in October 2017. This disposal had no material impact on income.

Sale of Al Mansour Palace

In July 2017, BPCE International sold its stake in Al Mansour Palace. This disposal had no material impact on income.

Total transfer of the assets and liabilities of GCE Foncier Coinvest to BPCE SA group

Following the takeover by BPCE SA group of Crédit Foncier's stake in GCE Foncier Coinvest in the second quarter of 2017, this entity was absorbed by a total transfer of assets and liabilities with effect from December 27, 2017.

17.2 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 them. Control is assessed according to the criteria provided in IFRS 10.

The following statement lists the securitization transactions carried out by the Retail Banking and Insurance entities without (total or partial) derecognition:

in millions of euros	Type of assets	Inception date	Expected maturity	Nominal at inception	Balance at 12/31/2017
Elide 2011	Residential home loans	04/06/2011	January 2036	1,089	247
Elide 2012	Residential home loans	06/26/2012	April 2037	1,190	353
Elide 2014	Residential home loans	11/18/2014	October 2039	915	453
Elide 2017-1	Residential home loans	02/02/2017	December 2037	1,842	1,443
Elide 2017-2	Residential home loans	04/27/2017	October 2041	1,051	911
Elide sub-total				**6,087**	**3,407**
BPCE Master Home Loans/BPCE Master Home Loans Demut	Residential home loans	05/26/2014	April 2032	44,068	39,283
BPCE Consumer Loans	Personal loans	05/27/2016	May 2032	5,000	4,782
BPCE Home Loans FCT 2017_5	Residential home loans	05/29/2017	May 2054	10,500	9,910
Other sub-total				**59,568**	**53,975**
TOTAL				**65,655**	**57,382**

Securitization transactions within Groupe BPCE

Groupe BPCE consolidated two new special purpose entities (two securitization funds) in 2017: BPCE Home Loans FCT 2017_5 and BPCE Home Loans FCT 2017_5 Demut, both of which arose from an intra-group securitization transaction by the Banque Populaire banks and the Caisses d'Epargne on May 22, 2017.

Under this transaction, about €10.5 billion in home loans was transferred to BPCE Home Loans FCT 2017_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.

As a result, the transaction helped ensure that the amount of Groupe BPCE's collateral eligible for Eurosystem refinancing operations remained high while also diversifying the assets available for this type of transaction.

Deconsolidating securitization transactions carried out with full or partial derecognition

As a reminder, Crédit Foncier entered into two public securitizations backed by home loans (Crédit Foncier Home Loans No. 1 in May 2014 and Crédit Foncier Home Loans No. 2 in August 2015).

As a receivables manager, Crédit Foncier does not have the ability to use its power to influence the variability of returns. Therefore, it does not control the securitization funds within the meaning of IFRS 10, and the funds are not consolidated.

However, given its ongoing ties with CFHL-2, the criteria needed to establish full derecognition of assets under IAS 39 are not entirely met. As a result, the transaction is deconsolidating 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 €92 million and total liabilities of €49 million at December 31, 2017.

The fair value of these residual ties is remeasured at each reporting date.

For 2017, the net impact of the CFHL-2 transactions was -€35 million, related to prepayments during the year.

17.3 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.

17.4 OTHER INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STRUCTURED ENTITIES

Major restrictions

The Group has not been faced with any major restrictions relating to stakes held in its structured or non-structured subsidiaries.

Support of consolidated structured entities

The Group did not grant any financial support to consolidated structured entities.

17.5 SCOPE OF CONSOLIDATION AT DECEMBER 31, 2017

Only those entities providing a material contribution are consolidated. For entities meeting the definition of financial sector entities given in Regulation (EU) 575/2013 of the European Parliament and of the Council of June 26, 2013 (the CRR), the accounting consolidation thresholds have been aligned, from December 31, 2017, with those applied for the prudential scope of consolidation. Article 19 of the CRR sets a threshold of €10 million in total balance sheet and off-balance sheet assets. For non-financial sector entities, materiality is assessed at the level of the consolidated entities. Based on the principle of ascending materiality, any entity included at a sub-consolidation level is included at all higher consolidation levels, even if it is not material at those levels.

The percentage interest is specified for each entity in the scope of consolidation. The percentage of interest describes the share of equity held by the Group, either directly or indirectly, in companies within the scope. The percentage of interest can be used to determine the share attributable to equity holders of the parent in the net assets of the company held.

Company	Business	Location[1]	Ownership interest	Consolidation method[2]
I) CONSOLIDATING ENTITY				
Banques Populaires Banks				
BANQUE POPULAIRE ALSACE LORRAINE CHAMPAGNE	Bank	FR	100%	FC
BANQUE POPULAIRE AQUITAINE CENTRE 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 DU NORD	Bank	FR	100%	FC
BANQUE POPULAIRE DU SUD	Bank	FR	100%	FC
BANQUE POPULAIRE GRAND OUEST	Bank	FR	100%	FC
BANQUE POPULAIRE MÉDITERRANÉE	Bank	FR	100%	FC
Banque Populaire Méditerranée, Monaco branch	*Bank*	*MC*	*100%*	*FC*
Banque Populaire Méditerranée, Italy branch	*Bank*	*IT*	*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
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 Côte d'Azur Monaco branch	*Bank*	*MC*	*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 HAUTS DE FRANCE	Bank	FR	100%	FC
Caisse d'Epargne Hauts de France, Belgium branch	*Bank*	*BE*	*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 DROME ARDECHE	Bank	FR	100%	FC
CAISSE D'EPARGNE LORRAINE CHAMPAGNE-ARDENNE	Bank	FR	100%	FC
CAISSE D'EPARGNE NORMANDIE	Bank	FR	100%	FC
CAISSE D'EPARGNE PROVENCE-ALPES-CORSE	Bank	FR	100%	FC
CAISSE D'EPARGNE RHONE ALPES	Bank	FR	100%	FC
BPCE SA Group				
BPCE SA GROUP	Holding company	FR	100%	FC
Mutual Guarantee Companies				
42 MUTUAL GUARANTEE COMPANIES	Guarantee company	FR	100%	FC
Affiliated Institutions				
CAISSE RÉGIONALE CRÉDIT MARITIME DE MÉDITERRANÉE	Bank	FR	100%	FC
CAISSE RÉGIONALE CRÉDIT MARITIME SUD-OUEST	Bank	FR	100%	FC
Fund jointly held by BP/CE/BPCE SA group				
NATIXIS LCR ACTIONS EURO	Investment fund	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				
Subsidiaries of the Banque Populaire banks				
ACLEDA	Bank	KH	12%	EQ
ACLEDA MYANMAR	Bank	MM	15%	EQ
ADRAXTRA CAPITAL	Private equity	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
BP DÉVELOPPEMENT	Private equity	FR	89%	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	Non-real estate leasing	FR	100%	FC
BRED BANK CAMBODIA PLC	Financial sector 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	Financial investment advisory services	FR	100%	FC
BTP CAPITAL INVESTISSEMENT	Private equity	FR	58%	FC
CADEC	Private equity	FR	40%	EQ
CAISSE DE GARANTIE IMMOBILIÈRE DU BÂTIMENT	Insurance	FR	33%	EQ
CAISSE SOLIDAIRE	Financial sector com65 pany	FR	77%	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	Equipment and real estate leasing	FR	100%	FC
ECOFI INVESTISSEMENT	Portfolio management	FR	100%	FC
EPBF	Payment institution	BE	100%	FC
ESFIN	Private equity	FR	38%	EQ
ESFIN GESTION	Portfolio management	FR	100%	FC
EURO CAPITAL	Private equity	FR	81%	FC
EXPANSINVEST	Private equity	FR	100%	FC
FCC ELIDE	French securitization fund (FCT)	FR	100%	FC
FINANCIÈRE DE LA BP OCCITANE	Holding company	FR	100%	FC
FINANCIÈRE PARTICIPATION BPS	Holding company	FR	100%	FC
FIPROMER	Brokerage and investment services	FR	100%	FC
FONCIÈRE DU VANUATU	Real estate investment	VU	100%	FC
FONCIÈRE VICTOR HUGO	Holding company	FR	100%	FC
GARIBALDI CAPITAL DÉVELOPPEMENT	Holding company	FR	100%	FC

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Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
UNION DES SOCIÉTÉS DU CRÉDIT COOPÉRATIF (GIE)	Services company	FR	100%	FC
GROUPEMENT DE FAIT	Services company	FR	100%	FC
IBP INVESTISSEMENT	Operational real estate assets	FR	100%	FC
IMMOCARSO SNC	Real estate investment	FR	100%	FC
INFORMATIQUE BANQUES POPULAIRES	IT Services	FR	100%	FC
IRD NORD PAS DE CALAIS	Private equity	FR	17%	EQ
IRR INVEST	Private equity	BE	100%	FC
LUX EQUIP BAIL	Equipment and real estate leasing	LU	100%	FC
MULTICROISSANCE SAS	Portfolio management	FR	100%	FC
NAXICAP RENDEMENT 2018	Private equity	FR	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 GARANTIES	Insurance	FR	80%	EQ
PARNASSE NELSON	Portfolio management	FR	100%	FC
PARTICIPATIONS BP ACA	Holding company	FR	100%	FC
PERSPECTIVES ENTREPRISES	Holding company	FR	100%	FC
PLUSEXPANSION	Holding company	FR	100%	FC
PREPAR COURTAGE	Insurance brokerage	FR	100%	FC
PREPAR-IARD	Non-life insurance	FR	100%	FC
PREPAR-VIE	Life insurance and endowment	FR	100%	FC
PROMEPAR GESTION	Portfolio management	FR	100%	FC
RIVES CROISSANCE	Holding company	FR	100%	FC
SAS ALPES DEVELOPPEMENT 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	Operational real estate assets	FR	100%	FC
SCI BPSO CONDE SOUVENIR	Operational real estate assets	FR	100%	FC
SCI BPSO PESSAC	Operational real estate assets	FR	100%	FC
SCI BPSO ST ESPRIT	Operational real estate assets	FR	100%	FC
SCI BPSO TALENCE	Operational real estate assets	FR	100%	FC
SCI BPSO GUJAN	Operational real estate assets	FR	100%	FC
SCI BPSO ST ANDRE	Operational real estate assets	FR	100%	FC
SCI BPSO ST PAUL	Operational real estate assets	FR	100%	FC
SCI BPSO MARNE	Operational real estate assets	FR	100%	FC
SCI BPSO LE BOUSCAT	Operational real estate assets	FR	100%	FC
SCI BPSO LESPARRE	Operational real estate assets	FR	100%	FC
SCI BPSO CAMBO	Operational real estate assets	FR	100%	FC
SCI BPSO ST AMAND	Operational real estate assets	FR	100%	FC
SCI BPSO PESSAC CENTRE	Operational real estate assets	FR	100%	FC
SCI BPSO LE HAILLAN	Operational real estate assets	FR	100%	FC
SCI BPSO MERIGNAC 4 CHEMINS	Operational real estate assets	FR	100%	FC
SCI BPSO LIBOURNE EST	Operational real estate assets	FR	100%	FC
SCI BPSO BASTIDE	Operational real estate assets	FR	100%	FC
SCI BPSO 11 MORLAAS	Operational real estate assets	FR	100%	FC
SCI CRÉDIMAR	Operational real estate assets	FR	100%	FC
SCI DU CRÉDIT COOPÉRATIF DE SAINT-DENIS	Operational real estate assets	FR	100%	FC

Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
SCI FAIDHERBE	Operational real estate assets	FR	100%	FC
SCI POLARIS	Operational real estate assets	FR	100%	FC
SCI PYTHEAS PRADO 1	Operational real estate assets	FR	100%	FC
SCI PYTHEAS PRADO 2	Operational real estate assets	FR	100%	FC
SCI SAINT-DENIS	Operational real estate assets	FR	100%	FC
SEGIMLOR	Operational real estate assets	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	Financial sector company	FR	100%	FC
SOFIDER	Financial sector company	RE	100%	FC
SPGRES	Holding company	FR	100%	FC
SPIG	Property leasing	FR	100%	FC
TISE	Private equity	PL	100%	FC
TRANSIMMO	Real estate agent	FR	100%	FC
VIALINK	Data processing	FR	100%	FC
Caisses d'Epargne subsidiaries				
BANQUE BCP SAS	Bank	FR	80%	FC
BANQUE DU LÉMAN	Bank	CH	100%	FC
BATIMAP	Non-real estate leasing	FR	95%	FC
BATIMUR	Non-real estate leasing	FR	100%	FC
BATIROC BRETAGNE PAYS DE LOIRE	Equipment and real estate leasing	FR	100%	FC
BEAULIEU IMMO	Operational real estate assets	FR	100%	FC
BRETAGNE PARTICIPATIONS	Private equity	FR	50%	FC
CAPITOLE FINANCE	Non-real estate leasing	FR	100%	FC
CE DÉVELOPPEMENT	Private equity	FR	95%	FC
CEBIM	Holding company	FR	100%	FC
CEPAC INVESTISSEMENT ET DÉVELOPPEMENT	Private equity	FR	100%	FC
FCPR FIDEPPP	Public-private partnership financing	FR	91%	FC
GIE CE SYNDICATION RISQUES	Guarantee company	FR	100%	FC
IMMOCEAL	Real estate investment	FR	100%	FC
INCITY	Operational real estate assets	FR	100%	FC
SCI DANS LA VILLE	Operational real estate assets	FR	100%	FC
SCI GARIBALDI OFFICE	Operational real estate assets	FR	100%	FC
SCI LAFAYETTE BUREAUX	Operational real estate assets	FR	100%	FC
SCI LE CIEL	Operational real estate assets	FR	100%	FC
SCI LE RELAIS	Operational real estate assets	FR	100%	FC
IT-CE	IT Services	FR	100%	FC
MIDI FONCIÈRE	Operational real estate assets	FR	100%	FC
339 ÉTAT-UNIS	Operational real estate assets	FR	100%	FC
ADOUR SERVICES COMMUNS	Operational real estate assets	FR	100%	FC

Company	Business	Location[1]	Ownership interest	Consolidation method[2]
AFOPEA	Operational real estate assets	FR	100%	FC
APOUTICAYRE LOGEMENTS	Operational real estate assets	FR	100%	FC
BCEF 64	Operational real estate assets	FR	100%	FC
BLEU RÉSIDENCE LORMONT	Operational real estate assets	FR	66%	FC
BORDELONGUE GODEAS	Operational real estate assets	FR	100%	FC
BURODIN	Operational real estate assets	FR	100%	FC
CEPAIM SA	Operational real estate assets	FR	100%	FC
CRISTAL IMMO	Operational real estate assets	FR	100%	FC
EUROTERTIA	Operational real estate assets	FR	100%	FC
FERIA PAULMY	Operational real estate assets	FR	100%	FC
FONCIÈRE INVEST	Operational real estate assets	FR	50%	FC
G102	Operational real estate assets	FR	100%	FC
G IMMO	Operational real estate assets	FR	100%	FC
IMMO SPORT	Operational real estate assets	FR	100%	FC
L'AUSSONNELLE DE C	Operational real estate assets	FR	100%	FC
LABEGE LAKE H1	Operational real estate assets	FR	50%	FC
LANGLADE SERVICES	Operational real estate assets	FR	51%	FC
LANTA PRODUCTION	Operational real estate assets	FR	100%	FC
LEVISEO	Operational real estate assets	FR	100%	FC
MIDI COMMERCES	Operational real estate assets	FR	100%	FC
MIDI MIXT	Operational real estate assets	FR	100%	FC
MONTAUDRAN PLS	Operational real estate assets	FR	100%	FC
MURET ACTIVITÉS	Operational real estate assets	FR	100%	FC
NOVA IMMO	Operational real estate assets	FR	100%	FC
RANGUEIL CORMIERS	Operational real estate assets	FR	40%	FC
RIOU	Operational real estate assets	FR	100%	FC
ROISSY COLONNADIA	Operational real estate assets	FR	50%	FC
SC RES. LATÉCOÈRE	Operational real estate assets	FR	50%	EQ
SC RES. MERMOZ	Operational real estate assets	FR	50%	EQ
SC RES. LOUIS BREGUET	Operational real estate assets	FR	50%	EQ
SC RES. SAINT EXUPÉRY	Operational real estate assets	FR	50%	EQ
SC RES. ILOT J	Operational real estate assets	FR	50%	EQ
SC RES. CHARLES LINDBERGH	Operational real estate assets	FR	50%	EQ
SC RES. CROIX DU SUD	Operational real estate assets	FR	50%	EQ
SC RES. CARRÉ DES PIONNIERS	Operational real estate assets	FR	50%	EQ
SC RES. AILES D'ICARE	Operational real estate assets	FR	50%	EQ
TECHNOCITÉ TERTIA	Operational real estate assets	FR	100%	FC
TÉTRIS	Operational real estate assets	FR	50%	FC
MIDI PYRÉNÉES PLACEMENT	Mutual fund	FR	100%	FC
MURACEF	Mutual insurance	FR	100%	FC
PHILAE SAS	Operational real estate assets	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 ECUREUIL DU PLAN SARRAIN	Operational real estate assets	FR	100%	FC
SCI FONCIÈRE 1	Real estate investment	FR	100%	FC
SCI TOURNON	Operational real estate assets	FR	100%	FC
SNC ÉCUREUIL 5 RUE MASSERAN	Real estate investment	FR	100%	FC
SODERO PARTICIPATIONS	Private equity	FR	67%	FC
SPPICAV AEW FONCIÈRE ECUREUIL	Operational real estate assets	FR	100%	FC
SURASSUR	Reinsurance	LU	98%	FC
VIVALIS INVESTISSEMENTS	Operational real estate assets	FR	100%	FC

Company	Business	Location(1)	Ownership interest	Consolidation method(2)
BPCE subsidiaries				
3F HOLDING	Holding company	DE	98%	FC
ALBIANT IT	IT systems and software consulting	FR	100%	FC
BP COVERED BONDS	Funding	FR	100%	FC
BPCE ACHATS	Services company	FR	97%	FC
BPCE IMMOBILIER EXPLOITATION	Real estate investment	FR	100%	FC
BPCE INFOGÉRANCE & TECHNOLOGIES	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	Funding	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
DOCONE	Services company	FR	51%	FC
ESNI	Securitization company	FR	100%	FC
FIDOR BANK AG	Online bank	DE	97%	FC
FIDOR SOLUTION AG	Digital technology R&D	DE	97%	FC
GCE CAPITAL	Private equity	FR	100%	FC
GCE PARTICIPATIONS	Holding company	FR	100%	FC
GIE ECUREUIL CREDIT	Services company	FR	100%	FC
NATIXIS GROUP(3)		FR	71%	FC
MIFCOS	Real estate investment	FR	100%	FC
NEFER	Holding company	FR	51%	FC
SOCIÉTÉ D'EXPLOITATION MAB (SEMAB)	Services company	FR	100%	FC
SOCRAM BANQUE	Bank	FR	33%	EQ
Holassure Group				
CNP ASSURANCES (GROUP)	Insurance	FR	16%	EQ
HOLASSURE	Holding company	FR	100%	FC
SOPASSURE	Holding company	FR	50%	JO
BPCE International group				
ARAB INTERNATIONAL LEASE	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'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
BPCE INTERNATIONAL	Specialized credit institution	FR	100%	FC
BPCE International Ho Chi Minh City Vietnam branch	Specialized credit institution	VN	100%	FC
BPCE MAROC	Real estate development	MA	100%	FC
BPCE MAROC IMMOBILIER	Real estate development	MA	100%	FC
EL ISTIFA	Debt collection	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

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Company	Business	Location[1]	Ownership interest	Consolidation method[2]
OCEORANE	Financial investment advisory services	MQ	100%	FC
PRAMEX INTERNATIONAL	International development and consulting services	FR	100%	FC
PRAMEX INTERNATIONAL GMBH – FRANKFURT	International development and consulting services	DE	100%	FC
PRAMEX INTERNATIONAL DO BRAZIL CONSULTARIA LTDA – SAO PAULO	International development and consulting services	BR	100%	FC
PRAMEX INTERNATIONAL AP LTD – HONG KONG	International development and consulting services	CN	100%	FC
PRAMEX INTERNATIONAL SA MADRID	International development and consulting services	ES	100%	FC
PRAMEX INTERNATIONAL LTD – LONDON	International development and consulting services	GB	100%	FC
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD – MUMBAI	International development and consulting services	IN	100%	FC
PRAMEX INTERNATIONAL S.R.L. – MILAN	International development and consulting services	IT	97%	FC
PRAMEX INTERNATIONAL AU CASABLANCA	International development and consulting services	MA	100%	FC
PRAMEX INTERNATIONAL SP. Z.O.O. – WARSAW	International development and consulting services	PL	100%	FC
PRAMEX INTERNATIONAL SARL TUNIS	International development and consulting services	TN	100%	FC
PRAMEX INTERNATIONAL CORP – NEW YORK	International development and consulting services	US	100%	FC
PRAMEX INTERNATIONAL PTE. LTD. – SINGAPORE	International development and consulting services	SG	100%	FC
SOCIÉTÉ DU CONSEIL ET DE L'INTERMÉDIATION FINANCIÈRE	Financial investment advisory services	TN	48%	FC
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Operational real estate assets	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
BANCO PRIMUS SPAIN	Bank	ES	100%	FC
BANCO PRIMUS HUNGARY	Bank	HU	100%	FC
CRÉDIT FONCIER DE FRANCE	Bank	FR	100%	FC
Crédit Foncier de France – Japan branch	Bank	JP	100%	FC
Crédit Foncier de France – Belgium branch	Bank	BE	100%	FC
Crédit Foncier de France – Germany branch	Bank	DE	100%	FC
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company	FR	100%	FC
COFIMAB	Real estate agent	FR	100%	FC
COMPAGNIE DE FINANCEMENT FONCIER	Financial sector company	FR	100%	FC
CRÉDIT FONCIER IMMOBILIER	Operational real estate assets	FR	100%	FC
SCA ECUFONCIER	Financial sector company	FR	100%	FC
CRÉDIT FONCIER EXPERTISE	Real estate valuation	FR	100%	FC
LOCINDUS SUBSIDIARIES	Equipment and real estate leasing	FR	75%	FC
OXIANE	Equipment and real estate leasing	FR	75%	FC
SCRIBE BAIL LOGIS SAS	Equipment and real estate leasing	FR	75%	FC
SCRIBEURO SAS	Equipment and real estate leasing	FR	75%	FC
FONCIER PARTICIPATIONS	Holding company	FR	100%	FC
FONCIÈRE D'ÉVREUX	Operational real estate assets	FR	100%	FC

Company	Business	Location(1)	Ownership interest	Consolidation method(2)
GRAMAT BALARD	Operational real estate assets	FR	100%	FC
LOCINDUS	Equipment and real estate leasing	FR	75%	FC
MAISONS FRANCE CONFORT PROU INVESTISSEMENTS	Real estate development	FR	49%	EQ
SEREXIM	Real estate valuation	FR	100%	FC
SOCIETE 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
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
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
Local savings companies				
228 SOCIÉTÉS LOCALES D'EPARGNE	Cooperative shareholder	FR	100%	FC

(1) Country of location: BE: Belgium – BR: Brazil – CG: Congo – CH: Switzerland – CN: Cameroon – CN: China – DE: Germany – DJ: Djibouti – ES: Spain – FJ: Fiji – FR: France – GB: United Kingdom – HU: Hungary – IN: India – IT: Italy – JP: Japan – KH: Cambodia – LA: Laos – LU: Luxembourg – MA: Morocco – MC: Principality of Monaco – MG: Madagascar – MQ: Martinique – MM: Myanmar – MU: Mauritius – NC: New Caledonia – NL: Netherlands – PF: French Polynesia – PL: Poland – PT: Portugal – RE: Réunion – SG: Singapore – TH: Thailand – TN: Tunisia – US: United States of America – VN: Vietnam – VU: Vanuatu.

(2) Consolidation method: Full consolidation (FC), Joint operation (JO) or Equity method (EQ).

(3) The Natixis group comprises 329 fully-consolidated entities and 7 entities consolidated using the equity method. Its main subsidiaries are: Coface, Banque Privée 1818, Natixis Global Asset Management, Natixis North America LLC, Natixis Private Equity and Compagnie Européenne de Garanties et Cautions.

17.6 NON-CONSOLIDATED COMPANIES AT DECEMBER 31, 2017

Non-consolidated companies include:

- significant interests that do not fall within the scope of consolidation; and
- companies excluded from the scope of consolidation owing to their non-material nature.

The main significant interests that do not fall within the scope of consolidation, and details of the share of equity held either directly or indirectly by the Group, are as follows:

Company	Location	Share of equity held	Reason for non-consolidation	Amount of shareholders' equity[1] *in millions of euros*	Amount of income[1] *in millions of euros*
BANCO FINANTIA	Portugal	11.00%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	424	
EURO SECURED NOTES ISSUER	France	16.67%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	-	-
FRANCE ACTIVE GARANTIE	France	14.00%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	26	1
HABITATION MODERNE	France	14.84%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	177	6
HLM COUTANCES GRANVILLE	France	16.16%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	73	4
LOGI PAYS	France	17.30%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	100	6
MEDUANE HABITAT (formerly SA HLM Laval)	France	11.45%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)(social housing entities, etc.)	46	1
NOUVEAU LOGIS MERIDIONAL	France	13.70%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	134	11
NEWCO ALTARES	France	16.66%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	100	-
PARNASSE MAÏF	France	19.98%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	393	33
SA HLM HARMONIE HABITAT (formerly CIF HABITAT)	France	12.22%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	142	5
SA HLM LE FOYER VENDEEN	France	12.49%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	92	5
SAIEM GRENOBLE HABITAT	France	10.76%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	118	4
SCIC HABITAT BOURGOGNE CHAMPAGNE	France	18.62%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	158	6
SEMPAT 90	France	15.77%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	44	1
SOCIETE DES TROIS VALLEES	France	12.38%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	125	5
SYSTÈME TECHNO ECHANGE ET TRAITEMENT	France	15.04%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	94	8
THOHR2	Belgium	12.47%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	701	11

(1) Shareholders' equity and income for the last fiscal year known as of the closing date, based on the accounting standards applicable in the country of registration.

Information on companies excluded from the scope of consolidation due to their non-material nature is available on the Groupe BPCE website at the following address: https://www.groupebpce.fr/Investisseur/Information-reglementee.

Note 18 Locations by country

18.1 NET BANKING INCOME AND HEADCOUNT BY COUNTRY

Information on staff, broken down by category, is presented in Chapter 6 – "Social, environmental and societal information – Responsible internal practices".

	Fiscal year 2017			
	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)]
European Union member states				
Germany	186	5	(21)	787
Austria	24	9	(2)	103
Belgium	39	17	(9)	223
Bulgaria	1	1		10
Denmark	14	4	(2)	77
Spain	111	13	(2)	272
France[(4)]	18,663	4,154	(1,438)	92,499
Great Britain	563	339	(67)	649
Hungary	2	1		25
Ireland	2	1		7
Italy	172	60	(13)	289
Lithuania	2	1		17
Luxembourg	134	68	(20)	263
Netherlands	21	6	(1)	78
Poland	24	8	(1)	243
Portugal	28	(8)	(4)	288
Czech Republic	2	1		8
Romania	9	3	(1)	83
Slovakia	1	1		8
Sweden	2			10
Rest of Europe				
Jersey	1	1		
Monaco	17	6	(1)	42
Russia	10	1	(1)	72
Switzerland	81	46	(6)	113
Africa and Mediterranean				
South Africa	3	(1)		53
Algeria	52	11	(3)	747
Cameroon	79	4	(2)	777
Congo	21	3	(1)	215
Djibouti	24	1		245
United Arab Emirates	38	19		56
Mauritius	14	6	1	271
Israel	15	2		109
Madagascar	43	27	(5)	417
Morocco	(7)	(8)	(1)	3
Tunisia	19	(56)	(10)	508
Turkey	7	1	(1)	52

	Fiscal year 2017			
	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)
North & South America				
Argentina	8	3	(1)	43
Brazil	12	4	(1)	81
Canada	12			60
Chile	6			43
Ecuador	2			25
United States	2,616	837	(148)	2,721
Cayman Islands	12	12		
Mexico	3	(2)	(1)	58
Uruguay				1
Asia/Oceania				
Australia	45	24	(8)	37
Cambodia	1	(4)	1	90
China	17	(1)	(1)	96
South Korea		(1)		2
Fiji	6	(1)		116
Hong Kong	254	125	(17)	354
India				3
Japan	55	11	(1)	134
Laos	9	1		168
Malaysia	1	1		4
New Caledonia	73	24	(10)	326
French Polynesia	66	15	(13)	281
Singapore	83	31		177
Taiwan	5	(2)		33
Thailand				110
Vanuatu	12	2	1	128
Vietnam	3	(1)		59
GROUP TOTAL	**23,720**	**5,826**	**(1,811)**	**104,770**

(1) *Profit or loss before income tax and before taxes other than on income recognized as operating income.*
(2) *Tax payable and deferred tax, excluding taxes other than on income recognized as operating income.*
(3) *Number of FTE employees working at the reporting date.*
(4) *Including Martinique, Guadeloupe, La Réunion and Saint-Pierre et Miquelon.*

18.2 ENTITY LOCATIONS BY COUNTRY

Country of location	Business
SOUTH AFRICA	
COFACE SOUTH AFRICA	Insurance
COFACE SOUTH AFRICA SERVICES	Insurance
ALGERIA	
NATIXIS ALGERIE	Bank
GERMANY	
3F HOLDING	Holding company
AEW CILOGER DEPENDANT BRANCH GERMANY	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
Crédit Foncier de France – Germany branch	*Bank*
FIDOR BANK AG	Online bank
FIDOR SOLUTION AG	Digital technology R&D
KISSELBERG	Insurance
NATIXIS GLOBAL ASSOCIATES GERMANY	Distribution
NATIXIS INVESTMENT MANAGERS S.A, ZWEIGNIERDERLAASUNG DEUTSCHLAND	Distribution
NATIXIS PFANDBRIEFBANK AG	Credit institution
NATIXIS ZWEIGNIEDERLASSUNG DEUTSCHLAND	Finance company
PRAMEX INTERNATIONAL GMBH – FRANKFURT	International development and consulting services
ARGENTINA	
Coface Argentina – (Coface Europe branch)	Credit insurance and related services
AUSTRALIA	
AEW ASIA LIMITED AUSTRALIAN BRANCH	Asset management
Coface Australia – (Coface Europe branch)	Credit insurance and related services
INVESTORS MUTUAL LIMITED	Asset management
NATIXIS AUSTRALIA PTY LTD	Finance company
NATIXIS GLOBAL ASSOCIATES AUSTRALIA HOLDINGS, LLC	Holding company
NATIXIS INVESTMENT MANAGERS AUSTRALIA PTY LIMITED	Distribution
AUSTRIA	
COFACE AUSTRIA	Holding company
COFACE CENTRAL EUROPE HOLDING	Holding company
COFACE SERVICES AUSTRIA	Credit information and debt recovery
BELGIUM	
Caisse d'Epargne Hauts de France – Belgium branch	Bank

Country of location	Business
Coface Belgium – (Coface Europe branch)	Credit insurance and related services
COFACE BELGIUM SERVICES HOLDING	Commercial and solvency information
Crédit Foncier de France – Belgium branch	Bank
DALENYS SA	Banking services
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
PRAMEX INTERNATIONAL DO BRAZIL CONSULTARIA LTDA – SAO PAULO	International development and consulting services
SEGURO BRASILEIRA CE	Credit insurance and related services
BULGARIA	
COFACE BULGARIA (BRANCH)	Insurance
CAMBODIA	
BRED BANK CAMBODIA PLC	Financial sector company
CAMEROON	
BICEC	Bank
CANADA	
Coface Canada – (Coface Europe branch)	Credit insurance and related services
NATIXIS CANADA	Finance company
NATIXIS INVESTMENT MANAGERS CANADA CORP	Asset management
NATIXIS INVESTMENT MANAGERS CANADA LIMITED	Asset management
NATIXIS INVESTMENT MANAGERS CANADA LP	Asset management
NATIXIS INVESTMENT MANAGERS CORPORATION	Asset management
TREZ COMMERCIAL FINANCES LIMITED PARTNERSHIP	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
PRAMEX INTERNATIONAL CO LTD – SHANGHAI	International development and consulting services
CONGO	
BCI BQ COMMERCIALE INTERNATIONALE	Bank

Country of location	Business
SOUTH KOREA	
NATIXIS INVESTMENT MANAGERS KOREA LIMITED	Distribution
DENMARK	
Coface Danmark – (Coface Kredit branch)	*Insurance*
MIDT FACTORING A/S	Factoring
DJIBOUTI	
BCI MER ROUGE	Bank
UNITED ARAB EMIRATES	
FIDOR SOLUTION AG -FZCO	Digital technology R&D
NATIXIS DUBAI	Finance company
NATIXIS INVESTMENT MANAGERS MIDDLE EAST	Distribution
ECUADOR	
Coface Ecuador – (Coface Europe branch)	Credit insurance and related services
SPAIN	
BANCO PRIMUS SPAIN	Bank
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 INVESTMENT MANAGERS, SUCURSAL EN ESPANA	Distribution
NATIXIS LEASE MADRID	Real estate and non-real estate leasing
NATIXIS MADRID	Finance company
PRAMEX INTERNATIONAL SA MADRID	International development and consulting services
UNITED STATES	
AEW CAPITAL MANAGEMENT, INC.	Asset management
AEW CAPITAL MANAGEMENT, LP	Asset management
AEW PARTNERS 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, 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

Country of location	Business
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
GATEWAY INVESTMENT ADVISERS, LLC	Asset management
HARRIS ALTERNATIVES HOLDING INC	Holding company
HARRIS ASSOCIATES LP	Asset management
HARRIS ASSOCIATES SECURITIES, LP	Distribution
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
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
NATIXIS FINANCIAL PRODUCTS LLC	Derivative transactions
NATIXIS INVESTMENT CORP.	Portfolio management
NATIXIS NEW YORK	Finance company
NATIXIS NORTH AMERICA LLC	Holding company
NATIXIS REAL ESTATE CAPITAL LLC	Real Estate Financing
NATIXIS REAL ESTATE HOLDINGS LLC	Real Estate Financing
VAUGHAN NELSON INVESTMENT MANAGEMENT, LP	Asset management
NATIXIS US MTN PROGRAM LLC	Issuing vehicle
NATIXIS FUNDING CORP	Other finance company
NATIXIS SECURITIES AMERICAS LLC	Trading firm
AEW VIF INVESTORS II, INC.	Asset management
EPI SO SLP LLC	Asset management
LOOMIS SAYLES TRUST COMPANY, LLC	Asset management
NATIXIS US HOLDINGS INC	Holding company
VERSAILLES	Securitization vehicle
PETER J. SOLOMON COMPANY LP	Mergers & acquisitions consulting
PETER J. SOLOMON SECURITIES COMPANY LLC	Brokerage
HARRIS ASSOCIATES, INC.	Asset management
VAUGHAN NELSON INVESTMENT MANAGEMENT, INC.	Asset management
LOOMIS SAYLES SOLUTIONS, LLC	Asset management
NATIXIS INVESTMENT MANAGERS HOLDINGS, LLC	Holding company

Country of location	Business
NATIXIS INVESTMENT MANAGERS, LLC	Holding company
NATIXIS INVESTMENT MANAGERS, LP	Holding company
NATIXIS ADVISORS, LP	Distribution
NATIXIS DISTRIBUTION CORPORATION	Distribution
NATIXIS DISTRIBUTION, LP	Distribution
NATIXIS INVESTMENT MANAGERS INTERNATIONAL, LLC	Distribution
PRAMEX INTERNATIONAL CORP – NEW YORK	International development and consulting services
FIJI	
BRED BANK FIJI LTD	Bank
FRANCE	
1818 IMMOBILIER	Operational real estate assets
228 SOCIÉTÉS LOCALES D'EPARGNE	Cooperative shareholder
339 ÉTAT-UNIS	Operational real estate assets
42 MUTUAL GUARANTEE COMPANIES	Guarantee company
AAA ACTIONS AGROALIMENTAIRE	Insurance UCITS
ABP VIE MANDAT FPCI	Risk Capital Fund
ADOUR SERVICES COMMUNS	Operational real estate assets
ADRAXTRA CAPITAL	Private equity
AEW CILOGER	Property management
AEW COINVEST	Asset management
AEW SA	Asset management
AFOPEA	Operational real estate assets
ALBIANT IT	IT systems and software consulting
ALLIANCE ENTREPRENDRE	Asset management
APOUTICAYRE LOGEMENTS	Operational real estate assets
ARIES ASSURANCES	Insurance brokerage
AXELTIS SA	Holding company
BANQUE BCP SAS	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 AUVERGNE RHÔNE ALPES	Bank
BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ	Bank
BANQUE POPULAIRE DU NORD	Bank
BANQUE POPULAIRE DU SUD	Bank
BANQUE POPULAIRE GRAND OUEST	Bank
BANQUE POPULAIRE MÉDITERRANÉE	Bank
BANQUE POPULAIRE OCCITANE	Bank
BANQUE POPULAIRE RIVES DE PARIS	Bank
BANQUE POPULAIRE VAL DE FRANCE	Bank
BATILEASE	Real estate leasing

Country of location	Business
BATIMAP	Non-real estate leasing
BATIMUR	Non-real estate leasing
BATIROC BRETAGNE PAYS DE LOIRE	Real estate and non-real estate leasing
BCEF 64	Operational real estate assets
BEAULIEU IMMO	Operational real estate assets
BIC BRED	Bank
BLEU RÉSIDENCE LORMONT	Operational real estate assets
BORDELONGUE GODEAS	Operational real estate assets
BP COVERED BONDS	Funding
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 & TECHNOLOGIES	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 PREVOYANCE (formerly ABP PREVOYANCE)	Provident insurance
BPCE RELATION ASSURANCES	Services company
BPCE SA GROUP	Holding company
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company
BPCE SFH	Funding
BPCE VIE (formerly ABP VIE)	Insurance
BRED – BANQUE POPULAIRE	Bank
BRED COFILEASE	Non-real estate leasing
BRED GESTION	Bank
BRETAGNE PARTICIPATIONS	Private equity
BTP BANQUE	Bank
BTP CAPITAL CONSEIL	Financial investment advisory services
BTP CAPITAL INVESTISSEMENT	Private equity
BURODIN	Operational real estate assets
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 HAUTS DE FRANCE	Bank
CAISSE D'EPARGNE ÎLE-DE-FRANCE	Bank

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Country of location	Business
CAISSE D'EPARGNE LANGUEDOC-ROUSSILLON	Bank
CAISSE D'EPARGNE LOIRE CENTRE	Bank
CAISSE D'EPARGNE LOIRE DROME ARDECHE	Bank
CAISSE D'EPARGNE LORRAINE CHAMPAGNE-ARDENNE	Bank
CAISSE D'EPARGNE NORMANDIE	Bank
CAISSE D'EPARGNE PROVENCE-ALPES-CORSE	Bank
CAISSE D'EPARGNE RHONE ALPES	Bank
CAISSE RÉGIONALE CRÉDIT MARITIME DE MÉDITERRANÉE	Bank
CAISSE RÉGIONALE CRÉDIT MARITIME SUD-OUEST	Bank
CAISSE SOLIDAIRE	Financial sector company
CAPITOLE FINANCE	Non-real estate leasing
CASDEN – BANQUE POPULAIRE	Bank
CE DÉVELOPPEMENT	Private equity
CE HOLDING PARTICIPATIONS	Holding company
CEBIM	Holding company
CEPAC INVESTISSEMENT ET DÉVELOPPEMENT	Private equity
CEPAIM SA	Operational real estate assets
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company
CICOBAIL	Real estate leasing
CLICK AND TRUST	Data processing
COFACE EUROPE	Credit insurance and related services
CO-ASSUR	Insurance brokerage advisory services
COFACE SA	Holding company
COFEG	Consulting
COFIBRED	Holding company
COFIMAB	Real estate agent
COFINPAR	Credit insurance and related services
COGERI	Credit information and debt recovery
COMPAGNIE DE FINANCEMENT FONCIER	Financial sector company
COMPAGNIE EUROPEENNE DE GARANTIES ET CAUTIONS	Insurance
CONTANGO TRADING SA	Brokerage firm
CRÉDIT COOPÉRATIF	Bank
CRÉDIT FONCIER DE FRANCE	Bank
CRÉDIT FONCIER EXPERTISE	Real estate appraisal
CRÉDIT FONCIER IMMOBILIER	Operational real estate assets
CREPONORD	Equipment and real estate leasing
CRISTAL IMMO	Operational real estate assets
DARIUS CAPITAL PARTNERS SAS	Financial investment advisory services
DALENYS PAYMENT	Payment services
DELESSERT FCP 2DEC REGPT	BPCE Guarantee and Solidarity fund

Country of location	Business
DNCA COURTAGE	Asset management
DNCA FINANCE	Asset management
DNCA MANAGEMENT	Asset management
DOCONE	Services company
ECOFI INVESTISSEMENT	Portfolio management
DORVAL FINANCE	Asset management
ESFIN GESTION	Portfolio management
ESNI	Securitization company
EURO CAPITAL	Private equity
EUROTERTIA	Operational real estate assets
EURO PRIVATE EQUITY FRANCE (formerly DAHLIA PARTNERS)	Asset management
EXPANSINVEST	Private equity
FCC ELIDE	French securitization fund (FCT)
FCPR FIDEPPP	Public-private partnership financing
FCT LIQUIDITÉ SHORT 1	Securitization vehicle
FCT NATIXIS EXPORT CREDIT AGENCY	Securitization vehicle
FCT PUMACC	Consumer credit securitization vehicle
FCT VEGA	French securitization fund (FCT)
FERIA PAULMY	Operational real estate assets
LOCINDUS SUBSIDIARIES	Equipment and 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	Operational real estate assets
FONCIÈRE INVEST	Operational real estate assets
FONCIERE KUPKA	Operational real estate assets
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	Operational real estate assets
G102	Operational real estate assets
GARIBALDI CAPITAL DÉVELOPPEMENT	Holding company
GCE CAPITAL	Private equity
GCE PARTICIPATIONS	Holding company
GIE CE SYNDICATION RISQUES	Guarantee company
GIE ECUREUIL CREDIT	Services company
GRAMAT BALARD	Operational real estate assets
GROUPEMENT DE FAIT	Services company
HABITAT EN RÉGION SERVICES	Holding company
HOLASSURE	Holding company
IBP INVESTISSEMENT	Operational real estate assets

Country of location	Business
IMMO SPORT	Operational real estate assets
IMMOCARSO SNC	Real estate investment
IMMOCEAL	Real estate investment
INCITY	Operational real estate assets
INFORMATIQUE BANQUES POPULAIRES	IT services
INGEPAR	Financial investment advisory services
INTER-COOP	Real estate leasing
IT-CE	IT Services
L'AUSSONNELLE DE C	Operational real estate assets
LABEGE LAKE H1	Operational real estate assets
LAKOOZ	Payment services
LANGLADE SERVICES	Operational real estate assets
LANTA PRODUCTION	Operational real estate assets
LEASE EXPANSION	Operational IT leasing
LEVISEO	Operational real estate assets
LOCINDUS	Equipment and real estate leasing
MIDI COMMERCES	Operational real estate assets
MIDI FONCIÈRE	Operational real estate assets
MIDI MIXT	Operational real estate assets
MIDI PYRÉNÉES PLACEMENT	Mutual fund
MIFCOS	Real estate investment
MIROVA ENVIRONMENT AND INFRASTRUCTURE	Venture capital fund management
Mirova-Althelia limited – France branch	Asset management
MONTAUDRAN PLS	Operational real estate assets
MULTICROISSANCE SAS	Portfolio management
MURACEF	Mutual insurance
MURET ACTIVITÉS	Operational real estate assets
NALÉA	Securitization vehicle
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 ENERGECO	Non-real estate leasing
NATIXIS FACTOR	Factoring
NATIXIS FINANCEMENT	Consumer Credit
NATIXIS FONCIÈRE SA (formerly SPAFICA)	Real estate investment
NATIXIS FORMATION EPARGNE FINANCIERE	Holding company
NATIXIS FUNDING	Secondary debt market services
NATIXIS IMMO DEVELOPPEMENT	Housing real estate development

Country of location	Business
NATIXIS IMMO EXPLOITATION	Operational real estate assets
NATIXIS INNOV	Holding company
NATIXIS INTEREPARGNE	Employee savings account management
NATIXIS INTERTITRES	Service vouchers
NATIXIS INVESTMENT MANAGERS	Holding company
NATIXIS INVESTMENT MANAGERS DISTRIBUTION FRANCE	Distribution
NATIXIS INVESTMENT MANAGERS PARTICIPATIONS 1	Holding company
NATIXIS INVESTMENT MANAGERS PARTICIPATIONS 3	Holding company
NATIXIS LCR ACTIONS EURO	Investment fund
NATIXIS LEASE	Non-real estate leasing
NATIXIS LEASE IMMO	Real estate leasing
NATIXIS LIFE	Life insurance
NATIXIS LLD	Long-term vehicle leasing
NATIXIS MARCO	Investment company – (extension of activity)
NATIXIS PAIEMENT HOLDING	Holding company
NATIXIS PARTNERS	Mergers & acquisitions consulting
NATIXIS PAYMENT SOLUTIONS	Banking services
NATIXIS PRIVATE EQUITY	Private equity
NATIXIS SA	Credit institution
NATIXIS ULTRA SHORT TERM BONDS PLUS	Insurance UCITS
NATIXIS WEALTH MANAGEMENT	Credit institution
NAXICAP PARTNERS	Venture capital fund management
NAXICAP RENDEMENT 2018	Private equity
NAXICAP RENDEMENT 2022	Private equity
NEFER	Holding company
NOVA IMMO	Operational real estate assets
OCEOR LEASE REUNION	Non-real estate leasing
OCEORANE	Financial investment advisory services
OPCI FRANCEUROPE IMMO	Insurance UCITS
OPCI NATIXIS LEASE INVESTMENT	Real estate funds
OSSIAM	Asset management
OUEST CROISSANCE SCR	Private equity
OXIANE	Equipment and real estate leasing
PALATINE ASSET MANAGEMENT	Asset management
PARNASSE NELSON	Portfolio management
PARTICIPATIONS BP ACA	Holding company
PERSPECTIVES ENTREPRISES	Holding company
PAYPLUG	Payment services
PHILAE SAS	Operational real estate assets
PLUSEXPANSION	Holding company
PRAMEX INTERNATIONAL	International development and consulting services
PREPAR COURTAGE	Insurance brokerage
PREPAR-IARD	Non-life insurance
PREPAR-VIE	Life insurance and endowment

Country of location	Business
PROMEPAR GESTION	Portfolio management
RANGUEIL CORMIERS	Operational real estate assets
REAUMUR ACTIONS (FORMERLY ABP DIVERSIFIÉ)	Insurance UCITS
RENTABILIWEB MARKETING	Online services
RENTABILIWEB SERVICES	Internal services
RENTABILIWEB TECHNOLOGIES	Online services
RIOU	Operational real estate assets
RIVES CROISSANCE	Holding company
ROISSY COLONNADIA	Operational real estate assets
S.C.I. ALTAIR 1	Operational real estate assets
S.C.I. ALTAIR 2	Operational real estate assets
SAS ALPES DEVELOPPEMENT DURABLE INVESTISSEMENT	Private equity
SAS FINANCIÈRE IMMOBILIÈRE 15	Housing real estate development
SAS FONCIÈRE DES CAISSES D'EPARGNE	Real estate investment
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 ECUFONCIER	Financial sector company
SCI BPSO	Operational real estate assets
SCI BPSO 11 MORLAAS	Operational real estate assets
SCI BPSO BASTIDE	Operational real estate assets
SCI BPSO CAMBO	Operational real estate assets
SCI BPSO CONDE SOUVENIR	Operational real estate assets
SCI BPSO GUJAN	Operational real estate assets
SCI BPSO LE BOUSCAT	Operational real estate assets
SCI BPSO LE HAILLAN	Operational real estate assets
SCI BPSO LESPARRE	Operational real estate assets
SCI BPSO LIBOURNE EST	Operational real estate assets
SCI BPSO MARNE	Operational real estate assets
SCI BPSO MERIGNAC 4 CHEMINS	Operational real estate assets
SCI BPSO PESSAC	Operational real estate assets
SCI BPSO PESSAC CENTRE	Operational real estate assets
SCI BPSO ST AMAND	Operational real estate assets
SCI BPSO ST ANDRE	Operational real estate assets
SCI BPSO ST ESPRIT	Operational real estate assets
SCI BPSO ST PAUL	Operational real estate assets
SCI BPSO TALENCE	Operational real estate assets
SCI CRÉDIMAR	Operational real estate assets
SCI DANS LA VILLE	Operational real estate assets
SCI DU CRÉDIT COOPÉRATIF DE SAINT-DENIS	Operational real estate assets
SCI ECUREUIL DU PLAN SARRAIN	Operational real estate assets
SCI FAIDHERBE	Operational real estate assets
SCI FONCIÈRE 1	Real estate investment
SCI GARIBALDI OFFICE	Operational real estate assets
SCI LAFAYETTE BUREAUX	Operational real estate assets
SCI LE CIEL	Operational real estate assets

Country of location	Business
SCI LE RELAIS	Operational real estate assets
SCI POLARIS	Operational real estate assets
SCI PYTHEAS PRADO 1	Operational real estate assets
SCI PYTHEAS PRADO 2	Operational real estate assets
SCI SAINT-DENIS	Operational real estate assets
SCI TOURNON	Operational real estate assets
SCPI FRUCTIFONDS IMMOBILIER	Insurance real estate investments
SCRIBE BAIL LOGIS SAS	Equipment and real estate leasing
SCRIBEURO SAS	Equipment and real estate leasing
SEEYOND	Asset management
SEGIMLOR	Operational real estate assets
SELECTION 1818	Distribution of financial products for IWMAs
SELECTION PROTECTION 85	Insurance UCITS
SELECTIZ	Insurance UCITS
SELECTIZ PLUS FCP 4DEC	Insurance UCITS
SEREXIM	Real estate appraisal
SEVENTURE PARTNERS	Asset management
SI ÉQUINOXE	Holding company
SIMC	Holding company
SIPMÉA	Real estate development/management, real estate investment
SMI	Portfolio management
S-MONEY	Payment services
SNC ÉCUREUIL 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'EXPLOITATION MAB (SEMAB)	Services company
SOCIETE D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company
SOCIÉTÉ IMMOBILIÈRE PROVENÇALE ET CORSE	Holding company
SODERO PARTICIPATIONS	Private equity
SOFIAG	Financial sector company
SOFIDER	Financial sector company
SOPASSURE	Holding company
SPG	Open-ended investment company
SPGRES	Holding company
SPIG	Property leasing
SPPICAV AEW FONCIÈRE ECUREUIL	Operational real estate assets
SUD OUEST BAIL	Real estate leasing

Country of location	Business
TECHNOCITÉ TERTIA	Operational real estate assets
TÉTRIS	Operational real estate assets
TRANSIMMO	Real estate agent
UNION DES SOCIÉTÉS DU CRÉDIT COOPÉRATIF (GIE)	Services company
VEGA INVESTMENT MANAGERS	UCITS management company
VENDÔME INVESTISSEMENTS	Holding company
VIALINK	Data processing
VIVALIS INVESTISSEMENTS	Operational real estate assets
GREAT BRITAIN	
AEW EUROPE ADVISORY LTD	Asset management
AEW EUROPE CC LTD	Asset management
AEW EUROPE HOLDING LTD	Asset management
AEW EUROPE INVESTMENT LTD	Asset management
AEW EUROPE LLP	Asset management
AEW EUROPE PARTNERSHIP	Asset management
AEW GLOBAL ADVISORS (EUROPE) LTD	Asset management
AEW GLOBAL LTD	Asset management
AEW GLOBAL UK LTD	Asset management
Coface UK – (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
MIROVA-ALTHELIA LIMITED	Asset management
NATIXIS INVESTMENT MANAGERS UK LTD	Distribution
NATIXIS LONDRES	Finance company
PRAMEX INTERNATIONAL LTD – LONDON	International development and consulting services
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 HONG KONG	Finance company
NATIXIS INVESTMENT MANAGERS HONG KONG LIMITED	Asset management
PRAMEX INTERNATIONAL AP LTD – HONG KONG	International development and consulting services
HUNGARY	
BANCO PRIMUS HUNGARY	Bank
Coface Hungary – (Coface Austria branch)	Insurance
MAURITIUS	
BANQUE DES MASCAREIGNES	Bank
CAYMAN ISLANDS	
DF EFG3 LIMITED	Holding company
Natixis New York branch	Finance company

Country of location	Business
IRELAND	
Coface Ireland – (Coface Europe branch)	Credit insurance and related services
NATINIUM FINANCIAL PRODUCTS	Securitization vehicle
NEXGEN CAPITAL LTD	Structured finance
NEXGEN REINSURANCE DESIGNATED ACTIVITY COMPANY	Reinsurance
PURPLE FINANCE CLO 1	Securitization vehicle
ISRAEL	
BUSINESS DATA INFORMATION	Marketing and other services
COFACE HOLDING ISRAEL	Holding company
COFACE ISRAEL	Credit insurance
INDIA	
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD – MUMBAI	International development and consulting services
ITALY	
AEW CILOGER ITALIAN BRANCH	Distribution
Banque Populaire Méditerranée – Italy branch	*Bank*
COFACE ASSICURAZIONI SPA	Credit insurance and related services
COFACE ITALIA	Holding company
DNCA Finance – Milan branch	Asset management
Natixis Investment Managers s.a – Italy branch	*Distribution*
NATIXIS LEASE MILAN	Real estate and non-real estate leasing
NATIXIS MILAN	Finance company
PRAMEX INTERNATIONAL S.R.L. – MILAN	International development and consulting services
JAPAN	
Coface Japan – (Coface Europe branch)	Credit insurance and related services
Crédit Foncier de France – Japan branch	Bank
NATIXIS INVESTMENT MANAGERS JAPAN CO., LTD	Asset management
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 – (Coface Austria branch)	Insurance
LITHUANIA	
Leid (Coface Austria branch)	*Insurance*
LUXEMBOURG	
AEW EUROPE GLOBAL LUX	Asset management
AEW EUROPE SARL (formerly AEW LUXEMBOURG)	Asset management
ASG MANAGED FUTURES	Asset management

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Country of location	Business
BCP LUXEMBOURG	Bank
CODEIS	Private equity
COFACE LUXEMBOURG (COFACE EUROPE)	Credit insurance and related services
DAHLIA A SICAR SCA	Private equity
DNCA ARCHER MID-CAP EUROPE	Asset management
DNCA LUXEMBOURG	Asset management
H2O ASSET MANAGEMENT HOLDING	Asset management
KENNEDY FINANCEMENT LUXEMBOURG	Investment company – asset management
KENNEDY FINANCEMENT LUXEMBOURG 2	Cash management – asset management
LUX EQUIP BAIL	Real estate and non-real estate leasing
NATIXIS ALTERNATIVE ASSETS	Holding company
NATIXIS BANK	Bank
NATIXIS INVESTMENT MANAGERS S.A	Distribution
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
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
PRAMEX INTERNATIONAL AU CASABLANCA	International development and consulting services
MEXICO	
COFACE HOLDING AMERICA LATINA	Financial report
COFACE SEGURO DE CREDITO MEXICO	Insurance
NATIXIS IM MEXICO, S. DE R.L DE C.V.	Asset management
MONACO	
Banque Populaire Méditerranée – Monaco branch	*Bank*
Caisse d'Epargne Côte d'Azur – Monaco branch	*Bank*
NEW CALEDONIA	
BANQUE DE NOUVELLE-CALÉDONIE	Bank
OCEOR LEASE NOUMÉA	Non-real estate leasing
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Operational real estate assets
NETHERLANDS	
Coface Nederland – (Coface Kredit branch)	Insurance

Country of location	Business
COFACE NEDERLAND SERVICES	Credit information and debt recovery
NATIXIS INVESTMENT MANAGERS, NEDERLANDS	Distribution
NJR FINANCE BV	Financial Services
RENTABILIWEB FINANCE	Holding company
RENTABILIWEB INTERNATIONAL	Holding company
POLAND	
AEW CENTRAL EUROPE	Asset management
Coface Poland (Coface Austria branch)	Insurance
COFACE POLAND CMS	Financial report
COFACE POLAND FACTORING	Factoring
PRAMEX INTERNATIONAL SP. Z.O.O. – WARSAW	International development and consulting services
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
RENTABILIWEB	Online services
RUSSIA	
COFACE RUS INSURANCE COMPANY	Credit insurance
NATIXIS BANK JSC, MOSCOW	Bank
SINGAPORE	
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 ASSET MANAGEMENT ASIA LTD	Asset management
NATIXIS SINGAPOUR	Finance company
PRAMEX INTERNATIONAL PTE. LTD. – SINGAPORE	International development and consulting services
SLOVAKIA	
Coface Slovakia Insurance – (Coface Austria branch)	Insurance
SWEDEN	
Coface Sverige – (Coface Kredit branch)	Insurance
NATIXIS INVESTMENT MANAGERS, NORDICS FILIAL	Distribution

Country of location	Business
SWITZERLAND	
BANQUE DU LÉMAN	Bank
BIC BRED (SUISSE) SA	Bank
COFACE RE	Reinsurance
Coface Switzerland – (Coface SA branch)	Insurance
EURO PRIVATE EQUITY SA	Asset management
FONDS LAUSANNE	UCITS
NATIXIS INVESTMENT MANAGERS SWITZERLAND SARL	Asset management
TAIWAN	
Coface Taiwan – (Coface Europe branch)	Credit insurance and related services
NATIXIS INVESTMENT MANAGERS SECURITIES INVESTMENT CONSULTING CO. LTD	Asset management
NATIXIS TAÏWAN	Finance company
THAILAND	
BRED IT	IT services
TUNISIA	
ARAB INTERNATIONAL LEASE	Equipment and real estate leasing
BANQUE TUNISO KOWEITIENNE	Bank

Country of location	Business
EL ISTIFA	Debt collection
MEDAI SA	Real estate development
PRAMEX INTERNATIONAL SARL TUNIS	International development and consulting services
SOCIÉTÉ DU CONSEIL ET DE L'INTERMÉDIATION FINANCIÈRE	Financial investment advisory services
TUNIS CENTER	Real estate development
UNIVERS INVEST (SICAR)	Private equity
UNIVERS PARTICIPATIONS (SICAF)	Private equity
TURKEY	
COFACE SIGORTA TURQUIE	Insurance
URUGUAY	
NATIXIS INVESTMENT MANAGERS URUGUAY SA	Distribution
VANUATU	
BRED VANUATU	Bank
FONCIÈRE DU VANUATU	Real estate investment
VIETNAM	
BPCE International Ho Chi Minh City (Vietnam branch)	Specialized credit institution

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Note 19 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 2016 and 2017 fiscal years were as follows:

	Statutory Auditors responsible for auditing BPCE's financial statements												Other Statutory Auditor networks					
	PwC				Mazars				Deloitte									
	Amount		%		Amount		%		Amount		%		KPMG AUDIT[2]		Other		Total	
in thousands of euros[1]	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Certification of financial statements	12,803	11,009	79%	70%	7,080	6,232	83%	70%	10,746	9,068	66%	56%	5,606	5,558	1,877	2,063	38,112	33,930
Services other than certification of financial statements[3]	3,358	4,824	21%	30%	1,501	2,701	17%	30%	5,453	7,108	34%	44%	677	724	27	29	11,015	15,385
TOTAL	**16,161**	**15,833**	**100%**	**100%**	**8,581**	**8,933**	**100%**	**100%**	**16,199**	**16,176**	**100%**	**100%**	**6,283**	**6,282**	**1,904**	**2,092**	**49,127**	**49,315**
Change *(%)*	2%				(4%)				-				-		(9%)		-	

(1) Amounts relating to services provided appear on the income statement for the reporting year, notably including unrecoverable VAT.

(2) For the KPMG audit network, amounts include fees paid to the network when it signs the financial statements of shareholder institutions (and their subsidiaries) or direct subsidiaries of BPCE SA group. As a result, these amounts essentially include the fees paid by Natixis subsidiaries (€1.7 million for the certification of financial statements) and €3.3 million for services other than the certification of financial statements for Natixis group and €2.8 million for BPCE SA.

(3) In 2017, "Services other than the certification of financial statements" mainly included assignments requested by BPCE (€1.4 million including €0.7 million for BCBS standard 239 performed by Deloitte, €0.5 million for comfort letters relating to issues, with this amount being divided between BPCE's three Statutory Auditors, and €0.2 million for consultations carried out by PwC) as well as assignments requested by Natixis SA and its subsidiaries (€7.5 million), in particular for the move#2018 project at BPCE Vie (€0.7 million), performed by Deloitte, assignments relating to the FRTB project at Natixis Paris (€0.5 million), performed by Mazars, the BCBS standard 239 project at Natixis Paris (€0.7 million), performed by Deloitte, assistance with the ECB bad loans assignment at Natixis Paris (€0.3 million), performed by Deloitte, the EMIR project at Natixis Paris (€0.2 million), performed by PwC and recurrent Tax Services assignments for NIM (€0.6 million), mainly performed by PwC.

5.2 Statutory auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of english speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2017

To the Annual General Shareholders' Meeting,

Groupe BPCE

50, avenue Pierre Mendès-France

75201 Paris cedex 13

I. Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Groupe BPCE for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics *(Code de déontologie)* for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- Deloitte & Associés: the main missions carried out in the 2017 financial year, included the verification of the requirement CSR Information is included in the management report for BPCE SA, Natixis and Crédit Foncier entities, and some shareholder compagnies (Caisse d'Epargne and Banque Populaire). Moreover, in the Natixis scope, the main missions mainly relate to regulatory reporting compliance reviews or those requested by the regulators and comfort letters as part of issuance program and attestations;
- Mazars: the main missions carried out in the 2017 financial year concern CSR missions;
- PricewaterhouseCoopers Audit: the missions carried out in the 2017 financial year concern comfort letters, compliance procedure reviews, tax consultations and CSR missions.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Credit risk – impairment and provisions on individual and portfolio basis

Risk identified and main judgements	Our response
Groupe BPCE is exposed to credit and counterparty risks. These risks arise whenever a client or counterparty is unable to meet its payment obligations, especially on the loan activity. Groupe BPCE records impairment losses and provisions to cover credit and counterparty risks inherent to its activities. These are determined on individual and portfolio basis. Impairment losses take the form of individual impairment losses recognized against the related on-and off-balance either sheet commitments or collective impairment losses recognized against loan portfolios presenting similar risks which are not individually impaired. Individual impairment losses are determined by Management which takes into account estimated recoverable future cash flows (taking into account the impact of any collateral) on each loan concerned. Collective provisions are determined using statistical models based on several factors (as much prudential as specific to Groupe BPCE). We deemed the identification and assessment of credit risk to be a key audit matter considering that the provisions calculated constitute a significant judgement to establish the financial statements and appeal to the Management judgement. Considering that Groupe BPCE faces a context of low cost of risk on its main market, we assessed that the meeting of risk coverage by provisions and the related cost of risk to be a specific focus this year. At December 31, 2017, exposure to credit and counterparty risks amounted to more than 90% of the total Groupe BPCE balance sheet (66% for loans and receivables). Total impairment losses and provisions on loan and receivable and similar receivables stood at €13 billion compared to gross outstanding loans of €1,183 billion for an amount of impairment losses of €26 billion. Cost of risk FY 2017 amounts to €1.38 billion (decrease of 3% over the period). See notes 4.1.7, 5.6.1, 5.6.2, 6.7 to the consolidated financial statement for more details on accounting principles and exposures.	In accordance with our audit process, we assessed globally the control procedures implemented 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. For provisions on an individual basis, our work consists in reviewing the quality of the monitoring system used for counterparties that are at-risk, doubtful or litigious; the review of loans and receivables and the process used to value guarantees. Otherwise, based on a sample of exposures selected regarding criteria of materiality and risks, we performed contradictory analysis of the amount of provisions. As for collective provisions, assisted by our credit risk experts, we assessed the changes in methods related to the model of collective provisions as well as the retrospective tests on a historical basis performed by Management to estimate the main parameters of provision. In 2017, in the context of low cost of risk mentioned before, our work consisted in assessing the level of provisions at December 31, 2017 and the low level of the cost of risk recorded.

Valuation of financial instruments of level 2 and 3 according to IFRS 13

Risk identified and main judgements	Our response
Groupe BPCE holds a substantive part of financial instruments which are recognized in the balance sheet at fair value. At December 31, 2017, financial instruments at fair value represents €169.8 billion under assets and €135.9 billion under liabilities. For the needs of this valuation and in accordance to the IFRS 13 standard, financial instruments are allocated, following the method of determination of fair value, to one of three fair value levels. Levels 2 and 3 gather financial instruments valued using models of valuation based on significant inputs observable or unobservable on the market, depending on the case (€109 billion in level 2 and €19 billion in level 3 under assets and €102 billion in level 2 and €4 billion in level 3 under liabilities). The valuation of financial instruments at fair value lays on valuation techniques that uses judgement regarding the choice of methodologies used: • determination of valuation inputs unobservable on market; • use of internal models of valuation; • estimates of additional adjustments of valuation, to take into account some risks such as market risk, credit risk or liquidity risk. In light of the materiality of the outstanding and the judgement used to determine fair value, we deemed the financial instruments classified in level 2 and 3, according to the fair value hierarchy, to be a key audit matter. For more details on accounting principles and fair value hierarchy of financial instruments see notes 4.1.6, 5.5.1, 5.5.2, and 5.5.3 to the consolidated financial statements.	We reviewed the internal control procedures relating to the determination, valuation and recording of complex financial instruments classified at fair value in levels 2 and 3. We interviewed the Risk, Compliance and Permanent Control division and we acknowledge reporting and memos of Committees from this direction (in link with our Audit team at Natixis who is the main contributor to this subject). We tested the relevant control to our audit, including those relating to: • the approval and regular review by Management of the risks of the valuation models; • the independent verification of the valuation inputs; • the determination of value adjustments as well as corrections added in the value. We performed this work with the assistance of our valuation experts, with whom we also made counter valuation work. Based on sample, our experts analyzed the relevance of the assumptions; inputs and models used to determine the main adjustments to valuation. We also analyzed the differences on existing collateral calls and gain or losses in case of sale of instruments allowing to contribute to the review of appropriateness of valuations. Finally, we examined the information relating to the valuation of financial instruments released in the consolidated financial statements.

Groupe BPCE tax expense and recognition of current and deferred taxes

Risk identified and main judgements	Our response
The tax charge of Groupe BPCE includes either the one relative to tax payable or the deferred tax. Groupe BPCE records deferred tax 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 are recognized for tax loss carryforwards to the extent that it is probable that the entity in question will generate future taxable profits against which these tax losses can be utilized only to the extent that it is probable that the entity will be able to recover them in the foreseeable future. Estimates of the ability to create future profits taxable in this future requires the Management to exercise judgement when deciding whether to assessing the recoverability of recognized deferred tax assets but also the date, the expected switch and the tax rate implied. We deemed this subject to be a key audit matter because of: • the significant changes in the tax rate in the different tax jurisdictions where Groupe BPCE operates; • the sensitivity of the deferred tax to the assumptions and choices made by the Management. At December 31, 2017, the tax expense amounted to €1,811 million of which €675 million for current tax and €1,136 million for deferred tax. €3,081 million was recorded with respect to deferred tax assets and €687 million under deferred tax liabilities. See notes 4.12, 5.9 and 6.9 to the consolidated financial statements for further details.	We acknowledge the changes in laws passed in the jurisdiction where Groupe BPCE operates and we checked the compliance of the methods of valuation of the tax payable and deferred tax with these changes. We reviewed the process of valuation of deferred tax assets and, as a consequence, the tax rates in force. Considering estimates of future taxable profits, we assessed the reliability of the process of determination of tax business plans which are the basis for the Group to assesses the probability of recovering these deferred tax assets. Assisted by our tax experts, our audit approach consisted in assessing the probability of Groupe BPCE recovering these. We challenged, with the help of our experts, the methods chosen by the Management, to identify existing tax loss carry-forwards, to be used, regarding either deferred tax liabilities or, future taxable profits, fits. On the basis of Management forecasts, we performed some tests to check the appropriateness of deferred tax assets basis as well as the relevance of the tax rate used. Our work also focused on the accounting records of significant operations especially the one impacting current tax and differed tax.

Determination of goodwill and impairment tests

Risk identified and main judgements	Our response

The external growth operations carried out by Groupe BPCE lead it to define the control methods implemented over the acquired entities and to carry out an allocation test of the purchase price from which goodwill and intangible assets recorded in the consolidated balance sheet of Groupe BPCE is derived.
 	
Goodwill and intangible assets has been impairment-tested annually at least, based on the assessment of the value in use of the cash-generating units (CGU) to which it is attached or at the first signs of impairment loss. The valuation of the value in use is based on the estimated discounted cash flow of the CGU as resulting from the medium-term plans prepared in accordance with the Groupe BPCE's strategic plan for the period 2018-2020 (TEC 2020).
 	
We deemed that the treatment of business combinations and goodwill impairment tests to be a key audit matter by their very nature as they require the exercise of judgment regarding the structuring assumptions used especially for the determination of economic scenarios, financial trajectories or discount levels. Following the announcement of the TEC 2020 strategic plan, we paid particular attention to the impact of this plan on the medium-term plans used to determine value in use and more specifically those with a minor difference with the book value.
 	
At December 31, 2017, gross value of goodwill amounted to €4,961 million and accumulated impairment losses stood at €657 million.
 	
The terms of the impairment test implemented by BPCE as well as the key assumptions used to determine the recoverable value and sensitivities of the recoverable amounts are described in note 5.14 to the consolidated financial statements.
	We reviewed the structural transactions made during the year to check the consolidation method used in the Groupe BPCE's consolidated financial statements and the purchase price allocation work performed by BPCE during the 2017 financial year.
	
	With the help of our experts, we evaluated the procedure implemented by the group to identify signs of potential impairment loss and carried out a critical review of the method used for implementing impairment tests. In particular, our work includes:
	
	• comparison of assumptions and parameters with external sources;
	• review of the reasonableness of the medium-term plans retained for each concerned entity involving:
	  - the confrontation with the strategic plan of the group approved by the governing bodies (supervisory or administrative) of the entities,
	  - the assessment of the consistency and reliabilty of the main assumptions used to prepare the plans, particularly regarding the financial trajectories developed during past financial years and actually carried out,
	  - the analysis of the sensitivity to different valuation parameters (equity, discount rate…);
	• **the verification of the consistency of the information published on the results of these impairment tests.**

Insurance Technical Reserves

Risk identified and main judgements	Our response
Within the scope of its insurance activities, Groupe BPCE records technical reserves related to the commitments toward insured persons. We deemed the valuation of these reserves to be a key audit matter considering that it represent a significant amount in the consolidated financial statements and require judgement in some cases when determining the assumptions (example: experience tables and behavioral laws) or calculation models used. The technical reserves of the insurance contracts amount to €83.7 billion at December 31, 2017, of which €74.8 billion related to the life insurance business. Refer to note 5.18 of the consolidated financial statements.	We used our experts, the actuaries, to assist us in performing our audit procedures on these items. The main audit procedures implemented include, depending on the nature of the risks provisioned to: • obtain a understanding of the general conditions relating to insurance contracts marketed by the group; • evaluate the methods and assumptions used to calculate the reserves, specifically their compliance with applicable regulations, market practices and the economic and financial context; • test, on the basis of accounting reconciliations, recurrence tests, or surveys, the reliability of information relating to insurance contracts recorded in the managment systems and used for the valuation of technical reserves; • carry out an independent recalculation of specific reserves, when necessary on the basis of a sample of contracts; • assess the methods of calculation and the result of the adequacy of liabilities test, as required by IFRS 4. We also examined the information published in the notes to Groupe BPCE's consolidated financial statements relating to insurance liabilities and took note of the conclusions of CNP Assurances' statutory auditors, consolidated by Groupe BPCE using the equity method.

III. Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of BPCE by the annual general meeting of BPCE held on May 22, 2015 for Deloitte & Associés and on July 2, 2009 for PricewaterhouseCoopers Audit.

As at December 31, 2017, Deloitte & Associés was in the third year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the ninth.

Mazars was appointed as statutory auditors in the first statutes dated December 19, 2006 of GCE Nao (whose corporate name became BPCE in July 2009), upon its incorporation.

As at December 31, 2017, Mazars was in the eleventh year of total uninterrupted engagement, including 9 year since the company became a public-interest entity.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is

a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, March 28, 2018

The Statutory Auditors

Deloitte & Associés	**Mazars**	**PricewaterhouseCoopers Audit**
Jean-Marc Mickeler	Michel Barbet-Massin	Agnès Hussherr
Sylvie Bourguignon	Charles de Boisriou	Nicolas Montillot

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5.3 IFRS Consolidated Financial Statements of BPCE SA group as at December 31, 2017

5.3.1 Consolidated balance sheet

ASSETS

in millions of euros	*Notes*	**12/31/2017**	**12/31/2016**
Cash and amounts due from central banks	*5.1*	82,721	72,036
Financial assets at fair value through profit or loss	*5.2.1*	167,016	171,163
Hedging derivatives	*5.3*	8,606	13,205
Available-for-sale financial assets	*5.4*	65,161	60,920
Loans and receivables due from credit institutions	*5.6.1*	121,585	123,323
Loans and receivables due from customers	*5.6.2*	241,331	247,770
Revaluation differences on interest rate risk-hedged portfolios		5,096	6,707
Held-to-maturity financial assets	*5.7*	2,126	3,035
Current tax assets		1,421	502
Deferred tax assets	*5.9*	1,698	2,496
Accrued income and other assets	*5.10*	51,206	52,666
Non-current assets held for sale	*5.11*	1,195	947
Investments in associates	*8.1*	3,625	3,445
Investment property	*5.12*	1,111	1,122
Property, plant and equipment	*5.13*	1,111	1,110
Intangible assets	*5.13*	884	819
Goodwill	*5.14*	3,728	3,803
TOTAL ASSETS		**759,621**	**765,069**

LIABILITIES

in millions of euros	*Notes*	12/31/2017	12/31/2016
Financial liabilities at fair value through profit or loss	*5.2.2*	138,498	136,490
Hedging derivatives	*5.3*	10,000	13,795
Amounts due to credit institutions	*5.15.1*	122,098	113,698
Amounts due to customers	*5.15.2*	115,974	103,897
Debt securities	*5.16*	205,884	223,713
Revaluation differences on interest rate risk-hedged portfolios		307	541
Current tax liabilities		712	568
Deferred tax liabilities	*5.9*	663	725
Accrued expenses and other liabilities	*5.17*	42,374	50,814
Liabilities associated with non-current assets held for sale	*5.11*	717	813
Insurance companies' technical reserves	*5.18*	76,644	68,844
Provisions	*5.19*	2,825	3,032
Subordinated debt	*5.20*	17,025	20,364
Shareholders' equity		**25,900**	**27,775**
Equity attributable to equity holders of the parent		**18,882**	**20,210**
Share capital and additional paid-in capital	*5.21*	12,582	12,582
Retained earnings		4,694	4,827
Gains and losses recognized directly in other comprehensive income		761	1,137
Net income for the period		845	1,664
Non-controlling interests	*5.22*	7,018	7,565
TOTAL LIABILITIES AND EQUITY		**759,621**	**765,069**

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5.3.2 Consolidated income statement

in millions of euros	*Notes*	**Fiscal year 2017**	**Fiscal year 2016**
Interest and similar income	*6.1*	13,325	13,491
Interest and similar expenses	*6.1*	(10,503)	(10,495)
Commission income	*6.2*	6,263	5,621
Commission expenses	*6.2*	(2,290)	(2,049)
Net gains or losses on financial instruments at fair value through profit or loss	*6.3*	2,800	2,216
Net gains or losses on available-for-sale financial assets	*6.4*	417	1,035
Income from other activities	*6.5*	12,051	21,325
Expenses from other activities	*6.5*	(11,564)	(20,363)
Net banking income		**10,499**	**10,781**
Operating expenses	*6.6*	(7,802)	(7,389)
Depreciation, amortization and impairment for property, plant and equipment, and intangible assets		(339)	(316)
Gross operating income		**2,358**	**3,076**
Cost of risk	*6.7*	(511)	(508)
Operating income		**1,847**	**2,568**
Share in net income of associates	*8.2*	241	202
Gains or losses on other assets	*6.8*	104	170
Change in the value of goodwill	*5.14*	(66)	(117)
Income before tax		**2,126**	**2,823**
Income tax	*6.9*	(611)	(665)
Net income		**1,515**	**2,158**
Non-controlling interests	*5.22*	(670)	(494)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**845**	**1,664**

5.3.3 Comprehensive income

in millions of euros	Fiscal year 2017	Fiscal year 2016
Net income	**1,515**	**2,158**
Revaluation differences on defined-benefit pension schemes	14	(73)
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss[(1)]	(198)	(142)
Income taxes[(2)]	31	72
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	**(154)**	**(144)**
Foreign exchange rate adjustments	(700)	121
Change in the value of available-for-sale financial assets	95	(358)
Change in the value of hedging derivatives	105	19
Income taxes[(2)]	27	(84)
Share of gains and losses recognized directly in other comprehensive income of associates that can be reclassified in income	9	110
Items that can be reclassified in income	**(464)**	**(192)**
Gains and losses recognized directly in other comprehensive income (after income tax)	**(618)**	**(336)**
COMPREHENSIVE INCOME	**897**	**1,822**
Attributable to equity holders of the parent	464	1,255
Non-controlling interests	433	567

(1) The early application at January 1, 2016 of the provisions of IFRS 9 "Financial instruments" relating to financial liabilities is recognized under "Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss." Changes in fair value attributable to own credit risk on financial liabilities designated at fair value through profit or loss for 2017 and booked in equity amounted to -€198 million, or -€148 million after tax (-€142 million, or -€93 million after tax for 2016). Fair value gains and losses attributable to own credit risk generated on the early redemption of securities over the period were transferred to consolidated reserves in the amount of €3 million (€8 million in 2016).

(2) In 2017, the French Finance Act for 2018 and the fiscal reform in the United States lowered tax rates, which allowed BPCE SA group to revalue its net deferred tax position (see Note 5.9).

5.3.4 Statement of changes in equity

in millions of euros	Share capital and additional paid-in capital: Share capital	Additional paid-in capital	Preference shares	Perpetual deeply subordinated notes	Retained earnings
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[1]					(147)
Total activity arising from relations with shareholders				**(165)**	**(777)**
Gains and losses recognized directly in other comprehensive income[2]					
Income					
Comprehensive income					
Other changes[3]					(100)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2016	**156**	**12,426**		**1,230**	**3,596**
Allocation of net income for 2016					1,664
SHAREHOLDERS' EQUITY AT JANUARY 1, 2017	**156**	**12,426**		**1,230**	**5,260**
Dividend payments					(410)
Capital increase					
Redemption of deeply subordinated notes[4]				(547)	(505)
Interest on deeply subordinated notes					(75)
Impact of acquisitions and disposals on non-controlling interests[5]					(215)
Total activity arising from relations with shareholders				**(547)**	**(1,205)**
Gains and losses recognized directly in other comprehensive income[6]					
Income					
Comprehensive income					
Other changes[7]					(44)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2017	**156**	**12,426**		**683**	**4,011**

(1) Including a reduction in retained earnings 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 Cilоger;*
- *-€65 million (-€46 million attributable to equity holders of the parent and -€19 million attributable to non-controlling interests) for the change in the fair value of 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.*

(2) 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.

(3) Other changes notably include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

(4) Redemptions of perpetual deeply subordinated notes over the period amounted to:

- *€990 million for BPCE SA group issues; this redemption led to the reversal of the capital gain recorded in equity in the amount of €443 million (see note 5.21);*
- *€276 million for the redemption by Natixis of a perpetual deeply subordinated note issued in 2007, which was fully subscribed for by non-controlling interests. This redemption led to the reversal of the capital gain recorded in equity in the amount of €87 million (€62 million attributable to equity holders of the parent and €25 million attributable to non-controlling interests).*

(5) Including a reduction in retained earnings of €510 million and an increase in the translation difference of €5 million (-€210 million attributable to equity holders of the parent and -€295 million attributable to non-controlling interests) arising from the impact of acquisitions and other movements. This reduction was mainly due to the following:

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 designated at fair value through profit or loss(8)	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
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**
					(1,664)			
625	**(119)**	**(58)**	**1,070**	**(381)**		**20,210**	**7,565**	**27,775**
						(410)	(403)	(813)
							16	16
						(1,052)	(301)	(1,353)
						(75)		(75)
5						(210)	(295)	(505)
5						**(1,747)**	**(983)**	**(2,730)**
(524)	(3)	(109)	221	33		(382)	(237)	(619)
					845	845	670	1,515
(524)	**(3)**	**(109)**	**221**	**33**	**845**	**463**	**433**	**896**
						(44)	3	(41)
106	**(122)**	**(167)**	**1,291**	**(348)**	**845**	**18,882**	**7,018**	**25,900**

- *-€292 million (-€80 million attributable to equity holders of the parent and -€212 million attributable to non-controlling interests) for the purchase of 40% of BPCE Assurances from minority shareholders;*
- *-€122 million (-€87 million attributable to equity holders of the parent and -€35 million attributable to non-controlling interests) for stock options granted to minority shareholders in the Australian company Investor Mutual Limited (IML), in PayPlug and for the results of the public bid for the shares in Dalenys group held by minority shareholders made in December 2017;*
- *-€96 million (-€68 million attributable to equity holders of the parent and -€28 million attributable to non-controlling interests) for the change in the fair value of stock options granted to the minority shareholders of:*
  - *DNCA France (-€45 million attributable to equity holders of the parent and -€18 million attributable to non-controlling interests),*
  - *Ciloger (-€11 million attributable to equity holders of the parent and -€5 million attributable to non-controlling interests),*
  - *Dorval (-€21 million attributable to equity holders of the parent and -€8 million attributable to non-controlling interests),*
  - *Darius (-€5 million attributable to equity holders of the parent and -€2 million attributable to non-controlling interests),*
  - *Lakooz (+€3 million attributable to equity holders of the parent and +€1 million attributable to non-controlling interests),*
  - *+€18 million (€13 million attributable to equity holders of the parent and €5 million attributable to non-controlling interests) for the inclusion of Bati Lease, Bati Lease Invest and Inter-Coop in the consolidation scope (entities sold to Natixis by Crédit Coopératif).*

(6) Including a variation in the translation difference of -€22 million (-€16 million attributable to equity holders of the parent and -€6 million attributable to non-controlling interests) following the sale of two Natixis group entities (Caspian 1A and 1B) and the liquidation of Nexgen Financial Holding.

(7) Other changes also include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

(8) 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 designated at fair value through profit or loss" was booked in opening equity at January 1, 2016 in the amount of +€17 million (+€8 million attributable to equity holders of the parent). Changes in fair value attributable to own credit risk on financial liabilities designated at fair value through profit or loss booked in equity amounted, after tax, to:

- *-€93 million (-€66 million in equity attributable to equity holders of the parent) in 2016. Early repayment balances recognized in equity in 2016 stood at +€8 million net of tax;*
- *-€148 million (-€109 million in equity attributable to equity holders of the parent) in 2017. Early repayment balances recognized in equity in 2017 stood at +€3 million net of tax.*

5.3.5 Consolidated cash flow statement

in millions of euros	Fiscal year 2017	Fiscal year 2016
Income before tax	**2,126**	**2,823**
Net depreciation and amortization of property, plant and equipment, and intangible assets	418	384
Goodwill impairment	61	117
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	7,366	4,584
Share in net income of associates	(149)	(110)
Net cash flows generated by investing activities	(453)	(1,488)
Income/expense from financing activities	87	139
Other changes	(1,862)	(4,436)
Total non-monetary items included in net income before tax	***5,468***	***(810)***
Net increase or decrease arising from transactions with credit institutions	5,634	2,651
Net increase or decrease arising from transactions with customers	20,452	1,923
Net increase or decrease arising from transactions involving financial assets and liabilities	(13,694)	6,633
Net increase or decrease arising from transactions involving non-financial assets and liabilities	(7,137)	(430)
Income taxes paid	51	416
Net increase (decrease) in assets and liabilities resulting from operating activities	***5,306***	***11,193***
Net cash flows generated by operating activities (A)	**12,900**	**13,206**
Net increase or decrease related to financial assets and equity investments	937	1,980
Net increase or decrease related to investment property	136	146
Net increase or decrease related to property, plant and equipment, and intangible assets	(311)	(145)
Net cash flows generated by investing activities (B)	**762**	**1,981**
Net increase or decrease arising from transactions with shareholders[1]	(2,063)	(1,261)
Other increases or decreases generated by financing activities[2]	(2,258)	1,361
Net cash flows generated by financing activities (C)	**(4,321)**	**100**
Impact of changes in exchange rates (D)	**(2,168)**	**633**
TOTAL NET CASH FLOWS (A+B+C+D)	**7,173**	**15,920**
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)
Opening cash and cash equivalents	**55,359**	**39,439**
Cash and net balance of accounts with central banks		
Cash and net balance of accounts with central banks (assets)	82,721	72,036
Net balance of demand transactions with credit institutions		
Current accounts with overdrafts[3]	6,441	8,022
Demand accounts and loans	372	737
Demand accounts in credit	(22,244)	(20,429)
Demand repurchase agreements	(4,758)	(5,007)
Closing cash and cash equivalents	**62,532**	**55,359**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**7,173**	**15,920**

(1) *Cash flows from or to the shareholders mainly include:*
- *the redemption of deeply subordinated notes recorded as equity for -€1,353 million (-€350 million in 2016);*
- *interest paid on deeply subordinated notes recorded as equity for -€75 million (-€151 million in 2016);*
- *dividend payouts amounting to -€813 million (-€784 million in 2016).*

(2) *Cash flows from financing activities mainly include the impact of redemptions of subordinated notes and loans for -€2,214 million (-€1,695 million in 2016). In 2016, this item included the impact of issuances of subordinated notes and loans for +€3,023 million. No new issues were made in 2017.*

(3) *Current accounts with overdrafts do not include Livret A, LDD and LEP savings accounts centralized with the Caisse des dépôts et consignations.*

5.3.6 Notes to the financial statements of BPCE SA group

Note 1 General background

1.1 GROUPE BPCE

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Epargne network, the BPCE central institution and its subsidiaries.

Two banking networks: the Banque Populaire banks and the Caisses d'Epargne

Groupe BPCE is a cooperative group whose shareholders own the two local retail banking networks: the 14 Banque Populaire banks and the 16 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 *(sociétés de caution mutuelle)* 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 14 Banque Populaire banks and the 16 Caisses d'Epargne.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banque Populaire banks and the Caisses d'Epargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, organizes depositor protection, approves key appointments of company directors and oversees the smooth functioning of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures between the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It defines the Group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries, including Natixis, a 71.02%-owned listed company, are organized around three core business lines:

- Retail Banking and Insurance, including Specialized Financial Services and Insurance provided by Natixis, and Other networks (Crédit Foncier, Banque Palatine, BPCE International);
- Asset & Wealth Management;
- Corporate & Investment Banking.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to 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 million as of December 31, 2017.

The total amount of deposits made to BPCE in respect of the Banque Populaire network fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may not be less than 0.15% and may not exceed 0.3% of the total risk-weighted assets of the Group.

The booking of deposits in the institutions' individual accounts under the guarantee and solidarity system results in the recording of an item of an equivalent amount under a dedicated capital heading.

The mutual guarantee companies *(sociétés de caution mutuelle),* whose sole corporate purpose is to guarantee loans issued by Banque Populaire banks, are covered by the liquidity and capital adequacy guarantee of the Banque Populaire banks with which they are jointly licensed in accordance with Article R. 515-1 of the French Monetary and Financial Code.

The liquidity and capital adequacy of the Caisses de Crédit Maritime Mutuel are guaranteed in respect of each individual Caisse, by the Banque Populaire bank which is both the core shareholder and provider of technical and operational support for the Caisse in relation to the partner Banque Populaire bank.

The liquidity and capital adequacy of the local savings companies are secured, firstly, at the level of each individual local savings company by the Caisse d'Epargne of which the local savings company in question is a shareholder.

BPCE's Management Board holds all the requisite powers to mobilize the resources of the various contributors without delay and in accordance with the agreed order, on the basis of prior authorizations given to BPCE by the contributors.

1.3 SIGNIFICANT EVENTS

Finalization of Natixis' acquisition of PayPlug

In 2017, Natixis finalized the acquisition of PayPlug, a fintech specializing in online payment solutions for SMEs and VSEs.

Following the capital increase conducted immediately after the acquisition, Natixis held 78.54% of PayPlug's capital at December 31, 2017.

The company's management holds shares alongside Natixis and exit provisions are in place which, if exercised, would allow Natixis to acquire all the remaining capital.

Acquisition of Dalenys by Natixis

In the fourth quarter of 2017, Natixis – *via* one of its subsidiaries – finalized the acquisition of 54.3% of Dalenys (representing 61.3% of voting rights) from Dalenys' main shareholders.

Following this acquisition, a mandatory public bid was made for the outstanding Dalenys shares (the initial acceptance period ran from December 11, 2017 to January 22, 2018).

Dalenys provides payment solutions for retailers and e-commerce.

Acquisition of Althelia Ecosphère by Natixis

Natixis – *via* one of its subsidiaries – finalized the acquisition of 51% of Althelia Ecosphère, an asset management company specialized in impact investing in natural capital (global warming and protection of local regions, biodiversity, ground resources and maritime resources).

Acquisition of Investors Mutual Limited (IML) by Natixis

In 2017, Natixis – *via* one of its subsidiaries – acquired a majority stake (51.9%) in the Australian investment management company Investors Mutual Limited (IML).

This acquisition will allow Natixis to enter the individual customer and retirement savings markets and enhance its distribution platform in Australia.

The company's management holds shares alongside Natixis and exit provisions are in place which, if exercised, would allow Natixis to acquire all the remaining capital.

Acquisition of 40% of BPCE Assurances from Macif and Maif by Natixis

Natixis, *via* Natixis Assurances, finalized the acquisition of 40% of BPCE Assurances from Macif (25%) and Maif (15%). Following this transaction, Natixis Assurances is the sole shareholder of BPCE Assurances.

Disposal of Banque des Mascareignes

On December 15, 2017, a consortium comprising Banque Centrale Populaire (BCP Maroc) and Sipromad group, acting jointly and severally, signed a firm and definitive agreement with BPCE International et Outre-Mer to purchase all the capital and voting rights in Banque des Mascareignes.

A capital loss was recorded on the removal of this bank from the consolidation scope in the amount of €20 million at December 31, 2017 (see Note 6.8).

1.4 POST-BALANCE SHEET EVENTS

On February 20, 2018, the Group announced the signing of an agreement on the disposal of 100% of the capital in Banque des Mascareignes to Banque Centrale Populaire and Sipromad groups.

The agreement covers the sale by BPCE International of Banque des Mascareignes, a bank located in Mauritius, and its subsidiary in Madagascar (Banque des Mascareignes Madagascar), to the Moroccan cooperative group Banque Centrale Populaire and its strategic partner in the region, Madagascan conglomerate Sipromad, a long-standing shareholder in the Madagascan subsidiary.

The completion of the sale is subject to the usual conditions precedent for this type of transaction, including in particular the approval of the regulatory authorities in Mauritius, Madagascar and Morocco. It should be finalized by the end of the first-half 2018.

This sale is part of the Group's strategy of refocusing on priority development sectors and regions.

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, 2017 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 as at December 31, 2016 were complemented by standards, amendments and interpretations whose application is mandatory for reporting periods starting from January 1, 2017.

As specified in the financial statements of BPCE SA group at December 31, 2016, 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 designated at fair value through profit or loss, without adopting the other paragraphs of IFRS 9, as of the fiscal year ended December 31, 2016.

(1) These standards are available on the website of the European Commission at the following URL: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr

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

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 designated at fair value through profit or loss, which BPCE SA group applied early in its financial statements from January 1, 2016.

IFRS 9 defines the new rules for classifying and measuring financial assets and liabilities, the new impairment methodology for the credit risk of financial assets, and hedge accounting, except for macro-hedging, which the IASB is currently studying in a separate draft standard.

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

On initial recognition, financial assets will be classified at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, according to the type of instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).

Business model

The entity's business model represents the way in which it manages its financial assets to produce cash flow. The entity must exercise judgment to assess the business model.

The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information.

For example:

- the way in which the performance of financial assets is assessed and presented to the main company directors;
- risks which have an impact on the business model's performance, in particular the way in which these risks are managed;
- the way in which directors are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency, volume and motivation of sales.

Moreover, the choice of business model must be made at a level which reflects the way in which groups of financial assets are managed collectively with a view to achieve a given economic objective. The business model is therefore not decided on an instrument by instrument basis, but rather at a higher level of aggregation, by portfolio.

The standard provides for three business models:

- a business model in which financial assets are held in order to receive contractual cash flows (hold to collect model);
- a mixed-business model under which assets are managed with the objective of both receiving contractual cash flows and disposing of financial assets (hold to collect and sell model);
- a business model in which the objective is to collect cash flows from the disposal of financial assets (held for trading purposes).

Types of contractual cash flows: the SPPI (Solely Payments of Principal and Interest) classification

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that stage 2are solely payments of principal and interest on the outstanding amount due.

The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.

The instrument's contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubts as to whether only the time value of money is represented must therefore be analyzed. For example:

- events that would change the amount and date of the cash flows;
- the applicable interest rate features;
- early redemption and extension conditions.

Rules for accounting for financial assets

Debt instruments (loans, receivables or debt securities) may be valued at amortized cost or at fair value through other comprehensive income or at fair value through profit or loss.

A debt instrument is valued at amortized cost if it meets the following two conditions:

- the asset is held in a business model where the objective is to collect contractual cash flows, and
- the contractual terms of the financial asset define it as SPPI within the meaning of the standard.

A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:

- the asset is held in a business model where the objective is both to collect contractual cash flows and to sell financial assets, and
- the contractual terms of the financial asset define it as SPPI within the meaning of the standard.

Equity instruments will, by default, be recorded at fair value through profit or loss unless they qualify for 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. However, if opting for the latter category, dividends continue to be recognized in income.

All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading purposes, financial assets designated at fair value through profit or loss and non-SPPI assets. Recognition at fair value through profit or loss as an option for financial assets only applies in the case of the elimination or significant reduction of an accounting mismatch. This enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy.

Embedded derivatives will no longer be recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must be recognized at fair value through profit or loss.

For financial liabilities, the classification and measurement rules set out in IAS 39 are carried forward to IFRS 9 unchanged, with the exception of those applicable to financial liabilities that the entity chooses to record at fair value through profit or loss (fair value option), for which revaluation adjustments related to changes in own credit risk 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, loan commitments and financial guarantee contracts that are not recognized at fair value through profit or loss, as well as lease receivables and business loans, shall be systematically impaired or covered by a provision for expected credit losses (ECL).

For financial instruments which have not been individually subject to objective evidence of loss, impairment or a provision for expected credit losses will be recorded based on observed past losses but also on reasonable and justifiable discounted future cash flow forecasts. This more forward-looking credit risk approach is already partially factored in when collective provisions are recognized on similar financial asset portfolios pursuant to IAS 39. 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

- there is no significant deterioration in credit risk;
- the impairment or the provision 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 amount 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 or the provision 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 amount of the asset before impairment.

Stage 3

- there is objective evidence of impairment loss due to an event which represents a counterparty risk occurring after the initial recognition of the asset in question. This category corresponds to the individually impaired outstandings scope under IAS 39;
- impairment or the provision for credit risk will continue to be calculated based on the instrument's lifetime expected credit losses;
- 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.

Moreover, the standard makes the distinction between purchased or originated credit impaired (POCI) assets, which correspond to financial assets purchased or created and impaired for credit risk at their initial recognition. At initial recognition, an adjusted effective interest rate is calculated which includes estimated recoverable cash flows. Subsequent impairment will be calculated by re-estimating recoverable cash flows, as the restated effective interest rate is fixed. A gain may be recognized in income if the revised cash flow estimate exceeds recoverable cash flows.

HEDGE ACCOUNTING

IFRS 9 introduces an amended hedge accounting model to be better aligned with risk management activities.

Implementation work

Since 2015, the steering of the IFRS 9 plan is organized around a Strategic Committee which is cross-divisional between the Risk and Finance departments. This committee meets four times a year and the majority of its members also sit on the Executive Management of BPCE. The Strategic Committee settles on guidelines, makes decisions, and defines the schedule for implementing and consolidating the plan's budget. The IFRS 9 plan also includes a meeting, five times a year, of a Steering Committee made up of the company directors of Caisse d'Epargne and Banque Populaire banks as well as their main subsidiaries (Crédit Foncier, Natixis). The Steering Committee settles on guidelines and operational decisions relating to the implementation of the standard. The Steering Committee also reports on the progress of work monitored to the Finance, Risk, Information Systems and Change Management department committees which meet once every six weeks.

At the same time, a complete review of the implementation of the standard (progress, guidelines and options taken) was presented and discussed during BPCE's Audit Committee meeting. Challenges relating to the standard were also presented to members of the Supervisory Board of BPCE and its main subsidiaries.

Work during the second half of 2017 mainly focused on finalizing functional testing on the various projects, general testing, the preparation of the opening balance sheet (first-time application), the final calibration of models, measuring the impact of impairment, 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 retail banking loan book, the impact will be limited and 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 designated 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.

  BPCE SA group holds some fixed-rate loans with symmetrical prepayment clauses in its loan book. In an amendment to IFRS 9 published in October 2017, the IASB stated that negative prepayment compensation is not in itself incompatible with the notion of SPPI. The application of this amendment is mandatory as of January 1, 2019 and early application is possible. BPCE SA group intends to apply this amendment early, as of January 1, 2018, as soon as the text is adopted by the European Commission;
- for securities portfolios:
  - under IAS 39, liquidity reserve securities were either carried at amortized cost because they were classified as loans and receivables or held-to-maturity financial assets, or they were measured at fair value because they were classified as available-for-sale securities, depending on their characteristics, how they were managed and whether or not they were hedged against interest rate risk. The breakdown of these debt securities 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 recorded at fair value through profit or loss under IFRS 9. Once BPCE SA group 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 potentially have a net impact on BPCE SA group's consolidated equity owing to the different calculation methods applicable to these assets and to the retrospective application of the standard. Nevertheless, as these reclassifications are limited or affect assets whose fair value does not vary significantly from their value at cost due notably to the residual maturity of the transactions in question, these reclassifications are not expected to have a material impact on BPCE SA group's opening equity at January 1, 2018.

As indicated above, and as permitted by IFRS 9, the Group also elected to early-apply, from fiscal year 2016, 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

As indicated above, impairment for credit risk will be equal to 12-month expected losses or lifetime expected losses according to the level of deterioration of risk since underwriting the credit (Stage 1 or Stage 2 asset). A set of qualitative and quantitative criteria is used to assess this deterioration of risk.

The significant increase in credit risk will be valued on an individual basis by taking into account all reasonable and justifiable information and by comparing the default risk on the financial instrument at the end of the fiscal year with the default risk on the financial instrument at the date of its initial recognition. This deterioration must be recognized before the transaction is impaired on an individual basis (Stage 3).

In order to assess the material deterioration, the Group applies a process based on rules and criteria which apply to all Group entities. For Individual Customer, Professional Customer and Small and Medium-Sized Enterprise portfolios, the deterioration is measured using quantitative criteria based on the change in the 12-month probability of default since underwriting (probability of default measured on average over a business cycle). For Large corporates, Banks and Specialized Financing portfolios, it is based on the change in rating since underwriting. These quantitative criteria are accompanied by a set of qualitative criteria, including the existence of a payment more than 30 days past due, the classification of the contract as at-risk, the identification of forbearance exposure or the inclusion of the portfolio on a Watch List. Exposures rated by the tool dedicated to Large corporates, Banks and Specialized Financing are also downgraded to Stage 2 according to the sector rating and the level of country risk.

The standard provides that the credit risk of a financial instrument has not increased materially since its initial recognition if this risk is considered to be low at the end of the fiscal year. This provision could be applied to a limited extent to certain investment grade debt securities.

Financial instruments where there is objective evidence of impairment due to an event which represents a counterparty risk and which occurs after their initial recognition will be considered to be impaired and will be classed as Stage 3. Identification criteria for impaired instruments are similar to those under IAS 39 and are aligned with the default criterion in prudential terms.

The standard requires that modified contracts for financial assets that are renegotiated, restructured or adjusted whether due to financial hardships or not and which are not subject to derecognition are identified. Any profit or loss must be recognized as income in the event of amendment. The gross carrying amount of the financial asset must be recalculated so that it is equal to the renegotiated or amended present value of contractual cash flows at the original effective interest rate. An analysis of the substantial nature of amendments must be carried out on a case by case basis.

The processing of restructuring due to financial hardships must remain the same as that under IAS 39.

For Stage 1 and Stage 2 assets, expected credit losses (ECL) are calculated as the result of three inputs:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD) – this depends on contractual cash flows, the contract's effective interest rate and the expected prepayment rate.

To define this input, the Group draws on existing concepts and mechanisms used for internal models developed to calculate regulatory capital requirements and on projection models used for stress tests. Specific adjustments are made to factor in current conditions and macro-economic forward-looking projections:

- IFRS 9 parameters nonetheless aim to provide the most accurate estimate of losses possible for accounting provision purposes, whereas prudential parameters are more cautious for regulatory framework purposes. Several of these safety buffers are therefore restated;
- IFRS 9 parameters must allow losses to be estimated until the contract's maturity, whereas prudential parameters are defined to estimate 12-month losses. 12-month parameters are thus projected over long timescales;
- IFRS 9 parameters must be forward-looking and take into account the expected economic environment over the projection timescale, whereas prudential parameters correspond to the cycle's average estimates (for PD) or bottom-of-the-cycle estimates (for LGD and EAD). Prudential parameters are therefore also adjusted based on this expected economic environment.

The parameters thus defined allow credit losses for all rated exposures to be valued, regardless of whether they belong to a scope approved using an internal method or they are processed using the standard method for the calculation of risk-weighted assets. Conservative default rules are applied to non-rated exposures. The stakes are not material for the Group.

The adjustment of parameters to the economic backdrop is carried out through the definition of reasonable and justifiable economic scenarios, coupled with the probability of occurrence and the calculation of a probable average credit loss. This adjustment mechanism requires the definition of models which link IFRS 9 parameters to a set of economic variables. These models are based on those developed for stress tests. The projection mechanism also draws on the budget process. Three economic scenarios (the budget scenario, along with optimistic and pessimistic views of this scenario), coupled with probabilities, are therefore defined over a three-year time line to value the probable economic loss. The scenarios and weightings are defined using analysis produced by Natixis' Economic Research and management's expert judgment.

Although the majority of the parameters are drawn up by BPCE and Natixis' Risk departments, other entities including Natixis Financement, BPCE International and certain regional institutions for their subsidiaries also contribute to the Group IFRS 9 provision mechanism. Moreover, regional entities are responsible for assessing the consistency of provisions determined for the Group with the local and sector characteristics of their portfolio and for defining additional sector provisions if necessary.

The mechanism for validating IFRS 9 parameters is fully integrated in the validation mechanism for existing models within the Group. The validation of parameters follows a review process by the independent internal validation of models unit, the review of this work by the Group model committee and monitoring of recommendations issued by the validation unit. Validation work has been structured so that the main calculation parameters are reviewed upstream of the first-time application of IFRS 9.

In short, the new IFRS 9 provisioning model will lead to an increase in the amount of impairment on loans and securities carried at amortized cost or at fair value through recyclable OCI, and in impairment on off-balance sheet commitments as well as on lease receivables and business loans.

Calibration and validation work is in progress and at this stage does not allow for its disclosure in the financial statements.

HEDGE ACCOUNTING

BPCE SA group used the option available in IFRS 9 not to apply at this stage 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.

APPLICATION OF IFRS 9 TO INSURANCE ACTIVITIES

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable as of January 1, 2018. The European regulation will allow insurance sectors within European financial conglomerates to defer application of IFRS 9 until January 1, 2021 (effective date of the new IFRS 17 standard Insurance Contracts) as long as they:

- do not transfer financial instruments between the insurance sector and other sectors of the conglomerate (with the exception of financial instruments designated at fair value through profit or loss for the two sectors affected by the transfer);
- communicate the insurance entities which apply IAS 39;
- disclose specific additional information in the notes to the financial statements.

As BPCE SA group is a financial conglomerate, it plans to apply this provision to its insurance activities, which will continue to be covered by IAS 39. The main entities affected by this measure are CEGC, the insurance subsidiaries of COFACE, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, ADIR, BPCE Prévoyance, BPCE Assurances, BPCE IARD, Muracef, Surassur, Prépar Vie and Prépar Iard.

PHASE-IN MEASURES

Under the option available in IFRS 9, the Group does not intend to restate previous fiscal years published as comparative information for its financial statements.

Regulation (EU) 2017/2395 dated December 12, 2017 relating to transitional arrangements for mitigating the impact of the introduction of IFRS 9 on capital and for the large exposures treatment of certain public sector exposures was published in the OJ on December 27, 2017. BPCE SA group has decided not to opt to neutralize IFRS 9 transitional impacts at the prudential level due to the limited impact expected when applying the standard.

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.

The amendment "Clarifications on IFRS 15" published by the IASB on April 12, 2016 was adopted by the European Commission on October 31, 2017. It should also be applicable retrospectively as of January 1, 2018.

Under this standard, recognition of revenue from ordinary activities must now reflect the transfer of control of goods and services promised to customers in an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services. IFRS 15 thus introduces a new five-stage general approach for the recognition of income:

- identification of contracts with customers;
- identification of specific performance obligations (or items) to be recognized separately from one another;
- determination of overall transaction price;
- allocation of transaction price to the various specific performance obligations;
- recognition of revenue when performance obligations are met.

IFRS 15 applies to contracts entered into by an entity with its customers, with the exception of leases (covered by IAS 17), insurance contracts (covered by IFRS 4) and financial instruments (covered by IFRS 9). If specific stipulations relating to revenue or contract costs are given under a different standard, these will first be applied.

The impact analysis of the application of this new standard began in 2016 and notably drew on self-assessments carried out by certain pilot institutions and subsidiaries, which were then transposed by all the Group's significant institutions and subsidiaries. This work helped identify the main items potentially concerned, in particular:

- fee and commission income, notably that relating to banking services when this income is not included in the effective interest rate, or that relating to asset management or financial engineering services;
- income from other activities, in particular for services included in leases.

This work also confirmed that the Group is either only slightly or not affected by certain first-time application of IFRS 15 issues such as real estate development, loyalty programs and telephony.

Based on the work performed, the Group does not expect any material impact upon the application of IFRS 15, on either opening equity at January 1, 2018 or on income and expense items in fiscal 2018.

Under the option available in IFRS 15, the Group does not intend to publish comparative information for its financial statements.

IFRS 16

IFRS 16 "Leases" will replace IAS 17 "Leases" and the interpretations related to the accounting of such contracts. The standard was adopted by the European Commission on October 31, 2017. It will be applicable as of January 1, 2019.

As defined under IFRS 16, leases shall identify an asset and convey the right to use this asset for a period of time. From the lessor's perspective, the impact is expected to be limited, as the provisions will not change substantially in relation to the current IAS 17.

Under the current IAS 17, operating leases are not recognized on the balance sheet, only the corresponding rental income is recorded in income.

In contrast, for lessees, IFRS 16 requires that leases be recorded in the balance sheet such that they convey the right to use the leased asset presented, as the case may be, among property, plant & equipment or investment property, and a lease liability. The lease liability corresponds to the discounted value of lease payments that have not yet been paid. The Group has decided to opt for the exception included in the standard of not modifying the accounting method for short-term leases (less than 12 months) or leases related to low value underlying assets. The right to use the asset will be amortized on a straight-line basis and the lease liability will be calculated on an actuarial basis over the term of the lease.

The expense on the lease debt will thus be included in interest income under net banking income and the amortization expense on the right to use the asset will be recognized in operating expenses.

The Group began to analyze the impact of the application of this new standard following its publication by the IASB at the start of 2016. This work continued during 2017 and entered the stage where structural choices to be made in terms of organization and information systems were analyzed.

Regarding BPCE SA group's activities, the implementation of IFRS 16 will mainly affect real estate assets leased for operational purposes as offices and sales branches. A material impact is therefore expected on "Property, plant & equipment" without modifying in itself the relatively weak weighting of property, plant & equipment in total assets.

For the first-time application of this standard, the Group has chosen the modified retrospective method, which recognizes the cumulative impact at January 1, 2019, with no comparison with 2018, and listing in the Notes to the financial statements any of the standard's impacts on the various items in said financial statements.

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, 2017 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 5.15).

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, 2017. The Group's consolidated financial statements for the period ended December 31, 2017 were approved by the Management Board on February 5, 2018. They will be presented to the Annual General Shareholders' Meeting on May 25, 2018.

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 17 – Scope of consolidation.

3.1.1 Entities controlled by the Group

The subsidiaries controlled by BPCE SA group are fully consolidated.

Definition of control

Control exists when the Group has the power to govern an entity's relevant activities, when it is exposed to or is entitled to variable returns due to its links with the entity and has the ability to exercise its power over the entity to influence the amount of returns it obtains.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control exercised. These potential voting rights may result, for example, from share call options traded on the market, debt or equity instruments that are convertible into ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account to calculate the percentage of ownership.

Exclusive control is presumed to exist when the Group holds directly or indirectly either the majority of the subsidiary's voting rights, or at least half of an entity's voting rights and a majority within the management bodies, or is in a position to exercise significant influence.

Specific case of structured entities

Entities described as structured entities are those organized in such a way that voting rights are not a key criterion when determining who has control. This is the case in particular when voting rights only apply to administrative duties and relevant activities are managed through contractual agreements.

A structured entity frequently exhibits some or all of the following characteristics:

(a) well-defined activities;

(b) a specific and well-defined aim, for example: implementing a 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 17.5.

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 is recognized in goodwill. When the net fair value of the entity's identifiable assets and liabilities is higher than the cost of investment, the difference is recognized in income.

The share of net income of entities accounted for under the equity method is included in the Group's consolidated income.

When a Group entity carries out a transaction with a Group joint venture or associate, the profit or loss resulting from this transaction is recognized in interests held by third parties in the associate or joint venture.

The 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 between:

- 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 intra-group transactions

The impact of intercompany transactions on the consolidated balance sheet and consolidated income statement is eliminated. Dividends, as well as gains and losses on intercompany asset disposals, are also eliminated. Where appropriate, capital losses from asset disposals resulting in impairment are maintained.

3.2.3 Business combinations

In accordance with revised IFRS 3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements":

- combinations between mutual insurers are included within the scope of IFRS 3;
- costs directly linked to business combinations are recognized in net income for the period;
- contingent considerations payable are included in the acquisition cost at their fair value at the date of acquisition of a controlling interest in an entity, even if they are only potential. Depending on the settlement method, transferred considerations are recognized against:
  - capital and later price revisions will not be booked,
  - or debts and later adjustments are recognized against income (financial debts) or according to the appropriate standards (other debts outside the scope of 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 its future activity, or may be set as the fair value of the subsidiary's securities on the day on which the options are exercised.

For accounting purposes, these commitments are treated as follows:

- pursuant to the provisions of IAS 32, the Group recognizes a financial liability with respect to the put options sold to minority shareholders in fully-consolidated entities. This liability is initially recognized at the discounted value of the put option exercise price under "Other liabilities";
- the obligation to record a liability even though the put options are not exercised means, for purposes of consistency, that the same accounting treatment as that for transactions related to non-controlling interests must be applied. As a result, the corresponding entry for this liability is deducted from "Non-controlling interests" underlying the options and the balance is deducted from "Retained earnings, attributable to equity holders of the parent";
- subsequent changes in this liability relating to any change in the estimated exercise price of the options and the carrying amount of "Non-controlling interests" are fully booked as "Retained earnings, attributable to equity holders of the parent";
- in the event of a buyback, the liability is settled by the cash payment related to the acquisition of minority shareholders' stakes in the subsidiary in question. However, on maturity of the commitment, if the buyback does not take place, the liability is written off against non-controlling interests and "Retained earnings, attributable to equity holders of the parent" according to their respective amounts;
- as long as the options have not been exercised, results from non-controlling interests subject to put options are included in the consolidated income statement as "Non-controlling interests".

3.2.5 Consolidated entities' balance sheet date

The entities included in the scope of consolidation close their accounts on December 31.

Note 4 Accounting principles and valuation 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 commission paid to third parties in connection with the arrangement of loans. They essentially comprise commission 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 designated 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, except 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 designated 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 designated at fair value through profit or loss" within "Gains and losses recognized directly in equity". In the event of early redemption, fair value gains or losses attributable to own credit risk are directly transferred to consolidated reserves under 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. It is subsequently measured at amortized cost at each balance sheet date using the effective interest method.

4.1.4 Financial assets and liabilities designated at fair value through profit or loss

The amendment to IAS 39 adopted by the European Union on November 15, 2005 allows entities to designate financial assets and liabilities 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 substantially modifies the cash flows of the host contract and when the separate recognition of the embedded derivative 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 and comparing its changes in fair value from inception to those for the documented hedging derivatives.

The characteristics of this instrument model those of the hedged item. Effectiveness is then assessed by comparing the changes in value of the hypothetical instrument with the actual hedging instrument. This method requires the preparation of a maturity schedule.

The effectiveness of the hedge must be shown prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test calculates the retrospective effectiveness of a hedge initiated at various balance sheet dates.

At each balance sheet date, changes in the fair value of hedging instruments, excluding accrued interest, are compared with those of hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealized gain or loss recognized in 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 their overall exposure to interest rate risk. In particular, this "carve-out" allows the Group to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). The Group mainly uses plain vanilla interest rate swaps designated at inception as fair value hedges of fixed-rate deposits or loans.

Macro-hedging derivatives are accounted for in the same manner as derivatives used to hedge the fair value of specific transactions (micro-hedging).

In a macro-hedging relationship, gains and losses on the revaluation of the hedged item are recorded in "Revaluation differences on interest rate risk-hedged portfolios", under balance sheet assets for hedges of a portfolio of financial assets and under balance sheet liabilities for hedges of a portfolio of financial liabilities.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account.

Effectiveness is tested in two ways:

- asset-based testing: for plain vanilla swaps designated as hedging instruments at inception, the Group verifies 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 to the selling costs. It reflects the cost requested by a market player in respect of the risk of acquiring a position or of selling at a price proposed by another market player.

MODEL UNCERTAINTY ADJUSTMENT

This adjustment takes into account imperfections in the valuation techniques used, and in particular risk factors not considered even though observable market inputs are available. This is the case when the risks inherent in the instruments differ from those incurred by the observable market data used to determine their valuation.

INPUT UNCERTAINTY ADJUSTMENT

Observing certain prices or inputs used in valuation techniques may be difficult or the price or input may be too regularly unavailable to determine the selling price. Under these circumstances, an adjustment may be necessary to reflect the probability that market participants might adopt different values for the same inputs when evaluating the financial instrument's fair value.

CREDIT VALUATION ADJUSTMENT (CVA)

This adjustment applies to valuations that do not account for the counterparty's credit quality. It corresponds to the risk of loss linked to the risk of default by a counterparty and aims to take into account the fact that the Group may not recover the full market value of the transactions.

The method for determining the CVA is primarily based on the use of market inputs in connection with professional market practices, for all segments of counterparties subject to this calculation. In the absence of liquid market inputs, proxies by type of counterparty, rating and geographic area are used.

DEBIT VALUATION ADJUSTMENT (DVA) AND FUNDING VALUATION ADJUSTMENT (FVA)

The DVA is symmetrical to the CVA and represents the risk of loss, from the counterparty's perspective, on liability valuations of financial instruments. It reflects the impact of the Group's credit quality on the valuation of these instruments. The DVA 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 Control department). Second-level controls are carried out by the Risk department.

On less liquid markets, other market information, primarily observable data, is used to validate the fair value of instruments.

The factors taken into account include the following:

- the origin of the external source (stock market pages, content contribution services, etc.);
- the consistency of the various sources;
- the frequency of data feeds;
- the representative nature of inputs based on recent market transactions.

For fair values determined using valuation models, the control system consists of an independent validation of the model construction and of the inputs included in these models.

This is carried out under the responsibility of the Risk department.

It involves verifying that the model is consistent with and relevant to its intended function (price setting, valuation, coverage, measurement and control of risk) and the product to which it applies, based on:

- a theoretical approach: the financial and mathematical foundations of the model;
- the application of the model: the pricing models used to generate risk and earnings data;
- the stability of the model under parametric stress;
- an assessment of the stability and consistency of the numerical methods used;
- the independent re-implementation of the model as part of algorithm validation;
- the comparative analysis of the calibration of model inputs;
- an assessment of the modeling risk, particularly the comparative analysis of the model with other valuation models, in order to ensure the adequacy of the model and the payoff (the formula of positive or negative flows attached to the product at maturity);
- the implementation of an adjustment in respect of modeling risk to account for potential deficiencies in the model or its calibration;
- the incorporation of the model into information systems.

The methods for determining fair value are monitored by a number of bodies including the Inputs and Observability Committee, the Valuation Committee, the Impairment Committee and the Model Validation Committee, which comprise representatives of the Risk department, the Finance department and the Market Data Control 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 – measured using a valuation technique incorporating inputs that are either directly observable (prices) or indirectly observable (price derivatives) through to maturity. This mainly includes:

Standard instruments:

Most over-the-counter derivatives, swaps, credit derivatives, forward rate agreements, caps, floors and plain vanilla options are traded in active markets, *i.e.* liquid markets in which trades occur regularly.

These instruments are valued using generally accepted models (discounted cash flow method, Black & Scholes model, interpolation techniques), and on the basis of directly observable inputs.

For these instruments, the extent to which models are used and the observability of inputs has been documented.

Instruments measured using Level 2 inputs also include:

- securities that are less liquid than those classified as Level 1, whose fair value is determined based on external prices put forward by a reasonable number of active market makers and which are regularly observable without necessarily being directly executable (prices mainly taken from contribution and consensus databases); where these criteria are not met, the securities are classified as Level 3 fair value;
- securities not quoted on an active market whose fair value is determined based on observable market data (for example, using market data for listed peers or the earnings multiple method based on techniques widely used in the market);
- greek sovereign securities, whose fair value is recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS whose NAV is not determined and published on a daily basis but is subject to regular reporting or which offer observable data from recent transactions;
- debt securities designated at fair value, mainly by Natixis, and to a lesser extent Crédit Foncier. The methodology used by Natixis to value the "issuer credit risk" component of issues designated at fair value is based on the discounting of future cash flows using 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, 2017 as for previous closing dates) and the average issue spread. Changes in own credit risk are generally not material for issues with an initial maturity of less than one year.

Complex instruments:

Certain hybrid and/or long-maturity financial instruments are measured using a recognized model on the basis of market inputs derived from observable data such as yield curves, implied volatility layers of options, market consensus data or active over-the-counter markets.

The main models for determining the fair value of these instruments are described below by type of product:

- **equity products:** complex products are valued using:
  - market data,
  - a payoff, *i.e.* the formula of positive or negative flows attached to the product at maturity,
  - a model of changes in the underlying asset.

  These products can have single or multiple underlyings or be hybrids (fixed income/equity for example).

  The main models used for equity products are local volatility models, local volatility combined with Hull & White 1 factor (H&W1F), Tskew and Pskew.

  The local volatility model treats volatility as a function of time and the price of the underlying. Its main property is that it considers the implied volatility of the option (derived from market data) relative to its exercise price.

  The local volatility hybrid model, paired with the H&W1F, consists of pairing the local volatility model described above with a Hull & White 1 factor type fixed-income model, described below (see fixed-income products).

  The Tskew model is a valuation model for mono and multi-underlying options. Its principle is to calibrate the distribution of the underlying asset or assets at maturity to standard option prices.

  The Pskew model is similar to the Tskew model. It is used in particular for simple ratchet equity products such as capped or floored ratchet products;

- **fixed income products:** fixed income products generally have specific characteristics which justify the choice of model. Underlying risk factors associated with the payoff are taken into account.

  The main models used to value and manage fixed-income products are Hull & White models (one-factor and two-factor models or one-factor Hull & White stochastic volatility model), the Hunt Kennedy model and the "smiled" BGM model.

  The Hull & White models are simple pricing models for plain vanilla fixed-income products and can be calibrated easily. Products valued using these models generally contain a Bermudan-type cancellation option (*i.e.* one that may be exercised at certain dates set at the beginning of the contract).

  SBGM and Hunt Kennedy models are used to value fixed-income products that are sensitive to volatility smiles (*i.e.* implied change in volatility relative to the exercise price) and to autocorrelation (or correlation between interest rates);

- **foreign exchange products:** foreign exchange products generally have specific characteristics which justify the choice of model.

  The main models used to value and manage foreign-exchange products are local and stochastic volatility models, as well as hybrid models, which combine modeling of the underlying foreign exchange with two Hull & White 1 factor models to ascertain the fixed-income factors.

Inputs relating to all such Level 2 instruments were demonstrated to be observable and documented. From a methodology perspective, observability is based on four inseparable criteria:

- inputs are derived from external sources (primarily a recognized contributor, for example);
- they are updated periodically;
- they are representative of recent transactions;
- their characteristics are identical to the characteristics of the transaction. If necessary, a proxy may be used, provided that the relevance of such an arrangement is demonstrated and documented.

The fair value of instruments obtained using valuation models is adjusted to take account of liquidity risk (bid-ask), counterparty risk, the risk relating to the cost of funding uncollateralized or imperfectly collateralized derivatives, internal credit risk (measurement of liability derivative positions), as well as modeling risk and input risk.

The margin generated when these instruments begin trading is immediately recognized in income.

LEVEL 3: VALUATION USING UNOBSERVABLE MARKET INPUTS

Level 3 comprises instruments measured using unrecognized models and/or models based on unobservable market data, where they are liable to materially impact the valuation. This mainly includes:

- unlisted shares whose fair value could not be determined using observable inputs;
- private equity securities not listed on an active market, measured at fair value with models commonly used by market participants, in accordance with International Private Equity Valuation (IPEV) standards, but which are sensitive to market fluctuations and whose fair value determination necessarily involves a judgment call;
- structured securities or securities representative of private placements, held by the Insurance business line;
- hybrid interest rate and currency derivatives and credit derivatives that are not classified in Level 2;
- instruments with a deferred day-one margin;
- 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).

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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 pursuant to the European regulation of June 26, 2013 (CRR) on the Basel III requirements, for each of the models used, a description of crisis simulations applied is provided in Chapter 3, "Risk Management."

Under 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. It is taken to income on a straight-line basis over the life of the transaction or until the date the inputs become observable. Any losses incurred at the trade date are immediately recognized in income.

At December 31, 2017, instruments for which the recognition of day-one profit/loss has been deferred mainly included:

- multi-underlying structured equity and index products;
- synthetic loans;
- options on funds (multi-assets and mutual funds);
- structured fixed income products;
- securitization swaps.

These instruments are almost all located at Natixis.

The table below provides the main unobservable inputs and the value ranges for these instruments:

Class of instrument	Main types of products comprising Level 3 within the instrument class	Valuation techniques used	Main unobservable data	Unobservable data ranges among relevant Level 3 products
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%*
	Private Finance Initiative CDS (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	0% – 30%
	Spread Lock Swap and Spread Lock Option	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: -2.288 bp, +29.94 bp TEC volatility: 50 bp/70 bp TEC-CMS correlation 70%/95%
	Volatility cap/floor	Black & Scholes model	Interest rate vol. for currencies absent from Totem or long maturities	Interest rate vol.: 4.69% to 101.36%
Currency derivatives	European barrier call option, Asian call option, Vanilla digital call option, European call option	Skew Model, Local volatility model, Black & Scholes model,	Interest rate vol. for current pairs absent from Totem or long maturities	ATM vol.: 0.84% to 22.25%
	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	General collateral repo: -0.84%/+0.5%
Helvetix derivatives	Strips of long-term options, Strips of quanto options, Strips of digital options	Black & Scholes model	Currency/currency correlation	EUR/CHF correlation: 36.7%; 40.9% Long-term volatility: 9% – 16% USD/CHF correlation: -69.10%; -78.80%
	Options spread and Digital options spread	Gaussian copula	USDCHF & EURCHF long-term volatility	Long-term volatility: 9% – 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	Fund correlation – Interest rates: -40% to 25%
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: 15% – 50%
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= 20%, 50% EQ/IR= 30%, 50% FX/IR= 20%, 30%
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: -13%, 3% Credit vol: Structure by term ([2Y, 200%],[5Y, 60%],[10Y, 50%]
Equity derivatives	Long maturity multi-underlying payoffs	Volatility options valuation model incorporating correlation between assets	Correlation inputs	Stock/stock correlation: 18.4 to 92.13

* *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 at Natixis comprising representatives of various functions, particularly Finance, Risk and Business Lines. The committee considers various indicators of market activity and liquidity as described in the General Principles.

A review is undertaken for any instrument that ceases to meet these criteria or once again complies with the criteria. Transfers to and from Level 3 are subject to prior validation.

At December 31, 2017, in accordance with this procedure, certain foreign currency options, along with volatility caps/floors, were transferred to Level 3 of the fair value hierarchy depending in their liquidity horizons, determined by underlying currencies (see Note 5.5.3).

Under this procedure, multi-underlying equity products with a residual maturity of between 4 and 5 years were transferred to fair value Level 3 over the course of 2016 (see Note 5.5.3).

Instruments affected by the financial crisis

Instruments affected by the financial crisis and carried at fair value on the balance sheet are essentially held by Natixis, which calculates their fair value using the models described below:

CDS CONTRACTED WITH CREDIT ENHANCERS (MONOLINE INSURERS AND CDPCS)

Since December 31, 2015 the valuation model used to measure write-downs on CDS contracted with monoline insurers has been similar to the Credit Valuation Adjustment (CVA) used for counterparty risk. It also takes into account the expected amortization of exposures and the counterparty spread implicit in market data.

The method for determining provisions for contracts with CDPCs (Credit Derivatives Product Companies) consisted 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 were associated with a probability of default whenever the losses resulting from the calculation exceeded the CDPC's net available assets.

As CDPC positions reached maturity in 2017, impairment previously recorded (specific impairment and general reserve) using the above-mentioned method was fully reversed.

OTHER INSTRUMENTS NOT EXPOSED TO US RESIDENTIAL MORTGAGE 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

At December 31, 2017, Natixis no longer held any CLO positions valued using a scoring model. This scoring model defining the level of risk associated with certain structures was 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.

The fair value of repurchase agreements is calculated by discounting expected cash flows at the market rate on the closing date and adding a liquidity spread.

If there is a quoted price that meets the criteria of IFRS 13, the quoted price is used.

The fair value of loans with an initial term of less than one year is generally considered to be their carrying amount. This is also generally the case for financial assets with a term of one year or less and current accounts. The corresponding receivables are classified in Level 2 of the fair value hierarchy. Loans and receivables granted to affiliates are also classified in Level 2.

Borrowings and savings

At Natixis, the assessment of the fair value of securities borrowings and debts is based on the method of discounting future cash flows using inputs on the reporting date such as the interest rate curve of the underlyings and the spread at which Natixis lends or borrows.

The fair value of debts maturing in less than one year is considered to be the book value and they are classified in Level 2 of the fair value hierarchy, as are debts payable to affiliates.

The fair value of other amounts due to credit institutions and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the balance sheet date, plus the own credit risk of 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 RETAIL BANKING BUSINESS LINES

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is mainly based on collection of contractual cash flows.

Consequently, the following simplified assumptions were used:

The carrying amount of the assets and liabilities is deemed to be their fair value in certain cases.

These notably include:

- short-term financial assets and liabilities (whose initial term is one year or less) provided that sensitivity to interest-rate risk and credit risk is not material during the period;
- demand liabilities;
- variable-rate loans and borrowings;
- transactions in a regulated market (particularly regulated savings products), whose prices are set by the public authorities.

Fair value of loans to retail customers

The fair value of loans is 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.

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 are liable to lead to the recognition of incurred losses.

Impairment is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows taking into account the impact of any collateral. 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 is generally 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 as "Designated at fair value".

Outright securities lending

Securities loaned under outright securities lending transactions are not derecognized in the vendor's accounts. They continue to be recognized in their original accounting category and are valued accordingly. For the borrower, the securities borrowed are not recognized.

Transactions leading to substantial changes in financial assets

When an asset is subject to substantial changes (in particular following a renegotiation or a remodeling due to financial difficulties) there is derecognition, as the rights to 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 5.24).

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 described 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 loan outstandings granted but not yet due at the calculation date plus statistically probable loan outstandings based on historical customer behavior patterns as well as earned and future rights relating to regulated home savings accounts and plans.

Earnings for future periods from the savings phase are estimated, for a given generation of contracts, as the difference between the regulated rate offered and the expected interest accruing on a comparable savings product on the market.

Earnings for future periods from the loan phase are estimated as the difference between the fixed rate agreed at inception for PEL contracts or a rate contingent on the savings phase for CEL contracts, and the expected interest rate accruing on home loans in the non-regulated sector.

Where the algebraic sum of the Group's estimated future commitments in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavorable situation for the Group, a provision is recognized, with no offset between the different generations. The commitments are estimated using the Monte Carlo method in order to reflect the uncertainty of future interest rate trends and their impact on customer behavior models and at-risk outstandings.

The provision is recognized under liabilities in the balance sheet and changes are recorded in net interest income.

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 on 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 lease provides the lessee with the option to purchase the asset at a price that is expected to be sufficiently below the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if there is no transfer of ownership;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

IAS 17 also describes three indicators that may also individually or collectively lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the change in the fair value of the residual value accrue to the lessee;
- 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

A lease which is not considered as a finance lease is automatically classed as an operating lease.

Assets provided under operating leases are shown in the balance sheet under property, plant and equipment or intangible assets in the case of equipment leases, and investment property in the case of property leases. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term, under "Income or expenses from other activities".

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.

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.

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.

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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

Real estate development projects in progress at the end of the fiscal year 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 was changed by a Ministerial Order dated October 27, 2015. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund by the Group for deposit, collateral and securities guarantee mechanisms amount to €18 million. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) represent €3 million. Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet total €15 million.

Directive 2014/59/EU (BRRD – Bank Recovery and Resolution Directive) which establishes the framework for the recovery and resolution of banks and investment firms and European regulation 806/2014 (SRM regulation) established the introduction of a resolution fund as of 2015. In 2016, this fund became a Single Resolution Fund (SRF) between the member States participating in the Single Supervisory Mechanism (SSM). The SRF is a resolution financing mechanism available to the resolution authority (Single Resolution Board), which may use this fund when implementing resolution procedures.

In accordance with delegated regulation 2015/63 and implementing regulation 2015/81 supplementing 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 2017. The amount of contributions paid by the Group for the fiscal year totaled €234 million, of which €199 million recognized as an expense and €35 million in cash security deposits recognized as assets on the balance sheet (15% of funds in cash security deposits). The cumulative amount of contributions recognized as assets on the balance sheet totaled €92 million at December 31, 2017.

Note 5 Notes to the balance sheet

5.1 CASH AND AMOUNTS DUE FROM CENTRAL BANKS

in millions of euros	12/31/2017	12/31/2016
Cash	136	125
Amount due to central banks	82,585	71,911
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**82,721**	**72,036**

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.

	12/31/2017			12/31/2016		
in thousands of euros	Trading	Fair value option	Total	Trading	Fair value option	Total
Treasury bills and equivalent	10,080	106	10,186	7,991	118	8,109
Bonds and other fixed-income securities	2,851	2,520	5,371	4,258	2,123	6,381
Fixed-income securities	**12,931**	**2,626**	**15,557**	**12,249**	**2,241**	**14,490**
Equities and other variable-income securities	**37,348**	**16,848**	**54,196**	**33,815**	**12,640**	**46,455**
Loans to credit institutions	1,254	172	1,426	1,521	204	1,725
Loans to customers	1,752	6,805	8,557	1,350	7,167	8,517
Loans	**3,006**	**6,977**	**9,983**	**2,871**	**7,371**	**10,242**
Repurchase agreements*		**36,086**	**36,086**		**42,377**	**42,377**
Trading derivatives*	**51,194**	**///**	**51,194**	**57,599**	**///**	**57,599**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**104,479**	**62,537**	**167,016**	**106,534**	**64,629**	**171,163**

* *This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.24).*

Financial assets at fair value through profit or loss held by the insurance companies controlled by BPCE SA group amounted to €22,405 million at December 31, 2017 and €16,588 million at December 31, 2016.

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 designated 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	968	104	1,554	2,626
Equities and other variable-income securities	14,836	2,012		16,848
Loans and repurchase agreements	5,953	34,532	2,578	43,063
TOTAL	**21,757**	**36,648**	**4,132**	**62,537**

Loans and receivables designated at fair value through profit or loss and credit risk

Exposure to credit risk can represent 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 designated at fair value through profit or loss at December 31, 2016 and December 31, 2017.

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	12/31/2017	12/31/2016
Securities sold short	26,093	23,151
Other financial liabilities	57	349
Financial liabilities held for trading	**26,150**	**23,500**
Trading derivatives*	**51,050**	**54,272**
Interbank term accounts and loans	178	216
Customer term accounts and loans	9	2
Debt securities	22,690	20,959
Subordinated debt	103	95
Repurchase agreements*	34,966	35,945
Other financial liabilities	3,352	1,501
Financial liabilities designated at fair value through profit or loss	**61,298**	**58,718**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**138,498**	**136,490**

* *This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.24).*

These liabilities are recorded at fair value on the reporting date with changes in value, including coupon, in the "Net gains or losses on financial instruments at fair value through profit or loss" line on the income statement, with the exception of changes in fair value attributable to own credit risk associated with financial liabilities designated at fair value through profit or loss, which are recognized in "Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss" within other comprehensive income due to the early application of this component of IFRS 9.

Financial liabilities at fair value through profit or loss held by the insurance companies controlled by BPCE SA group amounted to €2,176 million at December 31, 2017 and €466 million at December 31, 2016.

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 designated 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	107		71	178
Customer term accounts and loans			9	9
Debt securities	16,488		6,202	22,690
Subordinated debt			103	103
Repurchase agreements and other financial liabilities	4,449	33,869		38,318
TOTAL	**21,044**	**33,869**	**6,385**	**61,298**

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 designated at fair value through profit or loss and credit risk

	12/31/2017			12/31/2016		
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	178	161	17	216	194	22
Customer term accounts and loans	9	10	(1)	2	2	
Debt securities	22,690	22,217	473	20,959	20,642	317
Subordinated debt	103	100	3	95	100	(5)
Repurchase agreements	38,318	38,250	68	37,446	37,370	76
TOTAL	**61,298**	**60,738**	**560**	**58,718**	**58,308**	**410**

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 €314 million at December 31, 2017. Under the early adoption of the amendment to IFRS 9 on own credit risk from January 1, 2016, the change is now recognized in non-recyclable gains and losses recognized directly in OCI. As a reminder, revaluations in respect of own credit risk totaled €116 million at December 31, 2016 (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.

in millions of euros	12/31/2017 Notional amount	12/31/2017 Positive fair value	12/31/2017 Negative fair value	12/31/2016 Notional	12/31/2016 Positive fair value	12/31/2016 Negative fair value
Interest rate derivatives	3,983,145	32,171	31,827	4,079,684	29,912	26,060
Currency derivatives	1,074,020	14,219	13,230	1,144,984	19,325	18,478
Equity derivatives	219,197	3,569	4,848	175,616	6,504	8,054
Credit derivatives	36,937	589	782	57,822	856	842
Other contracts	84,814	646	363	94,381	1,002	838
TOTAL TRADING DERIVATIVES	**5,398,113**	**51,194**	**51,050**	**5,552,487**	**57,599**	**54,272**
o/w organized markets	*774,282*	*1,088*	*1,895*	*922,654*	*3,193*	*3,623*
o/w over-the-counter transactions	*4,623,831*	*50,106*	*49,155*	*4,629,833*	*54,406*	*50,649*
o/w credit institutions	*1,492,731*	*34,595*	*32,223*	*1,881,477*	*37,106*	*33,449*
o/w other financial companies	*2,852,260*	*10,008*	*11,557*	*2,485,229*	*9,279*	*10,226*

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.

in millions of euros	12/31/2017 Notional amount	12/31/2017 Positive fair value	12/31/2017 Negative fair value	12/31/2016 Notional	12/31/2016 Positive fair value	12/31/2016 Negative fair value
Interest rate derivatives	19,394	43	309	20,788	71	547
Currency derivatives	1,703	317	536	2,696	857	541
Equity derivatives	198			226		1
Cash flow hedges	**21,295**	**360**	**845**	**23,710**	**928**	**1,089**
Interest rate derivatives	554,118	7,477	6,994	753,948	10,400	9,370
Currency derivatives	11,505	769	2,161	16,062	1,877	3,336
Credit derivatives	128					
Fair value hedges	**565,751**	**8,246**	**9,155**	**770,010**	**12,277**	**12,706**
TOTAL HEDGING INSTRUMENTS	**587,046**	**8,606**	**10,000**	**793,720**	**13,205**	**13,795**

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	12/31/2017	12/31/2016
Treasury bills and equivalent	22,993	23,373
Bonds and other fixed-income securities	32,426	29,286
Impaired securities	102	91
Fixed-income securities	**55,521**	**52,750**
Equities and other variable-income securities	**10,519**	**9,158**
Loans to credit institutions	7	7
Loans to customers	25	26
Loans	**32**	**33**
Available-for-sale financial assets, gross	**66,072**	**61,941**
Impairment of fixed-income securities and loans	(59)	(51)
Permanent impairment of equities and other variable-income securities	(852)	(970)
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**65,161**	**60,920**
Gains and losses recognized directly in equity on available-for-sale financial assets (before tax)*	**4,416**	**4,396**

* *Including the portion attributable to non-controlling interests (€1,289 million at December 31, 2017, compared with €1,343 million at December 31, 2016). In the insurance subsidiaries, this net unrealized capital gain gave rise to the symmetrical recognition of deferred profit-sharing of €3,249 million at December 31, 2017, compared with €3,323 million at December 31, 2016 (see Note 5.18).*

Available-for-sale financial assets held by the insurance companies controlled by BPCE SA group amounted to €44,444 million at December 31, 2017 and €41,048 million at December 31, 2016.

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:

	12/31/2017				12/31/2016			
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	45,654	4,471	154	50,279	39,655	6,144	265	46,064
Fixed-income securities	*11,205*	*1,572*	*154*	*12,931*	*9,034*	*2,950*	*265*	*12,249*
Variable-income securities	*34,449*	*2,899*		*37,348*	*30,621*	*3,194*		*33,815*
Derivatives	677	48,281	2,236	51,194	863	54,633	2,103	57,599
Interest rate derivatives	*2*	*31,902*	*267*	*32,171*		*29,554*	*359*	*29,913*
Equity derivatives	*533*	*2,475*	*561*	*3,569*	*738*	*4,762*	*1,004*	*6,504*
Currency derivatives	*2*	*13,022*	*1,195*	*14,219*	*5*	*18,882*	*438*	*19,325*
Credit derivatives		*389*	*200*	*589*		*573*	*283*	*856*
Other derivatives	*140*	*493*	*13*	*646*	*120*	*862*	*19*	*1,001*
Other financial assets		1,344	1,662	3,006		1,527	1,344	2,871
Financial assets held for trading	**46,331**	**54,096**	**4,052**	**104,479**	**40,518**	**62,304**	**3,712**	**106,534**
Securities	15,701	1,238	2,535	19,474	12,375	226	2,280	14,881
Fixed-income securities	*725*	*90*	*1,811*	*2,626*	*642*	*75*	*1,524*	*2,241*
Variable-income securities	*14,976*	*1,148*	*724*	*16,848*	*11,733*	*151*	*756*	*12,640*
Other financial assets	22	40,793	2,248	43,063		47,366	2,382	49,748
Financial assets designated at fair value through profit or loss	**15,723**	**42,031**	**4,783**	**62,537**	**12,375**	**47,592**	**4,662**	**64,629**
Interest rate derivatives		7,520		7,520		10,471		10,471
Currency derivatives		1,081	5	1,086		2,732	2	2,734
Hedging derivatives		**8,601**	**5**	**8,606**		**13,203**	**2**	**13,205**
Investments in associates	100	187	1,750	2,037	98	210	1,884	2,192
Other securities	55,517	4,068	3,503	63,088	51,583	3,547	3,564	58,694
Fixed-income securities	*49,655*	*2,738*	*3,067*	*55,460*	*46,863*	*2,395*	*3,438*	*52,696*
Variable-income securities	*5,862*	*1,330*	*436*	*7,628*	*4,720*	*1,152*	*126*	*5,998*
Other financial assets		7	29	36		18	16	34
Available-for-sale financial assets	**55,617**	**4,262**	**5,282**	**65,161**	**51,681**	**3,775**	**5,464**	**60,920**
FINANCIAL LIABILITIES								
Securities	25,750	343		26,093	22,113	1,038		23,151
Derivatives	586	48,466	1,998	51,050	752	52,609	911	54,272
Interest rate derivatives	*60*	*31,509*	*258*	*31,827*	*28*	*25,738*	*294*	*26,060*
Equity derivatives	*395*	*4,202*	*251*	*4,848*	*523*	*7,377*	*154*	*8,054*
Currency derivatives	*1*	*12,063*	*1,166*	*13,230*	*1*	*18,442*	*35*	*18,478*
Credit derivatives		*467*	*315*	*782*		*419*	*423*	*842*
Other derivatives	*130*	*225*	*8*	*363*	*200*	*633*	*5*	*838*
Other financial liabilities		57		57		349		349
Financial liabilities held for trading	**26,336**	**48,866**	**1,998**	**77,200**	**22,865**	**53,996**	**911**	**77,772**
Securities		22,413	372	22,785		19,542	93	19,635
Other financial liabilities	2,908	34,409	1,196	38,513	1,170	37,029	884	39,083
Financial liabilities designated at fair value through profit or loss	**2,908**	**56,822**	**1,568**	**61,298**	**1,170**	**56,571**	**977**	**58,718**
Interest rate derivatives		*7,303*		*7,303*		*9,914*	*3*	*9,917*
Equity derivatives							*1*	*1*
Currency derivatives		*2,697*		*2,697*		*3,877*		*3,877*
Hedging derivatives		**10,000**		**10,000**		**13,791**	**4**	**13,795**

5.5.2 Analysis of assets and liabilities classified in Level 3 of the fair value hierarchy

AT DECEMBER 31, 2017

		Gains and losses recognized during the period								
		In the income statement[(1)]			Transactions carried out during the period		Transfers during the period			
in millions of euros	01/01/2017	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In equity	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[(2)]	Other changes[(3)]	12/31/2017
FINANCIAL ASSETS										
Securities	265	(8)	(1)		95	(70)		(122)	(5)	154
Fixed-income securities	*265*	*(8)*	*(1)*		*95*	*(70)*		*(122)*	*(5)*	*154*
Derivatives	2,103	180	(82)		160	(1,160)		1,070	(35)	2,236
Interest rate derivatives	*359*	*29*	*(20)*		*3*	*(111)*		*20*	*(13)*	*267*
Equity derivatives	*1,004*	*431*	*38*		*86*	*(1,007)*		*9*		*561*
Currency derivatives	*438*	*(205)*	*(100)*		*70*	*(37)*		*1,045*	*(16)*	*1,195*
Credit derivatives	*283*	*(73)*				*(5)*		*(4)*	*(1)*	*200*
Other derivatives	*19*	*(2)*			*1*				*(5)*	*13*
Other financial assets	1,344	7	23		5,841	(5,485)			(68)	1,662
Financial assets held for trading	**3,712**	**179**	**(60)**		**6,096**	**(6,715)**		**948**	**(108)**	**4,052**
Securities	2,280	53	(5)		776	(574)			5	2,535
Fixed-income securities	*1,524*	*7*	*10*		*735*	*(467)*			*2*	*1,811*
Variable-income securities	*756*	*46*	*(15)*		*41*	*(107)*			*3*	*724*
Other financial assets	2,382	(208)	73		1,233	(1,181)			(51)	2,248
Financial assets designated at fair value through profit or loss	**4,662**	**(155)**	**68**		**2,009**	**(1,755)**			**(46)**	**4,783**
Interest rate derivatives		*(1)*							*1*	
Currency derivatives	*2*	*5*							*(2)*	*5*
Hedging derivatives	**2**	**4**							**(1)**	**5**
Investments in associates	1,884	(8)	148	113	50	(455)			18	1,750
Other securities	3,564	5	(4)	206	290	(199)		(372)	13	3,503
Fixed-income securities	*3,438*	*(2)*	*(8)*	*203*	*93*	*(183)*		*(476)*	*2*	*3,067*
Variable-income securities	*126*	*7*	*4*	*3*	*197*	*(16)*		*104*	*11*	*436*
Other financial assets	16				5	(3)			11	29
Available-for-sale financial assets	**5,464**	**(3)**	**144**	**319**	**345**	**(657)**		**(372)**	**42**	**5,282**
FINANCIAL LIABILITIES										
Derivatives	911	(318)			368	(249)		1,280	6	1,998
Interest rate derivatives	*294*	*49*	*(2)*		*5*	*(93)*		*3*	*2*	*258*
Equity derivatives	*154*	*(106)*	*18*		*286*	*(101)*				*251*
Currency derivatives	*35*	*(190)*	*(9)*		*77*	*(29)*		*1,278*	*4*	*1,166*
Credit derivatives	*423*	*(74)*	*(7)*			*(26)*		*(1)*		*315*
Other derivatives	*5*	*3*								*8*
Financial liabilities held for trading	**911**	**(318)**			**368**	**(249)**		**1,280**	**6**	**1,998**
Securities	93	(6)			242	(8)		51		372
Other financial liabilities	884	75	(83)		1,019	(699)				1,196
Financial liabilities designated at fair value through profit or loss	**977**	**69**	**(83)**		**1,261**	**(707)**		**51**		**1,568**
Interest rate derivatives	*3*								*(3)*	
Equity derivatives	*1*		*(1)*							
Hedging derivatives	**4**		**(1)**						**(3)**	

(1) The main impacts recognized in the income statement are mentioned in Note 6.3.

(2) The main transfers to and from Level 3 are described in Note 4.1.6. At December 31, 2017, the net impact on the balance sheet of foreign currency options transferred to Level 3 was €231 million in liabilities. The income statement was not impacted.

(3) Other changes include the impact of changes in the consolidation scope and foreign exchange differences.

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/ 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 half of 2016 in accordance with the agreement signed with Visa Inc. This sale generated a capital gain of €831 million.

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 2017					
	From	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**
in millions of euros	**To**	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
FINANCIAL ASSETS						
Securities		399	325	1		122
Fixed-income securities		*233*	*239*	*1*		*122*
Variable-income securities		*166*	*86*			
Derivatives		15	8	1,096		26
Interest rate derivatives				*34*		*14*
Equity derivatives		*10*	*7*	*14*		*5*
Currency derivatives				*1,048*		*3*
Credit derivatives						*4*
Other derivatives		*5*	*1*			
Financial assets held for trading		**414**	**333**	**1,097**		**148**
Securities			2			
Fixed-income securities			*2*			
Financial assets designated at fair value through profit or loss			**2**			
Investments in associates						
Other securities		209	689	143	358	157
Fixed-income securities		*209*	*689*	*39*	*358*	*157*
Variable-income securities				*104*		
Other financial assets			6			
Available-for-sale financial assets		**209**	**695**	**143**	**358**	**157**
FINANCIAL LIABILITIES						
Securities		7	69			
Derivatives		8	23	1,334		55
Interest rate derivatives				*30*		*27*
Equity derivatives		*6*	*23*	*25*		*25*
Currency derivatives				*1,279*		*2*
Credit derivatives						*1*
Other derivatives		*2*				
Financial liabilities held for trading		**15**	**92**	**1,334**		**55**
Securities				51		
Financial liabilities designated at fair value through profit or loss				**51**		

The amounts of transfers indicated in this statement are those of the last valuation preceding the transfer.

	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**	

5.5.4 Sensitivity of Level 3 assets and liabilities to changes in the principal assumptions

At December 31, 2017, 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 €17 million;
- 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 €10 million, should the inputs mentioned above improve, or a decrease in value of €9 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	12/31/2017	12/31/2016
Loans and receivables due from credit institutions	121,654	123,394
Specific impairment	(61)	(63)
Impairment on a portfolio basis	(8)	(8)
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**121,585**	**123,323**

The fair value of loans and receivables due from banks is presented in Note 15.

Breakdown of gross loans and receivables due from credit institutions

in millions of euros	12/31/2017	12/31/2016
Current accounts with overdrafts	6,536	8,155
Repurchase agreements	7,801	9,706
Accounts and loans	105,555	103,323
Securities classified as loans and receivables	321	317
Other loans and receivables due from credit institutions	1,378	1,822
Impaired loans and receivables	63	71
TOTAL GROSS LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**121,654**	**123,394**

Receivables arising from transactions with the networks amounted to €103,288 million at December 31, 2017 (€101,087 million at December 31, 2016).

5.6.2 Loans and receivables due from customers

in millions of euros	12/31/2017	12/31/2016
Loans and receivables due from customers	244,872	251,642
Specific impairment	(3,035)	(3,275)
Impairment on a portfolio basis	(506)	(597)
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**241,331**	**247,770**

The fair value of loans and receivables due from customers is presented in Note 15.

Breakdown of gross loans and receivables due from customers

in millions of euros	12/31/2017	12/31/2016
Current accounts with overdrafts	**4,770**	**5,501**
Loans to financial sector customers	5,892	3,725
Short-term credit facilities	28,491	27,708
Equipment loans	26,767	29,959
Home loans	55,717	56,774
Export loans	2,867	3,398
Repurchase agreements	48,712	43,996
Finance leases	11,393	10,741
Subordinated loans	186	194
Guarantee deposits made for the acceptance of reinsurance treaties*	10,258	10,825
Other loans	19,441	22,114
Other facilities granted to customers	**209,724**	**209,434**
Securities classified as loans and receivables	**13,479**	**19,721**
Other loans and receivables due from customers	**7,854**	**7,766**
Impaired loans and receivables	**9,045**	**9,220**
TOTAL GROSS LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**244,872**	**251,642**

* *These deposits were made with CNP Assurances in 2016 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).*

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Breakdown of finance leases

in millions of euros	12/31/2017			12/31/2016		
	Real estate	Non-real estate	Total	Real estate	Non-real estate	Total
Performing loans	**6,429**	**4,964**	**11,393**	**6,139**	**4,602**	**10,741**
Impaired loan outstandings*	**441**	**159**	**600**	**99**	**60**	**159**
Impairment	(109)	(52)	(161)	(51)	(68)	(119)
TOTAL LOAN OUTSTANDINGS ON FINANCE LEASES	**6,761**	**5,071**	**11,832**	**6,187**	**4,594**	**10,781**

* *At December 31, 2017, impaired outstandings include all positions with defaulting counterparties, even though BPCE SA group owns the assets subject to the contracts. At December 31, 2016 they only included unpaid amounts in respect of counterparties in default.*

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	12/31/2017	12/31/2016
Treasury bills and equivalent	1,083	1,582
Bonds and other fixed-income securities	1,045	1,455
Gross amount of held-to-maturity financial assets	**2,128**	**3,037**
Impairment	(2)	(2)
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	**2,126**	**3,035**

The fair value of held-to-maturity assets is presented in Note 15.

Available-for-sale assets held by the insurance companies controlled by BPCE SA group amounted to €1,885 million at December 31, 2017 and €2,066 million at December 31, 2016.

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 2016 or 2017.

in millions of euros	Carrying amount		Fair value	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Assets reclassified to:				
Loans and receivables	6,601	8,372	6,536	7,363
TOTAL SECURITIES RECLASSIFIED	**6,601**	**8,372**	**6,536**	**7,363**

Change in fair value that would have been recognized if the securities had not been reclassified

in millions of euros	Fiscal year 2017	Fiscal year 2016
Change in fair value		
– that would have been recognized in income if the securities had not been reclassified	(2)	1
– that would have been recognized in gains and losses recognized directly in equity if the securities had not been reclassified	604	(93)

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	12/31/2017	12/31/2016
Unrealized capital gains on UCITS	19	30
Fiscal EIGs	(113)	(122)
Provisions for employee-related liabilities	108	127
Impairment on a portfolio basis	27	38
Other non-deductible provisions	286	461
Changes in fair value of financial instruments recorded in equity	25	(27)
Other sources of temporary differences*	(494)	(158)
Deferred tax related to timing differences	**(142)**	**349**
Deferred tax arising on the capitalization of tax loss carryforwards	**2,331**	**2,478**
Unrecognized deferred tax assets and liabilities	**(1,154)**	**(1,056)**
NET DEFERRED TAX ASSETS AND LIABILITIES	**1,035**	**1,771**
Deferred taxes recognized:		
– As assets in the balance sheet	1,698	2,496
– As liabilities in the balance sheet	(663)	(725)

* *A deferred tax liability of €311 million was recognized at December 31, 2017 (€530 million at December 31, 2016) on certain goodwill items recorded in the United States, which will give rise to tax amortization over 15 years.*

In 2017, the French Finance Act for 2018 and the fiscal reform in the United States allowed BPCE SA group to revalue its net deferred tax position (see Note 6.9):

- For French companies, deferred taxes are calculated by applying the tax rate that will be charged when the temporary difference reverses. Tax rates will be gradually lowered through to 2022 (including the social security contribution on profits), from 34.43% in 2018 to 25.83% in 2022 and thereafter for taxable profit taxed at the normal rate;
- The US tax reform adopted at the end of December 2017 also includes a measure limiting deferrable tax deficits and it introduces a tax similar to corporate tax, the Base Erosion Anti-Abuse Tax. Neither of these changes were deemed likely to have a significant impact on the income received from the reduction in the federal tax rate.

At December 31, 2017, deductible temporary differences, tax losses and unused tax credits for which no deferred tax asset has been recorded in the balance sheet amounted to €4,506 million, compared with €4,113 million at December 31, 2016.

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5.10 ACCRUED INCOME AND OTHER ASSETS

in millions of euros	12/31/2017	12/31/2016
Collection accounts	229	2,738
Prepaid expenses	210	191
Accrued income	465	1,128
Other accruals	2,017	2,859
Accrued income and prepaid expenses	**2,921**	**6,916**
Security deposits paid*	19,061	20,849
Settlement accounts in debit on securities transactions	308	245
Reinsurers' share of technical reserves	11,445	9,541
Other insurance-related assets	2,182	2,113
Other debtors	15,289	13,002
Other assets	**48,285**	**45,750**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**51,206**	**52,666**

* *"Security deposits paid" includes margin calls paid in respect of repurchase agreements and derivatives for €10,769 million as at December 31, 2017, compared with €12,123 million at December 31, 2016.*

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 will be completed within the next twelve months.

At December 31, 2017, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" notably include the assets and liabilities of the subsidiary Banco Primus.

On July 19, Crédit Foncier signed a sale and purchase agreement setting out the terms of sale of its Portuguese subsidiary Banco Primus. The completion of the sale is subject to the approval of the Portuguese supervisory authorities, for which the deadline is set at March 31, 2018. Pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", BPCE SA group:

- reclassified consolidated assets in separate asset items for €457 million and liability items for €19 million;
- adjusted the value of the assets to the lowest of their book value and their fair value less costs relating to the sale, leading to a net expense of -€17 million, recorded under "Gains or losses on other assets".

Other non-current assets and liabilities held for sale mainly concern the Natixis group.

At December 31, 2016, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" mainly concerned Natixis group companies 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

in millions of euros	12/31/2017			12/31/2016		
	Gross carrying amount	Accumulated depreciation and impairment	Net amount	Gross carrying amount	Accumulated depreciation and impairment	Net amount
Property recognized at fair value*	///	///	1,100	///	///	947
Property recognized at historical cost	249	(238)	11	406	(231)	175
TOTAL INVESTMENT PROPERTY			**1,111**			**1,122**

* *Buildings included in insurance company investments. Changes in fair value give rise to the symmetrical recognition of a deferred profit sharing reserve equal to 89% of the related base amount on average at December 31, 2017, compared to 87% at December 31, 2016 (See Note 5.18).*

The fair value of investment property came to €1,198 million at December 31, 2017 (€1,190 million at December 31, 2016).

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	12/31/2017			12/31/2016		
	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	530	(332)	198	683	(396)	287
Leased real estate	481	(129)	352	410	(115)	295
Equipment, furniture and other property, plant and equipment	1,558	(997)	561	1,600	(1,072)	528
TOTAL PROPERTY, PLANT AND EQUIPMENT	**2,569**	**(1,458)**	**1,111**	**2,693**	**(1,583)**	**1,110**
Intangible assets						
Leasehold rights	65	(23)	42	68	(21)	47
Software	1,971	(1,462)	509	1,873	(1,384)	489
Other intangible assets	607	(274)	333	538	(255)	283
TOTAL INTANGIBLE ASSETS	**2,643**	**(1,759)**	**884**	**2,479**	**(1,660)**	**819**

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	12/31/2017	12/31/2016
Opening net value	**3,803**	**3,725**
Acquisitions(1)	193	176
Disposals		(4)
Impairment(2)	(66)	(117)
Reclassifications		(24)
Foreign exchange rate adjustments	(202)	47
Closing net value	**3,728**	**3,803**

(1) *The main transactions during the period that led to the recognition of goodwill are as follows:*

- *in accordance with IFRS 3, "Business combinations", analysis of the accounting treatment of the acquisition of Fidor group was finalized in 2017. This analysis led to the recognition of a haircut on a portfolio of financial assets for -€52 million net of deferred tax assets and liabilities and the recognition of intangible assets covering the technological platform, the brand and a major contract for +€49 million net of deferred tax assets and liabilities. Further to the analysis, goodwill on Fidor group, which had been assessed on a provisional basis at the end of 2016, was adjusted by +€2 million and amounted to €82 million;*
- *Natixis' acquisitions of PayPlug (€14 million), Dalenys (€72 million), Investor Mutual Limited – IML (€100 million) and Althelia Ecosphere (€3 million).*

(2) *Losses for the period concern the following cash-generating units (CGUs): Banque Palatine (€53 million) and BPCE International (€13 million). In 2016, impairment was recorded on Coface (€75 million) and Banque Palatine (€42 million).*

At December 31, 2017, gross goodwill stood at €4,247 million and total impairment stood at €519 million.

Certain goodwill items recognized in the United States gave rise to tax amortization over 15 years, leading to a difference between the carrying amount of the goodwill and its tax base. This difference in treatment generated a deferred tax liability of €311 million at December 31, 2017, compared with €530 million at December 31, 2016 (see Note 5.9).

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Breakdown of goodwill

	Carrying amount	
in millions of euros	12/31/2017	12/31/2016(1)
BPCE International	28	43
Fidor AG	82	80
Banque Palatine		53
Crédit Foncier	13	13
Other(2)	4	14
Other networks	**127**	**203**
Specialized Financial Services(2)	**163**	**64**
Insurance(1)	**93**	**93**
Equity interests (Coface)	**281**	**282**
Retail Banking and Insurance	**664**	**642**
Asset & Wealth Management(1)	**2,987**	**3,074**
Corporate & Investment Banking	**77**	**87**
TOTAL GOODWILL	**3,728**	**3,803**

(1) *Under the new strategic plan, New Dimension, and in line with the creation of the new Insurance business line, the Investment Solutions CGU was split into two separate CGUs: "Asset & Wealth Management" and "Insurance". Goodwill recorded on the Investment Solutions CGU in the amount of €3,093 million as of December 31, 2016 was reassigned to the two new CGUs in line with the entities to which the goodwill related, since each entity is assigned to just one CGU.*

(2) *Goodwill on S-money totaling €12 million was reassigned to Specialized Financial Services after this entity was transferred to Natixis group in 2017.*

Impairment tests

All goodwill has been impairment-tested, based on the assessment of the value in use of the cash-generating units (CGUs) to which it is attached.

The following assumptions were used:

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.

	Discount rate	Long-term growth rate
Retail Banking and Insurance		
Insurance	11.50%	2.50%
Specialized Financial Services	12.20%	2.50%
Banque Palatine	8.50%	2.00%
BPCE International	8.9% – 18.9%	1.9% – 5.3%
Asset & Wealth Management	**9.70%**	**2.50%**
Equity interests (Coface)	**10.80%**	**2.50%**
Corporate & Investment Banking	**11.40%**	**2.50%**

The discount rates were determined by factoring in the following:

- for the Asset & Wealth Management, Insurance, Specialized Financial Services and Corporate & Investment Banking 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 Coface CGU, the benchmark interest rates used were determined according to a similar method as applied to the other CGUs, using samples of equivalent companies for insurance, services and factoring activities;
- for the Banque Palatine CGU, a risk-free rate (10-year OAT) over a depth of six 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 latest available market information. The long-term growth rates are based on the long-term inflation rates in their countries of operation.

These tests led to the recognition of goodwill impairment of €66 million in 2017.

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:

- -7.1% for the Asset & Wealth Management CGU;
- -3.3% for the Corporate & Investment Banking CGU;
- -5.3% for the Insurance CGU;
- -3.6% for the Specialized Financial Services CGU;
- -2.6% for the Coface CGU.

These variations would not lead to the recognition of additional impairment.

Similarly, the sensitivity of these CGUs' future cash flows, as forecast in the business plan, to changes in the main assumptions would not significantly affect their recoverable value:

- for Asset & Wealth Management, a 10% decline in the equity markets would have a 8% 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 40 would have a limited impact on net banking income and would not result in recognition of impairment;
- for Insurance, the main vector of sensitivity for life insurance is interest rates but various steps are being taken to reduce their impact (diversification of investments, reserves, etc.). Accordingly, the impact on the income statement is limited and would not significantly impact the CGU's value. For non-life insurance, the main vector of sensitivity is the loss ratio, which is notably measured *via* the combined ratio. Natixis' strategic plan, New Dimension, sets this ratio at below 94%. A one-point deterioration in this ratio each year from 2018 in relation to the assumptions used to value the CGU would lead to a limited fall of 3% in this value, with no impact on impairment.
- for Specialized Financial Services, a one-point increase in the 3-month Euribor applied to the factoring business and the replication of a "2008/2009"-type crisis (decline in new business and increase in cost of risk) in the leasing business would have a negative impact of 6% on the CGU's recoverable value and would have no impact in terms of impairment;
- for Coface, the primary sensitivity vector is the loss ratio. The projected level of this ratio is below 54% (net of reinsurance) for 2017. A one-point increase in the loss ratio, relative to the assumptions used for the DCF calculation over all years from 2018, would impact the average multi-criteria value by less than 5% and would not lead to the recognition of impairment on the CGU. A valuation at the lowest price of the year 2017 would have a limited impact on the weighted average valuation determined using the different methods (-2%).

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	12/31/2017	12/31/2016
Demand deposits	22,365	20,515
Repurchase agreements	4,841	5,305
Accrued interest	5	7
Amounts due to credit institutions – repayable on demand	**27,211**	**25,827**
Term deposits and loans	80,313	76,325
Repurchase agreements	14,466	11,215
Accrued interest	108	331
Amounts due to credit institutions – repayable at agreed maturity dates	**94,887**	**87,871**
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**122,098**	**113,698**

The fair value of amounts due to credit institutions is presented in Note 15.

Amounts payable arising from transactions with the networks totaled €40,931 million at December 31, 2017 (€38,099 million at December 31, 2016).

5.15.2 Amounts due to customers

in millions of euros	12/31/2017	12/31/2016
Current accounts with credit balances	**23,516**	**23,508**
Livret A savings accounts	258	255
Regulated home savings products	269	299
Other regulated savings accounts	1,745	1,616
Accrued interest	2	1
Regulated savings accounts	**2,274**	**2,171**
Demand deposits and loans	8,455	8,143
Term accounts and loans	19,535	19,448
Accrued interest	87	103
Other customer accounts	**28,077**	**27,694**
Demand	22,348	11,872
Term	37,378	36,289
Accrued interest	35	28
Repurchase agreements	**59,761**	**48,189**
Other amounts due to customers	**2,346**	**2,335**
TOTAL AMOUNTS DUE TO CUSTOMERS	**115,974**	**103,897**

The fair value of amounts due to customers is presented in Note 15.

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	12/31/2017	12/31/2016
Bonds	130,745	147,813
Interbank market instruments and negotiable debt securities	66,500	71,754
Senior non-preferred debt	4,832	
Other debt securities	1,720	1,701
Total	**203,797**	**221,268**
Accrued interest	2,087	2,445
TOTAL DEBT SECURITIES	**205,884**	**223,713**

A new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation has been introduced by French law and is commonly referred to as "senior non-preferred debt". These liabilities have a ranking between the ranking of own funds and other "senior preferred" debt.

The fair value of debt securities is presented in Note 15.

5.17 ACCRUED EXPENSES AND OTHER LIABILITIES

in millions of euros	12/31/2017	12/31/2016
Collection accounts	1,501	5,829
Prepaid income	304	272
Accounts payable	1,177	1,095
Other accruals	3,104	3,813
Accrued expenses and other liabilities	**6,086**	**11,009**
Settlement accounts in credit on securities transactions	310	286
Guarantee deposits received*	13,489	19,927
Other payables	12,760	10,612
Other insurance-related liabilities	9,729	8,980
Other liabilities	**36,288**	**39,805**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**42,374**	**50,814**

* *"Security deposits received" includes margin calls on repurchase agreements and derivatives for €9,890 million as at December 31, 2017, compared with €13,029 million at December 31, 2016.*

5.18 TECHNICAL RESERVES OF INSURANCE COMPANIES

in millions of euros	12/31/2017	12/31/2016
Life insurance technical reserves	**5,052**	**4,692**
Life insurance technical reserves – EUR policies	54,087	50,515
Life insurance technical reserves – unit-linked policies	14,199	10,500
Life insurance technical reserves	**68,286**	**61,015**
Financial contract technical reserves	**31**	**29**
Deferred profit-sharing	**3,275**	**3,108**
TOTAL TECHNICAL RESERVES OF INSURANCE COMPANIES	**76,644**	**68,844**

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	01/01/2017	Increase	Use	Reversals unused	Other changes(1)	12/31/2017
Provisions for employee benefit commitments(2)	1,096	124	(172)	(114)	(30)	904
Provisions for restructuring costs(3)	56	17	(19)	(9)		45
Legal and tax risks(4)	1,073	267	(60)	(66)	(86)	1,128
Loan and guarantee commitments	110	41	(2)	(41)	(41)	67
Provisions for regulated home savings products	4					4
Other operating provisions	693	158	(90)	(99)	15	677
TOTAL PROVISIONS	**3,032**	**607**	**(343)**	**(329)**	**(142)**	**2,825**

(1) Other changes include primarily the variation in revaluation differences on employee benefits (-€7 million before tax) and the impacts related to changes in the scope of consolidation and foreign exchange rate adjustments (-€116 million).

(2) O/w €824 million for post-employment defined-benefit plans and other long-term employee benefits (see Note 9.2.1).

(3) At December 31, 2017, provisions for restructuring costs notably included:

- *€2 million for the workforce adjustment plan at Natixis completed in 2015 (€6 million at December 31, 2016);*
- *€31 million in provisions for restructuring costs for the COFACE plan (€42 million at December 31, 2016).*

(4) Provisions for legal and tax risks included €389 million for the net insurance exposure on the Madoff fraud. The insurance amount totals €123 million for disputes relating to this case. The provision for Madoff net outstandings totaled €480 million at December 31, 2016.

5.20 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.

in millions of euros	12/31/2017	12/31/2016
Term subordinated debt	15,902	19,027
Perpetual subordinated debt	312	312
Subordinated debt and similar	**16,214**	**19,339**
Accrued interest	322	367
Revaluation of the hedged component	489	658
TOTAL SUBORDINATED DEBT	**17,025**	**20,364**

The fair value of subordinated debt is presented in Note 15.

Changes in subordinated debt and similar during the year

in millions of euros	01/01/2017	Issuance(1)	Redemption(2)	Other changes(3)	12/31/2017
Term subordinated debt	19,027		(2,214)	(911)	15,902
Perpetual subordinated debt	312				312
SUBORDINATED DEBT AND SIMILAR	**19,339**		**(2,214)**	**(911)**	**16,214**

(1) No new issuance was made in the 2017 fiscal year.

(2) Redemptions of subordinated borrowings and securities specifically involved:

- *the maturing of subordinated securities issued by BPCE in the amount of €1,713 million, in 2017;*
- *the maturing of subordinated securities issued by Natixis in the amount of €500 million, in 2017.*

(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

Issuing entity	Issue date	Currency	Amount (in original currency)	Redemption option date	Interest step-up date	Rate	Nominal (in millions of euros)* 12/31/2017	12/31/2016
BPCE	July 30, 2004	USD	200 million	September 30, 2017	None	Min (10-year CMAT 0.3%; 9%)		142
BPCE	October 12, 2004	EUR	80 million	July 12, 2017	None	Min (10-year CMS; 7%)		80
BPCE	January 27, 2006	USD	300 million	July 27, 2017	None	6.75%		214
BPCE	October 30, 2007	EUR	509 million	October 30, 2017	October 30, 2017	6.12%		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							**683**	**1,628**

* *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.

Redemptions during the period (€945 million) led to the write-back of the capital gain recorded in equity in 2009 for the equivalent in euros of €399 million. This write-back is recorded in retained earnings for -€443 million for 2017 (including a translation adjustment of €44 million).

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 2017						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage of non-controlling interests	Income attributed during the period to holders of non-controlling interests	Amount of subsidiary's non-controlling interests	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Comprehensive income attributable to equity holders of the parent
Natixis group	**28.98%**	**689**	**6,883**	**397**	**519,986**	**499,000**	**1,669**	**973**
o/w Coface[(1)]	58.62%	33	1,082	12	7,360	5,554	83	76
o/w H2O[(1)]	49.99%	83	89	28	278	77	167	176
Locindus	**25.18%**	**2**	**64**	**2**	**709**	**455**	**8**	**8**
Other entities		**(21)**	**71**	**4**				
TOTAL AT 12/31/2017		**670**	**7,018**	**403**				

(1) *Non-controlling interests in Natixis group.*

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
o/w H20[1][2]	49.99%	29	35	55	130	37	58	58
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.

(2) H20 data have been added since the disclosure made in 2016.

5.23 CHANGE IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

in millions of euros	Fiscal year 2017			Fiscal year 2016		
	Gross	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Revaluation differences on defined-benefit pension schemes	14	(19)	(5)	(73)	23	(50)
Revaluation of own credit risk on financial liabilities at fair value through profit or loss[1]	(198)	50	(148)	(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			**(154)**			**(144)**
Foreign exchange rate adjustments	(700)	///	(700)	121	///	121
Change in the value of available-for-sale financial assets[2]	95	68	163	(358)	(63)	(421)
Change in the value of hedging derivatives[3]	105	(41)	64	19	(21)	(2)
Share of gains and losses recognized directly in other comprehensive income of associates that can be reclassified in income	///	///	9	///	///	110
Items that can be reclassified in income			**(464)**			**(192)**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER INCOME TAX)			**(618)**			**(336)**
Attributable to equity holders of the parent			(381)			(409)
Non-controlling interests			(237)			73

(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 designated at fair value through profit or loss (see Note 2.2).

(2) O/w -€199 million (before tax) reclassified as income for 2017, compared with -€681 million in 2016; 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.

(3) O/w €81 million (before tax) reclassified as income for 2017 compared with €85 million in 2016.

5.24 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities were offset on the balance sheet in accordance with IAS 32. Under this standard, a financial asset and financial liability are offset and a net balance is recorded in the balance sheet if and only if:

- the Group has the legally enforceable right to offset the recorded amounts; and
- it has the intention either to settle the net amount or to simultaneously realize the asset and settle the liability.

Within 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 OTC derivatives, this involves the effects of the currency offset between asset valuations and liability valuations of the derivatives;
- for asset switch transactions that have similar nominal amounts and identical maturities and currencies, the Group presents them as a single financial asset or liability;
- for listed derivatives, the positions recorded under the respective asset and liability items for:
  - index options and futures options are offset by maturity and by currency,
  - equity options are offset by ISIN code and maturity date;
- for repurchase agreements, the amount recorded in the balance sheet corresponds to the net value of repurchase and reverse repurchase agreements that:
  - are entered into with the same clearing house,
  - have the same maturity date,
  - involve the same custodian,
  - are denominated in the same currency.

Financial assets and liabilities "Under netting agreements not offset in the balance sheet" comprise transactions under netting agreements or similar agreements, but that do not meet the restrictive netting criteria set by IAS 32. This is particularly the case for derivatives or OTC repurchase agreements subject to master agreements under which the net settlement criteria or realization of a simultaneous settlement of the asset and liability cannot be demonstrated or for which the offsetting right can only be exercised in the event of default, insolvency or bankruptcy by one of the parties to the agreement.

For these instruments, the "Related financial assets and financial instruments received as collateral" and "Related financial liabilities and financial instruments pledged as collateral" 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

	12/31/2017			12/31/2016		
in millions of euros	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amount of financial assets recognized in the balance sheet	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amount of financial assets recognized in the balance sheet
Derivatives (trading and hedging)	77,224	17,426	59,798	90,508	19,705	70,803
Repurchase agreements	44,551	8,465	36,086	49,879	7,502	42,377
Financial assets at fair value	**121,775**	**25,891**	**95,884**	**140,387**	**27,207**	**113,180**
Repurchase agreements (loans and receivables portfolio)	**62,972**	**6,459**	**56,513**	**66,274**	**12,572**	**53,702**
TOTAL	**184,747**	**32,350**	**152,397**	**206,661**	**39,779**	**166,882**

Financial assets under netting agreements not offset in the balance sheet

in millions of euros	12/31/2017				12/31/2016			
	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives (trading and hedging)	59,798	31,468	9,878	18,452	70,803	33,251	12,985	24,567
Repurchase agreements	92,599	86,504	12	6,083	96,079	80,614	44	15,421
TOTAL	**152,397**	**117,972**	**9,890**	**24,535**	**166,882**	**113,865**	**13,029**	**39,988**

5.24.2 Financial liabilities

Financial liabilities under netting agreements offset in the balance sheet

in millions of euros	12/31/2017			12/31/2016		
	Gross amount of financial liabilities	Gross amount of financial assets offset in the balance sheet	Net amount of financial liabilities recognized in the balance sheet	Gross amount of financial liabilities	Gross amount of financial assets offset in the balance sheet	Net amount of financial liabilities recognized in the balance sheet
Derivatives (trading and hedging)	78,473	17,426	61,047	87,772	19,705	68,067
Repurchase agreements	43,431	8,465	34,966	43,447	7,502	35,945
Financial liabilities at fair value	**121,904**	**25,891**	**96,013**	**131,219**	**27,207**	**104,012**
Repurchase agreements (liabilities portfolio)	**85,527**	**6,459**	**79,068**	**77,285**	**12,572**	**64,713**
TOTAL	**207,431**	**32,350**	**175,081**	**208,504**	**39,779**	**168,725**

Financial liabilities under netting agreements not offset in the balance sheet

in millions of euros	12/31/2017				12/31/2016			
	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 (trading and hedging)	61,047	31,880	10,767	18,400	68,067	34,170	12,115	21,782
Repurchase agreements	114,034	104,021	2	10,011	100,658	79,535	8	21,115
TOTAL	**175,081**	**135,901**	**10,769**	**28,411**	**168,725**	**113,705**	**12,123**	**42,897**

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 2017			Fiscal year 2016		
in millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Loans and receivables due from customers	6,103	(1,644)	4,459	5,995	(1,033)	4,962
Loans and receivables due from credit institutions	1,432	(1,028)	404	1,449	(1,114)	335
Finance leases	339	///	339	359	///	359
Debt securities and subordinated debt	///	(4,303)	(4,303)	///	(4,674)	(4,674)
Hedging derivatives	4,208	(3,497)	711	4,373	(3,598)	775
Available-for-sale financial assets	1,102	///	1,102	1,163	///	1,163
Held-to-maturity financial assets	122	///	122	139	///	139
Impaired financial assets	7	///	7	8	///	8
Other interest income and expenses	12	(31)	(19)	5	(76)	(71)
TOTAL INTEREST INCOME AND EXPENSES	**13,325**	**(10,503)**	**2,822**	**13,491**	**(10,495)**	**2,996**

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 2017			Fiscal year 2016		
in millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Cash and interbank transactions	5	(65)	(60)	3	(37)	(34)
Customer transactions	944	(2)	942	857	(20)	837
Financial services	484	(777)	(293)	398	(696)	(298)
Sales of life insurance products	178	///	178	187	///	187
Payment services	395	(63)	332	392	(60)	332
Securities transactions	253	(179)	74	212	(150)	62
Trust management services	3,507	0	3,507	3,121		3,121
Financial instruments and off-balance sheet transactions	201	(155)	46	168	(159)	9
Other fee and commission income/(expense)	296	(1,049)	(753)	283	(927)	(644)
TOTAL FEE AND COMMISSION INCOME AND EXPENSES	**6,263**	**(2,290)**	**3,973**	**5,621**	**(2,049)**	**3,572**

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 2017	Fiscal year 2016
Gains and losses on financial instruments held for trading(1)	2,515	2,119
Gains and losses on financial instruments designated at fair value through profit or loss	426	(112)
Gains and losses on hedging transactions	(123)	35
- Ineffective portion of fair value hedges	(130)	33
- Ineffective portion of cash flow hedges	7	2
Gains and losses on foreign exchange transactions(2)	(18)	174
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,800**	**2,216**

(1) In 2017, "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 €7 million in cumulative impairments (income) in 2017, versus income of €19 million in 2016 excluding foreign exchange effect, bringing cumulative impairments to €63 million at December 31, 2017 versus €73 million at December 31, 2016;*
- *a reversal of the full portfolio-based provision recorded on exposures in respect of CDPCs (Credit Derivative Product Companies) was recorded in 2017 in the amount of €1 million. In 2016, a €4 million reversal was carried out, bringing the cumulative balance of the portfolio-based provision to €1 million;*
- *the +€79 million change in the fair value of derivatives due to the difference in impairments for counterparty risk (Credit Valuation Adjustment – CVA), in the amount of -€55 million due to the consideration of non-performance risk in the valuation of derivative financial liabilities (Debit Valuation Adjustment – DVA), and in the amount of +€25 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA).*

(2) Income of €47 million was recorded in 2016, corresponding to the reclassification of foreign exchange gains and losses arising on the reimbursement by certain entities of capital in foreign currencies or equity items treated as capital.

5

Day-one profit

in millions of euros	Fiscal year 2017	Fiscal year 2016
Day-one profit at the start of the year	74	82
Deferred profit on new transactions	100	53
Profit recognized in income during the year	(97)	(62)
DAY-ONE PROFIT AT YEAR-END	**77**	**73**

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 2017	Fiscal year 2016
Gains or losses on disposal	282	944
Dividends received	170	184
Permanent impairment of variable-income securities	(35)	(93)
TOTAL NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	**417**	**1,035**

In 2016, "Gains or losses on disposal" included €831 million related to the capital gain on the disposal of Visa Europe shares.

In 2017, permanent impairment of variable-income securities amounted to €35 million, *versus* €93 million in 2016. This expense involves insurance portfolios for €15 million (€40 million at December 31, 2016), the impact of which is neutralized given the profit-sharing mechanism.

In 2017, permanent impairment in value of variable-income securities[1] also included an additional impairment loss of €18 million on previously impaired securities (€55 million in 2016).

The allowance for newly-impaired securities linked to the application of analysis criteria as defined in the accounting principles and methods (see Note 4.1.7) amounted to €9 million, primarily applicable to insurance portfolios (€37 million in 2016, also mainly for insurance portfolios).

(1) Excluding insurance portfolio securities, in light of the deferred profit-sharing mechanism.

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 2017			Fiscal year 2016		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Income and expenses from insurance activities(1)	**10,802**	**(10,928)**	**(126)**	**20,105**	**(19,694)**	**411**
Income and expenses from leasing transactions	**285**	**(275)**	**10**	**260**	**(257)**	**3**
Income and expenses from investment property	**123**	**(48)**	**75**	**111**	**(47)**	**64**
Share of joint ventures	98	(82)	16	89	(84)	5
Transfers of expenses and income	12	(6)	6	9	(6)	3
Other operating income and expenses	731	(277)	454	751	(191)	560
Additions to/reversals from provisions to other operating income and expenses		52	52		(84)	(84)
Other banking income and expenses	**841**	**(313)**	**528**	**849**	**(365)**	**484**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**12,051**	**(11,564)**	**487**	**21,325**	**(20,363)**	**962**

(1) In 2016, the implementation of the partnership with CNP Assurances concerning receivables arising from reinsurance transactions linked to reinsured contracts was reflected by an entry of €11.9 billion recorded under "Income and expenses from insurance activities":

- income from insurance companies included the effect of the implementation of the reinsurance treaty covering 10% of the savings deposit outstandings held by CNP;
- expenses included the recognized allocations to technical reserves.

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, Surassur, CEGC and Coface.

	Banking format 2017					
in millions of euros	Net banking income*	Operating expenses	Gross operating income	Other items	Insurance format 2017	Insurance format 2016
Earned premiums	13,289		13,289		13,289	21,616
Revenues or income from other activities	246		246		246	305
Other operating income	28	19	47		47	19
Net financial income before finance costs	2,625	(12)	2,613	(24)	2,589	1,806
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**16,188**	**7**	**16,195**	**(24)**	**16,171**	**23,746**
Claims and benefits expenses	(13,356)	(114)	(13,470)		(13,470)	(21,189)
Expenses from other activities		(14)	(14)	(4)	(18)	(17)
Net income from reinsurance disposals	(35)		(35)		(35)	(55)
Policy acquisition costs	(735)	(218)	(953)	1	(952)	(923)
Administrative expenses	(369)	(385)	(754)	(1)	(755)	(681)
Other operating income and expenses/recurring	(75)	(243)	(318)	(2)	(320)	(215)
TOTAL OTHER RECURRING INCOME AND EXPENSES	**(14,570)**	**(974)**	**(15,544)**	**(6)**	**(15,550)**	**(23,080)**
OPERATING INCOME	**1,618**	**(967)**	**651**	**(30)**	**621**	**666**

* O/w -€126 million recorded in "Income and expenses from insurance activities" (see Note 6.5).

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 2017	Fiscal year 2016
Payroll costs	**(4,864)**	**(4,646)**
Taxes other than on income	(470)	(396)
External services and other operating expenses	(2,468)	(2,347)
Other administrative costs	**(2,938)**	**(2,743)**
TOTAL OPERATING EXPENSES	**(7,802)**	**(7,389)**

Taxes other than on income included, in particular, the contribution to the SRF (Single Resolution Fund) for an annual amount of €200 million (*versus* €165 million in 2016) and the systemic risk tax for an annual amount of €39 million (*versus* €47 million in 2016).

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 2017	Fiscal year 2016
Net charge to provisions and provisions for impairment	(432)	(455)
Recoveries of bad debts written off	19	36
Irrecoverable loans not covered by provisions for impairment	(98)	(89)
TOTAL COST OF RISK	**(511)**	**(508)**

Cost of risk for the period by type of asset

in millions of euros	Fiscal year 2017	Fiscal year 2016
Interbank transactions	(12)	4
Customer transactions	(486)	(469)
Other financial assets	(13)	(43)
TOTAL COST OF RISK	**(511)**	**(508)**

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 2017	Fiscal year 2016
Gains or losses on disposals of property, plant and equipment and intangible assets used in operations	94	134
Gains or losses on disposals of consolidated investments	10	36
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**104**	**170**

In 2017, gains or losses on disposals of property, plant and equipment and intangible assets mainly included the €84 million capital gain on the sale of the Parc Avenue building.

Gains or losses on disposals of consolidated investments primarily concerned the disposal by Natixis of Ellisphère and IJCOF (+€22 million), the two Caspian private equity companies (+€10 million) and the liquidation of Nexgen Financial Holding (+€18 million). These gains were offset by the -€37 million provision recorded ahead of the disposal of Banco Primus (see Note 5.11) and Banque des Mascareignes. The sale of Banque des Mascareignes should be completed in early 2018 (see Note 1.4).

In 2016, gains or losses on disposals of property, plant and equipment and intangible operating assets included 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 by the Corporate Center).

Gains or losses on the disposal of consolidated equity interests mainly correspond to the sale by Natixis of the Capital Growth Management entities, in the amount of €18 million, of Reich and Tang for €5 million, and the disposals of the Corporate Data Solutions activities.

6.9 INCOME TAX

in millions of euros	Fiscal year 2017	Fiscal year 2016
Current income tax expense	286	29
Deferred tax assets and liabilities*	(897)	(694)
INCOME TAX	**(611)**	**(665)**

* *In 2017, deferred tax assets and liabilities included the effect of the change in the tax rate in the United States (+€105 million) and the impact of the gradual reduction in the corporate tax rate in France, as recorded in the French Finance Act for 2018 (-€90 million), representing income of €15 million.*

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	Fiscal year 2017		Fiscal year 2016	
	in millions of euros	Tax rate	in millions of euros	Tax rate
Net income attributable to equity holders of the parent	845		1,664	
Change in the value of goodwill	66		117	
Non-controlling interests	670		494	
Share in net income of associates	(241)		(202)	
Income taxes	611		665	
INCOME BEFORE TAX AND CHANGES IN THE VALUE OF GOODWILL (A)	**1,951**		**2,738**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical income tax expense (income) at the tax rate applicable in France (AxB)	**(672)**		**(943)**	
Impact of the change in unrecognized deferred tax assets and liabilities	(118)	6.0%	(80)	2.9%
Effects of permanent differences(1)	(142)	7.3%	136	(5.0%)
Reduced rate of tax and tax-exempt activities	(12)	0.6%	(1)	0.0%
Difference in tax rates on income taxed outside France	75	(3.8%)	15	(0.5%)
Tax on prior periods, tax credits and other tax(2)	203	(10.4%)	525	(19.2%)
Other items(3)	55	(2.8%)	(317)	11.7%
INCOME TAX EXPENSE (INCOME) RECOGNIZED	**(611)**		**(665)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**31.3%**		**24.3%**

(1) *Permanent differences include in particular the impacts of the SRT (systemic risk tax) and the contribution to the SRF (single resolution fund), consisting of non-deductible expenses (see Note 6.6). Permanent differences also include gains on investments in associates taxed under the long-term scheme (notably the capital gain on the sale of Visa securities in 2016).*

(2) *Tax on prior periods included, for €117 million, the effects of the reimbursement of the 3% tax on dividend payouts and the impact of tax audits and the resolution of ongoing disputes.*

(3) *Other items include the effects of the extraordinary additional corporate tax charge introduced by the amended Finance Act for 2017, for -€51 million, and the impact of the reduction in the corporate tax rate introduced by the French Finance Act for 2018, for +€15 million.*

Note 7 Exposure to risks

Information relating to capital management as well as regulatory ratios are presented in the Risk Management section.

Information on financial assets with past due payments and remodeling due to financial difficulties is provided in the section on "Credit Risk" in Chapter 3 – "Risk Management".

Information on liquidity risk (analysis of financial assets and liabilities and commitments by contractual maturity date) is provided in the section on "Liquidity, Interest Rate and Exchange Rate Risks" in Chapter 3 – "Risk Management".

7.1 CREDIT RISK AND COUNTERPARTY RISK

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	Impairments and provisions	Net outstandings at 12/31/2017	Net outstandings at 12/31/2016
Financial assets at fair value through profit or loss (excluding variable-income securities)	110,809			110,809	123,241
Hedging derivatives	8,606			8,606	13,205
Available-for-sale financial assets (excluding variable-income securities)	55,349	102	(59)	55,392	52,732
Loans and receivables due from credit institutions	121,591	63	(69)	121,585	123,323
Loans and receivables due from customers*	225,637	9,045	(3,541)	231,141	236,897
Held-to-maturity financial assets	2,125	3	(2)	2,126	3,035
Prepaid expenses and other assets related to insurance activities	1,958	595	(371)	2,182	2,113
Other debtors	14,570	878	(159)	15,289	13,001
Exposure to balance sheet commitments	**540,645**	**10,686**	**(4,201)**	**547,130**	**567,547**
Exposure to off-balance sheet commitments	**99,716**	**330**	**(67)**	**99,979**	**108,603**
TOTAL CREDIT AND COUNTERPARTY RISK EXPOSURE AT DECEMBER 31, 2017	**640,361**	**11,016**	**(4,268)**	**647,109**	**676,150**
TOTAL CREDIT AND COUNTERPARTY RISK EXPOSURE AT DECEMBER 31, 2016	**669,162**	**11,552**	**(4,564)**	**676,150**	

* *Excluding deposits of €10,190 million with CNP under the reinsurance treaty.*

7.1.3 Impairment and provisions for credit risk

in millions of euros	01/01/2017	Charges	Reversals[1]	Other changes[2]	12/31/2017
Available-for-sale financial assets	51	10	(3)	1	59
Interbank transactions	71	7	(5)	(4)	69
Customer transactions	3,872	969	(1,263)	(37)	3,541
Held-to-maturity financial assets	2				2
Other assets related to insurance activities	309	121	(58)	(1)	371
Other debtors	149	17	(14)	7	159
Impairment losses recognized in assets	**4,454**	**1,124**	**(1,343)**	**(34)**	**4,201**
Provisions for loan and guarantee commitments	110	41	(43)	(41)	67
Other provisions for credit risk	693	81	(9)	(92)	673
Provisions for liabilities	**803**	**122**	**(52)**	**(133)**	**740**
TOTAL IMPAIRMENT AND PROVISIONS FOR CREDIT RISK	**5,257**	**1,246**	**(1,395)**	**(167)**	**4,941**

(1) *Including €702 million in reversals of provisions used.*
(2) *Other changes mainly concern foreign exchange rate adjustments.*

7.1.4 Non-impaired 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					43	43
Loans and advances	4,888	211	26	1	5,310	10,436
TOTAL AT 12/31/2017	**4,888**	**211**	**26**	**1**	**5,353**	**10,479**

	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**

7.1.5 Restructuring due to financial difficulties

	12/31/2017			12/31/2016		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
Impaired restructured loans	3,858	36	3,894	4,444	177	4,621
Performing restructured loans	815	15	830	966	18	984
TOTAL RESTRUCTURED LOANS	**4,673**	**51**	**4,724**	**5,410**	**195**	**5,605**
Impairment	**(881)**	**2**	**(879)**	**(1,043)**		**(1,043)**
Guarantees received	**2,846**	**23**	**2,869**	**3,356**	**3**	**3,359**

Breakdown of gross outstandings

	12/31/2017			12/31/2016		
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	3,013	36	3,049	4,020	174	4,194
Restructuring: refinancing	1,660	15	1,675	1,390	21	1,411
TOTAL RESTRUCTURED LOANS	**4,673**	**51**	**4,724**	**5,410**	**195**	**5,605**

Geographic region of counterparty

	Fiscal year 2017			Fiscal year 2016		
in millions of euros	Loans and receivables	Off-balance sheet commitments	Total	Loans and receivables	Off-balance sheet commitments	Total
France	2,880	22	2,902	2,804	29	2,833
Other countries	1,793	29	1,822	2,606	166	2,772
TOTAL RESTRUCTURED LOANS	**4,673**	**51**	**4,724**	**5,410**	**195**	**5,605**

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 2017	Fiscal year 2016
Investment property		
Equity and debt instruments		76
TOTAL ASSETS OBTAINED BY TAKING POSSESSION OF COLLATERAL		**76**

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.

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 12/31/2017
Cash and amounts due from central banks	82,715	6					82,721
Financial assets at fair value through profit or loss – trading book						104,478	104,478
Financial assets at fair value through profit or loss – fair value option	12,827	10,168	8,021	4,756	6,767	19,999	62,538
Hedging derivatives						8,606	8,606
Available-for-sale financial assets	936	1,747	2,946	20,777	25,476	13,279	65,161
Loans and receivables due from credit institutions	16,784	10,785	19,220	46,495	27,131	1,170	121,585
Loans and receivables due from customers	47,853	23,339	18,054	53,554	80,781	17,750	241,331
Revaluation differences on interest rate risk-hedged portfolios						5,096	5,096
Held-to-maturity financial assets	7	94	543	699	783		2,126
FINANCIAL ASSETS BY MATURITY	**161,122**	**46,139**	**48,784**	**126,281**	**140,938**	**170,378**	**693,642**
Financial liabilities at fair value through profit or loss – trading book						77,198	77,198
Financial liabilities at fair value through profit or loss – fair value option	22,060	11,436	2,314	7,605	14,358	3,527	61,300
Hedging derivatives						10,000	10,000
Amounts due to credit institutions	45,674	10,449	8,194	41,004	16,462	315	122,098
Amounts due to customers	86,803	14,533	9,467	2,095	2,248	828	115,974
Subordinated debt	364		3	551	15,606	501	17,025
Debt securities	17,815	21,711	48,356	60,158	52,993	4,851	205,884
Revaluation differences on interest rate risk-hedged portfolios						307	307
FINANCIAL LIABILITIES BY MATURITY	**172,716**	**58,129**	**68,334**	**111,413**	**101,667**	**97,527**	**609,786**
Loan commitments given to credit institutions	547	21	16	342			926
Financing commitments given to customers	16,559	3,794	6,340	31,717	7,641	1,236	67,287
TOTAL FINANCING COMMITMENTS GIVEN	**17,106**	**3,815**	**6,356**	**32,059**	**7,641**	**1,236**	**68,213**
Guarantee commitments given to credit institutions	323	475	729	639	3,994	2	6,162
Guarantee commitments given to customers	1,607	2,970	5,515	10,957	5,067	272	26,388
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,930**	**3,445**	**6,244**	**11,596**	**9,061**	**274**	**32,550**

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	12/31/2017	12/31/2016
CNP Assurances (group)	2,657	2,540
Socram Banque	76	76
EDF Investment Group (EIG)	521	524
Other	231	158
Financial sector companies	**3,485**	**3,298**
Non-financial companies	**140**	**147**
TOTAL INVESTMENTS IN ASSOCIATES	**3,625**	**3,445**

8.1.2 Financial data for the main joint arrangements and associates

Summarized financial data for material joint ventures and/or companies under notable influence are as follows (based on the last available data published by the entities in question):

	Associates		
in millions of euros	CNP Assurances (group)	Socram Banque	EDF Investment Group (EIG)
DIVIDENDS RECEIVED	**88**	**2**	**11**
MAIN AGGREGATES			
Total assets	**423,298**	**2,066**	**8,583**
Total debt	**405,040**	**1,839**	**57**
Income statement			
Operating income or net banking income	2,519	56	247
Income tax	(896)	(2)	(77)
Net income	1,623	5	170
CARRYING VALUE OF INVESTMENTS IN ASSOCIATES			
Equity of associates*	18,258	227	8,526
Percentage of ownership	16.11%	33.42%	6.11%
VALUE OF INVESTMENTS IN ASSOCIATES	**2,657**	**76**	**521**
o/w goodwill			
MARKET VALUE OF INVESTMENTS IN ASSOCIATES	**2,129**	**///**	**///**

* *The equity used by BPCE SA group to consolidate CNP Assurances (group) via the equity method is subject to restatement (deeply subordinated notes).*

BPCE SA group has no interest in any joint venture that has a material impact on the consolidated financial statements.

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Summarized financial data for non-material joint ventures and companies under significant influence at December 31, 2017 is as follows:

in millions of euros	12/31/2017	12/31/2016
Value of investments in associates	**158**	**305**
Total amount of share in:		
Net income	21	4
Gains and losses recognized directly in other comprehensive income	1	(1)
COMPREHENSIVE INCOME	**22**	**3**

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 2017	Fiscal year 2016
CNP Assurances (group)	207	193
Banque BCP SAS*	0	(13)
EDF Investment Group	10	14
Socram Banque	2	4
Other	16	(1)
Financial sector companies	**235**	**197**
Non-financial companies	**6**	**5**
SHARE IN NET INCOME OF ASSOCIATES	**241**	**202**

* *Including a capital loss on the sale of Banque BCP SAS securities to Caisse d'Epargne Ile-de-France, for -€18 million.*

Note 9 Employee benefits

9.1 PAYROLL COSTS

in millions of euros	Fiscal year 2017	Fiscal year 2016
Wages and salaries	(3,367)	(3,157)
Costs of defined-contribution plans	(141)	(184)
Other social security costs and payroll-based taxes	(1,139)	(1,108)
Profit-sharing and incentive schemes	(217)	(197)
TOTAL PAYROLL COSTS	**(4,864)**	**(4,646)**

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. It came to €13 million in respect of fiscal year 2017 (€11 million for 2016). 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	12/31/2017	12/31/2016
Actuarial liabilities	969	366	76	138	1,549	1,608
Fair value of plan assets	(615)	(133)			(748)	(632)
Fair value of reimbursement rights	(183)	(43)			(226)	(215)
Effect of ceiling on plan assets	23				23	27
Net amount reported on the balance sheet	**194**	**190**	**76**	**138**	**598**	**788**
Employee benefit commitments recorded in the balance sheet	377	233	76	138	824	1,003
Plan assets recorded in the balance sheet	183	43			226	215

9.2.2 Change in amounts recognized on the balance sheet

Changes 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 2017	Fiscal year 2016
Actuarial liabilities at start of year	**1,026**	**355**	**72**	**155**	**1,608**	**1,500**
Service cost	17	21	6	46	90	81
Service cost for prior periods	(42)	2	2	(11)	(49)	(22)
Interest cost	21	3	1		25	31
Benefits paid	(35)	(18)	(4)	(48)	(105)	(85)
Other	(5)	1	(1)	(1)	(6)	1
Changes recorded in income	**(44)**	**9**	**4**	**(14)**	**(45)**	**6**
Revaluation adjustments – demographic assumptions		5			5	7
Revaluation adjustments – financial assumptions	27	(1)			26	105
Revaluation adjustments – past-experience effect	(8)	(1)			(9)	(10)
Changes recognized directly in non-recyclable equity	**19**	**3**	**0**	**0**	**22**	**102**
Foreign exchange rate adjustments	**(33)**	**(1)**		**(3)**	**(37)**	**1**
Other	**1**				**1**	**(1)**
ACTUARIAL LIABILITIES AT END OF YEAR	**969**	**366**	**76**	**138**	**1,549**	**1,608**

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Change in plan assets

in millions of euros	Post-employment benefits related to defined-benefit pension plans: Supplementary pension benefits and other	Post-employment benefits related to defined-benefit pension plans: End-of-career awards	Fiscal year 2017	Fiscal year 2016
Fair value of plan assets at start of year	**764**	**83**	**847**	**810**
Interest income	17		17	22
Plan participant contributions	46	95	141	27
Benefits paid	(26)	(6)	(32)	(33)
Other	(2)		(2)	
Changes recorded in income	**35**	**89**	**124**	**16**
Revaluation adjustments – Return on plan assets	31	1	32	24
Changes recognized directly in non-recyclable equity	**31**	**1**	**32**	**24**
Foreign exchange rate adjustments	**(29)**		**(29)**	**(1)**
Other	**(3)**	**3**		**(2)**
FAIR VALUE OF PLAN ASSETS AT END OF YEAR*	**798**	**176**	**974**	**847**

* *O/w €183 million in reimbursement rights included in retirement benefits and €43 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 2017	Fiscal year 2016
Revaluation adjustments at start of period	**218**	**22**	**240**	**166**
Revaluation adjustments over the period	(20)	2	(18)	79
Adjustments to asset ceiling	(6)		(6)	(5)
Revaluation adjustments at end of period	**192**	**24**	**216**	**240**

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".

in millions of euros	Post-employment benefits related to defined-benefit pension plans: Supplementary pension benefits and other	Post-employment benefits related to defined-benefit pension plans: End-of-career awards	Other long-term employee benefits: Long-service awards	Other long-term employee benefits: Other	Fiscal year 2017	Fiscal year 2016
Service cost	(17)	(21)	(6)	(46)	(90)	(81)
Service cost for prior periods	42	(2)	(2)	11	49	22
Interest cost	(21)	(3)	(1)		(25)	(31)
Interest income	17				17	22
Benefits paid	9	12	4	48	73	52
Plan participant contributions	46	95			141	27
Other (o/w asset ceiling)	3	(1)	1	1	4	(2)
TOTAL EXPENSE FOR THE YEAR*	**79**	**80**	**(4)**	**14**	**169**	**9**

* *O/w: a charge of €45 million recorded under payroll costs and a net payment of +€214 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 13, 2018, as the allocations had not been formally completed on the balance sheet date, the cost assessment was based on the best possible estimate of the inputs on the balance sheet date, both in terms of the share value and dividend assumptions.

Long-term payment plans settled in cash and indexed to the Natixis share price

Payments under these plans are subject to presence and performance criteria.

Year of plan	Grant date	Number of units granted at inception *	Vesting date	Number of units vested by beneficiaries	Fair value of indexed cash unit at valuation date *(in euros)*
			October 2015	1,682,810	
			October 2016	1,610,145	
2013 plan	02/19/2014	5,095,419	October 2017	1,468,937	
			October 2016	1,576,403	
			October 2017	1,449,399	
2014 plan	02/18/2015	4,493,016	October 2018	-	6.37
			March 2018		
2015 plan	02/10/2016	6,084,435	March 2019		6.11
			March 2019		
2016 plan	04/10/2017	2,835,311	March 2020		5.47
			March 2020		
2017 plan	02/23/2018	2,660,487	March 2021		5.34

* *The expected number of units at the vesting date is funded by equity swaps.*

The expected number of units at the vesting date is funded by equity swaps.

Short-term cash-settled payment plans indexed to the Natixis share

Year of plan	Grant date	Vesting date	Value of indexed cash unit *(in euros)*	Number of indexed cash units granted at inception	Number of probable indexed cash units at vesting date	Fair value of indexed cash unit at valuation date *(in euros)*
2017 plan	02/23/2018	02/23/2018	7.06	5,313,272	5,313,272	7.06

The expense associated with the short-term plan, estimated based on the probability of the presence condition being met, is fully recognized in the 2017 financial statements in the amount of €42 million (€38 million for 2016).

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Share-based payment plans

Payments under these plans are subject to presence and performance criteria.

Year of plan	Grant date	Number of shares granted at inception	Vesting date	Number of units vested by beneficiaries	Bonus share price at grant date *(in euros)*	Fair value of bonus share at valuation date *(in euros)*
2013 plan	07/31/2014	31,955	July 2018		4.83	4.02
2014 plan	02/18/2015	95,144	February 2019		6.18	3.45
2015 plan	07/28/2016	3,081,642	March 2018 March 2019		3.43	2.80
2016 plan	07/28/2016	151,283	July 2020		3.43	1.62
2016 plan	04/10/2017	3,012,307	March 2019 March 2020		4.28	4.43
2017 plan	05/23/2017	79,369	May 2021		6.44	3.32
2017 plan	02/23/2018	2,765,576	March 2020 March 2021		7.06	5.34

Expense for the period for loyalty and performance plans

	Fiscal year 2017			
in millions of euros	Plans settled in shares	Plans settled in cash indexed to Natixis shares	Total	Fiscal year 2016
Previous loyalty plans	(9)	(22)	(31)	(15)
Loyalty plans from the fiscal year		(6)	(6)	(7)
TOTAL	**(9)**	**(28)**	**(37)**	**(22)**

Valuation inputs used to assess the expense relative to these plans

	12/31/2017	12/31/2016
Share price	6.60	5.36
Risk-free interest rate	(0.67%)	0.00%
Dividend pay-out ratio	6.57%	6.09%
Loss of rights rate	3.90%	4.25%

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 2017 was:

Year of plan	Grant date	Vesting date	Fiscal year 2017 *(in millions of euros)*	Fiscal year 2016 *(in millions of euros)*
2012 plan	02/17/2013	March 2014 March 2015 March 2016		
2013 plan	02/19/2014	March 2015 March 2016 March 2017		(3)
2014 plan	02/18/2015	March 2016 March 2017 March 2018	(3)	(7)
2015 plan	02/10/2016	March 2017 March 2018	(6)	(16)
2016 plan	04/10/2017	March 2018 March 2019	(16)	(16)
2017 plan	02/23/2018	March 2019 March 2020	(20)	
TOTAL			**(44)**	**(42)**

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Note 10 Segment reporting

BPCE SA group redefined its business lines in the TEC 2020 strategic plan presented on November 29, 2017, notably making the decision to split up the Investment Solutions, Corporate & Investment Banking and Specialized Financial Services division. The Investment Solutions sub-division's Insurance business line and the Specialized Financial Services sub-division were transferred to the Retail Banking and Insurance division.

The Group now has three core business divisions:

Retail Banking and Insurance, which includes:

- Specialized Financial Services (SFS), a Natixis business line encompassing specialized financing activities (factoring, leasing, consumer credit, sureties and financial guarantees), payments and financial services;
- Insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- Other networks, which comprise Crédit Foncier group, BPCE International (BPCE I) and Banque Palatine.

Asset & Wealth Management, a Natixis business line consisting of:

- Asset Management, which operates on several international markets, combining expertise in investment management and distribution;
- Wealth Management, with Natixis Wealth Management, which offers wealth management and financing solutions for large private-sector investors.

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public sector entities.

The Corporate Center, which primarily includes:

- the Group's central institution and holding companies;
- Natixis' equity interests in Coface, Corporate Data Solutions, Natixis Algérie and Natixis Private Equity;
- unlisted investments and cross-business activities;
- items related to goodwill impairment and amortization of valuation differences, which are associated with the Group's equity interest acquisition strategy;
- the contribution to the Single Resolution Fund and the Deposit Guarantee Fund;

As of the publication of the 2017 annual results, the presentation of the business divisions reflects these segment reporting amendments, in addition to changes in the capital allocation standards applied by Natixis (Basel III average RWA increased to 10.5% *versus* 10% previously) and in the rate of return on capital (lowered to 2% from 3% previously).

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

10.1 SEGMENT ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

Results by division(1)

	Retail Banking and Insurance*		Asset & Wealth Management		Corporate & Investment Banking		Corporate Center		BPCE SA group	
in millions of euros	2017	2016 pf	2017	2016 pf	2017	2016 pf	2017	2016 pf	2017	2016
Net banking income	3,303	3,448	3,113	2,718	3,581	3,270	501	1,344	10,499	10,781
Operating expenses	(2,284)	(2,199)	(2,178)	(1,981)	(2,194)	(2,046)	(1,485)	(1,479)	(8,141)	(7,705)
Gross operating income	**1,019**	**1,249**	**936**	**737**	**1,387**	**1,224**	**(984)**	**(135)**	**2,358**	**3,076**
Cost/income ratio	69.1%	63.8%	69.9%	72.9%	61.3%	62.6%	ns	ns	77.5%	71.5%
Cost of risk	(292)	(294)		1	(115)	(195)	(104)	(20)	(511)	(508)
Share in income of equity-accounted associates	14	16	1	(9)	10	14	216	181	241	202
Gains or losses on other assets	(15)	35	13	30	18		89	105	104	170
Change in the value of goodwill							(66)	(117)	(66)	(117)
Income before tax	**725**	**1,006**	**950**	**759**	**1,300**	**1,043**	**(849)**	**15**	**2,126**	**2,823**
Income tax	(231)	(355)	(329)	(261)	(380)	(322)	329	274	(611)	(665)
Non-controlling interests	(130)	(159)	(276)	(187)	(269)	(207)	6	59	(670)	(494)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**364**	**492**	**345**	**310**	**651**	**513**	**(514)**	**348**	**845**	**1,664**

* *Excluding the Banque Populaire banks, Caisses d'Epargne and their consolidated subsidiaries.*

Results of the Retail Banking and Insurance sub-divisions

	Banque Populaire banks		Caisses d'Epargne		Specialized Financial Services		Insurance (Natixis)		Other networks		Retail Banking and Insurance	
in millions of euros	2017	2016	2017	2016	2017	2016 pf	2017	2016 pf	2017	2016	2017	2016 pf
Net banking income					1,382	1,352	734	655	1,187	1,442	3,303	3,448
Operating expenses					(939)	(885)	(439)	(378)	(907)	(936)	(2,284)	(2,199)
Gross operating income					**443**	**466**	**295**	**277**	**281**	**505**	**1,019**	**1,249**
Cost/income ratio					67.9%	65.5%	59.8%	57.6%	76.4%	64.9%	69.1%	63.8%
Cost of risk					(73)	(57)		-	(220)	(236)	(292)	(294)
Share in income of equity-accounted associates				5		-	13	9	1	2	14	16
Gains or losses on other assets						31		-	(15)	4	(15)	35
INCOME BEFORE TAX				**5**	**371**	**440**	**308**	**287**	**46**	**274**	**725**	**1,006**

10.2 SEGMENT ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate Center		BPCE SA group	
in millions of euros	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Segment assets	234,154	233,116	4,684	5,286	284,599	308,807	236,184	217,860	759,621	765,069
Segment liabilities*	189,480	188,069	4,196	4,786	260,451	281,137	221,953	191,328	676,081	665,321

* *Segment liabilities represent the liabilities restated for equity and other liabilities (notably including tax liabilities and other liabilities and provisions).*

(1) *BPCE SA group's segment information for previous periods has been restated in line with the new sector breakdown and the changes made by Natixis to the rules for allocating capital to the business lines and the rate of return on capital.*

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	2017	2016
France	5,568	6,429
Rest of Europe	1,376	1,092
North America	2,640	2,510
Rest of world	915	750
TOTAL	**10,499**	**10,781**

Total segment assets

in millions of euros	2017	2016
France	644,831	627,781
Rest of Europe	21,967	31,857
North America	59,779	73,757
Rest of world	33,045	31,674
TOTAL	**759,621**	**765,069**

Note 11 Commitments

The amounts shown correspond to the nominal value of commitments given.

11.1 LOAN COMMITMENTS

in millions of euros	12/31/2017	12/31/2016
Loan commitments given to:		
credit institutions	926	9,652
customers	67,287	69,198
– *Credit facilities granted*	*58,793*	*64,569*
– *Other commitments*	*8,494*	*4,629*
TOTAL LOAN COMMITMENTS GIVEN	**68,213**	**78,850**
Loan commitments received from:		
credit institutions	41,556	42,170
customers	6,182	4,209
TOTAL LOAN COMMITMENTS RECEIVED	**47,738**	**46,379**

11.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2017	12/31/2016
Guarantee commitments given to:		
credit institutions	6,162	5,337
customers*	26,388	25,804
TOTAL GUARANTEE COMMITMENTS GIVEN	**32,550**	**31,141**
Guarantee commitments received from:		
credit institutions	17,379	15,651
customers	87,476	89,287
GUARANTEE COMMITMENTS RECEIVED	**104,855**	**104,938**

* *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 13.1 "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 13.1.3 "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.

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.

The statement below only provides data on intercompany transactions concerning:

- companies over which the Group exercises joint control (joint operations) in respect of the non-eliminated portion: no significant transactions were identified in this category;
- entities over which the Group exercises significant influence and which are equity-accounted (associates). The significant transactions that have been identified were carried out with CNP Assurances group:
  - under a sales agreement, the Group received commission income amounting to €974 million in 2017 (€956 million in 2016),
  - for the management of the Group's pension plans, reimbursement rights of €48 million were recorded to cover post-employment benefits (see Note 9.2.2),
  - under a partnership agreement that took effect on January 1, 2016, a cash deposit of €11.8 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 are recorded as "Income and expenses from other activities" (see Note 6.5).

A list of fully consolidated subsidiaries is presented in Note 17, "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 2017 (vs. €6 million in 2016).

These include remuneration, directors' attendance fees and benefits paid to members of the Management Board and Supervisory Board.

Post-employment benefit commitments, long-term benefits and termination benefits

Post-employment benefit commitments, long-term benefits and termination benefits for the Group's company directors are described in paragraph 2.4 in Chapter 2 of the registration document on Corporate Governance. The amount provisioned by BPCE SA in respect of retirement bonuses came to €3 million at December 31, 2017 (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	12/31/2017
Financial assets pledged as collateral					
Financial assets held for trading	1,656	14,215		653	16,524
Financial assets designated at fair value through profit or loss			12		12
Available-for-sale financial assets			6,418		6,418
Loans and receivables		2	13,433	4,726	18,161
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**1,656**	**14,217**	**19,863**	**5,379**	**41,115**
o/w transferred financial assets not fully derecognized	***1,656***	***14,217***	***13,213***	***5,379***	***34,465***

The amount of liabilities associated with financial assets pledged as collateral for repurchase agreements came to €13,561 million at December 31, 2017 (€15,095 million at December 31, 2016).

The fair value of financial assets pledged as collateral for non-deconsolidating securitization transactions stood at €5,379 million at December 31, 2017 (€7,040 million at December 31, 2016).

Moreover, in accordance with French law, the intrinsic guarantees attached to issues of covered bonds are not recognized under guarantee commitments given. The covered bonds issued by BPCE SFH and Compagnie de Financement Foncier benefit from a legal privilege comprised of eligible assets.

	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
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***

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 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 €207 billion at December 31, 2017, compared to €197 billion at December 31, 2016.

The fair value of the financial assets received as collateral that were actually sold or repledged amounted to €136 billion at December 31, 2017, compared with €114 billion at December 31, 2016.

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, 2017.

Note 14 Finance and operating leases

14.1 LEASING TRANSACTIONS AS LESSOR

	12/31/2017				12/31/2016			
	Term outstanding				Term outstanding			
in millions of euros	< 1 year	≥ 1 year to < 5 years	> 5 years	Total	< 1 year	≥ 1 year to < 5 years	> 5 years	Total
Finance leases								
Gross investment	2,557	6,697	4,202	13,456	2,308	6,202	4,110	12,620
Present value of minimum lease payments receivable	2,272	6,150	3,560	11,982	2,045	5,576	3,223	10,844
Financial income not received	177	556	704	1,437	187	650	769	1,606
Operating leases								
Minimum lease payments receivable on non-cancellable contracts	37	96	63	196	35	103	2	140

Non-guaranteed residual value

	12/31/2017			12/31/2016		
in millions of euros	Real estate assets	Non-real estate assets	Total	Real estate assets	Non-real estate assets	Total
Finance leases						
Non-guaranteed residual value accruing to the lessor	727	11	738	779	10	789

Contingent rental income for the period recorded as income

in millions of euros	Fiscal year 2017	Fiscal year 2016
Finance leases	1	1
Operating leases	10	6

14.2 LEASING TRANSACTIONS AS LESSEE

Fixed assets by category

	12/31/2017			12/31/2016		
in millions of euros	Real estate assets	Non-real estate assets	Total	Real estate assets	Non-real estate assets	Total
Finance leases						
Carrying amount	51		51	54		54

Minimum future lease payments

	12/31/2017				12/31/2016			
	Term outstanding				Term outstanding			
in millions of euros	< 1 year	≥ 1 year to < 5 years	> 5 years	Total	< 1 year	≥ 1 year to < 5 years	> 5 years	Total
Operating leases								
Minimum future amounts payable on non-cancellable contracts	287	959	592	1,838	249	887	288	1,424
Minimum future lease payments receivable on non-cancellable subleasing contracts	///	///	///	1	///	///	///	1

Amounts recognized in net income

in millions of euros	Fiscal year 2017	Fiscal year 2016
Operating leases		
Minimum payments	(296)	(248)
Contingent rental payments included in expenses for the period	(10)	(5)
Income from subleasing activities	9	6

Note 15 Fair value of financial assets and liabilities at amortized cost

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is based on 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.

in millions of euros	12/31/2017				12/31/2016			
	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 AM80 ORTIZED COST								
Loans and receivables due from credit institutions	124,608		120,582	4,026	125,175	23	113,022	12,130
Loans and receivables due from customers	243,114	1,536	101,990	139,588	249,809	544	86,999	162,266
Held-to-maturity financial assets	2,449	2,247	79	123	3,466	3,107	200	159
FINANCIAL LIABILITIES AT AMORTIZED COST								
Amounts due to credit institutions	122,298		109,309	12,989	112,160		91,729	20,431
Amounts due to customers	116,014		110,367	5,647	103,962		60,731	43,231
Debt securities	210,036	991	136,408	72,637	230,449		133,104	97,345
Subordinated debt	20,228		19,562	666	22,148		20,540	1,608

Note 16 Interests in non-consolidated structured entities

16.1 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.

16.2 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, 2017

in millions of euros	Securitization	Asset management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**233**	**9,368**	**901**	**308**
Trading derivatives	124	227	65	308
Trading financial instruments (excluding derivatives)	88	4,077	623	
Financial instruments designated at fair value through profit or loss	21	5,064	213	
Available-for-sale financial assets	**841**	**2,956**	**15**	**40**
Loans and receivables	**3,628**	**1,791**	**12,876**	**1,014**
Other assets	**16**	**38**	**39**	**28**
TOTAL ASSETS	**4,718**	**14,153**	**13,831**	**1,390**
Financial liabilities at fair value through profit or loss	**103**	**237**	**499**	**38**
Provisions	**0**	**1**	**3**	**1**
TOTAL LIABILITIES	**103**	**238**	**502**	**39**
Loan commitments given	**4,457**	**488**	**2,091**	**548**
Guarantee commitments given	**167**	**5,881**	**2,057**	**34**
Guarantees received		**1**	**2,807**	**263**
Notional amount of derivatives	**1,235**	**286**	**2,380**	**922**
MAXIMUM LOSS EXPOSURE	**10,577**	**20,806**	**17,549**	**2,630**
SIZE OF STRUCTURED ENTITIES	**55,500**	**199,546**	**64,365**	**1,257**

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**

Securitization transactions in which BPCE SA group is simply an investor are listed in the Risk Management – Securitizations section.

The size criterion used varies according to the types of structured entities:

- securitization, the total amount of the entities' issues on the liabilities side;
- asset management: the net assets of collective investment vehicles (other than securitization);
- structured financing: the total amount of financing outstandings remaining due by the entities;
- other activities, total assets.

16.3 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 2017

in millions of euros	Securitization	Asset management
Income from entities	**(36)**	**211**
Net interest income		2
Net fee and commission income	(7)	204
Net gains or losses on financial instruments at fair value through profit or loss	(29)	5
Carrying amount of assets transferred to the entity during the fiscal year	**2,365**	

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**	

Note 17 Scope of consolidation

17.1 CHANGES IN SCOPE OF CONSOLIDATION DURING FISCAL YEAR 2017

The main changes in the scope of consolidation during 2017 are presented below:

Changes in the ownership interest in subsidiaries at December 31, 2017 (with no impact on control)

Change in the Group's ownership interest in Natixis

Following a number of transactions in its own shares, the Group's stake in Natixis stood at 71.02% at December 31, 2017 (*versus* 71.03% at December 31, 2016). The impact of this change on equity attributable to equity holders of the parent was not material.

Acquisition of 40% of BPCE Assurances' capital

Natixis, *via* Natixis Assurances, finalized the acquisition of 40% of BPCE Assurances from Macif (25%) and Maif (15%). Following this transaction, Natixis Assurances is the sole shareholder of BPCE Assurances.

As this acquisition had no impact on Natixis' control of the company, goodwill was charged directly against equity attributable to equity holders of the parent in the amount of €80 million.

Transfer of S-money and its subsidiary Lakooz from BPCE SA to Natixis

In 2017, Natixis acquired the 100% stake held by BPCE SA in S-money and its subsidiary Lakooz in two stages (51% in the first half of 2017 and 49% in the second half of the year). These two companies specialize in new online payment methods.

The Group's interest in these entities stood at 71.02% as of December 31, 2017, compared to 100% at December 31, 2016. This transfer had no material impact on equity attributable to equity holders of the parent.

Transfer of Inter-Coop and Bati Lease owned by Crédit Coopératif to Natixis

As of December 31, 2017, Natixis purchased the majority holdings owned by Crédit Coopératif.

The Group's interest in Inter-Coop and Bati Lease stood at 71.02% and 68.73% respectively at December 31, 2017. The impact of this on equity attributable to equity holders of the parent was not material.

Acquisition of a controlling interest in subsidiaries

Acquisition of PayPlug

In 2017 Natixis finalized the acquisition of PayPlug, in which it held a 78.54% interest as of December 31, 2017 and an option to buy the remaining shares by exercising reciprocal put and call options.

Natixis exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This transaction generated goodwill of €14 million as at December 31, 2017, as determined using the partial goodwill method.

Acquisition of Dalenys

In the fourth quarter of 2017, Natixis finalized the acquisition of 54.3% of Dalenys, *via* a subsidiary.

Following this acquisition, a mandatory public bid was made for all of the outstanding Dalenys shares (the initial acceptance period ran from December 11, 2017 to January 22, 2018).

Natixis, *via* its subsidiary, exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This transaction generated goodwill of €72 million as at December 31, 2017, as determined using the partial goodwill method.

Acquisition of Althelia Ecosphère

In 2017, Natixis finalized the acquisition of 51% of Althelia Ecosphère. As of December 31, 2017, Natixis exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This transaction generated goodwill of €3 million as at December 31, 2017, as determined using the partial goodwill method.

Acquisition of Investors Mutual Limited (IML)

In 2017, Natixis, *via* one of its subsidiaries, acquired a majority stake (51.9%) in the Australian investment management company Investors Mutual Limited (IML). It has the option to acquire the remaining shares by exercising reciprocal put and call options.

Natixis exercises control over this entity within the meaning of IFRS 10, and fully consolidates it.

This transaction generated goodwill of €100 million as at December 31, 2017, as determined using the partial goodwill method.

Other changes in scope

Sale of Ellisphère and its subsidiary IJCOF Corporate

As part of the Corporate Data Solutions activities, Natixis sold Ellisphère and its subsidiary IJCOF Corporate in the first half of 2017. These entities had been treated under IFRS 5 since 2016 owing to ongoing negotiations for their disposal. The full sale of these entities outside the Group generated a capital gain (excluding the tax impact) of €21 million.

Sale of Sky Elite Tours Sarl

BPCE International sold its stake in Sky Elite Tours Sarl in October 2017. This disposal had no material impact on income.

Sale of Al Mansour Palace

In July 2017, BPCE International sold its stake in Al Mansour Palace. This disposal had no material impact on income.

Total transfer of the assets and liabilities of GCE Foncier Coinvest to BPCE SA

Following the takeover by BPCE SA of Crédit Foncier's stake in GCE Foncier Coinvest in the second quarter of 2017, this entity was absorbed by a total transfer of assets and liabilities with effect from December 27, 2017.

17.2 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 them. Control is assessed according to the criteria provided in IFRS 10.

Deconsolidating securitization transactions carried out with full or partial derecognition

As a reminder, Crédit Foncier entered into two public securitizations backed by home loans (Crédit Foncier Home Loans No. 1 in May 2014 and Crédit Foncier Home Loans No. 2 in August 2015).

As a receivables manager, Crédit Foncier does not have the ability to use its power to influence the variability of returns. Therefore, it does not control the securitization funds within the meaning of IFRS 10, and the funds are not consolidated.

However, given its ongoing ties with CFHL-2, the criteria needed to establish full derecognition of assets under IAS 39 are not entirely met. As a result, the transaction is deconsolidating 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 €92 million and total liabilities of €49 million at December 31, 2017.

The fair value of these residual ties is remeasured at each reporting date.

For 2017, the net impact of the CFHL-2 transactions was -€35 million, related to prepayments during the year.

17.3 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.

17.4 OTHER INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STRUCTURED ENTITIES

Major restrictions

The Group has not been faced with any major restrictions relating to stakes held in its structured or non-structured subsidiaries.

Support of consolidated structured entities

The Group did not grant any financial support to consolidated structured entities.

17.5 SCOPE OF CONSOLIDATION AT DECEMBER 31, 2017

Only those entities providing a material contribution are consolidated. For entities meeting the definition of financial sector entities given in regulation (EU) 575/2013 of the European Parliament and of the Council of June 26, 2013 (the CRR), the accounting consolidation thresholds have been aligned, from December 31, 2017, with those applied for the prudential scope of consolidation. Article 19 of the CRR sets a threshold of €10 million in total balance sheet and off-balance sheet assets. For non-financial sector entities, materiality is assessed at the level of the consolidated entities. Based on the principle of ascending materiality, any entity included at a sub-consolidation level is included at all higher consolidation levels, even if it is not material at those levels.

The percentage interest is specified for each entity in the scope of consolidation. The percentage of interest describes the share of equity held by the Group, either directly or indirectly, in companies within the scope. The percentage of interest can be used to determine the share attributable to equity holders of the parent in the net assets of the company held.

Company	Business	Location[(1)]	Ownership interest	Consolidation method[(2)]
I) CONSOLIDATING ENTITY				
BPCE SA	Holding company	FR	100%	FC
II) BPCE SA SUBSIDIARIES				
3F HOLDING	Holding company	DE	98%	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 INFOGÉrANCE ET TECHNOLOGIE	IT services	FR	55%	FC
BPCE MASTER HOME LOANS FCT	French securitization fund (FCT)	FR	100%	FC
BPCE MASTER HOME LOANS DEMUT	French securitization fund (FCT)	FR	100%	FC
BPCE SFH	Funding	FR	100%	FC
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company	FR	39%	EQ
CLICK AND TRUST	Data processing	FR	34%	EQ
DELESSERT FCP 2DEC REGPT	BPCE Guarantee and Solidarity fund	FR	100%	FC
DOCONE	Services company	FR	51%	FC
ESNI	Securitization company	FR	100%	FC
FIDOR BANK AG	Online bank	DE	97%	FC
FIDOR SOLUTION AG	Digital technology R&D	DE	97%	FC
GCE CAPITAL	Private equity	FR	100%	FC
GCE PARTICIPATIONS	Holding company	FR	100%	FC
GIE CE SYNDICATION RISQUES	Guarantee company	FR	38%	EQ
GIE ECUREUIL CREDIT	Services company	FR	83%	FC
NATIXIS GROUP[(3)]		FR	71%	FC
INFORMATIQUE BANQUES POPULAIRES	IT services	FR	30%	EQ
IT-CE	IT services	FR	34%	EQ
MIFCOS	Real estate investment	FR	100%	FC
NEFER	Holding company	FR	51%	FC
SOCIÉTÉ D'EXPLOITATION MAB (SEMAB)	Services company	FR	100%	FC
SOCRAM BANQUE	Bank	FR	33%	EQ
SURASSUR	Reinsurance	LU	96%	FC
HOLASSURE GROUP				
CNP ASSURANCES (GROUP)	Insurance	FR	16%	EQ
HOLASSURE	Holding company	FR	100%	FC
SOPASSURE	Holding company	FR	50%	JO
BPCE INTERNATIONAL GROUP				
ARAB INTERNATIONAL LEASE	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'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
BPCE INTERNATIONAL	Specialized credit institution	FR	100%	FC
BPCE International Ho Chi Minh City Vietnam branch	*Specialized credit institution*	*VN*	*100%*	*FC*
BPCE MAROC	Real estate development	MA	100%	FC
BPCE MAROC IMMOBILIER	Real estate development	MA	100%	FC

Company	Business	Location(1)	Ownership interest	Consolidation method(2)
FRANSA BANK	Bank	FR	21%	EQ
INGEPAR	Financial investment advisory services	FR	100%	FC
MEDAI SA	Real estate development	TN	67%	FC
OCEORANE	Financial investment advisory services	MQ	100%	FC
PRAMEX INTERNATIONAL	International development and consulting services	FR	100%	FC
PRAMEX INTERNATIONAL GMBH – FRANKFURT	International development and consulting services	DE	100%	FC
PRAMEX INTERNATIONAL DO BRAZIL CONSULTARIA LTDA – SAO PAULO	International development and consulting services	BR	100%	FC
PRAMEX INTERNATIONAL AP LTD – HONG KONG	International development and consulting services	CN	100%	FC
PRAMEX INTERNATIONAL SA MADRID	International development and consulting services	ES	100%	FC
PRAMEX INTERNATIONAL LTD – LONDON	International development and consulting services	GB	100%	FC
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD – MUMBAI	International development and consulting services	IN	100%	FC
PRAMEX INTERNATIONAL S.R.L. – MILAN	International development and consulting services	IT	97%	FC
PRAMEX INTERNATIONAL AU CASABLANCA	International development and consulting services	MA	100%	FC
PRAMEX INTERNATIONAL SP. Z.O.O. – WARSAW	International development and consulting services	PL	100%	FC
PRAMEX INTERNATIONAL SARL TUNIS	International development and consulting services	TN	100%	FC
PRAMEX INTERNATIONAL CORP – NEW YORK	International development and consulting services	US	100%	FC
PRAMEX INTERNATIONAL PTE. LTD. – SINGAPORE	International development and consulting services	SG	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
BANCO PRIMUS SPAIN	Bank	ES	100%	FC
BANCO PRIMUS HUNGARY	Bank	HU	100%	FC
CRÉDIT FONCIER DE FRANCE	Bank	FR	100%	FC
Crédit Foncier de France – Japan branch	*Bank*	*JP*	*100%*	*FC*
Crédit Foncier de France – Belgium branch	*Bank*	*BE*	*100%*	*FC*
Crédit Foncier de France – Germany branch	*Bank*	*DE*	*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
CRÉDIT FONCIER EXPERTISE	Real estate valuation	FR	100%	FC
LOCINDUS SUBSIDIARIES	Equipment and real estate leasing	FR	75%	FC

Company	Business	Location[1]	Ownership interest	Consolidation method[2]
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
FONCIERE D'EVREUX	Real estate operations	FR	100%	FC
GRAMAT BALARD	Real estate operations	FR	100%	FC
LOCINDUS	Equipment and real estate leasing	FR	75%	FC
MAISON FRANCE CONFORT PROU INVESTISSEMENTS	Real estate development	FR	49%	EQ
SEREXIM	Real estate valuation	FR	100%	FC
SOCIETE D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIERE (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
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: BE: Belgium – BR: Brazil – CG: Congo – CM: Cameroon – CN: China – DE: Germany – ES: Spain – FR: France – GB: Great Britain – HU: Hungary – IN: India – IT: Italy – JP: Japan – LU: Luxembourg – MA: Morocco – MG: Madagascar – MQ: Martinique – MU: Mauritius – NC: New Caledonia – FP: French Polynesia – PL: Poland – PT: Portugal – SG: Singapore – TH: Thailand – TN: Tunisia – US: United States – VN: Vietnam.

(2) Consolidation method: Full consolidation (FC), Joint operation (JO) or Equity method (EQ).

(3) The Natixis group comprises 329 fully-consolidated entities and 7 entities consolidated using the equity method. Its main subsidiaries are: Coface, Banque Privée 1818, Natixis Global Asset Management, Natixis North America LLC, Natixis Private Equity and Compagnie Européenne de Garanties et Cautions.

17.6 NON-CONSOLIDATED COMPANIES AT DECEMBER 31, 2017

Non-consolidated companies include:

- significant interests that do not fall within the scope of consolidation; and
- companies excluded from the scope of consolidation owing to their non-material nature.

The main significant interests that do not fall within the scope of consolidation, and details of the share of equity held either directly or indirectly by the Group, are as follows:

Company	Location	Share of equity held	Reason for non-consolidation	Amount of shareholders' equity* *in millions of euros*	Amount of income* *in millions of euros*
BANCO FINANTIA	Portugal	11.00%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	424	0
EURO SECURED NOTES ISSUER	France	16.67%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	0	0
FRANCE ACTIVE GARANTIE	France	14.00%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	26	1
SYSTÈME TECHNO ECHANGE ET TRAITEMENT	France	15.04%	Interest not consolidated because the Group does not have control, joint control or notable influence (including tax structures)	94	8

* *Shareholders' equity and income for the last fiscal year known as of the closing date, based on the accounting standards applicable in the country of registration.*

Information on companies excluded from the scope of consolidation due to their non-material nature is available on the Groupe BPCE website at the following address: https://www.groupebpce.fr/Investisseur/Information-reglementee.

Note 18 Statutory Auditors' fees

Fees in respect of duties carried out by the Statutory Auditors responsible for auditing BPCE's financial statements and for their networks in respect of the 2016 and 2017 fiscal years were as follows:

	PwC				Mazars				Deloitte				Total			
	Amount		%		Amount		%		Amount		%		Amount		%	
in millions of euros[(1)]	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Certification of financial statements	**9,806**	**8,293**	**76%**	**64%**	**4,960**	**4,186**	**80%**	**63%**	**9,657**	**8,107**	**65%**	**54%**	**24,523**	**20,586**	**72%**	**59%**
Issuer	654	427			655	430			661	419			1,970	1,276		
Subsidiaries	9,252	7,866			4,305	3,756			8,996	7,688			22,553	19,310		
Services other than certification of financial statements[(2)]	**3,187**	**4,651**	**24%**	**36%**	**1,270**	**2,509**	**20%**	**37%**	**5,193**	**7,018**	**35%**	**46%**	**9,651**	**14,178**	**28%**	**41%**
Issuer	341	455			159	413			951	851			1,451	1,719		
Subsidiaries	2,846	4,196			1,111	2,096			4,242	6,167			8,200	12,459		
TOTAL	**13,094**	**12,944**	**100%**	**100%**	**6,230**	**6,695**	**100%**	**100%**	**14,850**	**15,125**	**100%**	**100%**	**34,174**	**37,764**	**100%**	**100%**
Change *(in %)*	1%				(7%)				(2%)				(2%)			

(1) *Amounts relating to services provided appear on the income statement for the reporting year, notably including unrecoverable VAT.*

(2) *In 2017, "Services other than the certification of financial statements" mainly included assignments requested by BPCE (€1.4 million including €0.7 million for BCBS standard 239 performed by Deloitte, €0.5 million for comfort letters relating to issues, with this amount being divided between BPCE's three Statutory Auditors, and €0.2 million for consultations carried out by PwC) as well as assignments requested by Natixis SA and its subsidiaries (€7.5 million), in particular for the move#2018 project at BPCE Vie (€0.7 million), performed by Deloitte, assignments relating to the FRTB project at Natixis Paris (€0.5 million), performed by Mazars, the BCBS standard 239 project at Natixis Paris (€0.7 million), performed by Deloitte, assistance with the ECB bad loans assignment at Natixis Paris (€0.3 million), performed by Deloitte, the EMIR project at Natixis Paris (€0.2 million), performed by PwC and recurrent Tax Services assignments for NIM (€0.6 million), mainly performed by PwC.*

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5.4 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2017

To the Annual General Shareholders' Meeting,

BPCE SA group

50, avenue Pierre Mendès-France

75201 Paris cedex 13

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of BPCE SA group for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics *(Code de déontologie)* for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- Deloitte & Associés: the main missions carried out in the 2017 financial year, included the verification of the requirement CSR Information is included in the management report for BPCE SA, Natixis and Crédit Foncier entities. Moreover, in the Natixis scope, the main missions mainly relate to regulatory reporting compliance reviews or those requested by the regulators and comfort letters as part of issuance program and attestations;
- Mazars: the main missions carried out in the 2017 financial year concern CSR missions;
- PricewaterhouseCoopers Audit: the missions carried out in the 2017 financial year concern comfort letters, compliance procedure reviews, tax consultations and CSR missions.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Credit risk – impairment and provisions on individual and portfolio basis

Risk identified and main judgements

BPCE SA group is exposed to credit and counterparty risks. These risks arise whenever a client or counterparty is unable to meet its payment obligations, especially on the loan activity.

BPCE SA group records impairment losses and provisions to cover the credit and counterparty risks inherent to its activities. These are determined on individual and portfolio basis. Impairment losses take the form of individual impairment losses recognized against the related on-and off-balance either sheet commitments or collective impairment losses recognized against loan portfolios presenting similar risks which are not individually impaired. Individual impairment losses are determined by Management which takes into account estimated recoverable future cash flows (taking into account the impact of any collateral) on each loan concerned. Collective provisions are determined using statistical models based on several factors (as much prudential as specific to BPCE SA group).

We deemed the identification and assessment of credit risk to be a key audit matter considering that the provisions calculated constitute a significant judgement to establish the financial statements and appeal to the Management judgement. Considering that BPCE SA group faces a context of low cost of risk on its main market, we assessed that the meeting of risk coverage by provisions and the related cost of risk to be a specific focus this year.

At December 31, 2017, exposure to credit and counterparty risks amounted to more than 90% of the total of BPCE SA group balance sheet (46% for loans and receivables).

Total impairment losses and provisions on loans and receivables and similar receivables stood at €4.9 billion compared to gross outstanding loans of €651 billion for total impairment losses of €11 billion.

Cost of risk FY 2017 amounts to €511 million (increase of 0,6% over the period).

See notes 4.1.2, 4.1.7, 5.6.1, 5.6.2, 6.7 to the consolidated financial statement for more details on accounting principles and exposures.

Our response

In accordance with our audit process, we assessed globally the control procedures implemented 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.

For provisions on an individual basis, our work consists in reviewing the quality of the monitoring system used for counterparties that are at-risk, doubtful or litigious; the review of loans and receivables and the process used to value guarantees. Otherwise, based on a sample of exposures selected regarding criteria of materiality and risks, we performed contradictory analysis of the amount of provisions.

As for collective provisions, assisted by our credit risk experts, we assessed the changes in methods related to the model of collective provisions as well as the retrospective tests on a historical basis performed by Management to estimate the main parameters of provision.

In 2017, in the context of low cost of risk mentioned before, our work consisted in assessing the level of provisions at December 31, 2017 and the low level of the cost of risk recorded.

Valuation of financial instruments of level 2 and 3 according to IFRS 13

Risk identified and main judgements	Our response
BPCE SA group holds a substantive part of financial instruments which are recognized in the balance sheet at fair value. At December 31, 2017, financial instruments at fair value represents €167 billion under assets and €139.5 billion under liabilities. For the need of this valuation and in accordance to the IFRS 13 standard, financial instruments are allocated, following the method of determination of fair value, to one of three fair value levels. Levels 2 and 3 gather financial instruments valued using models of valuation based on significant inputs observable or unobservable on the market, depending on the case (€109 billion in level 2 and €14 billion in level 3 under assets and €116 billion in level 2 and €4 billion in level 3 under liabilities). The valuation of financial instruments at fair value lays on valuation techniques that uses judgement regarding the choice of methodologies used: • determination of valuation inputs unobservable on market; • use of internal models of valuation; • estimates of additional adjustments of valuation, to take into account some risks such as market risk, credit risk or liquidity risk. In light of the materiality of the outstanding and the judgement used to determine fair value, we deemed the financial instruments classified in level 2 and 3, according to the fair value hierarchy, to be a key audit matter. *For more detail on accounting principles and fair value hierarchy of financial instruments see notes 4.1.6, 5.5.1, 5.5.2, and 5.5.3 to the consolidated financial statements.*	We reviewed the internal control procedures relating to the determination, valuation and recording of complex financial instruments classified at fair value in levels 2 and 3. We interviewed the Risk, Compliance and Permanent Control division and we acknowledge reporting and memos of Committees from this direction (in link with our Audit team at Natixis who is the main contributor to this subject). We tested the relevant control to our audit, including those relating to: • the approval and regular review by Management of the risks of the valuation models; • the independent verification of the valuation inputs; • the determination of value adjustments as well as corrections added in the value. We performed this work with the assistance of our valuation experts, with whom we also made counter valuation work. Based on sample, our experts analyzed the relevance of the assumptions; inputs and models used to determine the main adjustments to valuation. We also analyzed the differences on existing collateral calls and gain or losses in case of sale of instruments allowing to contribute to the review of appropriateness of valuations. Finally, we examined the information relating to the valuation of financial instruments released in the consolidated financial statements.

BPCE SA group tax expense and recognition of current and deferred taxes

Risk identified and main judgements	Our response
The tax charge of BPCE SA group includes either the one relative to tax payable or the deferred tax. BPCE SA group records deferred tax 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 are recognized for tax loss carryforwards to the extent that it is probable that the entity in question will generate future taxable profits against which these tax losses can be utilized only to the extent that it is probable that the entity will be able to recover them in the foreseeable future. Estimates of the ability to generate future taxable profits within this timeframe requires Management to exercise judgement when deciding whether to assessing the recoverability of recognized deferred tax assets but also the date, the expected switch and the tax rate implied. We deemed this subject to be a key audit matter because of: • the significant changes in the tax rate in the different tax jurisdictions where BPCE SA group operates; • the sensitivity of the deferred tax to the assumptions and choices made by the Management. *At December 31, 2017, the tax expense amounted to €611 million of which €286 million for current tax and €897 million for deferred tax.* *€1,698 million was recorded with respect to deferred tax assets and €663 million under deferred tax liabilities.* *See notes 4.12, 5.9 and 6.9 to the consolidated financial statements for further details.*	We acknowledge the changes in laws passed in the jurisdiction where BPCE SA group operates and we checked the compliance of the methods of valuation of the tax payable and deferred tax with these changes. We reviewed the process of valuation of deferred tax assets and, as a consequence, the tax rates in force. Considering the estimates of future taxable profits, we assessed the reliability of the process of determination of tax business plans which are the basis for the Group to assess the probability of recovering these deferred tax assets. Assisted by our tax experts, our audit approach consisted in assessing the probability of BPCE SA group recovering these. We challenged, with the help of our experts, the methods chosen by the Management, to identify existing tax loss carry-forwards, to be used, regarding either deferred tax liabilities or, future taxable profits, fits. On the basis of Management forecasts, we performed some tests to check the appropriateness of deferred tax assets basis as well as the relevance of the tax rate used. Our work also focused on the accounting records of significant operations especially the one impacting current tax and differed tax.

Determination of goodwill and impairment tests

Risk identified and main judgements	Our response
The external growth operations carried out by the BPCE SA group lead it to define the control methods implemented over the acquired entities and to carry out an allocation test of the purchase price from which goodwill and intangible assets recorded in the consolidated balance sheet of BPCE SA group is derived. Goodwill and intangible assets has been impairment-tested annually at least, based on the assessment of the value in use of the cash-generating units (CGU) to which it is attached or at the first signs of impairment loss. The valuation of the value in use is based on the estimated discounted cash flow of the CGU as resulting from the medium-term plans prepared in accordance with the BPCE SA group's strategic plan for the period 2018-2020 (TEC 2020). We deemed that the treatment of business combinations and goodwill impairment tests to be a key audit matter by their very nature as they require the exercise of judgment regarding the structuring assumptions used especially for the determination of economic scenarios, financial trajectories or discount levels. Following the announcement of the TEC 2020 strategic plan, we paid particular attention to the impact of this plan on the medium-term plans used to determine value in use and more specifically those with a small difference with the book value. *At December 31, 2017, gross value of goodwill amounted to €4,247 million and accumulated impairment losses stood at €519 million.* *The terms of the impairment test implemented by BPCE as well as the key assumptions used to determine the recoverable value and sensitivities of the recoverable amounts are described in note 5.14 to the consolidated financial statements.*	We reviewed the structural transactions made during the year to check the consolidation method used in BPCE SA group's consolidated financial statements and the purchase price allocation work performed by BPCE SA group during the 2017 financial year. With the help of our experts, we evaluated the procedure implemented by the group to identify signs of potential impairment loss and carried out a critical review of the method used for implementing impairment tests. In particular, our work includes: • comparison of assumptions and parameters with external sources; • review of the reasonableness of the medium-term plans retained for each concerned entity involving: – the confrontation with the strategic plan of the group approved by the governing bodies (supervisory or administrative) of the entities, – the assessment of the consistency and reliabilty of the main asumptions used to build them especially regarding the financial trajectories developed during the past financial years and actually carried out, – the analysis of the sensitivity to different valuation parameters (equity, discount rate...); • check of the consistency of the information published on the results of these impairment tests.

Insurance Technical Reserves

Risk identified and main judgements	Our response
Within the scope of its insurance activities, BPCE SA group records technical reserves related to the commitments toward insured persons. We deemed the valuation of these reserves to be a key audit matter considering that it represent a significant amount in the consolidated financial statements and require judgement in some cases when determining assumptions (example: experience tables and behavioral laws) or calculation models used. *The technical reserves of the insurance contracts amount to €76.6 billion at December 31, 2017, of which €68.3 billion related to the life insurance business.* *Refer to note 5.18 of the consolidated financial statements.*	We used our experts, the actuaries, to assist us in performing our audit procedures on these items. The main audit procedures implemented include, depending on the nature of the risks provisioned to: • obtain a understanding of the general conditions relating to insurance contracts marketed by the group; • evaluate the methods and assumptions used to calculate the reserves, specifically their compliance with applicable regulations, market practices and the economic and financial context; • test, on the basis of accounting reconciliations, recurrence tests, or surveys, the reliability of information relating to insurance contracts recorded in the managment systems and used for the valuation of technical reserves; • carry out an independent recalculation of specific reserves, when necessary on the basis of a sample of contracts; • assess the methods of calculation and the result of the adequacy of liabilities test, as required by IFRS 4. We also examined the information published in the notes to BPCE SA group's consolidated financial statements relating to insurance liabilities and took note of the conclusions of CNP Assurances' statutory auditors, consolidated by BPCE SA group using the equity method.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of BPCE by the annual general meeting of BPCE held on May 22, 2015 for Deloitte & Associés and on July 2, 2009 for PricewaterhouseCoopers Audit.

As at December 31, 2017, Deloitte & Associés was in the third year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the ninth.

Mazars was appointed as statutory auditor in the first statutes dated December 19, 2006 of GCE Nao (whose corporate name became BPCE in July 2009), upon its incorporation.

As at December 31, 2017, Mazars was in the eleventh year of total uninterrupted engagement, including 9 year since the company became a public-interest entity.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is

a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, March 28, 2018

The Statutory Auditors

Deloitte & Associés	**Mazars**	**PricewaterhouseCoopers Audit**
Jean-Marc Mickeler	Michel Barbet-Massin	Agnès Hussherr
Sylvie Bourguignon	Charles de Boiriou	Nicolas Montillot

5.5 BPCE management report

Significant events of 2017

As part of the group's digital transformation, BPCE subscribed to the capital increase (for €89 million) of Fidor Bank AG, a German digital bank, whose acquisition was finalized on December 22, 2016. At December 31, 2017 BPCE owned a 98.48% stake in Fidor Bank AG *via* its subsidiary 3F Holding.

In accordance with the strategic plan, the group continued to 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. In 2017, BPCE sold its entire stake in S-money and its subsidiaries (Lakooz, Serenipay and E-cotiz) to Natixis Payment Holding, generating a capital gain on disposal of €21 million.

In November 2017, BPCE made a subscription commitment in Truffle Financial Innovation Fund. The remit of this institutional fund is to create, support and finance 12 to 15 future Fintech and Insurtech leaders in France and Europe. For Groupe BPCE, the objectives of this partnership are:

- activating technological monitoring in targeted areas (artificial intelligence, machine learning, data, new economic credit and insurance models and digital marketing);
- taking a significant share in the investment in companies created or co-created, sourced by Truffle or initiated by Groupe BPCE (spin-offs) and considered to be future technological leaders;
- identifying and challenging the target start-ups by drawing on Groupe BPCE's digital experts, and involving them in the development of companies (e.g.: presence on the Board, *ad hoc* partnerships with the start-ups concerned, etc.). Groupe BPCE's ambition is to support the companies until an advanced stage of their development.

In December 2017, BPCE participated in Paylib Services' reserved capital increase for €480,000 and owns 16.66% of the company in equal proportions with five other banks. Paylib Services aims to offer a range of services including online payment, proximity mobile payment and money transfer between individuals.

Natixis is the largest dividend received by the Holding business line, amounting to €779.5 million for BPCE.

A number of major transactions were carried out by BPCE as part of the streamlining of the group's equity interests.

BPCE acquired Crédit Foncier's stake in GCE Foncier Coinvest (holding an indirect stake in MFC Prou-Investissements) for €58.4 million. GCE Foncier Coinvest was a holding company 51%-owned by BPCE and 49%-owned by Crédit Foncier. Following this acquisition, BPCE wound up GCE Foncier Coinvest through the total transfer of assets and liabilities, with no significant impact. Following this transaction, BPCE directly holds 49% of the capital of MFC Prou-Investissements for an initial value of €100 million.

Moreover, BPCE purchased the Crédit Logement shares held by the Caisses d'Epargne for €103 million, taking its stake to 8.5% of the capital.

BPCE purchased COVEA's stake in Société d'Exploitation MAB (1,180,527 shares) for €9 million, or €7.62 per share, on January 31, 2017 taking its stake in Société d'Exploitation MAB to 99.99%.

In February 2017, BPCE subscribed to BPCE International's capital increase (for €100 million), to enable it to finance the activity of its subsidiaries.

In the Corporate Center business line, BPCE continued its withdrawal strategy, by selling or restructuring several mortgage loan and public asset securitization positions for a nominal amount of €1 billion. In 2017, the lines concerned generated income under French accounting standards of +€6.4 million in net banking income, a capital loss of -€6.9 million in "gains or losses on long-term investments" and a cost of risk of -€2.3 million.

In the Lender of last resort business line, BPCE fully redeemed perpetual deeply subordinated notes issues in July, September and October 2017 for €1,063 million. These issues, which are not eligible under Basel III, were redeemed at par at scheduled early call dates. BPCE subscribed to the perpetual deeply subordinated notes issued by Natixis in February 2017 and then in December 2017 (for $500 million each issue). These notes are eligible for Additional Tier 1 capital under Basel III.

In 2017, BPCE issued €4.9 billion of non-preferred senior bonds with maturities ranging from 5 to 15 years, including 1.7 billion in euros and 2.3 billion in dollars. These Tier 3 issues help strengthen Groupe BPCE's balance sheet due to their eligibility for the TLAC regime.

Groupe BPCE consolidated two new special purpose entities (two securitization funds) as at June 30, 2017: BPCE Home Loans FCT 2017_5 and BPCE Home Loans FCT 2017_5 Demut, both of which arose from an intra-group securitization transaction by the Banque Populaire banks and the Caisses d'Epargne on May 22, 2017.

Under this transaction, €10.5 billion in home loans was transferred to BPCE Home Loans FCT 2017_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 transactions implemented in May 2014 and May 2016, based on a transfer of home loans and personal loans, and expanded on Groupe BPCE's centralized cash management.

As in the case of previous transactions, the securities concerned were then loaned by the Banque Populaire banks and the Caisses d'Epargne to BPCE. These transactions helped ensure that the amount of Groupe BPCE's collateral eligible for Eurosystem refinancing operations remained high while also diversifying the assets available for this type of operation.

The first amended Finance Act for 2017 introducing two additional contributions of corporate tax (15% each) took the general corporate tax rate to 44.43% in 2017 for the BPCE tax consolidation group. The impact represents an additional charge of €64 million.

€395 million in tax rebates for prior periods were also recognized under tax, covering an adjustment in the tax treatment of certain Crédit Foncier transactions where deductibility had not been entirely taken into account during the event year. €287 million have already been returned to Crédit Foncier and SCF and the remaining €108 million was provisioned.

Company situation and activity in 2017

CHANGES IN THE BPCE BALANCE SHEET

			Change 2017/2016	
in billions of euros	**31/12/2017**	**31/12/2016**	**€bn**	**%**
Amounts due from banks	226.7	209.9	+16.8	+8%
Amounts due from customers	0.4	0.7	(0.3)	(39%)
Securities transactions	78.8	77.9	+0.9	+1%
Associates, Equity interests and long-term investments	23.8	22.6	+1.2	+5%
Other assets	3.8	3.7	+0.1	+3%
TOTAL BPCE ASSETS	**333.6**	**314.8**	**+18.8**	**+6%**
Amounts due to banks	143.4	122.2	+21.2	+17%
Customer resources	1.9	2.7	+1.3	+47%
Debt securities and subordinated debt	96.8	99.6	(2.8)	(3%)
Other liabilities	75.1	74.2	+1.0	+1%
Shareholders' equity and fund for general banking risks	16.4	16.1	+0.2	+1%
TOTAL BPCE LIABILITIES	**333.6**	**314.8**	**+18.8**	**+6%**

In accordance with French GAAP, total 2017 assets amounted to €333.6 billion, an increase of €18.8 billion compared with December 31, 2016.

Under assets, the €16.8 billion increase in "Amounts due from banks" is mainly due to higher short-term intra-group receivables.

"Associates, Equity interests and long-term investments" recorded the following major changes:

- the capital increase of BPCE International for €100 million and of Fidor for €89 million;
- the acquisition of Crédit Logement shares from the Caisses d'Epargne for €103 million;
- the entry of Maison France Confort Prou Investissement shares in the wake of the winding up of GCE Foncier Coinvest through the total transfer of assets and liabilities, with a net impact of €54 million;
- the reduction in the capital and the distribution of additional paid-in capital of BPCE Immobilier d'Exploitation following the disposal of the Parc Avenue building, resulting in a decrease of €73 million;
- the implementation of two new deeply subordinated notes ($500 million each) with Natixis;
- a €452 million provision reversal on Natixis, additional provisions of €122 million on BPCE International, €96 million on Crédit Foncier and €30 million on Banque Palatine;

Under liabilities, the €21.2 billion increase in "Amounts due to banks" comprises a €16 billion decrease on demand accounts, mainly on overnight intra-group borrowings, and a €37.2 billion increase on term loans including €10.6 billion on intra-group borrowings and €7.9 billion on repurchase transactions.

The increase in shareholders' equity was due to 2017 income of €729 million, reduced by taking into account €410 million in respect of dividends.

5

BPCE INCOME STATEMENT

in millions of euros	2017	2016	Change 2017/2016 €m	%
Net banking income	384	281	+103	NA
Operating expenses	(140)	(205)	+65	(32%)
Gross operating income	**244**	**76**	**+168**	**NA**
Cost of Risk	(1)	4	(5)	(125%)
Net gains or losses on long-term investments	262	134	+128	+96%
Income before tax	**505**	**214**	**+291**	**+136%**
Income tax	224	247	(23)	(9%)
Charges/reversals to fund for general banking risks and regulated provisions				
NET INCOME	**729**	**461**	**+268**	**+58%**

2017 net income amounted to €729 million, an increase compared with 2016 due mainly to the appreciation of investments in consolidated companies. It also included gross operating income of €244 million, cost of risk of -€1 million, gains on long-term investments of €262 million and tax income of €224 million.

NET BANKING INCOME

in millions of euros	2017	2016	Change 2017/2016 €m	%
Lender of last resort	(118)	(421)	+303	(72%)
Corporate center	(142)	(22)	(120)	NA
Holding company	644	724	(80)	(11%)
NET BANKING INCOME	**384**	**281**	**+103**	**NA**

In 2017, BPCE's net banking income totaled €384 million, up €103 million compared with 2016.

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 -€118 million in 2017, an increase of €303 million compared with 2016. 2016 net banking income included a -€341 million early repayment balance for SFH loans following the acquisition of lines held internally by SFH (offset by €339 million in "Gains and losses on other assets" following the early redemption of securities).

Net banking income for the Corporate center was -€142 million in 2017, down €120 million compared with 2016, mainly due to the early termination of RMBS-backed funding. This decrease is mainly due to the disposal of shares in a portfolio of mortgage loan securitizations which generated a net capital loss in 2017 *versus* capital gains in 2016.

Net banking income for the Holding business line totaled €644 million, down €80 million compared with 2016, due mainly to the decrease in dividends received (-€51 million on BPCE International, -€28 million on Banque Palatine and -€23 million on Crédit Foncier).

OPERATING EXPENSES

in millions of euros	2017	2016	Change 2017/2016 €m	%
Payroll costs	(245)	(251)	+6	(2%)
Other expenses	(304)	(319)	+15	(5%)
Gross operating expenses	**(549)**	**(570)**	**+21**	**(4%)**
Rebilled expenses	**527**	**483**	**+44**	**+9%**
Net operating expenses	**(21)**	**(87)**	**+66**	**(75%)**
Charges from exceptional projects	(119)	(118)	(1)	NA
OPERATING EXPENSES	**(140)**	**(205)**	**+65**	**(32%)**

At -€140 million, operating expenses were down €65 million in 2017 compared with 2016, due primarily to the €45 million increase in central institution contributions.

Cost of risk

In 2017, cost of risk was -€1 million and mainly related to a reversal of provisions for guarantees granted to the Group's institutions for +€1 million and a loss of €2 million on non-performing securities.

Net gains or losses on long-term investments

Net gains or losses on long-term investments were €262 million in 2017. They consisted of changes in provisions for investments in associates, in particular Natixis (+€452 million), BPCE International (-€122 million), Crédit Foncier (-€96 million), Banque Palatine (-€30 million) and BPCE Immobilier d'Exploitation (+€55 million).

In 2016, this item also included a dividend of €58 million from BPCE Immobilier Exploitation.

Income tax

In 2017, as a result of tax consolidation income, the gain in income taxes after taking into account changes in provisions and other adjustments was €224 million, down €23 million relative to 2016.

Ongoing disputes with the DGFIP were settled in 2017, leading to a tax gain of €29 million.

The first amended Finance Act for 2017 introducing two additional contributions of corporate tax (15% each) took the general corporate tax rate to 44.43% in 2017 for the BPCE tax consolidation group. The impact represents an additional charge of €64 million.

Non-tax deductible expenses

Disclosure of expenditure on luxuries

In accordance with the provisions of Article 223 *quater* and *quinquies* of the French General Tax Code, the financial statements for the past fiscal year include €168,260.90 in non-deductible expenses with regards to Article 39.4 of the same code. The resulting additional tax was €74,340.

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 €729 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 €728,462,840.04 as follows, as proposed by the Management Board:

- dividend payment of €403,005,056.90 to the shareholders, *i.e.* €12.9382 per share;
- an allocation of €325,457,783.14 to "Retained earnings."

Given the payment on December 22, 2017 of an interim dividend of €201,502,528.46, a decision taken by the Management Board at its meeting of December 21, 2017, a residual dividend of €201,502,528.44 remains to be paid to the shareholders, *i.e.* €6.4691 per share.

Subsequent to this distribution, the balance of "Retained earnings" is €3,511,490,238.03.

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
31/12/2014	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	/
31/12/2016	Category "A" and "B" shares	€12.312	€383,499,888.77	/

* *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.*

5

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 2017, BPCE acquired shares in S.E MAB, for €9 million, taking its stake to 99.99%.

In March 2017, BPCE subscribed (for €100 million) to the capital increase of BPCE International et Outre-Mer, where it is the sole shareholder.

In April 2017, the Crédit Logement shares held by various Caisses d'Epargne were acquired for a total of €103 million, taking BPCE's stake to 8.5%.

In July 2017, BPCE subscribed to the capital increase of Editions de l'Epargne for a total of €300,000.

In August 2017, BPCE acquired shares in GCE Foncier Coinvest for €58 million and subsequently shares in Maison France Confort Prou Investissement *via* the total transfer of assets and liabilities.

Following the absorption of GCE Foncier Coinvest, the shares of MFC Prou Investissements have been included in BPCE's balance sheet in the amount of €91 million.

BPCE paid 3F Holding GmbH €88 million in August, followed by €590,000 in October 2017 in respect of the increase in its capital reserve.

In December 2017, BPCE took a stake in Paylib Services by acquiring shares amounting to €480,000.

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 2017, BPCE did not trade in its own shares.

Information regarding inactive accounts (Articles L. 312-19, L. 312-20 and R. 312-21 of the French Monetary and Financial Code)

As BPCE holds no individual current accounts it is not affected by these articles.

Disposals of shares

Share disposals over the period were as follows:

- S-money, in February and October 2017 for €37 million;
- Union Asset Management Holding in December 2017 for €1 million;
- Technology Shared Services Africa in December 2017 for €762,000;

Liquidations over the period were as follows:

- Gexban and The Yunus Movie Project in January 2017 with no material impact;
- EPF in November 2017 with no material impact.

GCE Foncier Coinvest, Anubis, Turgeon and Percy were absorbed with no material impact 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 2017 were linked to the economic and financial environment described in point 4.2.1 of Chapter 4.

Social, environmental and societal information

This information is provided in Chapter 6.

Information relating to control of accounting and financial reporting quality

This information is provided in Chapter 5.8.

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	2013	2014	2015	2016	2017
Share capital at period-end					
Share capital	155,742,320	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	7,187,771,820	6,235,109,398	5,109,479,897	5,183,625,973	4,776,794,649
Income before tax, employee profit-sharing, depreciation, amortization, and impairment	533,067,064	(171,074,167)	4,368,355	1,169,741,533	226,090,867
Income tax	360,581,952	271,075,750	292,511,147	247,155,791	223,677,484
Income after tax, employee profit-sharing, depreciation, amortization, and impairment	(605,301,274)	1,146,496,341	2,491,136,976	461,435,583	728,462,840
Dividend paid to shareholders[2]	0	174,998,300	349,996,601	383,499,888	403,005,057
Earnings per share					
Revenue	230.76	200.17	164.04	166.42	153.36
Income after tax, employee profit-sharing, but before depreciation, amortization, and impairment	28.69	(3.21)	9.53	45.49	14.44
Income tax	11.58	8.70	9.39	7.93	7.18
Income after tax, employee profit-sharing, depreciation, amortization, and impairment	(19.43)	36.81	79.98	14.81	23.39
Dividend per share[2]	0.00	5.6182	11.2364	12.3120	12.9382
Employee data					
Average number of employees:	1,564	1,542	1,495	1,507	1,511
o/w managerial staff	*1,388*	*1,374*	*1,349*	*1,385*	*1,404*
o/w non-managerial staff	*176*	*168*	*146*	*122*	*107*
Total wage bill for the year	126,096,393	125,055,902	123,359,757	128,093,857	132,639,879
Amounts paid for employee benefits during the period	68,542,623	71,865,657	69,329,770	77,474,090	79,998,902

(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.

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	Not used

PAYMENT TERMS TO CUSTOMERS AND SUPPLIERS

Pursuant to Article L. 441-6-1 of the French Commercial Code, all French companies for which annual financial statements are certified by Statutory Auditors must publish in their management report payment terms to their customers and suppliers, in accordance with the provisions of Article D. 441-4 of the French Commercial Code amended by Decree N° 2015-1553 dated November 27, 2015 and Decree N° 2017-350 dated March 20, 2017.

	Invoices received but not settled at the balance sheet date which are due					
in euros	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Tranches of overdue payments						
Number of invoices concerned	59					111
Total amount of invoices concerned (including taxes)	740,189	2,216,544	412,487	55,400	180,163	2,864,594
Percentage of total amount of purchases including taxes for the fiscal year	The percentage of unpaid invoices received, at the balance sheet date, was less than 1% of the total amount of purchases including taxes during the fiscal year					
Percentage of revenue before taxes for the fiscal year						
(B) Invoices excluded from (A) relating to disputed or unrecognized receivables and payables						
Number of invoices excluded						None
Total amount of invoices excluded						None
(C) Benchmark payment terms used (contractual or legal term – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment terms used to calculate overdue payments	Contractual terms: Within 30 days of invoice date					

	Invoices issued but not settled at the balance sheet date which are due					
in euros	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Tranches of overdue payments						
Total amount of invoices concerned (including taxes)	0	3,787,084	223,161	331,370	766,753	5,108,368
The percentage of invoices issued but not settled at the balance sheet date was less than 1% of the total amount of sales (with tax) recorded during the fiscal year.						
(B) Invoices excluded from (A) relating to disputed or unrecognized receivables and payables						
Number of invoices excluded						None
Total amount of invoices excluded						None
(C) Benchmark payment terms used (contractual or legal term – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment terms used to calculate overdue payments	Contractual terms: Invoice date					

5.6 BPCE parent company financial statements

5.6.1 Balance sheet and off-balance sheet

ASSETS

in millions of euros	*Notes*	31/12/2017	31/12/2016
Cash and amounts due from central banks		42,966	41,879
Treasury bills and equivalent	*3.3*	19,435	19,116
Loans and advances due from credit institutions	*3.1*	183,776	168,044
Customer transactions	*3.2*	412	679
Bonds and other fixed-income securities	*3.3*	58,149	57,566
Equities and other variable-income securities	*3.3*	1,242	1,260
Equity interests and other long-term investments	*3.4*	3,606	2,651
Investments in affiliates	*3.4*	20,210	19,942
Intangible assets	*3.5*	15	12
Property, plant and equipment	*3.5*	16	12
Other assets	*3.7*	2,157	995
Accrual accounts	*3.8*	1,649	2,692
TOTAL ASSETS		**333,633**	**314,848**

Off-balance sheet items

in millions of euros	*Notes*	31/12/2017	31/12/2016
Commitments given			
Financing commitments	*4.1*	3,296	17,971
Guarantee commitments	*4.1*	10,808	10,677
Commitments on securities		0	454

LIABILITIES

in millions of euros	*Notes*	31/12/2017	31/12/2016
Amount due to central banks			
Amounts due to credit institutions	*3.1*	143,436	122,239
Customer transactions	*3.2*	1,859	2,749
Debt securities	*3.6*	80,696	79,715
Other liabilities	*3.7*	72,704	72,216
Accrual accounts	*3.8*	1,737	1,333
Provisions	*3.9*	714	610
Subordinated debt	*3.10*	16,108	19,926
Fund for general banking risks (FGBR)	*3.11*	130	130
Equity excluding fund for general banking risks	***3.12***	**16,249**	**15,930**
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		3,186	3,108
Interim dividend		(202)	(175)
Net income for the year (+/-)		729	461
TOTAL LIABILITIES		**333,633**	**314,848**

Off-balance sheet items

in millions of euros	*Notes*	31/12/2017	31/12/2016
Commitments received			
Financing commitments	*4.1*	46,286	42,524
Guarantee commitments	*4.1*	7,512	11
Commitments on securities		30	3

5.6.2 Income statement

in millions of euros	*Notes*	Fiscal year 2017	Fiscal year 2016
Interest and equivalent income	*5.1*	3,730	4,262
Interest and equivalent expenses	*5.1*	(4,350)	(5,168)
Income from variable-income securities	*5.2*	935	1,025
Commission income	*5.3*	156	7
Commission expenses	*5.3*	(188)	(35)
Net gains or losses on trading book transactions	*5.4*	65	31
Net gains or losses on available-for-sale securities and equivalent	*5.5*	53	165
Other banking income	*5.6*	1	1
Other banking expense	*5.6*	(18)	(7)
Net banking income		**384**	**281**
Operating expenses	*5.7*	(133)	(188)
Writedown, amortization and impairment of property, plant and equipment and intangible assets		(7)	(17)
Gross operating income		**244**	**76**
Cost of risk	*5.8*	(1)	4
Operating income		**243**	**80**
Gains or losses on long-term investments	*5.9*	262	134
Income before tax		**505**	**214**
Non-recurring income	*5.10*	0	0
Income tax	*5.11*	224	247
Funding/reversal of the fund for general banking risks and regulated provisions		0	0
NET INCOME		**729**	**461**

5.6.3 Notes to the parent company annual financial statements

Note 1 General background

1.1 GROUPE BPCE

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Epargne network, the BPCE central institution and its subsidiaries.

Two banking networks: the Banque Populaire banks and the Caisses d'Epargne

Groupe BPCE is a cooperative group whose shareholders own the two local retail banking networks: 14 Banque Populaire banks and the 16 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 14 Banque Populaire banks and the 16 Caisses d'Epargne.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banque Populaire banks and the Caisses d'Epargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, organizes depositor protection, approves key appointments of company directors and oversees the smooth functioning of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures between the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It defines the Group's corporate strategy and growth and expansion policies.

BPCE's main subsidiaries, including Natixis, a 71.02%-owned[(1)] listed company, are organized around three main business lines:

- Retail Banking and Insurance includes the Banque Populaire and Caisse d'Epargne networks, the Natixis Specialized Financial Services (Specialized Financing, Payments and Financial services) and Insurance business line and Other networks (Crédit Foncier, Banque Palatine and BPCE International);
- Asset & Wealth Management;
- Corporate and Investment Banking.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to 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, 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, 2017.

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.

(1) The shareholding stands at 70.99% including the treasury shares held by Natixis.

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

As part of the group's digital transformation, BPCE subscribed to the capital increase (for €89 million) of Fidor Bank AG, a German digital bank, whose acquisition was finalized on December 22, 2016. At December 31, 2017 BPCE owned a 98.48% stake in Fidor Bank AG via its subsidiary 3F Holding.

In accordance with the strategic plan, the group continued to 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. In 2017, BPCE sold its entire stake in S-money and its subsidiaries (Lakooz, Serenipay and E-cotiz) to Natixis Payment Holding, generating a capital gain on disposal of €21 million.

In November 2017, BPCE made a subscription commitment in Truffle Financial Innovation Fund. The remit of this institutional fund is to create, support and finance 12 to 15 future Fintech and Insurtech leaders in France and Europe. For Groupe BPCE, the objectives of this partnership are:

- activating technological monitoring in targeted areas (artificial intelligence, machine learning, data, new economic credit and insurance models and digital marketing);
- taking a significant share in the investment in companies created or co-created, sourced by Truffle or initiated by Groupe BPCE (spin-offs) and considered to be future technological leaders;
- identifying and challenging the target start-ups by drawing on Groupe BPCE's digital experts, and involving them in the development of companies (e.g.: presence on the Board, ad hoc partnerships with the start-ups concerned, etc.). Groupe BPCE's ambition is to support the companies until an advanced stage of their development.

In December 2017, BPCE participated in Paylib Services' reserved capital increase for €480,000 and owns 16.66% of the company in equal proportions with five other banks. Paylib Services aims to offer a range of services including online payment, proximity mobile payment and money transfer between individuals.

Natixis is the largest dividend received by the Holding business line, amounting to €779.5 million for BPCE.

A number of major transactions were carried out by BPCE as part of the streamlining of the group's equity interests.

BPCE acquired Crédit Foncier's stake in GCE Foncier Coinvest (holding an indirect stake in MFC Prou-Investissements) for €58.4 million. GCE Foncier Coinvest was a holding company 51%-owned by BPCE and 49%-owned by Crédit Foncier. Following this acquisition, BPCE wound up GCE Foncier Coinvest through the total transfer of assets and liabilities, with no significant impact. Following this transaction, BPCE directly owns 49% of MFC Prou-Investissements for an initial value of €100 million.

Moreover, BPCE purchased the Crédit Logement shares held by the Caisses d'Epargne for €103 million, taking its stake to 8.5% of the capital.

BPCE purchased COVEA's stake in Société d'Exploitation MAB (1,180,527 shares) for €9 million, or €7.62 per share, on January 31, 2017 taking its stake in Société d'Exploitation MAB to 99.99%.

In February 2017, BPCE subscribed to BPCE International's capital increase (for €100 million), to enable it to finance the activity of its subsidiaries.

In the Corporate Center business line, BPCE continued its withdrawal strategy, by selling or restructuring several mortgage loan and public asset securitization positions for a nominal amount of €1 billion. In 2017, the lines concerned generated income under French accounting standards of +€6.4 million in net banking income, a capital loss of -€6.9 million in "gains or losses on long-term investments" and a cost of risk of -€2.3 million.

In the Lender of last resort business line, BPCE fully redeemed perpetual deeply subordinated notes issues in July, September and October 2017 for €1,063 million. These issues, which are not eligible under Basel III, were redeemed at par at scheduled early call dates. BPCE subscribed to the perpetual deeply subordinated notes issued by Natixis in February 2017 and then in December 2017 (for $500 million each issue). These notes are eligible for Additional Tier 1 capital under Basel III.

In 2017, BPCE issued €4.9 billion of non-preferred senior bonds with maturities ranging from 5 to 15 years, including 1.7 billion in euros and 2.3 billion in dollars. These Tier 3 issues help strengthen Groupe BPCE's balance sheet due to their eligibility for the TLAC regime.

Groupe BPCE consolidated two new special purpose entities (two securitization funds) as at June 30, 2017: BPCE Home Loans FCT 2017_5 and BPCE Home Loans FCT 2017_5 Demut, both of which arose from an intra-group securitization transaction by the Banque Populaire banks and the Caisses d'Epargne on May 22, 2017.

Under this transaction, €10.5 billion in home loans was transferred to BPCE Home Loans FCT 2017_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 transactions implemented in May 2014 and May 2016, based on a transfer of home loans and personal loans, and expanded on Groupe BPCE's centralized cash management.

As in the case of previous transactions, the securities concerned were then loaned by the Banque Populaire banks and the Caisses d'Epargne to BPCE. These transactions helped ensure that the amount of Groupe BPCE's collateral eligible for Eurosystem refinancing operations remained high while also diversifying the assets available for this type of transaction.

The first amended Finance Act for 2017 introducing two additional contributions of corporate tax (15% each) took the general tax rate for this tax to 44.43% in 2017 for the BPCE tax consolidation group. The impact represents an additional charge of €64 million.

€395 million in tax rebates for prior periods were also recognized under tax, covering an adjustment in the tax treatment of certain Crédit Foncier transactions where deductibility had not been entirely taken into account during the event year. €287 million has already been returned to Crédit Fonicer and the remaining €108 million was provisioned.

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 2017 fiscal year.

The texts adopted by the ANC that had mandatory application in 2017 did not have a significant impact on the parent company financial statements.

Unless otherwise stated, BPCE did not elect to apply in advance the texts adopted by the ANC for which application is optional.

2.3 ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

The financial statements for the fiscal year are presented in identical format to those for the previous fiscal year. Generally accepted accounting principles have been applied in compliance with the principle of prudence based on the following principles:

- the going-concern principle;
- consistency of accounting methods from one period to the next;
- independence of fiscal years;

and observance of the general rules governing the preparation and presentation of annual financial statements.

The basic method for valuing accounting entries is the historical cost method and all balance sheet items are presented, as appropriate, net of amortization, provisions and allowances for impairment.

The principal methods used are as follows:

2.3.1 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 prorata 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 deposits for customers. Depending on the counterparty involved, these items include securities and other assets sold under repurchase agreements. Accrued interest is recorded under related payables.

Guarantees received are recorded in the accounts as an off-balance sheet item. They are revalued on a regular basis. The total carrying amount of all guarantees received for a single loan is limited to the outstanding amount of the loan.

Restructured loans

Within the meaning of ANC regulation No. 2014-07, restructured loans are doubtful loans and receivables whose initial characteristics (term, interest rate) are modified to allow the counterparties to repay the amounts due.

A discount is taken on restructured loans to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used for fixed-rate loans is the initial effective interest rate and the discount rate used for variable-rate loans is the most recent effective interest rate prior to the restructuring date. The effective rate is the contractual rate. This discount is expensed to "Cost of risk" in income and offset against the corresponding outstanding in the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method.

A restructured loan may be reclassified as performing when the new repayment dates are observed. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

Doubtful loans and receivables

Doubtful loans and receivables consist of all outstanding amounts (whether or not they are due, guaranteed or other), where at least one commitment made by the debtor has involved a known credit risk, classified as such on an individual basis. A risk is considered to be "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 amended issued by the French Banking Commission.

The collateralized assets continue to appear in the balance sheet of the vendor, which records the amount collected under liabilities, representing its debt vis-à-vis the purchaser. The purchaser records the amount paid under assets, representing the amount due to the vendor. At each balance sheet date, the collateralized assets, as well as the debt vis-à-vis the purchaser or the amount due to the vendor, are valued according to the rules appropriate to each of these transactions.

Impairment

Loans for which recovery is uncertain result in the recognition of an impairment loss on the asset to cover the risk of loss. Impairment losses are calculated on a case-by-case basis, taking into account the present value of guarantees received. They are determined on 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 necessitating a change of strategy;
- where fixed-income securities are no longer tradable on an active market.

It should be noted that in its March 23, 2009 press release, the Conseil national de la comptabilité (CNC – French National Accounting Board) specified that "the possibility of portfolio transfers, in particular from available-for-sale securities portfolios to held-to-maturity securities portfolios as specified under Article 19 of CRBF regulation No. 90-01 before it was updated by CRC regulation No. 2008-17, remains in force and is not repealed by ANC regulation No. 2014-07. As CRC regulation No. 2008-17, replaced by ANC regulation No. 2014-07, provided for additional possibilities of transfers between portfolios, these new transfer possibilities are added, as of the regulation's effective date of July 1, 2008, to those previously defined".

As a consequence, reclassification of the available-for-sale securities portfolio as a held-to-maturity portfolio remains possible through a simple change of intention if, on the day of the transfer, all of the criteria for a held-to-maturity portfolio are met.

2.3.4 Intangible assets and property, plant and equipment

Accounting rules for intangible assets and property, plant and equipment are defined by ANC regulation No. 2014-03.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost (purchase price including costs). These assets are amortized over their estimated useful lives.

In particular, software is amortized over a maximum period of five years. Any additional amortization that may be applied to software using the accelerated method permitted for tax purposes is recorded, where applicable, under accelerated amortization.

Goodwill is not amortized but is subject, as appropriate, to impairment tests.

Leasehold rights are amortized on a straight-line basis over the residual term of the lease and, if necessary, are tested for impairment relative to market value.

Property, plant and equipment

Property, plant and equipment consists of tangible assets that: (a) are held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and (b) are expected to be used during more than one fiscal year.

Insofar as buildings are assets consisting of a number of components that have different uses at the outset, each component is recognized separately at cost and a depreciation schedule specific to each component is used.

The depreciable amount is the gross value less the residual value where the latter is material, lasting and can be measured reliably.

Other property, plant and equipment is recorded at cost, production cost or revalued cost. The cost of assets denominated in foreign currencies is translated into euro at the exchange rate prevailing on the transaction date. These assets are depreciated or amortized in order to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life.

Where applicable, assets may be subject to impairment.

Investment property corresponds to non-operating assets.

2.3.5 Debt securities

Debt securities are presented based on the nature of the underlying: retail certificates of deposit, interbank and negotiable debt securities, bonds and other debt securities, apart from subordinated debt, which is recorded separately in a specific line item under liabilities.

Accrued interest on these instruments is disclosed separately as a related payable, as a balancing entry to the income statement entry.

Issue premiums are recognized in their entire amount during the period or are spread out on a straight-line basis over the life of the debt. Issue and redemption premiums are spread out on a straight-line basis over the life of the debt via a deferred expenses account.

For structured debt, applying the principle of prudence, only the certain portion of remuneration or principal is recognized. Unrealized gains are not recorded. Unrealized losses are subject to a provision.

2.3.6 Subordinated debt

Subordinated debt comprises proceeds from issues of subordinated debt securities, both term and perpetual subordinated debt, together with mutual guarantee deposits. In the event of liquidation of the debtor, the repayment of subordinated debt is only possible after all other creditors have been satisfied.

Accrued interest payable on subordinated debt is disclosed separately as a related payable, as a balancing entry to the income statement entry.

2.3.7 Provisions

This item includes provisions set up to cover contingencies and losses that are clearly identifiable but of uncertain timing or amount, that are either directly related or unrelated to banking transactions as defined under Article L. 311-1 of the French Monetary and Financial Code or from related transactions defined under Article L. 311-2 of the Code. Unless covered by a specific text, such provisions may only be recognized if the company has an obligation to a third party at the end of the fiscal year and no equivalent consideration is expected in return, in accordance with ANC regulation No. 2014-03.

In particular, this item includes a provision for potential employee liabilities and a provision for counterparty risk.

Employee benefits

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, 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:

- balances on transactions classified under specialized asset management or isolated open positions are recognized immediately in income;
- for micro-hedging and macro-hedging transactions, balances are amortized over the remaining term of the initially hedged item or reported immediately in the income statement.

Options

The notional amount of the underlying asset of an option or forward or futures contract is recognized by distinguishing between hedging contracts and contracts traded as part of capital market transactions.

For transactions involving interest rate, foreign exchange, or equity options, the premiums paid or received are recognized in a temporary account. At the end of the fiscal year, any options traded in an organized or similar market are valued and recognized in income. For over-the-counter (OTC) options, provisions are recognized for capital losses but unrealized capital gains are not recognized. When an option is sold, repurchased, or exercised, or when an option expires, the corresponding premium is recognized immediately in income.

Income and expenses for hedging instruments are recognized symmetrically with those from the hedged item. Seller options are not eligible for classification as macro-hedging instruments.

Over-the-counter markets may be treated as organized markets when market makers ensure continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted on an organized market.

2.3.10 Interest and similar commission income

Interest and similar commission income is recognized on a pro rata basis.

The Group has chosen the following option to account for negative interest:

- when income from an asset is negative, it is deducted from interest income in the income statement;
- when income from a liability is positive, it is deducted from interest expenses in the income statement.

Commissions and fees related to granting or acquiring a loan are treated as additional interest amortized over the effective life of the loan, on a pro rata basis according to the outstanding amount due.

Other commission income is recognized according to the type of service provided as follows:

- commissions received for an ad hoc service are recognized on completion of the service;
- commissions received for an ongoing or discontinued service paid for through several installments are recognized over the period that the service is provided.

2.3.11 Income from securities

Dividends are recognized when the right to receive payment has been decided by the competent body. They are recognized under "Income from variable-income securities".

The portion of income received during the year from bonds or negotiable debt securities is also recognized. The same applies to perpetual deeply subordinated notes that meet the definition of a Tier-1 regulatory capital instrument. The Group considers that these revenues are effectively similar in nature to interest.

2.3.12 Income tax

As of 2010 BPCE opted to apply the provisions of Article 91 of the amended French Finance Act for 2008 which extended the tax consolidation regime to networks of mutual banks. This option is modeled on the tax consolidation for mutual insurers and takes into account consolidation criteria not based on ownership interest (the scheme is usually available if at least 95% of the share capital of a subsidiary is owned by a parent company).

As head of the Group, BPCE signed a tax consolidation agreement with members of its group (including the 14 Banque Populaire banks, the 16 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 2017, 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 the deposit guarantee mechanism. For the Deposit Guarantee Fund, the cumulative amount of contributions made to the fund for deposit, collateral and securities guarantee mechanisms represented a non-material amount. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) had no material impact on BPCE financial statements. Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet were not material.

Directive 2014/59/EU (BRRD – Bank Recovery and Resolution Directive) which establishes the framework for the recovery and resolution of banks and investment firms and European regulation 806/2014 (SRM regulation) established the introduction of a resolution fund as of 2015. In 2016, this fund became a Single Resolution Fund (SRF) between the member States participating in the Single Supervisory Mechanism (SSM). The SRF is a resolution financing mechanism available to the resolution authority (Single Resolution Board). The latter may use this fund when implementing resolution procedures.

In 2017, 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 2017. The amount of contributions made to the fund for the fiscal year totaled €41.9 million, of which €35.6 million recognized as an expense and €6.3 million in cash security deposits recognized as assets on the balance sheet (15% in cash security deposits). The cumulative amount of contributions recognized as assets on the balance sheet totaled €14.8 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	31/12/2017	31/12/2016
Current accounts	2,102	2,384
Overnight loans	827	2,279
Securities received under demand repurchase agreements	0	0
Unallocated items	119	48
Accrued interest on demand accounts	1	0
Demand accounts	**3,049**	**4,711**
Term accounts and loans	170,018	153,824
Subordinated and participating loans	4,119	4,527
Securities received under term repurchase agreements	6,346	4,489
Accrued interest on term accounts	244	493
Term accounts	**180,727**	**163,333**
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	**183,776**	**168,044**

Receivables arising from transactions with the networks can be broken down into €2,266 million in demand accounts, and €171,558 million in term accounts.

LIABILITIES

in millions of euros	31/12/2017	31/12/2016
Current accounts	14,725	11,490
Overnight deposits	4,304	23,587
Securities given under demand repurchase agreements	0	0
Other amounts due	33	8
Accrued interest on demand accounts	(3)	0
Demand accounts	**19,059**	**35,085**
Term accounts and loans	107,360	77,277
Securities sold under term repurchase agreements	16,936	9,601
Accrued interest payable on term loans	81	276
Term accounts	**124,377**	**87,154**
TOTAL	**143,436**	**122,239**

Payables arising from transactions with the networks can be broken down into €18,378 million in demand accounts, and €73,079 million in term accounts.

3.2 CUSTOMER TRANSACTIONS

3.2.1 Customer transactions

RECEIVABLES DUE FROM CUSTOMERS

Assets

in millions of euros	31/12/2017	31/12/2016
Current accounts overdrawn	**33**	**169**
Business loans	**0**	**0**
Export loans	0	0
Short-term and consumer credit facilities	76	3
Equipment loans	280	480
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	**377**	**504**
Accrued interest	**2**	**6**
Doubtful loans and receivables	**0**	**0**
Impairment of loans and advances to customers	**0**	**0**
TOTAL	**412**	**679**

CUSTOMER DEPOSITS

Liabilities

in millions of euros	31/12/2017	31/12/2016
Other accounts and loans from customers[1]	1,859	2,749
Security deposits	0	0
Other amounts due	0	0
Accrued interest	0	0
TOTAL	**1,859**	**2,749**

(1) BREAKDOWN OF ACCOUNTS AND LOANS FROM CUSTOMERS.

	31/12/2017			31/12/2016		
in millions of euros	Demand	Term	Total	Demand	Term	Total
Current accounts	1,634		1,634	2,539		2,539
Loans from financial sector customers		225	225		210	210
Securities sold under repurchase agreements			0			0
Other accounts and loans		0	0		0	0
TOTAL	**1,634**	**225**	**1,859**	**2,539**	**210**	**2,749**

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	383				
Self-employed customers					
Individual customers					
Non-profit institutions					
Government and social security institutions	28				
Other	1	0	0	0	0
TOTAL AT DECEMBER 31, 2017	**412**	**0**	**0**	**0**	**0**
TOTAL AT DECEMBER 31, 2016	**679**	**0**	**0**	**0**	**0**

3.3 TREASURY BILLS, BONDS, EQUITIES AND OTHER FIXED-AND VARIABLE-INCOME SECURITIES

3.3.1 Securities portfolio

	31/12/2017				31/12/2016			
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	18,142	1,270	0	19,412	18,113	525	461	19,099
Accrued interest		23	0	23		10	7	17
Impairment				0				0
Treasury bills and equivalent	**18,142**	**1,293**	**0**	**19,435**	**18,113**	**535**	**468**	**19,116**
Gross amount	51,426	3,069	3,645	58,140	49,641	3,525	4,452	57,618
Accrued interest		6	17	23		6	17	23
Impairment		(14)	0	(14)		(75)	0	(75)
Bonds and other fixed-income securities	**51,426**	**3,061**	**3,662**	**58,149**	**49,641**	**3,456**	**4,469**	**57,566**
Gross amount		1,273		1,273		1,288		1,288
Accrued interest				0				0
Impairment		(31)		(31)		(28)		(28)
Equities and other variable-income securities	**0**	**1,242**		**1,242**	**0**	**1,260**	**0**	**1,260**
TOTAL	**69,568**	**5,596**	**3,662**	**78,826**	**67,754**	**5,251**	**4,937**	**77,942**

The change in bonds and other fixed-income securities classified as held-to-maturity securities mainly reflected the disposal and amortization of shares in a portfolio of mortgage loan and public asset securitizations for a nominal amount of €746 million.

The change in bonds and other fixed-income securities classified as available-for-sale securities mainly reflected the disposal and amortization of shares in a portfolio of mortgage loan and public asset securitizations for a nominal amount of €1,055 million.

The market value of held-to-maturity securities stood at €3,647 million.

For equity securities available for sale in the medium term, unrealized capital gains totaled €221 million, and capital losses €152 million.

TREASURY BILLS, BONDS AND OTHER FIXED-INCOME SECURITIES

in millions of euros	31/12/2017				31/12/2016			
	Trading securities	Available-for-sale securities	Held-to-maturity securities	Total	Trading securities	Available-for-sale securities	Held-to-maturity securities	Total
Listed securities		2,542	399	2,941		872	1,036	1,908
Unlisted securities		1,783	3,246	5,029		3,003	3,505	6,508
Securities loaned	1,697	0	0	1,697	2,510	100	372	2,982
Securities borrowed	67,871			67,871	65,244			65,244
Doubtful loans and receivables				0				0
Accrued interest		29	17	46		16	24	40
TOTAL	**69,568**	**4,354**	**3,662**	**77,584**	**67,754**	**3,991**	**4,937**	**76,682**
o/w subordinated notes				*0*				*0*

Unrealized capital losses subject to an impairment provision on available-for-sale securities amounted to €16 million at December 31, 2017, compared with €74 million at December 31, 2016.

Unrealized capital gains on available-for-sale securities totaled €43 million at December 31, 2017, compared with €34 million at December 31, 2016.

Unrealized capital gains on held-to-maturity securities amounted to €101 million at December 31, 2017, versus €111 million at December 31, 2016.

Unrealized capital losses on held-to-maturity securities, whether or not they are subject to an impairment provision to cover counterparty risk, totaled €99 million at December 31, 2017, compared with €481 million at December 31, 2016.

At December 31, 2017, the portion of bonds and other fixed-income securities issued by public bodies amounted to €1,270 million, compared with €986 million at December 31, 2016.

EQUITIES AND OTHER VARIABLE-INCOME SECURITIES

in millions of euros	31/12/2017			31/12/2016		
	Trading securities	Available-for-sale securities	Total	Trading securities	Available for-sale securities	Total
Listed securities		1,224	1,224		1,240	1,240
Unlisted securities		18	18		20	20
Accrued interest			0			0
TOTAL	**0**	**1,242**	**1,242**	**0**	**1,260**	**1,260**

At December 31, 2017, equities and other variable-income securities included €1,228 million in UCITS, with accumulation funds accounting for €1,212 million of this total (compared with €1,245 million in UCITS, with accumulation funds accounting for €1,213 million of the total as of December 31, 2016).

At December 31, 2017, unrealized capital losses on available-for-sale securities subject to impairment amounted to €35 million. At December 31, 2016, unrealized capital losses subject to impairment amounted to €35 million.

Unrealized capital gains on available-for-sale securities totaled €77 million at December 31, 2017. At December 31, 2016, unrealized capital gains on available-for-sale securities were the same amount.

3.3.2 Changes in held-to-maturity securities

in millions of euros	31/12/2016	Purchases	Disposals and redemptions	Category transfer	Conversion	Discount/ premium	Other changes	31/12/2017
Treasury bills	468		(450)			(11)	(7)	0
Bonds and other fixed-income securities	4,469		(920)		23	90		3,662
TOTAL	**4,937**	**0**	**(1,370)**	**0**	**23**	**79**	**(7)**	**3,662**

The changes mainly reflected the disposal and amortization of shares in a portfolio of mortgage loan and public asset securitizations for a nominal amount of €746 million.

3.3.3 Reclassification of assets

Reclassification owing to a change in intention (Provisions of CRB 90-01 prior to CRC 2008-17, replaced by ANC regulation No. 2014-07)

BPCE has not reclassified any assets during the past two fiscal years.

During fiscal year 2017, the sale and amortization of held-to-maturity securities reclassified in 2015 as available-for-sale securities represented a nominal amount of €508 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	31/12/2016	Increase	Decrease	Conversion	Other changes	31/12/2017
Equity interests and other long-term investments	3,052	994	(18)	(101)	69	3,996
Investments in affiliates	24,691	198	(107)		(14)	24,768
o/w current account advances & perpetual subordinated notes	*2,041*	*890*	*(18)*	*(78)*		*2,835*
Gross amount	**27,743**	**1,192**	**(125)**	**(101)**	**55**	**28,764**
Equity interests and other long-term investments	(401)	(11)	11		11	(390)
Investments in affiliates	(4,749)	(306)	508		(11)	(4,558)
o/w current account advances & perpetual subordinated notes	*0*					*0*
Impairment	**(5,150)**	**(317)**	**519**		**0**	**(4,948)**
TOTAL	**22,593**	**875**	**394**	**(101)**	**55**	**23,816**

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 2017 included:

- acquisition of Crédit Logement shares (€103 million);
- subscription for the BPCE International capital increase (€100 million);
- subscription for the 3F Holding capital increase (€89 million);
- acquisition of Société d'Exploitation MAB shares (€9 million).

The principal reductions in investments in associates executed in 2017 were:

- impairment of BPCE Immobilier Exploitation share acquisition (€73 million);
- disposal of S-money shares (€16 million);
- liquidation of Europay France shares (€11 million);
- disposal of Caisse de Refinancement de l'Habitat shares (€5 million);
- disposal of Union Asset Management Holding shares (€1 million).

Other changes mainly included:

- acquisition of MFC Prou-Investissements through the total transfer of assets and liabilities (€100 million);
- reduction in investments in associates through the total transfer of the assets and liabilities of GCE Foncier Coinvest (€46 million).

The main reversals of provisions for impairment in investments in associates were as follows:

- Natixis (€452 million);
- BPCE Immobilier Exploitation (€56 million);
- Société d'Exploitation MAB (€1 million);

The main provisions for impairment in investments in associates included:

- BPCE International (€122 million);
- Crédit Foncier (€96 million);
- BPCE Immobilier Exploitation (€59 million);
- Banque Palatine (€30 million).

The principal increases in perpetual deeply subordinated notes executed in 2017 were:

- Natixis (€882 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 2017 included:

- recognition of an additional €122 million impairment on BPCE International shares, taking the carrying amount to €218 million at December 31, 2017;
- recognition of a €452 million provision reversal on Natixis shares, taking the carrying amount to its gross value of €15,269 million at December 31, 2017;
- recognition of an additional €96 million impairment on Crédit Foncier shares, taking the carrying amount to €981 million at December 31, 2017;
- recognition of an additional €30 million impairment on Banque Palatine shares, taking the carrying amount to €800 million at December 31, 2017.

The impairments are recognized under net gains or losses on other long-term investments.

3.4.2 Statement of subsidiaries and equity investments

Subsidiaries and ownership interests *in millions of euros*	Share capital 12/31/2016	Equity interests other than share capital (incl. fund for general banking risks, as appropriate) as of 12/31/2016	% interest held as of 12/31/2017	Carrying amount of shares held at 12/31/2017 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	5,019	9,716	70.99%	15,269	15,269
Crédit Foncier – 19, rue des Capucines – 75001 Paris	1,331	1,154	100.00%	3,682	981
Holassure – 50, avenue Pierre-Mendès-France – 75013 Paris	935	231	100.00%	1,768	1,768
BPCE International – 88, avenue de France – 75013 Paris	478	350	100.00%	1,658	218
Banque Palatine – 42, rue d'Anjou – 75008 Paris	539	236	100.00%	1,119	800
BPCE SFH – 50, avenue Pierre-Mendès-France – 75013 PARIS	600	35	100.00%	600	600
3F Holding – c/o Vistra Gmbh – Westendstr. 28 – 60325 Frankfurt – Germany		142	98.48%	232	231
BPCE Immobilier Exploitation – 50, avenue Pierre-Mendès-France – 75013 Paris	57	22	100.00%	62	3
ISSORIA (SAS) – 10, rue de la Paix – 75002 Paris	43	12	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	20	11	99.99%	41	31
Albiant IT – 50, avenue Pierre-Mendès-France – 75013 PARIS	50	(12)	97.00%	49	49
ECUFONCIER – 19, rue des Capucines – 75001 Paris	30	3	95.00%	28	29
GCE Participations – 50, avenue Pierre-Mendès-France – 75013 Paris	12	(6)	100.00%	35	6
Surassur – 534, rue de Neudorf – L2220 Luxembourg	14	6	91.76%	20	20
Basak 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(15)	100.00%	4	2
Basak 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(15)	100.00%	4	2
Basak 3 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(15)	100.00%	4	2
Basak 4 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(12)	100.00%	4	2
Berra 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(3)	100.00%	2	2
Berra 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(3)	100.00%	2	2
Berra 3 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(3)	100.00%	2	2
Berra 4 – 50, avenue Pierre-Mendès-France – 75013 Paris	6	(5)	100.00%	6	4
Berra 5 – 50, avenue Pierre-Mendès-France – 75013 Paris	6	(6)	100.00%	6	4
Lotus 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(6)	100.00%	2	1
Lotus 2 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(6)	100.00%	2	1
Lotus 3 – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(6)	100.00%	2	1
Mihos – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(19)	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	1
Panda 7 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	1
Panda 8 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	2
Panda 9 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	2
Panda 10 – 50, avenue Pierre-Mendès-France – 75013 Paris	3	(7)	100.00%	3	2

Loans and advances granted by the company and not yet redeemed (incl. perpetual subordinated notes) in 2017	Guarantees and endorsements given by the parent company in 2017	Net revenue before tax for the year ended 12/31/2016	Net income for the year ended 12/31/2016	Dividends received by the company during the fiscal year 2017
3,868	5,059	4,141	1,621	780
838	296	663	259	
		91	89	
		(16)	(82)	
	45	300	51	
		13	6	3
	4	20	2	
		1	(1)	
		3	(1)	
		1		
		2		
76		127	(1)	
		1		
		17		
2		8	(1)	
2		8	(1)	
2		8	(1)	
2		7	(2)	
4		4	(3)	
4		4	(2)	
4		4	(2)	
9		9	(5)	
9		8	(5)	
1		3		
1		3		
1		3		
3		7	(3)	
4		8		
4		8		
2		4		
2		3		
2		4		
2		4		
1		4		
1		4		
1		5		
1		5		
1		5	(1)	
1		4	(1)	

5

Subsidiaries and ownership interests *in millions of euros*	**Share capital 12/31/2016**	**Equity interests other than share capital (incl. fund for general banking risks, as appropriate) as of 12/31/2016**	**% interest held as of 12/31/2017**	**Carrying amount of shares held at 12/31/2017**	
				Gross	**Net**
Perle 1 – 50, avenue Pierre-Mendès-France – 75013 Paris	4	(13)	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	(9)	100.00%	3	2
Satis – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(4)	100.00%	2	1
Seth – 50, avenue Pierre-Mendès-France – 75013 Paris	5	(9)	100.00%	5	4
Siamon – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(4)	100.00%	2	1
Thara Raj – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(18)	100.00%	2	2
Behanzin – 50, avenue Pierre-Mendès-France – 75013 Paris	2	(3)	100.00%	2	1
Nefer – 50, avenue Pierre-Mendès-France – 75013 Paris	8		51.00%	4	4
2. Affiliates (between 10%- and 50%-owned)					
VBI Beteiligungs Gmbh – Peregringasse 3 – 1090 WEIN – Austria			24.50%	299	
Socram Banque – 2, rue du 24 février – 79000 Niort	70	139	33.42%	44	44
Informatique Banque Populaire – 23, place de Wicklow – 78180 Montigny le Bretonneux	90	(29)	29.52%	31	31
MFC Prou-Investissements – 4, route d'Ancinnes – 61000 Alençon	37	24	49.00%	100	100
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 Echange Traitement -100, esplanade du Général de Gaulle – 92400 Courbevoie	20	64	15.04%	3	3
Click and Trust – 18, quai de la Rapée – 75012 Paris	4	2	34.00%	3	1
B. General information concerning other instruments whose gross value is less than 1% of the parent company's capital					
French subsidiaries (together)				9	6
Foreign subsidiaries (together)				1	
Associations' certificates					
French companies				224	224
Other companies				269	269
o/w investments in listed companies				*15,269*	*15,269*

Loans and advances granted by the company and not yet redeemed (incl. perpetual subordinated notes) in 2017	Guarantees and endorsements given by the parent company in 2017	Net revenue before tax for the year ended 12/31/2016	Net income for the year ended 12/31/2016	Dividends received by the company during the fiscal year 2017
5		7		
2		3		
2		3		
2		3		
7		7	(4)	
4		4	(4)	
15		13	(12)	
4		4	(4)	
3		8	(3)	
9		9	(9)	
			4	1
	100	50	14	2
		346	2	
		2	2	
		4	1	
		8	(5)	
		71	8	
		2		
24				
37	17			9
				6

3.4.3 Companies established with unlimited liability

Corporate name	Head Office	Legal form
GIE BPCE Achats	12/20, rue Fernand Braudel – 75013 Paris	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 & Technologies	110 avenue de France – 75013 Paris	GIE
GIE ITCE	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

	31/12/2017			31/12/2016
in millions of euros	Credit institutions	Other companies	Total	Total
Receivables	**96,694**	**76**	**96,770**	**85,816**
o/w subordinated items	*2,775*		*2,775*	*2,781*
Liabilities	**47,524**	**1,030**	**48,554**	**52,691**
o/w subordinated items			*0*	*0*
Financing commitments			0	5,820
Guarantee commitments	5,391	27	5,418	4,996
Other commitments given	7,675		7,675	4,203
Commitments given	**13,066**	**27**	**13,093**	**15,019**
Financing commitments	7,968		7,968	4,553
Guarantee commitments			0	0
Other commitments received	8,279		8,279	8,470
Commitments received	**16,247**	**0**	**16,247**	**13,023**

No material transactions were concluded on non-market terms with a related party.

3.5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

3.5.1 Intangible assets

in millions of euros	31/12/2016	Increase	Decrease	Other changes	31/12/2017
Lease rights and business assets	0				0
Software	113	11	(2)	(1)	121
Other	0				0
Operating intangible assets	**113**	**11**	**(2)**	**(1)**	**121**
Non-operating intangible assets	**2**				**2**
Gross amount	**115**	**11**	**(2)**	**(1)**	**123**
Lease rights and business assets	0				0
Software	(101)	(5)			(106)
Other	0				0
Impairment	0				0
Operating intangible assets	**(101)**	**(5)**	**0**	**0**	**(106)**
Impairment excluding operating intangible assets	**(2)**				**(2)**
Depreciation and impairment	**(103)**	**(5)**	**0**	**0**	**(108)**
NET AMOUNT OF INTANGIBLE ASSETS	**12**	**6**	**(2)**	**(1)**	**15**

3.5.2 Property, plant and equipment

in millions of euros	31/12/2016	Increase	Decrease	Other changes	31/12/2017
Land	0				0
Buildings	2				2
Shares in non-trading real estate companies	0				0
Other	137	8	(2)		143
Operating property, plant and equipment	**139**	**8**	**(2)**	**0**	**145**
Non-operating property, plant and equipment	**3**				**3**
Gross amount	**142**	**8**	**(2)**	**0**	**148**
Land	0				0
Buildings	0				0
Shares in non-trading real estate companies	0				0
Other	(128)	(2)			(130)
Operating property, plant and equipment	**(128)**	**(2)**	**0**	**0**	**(130)**
Non-operating property, plant and equipment	**(2)**				**(2)**
Depreciation and impairment	**(130)**	**(2)**	**0**	**0**	**(132)**
NET AMOUNT OF PROPERTY PLANT AND EQUIPMENT	**12**	**6**	**(2)**	**0**	**16**

3.6 DEBT SECURITIES

in millions of euros	31/12/2017	31/12/2016
Certificates of deposit and savings bonds	0	0
Interbank market instruments and money market instruments	34,492	27,250
Bonds	40,315	51,301
Other debt securities*	4,885	0
Accrued interest	1,004	1,164
TOTAL	**80,696**	**79,715**

* *Other debt securities represents a new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation which has been introduced by French law and is commonly referred to as senior non-preferred debt. These liabilities have a ranking between the ranking of own funds and other "senior preferred" debt.*

The amount of bond issue and redemption premiums remaining to be amortized totaled €104 million at end-2017.

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	31/12/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Remaining payments due on investments in associates	0	4	0	4
Securities settlement accounts	0	0	0	0
Premiums on options bought and sold	4	367	4	367
Debt on borrowed securities and other securities debt(1)	0	69,568	0	67,754
Tax and social security receivables and liabilities	1,056	918	340	327
Security deposits paid and received	5	5	6	7
Other non-trade receivables, other accounts payable(2)	1,092	1,842	645	3,757
TOTAL	**2,157**	**72,704**	**995**	**72,216**

(1) *Debt on borrowed securities and other securities debt mainly related to the borrowing of BPCE Master Home Loans securities for €33,476 million, the borrowing of BPCE Home Loans 2017_5 for €8,312 million, and the borrowing of BPCE Consumer Loans 2016_5 for €3,161 million. These securities were acquired by participating institutions as part of the internal securitization transaction.*

(2) *Other non-trade receivables included €441 million in deposits paid, of which a €204 million deposit paid to BPCE Master Home Loans, a €29 million deposit paid to BPCE Consumer Loans, as well as a €20 million deposit paid to BPCE Home Loans, consolidated subsidiaries of BPCE. Other accounts payable included €1,836 million in deposits received, of which €1,739 million from Natixis.*

3.8 ACCRUAL ACCOUNTS

in millions of euros	31/12/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange commitments	0	175	399	0
Deferred gains and losses on hedged forward financial instruments	17	635	34	772
Issue premiums and flotation costs	233	23	276	31
Prepaid expenses and unearned income	32	89	30	145
Accrued income/expenses*	1,333	772	1,419	373
Items in process of collection	20	0	457	0
Other	14	43	77	12
TOTAL	**1,649**	**1,737**	**2,692**	**1,333**

* *Accrued income mainly comprised accrued interest on interest rate swaps (€1,272 million). Accrued expenses mainly comprised accrued interest on interest rate swaps (€252 million).*

3.9 PROVISIONS

3.9.1 Statement of changes in provisions

in millions of euros	31/12/2016	Charges	Reversals	Utilizations	Conversion	31/12/2017
Provisions for counterparty risk	**4**		**(1)**			**3**
Provisions for employee benefit liabilities	**110**	**5**	**(24)**	**(2)**		**89**
Provisions for litigation	**22**	**11**	**(11)**	**(7)**		**15**
Provisions for restructuring costs	**3**			**(3)**		**0**
Securities portfolio and financial futures	3		(3)			0
Long-term investments	0	1				1
Real estate development	0					0
Provisions for taxes*	416	187	(38)	(6)		559
Other	52	6	(2)	(9)		47
Other provisions	**471**	**194**	**(43)**	**(15)**		**607**
TOTAL	**610**	**210**	**(79)**	**(27)**	**0**	**714**

* *The charge to provisions for tax of €187 million mainly corresponds to the provision of €108 million in tax rebates for prior periods covering an adjustment in tax treatment of certain Crédit Foncier transactions where deductibility had not been entirely taken into account during the event year.*

3.9.2 Provisions and impairment for counterparty risks

in millions of euros	31/12/2016	Charges	Reversals	Utilizations	Conversion	31/12/2017
Impairment of loans and advances to customers (individual basis)	0					0
Impairment of other assets	0					0
Impairment of assets	**0**	**0**	**0**	**0**	**0**	**0**
Provisions for off-balance sheet liabilities	4	0	(1)			3
Provisions for customer credit risk	0					0
Other provisions	0					0
Provisions for counterparty risk recognized as liabilities	**4**	**0**	**(1)**	**0**	**0**	**3**
TOTAL	**4**	**0**	**(1)**	**0**	**0**	**3**

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 (€24 million in 2017).

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	31/12/2017	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	31/12/2016
Actuarial liabilities	109	20	251	41	4	425	107	21	251	39	4	422
Fair value of plan assets	(124)	(11)	(211)	(12)		(358)	(126)	(10)	(183)	(9)		(328)
Effect of ceiling on plan assets	7					7	6					6
Unrecognized actuarial gains/(losses)	8	(1)	(12)	1		(4)	13	(2)	(19)			(8)
Unrecognized service cost for prior periods						0						0
NET AMOUNT REPORTED ON THE BALANCE SHEET	**0**	**8**	**28**	**30**	**4**	**70**	**0**	**9**	**49**	**30**	**4**	**92**
Employee benefit commitments recorded in the balance sheet	0	8	28	30	4	70	0	9	49	30	4	92
Plan assets recorded in the balance sheet			0			0			0			0

Analysis of expense for the year

	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	31/12/2017	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	31/12/2016
Service cost			8	4		12			7	4		11
Service cost for prior periods						0						0
Interest cost	2		4			6	2		4			6
Interest income	(2)		(2)			(4)	(2)		(3)			(5)
Benefits paid		(1)		(2)		(3)		(1)		(1)		(2)
Plan participant contributions			(31)	(4)		(35)			(16)	(7)		(23)
Actuarial differences						0						0
Other			1	1		2			3	1		4
TOTAL	**0**	**(1)**	**(20)**	**(1)**	**0**	**(22)**	**0**	**(1)**	**(5)**	**(3)**	**0**	**(9)**

Main actuarial assumptions

	31/12/2017					31/12/2016				
	Post-employment defined-benefit plans				Other long-term employee benefits	Post-employment defined-benefit plans				Other long-term employee benefits
as a percentage	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	CGPCE Plan	CARBP Plan	Supplementary pension benefits and other	End-of-ocareer awards	Long-service awards
Discount rate	1.58%	1.32%	0.89% to 1.47%	0.01% to 1.34%	0.09% to 0.78%	1.65%	1.22%	0.82% to 1.46%	0.13% to 1.23%	0.17% to 0.71%
Inflation rate	1.70%	1.70%	1.70%	1.70%	1.70%	1.60%	1.60%	1.60%	1.60%	1.60%
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%)	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	18.4	14.5	10.1 to 19.9	4.8 to 14.9	4.7 to 9.2	18.9	14.8	10.4 to 20.6	4.5 to 14.9	4.8 to 9.7

At December 31, 2017, 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 2017, of the €2.4 million in actuarial gains and losses generated for CGPCE, €3.2 million was from gains and losses related to the updated financial assumptions, -€0.7 million from experience adjustments:

- for the Banque Populaire banks' CARBP pension plan: 46.4% in bonds, 42% in equities, 8.3% in investment funds and 3.2% in money-market assets.

In 2017, of the -€0.2 million in actuarial gains and losses generated for CARBP, -€0.01 million was from gains and losses related to the updated financial assumptions, -€0.1 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	31/12/2017	31/12/2016
Term subordinated debt	14,973	17,641
Perpetual subordinated debt	61	61
Perpetual deeply subordinated debt	744	1,858
Accrued interest	330	366
TOTAL	**16,108**	**19,926**

The amount of bond issue and redemption premiums remaining to be amortized at December 31, 2017 totaled €106 million.

During 2017, BPCE redeemed a deeply subordinated notes issue for €1,063 million.

Perpetual deeply subordinated debt has the following characteristics:

Currency	Issue date	Outstanding amount at 12/31/2017 *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
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	370	444	12.50%	3-month Libor USD +12.98%	3-month Libor USD +12.98%	09/30/2019	09/30/2019
TOTAL		**744**						

3.11 FUND FOR GENERAL BANKING RISKS

in millions of euros	31/12/2016	Increase	Decrease	31/12/2017
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, 2015	**156**	**12,345**	**35**	**967**	**(175)**	**2,491**	**15,819**
Changes during the period	0	0	0	2,141	0	(2,030)	111
TOTAL AT DECEMBER 31, 2016	**156**	**12,345**	**35**	**3,108**	**(175)**	**461**	**15,930**
2016 income allocation				286	175	(461)	0
Dividend paid				(208)	(202)		(410)
Other changes							0
Net income for the period						729	729
TOTAL AT DECEMBER 31, 2017	**156**	**12,345**	**35**	**3,186**	**(202)**	**729**	**16,249**

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 19, 2017, BPCE decided to pay dividends to its shareholders in the amount of €384 million, or €12.312 per share, to be charged in full against income for fiscal year 2016.

The dividend was paid as follows:

- through an interim dividend paid on December 20, 2016 for a total amount of €174,998,300.44, i.e. €5.6182 per share, decided on by the Management Board on December 19, 2016;
- the balance of the dividend was paid to shareholders on May 24, 2017 for a total amount of €208,501,588.33, i.e. €6.6938 per share.

At its meeting of December 21, 2017, BPCE's Management Board decided to pay an interim dividend to its shareholders totaling €201,502,528.46, or €6.4691 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.

	31/12/2017						
in millions of euros	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity	Total
Treasury bills and equivalent	2,849	1,052	5,942	5,931	3,661	0	19,435
Loans and advances due from credit institutions	24,624	21,961	49,891	63,013	24,257	30	183,776
Customer transactions	35	0	12	144	221	0	412
Bonds and other fixed-income securities	4,853	1,389	10,053	27,049	14,805	0	58,149
Total uses of funds	**32,361**	**24,402**	**65,898**	**96,137**	**42,944**	**30**	**261,772**
Amounts due to credit institutions	47,235	16,125	18,335	44,957	16,784	0	143,436
Customer transactions	1,634	0	225	0	0	0	1,859
Debt securities	9,423	8,606	28,131	22,965	11,571	0	80,696
Subordinated debt	384	0	0	546	14,373	805	16,108
Total sources of funds	**58,676**	**24,731**	**46,691**	**68,468**	**42,728**	**805**	**242,099**

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	31/12/2017	31/12/2016
Financing commitments given		
To banks	**3,292**	**17,971**
Documentary credit	0	0
Other credit facilities granted	0	0
Other commitments	4	0
To customers	**4**	**0**
TOTAL FINANCING COMMITMENTS GIVEN	**3,296**	**17,971**
Financing commitments received		
From banks	46,286	42,524
From customers	0	0
TOTAL FINANCING COMMITMENTS RECEIVED	**46,286**	**42,524**

4.1.2 Guarantee commitments

in millions of euros	31/12/2017	31/12/2016
Guarantee commitments given		
Documentary credit confirmations	0	0
Other bonds and endorsements	0	18
Other guarantees	10,291	10,031
To banks	**10,291**	**10,049**
Real estate guarantees	0	0
Government and tax guarantees	0	0
Other bonds and endorsements	508	628
Other guarantees given	9	0
To customers	**517**	**628**
TOTAL GUARANTEE COMMITMENTS GIVEN	**10,808**	**10,677**
Guarantee commitments received from credit institutions	7,512	10
Commitments received from customers	0	1
TOTAL GUARANTEE COMMITMENTS RECEIVED	**7,512**	**11**

4.1.3 Other commitments not recognized off-balance sheet

	31/12/2017		31/12/2016	
in millions of euros	Commitments given	Commitments received	Commitments given	Commitments received
Other securities pledged as collateral provided to credit institutions	55,798	13,512	31,511	13,958
Other securities pledged as collateral received from customers	0	0	0	0
TOTAL	**55,798**	**13,512**	**31,511**	**13,958**

At December 31, 2017, receivables pledged as collateral under funding arrangements included in particular:

- €34,611 million in negotiable debt securities provided to the Banque de France as part of the TRICP system, compared with €13,522 million at December 31, 2016;
- €6,248 million in loans pledged as collateral for funding received from the European Investment Bank (EIB) versus €6,509 million at December 31, 2016.

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	31/12/2017				31/12/2016			
	Hedging transactions	Other transactions	Total	Fair value	Hedging transactions	Other transactions	Total	Fair value
Forward transactions								
Interest rate contracts			0				0	0
Foreign currency contracts			0				0	0
Other contracts			0				0	0
Transactions on organized markets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Forward rate agreements (FRA)							0	
Interest rate swaps	101,639	1,158	102,797	2,225	96,193	1,231	97,424	3,058
Foreign exchange swaps	14,715		14,715	(23)	17,324		17,324	(56)
Currency swaps	18,020		18,020	(317)	17,045		17,045	590
Other foreign currency contracts	243		243	6	193		193	(5)
Other forward and futures contracts	207	4,351	4,558	17	238	4,383	4,621	(2)
Over-the-counter transactions	**134,824**	**5,509**	**140,333**	**1,908**	**130,993**	**5,614**	**136,607**	**3,585**
TOTAL FORWARD TRANSACTIONS	**134,824**	**5,509**	**140,333**	**1,908**	**130,993**	**5,614**	**136,607**	**3,585**
Options								
Interest rate options			0				0	0
Foreign currency options		0	0			0	0	0
Other options			0				0	
Transactions on organized markets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate options	325		325	(3)	352		352	(5)
Foreign currency options			0				0	0
Other options		20,228	20,228	(568)		20,228	20,228	(568)
Over-the-counter transactions	**325**	**20,228**	**20,553**	**(571)**	**352**	**20,228**	**20,580**	**(573)**
TOTAL OPTIONS	**325**	**20,228**	**20,553**	**(571)**	**352**	**20,228**	**20,580**	**(573)**
TOTAL FINANCIAL AND FOREIGN CURRENCY FUTURES	**135,149**	**25,737**	**160,886**	**1,337**	**131,345**	**25,842**	**157,187**	**3,012**

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	31/12/2017				31/12/2016			
	Micro-hedge	Macro-hedge	Isolated open positions	Total	Micro-hedge	Macro-hedge	Isolated open positions	Total
Forward rate agreements (FRA)				0				0
Interest rate swaps	65,984	35,655	1,158	102,797	59,084	37,110	1,231	97,425
Currency swaps	18,020			18,020	17,045			17,045
Other interest rate futures contracts				0				0
Forward transactions	**84,004**	**35,655**	**1,158**	**120,817**	**76,129**	**37,110**	**1,231**	**114,470**
Interest rate options	325			325	352			352
Options	**325**	**0**	**0**	**325**	**352**	**0**	**0**	**352**
TOTAL	**84,329**	**35,655**	**1,158**	**121,142**	**76,481**	**37,110**	**1,231**	**114,822**

in millions of euros	31/12/2017				31/12/2016			
	Micro-hedge	Macro-hedge	Isolated open positions	Total	Micro-hedge	Macro-hedge	Isolated open positions	Total
Fair value	1,555	360	(10)	1,905	3,031	633	(21)	3,643

No transactions were transferred from one portfolio to another during the period.

4.2.3 Commitments on forward financial instruments by maturity

in millions of euros	31/12/2017			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Transactions on organized markets				0
Over-the-counter transactions	57,178	40,185	42,970	140,333
Forward transactions	**57,178**	**40,185**	**42,970**	**140,333**
Transactions on organized markets				0
Over-the-counter transactions	20	20,486	47	20,553
Options	**20**	**20,486**	**47**	**20,553**
TOTAL	**57,198**	**60,671**	**43,017**	**160,886**

4.3 BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

in millions of euros	31/12/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Euro	305,800	292,919	284,099	269,267
Dollar	22,544	26,371	25,042	29,439
Pound sterling	440	4,380	423	3,470
Swiss franc	2,119	432	2,666	4,195
Yen	1,770	6,776	1,001	6,030
Other	960	2,755	1,617	2,447
TOTAL	**333,633**	**333,633**	**314,848**	**314,848**

4.4 FOREIGN CURRENCY TRANSACTIONS

in millions of euros	31/12/2017	31/12/2016
Spot foreign exchange transactions		
Currencies receivable not received	15	16
Currencies deliverable not delivered	15	16
TOTAL	**30**	**32**

Note 5 Information on the income statement

5.1 INTEREST AND SIMILAR INCOME AND EXPENSES

	Fiscal year 2017			Fiscal year 2016		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Transactions with credit institutions	1,233	(810)	423	1,790	(1,339)	451
Customer transactions	20	(10)	10	18	(10)	8
Bonds and other fixed-income securities	2,166	(2,533)	(367)	2,044	(2,672)	(628)
Subordinated debt	0	(822)	(822)	0	(901)	(901)
Macro-hedging transactions	311	(175)	136	410	(246)	164
TOTAL	**3,730**	**(4,350)**	**(620)**	**4,262**	**(5,168)**	**(906)**

5.2 INCOME FROM VARIABLE-INCOME SECURITIES

in millions of euros	Fiscal year 2017	Fiscal year 2016
Equities and other variable-income securities	1	0
Equity interests and other long-term investments	151	139
Investments in affiliates	783	886
TOTAL	**935**	**1,025**

5.3 FEES AND COMMISSIONS

	Fiscal year 2017			Fiscal year 2016		
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	1	(1)	0
Securities trading	1	(6)	(5)	1	(1)	0
Payment services	153	(167)	(14)	4	(22)	(18)
Foreign exchange transactions	0	0	0	0	0	0
Off-balance sheet commitments	0	0	0	0	0	0
Financial services	0	(7)	(7)	0	(6)	(6)
Consulting services	0	0	0	0	0	0
Other fee and commission income/(expense)	0	(7)	(7)	0	(5)	(5)
TOTAL	**156**	**(188)**	**(32)**	**7**	**(35)**	**(28)**

5.4 NET GAINS OR LOSSES ON TRADING BOOK TRANSACTIONS

in millions of euros	Fiscal year 2017	Fiscal year 2016
Trading securities	0	0
Foreign exchange transactions	55	63
Financial futures	10	(32)
TOTAL	**65**	**31**

5.5 NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE SECURITIES AND EQUIVALENT

	Fiscal year 2017		Fiscal year 2016	
in millions of euros	Available-for-sale securities	Total	Available-for-sale securities	Total
Impairment				
Charges	(9)	(9)	(13)	(13)
Reversals	66	66	122	122
Net gain/(loss) on disposal	(4)	(4)	56	56
Other items		0		0
TOTAL	**53**	**53**	**165**	**165**

5.6 OTHER BANKING INCOME AND EXPENSES

	Fiscal year 2017			Fiscal year 2016		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Share in joint operations	0	0	0	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	(17)	(17)	0	(5)	(5)
Real estate business	0	0	0	0	0	0
IT services	0	0	0	0	0	0
Other activities	1	(1)	0	1	0	1
Other related income and expenses	0	0	0	0	0	0
TOTAL	**1**	**(18)**	**(17)**	**1**	**(7)**	**(6)**

5.7 OPERATING EXPENSES

	Fiscal year 2017	Fiscal year 2016
Wages and salaries	(137)	(154)
Pension costs and similar obligations*	(7)	(18)
Other social security charges	(53)	(50)
Employee incentive scheme	(15)	(13)
Employee profit-sharing scheme	0	0
Payroll taxes	(32)	(27)
Total payroll costs	**(244)**	**(263)**
Taxes other than on income	(9)	(36)
Other operating expenses	(448)	(419)
Rebilled expenses	568	530
Total other operating expenses	**111**	**75**
TOTAL	**(133)**	**(188)**

* *Including additions, utilizations, and reversals of provisions for employee benefit obligations (see Note 3.9.3).*

5

The average headcount during the year, broken down by professional category, was as follows: 1,404 managers and 107 non-managers, representing a total of 1,511 persons.

The Employment and Competitiveness Tax Credit (CICE) is deducted from payroll costs. The use of this tax is presented in the "Social, environmental and societal information" section of the registration document.

5.8 COST OF RISK

in millions of euros	Fiscal year 2017					Fiscal year 2016				
	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					0		1			1
Securities portfolio and other receivables			(2)		(2)		3	(3)		0
Provisions										
Off-balance sheet commitments		1			1		41	(38)		3
Provisions for customer credit risks					0					0
Other					0					0
TOTAL	**0**	**1**	**(2)**	**0**	**(1)**	**0**	**45**	**(41)**	**0**	**4**
o/w:										
reversals of obsolete impairment charges							*1*			
reversals of utilized impairment charges							*3*			
reversals of obsolete provisions		*1*					*4*			
reversals of utilized provisions							*37*			
Net amount of reversals		***1***					***45***			

5.9 GAINS OR LOSSES ON LONG-TERM INVESTMENTS

in millions of euros	Fiscal year 2017				Fiscal year 2016			
	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	(262)			(262)	(1,090)			(1,090)
Reversals	521			521	8			8
Net gain/(loss) on disposal	10	(7)		3	867	349		1,216
TOTAL	**269**	**(7)**	**0**	**262**	**(215)**	**349**	**0**	**134**

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 (€122 million),
  - Crédit Foncier (€96 million),
  - Banque Palatine (€30 million);
- reversals of provisions for impairment of investments in associates:
  - Natixis (€452 million),
  - BPCE Immobilier Exploitation (€56 million),
  - Société d'Exploitation MAB (€1 million);
- use of provisions for impairment of investments in associates:
  - Europay France (€11 million);
- profit or loss on the sale of investments in associates and other long-term securities:
  - S-money: capital gain of €21 million,
  - Europay France: capital loss of €11 million;
- the impact on held-to-maturity securities mainly relate to FCC SLM Student Loan Trust securities for a capital loss of €16 million.

5.10 NON-RECURRING INCOME

No non-recurring income was recorded in the 2017 fiscal year.

5.11 INCOME TAX

5.11.1 Breakdown of income tax in 2017

BPCE is the head of a tax consolidation group that includes the 14 Banque Populaire banks, the 16 Caisses d'Epargne, and the BPCE subsidiaries, including Crédit Foncier, Banque Palatine, BPCE International, BP Covered Bonds and BPCE SFH.

Corporate tax for tax consolidation purposes can be broken down as follows:

in millions of euros	Fiscal year 2017		
Taxable bases at the following rates:	**33.33%**	**19%**	**15%**
Tax on current income	627		25
Tax on non-recurring income			
Taxable bases	**627**	**0**	**25**
Applicable tax	(213)		
+contributions 3.3%	(7)		
+ extraordinary contributions	(64)		
- deductions in respect of tax credits	23		
Reported income tax	**(261)**	**0**	**0**
Tax consolidation effect	489		
Adjustments to previous periods	-		
Impact of tax reassessments	-		
Provisions for the return to profitability of subsidiaries	(20)		
Provisions for taxes	16		
TOTAL	**224**	**0**	**0**

Income tax amounted to €224 million for 2017.

5.11.2 Reconciliation from accounting to taxable income

Reconciliation from accounting to taxable income for BPCE can ban broken down as follows:

in millions of euros	Fiscal year 2017	Fiscal year 2016
Net accounting income (A)	**729**	**461**
Corporate tax (B)	**(224)**	**(268)**
Add-backs (C)	**391**	**1,394**
Impairments and provisions	10	151
UCITS	4	
Long-term capital losses under exemptions	322	1,090
Share of profit from partnerships or joint ventures	13	12
Other items	42	141
Deductions (D)	**1,372**	**1,894**
Long-term capital gains under exemptions	500	838
Reversals of impairment charges and provisions	54	123
Dividends	812	864
Share of profit from partnerships or joint ventures		
UCITS	6	6
Other items		63
Tax base at normal rate (A)+(B)+(C)-(D)	**(476)**	**(307)**

5

5.12 BREAKDOWN OF ACTIVITY

in millions of euros	Holding company activities	
	Fiscal year 2017	**Fiscal year 2016**
Net banking income	**384**	**281**
Operating expenses	(140)	(205)
Gross operating income	**244**	**76**
Cost of risk	(1)	4
Operating income	**243**	**80**
Gains or losses on long-term investments	262	134
Income before tax	**505**	**214**

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 2017 to members of the Management Board amounted to €3.5 million and €0.3 million was paid to members of the Supervisory Board.

Provisions for retirement indemnities for fiscal year 2017 amounted to €3.2 million for members of the Management Board.

6.3 STATUTORY AUDITORS' FEES

	PricewaterhouseCoopers Audit				MAZARS				Deloitte				Total			
	Amount[(1)]		%		Amount[(1)]		%		Amount[(1)]		%		Amount[(1)]		%	
in thousands of euros	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Financial statement certification missions	654	427	66%	48%	655	430	80%	51%	661	419	41%	33%	1,970	1,276	58%	43%
Services other than financial statement certification[(2)]	341	455	34%	52%	159	413	20%	49%	951	851	59%	67%	1,451	1,719	42%	57%
TOTAL	**995**	**882**	**100%**	**100%**	**814**	**843**	**100%**	**100%**	**1,612**	**1,270**	**100%**	**100%**	**3,421**	**2,995**	**100%**	**100%**
Change (%)	*13%*				*(3%)*				*27%*				*14%*			

(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), consultations and the program aimed at adapting the Group to BCBS 239 regulatory requirements.*

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, 2017, BPCE had no offices or activities in uncooperative tax havens.

5.7 Statutory auditors’ report on the financial statements

This is a free transmation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional uditing standards applicable in France.

For the year ended December 31, 2017

To the Annual General Shareholders' Meeting,

BPCE SA

50, avenue Pierre Mendès-France

75201 Paris cedex 13

I. Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of BPCE SA for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors Responsibilities for the Audit of the Financial Statements section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- Deloitte & Associés: the main missions carried out in the 2017 financial year, included the verification of the requirement CSR Information is included in the management report for BPCE SA;
- PricewaterhouseCoopers Audit: the missions carried out in the 2017 financial year concern tax consultations.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of associates, equity interests and long-term investments

Risk identified and main judgements	Our response
As of December 31, 2017, associates, equity interests and long-term investments recognized in BPCE SA's financial statements amounted to €23,816 million. The risk is mainly borne by the largest holdings (Natixis, Crédit Foncier, BPCE International, Banque Palatine and Holassure). The measurement of these securities has a material impact on the Company's income statement and is made by Financial Planning and Strategy on the basis of the entities' business plans. As indicated in notes 2.3.3 and 3.4 to the financial statements, they are recognized at their acquisition cost and impaired on the basis of their value in use. Estimating the value in use of these securities requires a significant degree of judgment from management in terms of selecting the items to consider depending on the investments in question; these items may correspond to past items and forecast items (profitability outlook and the economic environment, discounted multiannual forecasts of expected dividend flows, etc.) determined on the basis of the strategic plan for the 2018-2020 period (TEC 2020). We deemed the correct measurement of equity interests to be a key audit matter, given the areas of judgment inherent to certain items, in particular the likelihood of achieving forecast results.	To assess the reasonableness of the estimated value in use of equity interests, with the guidance of our experts we verified that the estimated values determined by management were based on an appropriate measurement method applied to correctly documented quantified data. Depending on the securities in question, our audit work consisted in: • examining the assumptions and inputs used by comparing them to external sources; • examining the reasonableness of the medium-term plans used for each entity in question, which entailed: – comparing these plans with the Group's strategic plans validated by the entities' management bodies (Supervisory Board or Board of Directors), – evaluating the consistency and reliability of the main assumptions used to develop the plans, particularly with regard to past years' financial projections and actual past performance, – analyzing sensitivity to different valuation inputs (shareholders' equity, discount rates, etc.).

Tax

Risk identified and main judgements	Our response
As indicated in notes 2.3.12 and 5.11 to the financial statements, the Company's tax expense includes corporate tax in relation to the tax consolidation group comprising the 14 Banques Populaires, the 16 Caisses d'Epargne and its subsidiaries (Crédit Foncier, Banque Palatine, BPCE International, BP Covered Bonds and BPCE SFH). The tax base of the tax consolidation group has significantly reduced compared to December 31, 2016, in particular as a result of the application of decisions of the *Conseil d'État* (France's highest public law court). We deemed the determination of the tax expense to be a key audit matter due to: • significant regulatory changes in France; • significant change in the tax base of the tax consolidation group.	Our audit work on the tax base of the tax consolidation group mainly consisted in: • analyzing the change compared to the previous year by taking into account the main impacts; • examining the procedures and the controls carried out by management on the overall process of producing the tax returns. We gained an understanding of the regulatory changes in France and assessed, with the guidance of our experts, the compliance of the calculation of the tax expense with these changes. We verified that the income tax expense had been properly allocated between the different contributors to the tax consolidation group.

III. Verification of the Management Report and of the Other Documents Provided to Shareholders

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 other documents provided to the Shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 and L. 225-37-4 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the members of the Management Board and of the Supervisory and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest 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 and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of BPCE by the annual general meeting of BPCE held on May 22, 2015 for Deloitte & Associés and on July 2, 2009 for PricewaterhouseCoopers Audit.

As at December 31, 2017, Deloitte & Associés was in the third year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the ninth.

Mazars was appointed as statutory auditors in the first statutes dated December 19, 2006 of GCE Nao (whose corporate name became BPCE in July 2009), throughout its inception.

As at December 31, 2017, Mazars was in the eleventh year of total uninterrupted engagement, including 9 year since the company became a public-interest entity.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, March 28, 2018

The Statutory Auditors

Deloitte & Associés	**Mazars**	**PricewaterhouseCoopers Audit**
Jean-Marc Mickeler	Michel Barbet-Massin	Agnès Hussherr
Sylvie Bourguignon	Charles de Boisriou	Nicolas Montillot

5.8 Controls of accounting and financial reporting quality

5.8.1 Roles and responsibilities in preparing and processing accounting and financial information

GENERAL PRINCIPLES OF RESPONSIBILITY WITHIN GROUPE BPCE

The Finance functions of entities included in the Group's scope of consolidation produce accounting and financial information and perform controls aimed at ensuring the reliability of this information.

Each entity has the resources to ensure the quality of accounting and financial data, particularly by seeing that regulations and Group standards are being properly implemented, and reconciling accounting and operating results, where applicable.

Each entity prepares, on a monthly or quarterly basis, financial statements and regulatory information required at the local level, along with reporting documents for the Group Finance and Strategy division.

At Groupe BPCE, the preparation and processing of financial and accounting information falls under the responsibility of the Finance function. In the central institution, this function is coordinated by the 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 division.

The Group Finance and Strategy division collects the accounting and financial data produced by the entities within the Group's scope of consolidation. It is also responsible for the consolidation and control of this data for use in Group oversight and communication to third parties (control bodies, investors, etc.).

In addition to consolidating accounting and financial information, the Group Finance 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, WITHIN THE CENTRAL INSTITUTION, CONTRIBUTING TO THE PREPARATION AND COMMUNICATION OF ACCOUNTING AND FINANCIAL DATA AND THEIR RESPONSIBILITIES

The main functions involved in preparing and publishing accounting and financial information are Accounting, Finance Control and Investor Relations.

Accounting

The accounting function is responsible for producing the individual and consolidated financial statements (Groupe BPCE and BPCE SA group) and the corresponding regulatory filings (particularly COREP and FINREP).

Within the Group, each entity's accounting function is responsible for its individual financial statements and, if warranted, the consolidated financial statements, its regulatory reports and disclosures to the central institution.

Within BPCE, this role is assigned to the Group Accounting division, the head of which reports to the Chief Executive Officer in charge of Group Finance, Strategy, Legal Affairs and the Secretary's Office of the Board.

In this area, the main duties are:

- preparing the consolidated financial statements of Groupe BPCE and BPCE SA group, calculating the regulatory ratios and preparing the corresponding reports;
- coordinating the accounting process within the Group;
- providing a regulatory watch on French and IFRS accounting standards applied by Groupe BPCE in coordination with shareholder institutions, BPCE subsidiaries and the Statutory Auditors;
- acting as the interface between the regulatory authorities (the European Central Bank and the ACPR) and affiliated institutions, in accordance with Article L. 512-107 of the French Monetary and Financial Code and ensuring that the affiliated institutions comply with regulatory standards and management ratios;
- representing the Group in its dealings with industry bodies (Autorité des normes comptables, European Banking Federation, etc.);

- performing accounting services and preparing regulatory reports for BPCE SA group and the entities under its authority.

In addition, the Group Accounting division supports 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 Board. In this area, its main duties are:

- coordinating the steering of the financial planning, budget and multi-year rolling forecast process;
- coordinating the steering of commercial performance in support of the Commercial Banking and Insurance division;
- coordinating solvency matters (capital adequacy and leverage ratios, TLAC, MREL, etc.) and the Pillar II approach within the Group (stress tests, ICAAP, solvency matters, Business Model Assessment);
- coordinating and monitoring the management of scarce resources within the Group (cost-effectiveness, capital/solvency, liquidity);
- analyzing the performance of Groupe BPCE, its business lines and entities, especially during the publication of each quarter's results;
- steering and challenging the subsidiaries' financial performances to safeguard the Group's financial ratios;
- carrying out benchmarking and monitoring the performance and strategic guidelines of competitors;
- coordinating and steering approaches for the analysis of the Group's operating costs;
- helping prepare the Group strategic and financial plans;
- coordinating the Finance Control process within Groupe BPCE.

Investor Relations

The Investor Relations function is responsible for information published through presentations to financial analysts and institutional investors on the BPCE website and for registration documents and their updates filed with the AMF and also available on the BPCE website.

Within BPCE, the function is performed by the Group Funding and Investor Relations division (within the Group Finance division), the head of which reports to the Chief Financial Officer. Its duties in this area are as follows:

- coordinating and preparing presentations of Groupe BPCE's quarterly results, financial structure and business development, to enable third parties to form an opinion on its financial strength, profitability and outlook;
- coordinating and preparing the presentation of regulated financial information (registration document and its quarterly updates) filed with the AMF while including contributions from other BPCE offices;
- organizing relations with rating agencies by coordinating with the other rated entities of Groupe BPCE;
- organizing and maintaining relationships with credit investors likely to hold and/or acquire debt instruments (short, medium or long term) issued by BPCE or Natixis.

5.8.2 Production processes for accounting and financial data

GENERAL FRAMEWORK AND PREPARATION OF CONSOLIDATED ACCOUNTING AND FINANCIAL DATA

The central institution prepares the consolidated financial statements of Groupe BPCE and its individual company financial statements. It oversees and produces Groupe BPCE's consolidated ratios, as well as those of affiliated institutions through regulatory reporting.

The central institution also ensures that Groupe BPCE's affiliated institutions correctly apply accounting and prudential rules.

To guarantee the reliability of the process, the Group Finance and Strategy division relies on:

- an adapted body of standards distributed to all Group entities;
- the uniformity of a consolidated IT system that guarantees consistent treatment and analysis;
- a comprehensive body of documents in line with requirements set out in Articles 3 e), 11 e), 255 and 256 of the Ministerial Order of November 3, 2014 on internal control;
- a standardized control mechanism for accounting and financial data, the structure of which is described in Section 5.8.3 below.

Groupe BPCE institutions publishing financial statements on a consolidated basis under IFRS are all of the Banque Populaire banks and Caisses d'Epargne and the Group's main subsidiaries: Natixis, Crédit Foncier, Banque Palatine and BPCE International.

The body of standards

As part of the monitoring and correct application of accounting and prudential rules, BPCE's Group Finance and Strategy division has designed and implemented a body of standards based on:

- the definition and dissemination of accounting policies for Groupe BPCE, both for French GAAP and international (IFRS) accounting standards;
- the implementation of a consolidation standard aimed at ensuring the reliability of the process of collecting consolidated accounting, tax or prudential data.

This standard also includes the analysis and interpretation of new texts issued during a given time scale. The policies are regularly circulated *via*:

- Group instructions to affiliate institutions that present common accounting, tax and prudential management rules (changes in scope of consolidation, a schedule of various work to help respect deadlines, any changes to the information systems, reminder of accounting and prudential regulatory changes, etc.);
- Group procedures and working methods aimed at the production processes for reporting statements;
- the presentation of Accounting and Tax Days which provide details, including regulatory changes, that impact the accounting, prudential and fiscal work of affiliate institutions and the Group;
- training and activities aimed in particular at the accounting teams of consolidated entities.

The uniformity of the IT system

Data consolidation takes place quarterly based on the financial statements of each Group entity. Data from the entities are entered into a central database where consolidation adjustments are then carried out.

The organization of the consolidation system is based on a combined solution for the Group's business lines:

- for the majority of Group entities and in particular Caisses d'Epargne and the Banque Populaire banks: information is communicated on an individual basis to ensure a more detailed view of each entity's contribution to Groupe BPCE's financial statements and ratios. The system is based on a single consolidation tool specific to these entities and to all sub-consolidation work. This ensures internal consistency as regards scopes, accounting treatment and analysis;
- for the Natixis sub-group: Natixis has a consolidation tool that produces its financial statements and ratios on a consolidated basis, ensuring the consistency of data and provides a transparent overview of its subsidiaries. For the production of Group financial statements, Natixis submits a consolidation package that represents its financial statements and ratios.

The central consolidation tool has archiving and security procedures including the daily back-up of the consolidation database. System restoration tests are regularly carried out.

The body of documents

To ensure the reliability of the production processes for accounting and financial information, the central institution has drawn up and deployed a comprehensive body of documents in line with requirements set out in Articles 3 e), 11 e), 255 and 256 of the Ministerial Order of November 3, 2014 on Internal Control.

This body of document includes:

- macro-processes and/or processes that describe activities from beginning to end, identifying the persons and tools involved;
- procedures which document process flows to implement processes;
- working methods used by the business lines in their daily activities and which provide details of transactions under their responsibility, self-checks, or level one operational controls (including hierarchical) that must be carried out.

CHANGES IN THE MECHANISM IN 2017

In 2017, the Group continued its efforts on accounting standardization and the streamlining of working methods for the production of consolidated accounting and financial data, while adapting them to internal and regulatory changes, in particular:

- adapting information systems and Group processes in preparation for the implementation of IFRS 9 – Financial Instruments, applicable as of January 1, 2018. Financial instruments will be classified, measured and impaired in line with this standard. Moreover, the Group has decided to continue to apply IAS 39 for its insurance activities until the implementation of IFRS 17 on insurance policies;
- participating in work carried out for the multi-year (2016 to 2018) plan (EDGAR: *Exactitude des Données Gouvernance – Analyse & Reporting*; Accuracy of Governance Data – Analysis & Reporting) 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:
  - implementation of a single data source from which all regulatory reporting will be produced,
  - creation of a Group data dictionary,
  - implementation of a data governance and quality function,
  - definition of a list of physical entities affected by BCBS 239 requirement,
  - identification of key reporting and documentation of production processes for these reports: development of a document library covering key reports published by the central institution. This library is accessible to a wide range of people (employees, managers, internal and external control, service providers, etc.) and includes mapping of key reports, an ID sheet for each report and documentation on processes for the production of some of these reports;
- the continuation of the migration of Crédit Coopératif's information systems to Caisses d'Epargne's IT platform (ITCE) with a migration date set for May 2018;
- the finalization of the establishment of a technical platform and service center for processing the financial transactions of Groupe BPCE companies (the Caisse d'Epargne and Banque Populaire networks, BPCE SA group, CASDEN, Crédit Coopératif and Crédit Foncier de France). The goal is to standardize the processing and quality of information on financial transactions within the Group, to improve controls on financial transactions and to provide a platform that addresses Groupe BPCE's management and consolidation issues;
- the continuation of work on the Business Line View program, aimed at providing the Finance Control department with a system to steer and allocate scarce Groupe BPCE resources for each business segment and for all entities according to liquidity, capital adequacy and profitability. Work carried out in 2017 focused on building the database which will feed the Anaplan tool, a shared management standard within the Group for the deployment of the forecasting process for all Group entities and for the preparation of the deployment of the December 31, 2017 reporting using the new tool. The new mechanism will be interfaced with local information systems and central calculators (solvency, liquidity, ALM, accounting). Based on an innovative technological platform, it will be a powerful steering tool for the Finance Control department.

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5.8.3 Control process for accounting and financial data

GENERAL SYSTEM

Groupe BPCE's internal control system contributes to the management of all types of risk and enhances the quality of accounting and financial information.

It is organized in accordance with legal and regulatory requirements, including those arising from the Ministerial Order of November 3, 2014 on internal control and texts governing BPCE. It concerns all Group companies, which are monitored on a consolidated basis.

The system is managed by an umbrella charter governing the organization of Group internal control which represents the main principles, defines the scope of application, lists all actors concerned and their role to ensure the correct operation of the internal control system of each company and the Group.

The umbrella charter covering the organization of Group internal control is accompanied by:

- a charter covering the periodic control department;
- a risk, compliance and permanent control charter covering the permanent control departments;
- frameworks and standards including one covering the accounting and financial information quality control system.

APPLICATION OF THE CONTROL FRAMEWORK WITH REGARD TO ACCOUNTING AND FINANCIAL DATA

The control of accounting and financial reporting quality is defined in accordance with the requirements of the Ministerial Order of November 3, 2014 concerning internal control, particularly Article 11c), which requires the "verification of accounting and financial reporting quality, related to information addressed to either the executive managers or the supervisory body, whether submitted to the supervisory and control authorities or appearing in documents intended for publication."

Within the central institution, the Risk, Compliance and Permanent Control division (DRCCP) coordinates the permanent control system for accounting and financial reporting as part of an operational "review" function, the rules of which are set out in the "Accounting and financial information quality control framework" approved by the Group Internal Control Coordination Committee on June 9, 2016.

In accordance with the regulatory obligations set out by the Ministerial Order of November 3, 2014 on internal control (and in particular Article 11 c) and Title III), this framework defines the interaction of the system's first and second level, the management of the mechanism within the Group, and takes into account changes in the regulatory provisions, as well as in the Group's internal control system, since it was created.

This single framework applies to all Groupe BPCE entities monitored on a consolidated basis. The entities were required to implement the new principles introduced by this framework by December 31, 2017.

In addition to this framework, the control mechanism is also governed:

- at the first level, by the body of standards, the uniformity of the information consolidation system and the body of documents described in Section 5.5.2 above;
- at the second level, by Group review standards which constitute the operational version of the framework, Group review guidelines which provide specific methodology information and the standard for accounting and financial information controls that can be carried out by the entities and upon which the institute-wide control approach is based with results reported to the central institution.

Within the institutions

Reflecting the decentralized nature of Groupe BPCE, internal control procedures are tailored to the organization of each consolidated entity. In all cases, these procedures include three levels of controls:

- a basic level, *i.e.* "first level controls" (control), relating to operational departments and integrated into accounting treatment procedures;
- an intermediate level, *i.e.* "second-level controls" (review), organized and managed by a specialist audit function dedicated to second-level controls on accounting and financial data: the Review. This function performs independent controls of operating processes to ensure the reliability and exhaustive nature of the accounts, in co-operation with the other permanent control functions;
- an upper level, *i.e.* "third-level controls" (audit), involving periodic controls organized under the authority of the Local Internal Audit department or the Group's Inspection Générale division, or controls performed by parties external to Groupe BPCE (particularly Statutory Auditors, the *Autorité de contrôle prudentiel et de résolution* and the European Central Bank).

Within the central institution

Supervision and "review" function relations

Within the Risks, Compliance and Permanent Control division, the operational review function is managed by the Financial Review division. Its head, who reports to the head of Permanent Control Coordination, is a standing guest member of the Group Internal Control Coordination Committee and has been granted powers to set standards for the process.

In conjunction with the shareholder institutions and Group subsidiaries, the Financial Review division maintains a strong functional link between the offices within the Group institutions and that of the central institution. This is to guarantee the quality of the Group's accounting and financial reporting.

Its main duties are to:

- facilitate sharing of best practices within a special-purpose committee (Auditors' Committee) and working groups;
- organize the drafting and distribution of the set of standards and documents for the process;
- coordinate each entity's system for reporting to the central institution so that it can assess their system for producing and controlling accounting and financial information;
- visiting entities whose systems are falling behind those of others.

Control of the central institution's accounting and financial information production system

In addition to monitoring and coordinating the Review process, the Financial Review division is also tasked with:

- second-level control of the work of the accounting function and in particular financial and regulatory statements published under the responsibility of the Group Finance and Strategy division;
- coordinating the permanent control mechanism for key reports and/or key steering indicators produced by the central institution including, on one hand, the organization and updating of the document library for these reports and indicators (report mapping, key steering indicators, key report handbook) and, on the other hand, the definition and implementation of controls to be carried out on the latter;
- monitoring the Statutory Audit system and on behalf of the Audit Committee, tracking the services of the Statutory Auditors and publishing their fees (Audit Committee and registration document).

In addition to the self-checking and external control procedures performed in the entities responsible for preparing individual or consolidated financial statements, the quality of accounting and financial controls is verified by:

- the Group Accounting division, which coordinates the system for producing accounting and financial information. In this respect, this division:
  - sets accounting and prudential standards at the Group level for the production of individual and consolidated accounts to French and IFRS accounting standards and the production of regulatory reports to national or supranational oversight and control authorities,
  - coordinates the accounting function, thereby increasing the quality of the first-level control system,
  - examines the reports covering accounting and regulatory data that it receives as part of the production of statutory accounts and regulatory consolidated financial statements, by conducting multiple controls using data received through the consolidation packages sent by the entities that fall within the Group's scope of consolidation,
  - conducting, as part of the duties of the central institution that fall under Article L. 511-31 of the French Monetary and Financial Code, a routine review of the regulatory reports of affiliates before they are submitted to the *Autorité de contrôle prudentiel et de résolution* and in accordance with the rules agreed to with that Authority (multiple consistency checks and analyses),
  - checking, as part of the tax consolidation regime for cooperative banking groups (Art. 223 A et seq. of the French General Tax Code), tax consolidation packages sent to the central institution by entities that fall within the scope of that regime;
- the Group's Statutory Auditors, which work on a panel basis and base their opinions partly on the conclusions of each consolidated entity's Statutory Auditors, particularly regarding compliance with the Group's standards as laid down by BPCE and partly on the effectiveness of local internal control procedures. To make the certification process as efficient as possible, the "Framework for Statutory Auditor Assignments at Groupe BPCE" recommends that each fully-consolidated entity in the scope of consolidation has at least one representative of the Group's Statutory Auditors on its panel;
- Groupe BPCE's Inspection Générale division as part of its assignments at Group institutions.

Finally, under the Ministerial Order of November 3, 2014 governing internal control, Groupe BPCE's Inspection Générale division presents to the Audit Committee and the Supervisory Board an annual report summarizing Group internal control. On the basis of detailed questionnaires, this report assesses internal control procedures, particularly in the accounting and financial areas.

CHANGES IN THE MECHANISM IN 2017

In 2017, actions intended to strengthen the accounting and financial information control system and the supervision of the Review function continued with:

- the introduction of a supervision and alert procedure for institutions which rely on key indicators from the reporting mechanism. This procedure enables an assessment, for each institution, of accounting and financial information quality control system risks (Quantitative Risk Assessment). It defines three levels of supervision (standard, moderate and high) and helps identify the corrective measures to apply to institutions whose review systems are falling behind those of others and carry out, where necessary, on-site visits and diagnostics;
- the reinforcement of reporting on the results of analyses and second-level controls (Flash reports), with submission to the central institution of:
  - a summary to be submitted each quarter by each institution's review function to obtain highlights and material irregularities identified over the period, as well as watch points for the periods ahead,
  - the result of second-level controls carried out by each institution's review function on regulatory reports (solvency ratio initially) *via* the Group's permanent control tool (PILCOP) which supplements the existing collection of reports from previous years on the correct application of accounting regulations at the reporting date;
- the implementation of a working group on one of the eight pillars of the Sapin II Act on transparency, prevention of corruption and economic modernization which covers "internal and external accounting controls aimed at ensuring that the books, records and accounts are not used to conceal cases of corruption or insider influence". In line with instructions defined by the French Anti-Corruption Agency, work, which should be completed in 2018, aims to provide an operational response to the implementation of this pillar;
- the implementation of a project relating to the internal control system with the implementation of IFRS 9 to ensure the efficiency and reliability of procedures governing the classification, measurement and impairment of financial instruments;
- the development of IS solutions to support second-level control in the organization and performance of tasks which could be automated with the deployment of an automated control and analytical review tool (DCS – data control system) based on the Group's consolidation tool;
- the adaptation of the Group Statutory Audit system to the new requirements of the European audit reform adopted on June 17, 2014 by the European Commission, enacted into French law by ordinance 2016-315 and applicable since June 17, 2016. To meet these new requirements, BPCE's Supervisory Board approved the update to the "Framework for Statutory Auditor Assignments at Groupe BPCE" on November 7, 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 Chapter 2 "Corporate governance".

The Finance Committee is composed of executives from each of the two networks and is tasked with reviewing all financial subjects relating to the shareholder community. It examines these subjects in keeping with Group committees covering these areas and provides an advisory opinion.

In addition, BPCE's Management Board assigns the Group Finance 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 committees);
- coordination and reporting bodies: these comprise key managers from the Finance function or key managers from each business line department with Finance duties (Finance Control, Accounting, Cash Management, Asset-Liability Management and Tax);
- temporary bodies that manage and coordinate projects with well-defined time frames.

In order to ensure the transparency and security of the system, these bodies are formally governed by regulations that define the operation, organization, composition and role of each committee, along with the rules for reporting on the discussions held by these committees. The Group Finance 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 Finance, Strategy, Legal Affairs and the Board Secretary's Office. Its main duties are to validate:

- the regulatory framework and management standards needed for Group oversight;
- strategic accounting guidelines and Groupe BPCE's framework of accounting standards, including Groupe BPCE's choices, where options are given by the texts.

5.9 Persons responsible for auditing the financial statements

5.9.1 Statutory Audit system

Within the Group, the main rules that govern the Statutory Audit system and aim to guarantee Statutory Auditor independence in Groupe BPCE companies are defined in the "Framework for Statutory Auditor Assignments at Groupe BPCE," (the "Framework").

Applicable to all Group businesses the "Framework" primarily defines:

- the rules governing the selection of Statutory Auditors for the Group and its entities;
- the rules governing the services that may be provided by Statutory Auditors (or their networks);
- the role of Audit Committees with respect to monitoring the system.

In 2017, the "Framework" was adapted to incorporate the impacts of the European audit reform (directive 2014/56/EU and EU regulation 537/2014). BPCE's Supervisory Board validated this adaptation on November 7, 2017 which provides the following clarifications:

- on the appointment of Group Statutory Auditors: in line with the new regulation, the Group recommends that each Group company continues to designate at least one network of Statutory Auditors to certify BPCE's consolidated and individual financial statements to ensure there is a consistent, harmonized financial audit system available within the Group. However, the company's Audit Committee retains the authority to select Statutory Auditors subject to the approval of the company's Annual General Shareholders' Meeting;
- on the prior approval of *services other than financial statement certification*: in line with the opinion provided by the Haut Conseil du Commissariat aux Comptes (H3C) on July 26, 2017, BPCE's Audit Committee introduced a prior approval procedure, for a one year period, of an exhaustive list of categories of services other than financial statement certification. These provisions are stated in the appendices to the "Framework" that was approved by BPCE's Audit Committee on November 3, 2017;
- on the control of the system: the Audit Committee of each company
  - takes a greater role in examining services rendered by the Statutory Auditors. Aside from the prior approval of *services other than financial statement certification* in compliance with provisions that have been defined in the "Framework", the Committee examines the fees and type of services rendered that appear on the income statement of each company,
  - ensure compliance with the principles laid out in the "Framework", rules governing the rotation of Statutory Auditors and the rotation of signing partners and the implementation of a Statutory Auditor selection procedure at the end of each maximum term of office,
  - relies, in this approach, on the function that controls the quality of accounting and financial information (review function). A Group standard on the control of the independence of Statutory Auditors specifies the role of this function in this area and the main procedures it must implement. The work carried out within this framework is presented to each company's Audit Committee and, on a consolidated basis, to the Group Audit Committee.

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5.9.2 Statutory Auditors of BPCE

BPCE's Statutory Auditors are responsible for auditing the individual financial statements of BPCE and the consolidated financial statements of Groupe BPCE and BPCE SA group. At December 31, 2017, 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 & ASSOCIES

The Annual General Shareholders' Meeting of BPCE of May 22, 2015, voting under the conditions of quorum and majority applicable to Ordinary General Shareholders' Meetings, resolved to appoint Deloitte & Associés for a period of six fiscal years, *i.e.* until the Ordinary General Shareholders' Meeting to be held in 2021, convened to approve the financial statements for the year ending December 31, 2020.

Deloitte & Associés is represented by 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.

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

Groupe BPCE, established by the Act of June 18, 2009, is a decentralized, multi-brand cooperative banking group. Its corporate purpose is to operate as a full-service bank, offering a range of banking and insurance products and services to individual, non-profit, professional and corporate customers, as well as local authorities, designed to meet the needs of the regions and the economy as closely as possible.

Groupe BPCE's full-service banking model is based on a three-tier structure:

- the two regional cooperative networks: the fourteen Banque Populaire banks, the sixteen Caisses d'Epargne, and their respective federations;
- 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; real estate financing specialist Crédit Foncier; Banque Palatine, which serves intermediate-sized enterprises; and BPCE International, for international retail banking.

Groupe BPCE is presented in more detail in Chapter 1.

STRENGTHS

People

9 million
cooperative shareholders

31 million
customers

106,500
employees,
o/w **90%** in France

Financial resources

€74 bn
in shareholders' equity

+€25 bn
in customer deposits
over one year

€23 bn
in MLT market funding

Our model

cooperative
and **decentralized**
each bank is wholly-owned
by its cooperative shareholders

POWERFUL BRANDS
Banque Populaire
Caisse d'Epargne
Natixis - Crédit Foncier
Banque Palatine

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

BUSINESS MODEL

Our TEC2020 ambitions

DIGITAL TRANSFORMATION
seizing the opportunities afforded
by the technological revolution

ENGAGEMENT
to our customers, employees
and cooperative shareholders

GROWTH
ambitious targets set
for each business line

Our activity

€543 bn
in loan
outstandings

€74 bn
in home loans

€691 bn
in deposits
and savings

€831 bn
in assets under
management

€55 bn
in life insurance AuM
managed by Natixis

N°.10
mandated lead arranger
of infrastructure financing
solutions in the world

IMPACTS

Customers

N°.2
bank chosen
by individual
customers

N°.1
bank chosen by persons
under legal guardianship
or supervision

26 %
market share
in home loans

€8.1 bn
in energy transition
loan outstandings

€27 bn
in responsible
deposits & savings

Regions

+20 %
We fund 20% of
the French economy

N°.1
creditor of the social
and solidarity-based
economy

N°.1
bank chosen by SMEs

48 %
The Natixis business lines
earn 48% of their NBI
outside France

Employees

70 %
of our employees
are motivated

4,669
of employees hired
under permanent contracts

86 %
have taken professional
training courses while
employed at Groupe BPCE

42,3 %
of our managers
are women

Financial strength

15,4 %
CET1 ratio

71 %
of NBI is generated
by Retail Banking
and Insurance

20 pb
moderate
risk profile

HIGH LONG-TERM RATING
FitchRatings **A**
Moody's **A2**
R&I **A**
Standard & Poor's **A**

6.1.2 A strong cooperative identity

Our essential difference as a cooperative banking structure is evident in our long-term vision of banking relationships, particularly strong regional ties, and the precedence we give 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. This is the foundation of the Group 2018-2020 CSR strategy presented in Section 6.1.3.

As cooperative banks, the Banque Populaire banks and Caisses d'Epargne are owned by 9 million cooperative shareholders, who own 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 coordination, training for directors, and governance.

Groupe BPCE's full cooperative governance structure is presented in Chapter 2.

BANQUE POPULAIRE BANKS

The 4.3 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 Board of Directors meetings. In 2017, over 530,000 cooperative shareholders voted, *i.e.* an average turnout rate of 14.7% 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 2017, the Banque Populaire network had 242 directors (and 17 non-voting directors) whose experience and diversity enrich discussions at Board of Directors' meetings in the interests of all customers and cooperative shareholders. They are creators of value (CEOs, researchers, lecturers, etc.) who, through their roles, are involved in driving economic and social development within their regions. In 2017, the Fédération Nationale des Banques Populaires offered them training on topics such as the history of the Banque Populaire network, the Banque Populaire cooperative banking model, governance (the role and responsibilities of directors), the director's stance (personal development: active participation in Board of Directors' meetings/challenging ideas), risk management (particularly the prevention of fraud and corruption), the opportunities presented by CSR, and how to integrate it into the corporate strategy. Finally, to meet the regulatory requirements calling for an annual assessment of the operation of the Board of Directors, the Federation also established a paperless self-assessment questionnaire, available to all institutions in the Banque Populaire network.

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;
- facilitating access to training through e-learning modules;
- measuring director satisfaction and the relevance of issues addressed at training seminars, to ensure that the Federation is in tune with the directors' expectations and needs.

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDER BASE

Banque Populaire banks	At 12/31/2017	At 12/31/2016	At 12/31/2015	Change 2016-2017
Number of cooperative shareholders *(millions)*	4.30	4.14	3.95	4%
Percentage of cooperative shareholder customers *(as a %)*	33%	34%(1)	44%	(3%)
Average amount of shares held per cooperative shareholder *(in €)*(2)	2,167	2,087	1,969	4%
Customer satisfaction rate (percentage of very satisfied customers – percentage of dissatisfied customers)(3)	13.6	NC	NC	NC

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

COOPERATIVE INDICATORS: GOVERNANCE AND DIRECTOR TRAINING

Banque Populaire banks	2017	2016	2015	Change 2016-2017
Governance bodies				
Number of members of Boards of Directors	242	250	255	(3%)
Director attendance rate at Boards of Directors meetings *(as a %)*	83%	82%	83%	1%
Percentage of Board members who are women *(as a %)*	42%	34%	33%	24%
Percentage of Board Chairmen and Vice-Chairmen who are women *(as a %)*	15.5%	11%	13%	41%
Director training				
Boards of Directors: percentage of members who took at least one training course over the year *(as a %)*	58%	39%	34%	49%
Boards of Directors: average number of training hours per person	5.6	3.85	NA	45%

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

The Banque Populaire banks celebrated their 100th anniversary in 2017, marking their 100th year operating as a network of cooperative, responsible banks. Opportunities were taken throughout the year to emphasize the strength of their banking model through a series of events organized across the French regions.

Also in 2017, the cooperative shareholder and CSR Committee of the Fédération nationale des Banques Populaires (FNBP) set a project in motion to highlight the cooperative difference of the Banque Populaire banks, featuring the launch of the very first "Faites de la Coopération" event at the Banque Populaire banks. This week-long event was created as a way to raise awareness and promote discussions centered around the Banque Populaire cooperative banking model, taking place during Social and Solidarity-Based Economy month in November.

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

CAISSES D'EPARGNE

At the end of 2017, Groupe Caisses 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 2017, 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 also 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. The training offer covers a broad range of topics:

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

In 2017, two new training topics were featured: digital training and a focus on emerging risks, including climate risks.

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDER BASE

Caisses d'Epargne	At 12/31/2017	At 12/31/2016	At 12/31/2015	Change 2016-2017
Number of cooperative shareholders *(millions)*	4.76	4.84	4.91	(2%)
Percentage of cooperative shareholder customers *(as a %)*[1]	24%	23%	20%	3%
Average amount of shares held per cooperative shareholder *(in €)*[2]	2,873	2,654	2,555	8%
Customer satisfaction rate (percentage of very satisfied customers – percentage of dissatisfied customers)[3]	2.8	NC	NC	NC

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

COOPERATIVE INDICATORS: GOVERNANCE AND DIRECTOR TRAINING

Caisses d'Epargne	2017	2016	2015	Change 2016-2017
Governance bodies				
Number of members of Steering and Supervisory Boards	307	307	307	0%
Director attendance rate at Steering and Supervisory Board Meetings *(as a %)*	93%	94%	92%	(1%)
Percentage of Steering and Supervisory Board members who are women *(as a %)*	44%	39%	37%	13%
Percentage of Steering and Supervisory Board Chairmen and Vice-Chairmen who are women *(as a %)*	27%	20%	20%	
Director training				
Steering and Supervisory Boards: percentage of members who took at least one training course over the year *(as a %)*	81%	96%	91%	(16%)
Steering and Supervisory Boards: average number of training hours per person	10	8	NA	25%

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].

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

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

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

(1) To learn more: http://www.federation.caisse-epargne.fr/assets/CE_OrientationsRSE2014-2017/index.html?preventcache=true.

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

Identifying our priorities

In the interest of identifying the most strategic CSR priorities, the group has weighted them by their relevance to each sector using various criteria:

- stakeholder rights and expectations;
- stakeholder vulnerability to each priority;
- the various risks incurred by the group, associated with each priority.

The group began using this weighting system in 2015 to build a CSR approach centered around 10 top-priority CSR projects implemented in 2016 and 2017.

2016-2017 strategic projects	2017 achievements
1. Measuring and promoting the local socio-economic footprint	– preparation of customizable teaching programs: deposits and savings/credit, distribution of value (regional approach); – creation of a toolbox for the institutions (indicators, best practices, etc.); – measurement of the group's contribution to the SDGs (Sustainable Development Goals).
2. Responsible savings	– preparation of goal sheets for the renovation of the CODEVair passbook savings account and the ordinary passbook savings account, and to expand the digital CSR offer; – associated training and communication plan.
3. Developing responsible procurement	– launch of CSR risk-mapping by procurement category; – internal CSR questionnaire, tested with a panel of suppliers; – database of services provided in the group by companies working with disabled persons; – organization of the PHARE symposium in the Grand Est region; – satisfaction survey for SME (small and medium-sized enterprises) and ISE (intermediate-sized enterprises) suppliers.
4. Inclusive finance	– action plans targeting "vulnerable customers": definition of KPIs (Key Performance Indicators) and consolidation of scope and reports.
5. Reducing direct environmental impacts	– creation and distribution of a "mobility plan kit" for group institutions, with two presentation and communication sessions on the kit; – distribution of a memo on environmental logos for the Communication and CSR functions; – establishment of a spreadsheet used to directly collect paper consumption data from suppliers, aimed at improving accuracy and simplifying data collection for the CSR report; – creation and distribution of a "WEEE kit" (Waste Electrical and Electronic Equipment) for group institutions, and organization of a videoconference presentation of the guide, followed by a Q&A session for all group institutions.
6. Drafting a green growth strategy	– performance of an opportunity study on the funding of biogas projects; – revision of the renewable energy risk policy, including a Section on biogas; – plans to create a digital energy transition financing platform.
7. Sustainability reporting and ratings	– proposal for a dashboard used to define the KPIs for the 2018-2020 strategic plan; – research on Group exposures to renewable energy financing conducted with the Risk, Compliance and Permanent Control division; – performance of a full review of Group ESG ratings: panorama of players and benchmark in terms of publications, internal organization and content.
8. Raising awareness of reporting and CSR	– publication and distribution of a guide to CSR best practices, based on a survey of all Groupe BPCE institutions; – organization of four training sessions on CSR, two on the carbon review and two on CSR reporting; – coordination of European Sustainable Development Week.
9. Communication and CSR	– design of a communication system centered on the CSR strategy, primarily through a name and visual identity reflecting the group's CSR engagement: "Fair(e) autrement" (a different approach to CSR).
10. Adopting an innovative policy to encourage well-being, health and exercise in the workplace	– launch of the BESST program ("Bien-Être, Santé, Sport au Travail"), starting with an awareness-raising guide aimed at implementing a policy of health and exercise in the workplace.

This area of focus also served as the basis for the work conducted in 2017 to build the CSR arm of the Groupe BPCE TEC 2020 strategic plan, underscoring in particular the importance of relaying its commitments and initiatives in the fields of ethics, customer relations, and the funding of green, responsible growth.

6

Our vision and ambitions

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

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

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

This vision is reflected in four strategic priorities:

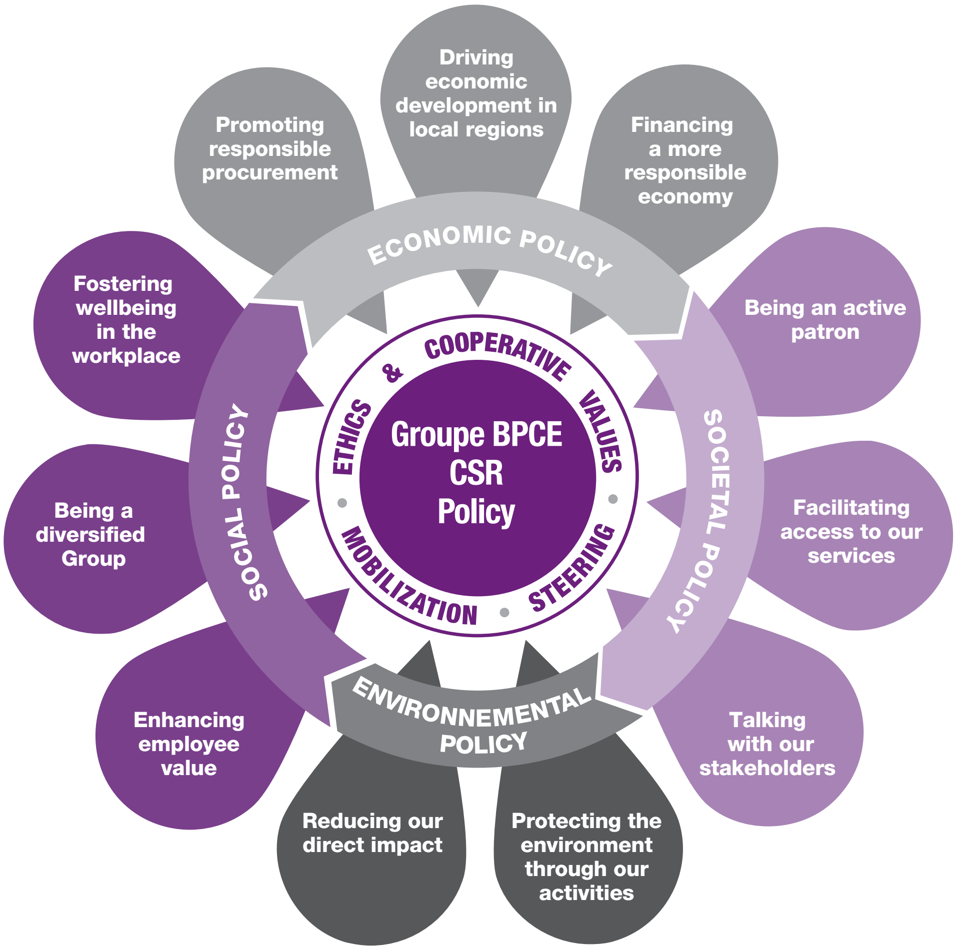
- being the cooperative banking and insurance group with the greatest commitment to its customers and the regions;
- being a leading bank in green, responsible growth;
- consolidating the group's cooperative and CSR commitments in its internal practices;
- leading by example in its stakeholder relations.

Our goals, initiatives and monitoring indicators for 2018-2020

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

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

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



Oversight of Groupe BPCE's CSR strategy

To be in sync with the bank's new TEC 2020 strategic plan, CSR objectives and indicators were defined in 2017 with the goal of meeting its new CSR priorities for 2018-2020 while drawing on the work already accomplished through the 10 CSR projects.

It should be noted that regular reviews (at least twice a year) on CSR initiatives are performed by the Cooperative and CSR Committee and presented to the Groupe BPCE Steering and Supervisory Board,

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

Quantitative oversight

Project	Monitoring indicator	2016	2017	2020 targets
Economic engagement				
Funding a more responsible economy	Responsible savings, including SRI *(in billions of euros)*	NS	27[1]	35
Developing responsible procurement	Group institutions with Responsible Supplier Relations and Procurement certification *(number)*	7	9	14
	Percentage of expenses complying with standardized procurement processes incorporating CSR *(as a %)*	NS	NS	80
	Supplier payment deadline *(days)*	28	30	28
Societal engagement				
Promoting access to Groupe BPCE services	Originating microloans with support for individual customers *(in millions of euros)*	19	19	Consolidating Groupe BPCE's market share leadership
	Originating microloans and other solidarity-based loans for professional customers *(in millions of euros)*	513.9	484.3	Consolidating Groupe BPCE's market share leadership
Environmental engagement				
Reducing our direct environmental impacts	Carbon review *(in metric tons of CO_2 equivalent) – Scope 1, 2 and 3 – excl. data centers*	675,516	686,773	(10%)
Promoting the environment in our business lines	Funding the energy transition[2] (in billions of euros)	NS	8.4	10
Social engagement				
Attracting and retaining top talent	Percentage of employees recommending the group as an employer *(as a %)*	62 (2014)	65	70
Promoting diversity	Percentage of female executives *(as a %)*	41.7	42.3	45
	Percentage of female managing executives *(as a %)*	NC	NC	30
Developing employability	Number of training hours *(in millions of hours)*	2.3	2.2	10 (over three years)
Project coordination and oversight				
Oversight	Number of group entities involved in a CSR assessment process in accordance with ISO 26000 standards	6	7	12
Group-specific indicators				
ESG rating	MSCI	AA (2015)	AA (2016)	Maintain
	OEKOM (Germany)	C-/not prime (2015)	C/prime (2016)	Maintain
	Sustainalytics	NS	61/100	Maintain
	Vigeo-Eiris (France-United Kingdom)	8th/33 (2014)	7th/31 (2016)	Reach the Top 5

(1) *€25 billion in SRI savings +€2 billion in CODEVair responsible On-balance sheet deposits and savings (CODEVair is Crédit Coopératif's regional passbook savings account and SRI passbook savings account).*

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

6

Qualitative oversight

In addition to tracking several existing projects from a quantitative standpoint, the group is committed under its TEC 2020 strategic plan to undertake the projects below by 2020 for which it will need to define objectives and action plans starting in 2018, in conjunction with the federations. The following projects are on the table:

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

Structure and governance reflecting the group's cooperative banking model and raising CSR to a high level

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

The Group's Sustainable Development division reports to the Corporate Secretary's Office of BPCE's Commercial Banking and Insurance division, a member of the Management Board. Its goals are to:

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

To this end, it is divided into four functions:

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

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

The CSR function has the following structures:

- bodies that exchange information and coordinate and share skills:
  - a twice-yearly national responsible business meeting attended by all of the Group's sustainable development officers. The meeting focuses on improving CSR reporting and designing action plans to enhance internal CSR and low-carbon practices,
  - a green, responsible growth meeting aimed at centralizing 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;
- steering and oversight bodies:

Body	Roles
Groupe BPCE Supervisory Board Cooperative and CSR Committee	Validates selected CSR projects, rules on major strategic CSR guidelines. The Committee met twice in 2017.
CSR Strategic Plan Monitoring Committee	Arbitrates, drives and coordinates implementation of the CSR strategic plan. Ensures that proposed projects will help the Group achieve its goal of making CSR a key differentiation, performance and profitability factor.
Strategic Plan Steering Committee	Proposes, discusses, supports and oversees projects.
CSR Function (network of CSR managers and their business line counterparts)	Rolls out initiatives based on their specific priorities and involves all group employees in the field.

- training initiatives on sustainable development issues:
  - in 2017, four training sessions on "The Basics of CSR" were provided to the business lines,
  - two training courses on CSR reporting (organization and tools) and two on the carbon review tool were provided, and two CSR reporting telephone hotlines were made available in 2017.

The Group's Sustainable Development division has also set a goal of educating the group's various divisions about CSR. To this end, it interacts regularly with them, either during their own seminars (Risk function, Distribution function, procurement function, Logistics function, Fédération nationale des Banques Populaires, Fédération nationale des Caisses d'Epargne, etc.) or at special events (such as Sustainable Development Week or Solidarity-Based Finance Week).

Finally, the group set up an intranet site for the Sustainable Development Officers function in 2015, and in 2017 two communication groups were created on our corporate social network: one on green, responsible growth with 223 members and the other on CSR with 195 members among the group institutions.

Improvements recognized by the ESG rating agencies

Keenly aware of the major role played by ESG rating agencies and investors, Groupe BPCE makes every effort to meet the requests of these agencies and maintain a dialog with them. For example, they were contacted in 2017 about their expectations on the Sustainable Development Goals (SDGs). The company directors also decided that the strategic plan would focus on tracking ESG ratings.

To meet these commitments, the group performed a study in 2017 of its ESG ratings, aimed at analyzing its assessments (agencies, investors and NGOs) and comparing them to peer assessments in terms of publication and promotion, organization (human resources, ratings watch system and data collection) and content (issues calling for further development). As a result of this analysis, involving the business divisions in question, specific areas of improvement were identified and an action plan defined.

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

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

A regular audit of CSR reporting and processes

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

Commitments made under exacting standards

United Nations Global Compact (level: Advanced)

Groupe BPCE renewed its adherence to the Global Compact in 2017 and to the ten associated principles covering human rights, international labor standards, environmental protection and anti-corruption. It obtained the Advanced level, which is the highest level of differentiation attributed by the United Nations Global Compact, expressing its determination to continue incorporating these principles in the implementation of its strategy, corporate culture and the conduct of its businesses.

Principles for Responsible Investment (PRI)

The Principles for Responsible Investment (PRI) are designed to help institutional investors incorporate environmental, social and corporate governance (including anti-corruption) considerations in their investment decisions and practices, and thereby to improve beneficiaries' return on investment over the long term. Natixis 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 risks and impacts of the projects it finances using 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 was 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 (for Groupe BPCE, this includes support for entrepreneurship).

Responsible Supplier Relations Charter

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

Work-Life Balance Charter

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

Cancer@work Charter

Eight Groupe BPCE companies signed the Cancer@work Charter in 2017, underscoring their commitment to implement concrete initiatives to promote the integration and continued employment of people directly or indirectly affected by cancer or another chronic illness. It also demonstrates the determination of group companies to mobilize their forces and come together in the fight against cancer.

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

The Banque Populaire network measures its commitment to its stakeholders (cooperative shareholders, directors, employees, customers and civil society) using the CSR & Cooperative Dividend tool to monitor all societal and cooperative responsibility initiatives undertaken by the banks. 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 Alsace Lorraine Champagne has been AFAQ 26000-certified since 2014.

A CSR self-assessment tool was made available to the Caisses d'Epargne by their federation in late 2014 to help deploy action plans in accordance with the ISO 26000 CSR standard. Eight Caisses d'Epargne have completed this process since 2014. In 2017, Caisse d'Epargne Rhône Alpes obtained LUCIE certification, thus joining the ranks of Caisse d'Epargne Bretagne Pays de Loire (2016) and Caisse d'Epargne d'Auvergne et du Limousin (2015). Caisse d'Epargne Aquitaine Poitou-Charentes has been Vigeo 26000-certified since 2016. 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.

Helping to build new international financial standards

Since 2009, the ambitions set out in international climate change negotiations and European and French policies on the energy transition have combined with substantial development of investments in renewable energy and energy efficiency.

New international financial standards are in the process of being developed to ramp up financing for green growth and build a reporting standard for the financial sector's climate exposure.

BPCE is actively involved in sector initiatives in France, Europe and internationally. It contributes the expertise and know-how of group companies that are highly involved in low-carbon financing from both a financial and banking perspective, to ensure that regional banks and markets have their role to play in future financing mechanisms. The most frequent vectors for this contribution are the European Savings Bank Group (ESBG), the World Savings and Retail Banking Institute (WSBI) and the European Association of Cooperative Banks (EACB):

- on the international scene, BPCE worked with the ESBG and the WSBI to defend the compatibility of climate reporting models with that of local banks, and particularly cooperative banks and their customers. The forum was the G20 and the Financial Stability Board; BPCE supported the EACB's adherence to UNEP-FI (United Nations Environment Program Finance Initiative) to participate in the FSB's work on climate reporting, including analyses of climate stress scenarios;
- on the European front, Natixis was selected to join the European Commission's HLEG (High-Level Expert Group) on Sustainable Finance with the aim of preparing recommendations on climate finance;
- in addition, the EACB and the ESGB mandated BPCE to represent them in the EEFIG (Energy Efficiency Financial Institutions Group), jointly organized by the European Commission and UNEP-FI; The goal – successfully attained – was to incorporate the local banking model alongside the major financing model in European recommendations;

(1) http://www.bpce.fr/Fournisseur/La-politique-achats-responsables/Engagements-durables

- at the national level, pursuant to Article 173 of the French Act of August 17, 2015 on the energy transition for green growth, the Group contributed to a government-sponsored project, coordinated by the ACPR, to establish climate stress tests as advocated by the G20;
- finally, Mirova, the responsible Investment division of Natixis, was named Chair of the climate finance working group "Finance for Tomorrow", highlighting the expertise in green finance boasted by the French financial center.

Active contribution to the Sustainable Development Goals (SDGs)

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

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

- comparatively analyzed its CSR policy with the SDGs;
- established a sector benchmark and analyzed stakeholder expectations (particularly investors and rating agencies) regarding the SDGs;
- presented an SDG awareness-raising module to the CSR function.

The following table presents this contribution to each SDG.

ECONOMIC STRATEGY

SERVING REGIONAL ECONOMIC DEVELOPMENT

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

FUNDING A MORE RESPONSIBLE ECONOMY

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

DEVELOPING RESPONSIBLE PROCUREMENT

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

CSR STRATEGY

BEING AN ACTIVE PATRON

The patronage policy contributes to SDGs 1, 2, 3, 8, 10, and 17 via partnerships with various structures (in particular promoting equality).

FACILITATING ACCESS TO BPCE'S SERVICES

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

TALKING WITH OUR STAKEHOLDERS

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

ENVIRONMENT STRATEGY

PRESERVING THE ENVIRONMENT THROUGH OUR ACTIVITIES

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

REDUCING OUR DIRECT IMPACTS

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

SOCIAL STRATEGY

ENHANCING THE VALUE OF OUR EMPLOYEES

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

BEING A DIVERSIFIED GROUP

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

FOSTERING WELL-BEING IN THE WORKPLACE

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

Sixteen of the 17 SDGs are positively impacted by the Group's actions through its internal management, sponsorship activities, and especially its financing activities (financing in the social, non-profit, renewable energy, agriculture, education, healthcare and microfinance sectors, etc.).

6.1.4 Dialog with Group stakeholders

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

Extensive preparatory work was carried out in 2016 to identify the major challenges facing society, the stakeholders and their expectations, to ensure they would be incorporated in the group's CSR priorities and in the initiatives of its CSR approach. A broad documentary study at the national, European and international levels highlighted the major societal challenges impacting the banking industry in France for the group's key stakeholders.

This analysis was broadened by organizing a daily dialog conducted in various ways throughout the group:

- dialog with staff and employee representatives, as described in the social pillar of this document (Diapason survey, employee representative bodies, periodic topical surveys, etc.);
- individual and professional customers of all BPCE retail entities are free to submit complaints; their satisfaction is also frequently measured, spontaneously at the branch level and consistently on a quarterly basis to monitor satisfaction in all segments and at all points of contact; special survey tools (both spontaneous and scheduled) are also developed on certain markets (business customers, private banking, etc.) (for more details, see Section 6.3.3);
- dialog with cooperative shareholders is coordinated by the Fédération nationale des Banques Populaires and the Fédération nationale des Caisses d'Epargne; their satisfaction is also measured using a special survey;
- a sample of SME suppliers is surveyed each year on their expectations and satisfaction with Groupe BPCE; the annual suppliers convention provides an opportunity to present the group's priorities and to hand out awards; a satisfaction survey is also conducted at this event;
- Groupe BPCE contributes to the work of the Financial Sector Consultative Committee (CCSF), whose purpose is to examine issues that come up in relations between financial institutions and their customers, and to propose appropriate measures in this area through opinions or recommendations. The CCSF is a joint committee made up of members representing financial institutions and consumers, as well as members of Parliament, qualified experts and representatives of financial sector companies and employees, and serves as a unique forum for dialog;
- Groupe BPCE takes part in financial center relations and working groups, such as the FBF (French Banking Federation), the AFB (French Banking Association) and the ORSE (Corporate Social Responsibility Observatory);
- *via* the Banque Populaire and Caisse d'Epargne Development divisions, Groupe BPCE coordinates a policy of dynamic partnerships with several associations, representative federations and trade unions representing the various regional economic players (local officials, CEOs, real estate professionals, stakeholders in the social and solidarity-based economy, the medical-social and healthcare sectors, social housing managers, self-employed professionals, craftsmen, small retailers, franchise-holders, entrepreneurs, farmers, etc.). 107 partnerships had been contractualized by both brands at end-2017. These partnerships range from commercial to institutional to communicational. Regular contact is maintained in a close relationship with each partner structure;
- finally, BPCE holds a regular dialog with ESG rating agencies and investors during the rating process.

6

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

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

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

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

6.2.1 Steering deposits and savings towards a more responsible economy

In 2017, Groupe BPCE completed a project with the aim of developing the distribution of responsible savings products to its customers. Under the 2018-2020 CSR strategy, the range of responsible products will be overhauled, extended and highlighted so that customers are more easily able to identify the right solutions for their projects, risk appetite and sensitivity to societal impacts. Training and communication initiatives will be carried out to complete this strategy.

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

BANK DEPOSITS AND SAVINGS PUT TO REGIONAL USE

As cooperative regional banks, the Banque Populaire banks and Caisses d'Epargne apply the deposits and savings collected in the regions to finance local projects. In this way, decisions are tailored to meet regional needs as closely as possible, based on extensive knowledge of the regions themselves, their potential and their vulnerabilities. Customer deposits to passbook savings accounts and regular deposits are used for regional development, funneling money right back into the community. Aware of the growing importance customers place on transparency and traceability, Groupe BPCE is working to better identify the impacts of these deposits and savings.

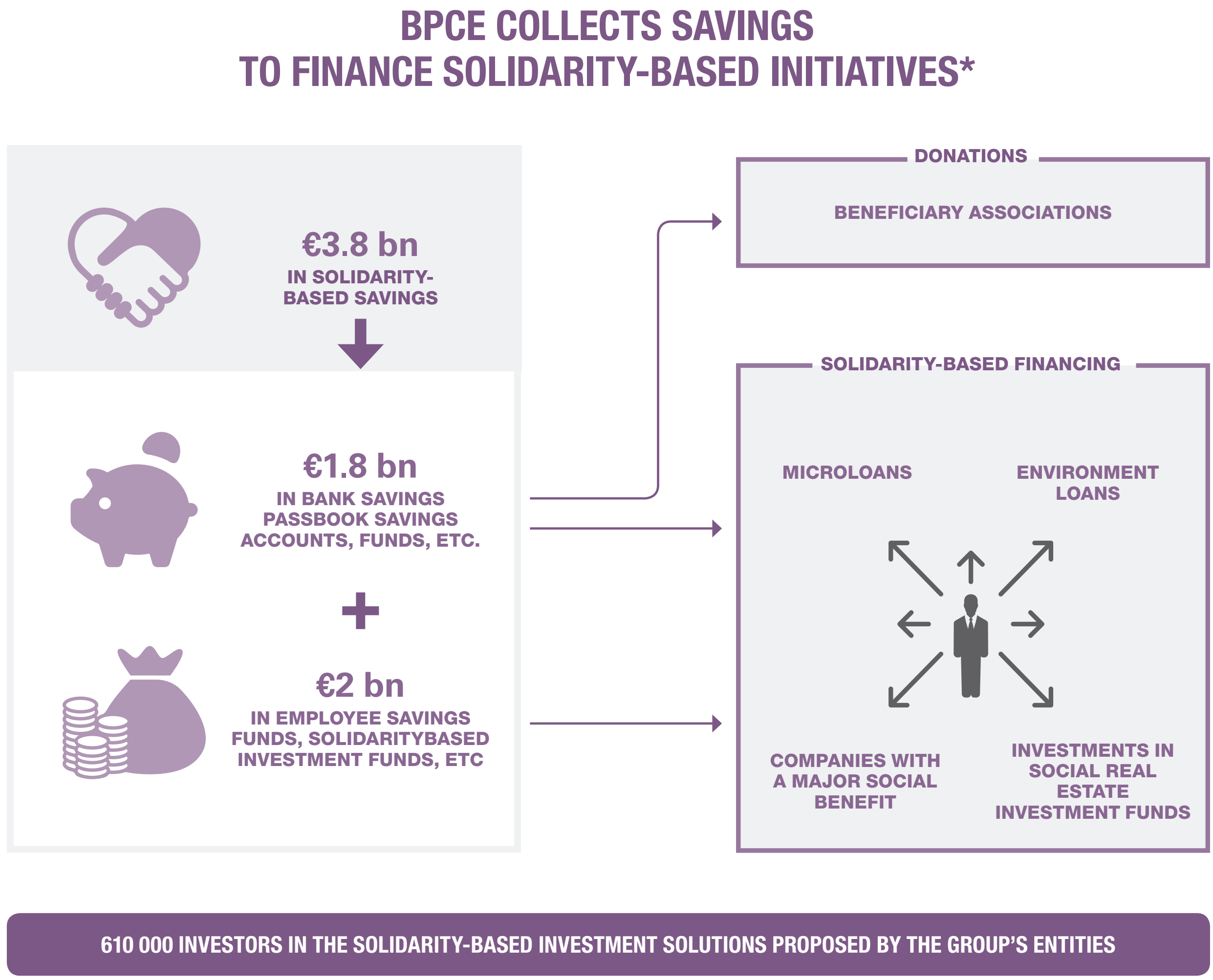
GROUPE BPCE: THE LEADER IN SOLIDARITY-BASED SAVINGS

Groupe BPCE is a leading player in solidarity-based savings in France: it is the No. 1 manager and collector of solidarity-based savings according to the last Finansol survey, which identifies investments guaranteeing that the funds are used to finance projects of major social, solidarity or environmental benefit. At December 31, 2016, Groupe BPCE managed 39% of total solidarity-based savings (*i.e.* €3.81 billion out of €9.76 billion). Through its different business lines, it draws on complementary areas of expertise that qualify it to operate along each link of the solidarity chain: collection of deposits and savings (Banque Populaire banks, Caisses d'Epargne, Crédit Coopératif, Natixis Interépargne), asset management (Mirova, Ecofi Investissements), funding of social support networks such as Adie (Banque Populaire banks), and supporting beneficiaries in the field, in partnership with local non-profits and government authorities (Parcours Confiance, Créa-Sol).

Solidarity-based finance takes center stage at the 10th annual National Solidarity-Based Finance Week

On November 6, 2017, BPCE invited all group operators, plus a host of partners, think tanks, project sponsors and academics, to brainstorm solutions aimed at expanding the influence of solidarity-based investments. Ideas included improving sales by the networks, particularly targeting private banking clients, but also institutional investors and life insurance policy-holders. The research in progress on how to build up the value of activities with a major social or environmental impact will also strengthen the appeal of solidarity-based projects for investors.

GROUPE BPCE'S CONTRIBUTION TO SOLIDARITY-BASED SAVINGS



**Source Finansol - Data as at December 2016.*

CODEVair is an example of a Finansol-certified product distributed by the Banque Populaire banks, aimed at encouraging customers to put their savings into the energy transition. Launched in 1999 by Banque Populaire d'Alsace, CODEvair is distributed at ten institutions, including Crédit Coopératif. With total deposits of €764 million, it has already served to finance 13,000 projects for €350 million, notably including energy-efficient homes and cars emitting little to no greenhouse gases.

Since 2004, the Caisses d'Epargne have also developed a regional passbook savings account highlighting the local use of deposited funds and the impact of funded projects: the "Compte sur Livret Régional" (CSLR), distributed by 15 institutions. Each Caisse d'Epargne chooses to use the funds to finance digital development, healthcare or employment. CSLR holders (63,000, €784 million) are able to obtain information on the actual implementation of local projects financed with their deposits.

For nearly 20 years, Crédit Coopératif has led the way in terms of solidarity-based finance products in France, having developed a range of "AGIR" products including a debit card that triggers a micro-donation with each use, and six passbook savings accounts. Through these passbooks, Crédit Coopératif customers can show their solidarity with an association of their choice by sharing some or all of the interest accrued on their account. The flagship product is the *Livret AGIR*, which donates 50% of the accrued interest to one of the 25 beneficiary associations listed by the bank. In 2017, over €3 million in donations were made *via* Crédit Coopératif solidarity-based products and Ecofi Investissements solidarity-based investment funds. Through two passbook savings accounts (REV3 and "*Coopération pour ma région*"), investors can also put their deposits to work funding the social and solidarity-based economy in the region of their choice (or exclusively in the Hauts de France region for REV3). Through these products, Crédit Coopératif is meeting growing demand by loyal customers for transparent information on how their money is used, by providing them with traceability on the use of deposits to their passbook savings accounts.

Production of responsible passbook savings accounts *(outstandings in millions of euros)*	**2017**		**2016**		**2015**	
	Number	**Outstandings**	**Number**	**Outstandings**	**Number**	**Outstandings**
LDD sustainable development passbook savings account	312,664	1,268	281,648*	1,047*	298,739*	1,047*
CODEVair passbook savings account	6,918	411	4,807	224	4,659	191
Regional passbook savings account	10,599	309	14,279	1,861	22,018	2,287
Crédit Coopératif solidarity-based passbook savings accounts	67,538	662	NC	NC	NC	NC

* *Rectified data.*

ESG/SRI EXPERTISE SERVING THE SUSTAINABLE DEVELOPMENT CAUSE

Groupe BPCE is a longstanding leader in SRI, a field where it boasts extensive expertise. It is able to offer an extremely diversified SRI range to all customer bases and has set an ambitious target: to increase SRI deposits and savings by 50% by 2020 in accordance with its strategic plan.

SRI and solidarity-based investments

Natixis Asset Management (NAM): a responsible asset manager

For several years now, NAM has chosen to enhance its responsible investment approach, a business line component of its CSR strategy. This approach is centered around four key commitments and special pro-climate initiatives implemented daily by the investment teams depending on the specific characteristics of their asset class:

- understanding sustainable development priorities, analyzing their impacts on sectors, and assessing a broad range of issuers.

  Natixis Asset Management relies on the ESG research expertise developed and deployed by its subsidiary Mirova, tasked with assessing the environmental, social and governance performances of more than 3,700 issuers. The analysts are responsible for performing:

  - an opportunity review designed to determine to what extent an issuer's business model offers solutions that meet sustainable development priorities,
  - an ESG risk review aimed at assessing how well an issuer incorporates and responds to ESG risks, irrespective of the quality of its business model.

  The combination of the opportunity and ESG risk reviews determines the overall sustainable development opinion. Issuer ESG ratings and the research produced by the ESG analysts are then made available and broadly distributed to the NAM portfolio management teams;
- expanding the integration of ESG factors in portfolio management by including ESG criteria and an exclusion policy. Two complementary approaches are applied to all portfolio management expertise:
  - identification of ESG criteria to be included, based on the specific features of each asset class,
  - exclusion of certain issuers failing to meet basic principles of responsibility from the NAM investment universe;
- encouraging issuers to improve their ESG practices by sharing our views at Annual General Shareholders' Meetings and initiating a constructive dialog with stakeholders. Natixis Asset Management undertakes to use its influence to encourage issuers to improve their environmental, social and governance practices by capitalizing on:
  - voting rights exercised at Annual General Shareholders' Meetings, covering a comprehensive scope of issues and complying with a strict and active policy that incorporates social and environmental considerations,
  - an engagement approach consisting in maintaining a constructive dialog with issuers with the aim of understanding their practices and guiding them to adopt higher ESG standards.

  In addition, through the collaborative platform launched by its subsidiary Mirova (of which it is a member), NAM continued its efforts to initiate dialog on two complex issues calling for close monitoring of the practices used by the companies in question:
  - social risks in the supply chain,
  - exploration of oil resources in the Arctic;
- co-building standards and promoting responsible asset management. NAM actively participates in 18 financial center bodies and working groups, and thus is helping to co-build high responsible investment standards. It is also contributing to the promotion and professionalization of responsible investment through two complementary initiatives:
  - support for academic research to promote better understanding of ESG priorities by the financial industry,
  - regular lobbying of national and international regulators, as well as various professional bodies, to promote the development of regulations and standards specifically designed to encourage responsible asset management.

Mirova: a subsidiary specializing in responsible investment

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

Mirova manages €9 billion, divided up among four investment areas: listed equities, fixed income, infrastructure financing and solidarity-based investment.

Prevention of climate change is a major issue, one that is largely reflected in Mirova's strategies. The company provides individual and professional clients alike with investment strategies capable of mobilizing funds in favor of projects offering solutions to these problems. This ambition is implemented through its various offers: development of topical equity strategies on the environment, introduction of environmental themes in multi-themed strategies, investment in renewable energy infrastructure projects in Europe, and support for the development of green bonds. Mirova has also developed carbon footprint measurement tools, employed in particular to monitor the carbon impact of its strategies. In addition, it systematically incorporates climate-related issues in its engagement approach and supports transparency initiatives such as certifications. Mirova innovated in 2017 by expanding into a new high-impact asset class: in September 2017 it finalized the acquisition of a 51% stake in Althelia Ecosphère, an asset management company specializing in impact investing, thus underscoring its ambition to become the European leader in natural capital investment.

Social and governance criteria are also central to Mirova's investor approach. The company offers equity strategies driving employment, supports the social bond market and includes social and governance criteria in the investment filters applied to all asset classes. In the infrastructure segment, Mirova finalized the fund-raising phase of the BTP Impact Local fund. This investment fund is dedicated to small-scale regulated infrastructure projects in France and implements a strategy of long-term support for SMEs, ISEs and local authorities. The fund has received the support of leading private-sector investors, including the Banque Populaire banks and the Caisses d'Epargne, longstanding supporters of regional development.

Finally, Mirova is committed to promoting sustainable finance by participating in various financial center bodies, including Finance for Tomorrow, the European Commission's High Level Expert Group on Sustainable Finance, and UNEP-FI's Positive Impact Finance initiative.

Ecofi: assets for the future

Ecofi Investissements is a Crédit Coopératif subsidiary that applies an SRI filter to 70.1% of its investments, with over €5.7 billion in assets under management analyzed using environmental, social and governance (ESG) criteria. Potential SRI investments include 4,200 securities from around the world. The Committed SRI filter selects the highest-rated 50% of companies, while the Responsible SRI filter excludes the lowest-rated 30%.

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

- an assessment of an issuer's ESG performance, based on assessment criteria used in particular by Vigeo (e.g. greenhouse gas emissions policy, frequency and severity rates of workplace accidents, percentage of women in managing bodies), which overweights quantitative results indicators and "Touche ECOFI" indicators, in line with Crédit Coopératif Group values (balance of powers, responsible relations with customers and suppliers, fiscal responsibility and diversity/equal opportunity);
- an assessment of ESG controversies involving the issuer. This second filter excludes or reduces investments in companies involved in significant incidents (pollution, corruption, money laundering, violation of human rights, etc.).

This SRI process is rounded out by a strict voting and dialog policy. Ecofi Investissements had voted on a total of 5,202 resolutions by the end of 2017, 42% of which it voted against, at 340 different Annual General Shareholders' Meetings.

Ecofi's solidarity-based investment funds offer a broad range of solidarity-based products, open-ended "90/10" funds, dedicated company investment funds and multi-company investment funds, funds with thematic strategies applied to the solidarity-based allocation, etc.. With assets under management totaling €340.3 million, Ecofi Investissements is now the eighth largest solidarity-based asset manager on the French market, and among the leaders by number of solidarity-based companies financed. At December 31, 2017 it had financed 70 solidarity-based companies, for a total of €34.48 million.

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

Banque Palatine's SRI approach

By incorporating ESG criteria in the analysis and investment choices of three SRI-certified thematic funds (Palatine Or Bleu, Palatine Actions Défensives Euro, Palatine Entreprises Familiales ISR), Banque Palatine is better able to identify the risks and opportunities associated with a given company, but also to combat global warming (management of climate-related risks and funding of the green economy). In 2017, all three funds received the new government-recognized SRI certification, replacing the certification created by Novethic, received since 2009.

ASSETS UNDER MANAGEMENT IN OPEN-ENDED AND DEDICATED SRI AND SOLIDARITY-BASED FUNDS AND EMPLOYEE SAVINGS PLANS

Indicator *(in billions of euros)*	**2017**	**2016**	**2015**	**Change 2016-2017**
Natixis AM	19.5	17.2	16.4	13%
o/w Mirova	9	6.6	5.6	36%
Ecofi Investissements	5.7	5.6	4.5	2%
Banque Palatine	0.03	0.03	0.06	0%
TOTAL ASSETS UNDER MANAGEMENT IN OPEN-ENDED AND DEDICATED SRI AND SOLIDARITY-BASED FUNDS AND EMPLOYEE SAVINGS PLANS	**25.23**	**22.83**	**20.96**	**11%**

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

Indicator *(as a %)*	**2017**	**2016**	**2015**	**Change 2016-2017**
Natixis AM	5.6%	4.95%	4.98%	14%
Ecofi Investissements	70.1%	66.5%	62.2%	5%
Banque Palatine	0.7%	0.7%	1.6%	0%

SOLIDARITY-BASED FUNDS

Indicator *(AUM in millions of euros)*	**2017**	**2016**	**2015**	**Change 2016-2017**
Natixis 90/10(1) funds	2,716.9	2,335.8	2,124.8	16%
Ecofi Investissements 90/10 funds(1)	307.5	255.2	253.1	21%
TOTAL ASSETS UNDER MANAGEMENT IN 90:10 FUNDS	**3,024.4**	**2,591.0**	**2,377.9**	**17%**
Natixis funds invested in solidarity-based companies(2)	165.8	145.5	151.7	14%
Ecofi Investissements funds invested in solidarity-based companies(3)	34.5	33.2	31.1	4%
TOTAL FUNDS INVESTED IN SOLIDARITY-BASED COMPANIES BY NATIXIS AND ECOFI	**200.3**	**178.8**	**182.8**	**12%**

(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.*

Going above and beyond

Because Groupe BPCE wants to go even further in the field of responsibility, Mirova has a 12-person responsible investment team that forms the backbone of the company and contributes to all activities. The team's work is divided into four main responsibilities. The first is to teach about the complex and changing issues facing our society and the major transitions that lie ahead. It does this by performing extensive analyses by sector or as dictated by current events, and publishes its findings. The second is to aid in the investment process in all asset classes by providing sustainable development assessments of potential issuers. The third is to help institutional investors and asset managers exercise their voting rights and establish engagement initiatives, with the aim of making them active shareholders and working to improve practices. Finally, the responsible investment research team strives to demonstrate the impact of the strategies offered by Mirova through transparency in the form of comprehensive ESG assessments of client investments.

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

Responsible employee savings

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.

Natixis Interépargne is fully committed to the sustainable development path, ranking No. 1 in terms of solidarity-based employee savings inflows, with close to €2 billion in AUM representing 19.5% of the solidarity-based employee savings market. NIE's savings inflows have combined with Mirova's portfolio management expertise to achieve sustainable and solidarity-based projects. Projects such as these are developed by financing companies that strictly observe ESG criteria, or by allocating resources to entities in the social and solidarity-based economy.

Natixis Interépargne's SRI expertise is fully on display in the Cap ISR and Impact ISR ranges, which together accounted for nearly €4 billion in AUM in October 2017. Both ranges, managed by Mirova, provide clients with a viable and sustainable alternative to conventional financial investments.

Indicator *(AUM in millions of euros)*	**2017**	**2016**	**2015**	**Change 2016-2017**
AUM in SRI and/or solidarity-based employee savings funds – Banque Populaire network	1,719.2	1,619.4	1,543	6%
AUM in SRI and/or solidarity-based employee savings funds – Caisse d'Epargne network	233	197	160.7	18%
TOTAL SRI AND/OR SOLIDARITY-BASED EMPLOYEE SAVINGS FUNDS SOLD BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE	**1,951.8**	**1,816.4**	**1,703.7**	**7%**

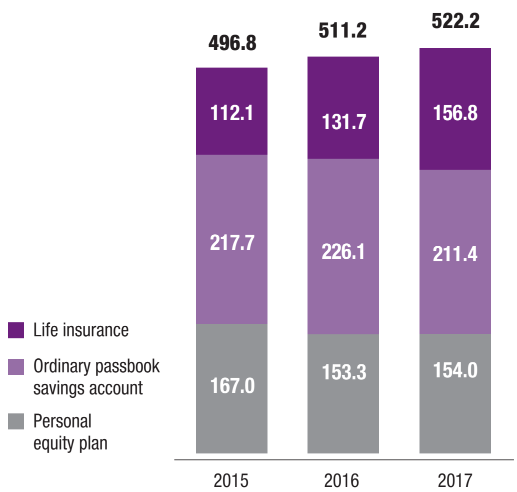
SRI and solidarity-based funds

The Banque Populaire banks and the Caisses d'Epargne offer a range of socially responsible investment (SRI) products in order to meet the needs of customers who are concerned about the impact of their investment decisions and who want to give meaning to their savings. This range includes the line of responsible investments managed by Mirova – the Natixis Asset Management subsidiary that pioneered SRI in France – which encompasses theme- and solidarity-based responsible funds. The Finansol, TEEC and SRI certifications awarded to some of these funds are a sign of their quality.

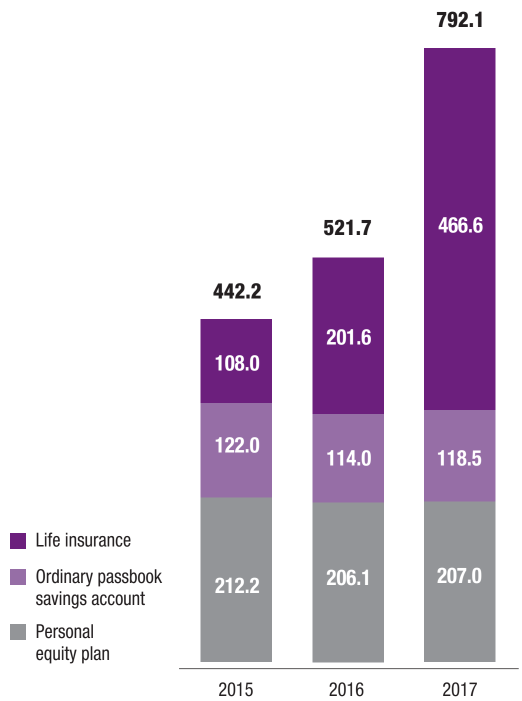
The Banque Populaire banks and the Caisses d'Epargne distributed €1,314 million in SRI and solidarity-based funds to their customers in 2017 (up 27% vs. 2016).

Indicator *(AUM in millions of euros)*	**2017**	**2016**	**2015**	**Change 2016-2017**
SRI funds sold – Banque Populaire network	522.2	511.2	496.8	2%
SRI funds sold – Caisse d'Epargne network	792.1	521.7	442.2	52%
TOTAL SRI FUNDS SOLD BY THE BANQUE POPULAIRE BANKS AND THE CAISSES D'EPARGNE	**1,314.3**	**1,032.9**	**939**	**27%**

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



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



DIGITAL COMMUNICATION SERVING INNOVATION AND SOLIDARITY

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

Proximea

Proximea is an equity crowdfunding platform created and wholly-owned by Banque Populaire Atlantique. Since May 2015, it has been conducting fund-raising campaigns for innovative companies and real estate developers in the Grand Ouest region. Its business is to convince investors to work with young companies by providing them with resources to get their strategy up and running. It starts with the launch of a communication campaign aimed at building the company's reputation and attracting investors. Proximea's three-person staff tap into the entity's very deep regional roots to draw investors in closer to the real economy while benefiting their local community. Success stories include the €600,000 raised from 53 investors for Vannes start-up company Tiwal and €1 million for a wind farm project located in Chemillé (*département* 49). In two and a half years, Proximea has raised almost €9 million from 600 investors for 12 different projects.

Wiseed

Crédit Coopératif has a longstanding history in innovative finance, investing in the crowdfunding movement as a vector for developing new digital investment models. Crédit Coopératif takes advantage of opportunities arising on the Internet and builds on the momentum of new digital players. One such player is equity structure WiSEED, with which the bank formed a strong partnership to promote innovative offers in the energy, ecological and solidarity-based transition field.

Created in 2008 and boasting over 95,000 members, WiSEED[1] organized the financing, to the tune of €100 million, of 200 projects with a material impact on society, the environment and job creation in the fields of healthcare, the ecological transition, digital advancement, industry, real estate and renewable energy production *via* a wide range of financial solutions with a presentation of the projects and their impacts.

Espace Dons

In keeping with its values of social innovation and solidarity, in 2015 the Caisse d'Epargne network launched www.espacedons.com, an online platform where donations can be made to non-profits, foundations and endowment funds.

The goal is to provide customers with a tool to diversify their funding sources by calling on the generosity of the public and using digital media for fund collection and communication purposes. Espace Dons can be accessed from any computer, tablet or smartphone, and offers simple and secure online payment *via* subsidiary S-money. It was also the first crowdfunding platform to offer a choice of three types of donations: money, time (volunteer work) or objects. Some projects that meet the network's engagement priorities in a given region may benefit from a top-up donation under its corporate patronage program.

At end-November 2017, the platform listed 300 non-profits presenting close to 450 projects online.

Kocoriko

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

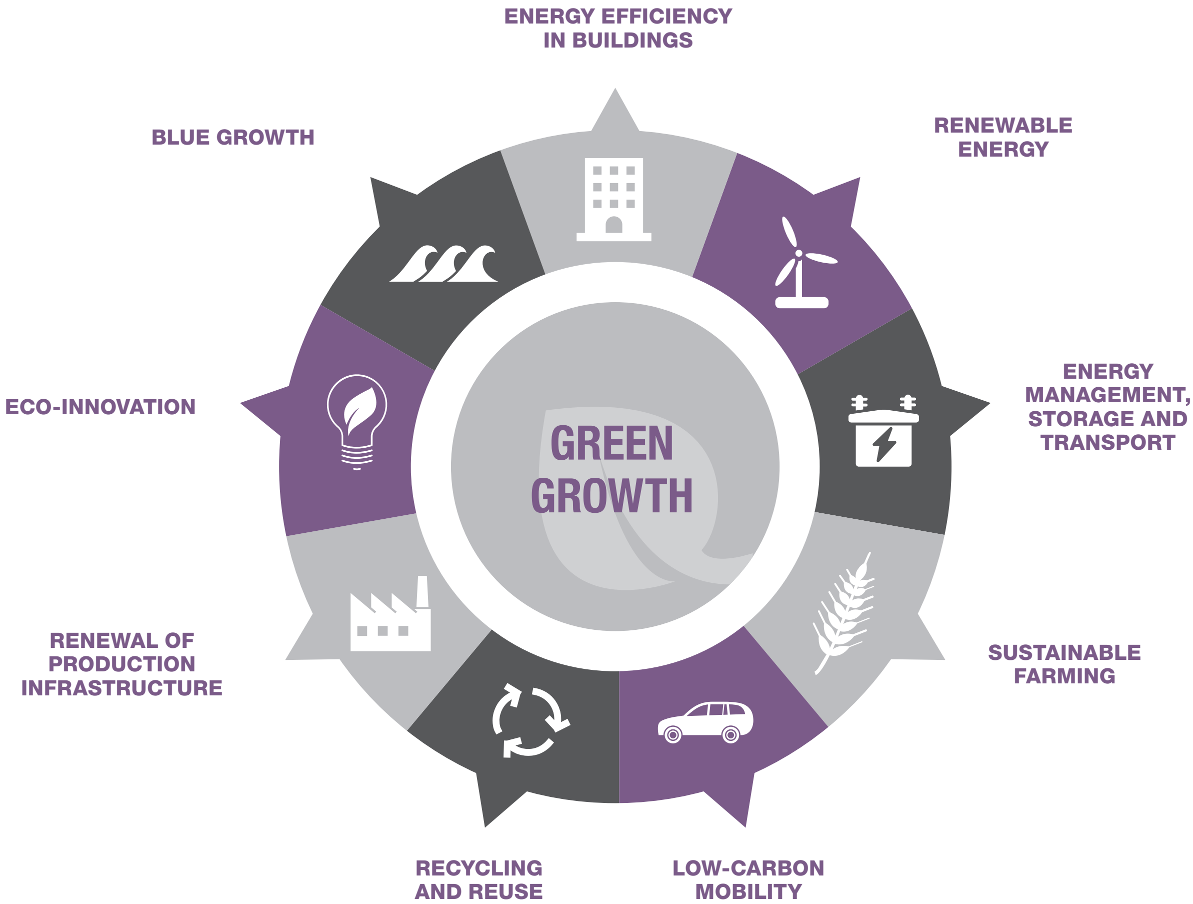
In two years, Kocoriko has helped nearly 200 projects and raised €450,000 in donations from 15,000 donors.

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

6.2.2 Funding the energy, ecological and social transition

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

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



Given its extensive experience with green growth, Groupe BPCE wants to go even further, which is why it placed the energy transition on the list of top priorities for its CSR strategy.

HELPING HOUSEHOLDS AND SMES TRANSFORM THEIR WAY OF LIFE

A comprehensive offer for thermal home renovation

Since its creation in 2009, Groupe BPCE has secured the No. 2 spot in France for the distribution of "Eco PTZ" interest-free eco loans, with a market share a shade above its natural weight. At December 31, 2017, 64,000 Eco PTZ loans totaling €580 million made it possible for our customers to perform energy efficiency renovations in their homes. As an active contributor to the SGFGAS (Société de gestion des financements et de la garantie de l'accession sociale à la propriété) Eco PTZ Committee, Groupe BPCE put forward multiple proposals to improve product distribution and efficiency. In particular, the group is the only bank to distribute the Eco PTZ loan for commonhold properties, *via* Crédit Foncier.

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

The Groupe BPCE networks distribute loans using funds from the sustainable development passbook savings account offered by the Banque Populaire banks (PREVair) and the Caisses d'Epargne (Ecureuil Crédit DD). Loan outstandings stood at €306.8 million at December 31, 2017, serving to fund 34,816 projects.

Green mobility for Groupe BPCE customers

The Groupe BPCE networks have created special products to encourage their customers to adopt mobility solutions generating little to no carbon emissions. Linked to an eco-bonus/penalty system, Banque Populaire's AUTOVair loan and Caisse d'Epargne's Ecureuil Auto DD loan can be used to buy hybrid and electric vehicles, including electric bicycles, at preferential rates. At December 31, 2017, 18,919 vehicles had been financed for a total of €128m.

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

In its loyal commitment to the SME and craftsmen market, Banque Populaire offers a special financing tool to aid them in their ecological transformation. This facility is used to improve the energy efficiency of buildings, manufacturing equipment (engines, etc.) or, for example, to optimize cold storage facilities. Beneficiaries can also address waste management problems, polluting discharges, or adopt renewable energy solutions. At December 31, 2017, 1,170 such projects had been implemented for a total of €160.6 million.

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

	2017		2016		2015	
	Number	Outstandings	Number	Outstandings	Number	Outstandings
Regulated green loans *(outstandings in euros)*						
PREVair (loan backed by LDD savings)	187	1,779,992	382	4,000,493	772	8,854,613
Ecureuil Crédit DD (loans backed by LDD savings)	3,429	33,404,530	4,545	44,638,043	6,461	68,841,352
Éco-PTZ (interest-free eco-loans)	5,380	78,555,542	5,347	79,008,160	6,019	89,566,998
TOTAL REGULATED GREEN LOANS	**8,996**	**113,740,064**	**10,274**	**127,646,696**	**13,252**	**167,262,964**

	2017		2016		2015	
	Number	Outstandings	Number	Outstandings	Number	Outstandings
Unregulated green loans *(outstandings in euros)*						
PREVair (loan backed by CODEVair savings)	189	1,559,607	117	1,913,206	258	3,696,738
PREVair Auto (car loan)	2,064	26,627,937	1,903	23,866,031	2,105	26,479,400
Ecureuil Auto DD (car loan)	3,258	33,850,886	4,332	44,422,785	4,758	48,681,854
PROVair	68	7,740,646	62	5,218,016	103	8,722,292
TOTAL UNREGULATED GREEN LOANS	**5,579**	**69,779,076**	**6,414**	**75,420,037**	**7,224**	**87,580,284**
TOTAL GREEN LOANS (REGULATED + UNREGULATED)	**14,575**	**183,519,140**	**16,688**	**203,066,734**	**20,476**	**254,843,248**

Going above and beyond

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

Extension of the BPCE-KfW-ELENA pilot program

2017 was originally supposed to be the last year of the program launched in 2012, but it was ultimately extended by the European Commission until December 31, 2018. The three Banque Populaire banks, two Caisses d'Epargne and their six partner local authorities thus continued to develop the program aimed at organizing energy transition financing in the regions. A number of qualitative and quantitative conclusions can be drawn at this point on the program's successes and areas for improvement. At December 31, 2017, €2.8 million in subsidies had been allocated to partner local authorities, €660,000 of which has already been committed. Households received €3.7 million in loans from participating Banque Populaire banks and Caisses d'Epargne, representing a total final investment of €40 million and generating energy savings of 183 GWh. The initiative supported 1,400 energy efficiency projects. These results testify to the utility of the program and confirm that a bank's full involvement is a key success factor. Underscoring this success, other local authorities have called on the Banque Populaire banks and Caisses d'Epargne to extend the program, and initiatives are under way to take it further into the future beyond 2019.

"Going above and beyond" also means relying on the academic community to lay the groundwork for the banking industry of tomorrow. To this end, for the last three years Groupe BPCE has supported and worked with a CIFRE doctoral candidate on energy transition financing, focusing in particular on consumer attitudes to real estate assets[(1)] by:

- analyzing the different types of energy expenses undertaken by households, and segmenting the microeconomic behaviors of operators and the housing energy transition market;
- highlighting the importance placed on energy efficiency in the local private housing market in France;
- examining the incorporation of multiple risks associated with climate change in the mapping of financial risks (specific, systematic and systemic risks) incurred by financial institutions in the conduct of their business, but also in the assessment of their balance sheet risk profile.

MAKING ENERGY TRANSITION PROJECTS A REALITY

Groupe BPCE: a major creditor of local public authorities and the social and solidarity-based economy

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

Groupe BPCE is the No. 1 creditor of the social economy[(2)]: non-profits, foundations, mutual insurers, social entrepreneurs and cooperative groups. Of the Banque Populaire banks, Crédit Coopératif makes a particularly substantial contribution to the field.

Meanwhile, the Caisse d'Epargne network is:

- the No. 1 private banker in the social housing sector[(2)]. And, *via* the Habitat en Région network which manages 244,000 housing units, it is an operator and a committed partner involved in the governance of one out of three organizations in France (public housing offices, social housing companies, cooperatives, non-profits, etc.);
- a major creditor of the public sector: Caisse d'Epargne is a major partner of local authorities and public healthcare institutions, accounting for nearly one-third of their loan outstandings.

6

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

Indicator *(in thousands of euros)*	**2017**	**2016**	**2015**	**Change 2016-2017**
Total annual new regional public sector loans	4,422,193	5,313,101	4,809,439	(21%)
Total annual new social housing loans	2,983,018	2,616,762	2,551,212	14%
TOTAL ANNUAL NEW SOCIAL ECONOMY LOANS	**2,785,049**	**2,681,586**	**2,497,782**	**4%**

(1) Thesis entitled "Essais sur la transition énergétique : enjeux, valorisation, financement et risques" (Essays on the energy transition: priorities, value enhancement, financing and risks) defended on July 6, 2017 by Déborah Leboullenger at Université Paris Nanterre.
(2) Banque de France, 12/31/2015.

Caisses d'Epargne: helping local authorities achieve their energy and ecological transition projects

As a longstanding partner of the local authorities, Caisse d'Epargne has worked for years to help them adapt to the energy transition. The programs initiated jointly with the European Investment Bank (EIB) have developed financing and financial engineering solutions specifically designed to attain these major regional goals.

Three tranches of the EIB's "HQEE II" credit line for the energy efficiency of government buildings have been used to finance nearly 200 projects in the French regions for a total of over €280 million since the end of 2010.

The EIB's Board of Directors granted BPCE a refinancing facility of €100 million earmarked for the "energy optimization of government buildings." These new funds will be used to co-finance the construction and renovation of government buildings and public lighting systems. In 2017, they served to finance the renovation of middle schools and community centers, and to connect the town hall to a heating network, for a total of over €16 million.

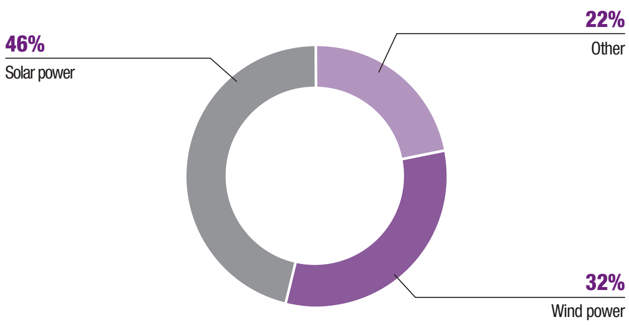
The Caisse d'Epargne network also uses the EIB's "E&A II" program to finance local authority investments in water and sanitation projects, including the construction or upgrading of water treatment plants, the renovation or extension of water or sanitation networks, and rainwater storage tank projects. The Caisses d'Epargne notably funded the first positive-energy water treatment plant in France for €41 million. BREEAM-certified (*Building research establishment environmental assessment method*) and equipped with very high-performance facilities, this plant "of the future" will treat wastewater generated by the equivalent of 160,000 people during the heaviest downpours, while generating powery by recycling water treatment sludge.

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

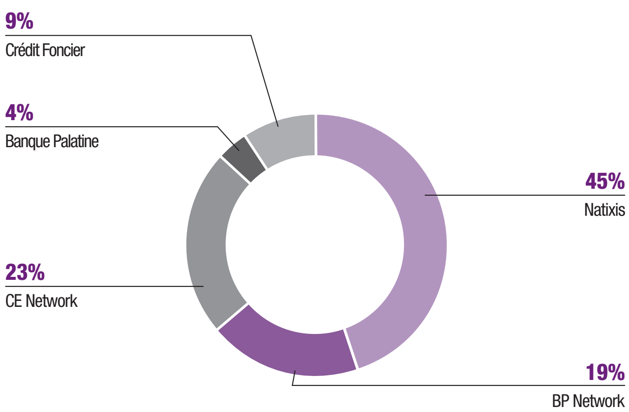
Groupe BPCE is a French leader in renewable energy financing. The regional roots established by the Banque Populaire banks and the Caisses d'Epargne have made them key players when it comes to funding local projects. The networks rely on the expertise of several specialized subsidiaries such as Grand Ouest Environnement, Hypéria Finance and Natixis Energeco, which develop solutions tailored to the needs of this fast-changing market.

Groupe BPCE's renewable energy loan outstandings amounted to €6.8 billion at June 30, 2017, and are focused on solar power (46%) and wind power (32%), predominantly in France (65%).

RENEWABLE ENERGY EXPOSURES



BREAKDOWN OF AUM BY CONTRIBUTOR



In addition to mature renewable energy sources, the group aims to meet customer needs on more innovative projects like biogas. An opportunity study was conducted and the group's risk policy adapted in a bid to establish its institutions on this highly dynamic market. The group also teamed up with GRDF to prepare and distribute a financing guide for biogas projects.

Natixis supports the development of renewable energy around the world through its local offices, particularly in Europe, the Middle East, Australia, and North and South America. Financing activity was very robust in 2017, especially in the fast-growing offshore wind power sector and in the Middle East, where Natixis has secured a position as a top-tier creditor supporting renewable energy projects.

Natixis is No. 3 in the MENA (*Middle East and North Africa*) region, according to the rankings established by leading publication IJ Global.

In the Corporate & Investment Banking division, the Global Infrastructure and Projects (GIP) team financed 14 new deals in 2017 for a total of €6,890 billion (of which €2,218 million arranged by Natixis) and a total installed capacity of 4,851 MW:

- four offshore wind farms with a total capacity of 1,715 MW;
- three onshore wind farms with a total capacity of 404 MW;
- seven solar PV facilities with a total capacity of 2,732 MW.

At end-2017, renewable energy accounted for almost 75% of the loans granted by the GIP team in the electricity sector.

ENERGECO: a subsidiary dedicated to renewable energy since 2000

Natixis Lease subsidiary Natixis Energéco is an active supporter of renewable energies in mainland France and overseas territories.

In 2017, Natixis Energéco financed 35 new deals for a total arranged amount of €429 million. The projects are located in France and will add total installed capcity of 373.5 MW to the following sectors:

- Wind power: 107 MW;
- Solar power: 266.5 MW.

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

Since the early 2010s, the Caisses d'Epargne have formed teams specifically to address financial engineering fields such as private equity, advisory services and arrangement of structured financing solutions. These teams have since built up the expertise needed to secure a strong position in the renewable energy market. Examples of their achievements in 2017 include:

- Caisse d'Epargne Loire-Centre was selected by VOL-V Group to structure and arrange senior debt totaling €18 million for the Le Bois Violette Wind Farm in Eure-et-Loir (*département* 28), comprised of 6 wind turbines with a total maximum capacity of 13.8 MW (total project cost: €20 million). Caisse d'Epargne Loire-Centre, public investment bank Bpifrance, Caisse d'Epargne Languedoc-Roussillon and Crédit Coopératif all teamed up to finance the project;
- Caisse d'Epargne Aquitaine Poitou Charente invested €28 million in 200 solar-powered agricultural facilities set to generate 20 MW of electricity. The project was led by Ineo Aquitaine (Engie Group), completed by Hélia Conseil and financed by Caisse d'Epargne Aquitaine Poitou Charentes and Bpifrance;
- Caisse d'Epargne Bretagne Pays de Loire financed the heating network for the Belle-Beille district in Angers, consisting primarily of wood-fired biomass boilers and the distribution network. The loan was arranged and syndicated by Hélia Conseil for a total of €16 million. Bpifrance and Caisse des dépôts et consignations also took part in the project;
- Caisse d'Epargne Provence-Alpes-Corse arranged the refinancing of a portfolio of operating solar power plants, coupled with an acquisition, *via* a senior debt vehicle of €45 million for ALTUS ENERGY. An independent renewable energy producer, ALTUS ENERGY recently finalized a global deal to refinance 10.1 MW in operating solar power plants and to purchase 3 MW in rooftop solar power facilities, with Caisse d'Epargne, sole arranger of the deal, and Bpifrance, which came on board at the closing;
- CEPAC also co-financed VALECO and its partners, which inaugurated the Découverte solar power plant, capable of generating enough electricity to power 6,000 homes in the Occitanie region. Funded by a consortium of commercial banks (CEPAC, Crédit Agricole du Languedoc and Unifergie-Groupe Crédit Agricole) and Bpifrance, the project was aided by capital contributions from VALECO and Mirova, with the backing of the European Investment Bank (EIB) in accordance with the Juncker Plan. The innovative partnership, unprecedented in Europe, organized between VALECO, the EIB (under the Juncker Plan) and the banking consortium, mobilized €220 million in financing and guarantees. The purpose of the partnership is to support the construction and operation of wind farms and solar PV power plants in France developed by VALECO, including the Découverte plant, representing a total capacity of 185 MW.

In the interest of structuring and ramping up the development of the Caisses d'Epargne in all of these activities, a new Financial Engineering division was created on January 1, 2017 in the Caisse d'Epargne Development division (Retail Banking and Insurance) of the central institution, BPCE SA group.

Support for renewable energy by BPCE International

In New Caledonia, Banque de Nouvelle-Calédonie and BPCE International teamed up to finance the construction and operation of the Boulouparis solar PV power station (South Province). It is slated to be the biggest solar power station in the region, spanning 20 hectares and boasting an installed capacity of 11.2 MWc. With the help of Banque de Tahiti, the two entities also financed the construction and operation of the Eole de Yaté wind farm (South Province), comprising 24 windmills with an installed capacity of 20.4 MW.

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

Financial engineering structure Atlantique Environnement (renamed "Grand Ouest Environnement" as of December 2017 with the merger of Banque Populaire Atlantique and Banque Populaire Ouest) was established in 2011 to meet the growing demand for renewable energy project financing in western France. This project is the direct result of the CSR policy initiated by Banque Populaire Atlantique and earned LUCIE CSR certification.

Its purpose is to meet the needs of customers and the network of branches for oversight and expertise on all projects in the energy and environmental fields. The ambition is to create a profitable business generating consolidated NBI in excess of €1 million.

There are currently four employees working with the Credit division and with Atlantique Syndication to manage deals totaling over €4 million in debt. Total outstandings come to more than €150 million, mostly in solar PV power, but increasingly in the biogas sector as well.

The structure has financed over 350 projects, including more than 250 deals in solar PV power.

Creation of the Green & Sustainable Hub

Natixis upped the ante on its strategic ambitions for the green, sustainable economy by creating a Green & Sustainable Hub in September 2017 in the Corporate & Investment Banking arm. This operational hub comprises experts who help issuers and investors all around the world by offering them solutions and expertise in green, sustainable financing.

The hub fulfills the following duties:

- Green & Sustainable research, the key component;
- structuring and origination of financing solutions (bonds, loans, securitizations facilitating syndication and distribution to a specialized investor base);
- structuring and engineering of investment solutions (equities, fixed income, credit) serving as a basis for the design of innovative investment products and solutions;
- advisory services for investors and issuers that are clients of the bank.

PROVIDING ACCESS TO BANKING SERVICES FOR ALL

Groupe BPCE has pulled out all the stops to make finance more inclusive, such as initiatives tailored to financially vulnerable customers, promotion of personal and professional microloans, and partnerships with agencies providing support to project developers. It also provides support to customers struggling to gain access to banking services due to disabilities, as well as customers with budget management problems.

Helping financially vulnerable customers

In 2017, Groupe BPCE continued implementing the AFECEI[(1)] Charter for banking inclusion and prevention of over-indebtedness in its banking networks. This charter applies to individuals holding a current account or receiving financial services provided by the Group's entities, but not acting for professional reasons. The report submitted in March to the Banking Inclusion Observatory contained objective data on preventive and follow-up actions targeting financial vulnerable customers. Out of 34.6 million individual customers, including 27.9 million customers of retail banks, 569,118 potentially vulnerable customers were identified in the second half of 2017. Once detected, they are contacted to set up a diagnostic review of their financial situation and offer potential solutions.

The banking offer designed for vulnerable customers is established in accordance with the Banking Act of July 26, 2016, allowing financial institutions to provide a special offer to meet the needs of financially vulnerable customers. BPCE's banking networks have rolled out the offer, consisting of a package of at least 10 banking services[(2)] at a regulated rate of €3 per month and with capped penalty fees in the event of incidents. The scope under review includes customers banned from holding a bank account, undergoing an insolvency proceeding, or subject to recurring payment incidents, but based on criteria defined by each credit institution. It also includes all customers having signed up for this type of protective offer.

At December 31, 2017, 503,409 customers had been identified and contacted by their advisor to make them this special offer. At the same date, 83,110 customers had signed up for the offer, giving an ownership rate of 16.5%. By the end of 2017 both the Banque Populaire network and the Caisse d'Epargne network had formally defined an action plan to propose this special offer to their customers. The corresponding results are covered by key indicators in the Groupe BPCE strategic plan.

In order to maintain a close and lasting trust-based relationship with these customers, dedicated structures set up within the banks or with external partners may also become involved.

Finally, in 2017, 12,549 individual customer CRMs out of 17,789 Caisse d'Epargne and Banque Populaire advisors received special training on how to implement these offers.

BANKING OFFER FOR VULNERABLE CUSTOMERS

Indicator *(in number of customers)*	**2017**	**2016**	**2015**	**Change 2016-2017**
Basic banking services *(new)*	9,432	11,049	12,774	(15%)
Basic banking services *(existing)*	39,878	43,103	44,479	(7%)
Services for vulnerable customers *(new)*	25,094	26,022	25,979	(4%)
Services for vulnerable customers *(existing)*	96,059	82,410	70,793	17%

Including subsidiaries Banque de Nouvelle-Calédonie and Banque de Tahiti but excluding Crédit Coopératif.

(1) AFECEI: Association française des établissements de crédit et des entreprises (French Association of Credit Institutions and Investment Firms). The AFECEI has drafted a professional charter vested with regulatory value.

(2) Account administration, systematic-authorization debit card, in-branch cash deposits/withdrawals; four SEPA credit transfers/month, two bank checks; remote account consultation; account balance alert; bank account details forms (RIB); change of address and cap on penalty fees (€4 per transaction; €20 per month).

Reaching out to protected persons

There are currently almost 800,000 protected persons in France. Caisse d'Epargne has been committed to helping protected persons for 25 years and has become the No. 1 bank for persons under legal guardianship or supervision, providing daily support to one out of three protected persons as well as their legal guardian or representative[(1)].

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

Working with support networks

In 2017, Groupe BPCE was once again the leading creditor of the three principal microloan support agencies[(2)] with €503 million in disbursed or refinanced loans issued to 20,157 beneficiaries. These loans qualify as solidarity-based loans because their approval is not based on standard scoring criteria, particularly for project developers that are out of work or cannot put up personal collateral. To secure the funding for their project, they have access to start-up loans requiring no personal guarantee, government backing and personalized support offered by a solidarity-based finance provider, in partnership with a Groupe BPCE credit institution which grants refinancing facilities or top-up loans. A breakdown of these loans is provided below.

SUMMARY OF MICROLOANS[(3)] WITH SUPPORT ISSUED BY GROUPE BPCE

	New loans in 2017		New loans in 2016		New loans in 2015		Change 2016-2017	
Type of loan *(in euros)*	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Personal banking microloans	5,790	15,251,697	5,554	14,259,435	5,665	14,664,334	4.2%	7%
Personal non-banking microloans	1,273	3,860,942	1,708	4,728,101	1,561	3,729,470	(25.5%)	(18%)
Secured professional banking microloans, o/w guaranteed by France Active	1,984	65,141,491	2,141	63,420,429	2,196	60,627,529	(7.3%)	2.7%
Professional non-banking microloans	4,664	17,056,621	5,233	18,445,997	5,587	19,875,971	(10.9%)	(7.5%)
GROUPE BPCE TOTAL (CAISSES D'EPARGNE, BANQUE POPULAIRE BANKS, CRÉDIT COOPÉRATIF INCLUDED)	**13,711**	**101,310,751**	**14,636**	**100,853,962**	**15,009**	**98,897,304**	**(6.3%)**	**0.5%**

The microloan business[(3)] of the Banque Populaire banks and the Caisses d'Epargne has ranked Groupe BPCE as the leading French bank in terms of microloans with support, recording 13,711 microloans for a total of €101 million. In the secured personal microloan segment, the group held 34.66% market share at end-2016 (source: 2016 social cohesion fund report). In the broader segment, including other professional solidarity-based loans with support, it held one-third of the market, *i.e.* 13,094 loans in a stable customer base of roughly 40,000 borrowers (financial center survey – France Stratégie 2014). In 2017, despite the emergence of new players, the Group retained its position as market leader (vs. 15,009 loans in 2015 totaling €98.9 million).

(1) https://newsroom.groupebpce.fr/actualites/la-caisse-d-epargne-premiere-banque-des-personnes-protegees-lance-un-film-inedit-a-destination-des-personnes-sous-tutelle-et-curatelle-et-de-leur-famille-3c10-7b707.html#DFb1sDpckpySFHwL.99

(2) Initiative France, France Active and ADIE.

(3) Microloans: loans issued to borrowers in vulnerable situations covered by a guarantee and supported by a public interest organization. Caps on funds issued as established by the Lagarde Act of July 1, 2010.

GROUPE BPCE NACRE[1] TOP-UP LOANS

Issuing network *(in euros)*	New loans in 2017		New loans in 2016		New loans in 2015		Change 2016-2017	
	Number	Payments	Number	Payments	Number	Payments	Number	Payments
GROUPE BPCE TOTAL[1]	1,611	56,646,749	2,819	95,835,873	2,835	95,900,048	(43%)	(41%)

(1) *Caisses d'Epargne, Banque Populaire banks, Crédit Coopératif included.*

In 2017, Groupe BPCE granted €56.6 million in top-up loans to entrepreneurs benefiting from the "NACRE" scheme (*Nouvel accompagnement à la création et à la reprise d'entreprise* – new support mechanisms for business creation). The steep drop compared to 2016 reflected a change in financial center structure with the regionalization of public aid, but the group consolidated its market share at 34% of the total amount of issued loans. Finally, it bolstered its position as the No. 1 banking group to partner with platforms run by Initiative France, which estimates[2] that it distributed more than €345 million in top-up loans to supplement start-up loans in 2017.

TOP-UPS FOR START-UP LOANS PROVIDED BY INITIATIVE FRANCE (ESTIMATE AT 01/30/2017)

Issuing network *(in euros)*	New loans in 2017		New loans in 2016		New loans in 2015		Change 2016-20167	
	Number	Payments	Number	Payments	Number	Payments	Number	Payments
GROUPE BPCE TOTAL[1]	4,835	345,500,000	5,123*	336,187,854*	5,303*	335,968,807*	(6%)	3%

(1) *Caisses d'Epargne, Banque Populaire banks, Crédit Coopératif included.*
* *The estimated 2015 and 2016 figures published in the 2015 and 2016 registration documents have been updated with the actual 2016 and 2015 figures.*

Banque Populaire initiatives

The Banque Populaire banks have established close ties with networks that encourage business creation and economic organizations throughout the French regions, including ADIE (French association for the right to economic initiative), Initiative France, France Active, Réseau Entreprendre, BGE (formerly Boutiques de Gestion), etc. In line with their position, the Banque Populaire banks primarily direct their microfinance initiatives towards professional microloans. In 2017, Adie and the Banque Populaire banks celebrated the 20th anniversary of their partnership. On this occasion, the Banque Populaire banks, represented by their national federation (FNBP), entered into an agreement with Adie to expand their social engagement through volunteer work, skills sponsorship and knowledge-sharing. The Banque Populaire network has reaffirmed and strengthened its support for ADIE, and in particular for young entrepreneurs. This year, with 21.4% of refinancing facilities granted to 23.8% of beneficiaries, the Banque Populaire banks consolidated their position as Adie's No. 1 microloan refinancing institution. The Banque Populaire banks also topped up start-up loans requiring no personal guarantees for young people set up by ADIE, and through their federation they co-funded CréaJeunes youth programs and other activities for ADIE's young beneficiaries. The Banque Populaire banks and their federation are also partners of Microloan Week. Additionally, the Banque Populaire banks and ADIE co-founded the "Jeune Créadie Banque Populaire" award, given out in the local regions and at a national level to young people developing entrepreneurial projects. Under 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 the long term. The FNBP, represented by its Chief Executive Officer, is a member of ADIE's Board of Directors.

Finally, the Banque Populaire banks granted €246 million in top-ups for start-up loans requiring no personal guarantees under the Initiative France program, and most of these banks have set up agreements with incubator France Active, generating €38.2 million in secured loans.

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

(1) *France Active – Fafi.*
(2) *The estimates were made by Initiative France on the basis of the data provided by 155 platforms (95% of total respondents) on their annual online survey. These data were then extrapolated to the 227 platforms in the network. The survey is availablee from late December to mid-February, and the data collected pertain to the full year (from January 1 to December 31, 2017).*

Caisse d'Epargne initiatives

In 2017, the Caisses d'Epargne consolidated their rank as the No. 1 bank for personal microloans[1] while also holding on to their leading position in the professional microloan segment. They are the only banks that offer support services adapted to the needs of microloan borrowers, *via* the Parcours Confiance association and the Créa-Sol microfinance institution. A total of 70 advisors are dedicated to this activity across France, alongside over 600 partners providing support for borrowers. In 2017, 4,885 personal microloans and 3,012 professional microloans were issued by the Caisses d'Epargne, alongside 606 microloans *via* Créa-Sol.

The Caisses d'Epargne play an active role in microloan development. At the national level, they are represented on the Steering and Supervisory Board of the Fonds de cohésion sociale (social cohesion fund).

In 2017, three major areas for research and innovation emerged:

- housing: the Caisses d'Epargne and their federation stepped up their work in the housing segment by establishing a partnership with social housing management network Habitat en Région aimed at providing struggling tenants with an appropriate microloan, including to cover past-due rent (a program initially tested with Secours Catholique);
- support for female entrepreneurs: the Caisses d'Epargne, working through their federation and BPCE, renewed their partnership with the French State to promote female entrepreneurs, with the goal of seeing women make up 40% of entrepreneurs by 2020. This agreement will be implemented through regional action plans over the course of 2018;
- mobility: in 2017 the FNCE rolled out an innovative lease financing offer with purchase option, funded with a microloan issued by the Caisses d'Epargne, in partnership with Renault. The goal is to allow job seekers to acquire a new car for a lower total cost than they would pay for a used car. Implementation of the offer will continue in 2018.

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 participates in the EMN working group on the social achievements of microfinance and publishes a microfinance survey each year in partnership with Convergences.

Playing a pivotal role in financial education

Banque Populaire initiatives

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

Caisse d'Epargne initiatives

Since its creation in 1957, Finances & Pédagogie has been supported by the Caisses d'Epargne. Through this partnership, 21 regional employees implemented a teaching program in 2017 covering all types of money management topics. This financial education project is mainly devoted to teaching young people and preparing them to seek employment, informing people in economically and financially unstable situations, and training social aid professionals to support these demographic groups. It is also open to non-profit volunteers and employees in the public or private sector.

In 2017, 2,856 sessions were held with about 41,000 interns. They included:

- 15,000 young people from schools and vocational centers;
- 20,000 people receiving assistance from entities in the social and solidarity-based economy or other social organizations;
- over 800 social workers and volunteers, mainly from the social services divisions of associations, mentorship organizations, and local governments.

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

Nearly 3,800 topics were covered in 2017:

- 55% involved budgeting and money issues in everyday life;
- 16% involved banking and payment instruments;
- and 15% involved issues related to credit, microloans and excessive debt.

The association, which celebrated its 60th anniversary in 2017, is now recognized as a pivotal figure of financial education in France. It is a member of the Operational Committee for National Financial Education Strategy run by the Banque de France. It is also accredited by the French Ministry of Education. Its key teaching materials are validated and incorporated in the educational library of the INC (French National Consumer Institute).

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

Promoting access to banking services for persons with disabilities

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

- they provide visually-impaired customers with free account statements in Braille and some are issued specially-designed guides and checkbooks. They also endeavor to make their services accessible by installing ATMs with Braille and voice guidance features as well as specially-designed online tools. In 2016, the networks provided special training focused on serving disabled customers (sign language, serving persons with disabilities, etc.). They directly encouraged the employment of persons with disabilities by raising awareness, advising local companies and offering practice job interviews to job-seekers with disabilities;

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

- the Act of October 7, 2016 for a digital republic required all companies to provide a customer service line accessible to deaf and hearing-impaired customers to ensure that their needs are met and they are given the same level of service as their other customers. This obligation will take effect in October 2018. In keeping with its Disability policy, Groupe BPCE decided to get ahead of this legal obligation and make all of the group's commercial telephone lines accessible. To do this, it negotiated a national agreement with a translation platform covering the entire group. Under the agreement, a videophone interpreting service will be set up between bank employees and deaf or hearing-impaired customers for all diability-accessible Groupe BPCE commercial contact points (CRCs – Customer Relations Centers, branches and e-branches). This means three people are involved in the conversation: the advisor, the interpreter and the customer;
- BPCE Assurances has established an accessibility system for customers who are deaf or hearing-impaired. Policyholders can now directly access contract management, assistance, and claim and compensation services *via* the website of their Caisse d'Epargne. In addition, emergency assistance by text message is provided 24/7 in the event of a claim or vehicle breakdown. This tool allows customers who are deaf or hearing-impaired to get in touch with an insurance representative using instant transcription or remote video interpreting services. This allows them to make contact independently, without the need for a third party, as is often the case;
- several banks also rely directly on customer advisors trained in sign language. Furthermore, they have developed products specifically designed for persons with disabilities, for example to help them purchase equipment and adapt their home to meet their needs.

BRANCH ACCESSIBILITY

Indicator	2017	2016	2015	Change 2016-2017
Number of accessible branches (Disability Act of 2005)	5,024	4,706	4,967	7%
Percentage of accessible branches (Disability Act of 2005) *(as a %)*	63.2%	59%	54.5%	15.4%

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

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

GIVING THE GREEN LIGHT TO GREEN PROJECTS

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

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

The Auto Insurance range offers price breaks to policyholders traveling less than 8,000 km per year in their car, while owners of electric cars can save up to 30% on their policy. Finally, in the interest of providing day-to-day support to its customers, BPCE Assurance offers eco-driving courses.

PREVENTING AND MANAGING CLIMATE RISK

Aware of its major role in preventing ESG risks, Groupe BPCE made a number of commitments along this line in its 2018-2020 strategic plan. After including CSR and climate risk in the group's general credit risk policy and environmental risk in the risk-mapping process covering all group institutions in 2016, this year Groupe BPCE confirmed its commitment by incorporating ESG criteria in its sector risk policies.

Accordingly:

- the group made climate risk one of the ambitions of the "financing a responsible economy" project;
- the Risk and Compliance function organized a national day dedicated to examining climate risk and green financing, attended by renowned experts in the field, including the ACPR, the French Banking Federation, Banque de France, members of the European Commission's HLEG, and Finance for tomorrow (Paris Europlace), etc.;

- four working groups combining experts from the Risk, Compliance and Permanent Control division (DRCCP) and CSR experts from various Group institutions were formed to develop an action plan on the following issues:
  - extreme weather events: a questionnaire is currently being drafted with the aim of identifying the upstream and downstream consequences of such events,
  - incorporation of ESG risks in the credit monitoring process using criteria specific to the different sectors financed,
  - identification and monitoring of green assets in the risk monitoring information system,
  - global governance of climate risk through group institutions,
  - in the interest of rallying employees around the cause, BPCE's Risk division organized a training day for the Risk and Compliance functions on climate change issues.

These efforts will expand on the risk analysis centered around the duty of vigilance, the Sapin 2 Act and the European on non-financial reporting.

In addition, pursuant to Article 173 of the French Energy Transition Act, BPCE has begun to ramp up its efforts to reduce its impact on climate change.

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 parentheses), ranging from a limited impact (*) to a strong impact (***):

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

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

Integration of climate change in stress tests

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

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

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

Mirova: innovative measurement of a portfolio's carbon footprint

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

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

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

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

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

APPLICATION OF THE CARBON METHODOLOGY TO A SELECTION OF INDICES

	+3.7°C	+4°C	+4.7°C	+5.5°C	+4.4°C
	S&P 500	MSCI World	MSCI Europe	CAC 40	Barclay Euro Aggregate Corporates
Generated ($tCO^2/m€$)	98.3	146.5	216	272.5	184.3
Avoided ($tCO^2/m€$)	-11.4	-14.9	-16	-16.2	-13.7

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

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

Natixis Asset Management: engagement for the climate

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

- contributing to the fight against climate change by offering a range of funds spanning multiple asset classes *via* its subsidiary Mirova, with the aim of funneling investor funds into pro-climate solutions;
- engaging in dialog and lobbying to encourage issuers and politicians to take climate issues on board through shareholder engagement, financial center engagement and lobbying initiatives;
- measuring and reporting the carbon footprint of portfolios: Natixis Asset Management uses the Carbon Impact Analytics[(1)] method to calculate the carbon footprint of portfolios, co-developed by Mirova and Carbone 4 (see presentation of Mirova above). This innovative approach covers generated emissions within the company's entire scope of responsibility, avoided emissions and overall contribution to climate change prevention. Furthermore, Natixis Asset Management has published a carbon report in the annual report of its main funds since December 31, 2016, in accordance with the requirements of the French Energy Transition Act;
- reducing portfolio exposure to the most carbon-intensive sectors: in line with the commitment made by its parent company, Natixis Asset Management has defined a sector-based carbon policy applicable to all directly managed portfolios. This policy excludes mining companies that employ mountain top removal, one of the most aggressive forms of coal extraction.

In 2017, Groupe BPCE recorded no provisions or guarantees to cover environmental risks in its financial statements.

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

INTEGRATION OF ESG CRITERIA IN PRIVATE EQUITY ACTIVITIES

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

Since 2015, Euro Private Equity and Naxicap Partners have been signatories of the Principles for Responsible Investment (PRI).

In addition to the PRI, Naxicap Partners made a commitment to the IC20 (*Initiative Carbone 2020*) to contribute to the COP21 goal of limiting global warming to two degrees. The aim is to reduce the greenhouse gas emissions of its equity interests and publishing the direct and indirect carbon footprint of portfolio companies by 2020.

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

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

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

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

Incorporation of environmental and social criteria in the Corporate & Investment Banking division's financing business lines is assessed by the new CSR Department, which monitors the quality of the assessment and monitoring of E&S risks in transactions, analyzes reputational risk of interested parties, and implements CSR policies in sensitive 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 92 member banks and financial institutions, aimed at evaluating the E&S risks of the projects it finances and assessing the quality of the management systems used by its customers to manage, minimize, and remedy the impacts they cause as best they can.

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

An organizational structure based on the principle that both the business lines and the CSR division are involved in assessing and managing transactions has been set up to assess the quality of existing E&S documentation prepared by the customer (or the customer advisor if the documentation has not yet been drawn up), to measure and classify potential E&S impacts and risks by importance, and call upon the services of external consultancies if required. It also provides for the drafting of an action plan for impact mitigation and correction measures, which is included in the financial documentation. Compliance with the action plan is monitored over the life of the financing facility.

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

Details of the analysis and decision-making process, the resources used and full information on transactions audited in this way are available in the annual Equator Principles report (published before July 31 each year and available on the Natixis website at https://www.natixis.com/natixis/jcms/ala_5415/en/environmental-and-social-risk-management).

Assessments performed beyond the scope of the Equator Principles

Mindful of the great diversity of customer transactions and financing solutions, Natixis ensures the same level of vigilance on the underlying E&S risks of certain types of transactions outside the scope of the Equator Principles.

Such transactions include acquisition financing transactions not associated with an investment program, financing that is, by nature, for multiple purposes, transactions involving portfolios of assets too large for a dedicated assessment, or certain kinds of assets.

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

Analysis of reputational risk associated with interested parties

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

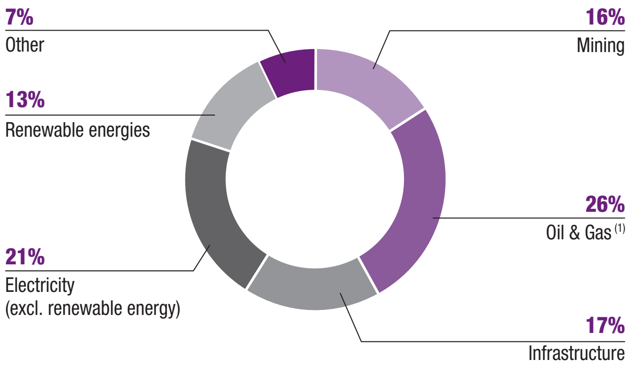
In the interest of establishing lasting relations with its customers, the objective is to raise awareness among the business lines – before a credit decision is made – of all the situations that can give rise to reputational risk, and where necessary to consider appropriate measures.

Overview of financing transactions over the last three years

212 transactions were subject to an E&S assessment, E&S risk monitoring and/or reputational risk analysis over the last three years, including 89 transactions in 2017 alone, up 35% compared to 2016.

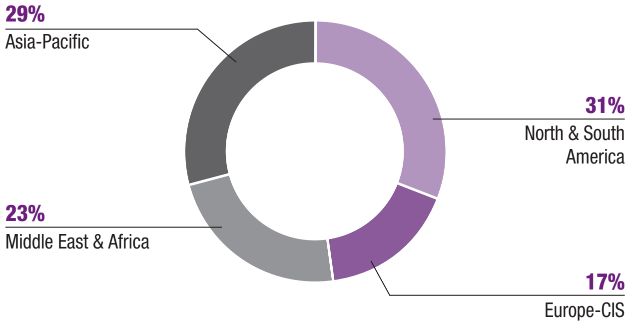
Number of transactions by geographic region and sector:

BREAKDOWN OF PROJECTS CONSIDERED BY SECTOR (NUMBER) – SINCE 2015



(1) including special ships and offshore platforms

BREAKDOWN OF PROJECTS CONSIDERED BY REGION (NUMBER) – SINCE 2015



Implementation of CSR policies for sensitive sectors

Internal CSR policies have been drawn up and included in the risk policies of the business lines working with the most sensitive 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 are an addition to Natixis' exclusion policy (see next inset);
- 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 operations that demonstrate their operators' ability to manage the environmental, social, health and safety aspects of their activities, in adherence with current regulations, international standards (IFC, World Bank) and industry recommendations and best practices. Oil sands and oil projects in the Arctic are excluded (see next inset);
- mobile assets used for offshore oil and gas production: adherence to maritime and sector-specific regulations; selection of assets according to operator quality, their country of establishment (ensign) and the certifying body according to well-established and recognized classifications;
- palm oil: traceability and compliance with best practices and applicable standards.

Exclusion policies

Exclusion policies have been announced to the public and implemented in different sectors.

Controversial weapons

Exclusion policies have been applied to 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.

Coal sector

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

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

It should be noted that the amount of Natixis' exposure to coal-industry financing has fallen steadily since the undertaking made in October 2015. At the end of 2016, financing of thermal coal mines amounted to zero and was residual in coal-fired power plants.

Discontinued financing of oil derived from oil sands and exploration/production of oil in the Arctic

In December 2017, Natixis made a commitment to no longer finance the production, transportation and storage of oil derived from oil sands, all around the world. It also committed to no longer financing companies whose activities are mainly based on the production of oil derived from oil sands. The company has also stopped financing oil exploration and production projects in the Arctic.

More information is available in the press release.
https://www.natixis.com/natixis/upload/docs/application/pdf/2017-12/pr_natixis_-_new_commitments_-_december_11_2017.pdf

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

Discontinuation of financing for the tobacco industry

In December 2017, Natixis decided to stop all financing and investment activities in the tobacco industry. This decision applies to tobacco producers, wholesalers and traders, as well as tobacco product manufacturers. It is applicable to all Natixis business lines worldwide: Corporate & Investment Banking, Specialized Financial Services, Insurance and Asset Management.

Natixis sees tobacco as a danger to public health, and this exclusion has deepened the bank's commitment to the fight against cancer, as a supporter of Fondation Gustave Roussy since 2011.

More information is available in the press release.
https://www.natixis.com/natixis/upload/docs/application/pdf/2017-12/natixis_pr_-_tobacco_exclusion_12_19_2017.pdf

ANTICIPATING OPPORTUNITIES IN A RESILIENT ECONOMY

An ambitious green and social bond policy

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

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

Participation in the FBF's Green Supporting Factor project

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

Creation of a European platform for natural capital investments

On September 29, 2017, Mirova finalized the acquisition of a majority stake in Althelia Ecosphere, an asset management company specializing in impact investing, with the goal of owing 100% of its capital by 2022.

The new entity, dubbed Mirova-Althelia, has set its sights on becoming the European leader in natural capital investment. In a bid to ramp up the scale of such a promising asset class, Mirova-Althelia set a target of €1 billion in AUM over five years. It will offer opportunities to institutional investors keen on earning a return on their investment while generating a positive ecological impact through solutions that meet the planet's top environmental priorities: global warming and protection of land, biodiversity, soil and maritime resources.

Creating this platform aligns perfectly with Mirova's development strategy, based on the determination to explore new areas of responsible investment, offer innovative solutions to its customers, and work with leading experts in each field to achieve this aim.

Banque Populaire Atlantique's CSR strategy for SMEs

Banque Populaire Atlantique incorporated CSR in its 2012-2020 corporate development plan, basing this commitment on the LUCIE certification obtained in 2012, a CSR improvement approach based in turn on the ISO 26000 standard. At the same time, Banque Populaire Atlantique began thinking of how to integrate CSR in its relations with SMEs. As early as late-2012, the bank decided to grant financing to customers interested in obtaining LUCIE certification, at an attractive interest rate.

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

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

In May 2017, just two years after its launch, 65 companies had already benefited from the program, primarily in the Loire-Atlantique region. Of course, Banque Populaire Atlantique does not limit its commercial CSR strategy to environmental issues alone. PROVair, for example, offers credit facilities used to make builds more accessible for persons with disabilities, among other products.

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

6.3 Sustainable and responsible value creation

6.3.1 Contribution to regional economic development

FINANCING THE ECONOMY: LOCAL ROOTS – A KEY ASSET

The 14 Banque Populaire banks and 16 Caisses d'Epargne embody Groupe BPCE's close ties with the regional economy, sharing the values of social cohesion and support for local employment:

- Groupe BPCE is set to once again be the No. 1 bank issuing personal microloans with support[1] to individual customers, with 5,554 loans totaling €14.26 million (34.66% market share volume at end-2016). The group is also still the No. 1 bank for professional microloans[2] (roughly one-third market share at end-2016); detailed information on this activity is provided in Section 6.2.2;
- in 2017, donations by the Banque Populaire banks and Caisses d'Epargne to general interest projects in local areas amounted to €31 million (*versus* €32.8 million in 2016):
  - €11.1 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,
  - €19.7 million was earmarked by the Caisses d'Epargne for three uses: Caisse d'Epargne regional patronage initiatives (directly or *via* regional foundations), the Caisse d'Epargne network endowment fund and Fondation Belém,
  - in 2017, 87% of the group's suppliers[3] were SMEs[4], 37% of purchases[5] were made from SMEs, and 29% from ISEs[6]. Groupe BPCE companies give preference to local suppliers: 73% of suppliers have a local presence in their respective regions[7]. These companies contribute to local employment and economic development through their sub-contracting chain,
  - although historically located in the cities, the Banque Populaire banks and the Caisses d'Epargne also play a role in the development of rural areas: 399 branches are located in rural areas[8],
  - *via* their branches, the Banque Populaire banks and the Caisses d'Epargne are also present in 34% of priority neighborhoods as identified by municipal policy[9], with 436 branches,
  - the policy applied to establishing branches in the regions is aligned with the new customer relationship model: digital channels and multi-media platforms are being ramped up, calling for the branches to be more specialized by customer segment, with advisors maintaining their role in securing the commercial relationship. In terms of accessibility, the goals of the Banco 2020 plan stipulate that the distance from the point of sale with the furthest customer may not exceed 10 minutes in an urban setting or 20 minutes in a rural setting.

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

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

Detailed information on these initiatives is provided in Section 6.2.2.

RESPONSIBLE PROCUREMENT POLICY: THE AGIR PROJECT

CSR forms one of the key pillars of the BPCE Procurement department's 2020 procurement performance plan. The group has set the following targets for 2020:

- increasing the number of Group companies with Responsible Supplier Relations and Procurement certification from 7 to 14;
- raising the percentage of tenders in compliance with standardized procurement processes including CSR to 80%;
- paying suppliers in 28 days, on average.

Incorporating CSR into the procurement policy

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

(1) *Fonds de cohésion sociale (social cohesion fund)/Caisse des Dépôts.*
(2) *http://www.mtn-i.com/latest-news-asia-pacific/2017-award-winners*
(3) *From the sample of 30,404 suppliers with a SIREN number and approved by INSEE; this amount represents 89% of total purchases.*
(4) *Definition of small and medium-sized enterprises: companies with fewer than 250 employees and revenues below €50,000 K.*
(5) *From the sample of purchases taken from the Codex 2016 database on suppliers with a SIREN number and approved by INSEE; this amount represents 89% of total purchases.*
(6) *Definition of intermediate-sized enterprises: companies with 250 to 5,000 employees and revenues greater than or equal to €50,000 K and less than €1,500,000 K.*
(7) *Average calculated based on entity reports according to the Group's regional breakdown.*
(8) *Definition: INSEE, French "communes" that do not fall under definitions of urban units, i.e. "communes" without zones of continuous development inhabited by 2,000 residents and "communes" in which less than half of the municipal population resides in a continuous development zone. Calculated based on 2009 census.*
(9) *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.*

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

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

Engaging stakeholders with the responsible procurement policy

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

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

For the purposes of the "developing responsible procurement" project under the group's CSR approach, a working group comprising Procurement and CSR managers defined an action plan with three priority objectives: optimizing the environmental and social impact of purchases, contributing to the economic and social development of the regions, and promoting best business practices. An extensive analysis was also conducted to determine a simple, measurable way to assess the CSR performance of suppliers in order to identify CSR risk and opportunities and to incorporate this performance into the overall assessment of suppliers.

PROCUREMENT POLICY

Indicators	2017	2016	2015	Change 2016-2017
Level of integration of the responsible procurement policy in the procurement category strategy *(as a %)*[1]	30%	30%	37%	0%
Level of integration (national level) of the responsible procurement policy in the procurement performance plan *(as a %)*[2]	70%	75%	70%	(7%)
National procurement initiatives implemented with a Total Cost of Ownership approach in the procurement performance plan *(as a %)*[3]	59%	65%	55%	(9%)
Control of dependence with suppliers *(as a %)*[4]	85%	87%	93%	(2%)
Average supplier payment term *(in days)*[5]	30[6]	28	25	(6%)

(1) *Number of procurement sub-categories covered by the methodology descriptions available on the Sacha procurement intranet site/number of procurement sub-categories.*

(2) *Number of national initiatives as part of the Procurement Performance Plan (PPP) that include at least one "AgiR" component/Total number of national PPP initiatives; reported and estimated number.*

(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; reported and estimated number.*

(4) *Amount of purchases made from Group suppliers having a dependency rate below 30%/Amount of purchases made from Group suppliers. Sample of Group suppliers making up 75% of the procurement amount. 2015 data: the rate shown applies to national suppliers.*

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

(6) *Sample of 48 entities in 2017 (three more than in 2016, although the number is down due to mergers), 49 in 2016 and 43 in 2015.*

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 2017, two Groupe BPCE companies applied to receive Responsible Supplier Relations and Procurement certification in cooperation with BPCE Procurement: Caisse d'Epargne Aquitaine Poitou-Charentes and Caisse d'Epargne Rhône Alpes.

In keeping with the Charter and in the interest of converging with the ISO 20400 responsible procurement standard, the Responsible Supplier Relations certification has become the Responsible Supplier Relations and Procurement certification. The certification is awarded by the company mediator (under the auspices of the French Ministry for the Economy) and the CNA (French National Procurement Council). It aims to single out French companies that have established lasting, balanced relations with their suppliers.

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

As part of this continuous improvement policy, the companies that received the certification 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 second audit. Certified in 2016, Banque Populaire Rives de Paris, Caisse d'Epargne Ile-de-France and Caisse d'Epargne Midi-Pyrénées received a positive assessment on their first review. The certification, 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). In 2017, a satisfaction survey was submitted to a panel of SME and ISE suppliers. 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 second 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 (morning procurement meetings, program for new hires) has been in place to present all the tools for applying responsible procurement to a wide audience (procurement function, business lines, disability officers, innovation and sustainable development officers).

Vigilance plan

The initiatives implemented in accordance with parent company and client company vigilance plan requirements are detailed in Section 6.3.3 of this chapter.

Outlook

The group's ambition is to continue to implement the action plan defined for the purposes of the "Developing responsible procurement" project. 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 and Procurement certification to new Group companies.

SUB-CONTRACTING POLICY

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

In accordance with the responsible procurement policy, the Group's suppliers are required to comply with current CSR rules and regulations and to encourage their own suppliers and sub-contractors to do the same.

Disability and responsible procurement policy ("PHARE")

Since July 2010, the procurement function has contributed to Groupe BPCE's societal responsibility goals by implementing the disability and responsible procurement policy ("PHARE"). Supported by the procurement and human resources functions, this policy contributes to the professional and social inclusion of persons with disabilities by sub-contracting some operations to companies working with disabled persons.

In 2017, Groupe BPCE bolstered this commitment by spending nearly €15.8 million including tax[1] on companies employing persons with disabilities, representing a more than five-fold increase since the policy was launched. Purchases by Groupe BPCE from companies working with disabled persons contributed to the professional inclusion of persons with disabilities, equivalent to 547 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 client calls and check video-encoding. New services are being introduced throughout the Group, such as the management of medical check-ups, the scanning of HR files and the use of remanufactured printer ink cartridges.

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.

Since 2016, the symposium has applied 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 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 symposiums provided the opportunity to share the Group's CSR commitments with staff and suppliers and to raise participants' awareness of responsible procurement. In 2017, the third regional symposium was held in Metz at Caisse d'Epargne Lorraine Champagne-Ardenne. The theme was innovation, giving Groupe BPCE employees and invited partners the opportunity to learn about new activities offered by companies in the social and solidarity-based economy and start-ups in the region. Groupe BPCE strives both nationally and locally to expand sustainable, diversified and innovative procurement initiatives.

PURCHASES FROM COMPANIES WORKING WITH DISABLED PERSONS

Indicator	2017	2016	2015	Change 2016-2017
Number of full-time equivalent positions created in companies working with disabled persons (2017 estimate)	547	547[1]	518[1]	0%
Purchases from companies working with disabled persons (2017 estimate) *(in €k incl. tax)*	15,770	15,770[1]	14,900[1]	0%

(1) Data rectified once final figures are received.

(1) Estimates.
(2) Waste electrical and electronic equipment.

6.3.2 Active sponsorship of the French regions

SPONSORSHIP ACTIVITIES BY THE BANQUE POPULAIRE BANKS

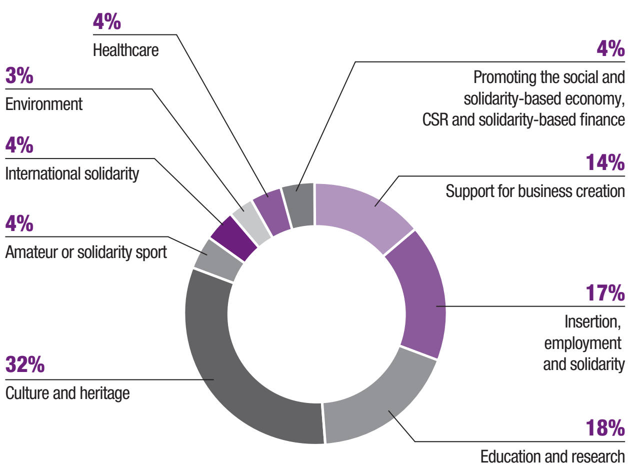
Local patronage and partnerships

The Banque Populaire banks are involved in initiatives in support of civil society in various areas. They have a strong involvement 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, 9 Banque Populaire banks have their own foundation and/or endowment fund.

Action taken by Crédit Coopératif and its foundation is mainly focused on supporting and promoting the social and solidarity-based economy, while the CASDEN Banque Populaire banks naturally focus on education and research.

In 2017, patronage activities by the Banque Populaire network represented nearly €11.13 million.

DONATION AMOUNTS BY CATEGORY



National partnerships

In line with the Banque Populaire network's local initiatives, the FNBP maintains a patronage and partnership policy whose priorities for action are microfinance, education, and professional inclusion. 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 2017 were ADIE, which finances and supports micro-entrepreneurs, and Entreprendre pour Apprendre ("Learn Through Business"), which aims to develop the entrepreneurial spirit among 8-25 year olds. In 2015, the FNBP stepped up its support for research with the creation of a "Management and Governance of Financial Cooperatives" research chair in partnership with the FNCE, BPCE and the IAE Paris graduate business school, and in 2017 by financing research projects on the cooperative banking model in partnership with the Burgundy School of Business. It is also a partner of the annual thesis contest organized by Institut Universitaire Varenne (an association that promotes the sharing of knowledge) in the "Private law on economic activities and financial cooperatives" category. The FNBP federation is a member of the European Microfinance Network (EMN) and Finances & Pédagogie.

Banque Populaire Corporate Foundation

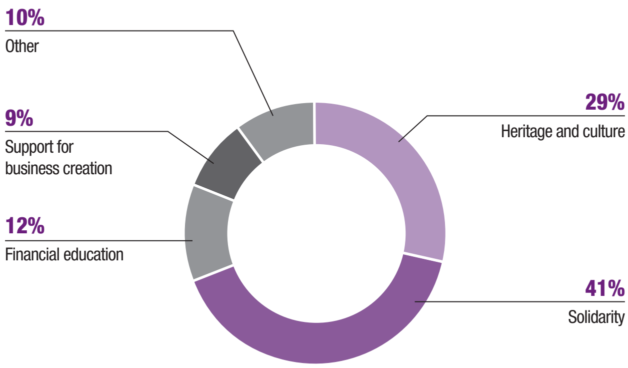
The Banque Populaire Corporate Foundation is the patronage vehicle of the 14 Banque Populaire banks. As part of the Fédération Nationale des Banques Populaires (FNBP), its purpose is to help bold, talented and creative musicians, persons with disabilities and artists. Expert panels select candidates in the three categories and refer the winners to the Foundation's Board of Directors, which decides on how to allocate the financial support. The Board of Directors is composed of Chairmen, Chief Executive Officers and directors of Banque Populaire banks, an employee representative and panel Chairmen. The Foundation demonstrates its long-term commitment by supporting its winning candidates for between one and three years. For 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 2017, the Banque Populaire Corporate Foundation supported 42 winning candidates in music (young instrumentalists and composers), 31 winners from the persons with disabilities category and 20 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 2017, patronage activities represented €19.7 million. 1,222 predominantly solidarity-based local projects were financed.

6

DONATION AMOUNTS BY CATEGORY



Local patronage and partnerships

In line with its identity as a cooperative bank with strong local ties, each of the Caisses d'Epargne draws up its own philanthropic strategy according to local needs. To implement this strategy, the Caisses d'Epargne can either operate directly or *via* dedicated regional structures.

The Caisses d'Epargne share a commitment to following a structured and local approach, focusing on initiatives that have a significant social impact. They are supported by a network of 16 philanthropy managers, who build a common approach through the sharing of tools and best practices. This is illustrated by the partnership with Le Rameau, an advisory and research laboratory, with which the Caisses d'Epargne and their Federation carried out an in-depth analysis of alliances between companies and associations with the goal of developing innovative solutions to local requirements.

National foundations

In addition to initiatives decided upon regionally, the Caisses d'Epargne also support the Caisse d'Epargne network endowment fund, and the Fondation Belem.

The Caisse d'Epargne network endowment fund promotes and supports public interest initiatives aimed at fighting exclusion and financial hardship as well as initiatives and programs providing humanitarian, educational, health care, social and cultural assistance. The endowment fund supports the Finances & Pédagogie association.

Fondation Belem was set up by the Caisses d'Epargne in March 1980 following the purchase of the Belem three-master, to enable the ship to continue sailing (www.fondationbelem.com). Recognized as being in the general public interest, its purpose is to promote France's maritime history and to keep the last-remaining major 19th-century French sailing ship among the nation's cultural assets. The ship has been listed as a historic monument since 1984. In 2017, Belem spent seven months sailing in the Atlantic, the English Channel and the North Sea, and for the first time in the Norwegian fjords, hosting 1,200 experienced sailors and novices over 115 days at sea, and 30,000 visitors during 35 days open to the public. The ship took part in five major events in 2017: the Tall Ships Regatta from Portugal to the Canary Islands in May, Bordeaux Fête le Fleuve and the launch of the Solitaire du Figaro in June, "The Bridge" event celebrating the 100th anniversary of the American landing in Nantes, and finally the 500th anniversary of the founding of Le Havre in September 2017.

The Caisses d'Epargne also support athletics (basketball, handball and skiing: espritbasket.fr, esprithandball.fr and espritglisse.fr) through patronage and sponsorship activities.

SPONSORSHIP ACTIVITIES BY NATIXIS

Natixis supports many solidarity-based patronage initiatives, with two major longstanding partnerships.

Cancer research

Natixis has been a supporter of Fondation Gustave Roussy's cancer research since 2011. After its support of three teams researching the personalization of cancer treatment, Natixis renewed its commitment in 2016 by awarding a research grant to three new teams working in three cutting-edge fields of cancer research: immunotherapy, precision medicine and DNA repair.

Gustave Roussy, the leading cancer treatment center in Europe, has always strongly associated care with fundamental and clinical research, earning it world-renowned expertise in therapeutic innovation in cancer research.

In 2017, Natixis completed several initiatives to drum up support for Gustave Roussy. It served as a partner for two events offered by Gustave Roussy: a concert held at Gaveau Hall to support ovary cancer research, and a digital campaign carried out during international breast cancer awareness month Pink October. Natixis also joined forces with Gustave Roussy and Racing 92, as the official sponsor of Movember, an international month aimed at promoting awareness of men's health issues, for the last ten years.

6.3.3 Respecting business ethics in all Group business lines

PROMOTING AN ETHICAL CULTURE

In accordance with its strategic plan, Groupe BPCE plans to implement a group Code of Conduct in early 2018, subject to validation by the Executive Management Committee and the Supervisory Board's Cooperative and CSR Committee.

The Code of Conduct will be:

- rooted in international values and standards;
- practical, with clear illustrative examples;
- divided into three parts: a message from Executive Management and principles of conduct, a business line approach for the definition of case studies (customer perspective, employer responsibility, societal responsibility), and validation and implementation across all group institutions.

Once published, all employees will receive training on the code, an ethical governance system will be established, ethics will be incorporated in HR processes, and the code will be aligned with internal procedures.

The group already provides training on the "fundamentals of ethics", which will be adapted accordingly.

RESPONSIBLE COMPLIANCE APPROACH

In accordance with internal control measures and the Group's risk, compliance and permanent control charter, Groupe BPCE's Risk, Compliance and Permanent Control division has set up several controls under its financial security and ethics and compliance frameworks.

Prevention of money laundering and fraud

Pursuant to regulations governing internal control of credit institutions and investment firms, Groupe BPCE institutions have established methods for detecting unusual transactions in accordance with their risk classification. These methods can be used, if necessary, to perform a more extensive analysis and submit the required reports to Tracfin (French anti-money laundering and anti-fraud agency) as quickly as possible. The group's risk classification system covers "high-risk" countries (listed by the FATF, the OECD World Forum on transparency and exchange of information for tax purposes, Transparency International, the French Treasury for regions controlled by terrorist organizations, etc.). The Group Financial Security division keeps the institutions up to date on how to observe the restrictive measures imposed by international sanctions. Group institutions are provided with pre-selection tools used to alert customers (freezing of assets owned by certain persons or entities) and international capital flows (freezing of assets and countries subject to European and/or US embargoes).

TRAINING

Indicator	2017	2016	2015
Percentage of employees trained in their entity's anti-money laundering policies and procedures[(1)] *(based on reports from the entities)*	90%	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 2017, Groupe BPCE was not sanctioned for any anti-competitive, anti-trust or monopolistic behavior.

Prevention of corruption

Corruption, which is defined as an act in which a person offers or grants an undue reward to another person in exchange for an act falling within that person's remit, is a fraudulent and unethical behavior subject to severe criminal and administrative sanctions.

Groupe BPCE denounces corruption in all forms and in all circumstances. Accordingly, it is a signatory of the United Nations Global Compact, whose tenth principle states that "Businesses should work against corruption in all its forms, including extortion and bribery."

Anti-corruption measures

The group strives to prevent corruption in order to guarantee the financial security of its activities, including in particular:

- by taking measures against money laundering and terrorist financing, measures against fraud, supervising politically exposed persons, and complying with embargoes (see Chapter 3 of the registration document for more details);
- ensuring that employees observe professional rules of compliance and ethics by applying policies governing conflicts of interest, exchanges of gifts, benefits and invitations, confidentiality and professional secrecy. Disciplinary sanctions have been defined for any failure to comply with professional rules governing the activities conducted by group companies;

- exercising vigilance when making contributions to political campaigns or to government agents, donations, patronage and sponsorship, and lobbying;
- supervising relations with intermediaries and business introducers *via* groupwide standardized contracts describing the reciprocal services and obligations and contractually establishing compensation terms.

A whistleblowing system is available to employees and included in the Internal Rules. Employees also have access to a whistleblowing procedure.

For the purposes of implementing the Act of December 9, 2016 on transparency, prevention of corruption and economic modernization ("Sapin 2 Act"), Groupe BPCE has undertaken initiatives to analyze and expand existing measures.

These initiatives include:

- group corruption risk exposures have been mapped out and distributed to all group institutions, based on an analysis of their activities and associated risk management systems;
- the Internal Rules adopted by each institution are in the process of being amended with the employee representative bodies to incorporate the following changes:
  - existing whistleblowing systems have been extended to reports of corruption or influence-peddling, and expanded to include provisions to protect whistleblowers;
  - codes of compliance or ethics now include, where applicable, examples of corruption and influence-peddling.

The group has also defined standards and procedures governing KYC and due diligence procedures used for customer classification and supervision purposes. In the interest of organizing the internal control system, whistleblowing/detection tools and permanent control plans serve to bolster the security of this system.

BPCE also has accounting policies and procedures in place in line with professional standards. The purpose of the group's internal control system for accounting information is to check the conditions in which such information is assessed, recorded, stored and made available, in particular by verifying the existence of the audit trail, within the meaning of the decree of November 3, 2014 on internal control. This control system is part of the fraud, corruption and influence-peddling prevention and detection plan. From a more general standpoint, these systems are formalized and detailed in the umbrella charter governing the organization of group internal control and the risk, compliance and permanent control charter. Parent company affiliates and all BPCE subsidiaries are required to adopt these charters, which are provided to them expressly for this purpose.

Finally, the group is examining ways to include examples of corruption in the regulatory e-learning module covering the rules of professional ethics distributed to employees of all group companies.

Groupe BPCE takes part in the FBF's initiatives aimed at formulating observations on draft recommendations submitted by the French anti-corruption agency.

Meanwhile, Natixis is setting up an anti-corruption program tailored to the specific features of its activities, while taking care to align this program with Group BPCE guidelines. A description of the program is available in the Natixis registration document.

Parent company and client company vigilance obligations

BPCE is subject to the Act of March 27, 2017 on the duty of vigilance, which calls for parent companies and client companies to prepare a vigilance action plan containing measures capable of identifying and preventing risks of violating human rights and basic freedoms, the environment, and occupational health and safety, associated with the activities conducted by BPCE as well as its subsidiaries, sub-contractors and suppliers.

Mindful of the importance of these obligations, BPCE created a working group comprising experts from several divisions such as Sustainable Development, Risks, Compliance and Permanent Control, Human Resources, Procurement, and Legal, alongside representatives of Natixis, a BPCE subsidiary also subject to the law on the duty of vigilance.

Tasked with identifying the main risks liable to arise in the course of conducting its activities, the working group selected the following two risk-mapping approaches:

- an approach tailored to the activities of BPCE and its subsidiaries;
- an approach specific to the procurement function, developed during the update of procurement processes as a whole.

The finalized vigilance plan will be disclosed in the registration document for fiscal year 2018.

Mapping approach tailored to the activities of BPCE and its subsidiaries

In the course of its work, the working group identified the following main risks, recognized by the 1789 Declaration of the Rights of Man and of the Citizen, the Environmental Charter and, more broadly, by international law:

- in terms of human rights and basic freedoms: discrimination, violation of equality, the right to privacy and family life, freedom to protest, freedom of assembly, and freedom of opinion;
- in terms of personal health and safety: health-related risk, failure to observe legal working conditions, forced labor, child labor, violation of worker safety and unequal access to healthcare;
- in terms of the environment: risk of pollution, adverse impacts on the fight against global warming or biodiversity, waste management.

To this end, BPCE – a signatory of the Global Compact (advanced level in 2017) – has undertaken to uphold the ten associated principles covering human rights, international labor standards, environmental protection and anti-corruption. The incorporation of these principles in the implementation of its "TEC 2020" strategic plan, corporate culture and business lines is a direct result of Groupe BPCE's firm dedication, which it intends to report on each year in its Communication on Progress (COP).

At the corporate and business line level, risks are identified and assessed, and initiatives undertaken to mitigate risks or prevent serious adverse impacts.

To assess identified risks, the working group decided to analyze current conditions at major Groupe BPCE entities, select priority risks and develop appropriate action plans.

The procurement risk mapping exercise, described in detail below, also identifies other risks such as risks associated with the business climate and environment, including labor or business environment intensity, and risks associated with fairness of business practices, such as fraud and corruption, personal data protection, intellectual property rights and patents.

When the mapping exercise is complete, BPCE plans to establish a whistleblowing and reporting system to determine if and how such risks materialize, and a system to monitor corrective measures in place and assess their effectiveness.

Risk mapping specific to the procurement function

In accordance with the Act on the duty of vigilance, and in a bid to adopt a concerted approach in the *bancassurance* business, BPCE Procurement (for Groupe BPCE) and three other banking groups decided to map out their shared CSR risks by procurement category. In early 2018, the results of this joint effort will be used to identify risks of serious violations of human rights and basic freedoms, personal health and safety, and the environment, and to prioritize the necessary actions in each category.

Depending on the level of risk determined by the risk mapping exercise, and based on the associated expenses, Groupe BPCE's existing suppliers will be assessed for their CSR performance. The results of these assessments will be shared with the suppliers. Depending on the results, an improvement plan can be established with the supplier, subject to review at the six-month point.

To get the vigilance plan up and running, the procurement managers will team up with their Head of CSR to develop a joint action plan. BPCE Procurement will provide training to help the procurement and CSR functions become familiar with the new tools (risk mapping, CSR assessment, implementation of appropriate risk prevention or mitigation plans).

Furthermore, an indicator will be defined to monitor the percentage of Requests for Proposals (RFPs) including a CSR assessment of bidding suppliers. The calculation of the indicator will be based on the number of RFPs including a supplier CSR assessment out of the total number of RFPs targeted in the vigilance plan. Another indicator will be used to keep track of the percentage of RFPs significantly incorporating CSR performance in the assessment of a supplier's overall performance.

RESPONSIBLE MARKETING AND CUSTOMER PROTECTION

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 customer interests and personal data, are taken into account in a product's design, promotional literature and terms of sale. The importance of protecting customer interests and data has grown with the development of digital services and applications in the banking and financial sector.

The procedure draws on BPCE's various areas of expertise (including in particular legal, finance, risk, information systems, compliance, taxation, security). Contributions from experts in these areas are presented to the Review and Validation Committee for New Groupe BPCE Products (CEVANOP), and each product or service must be approved before it can be brought to market. In order to streamline and secure the product and service validation process, while cutting down on paper volumes, a collaborative workflow tool was installed on BPCE's information system in July 2017, called the CEVANOP platform.

A similar procedure also 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 major CSR implications, environmental products and social and solidarity-based products belong to a separate range to make them easily identifiable for customers, including Mirova's range of investment funds and SME finance funds, particularly for innovative SMEs (FIPs – local investment funds, FCPIs – innovation investment funds, see Section 6.2.1 "Responsible investment").

Transparency of product offer

The group places great importance on keeping customers properly informed through branch displays and contractual, pre-contractual and commercial documents. Group institutions have been provided with a compliance guide listing all their associated obligations. This is backed by the product governance procedure, ensuring that all commercial documents are validated beforehand by the Compliance and/or Legal division. To ensure that all employees fully understand the importance of preventing these risks, they are specially trained in banking law (customer protection: banker's duty to advise, protection against over-indebtedness, etc.), the right to hold an account, and vulnerable customers.

Customer satisfaction and quality policy

2017: investing in customer feedback

2017 was the last year of the "Another way to grow" strategic plan, which saw Groupe BPCE companies equipped with the most modern customer feedback mechanisms on the market in a bid to effectively and efficiently meet its customer expectations.

Group companies established spontaneous feedback systems in the individual, professional and private banking segments, for the purpose of assessing the quality of customer relations based on customer interactions with advisors. As a result, over 500,000 customers are surveyed each month.

In an environment where the customer experience *via* mobile and internet have become a key factor in the appreciation of services offered by the bank, customer interactions with digital devices are also assessed on a daily basis. In fact, Groupe BPCE companies have tools in place to assess the customer experience in real time and can adapt this experience both in-branch and with its digital interfaces with the aim of improving the quality of its services.

The NPS (net promoter score) was selected as a key indicator in 2017 because it can be used to compare the customer experience in the banking industry and in other services industries as well. It is an internationally recognized indicator which not only gauges customer satisfaction, but also peer recommendation. Initial observations underscore a high level of satisfaction with Groupe BPCE advisors, in-branch services and the simplicity of its mobile apps.

The NPS after an interaction with our advisors is over 50, which is high, and over 40 for interactions with Groupe BPCE brand mobile apps or websites.

Our customers focus their expectations on being able to interact with the bank using all channels, receiving fast responses to their requests, and having a broad range of services at their fingertips online and on their mobiles for as many self-care transactions as possible.

Implementation of an unprecedented customer service program

The aforementioned customer expectations are addressed in a program designed to offer them the best digital experience on the market, while still benefiting from the expertise of our advisors and the convenience of a network of over 8,000 branches. Groupe BPCE has set a goal of having the No. 1 NPS score in two out of three regions.

To this end, group companies are investing in four areas:

- increasing dialog with their customers through feedback mechanisms in order to improve the self-care and in-branch customer experience. These mechanisms not only measure the customer experience, but also aim to provide direct responses to customers who take part in their surveys;
- providing an experience based on simplicity and responsiveness on a daily basis by expanding the use of digital tools and improving the accessibility and responsiveness of branches and advisors across all communication channels;
- offering an experience rooted in expertise, quality customer relations and personalization to help customers realize their plans;
- promoting employee engagement by investing in their expertise and interpersonal skills, and rewarding performances contributing to customer satisfaction.

Management of complaints

Groupe BPCE companies place great importance on dissatisfaction or complaints expressed by their customers, either in-branch or remotely, including *via* the social networks.

Complaints are handled at three successive levels: the branch or business center in charge of the relationship, the customer relations department and finally the independent mediator, who can be brought in free of charge if the dispute persists. The mediator has multiple resources available and a special website where mediation requests may be submitted online.

Customers are informed of the complaint management procedure, and the information needed to contact the three management levels, on the group's institutional websites, on their account statements, and in the price guides and general terms and conditions.

All Groupe BPCE entities have a department that handles customer complaints. The procedure for discussing or transferring complaints between the customer relations departments of group institutions, and those of the subsidiaries, is organized to ensure that each complaint is addressed as quickly as possible.

Some of the mediators for the institutions are already accredited as consumer mediators, while others are in the process of being accredited by the CECMC (Mediator Evaluation and Oversight Committee), subsequent to the July 2015 enactment of European directive 2013/11/EU on alternative dispute resolution for consumer disputes.

The complaint management procedure is closely monitored in terms of the reasons for the complaint, the products and services involved, and handling times. A report is then periodically submitted to Groupe BPCE bank directors, internal control departments and all commercial structures.

60% of complaints are handled in less than 10 days, with an average of 15-16 days in 2016.

Employees review complaints in an effort to detect any problems, failings or improper practices and thus define corrective actions for implementation with the relevant divisions.

This continuous improvement process is also aided by customer comments shared through satisfaction surveys and observed through an Internet watch.

Additionally, to meet regulatory requirements in terms of alternative resolution of consumer disputes, in November 2017 the Banque Populaire network established a consumer mediation procedure backed by its national federation. The aim of this new service is to seek an out-of-court solution to disputes between institutions in the Banque Populaire network and their non-professional customers.

Data protection and cybersecurity

The Group's IT system security policy (PSSI-G) incorporates the Group's security requirements. It is comprised of an IT System Security framework associated with the group's Risks, Compliance and Permanent Control Charter, 430 rules divided into 19 categories and three organizational instruction documents[1]. This policy is revised annually according to an ongoing process of improvement. The 2017 review of the PSSI-G examined legal and regulatory developments (French Military Spending Act, new directive on payment services, European Data Protection Regulation) and changes in group structure and governance.

(1) Operating procedures of the Groupe BPCE IT System Security department, information system security permanent control, classification of sensitive IS assets.

In 2017, IT System Security risk mapping was expanded to include:

- operational availability of the group's Archer IT System Security risk-mapping platform to group companies;
- convergence of standards in the IT System Security function;
- coordination with Operational Risks.

The Group Security division (DS-G) also took over responsibility for overseeing the groupwide implementation of European Data Protection Regulation (EDPR) requirements. Twelve projects were identified for this purpose (overall organization and standards, creation of a consistent data processing register, incorporation of EDPR requirements in projects, training and awareness-raising, etc.).

Organization

Created on September 1, 2017, the DS-G establishes and adapts Group IT System Security 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. As a contributor to the permanent control system, the Group Head of Security reports to the Compliance, Security and Operational Risks division. Within the central institution, the Group ISS division also maintains regular contact with the Inspection Générale division.

Anti-cybercrime mechanisms

A number of initiatives aimed at enhancing anti-cybercrime mechanisms were continued in 2017:

- reinforced application access controls;
- reinforced detection of atypical flows and events in the information systems (cyberattack detection);
- employee education on cybersecurity (Serious Game – IT Security training campaign, phishing, acclimation of new hires, etc.).

Detailed information on IT security is provided in Chapter 3 of the registration document.

6.4 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 6.3.

6.4.1 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.

New HR priorities and challenges will be met in the new "TEC 2020" strategic plan. This will serve as the starting point for new HR policies and procedures, and for the continuation of certain existing corporate initiatives, aimed at achieving our goals for the 2018-2020 period.

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 energies and talents 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 growth of all of employee skills, in order to help them adapt in their roles and guide 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 recruits mainly sales specialists to serve its customers on all its markets: individuals, professionals and businesses. Experts in risk management, audit, finance, IT and digital media are also regularly recruited by all Group companies.

University graduates with or without experience can join Groupe BPCE. With its vast array of business lines and tailored 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 been committed to encouraging the employment of young people for many years and in January 2015 it 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 applicant 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. Both programs were further developed in 2017.

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.

These guidelines and goals will be reiterated, and even reinforced and updated, to meet the priorities and ambitions of the "TEC 2020" strategic plan under a new GPEC agreement covering the 2018-2020 period (signed on December 22, 2017).

The Banque Populaire and Caisse d'Epargne professional networks, which brought their labor agreements into line with French law No. 2014-288 of March 5, 2014 on professional training, employment and social democracy as of 2014, have a solid HR foundation that fully supports the Group's training policy, which has three major priorities:

- adapting employee skills in line with changes in the banking business 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 2017 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 banking professions;
- adapt skills to the increasing pace of regulatory change;
- maintain employee expertise;
- cultivate the benefits of our 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 growth of all of employee skills, in order to help them adapt in their roles and guide their career development.

Groupe BPCE maintained a remarkable level of training investment in 2017, with 87% of permanent-contract employees having followed at least one training course during the year.

Adapting employee skills in line with changes in the banking business and the banking model

Drawing on its Business Observatory and based on expected changes in jobs and skills, the Group strives to enhance the value of its employees 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:

- for 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 business and about the need for ongoing training throughout their careers;
- to adapt to changes in their business or to prepare to advance in their careers;
- through employee professional development initiatives leading to certification.

Several developments in 2017 had an impact on the training program:

- two new regulatory training courses – on the European "Mortgage Credit Directive" (MCD) and the French "Housing access and renovated urban planning" (ALUR) Act – both had considerable impacts in terms of duration and number of employees involved;
- 2017 was also the last year of the three-year training program associated with the 2014-2017 "Another way to grow" strategic plan;
- in preparation for the skills development priorities of the next strategic plan, new training initiatives have already been implemented by several group companies.

With the support of 89C3, the digital acclimation of employees has considerably accelerated. The mobile rapid learning solution B'Digit was developed, directly integrating a new diagnostics tool for employee digital profiles, for easier adoption by the group's companies.

Several companies have already initiated programs to improve customer satisfaction by promoting a service culture and employee engagement.

At the same time, Groupe BPCE continued to provide training courses aimed at achieving its objectives in terms of inflows and developing advisor expertise in savings, private banking and taxation.

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 2017. 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 eight educational modules that allow managers to learn – either individually or in groups – without the fear of being wrong or being judged:

- managing time;
- conducting difficult appraisals;
- giving feedback;
- managing from a distance;
- conducting professional appraisals;
- delegating to develop skills;
- organizing to innovate.

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, rounding out classroom learning courses, all designed to ensure maximum efficiency for our training investments, at an individual and collective level.

In 2017, within the training scope under review, 35,640 of Groupe BPCE's staff took part in a virtual class, and nearly 462,158 hours of training were provided in e-learning modules.

PROMOTING DYNAMIC CAREER MANAGEMENT AND CAREER PATHS FOR EMPLOYEES

At the end of Year 3 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 Groupe BPCE 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.

In 2017, Groupe BPCE developed a site focused exclusively on employee mobility, called Mobiliway. After a test period involving a few companies, the site was rolled out groupwide in fourth-quarter 2017.

As a veritable gateway to mobility, employees interested in changing positions and/or locations will be able to use this site to find advice and decision-making tools.

The Group HR division is launching concrete initiatives to improve coordination of inter-company mobility by working with the group's companies. Starting next year, it will be able to offer efficient operation responses to the requirements expressed by Groupe BPCE HR teams, including new dialog formats, new procedures and regular meetings to make mobility a dynamic experience and define best practices.

Since the year began, close to 600 inter-company transfers have been carried out, down 15% on the previous year.

Due to the mergers completed across the group, job transfers were up sharply compared to last year (>20%).

DIVERSITY POLICY

True to its cooperative values, Groupe BPCE is a full-service bank that is open to all and accessible to customers on a local level.

Each of its companies must therefore ensure it acts fairly, reducing inequalities and developing an environment that respects the differences arising from each individual's social identity (age, gender, origin, ethnic group, etc.), without prejudice.

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 pursued its objectives in four priority areas: intergenerational diversity, gender equality, the employment of persons with disabilities, and equal opportunities.

Under Article 61 of the French "equality and citizenship" act, anti-discrimination training/awareness-raising must be provided to hiring professionals in all companies with more than 50 employees. This training program must be completed every five years.

To this end, Groupe BPCE organized an RFP to meet this obligation and address three key priorities:

- a legal priority;
- an external image priority;
- an expertise priority;

Since May 2017, 14 training sessions have been held and attended by 112 group employees. The training schedule for 2018 has already been established.

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: the reorganization of responsibilities, reduced working hours or commute time, awareness of occupational health issues, etc. are considered and implemented as appropriate;
- career development: all employees over the age of 45 can request an interview with Human Resources to discuss the next stage in their career, access to a skills assessment, etc.;
- skills development: the number of employees over the age of 55 who followed training is at least equal to their proportion of the total headcount, while employees over 45 are given priority access to professional training schemes;
- end-of-career adjustments: in certain cases, employees over 58 can request a career review interview, receive guidance on preparing for retirement or opt for part-time hours.

OBJECTIVES FOR GENDER EQUALITY IN THE WORKPLACE

In addition to agreements and action plans, with women representing over 56% of its permanent staff, Groupe BPCE is now aiming for a more equitable gender balance among the various business lines and levels of management.

An assessment designed to rebalance the number of men and women in technician-level positions began in the last quarter of 2016. A quantitative recruitment analysis was presented in the first half of 2017, followed by a more qualitative analysis in fourth-quarter 2017.

In 2017, 33 Groupe BPCE companies undertook a diversity certification process, and 32 had obtained certification in Q4 2017.

In addition to the agreements and action plans set up in each of the Group's companies, an agreement of professional equality and gender equality was renewed as part of the Occupation and Skills Forecasting agreement for 2015-2017.

In 2017:

- women accounted for 42.3% of managers, compared with 41.7% at the end of 2016, and the figure is moving towards the target of 43% set in the Group agreement for the end of 2017;
- women accounted for 23.8% of executive management and the figure is 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, undertakings have been made and action taken in the following areas: recruitment, training, promotions, pay, the work-life balance and awareness raising. Women's networks also help enhance professional equality.

In 2017, 24 Groupe BPCE companies took part for the third time in the Financi'Elles survey measuring the sentiment of male and female managers concerning diversity and professional equality. From January 23 to February 10, 2017, nearly 100,000 managers from six banking groups took part in the survey, conducted in conjunction with Institut CSA.

For Groupe BPCE, the response rate was 32% (6,041 out of 19,028 managers) at the final date of the survey, up 8.4 points above the overall sector rate. The results were presented at a conference organized by Financi'Elles in June 2017.

Recruitment

Each company 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 403 women and 29 local networks, subsequent to mergers of group companies. In line with the HR policy promoting gender equality, these networks are valuable forums for discussion and mutual assistance.

The creation of the "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 15,000 visits have been logged since the blog's creation.

In 2017, 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 training program and data collection on female employees holding directorships were also continued. In 2018, the group will consider creating a website for director vacancies.

A STRONG COMMITMENT TO PEOPLE WITH DISABILITIES

In 2017, Groupe BPCE continued to support the employment of persons with disabilities in accordance with the agreements signed with the Banque Populaire and Caisse d'Epargne professional employee representative networks, which were renewed for the 2017-2019 period. It is the leading bank in terms of its overall rate of employment of persons with disabilities.

Groupe BPCE notably developed initiatives designed to encourage direct and indirect employment, 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 procurement and disabilities) symposiums to identify and select regional service providers that can meet the companies' requirements. A third symposium was held in the Alsace Lorraine Champagne region on April 25, 2017. A directory of EAs (adapted 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.
- The group also entered into a partnership in 2017 with the UPTIH (professional union of independent workers with disabilities), and another with TIH-Business, a platform that matches independent workers with disabilities and companies created by the UPTIH to allow its members to find clients and develop their business. This partnership is helping to increase the indirect employment rate while promoting the use of independent workers with disabilities.

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: 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, etc.

Since 2011, a total of 384 sponsors have mentored 1,251 young people, with more than 544 having signed a permanent or fixed-term employment contract of more than 6 months.

LABOR RELATIONS

Organization of labor dialog at the Groupe BPCE level

Dialog with employee representatives at the Groupe BPCE level is carried out through two bodies:

- the Group Committee, a body for information, discussion and dialog, which met three times in 2017. 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. This year, the Group Committee also specifically examined the presentation of strategic guidelines for 2018-2020, providing an opportunity to share thoughts and ideas with the President of the BPCE Management Board;
- the Strategic Planning Committee, provided for by the GPEC agreement of January 20, 2015, which met three times in 2017 (February, March and July). Much of the Committee's time was spent on the presentation of the transformation of local banking activities, with the participation of the unions sitting on the joint committees of both branches during the meeting in March 2017.

Collective bargaining agreements

Most of the collective bargaining agreements are the result of negotiations conducted at the local level of the Group's companies. The agreements signed in 2017 covered the following main topics: employee savings, mandatory annual negotiations, employee representative bodies/trade union law.

For the Banque Populaire and Caisse d'Epargne branches, amendments on the operation of joint committees were signed in July to reflect the provisions of the Act of August 8, 2016 on employment, modernization of social dialog and career security.

Furthermore, the mandatory three-year negotiation on training resulted in the signing of new agreements in September/October in both branches, which incorporated the changes brought about by the Act of August 8, 2016, applying in particular to the "compte personnel d'activité" (career development rights).

October also saw the second measurement of union representativeness, in accordance with the Act of August 20, 2008. In the Banque Populaire branch, five unions exceeded the minimum threshold of 8% to be recognized as representative (CFDT, CGC, UNSA, CFTC and CGT). In the Caisse d'Epargne branch as well, five unions exceeded the minimum 8% threshold (UNSA, CGC, CFDT, SUD and FO).

OCCUPATIONAL HEALTH AND SAFETY

Improving quality of life in the workplace

All Group companies have set up systems for managing psychosocial risks.

These systems address voluntary treatment of psychosocial risks (PSR): measuring risks (questionnaire, 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 promotes a workplace quality-of-life policy to move beyond simple risk prevention and promote long-term employee engagement.

After signing agreements on working conditions in 2016 covering the Banque Populaire and Caisse d'Epargne branches and Natixis, the Banque Populaire banks, Caisses d'Epargne and BPCE SA group signed the "15 Work/Life Balance Commitments" Charter in 2017, signed by Natixis in 2015.

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, professional motivation, and loyalty of all employees, while also reducing stress at work and lowering absenteeism.

Groupe BPCE's Human Resources division works with all of the Group's companies to constantly improve the quality of working conditions within the Group by coordinating and sharing best practices, particularly with occupational quality-of-life officers and supporting change by measuring the human impact generated;

Eight Groupe BPCE companies signed the Cancer@work Charter in 2017, underscoring their commitment to implement concrete initiatives to promote the integration and continued employment of people directly or indirectly affected by cancer or another chronic illness.

Occupational Health and Safety Conditions

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, the average number of meetings with the CHSCT committees of companies covered under the scope has been significant, demonstrating the desire to build a lasting, constructive social dialog with the help of these committees.

Workplace accidents

Consolidated 2017 data are not yet available on the matter, however, the average number of workplace and commuting accidents was stable in 2016 (+1% vs. 2015).

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

Digital conversion and urbanization: key concerns of the Group HR information system teams

The Group's HR IS solutions were more widely rolled out across the Group's companies this year in order to meet the goal of pooling and standardizing HR data and practices.

Two of our top priorities include going further in the analysis of HR data and deriving meaning from these data, first by extracting value from the data contained in the different HR IS tools and second by expanding our HR oversight system as regulatory and operational requirements evolve.

In the interest of encouraging group employees to adopt mobile solutions, the Group HR Operations division decided to offer group companies a digital individual employee pay & benefits review on each employee's mobile device (six group companies have adopted this digital review).

Digital employee onboarding and electronic signature solutions now cover over 50% of group companies and will continue to be rolled out next year.

Improving the user experience is an ongoing aim, and two recent examples include adapting the "Apogée Recrutement" hiring platforms (single sign on and UX design) and the Essenti@ training platform (communication portal and single sign on).

The HR Cockpit, launched in 2016 at Natixis and its subsidiaries, was deployed at two Banque Populaire banks and one Caisse d'Epargne in late 2017. With these four companies, a little over 22,000 group employees are managed using this new-generation HR solution.

The Caisses d'Epargne sped up their efforts to dematerialize pay slips, with six companies now on-board for a total of more than 80% digital pay slips. The Banque Populaire banks are on their way to going paperless as well, with a plan to present a solution for the Banque Populaire network in H1 2018.

Planning has also begun to implement income tax withholding, and will be taken up again in 2018 due to the government's decision to postpone the PPCR pension reform.

As for the urbanization of the Group HR information system, the workshops conducted with the Groupe BPCE HR IS managers resulted in the definition of a timetable for the "HubRH" solution. This solution will be used to transmit documents and data between the different HR tools and thus eliminate the need for multiple entries and working with scanned documents. Lot 1, which went live at the end of 2017, handles digitally signed documents that are directly sent to the virtual HR office without any manual intervention.

In February 2017, *Solutions Numériques* (digital solutions magazine) awarded BPCE the top prize for digital transformation in the HR category, specifically for the electronic storage of employee admin records in the virtual HR office.

In September 2017, Docusign named Groupe BPCE "Digital Hero 2017" for establishing an electronic signature platform for HR documents. BPCE is the first banking group in Europe to deploy this type of platform.

In November 2017, a panel of experts awarded BPCE a "Business Performance Awards 2017" trophy for the digital revolution of the HR Cockpit rolled out at Groupe BPCE companies.

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, a qualitative study was carried out in 2017 under the auspices of the National Labor Relations Commission (CPNE) for the Banque Populaire and Caisse d'Epargne professional networks. The topic of review in 2017, jointly selected by the OPMQCs (Forward-Looking Careers, Skills and Qualifications Observatories) of the BP and CE branches, was: "*Emergence of new professions and new skills: what are the priorities and realities for the Banque Populaire banks and Caisses d'Epargne? With an extensive analysis of Back Office professions.*"

At the same time, 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 in accordance with the International Labor Organization's 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, 2017 was 106,463 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 34%.

The total headcount fell 1.6% compared with 2016.

Total headcount	2017	2016	2015	Change
Banque Populaire banks	31,404	31,582	31,331	(0.6%)
Caisses d'Epargne	36,112	36,102	36,280	0.0%
Subsidiaries and other banks	8,487	9,972	10,320	(14.9%)
Natixis	22,790	22,905	22,793	(0.5%)
Real estate	1,811	1,898	1,943	(4.6%)
Central institution	1,559	1,552	1,520	0.5%
IT and other operations	4,300	4,166	4,169	3.2%
GROUP TOTAL	**106,463**	**108,177**	**108,356**	**(1.6%)**

Permanent and fixed-term staff at December 31 (excl. those on work-study contracts)

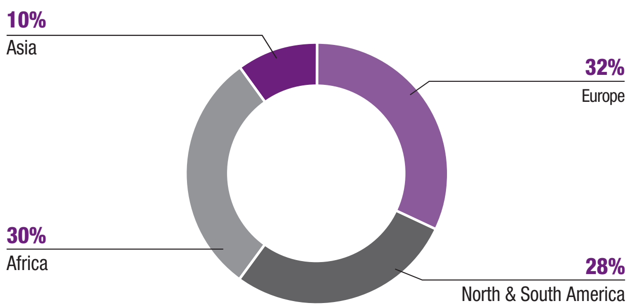
Geographic breakdown of headcount

10% of Groupe BPCE staff are located outside of France.

HEADCOUNT OUTSIDE OF FRANCE

	Natixis	Other subsidiaries	Real estate	Total	
	Number	Number	Number	Number	%
Europe	3,287	269	155	3,711	3.5%
North & South America	3,199			3,199	2.1%
Africa	1,330	2,130		3,460	0.5%
Asia	1,120	58		1,178	7.4%
GROUP TOTAL	**8,936**	**2,457**	**155**	**11,548**	**2.5%**

Permanent and fixed-term staff at 12/31/2017 (excl. those on work-study contracts).



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, status and gender

	2017		2016		2015	
Permanent + fixed-term staff	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff incl. work-study contracts	79,527	93.1%	80,832	93.2%	80,715	93.6%
Fixed-term staff incl. work-study contracts	5,877	6.9%	5,930	6.8%	5,531	6.4%
TOTAL	**85,404**	**100%**	**86,762**	**100%**	**86,246**	**100%**

Permanent and fixed-term staff present at December 31. Pro forma 2015 data.

	2017		2016		2015	
Non-management/management staff	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, non-management	44,681	56.2%	46,715	57.8%	47,289	58.6%
Permanent staff, management	34,846	43.8%	34,117	42.2%	33,426	41.4%
TOTAL	**79,527**	**100%**	**80,832**	**100%**	**80,715**	**100%**

Permanent staff incl. work-study contracts present at December 31. Pro forma 2015 data.

	2017		2016		2015	
Headcount by gender	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, women	44,680	56.2%	45,184	55.9%	44,779	55.5%
Permanent staff, men	34,847	43.8%	35,648	44.1%	35,936	44.5%
TOTAL	**79,527**	**100%**	**80,832**	**100%**	**80,715**	**100%**

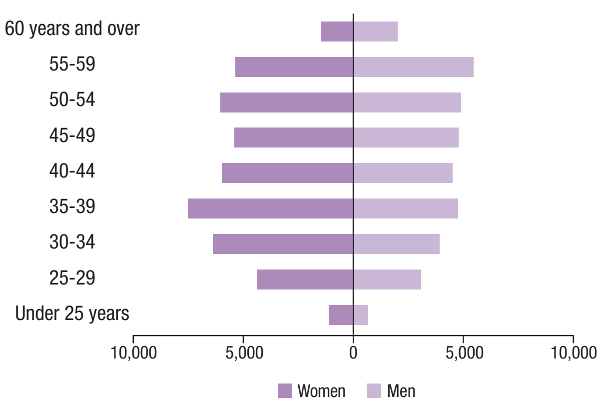
Permanent staff incl. work-study contracts present at December 31. Pro forma 2015 data.

Over 90% of staff hold permanent contracts. Women remain a majority, representing 56% of staff on permanent contracts. The proportion of managers is over 43%, a figure that is steadily increasing each year.

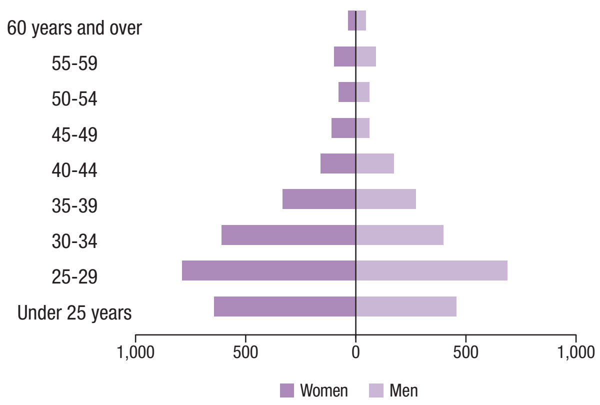
Headcount and recruitment by age group

There is a high proportion of employees under 35, accounting for 25% 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.

2017 AGE PYRAMID: STAFF (PERMANENT CONTRACTS)



2017 AGE PYRAMID: HIRES (PERMANENT CONTRACTS)



Breakdown of hires by contract, status and gender

	2017		2016		2015	
Permanent + fixed-term hires	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff incl. work-study contracts	4,669	33.7%	4,860	34.6%	4,565	33.0%
Fixed-term staff incl. work-study contracts	9,201	66.3%	9,182	65.4%	9,275	67.0%
TOTAL	**13,870**	**100%**	**14,042**	**100%**	**13,840**	**100%**

Permanent and fixed-term staff present at December 31. Pro forma 2015 data. The creation of BPCE IT was neutralized in 2015.

	2017		2016		2015	
Non-management/management hires	**Number**	**%**	**Number**	**%**	**Number**	**%**
Permanent staff, non-management	3,185	68.2%	3,348	68.9%	3,349	73.4%
Permanent staff, management	1,484	31.8%	1,512	31.1%	1,216	26.6%
TOTAL	**4,669**	**100%**	**4,860**	**100%**	**4,565**	**100%**

Permanent staff incl. work-study contracts present at December 31. Pro forma 2015 data. The creation of BPCE IT was neutralized in 2015.

	2017		2016		2015	
Hires by gender	**Number**	**%**	**Number**	**%**	**Number**	**%**
Women	2,525	54.1%	2,704	55.6%	2,477	54.3%
Men	2,144	45.6%	2,156	44.4%	2,088	45.7%
TOTAL	**4,669**	**100%**	**4,860**	**100%**	**4,565**	**100%**

Permanent staff incl. work-study contracts present at December 31. Pro forma 2015 data. The creation of BPCE IT was neutralized in 2015.

Departures of permanent-contract employees by reason and gender

Employee resignations in 2017 represented 33% of all departures of permanent-contract employees. This figure was up 5.5 points compared with 2016. Retirement accounted for 2% of 2017 permanent staff.

	2017				2016		2015	
	Women	**Men**	**Total**			**Total**		**Total**
Departures, permanent staff	**Number**	**Number**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Resignation	986	833	1,819	33.1%	1,516	27.6%	1,298	22.7%
Dismissal	320	342	662	12.0%	612	11.1%	485	8.5%
Transfer	281	266	547	10.0%	594	10.8%	555	9.7%
Retirement	754	876	1,630	29.7%	1,592	29.0%	1,560	27.3%
Mutually-agreed termination	275	236	511	9.3%	429	7.8%	435	7.6%
Departure during a trial period	226	199	425	7.7%	353	6.4%	336	5.9%
Other reasons	364	327	691	12.6%	401	7.3%	1,051	18.4%
TOTAL	**3,206**	**3,079**	**6,285**	**100%**	**5,497**	**100%**	**5,720**	**100%**

Permanent staff incl. work-study contracts. Pro forma 2015 data.

Remuneration

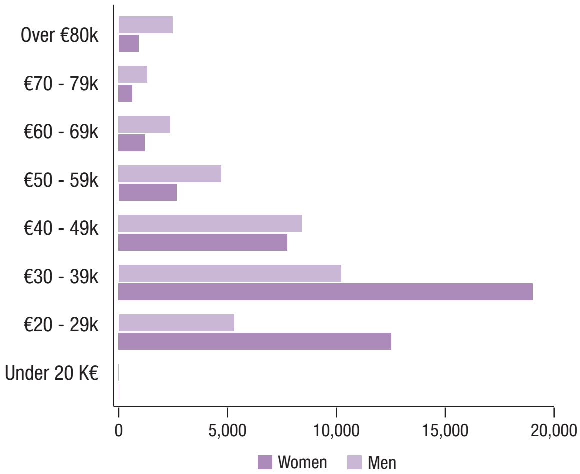
Every year, each Group company analyzes and revises individual pay levels in keeping with performance targets shared with the employees.

MEDIAN BASE SALARY OF PERMANENT STAFF BY GENDER AND STATUS

	Median				
Median base salary	**2017**	**2016**	**2015**	**Change**	**Ratio Men/Women**
Women	34,453	34,100	33,665	1.0%	-
Women, non-management	31,100	30,874	30,550	0.7%	-
Women, management	46,183	45,949	45,691	0.5%	-
Men	41,988	41,556	41,000	1.0%	-
Men, non-management	31,983	31,854	31,604	0.4%	-
Men, management	50,903	50,607	50,164	0.6%	-
Non-management	31,359	31,170	30,887	0.6%	28.6%
Management	48,775	48,566	48,288	0.4%	(19.5%)
TOTAL	**37,086**	**36,855**	**36,373**	**0.6%**	**12.7%**

Permanent staff excl. work-study contracts present at December 31. Pro forma 2015 data.

BREAKDOWN OF PERMANENT STAFF (EXCL. PERMANENT WORK-STUDY) PRESENT AT DECEMBER 31, 2017 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 2017, nearly 12% of permanent staff worked part-time, and 10% of those working part-time were women.

PERMANENT STAFF WORKING PART-TIME BY GENDER AND STATUS

	2017			2016			2015		
Part time	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-management	6,397	527	6,924	6,526	526	7,052	6,691	484	7,175
Management	2,097	357	2,454	2,034	326	2,360	1962	306	2,268
TOTAL	**8,494**	**884**	**9,378**	**8,560**	**852**	**9,412**	**8,653**	**790**	**9,443**

Permanent staff incl. work-study contracts present at December 31. Pro forma 2015 data.

BREAKDOWN OF PART-TIME PERMANENT STAFF BY WORKING HOURS

	2017			2016			2015		
Part time	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Less than 50%	254	54	308	275	51	326	246	37	283
50%	343	80	423	348	78	426	374	74	448
Between 50% and 80%	2,503	285	2,788	2,551	269	2,820	2,665	243	2,908
80%	2,445	208	2,653	2,529	208	2,737	2,598	203	2,801
More than 80%	2,949	257	3,206	2,857	246	3,103	2,770	233	3,003
TOTAL	**8,494**	**884**	**9,378**	**8,560**	**852**	**9,412**	**8,653**	**790**	**9,443**

Permanent staff incl. work-study contracts present at December 31. Pro forma 2015 data.

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.

PERMANENT STAFF TRAINED BY GENDER AND STATUS

The total number of training hours in 2017 – more than 2,193,000 – 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.

90% of training initiatives are devoted to job skills and maintaining employee value on the job market.

	2017			2016			2015		
Employees trained	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-management	27,581	13,855	41,436	26,975	13,974	40,949	27,301	14,577	41,878
Management	10,948	15,637	26,585	10,053	14,624	24,677	9,617	14,795	24,412
TOTAL	**38,529**	**29,492**	**68,021**	**37,028**	**28,598**	**65,626**	**36,918**	**29,372**	**66,290**

Permanent staff incl. work-study contracts present at December 31. Pro forma 2015 data.

BREAKDOWN OF TRAINING HOURS BY GENDER AND STATUS

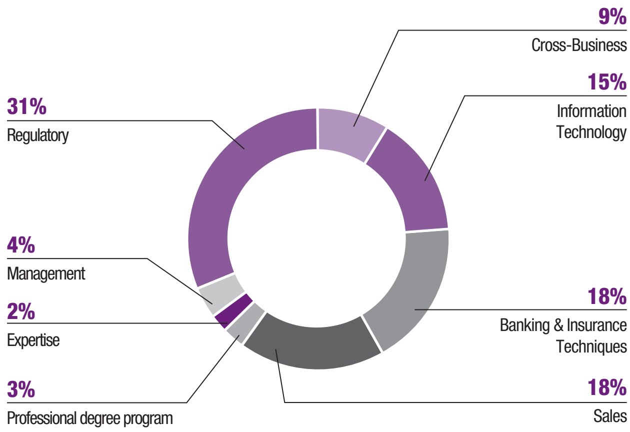
	2017			2016			2015		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-management	894,728	524,166	1,418,894	929,593	579,871	1,509,464	799,067	522,445	1,321,512
Management	322,871	451,023	773,894	317,623	443,364	760,987	313,679	459,132	772,811
TOTAL	**1,217,599**	**975,189**	**2,192,788**	**1,247,216**	**1,023,235**	**2,270,451**	**1,112,746**	**981,577**	**2,094,324**

Permanent staff incl. work-study contracts present at December 31. Pro forma 2015 data.

BREAKDOWN OF PERMANENT STAFF TRAINED BY AREA OF TRAINING

In today's increasingly regulated banking industry, training initiatives focus predominantly on regulatory issues.

Second in line are training courses on *bancassurance* techniques and technologies.



6.4.2 Reducing our direct environmental footprint

Reducing the environmental footprint of the group's own operations is one of the key pillars of the 2018-2020 CSR strategy: the group has set the goal of achieving a 10% reduction of carbon emissions by 2020.

To this end, it has established a robust, proven group environmental reporting system and carried out several campaigns to raise awareness of best practices.

Furthermore, three projects bringing together the regional banks' sustainable development officers and business experts were conducted in 2017, covering:

- paper;
- mobility;
- waste electrical and electronic equipment (WEEE).

Every year, the Group's Sustainable Development division places a special focus on training by organizing sessions on:

- raising awareness of CSR, energy and climate issues; in 2017, four sessions were organized for Group employees in different business lines;
- CSR reporting: two sessions were scheduled in 2017 to raise employee awareness of the organization of CSR data collection and the use of IT tools for preparing and publishing the CSR report;
- providing training in the tools used to calculate the Group's greenhouse gas emissions. Two such training sessions were held in October and November for all employees using these tools in their work and for a panel of officers from the Logistics division. Attendees were given a starter kit at the end of each session.

CLIMATE CHANGE

The group has set a target in its fight against climate change of cutting its greenhouse gas emissions by 10% between 2018 and 2020, resulting in a decrease from 686,773 to 618,096 metric tons of CO_2 equivalent by 2020.

The Group Sustainable Development division has strengthened the carbon review tool since 2013 for the purpose of monitoring the achievement of the measures taken to reach specific targets. This tool is used to create greenhouse gas (GHG) emissions assessments using a method compatible with that of ADEME, the ISO 14064 standard, and the Greenhouse Gas Protocol.

After six 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, fixed assets, and other,
  - by scope[1]. Direct emissions caused by bank products and services are, however, excluded from the analysis.

The carbon review currently performed by the entities covers 89% of the group's permanent staff.

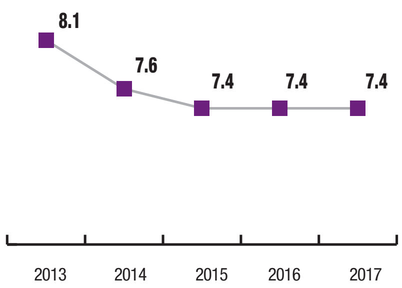
Each year, the group provides stable benchmark indices covering the entire group and each individual entity, which are used to define local GHG emissions reduction plans and drive national initiatives.

Through these efforts, Groupe BPCE has reduced and stabilized its CO_2 emissions, in line with its continuous improvement policy.

(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.

EMISSIONS PER EMPLOYEE (IN TCO2EQ/FTE)



RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW (EMISSIONS IN TCO2EQ)

In 2017, total group emissions amounted to 686,773 tCO_2eq, *i.e.* 7.4 tCO_2eq/FTE, up 2% compared with 2016. At 32%, emissions were generated by business travel, which increased in 2017 due in large part to bank mergers (increasing the need for business travel) and improved measurement *via* surveys conducted in accordance with company travel plans and for merger purposes. Purchases accounted for 29% of group emissions, up slightly compared with 2016, also as a result of improved measurement.

Indicator	2017	2016	2015	Change 2016-2017
Direct greenhouse gas emissions – Scope 1	35,534	41,050	41,974	(8%)
Indirect greenhouse gas emissions – Scope 2	28,469	36,311	37,953	(6%)
Indirect greenhouse gas emissions – Scope 3	622,753	598,152	588,896	6%
Greenhouse gas emissions excl. Kyoto	17.6	3.5	141	150%
TOTAL (EXCL. DATA CENTERS)	**686,773**[(1)]	**675,516**	**668,964**	**2%**
TOTAL PER FTE	**7.4**	**7.4**	**7.4**	

(1) *The new entities included in the scope for 2017 (in relation to 2016) are: Banque de Saint-Pierre-et-Miquelon, Banque des Antilles Françaises, Banque de la Réunion (CEPAC subsidiaries).*

The data centers made up 2% of total group emissions in 2017.

Indicator	2017	2016	2015	Change 2016-2017
Data center emissions	14,486	NC	NC	NC
% of group carbon emissions (recorded in the carbon review) generated by data centers	2%	NC	NC	NC

A breakdown of the largest sources of GHG emissions in 2017 is provided below.

RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW, EXCLUDING KYOTO, BY SOURCE (EMISSIONS IN TCO2EQ)

2017 GROUPE BPCE CARBON REVIEW

686,756 TCO_2EQ (EXCLUDED KYOTO)

ITEM	2017 (TCO_2EQ)	% OF TOTAL	CHANGE 2016-2017
TRAVEL	**216,709,144**	**31.56%**	**8%**
Daily work commute [1]	104,747,265	15.25%	7%
Business travel [2]	59,270,078	8.63%	7%
Customer and visitor travel [3]	52,691,801	7.67%	10%
PURCHASES Goods and services purchased	**201,013,318**	**29.27%**	**10%**
FIXED ASSETS Computer equip., buildings, vehicles, ATM	**139,519,491**	**20.32%**	**1%**
FREIGHT Mail and courier service, cash in transit	**71,746,334**	**10.45%**	**-10%**
ENERGY Electricity, natural gas, heating oil, heating network, Cooling network	**52,301,971**	**7.62%**	**-16%**
LIQUID REFRIGERANTS AC gas leaks	**4,178,651**	**0.61%**	**-23%**
WASTE Non-hazardous and recycled waste, WEEE	**1,286,709**	**0.19%**	**-31%**

(1) Private cars, public transportation
(2) Company cars, rental cars, airplane, train, taxi
(3) WEEE: waste electrical and electronic equipment

Best practices for reducing emissions include: (see below).

ENERGY CONSUMPTION

The group's energy consumption amounted to 171.5 per m^2 in 2017 *versus* 180 in 2016. This 5% decrease can be attributed to a series of initiatives:

- better management of energy use, in particular with the installation of automated controllers in branches: energy audits carried out on all buildings; since 2016, the Group's companies have been offered a predictive modeling solution to help them save energy;
- performance of energy audits on all Groupe BPCE buildings;
- replacement of incandescent light bulbs with LED bulbs and installation of motion detectors in most buildings;
- decreased use of fuel oil (-15% from 2016 to 2017) and gas (-18%) in our networks;
- substantial and increasing use of renewable energy sources for electricity: with the end of regulated electricity prices in France, the Group-wide RFP 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;
- large-scale initiatives at the four data centers:
  - at the two Albireo locations: installation of servers in air-conditioned rack cabinets with cold aisle containment to optimize ventilation, ongoing work to improve PUE energy efficiency (operation and configuration of water chillers, pumps or units, and aisle containment). In 2012, average PUE (power usage effectiveness) was 4.63 and in 2017 was 1.69,

- at the two Antarès locations: recovery of heat generated by computer equipment to heat the datacenter buildings, and to resell energy in the form of hot water to the distributor of a heating network serving the local business district, recovery of heat generated by IT equipment *via* free cooling (in the winter), construction in compliance with HQE (energy-efficient building) standards, cold aisle/hot aisle layout, ISO 14001 certification (environmental management system) leading in particular to optimized energy use, water use and diesel engine atmospheric emissions. In 2013, the PUE of both sites was around 2.10 *versus* 1.75 and 2.05 in 2017;
- employee incentives to limit energy use at the main regional locations: information on environmentally friendly practices, dedicated Intranet site, etc.

ENERGY CONSUMPTION

Indicator	2017	2016	2015	Change 2016-2017
Total energy consumption per m^2 *(kWh/m^2)*	171.51	180	186	(5%)
Total final energy consumption *(kWh)*[(1)]	547,846,479	547,977,132	593,264,938	(0.02%)
o/w data centers *(in kWh)*	12%	NC	NC	NC
Share of renewable energy in total final energy consumption *(kWh)*	179,405,225	123,369,266	38,316,150	45%

(1) Sum of: (kWh of electricity + kWh HHV of gas/1.11 + liters of heating oil x 9.86 + kWh of steam + kWh of cold)/total m^2

Caisse d'Epargne Aquitaine Poitou Charentes (CEAPC) inaugurated its new positive-energy head office in early 2017

The head office is a 11,000 m² positive-energy building, meaning it generates more energy than it uses. While external light provides natural lighting for 100% of the building's workstations, the new head office staffed by 450 employees is equipped with 1,200 m² of solar panels. 95% of projected heating consumption will be derived from waste incineration.

Indicator	2017	2016	2015
Number of buildings with environmental or other certification	32	32	26
Surface area of buildings with environmental or other certification *(m^2)*	148,688	219,149	124,565

Reducing energy consumption from transportation

Based on the carbon reviews conducted by the group, business travel and commuting are one of the highest sources of total estimated CO_2 emissions (averaging nearly one-third).

The group has defined action plans aimed at limiting and reducing emissions generated by business travel and commuting, such as:

- creating and distributing a mobility plan kit for all group institutions, serving as a toolbox to help them prepare a mobility plan (templates for surveys, action plans, etc.). In addition to this guide, two hotline sessions were organized for the HR, logistics and CSR functions;
- a strict travel policy explained in a best practices guide on business travel. This guide suggests alternatives for travel by train rather than airplane for trips within France, emphasizing the financial savings as well as the lower carbon emissions to allow the companies to adjust their travel policy;
- a comprehensive listing of electric cars in BPCE Procurement's global range for the group; furthermore, the group is also furthering its efforts to apply the total cost approach groupwide (one of the levers of the AgiR responsible procurement policy) to ensure that all economic and environmental criteria are taken into account (especially CO_2 emissions) when selecting company cars; as a result, part of the company car fleet has been gradually replaced with greener vehicles;
- facilities provided to limit travel: conference rooms have been fitted with videoconferencing and teleconferencing equipment;
- a precise, complete annual measurement of emissions generated by business travel for the purpose of monitoring trends by category.

Several initiatives have also been carried out in the regions:

- implementation of carpooling and ride-sharing programs and/or optimized use of the company car fleet;
- provision of telecommuting options, cutting CO_2 emissions generated by the daily commute;
- eco-driving courses for employees recording the highest mileage for work during the year;
- provision of electric bicycles and cars for employees at their workplace, with charging stations;
- allocation of a mileage bonus for employees who take the bike to work;
- organization of network events aimed at raising awareness and educating employees: mobility week, mobility challenges, etc.

Indicator	2017	2016	2015	Change 2016-2017
Total fuel consumption for business travel in cars[1] *(liters)*	14,832,646	13,571,600	13,774,167	9%
Average grams of CO_2 per km (as stated by manufacturer) for company cars and fleet cars *(grams of CO_2/km)*	100	100	105	0%
Business travel by train *(km)*	60,335,055	61,384,466	75,183,552	(2%)
Business travel by plane *(km)*	72,296,066	69,958,952	70,007,319	3%

(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's guide: 0.08 liter/km.

WASTE REDUCTION AND RECYCLING

Thanks to initiatives aimed at promoting the circular economy, the group's total volume of non-hazardous industrial waste[1] per FTE fell by 8%. 56% of this waste is recycled.

Since 2012, Groupe BPCE has worked to improve the accuracy of waste reporting by its constituent entities. Categories of waste include non-hazardous industrial waste, fluorescent/neon tubes and compact fluorescent bulbs, and waste electrical and electronic equipment (WEEE). In addition, the entities have undertaken multiple initiatives to recycle different types of waste and certain types of products.

In the WEEE category, a guide was co-drafted by BPCE (CSR, procurement and IT functions) and Ecologic, and distributed to the Groupe BPCE institutions to raise awareness and inform them about existing solutions. The guide was presented to the CSR, Logistics and procurement functions by videoconference. BPCE Procurement currently lists five WEEE service providers and/or networks, all of which are EAs/ESATs and/or professional inclusion companies.

Banking-related waste

The increase in the total volume of waste in 2017 can be attributed to the sharp rise in WEEE collected, due to the removal of photocopiers and servers from the branches, re-locations resulting in the replacement of equipment and, and improved recognition of this type waste thanks to awareness-raising campaigns conducted throughout the year (see above).

Indicator	2017	2016	2015	Change 2016-2017
Volume of waste[1] produced per FTE *(metric tons per FTE)*	0.13	0.09	0.2	37%
Quantity of recycled ink and toner cartridges *(number)*	127,716	172,304	175,211	(26%)

(1) Non-hazardous industrial waste, fluorescent/neon tubes and compact fluorescent light bulbs, waste electrical and electronic equipment (WEEE).

SUSTAINABLE USE OF RESOURCES

In 2017, paper consumption amounted to 7,054 metric tons, *i.e.* 76.40 kg/FTE, down 19% compared with 2016. These data cover reams of paper used internally, paper used for customer relations (printouts) and other types of paper (specific printouts, thermal paper used by automated teller machines and in self-service banking, office supplies, marketing materials, large-volume printouts, non-A4 reams, prospectuses, pre-printed paper, envelopes, letterheads, mailings).

Paper consumption

Indicator	2017	2016	2015	Change 2016-2017
Total recycled and/or certified paper* *(kg per FTE)*	51.17	42.92	NC	19.23%
Total regular paper*, *i.e.* not recycled and/or certified *(kg per FTE)*	25.23	51.52	NC	(51%)
% of recyclable A4 reams	74.5%	48.3%	NC	54%

** Includes A4 reams purchased during the fiscal year, printouts (predominantly account statements), specific printouts, thermal paper for ATM receipts, office supplies, marketing materials, large-volume documents, reams of paper other than A4, prospectuses, forms, envelopes, headed paper, mailings.*

Paper consumption is reduced by:

- replacing individual printers with shared printers, where users are required to go to the shared printer to confirm the printouts launched from their workstation, thus avoiding unused printouts;
- dematerialization, particularly in customer relations (in-branch electronic signature, remote selling, paperless account statements and general terms and conditions of sale);
- better monitoring of reports submitted by key suppliers, thus improving data accuracy and completeness;

(1) Non-hazardous industrial waste: paper, boxes, food waste, glass, plastic, metal.

- a procurement policy encouraging the use of responsible paper (derived from recycling or sustainably managed forests, *i.e.* containing over 50% recycled paper or PEFC-certified (*Program for the endorsement of forest certification schemes*) or FSC-certified (*Forest stewardship council*) paper.

Management of water consumption

The bank does not have a significant impact on water consumption and wastewater besides personal use in its offices and branches. However, several initiatives are in place to reduce water consumption (raising employee awareness).

Indicator	2017	2016	2015	Change 2016-2017
Total water consumption per FTE *(m^3)*	10	10	N.C	0%

PROTECTION OF BIODIVERSITY

Groupe BPCE contributes to biodiversity protection by:

- working to promote biodiversity through:
  - partnership and patronage initiatives: Banque Populaire Atlantique contributed €2,500 to the *Observatoire du plancton* (Plankton Observatory) in 2017, Caisse d'Epargne Côte d'Azur financed the purchase of equipment for conferences on animal and habitat protection in the amount of €2,500, Banque Populaire Méditerranée donated €8,000 to the *Centre de découverte du monde marin* (Marine Habitat Discovery Center) with the aim of developing teaching, research and investigation activities in marine habitats (under water, on the water and on the coast). Lastly, Caisse d'Epargne Languedoc Roussillon sponsored initiatives to benefit waterways in France, aimed at reproducing the tree-lined passages of the Canal du Midi, preserving biodiversity and supporting the economic activity of local businesses;
  - the installation and/or upkeep of beehives by Banque Populaire Auvergne Rhône Alpes, Banque Populaire Rives de Paris, Banque Populaire du Nord, Caisse d'Epargne Ile de France, Caisse d'Epargne Midi Pyrénées, Caisse d'Epargne Loire Centre and Caisse d'Epargne Bourgogne Franche Comté;
  - forest management: Caisse d'Epargne Aquitaine Poitou Charentes manages 745 hectares of PEFC-certified forests (Landes de Gascogne natural park). In 2017, it planted 13.4 hectares in the Lubon forest and 6 in the Matoucat forest; Caisse d'Epargne Auvergne Limousin owns a 63-hectare forest in Creuse, managed by the National Forestry Office;
- encouraging the procurement of responsible paper (manufactured using paper pulp derived from recycled paper or wood from sustainably managed forests – PEFC or FSC eco-certifications).

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 6.4.2 "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].

6

(1) See the Decree of January 25, 2013 establishing guidelines for non-residential lighting from offices, shops, storefronts and display windows. Source: http://www.legifrance.gouv.fr/

6.5 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 2017 regulatory changes, feedback from sustainable development officers in charge of reporting, and the recommendations of the independent third party for fiscal year 2016.

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 of the registration document. The implementation of a Group CSR strategy, with priority projects also meets this goal.

ENVIRONMENTAL INDICATORS

For fiscal year 2017, the internal environmental indicators were collected from the entities' sustainable development officers in collaboration with their logistics officers *via* the SPIDER data entry tool.

For the carbon review, the group uses the methodology defined in ISO 14064. Data are collected annually by each entity's sustainable development officers, and are reported in the COGNOS tool, which was rolled out in 2015.

Most of the emissions factors are based on ADEME's emissions factors and are updated annually. In accordance with the general principles of carbon accounting, the integration of emission factors specific to Groupe BPCE is encouraged in the following cases:

- to compensate for a lack of appropriate factors; and
- to replace ADEME's emissions factors (or factors from any other public or semi-public source) when they are not relevant or sufficiently detailed.

Green growth indicators are business indicators (eco-loans) collected from centralized databases for both networks.

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 the Group Employment and HR Operations division, namely the "Services" data center for companies in the Caisse d'Epargne network and the "Perse" info center for all other entities.

The data extracted from the two information systems are verified following a regular control process at Group level according to the human resources indicators defined for the registration document.

Permanent contracts include work-study contracts with an indefinite term. Fixed-term contracts include fixed-term work-study contracts (professionalization contracts and apprenticeships). Employees included in the headcount at December 31 of each year include those departing on that date and those whose contract has been suspended.

New Hires data refer to new hires on permanent and fixed-term contracts signed between January 1, and December 31, including work-study contracts (professionalization and apprenticeships). Departures data include staff on permanent contracts leaving between December 31 of the previous year and December 30 of the current year for the following reasons (broken down quantitatively): dismissal, resignation, departure during a trial period, mutually-agreed termination, transfer within the Group and retirement.

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 new "Apogée Formation" data center. These data cover all of the training sessions assigned under the plan for a given year and approved by the training departments of the companies within the scope reviewed at the date the data were extracted.

SOCIETAL INDICATORS

Societal indicators are mainly business indicators such as socially responsible investments and loans to local authorities and to social housing operators and the social and solidarity-based economy. Data are extracted from centralized databases. Their accuracy is regularly verified at Group level. Indicators related to patronage, microloans and cooperative identity are provided by the two networks' federations and by the Group's outside partners (ADIE, France Active, Initiative France). Procurement indicators are provided by BPCE Procurement.

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 2017 in collaboration with all of the stakeholders of the CSR chapter aimed at encouraging Group entities to incorporate CSR reporting processes into their operations.

- a review of the 2016 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 ("beginner" 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 2017. 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, rules on extrapolation for incomplete data, consolidation rules and the information control process);
- a glossary.

This guide also relies on a CSR reporting standard that specifies all of the indicators published, their definitions, their units, the corresponding GRI reference, their sources, how they are calculated and collected, and examples of controls to carry out.

A Group carbon review user guide was also brought up to date in 2017. The guide is intended to promote the carbon review system. The purpose of this guide is to:

- present the general principles of the method developed by the Group;
- review the system's history and the most recent changes to the system;
- offer a uniform presentation of the reporting rules for Groupe BPCE's greenhouse gas emissions reviews (reporting period, scope, extrapolation rules, etc.);
- enable departments to establish action plans for carbon reduction while meeting the requirements of Article 75 of the Grenelle 2 Act, which concerns greenhouse gas emissions reviews and the Local Climate-Energy Plan ("PCET") plan.

Reporting period

Published data cover the period from January 1, 2017 to December 31, 2017. 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 (see user guides) based on FTEs and/or the area covered. The contributors reviewed the estimates used and sent their comments along with the information provided and approved by the Group.

For 2017, these comments concerned the change in the source of electricity use data owing to a change of supplier for 36 Groupe BPCE companies since 2016. 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 measuring data on a "rolling one-year period" (December 1, 2016 to November 30, 2017);
- 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.

(1) Greenhouse gas emissions are covered in the "Climate change" section.

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.

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 2017

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 2017 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 2017, 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.

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 2017, 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.

SOURCES AND DETAILS OF BUSINESS MODEL DATA (SECTION 6.1.1)

Information	References
No. 2 bank chosen by individual customers	Market share: 22.7% in household deposits/savings and 26.4% in home loans (source: Banque de France Q3-2017). Total penetration rate of 29.8% (No. 2) among individual customers (SOFIA TNS-SOFRES study, April 2017.)
No. 1 bank chosen by SMEs	No. 1 (51%) in terms of total penetration rate (Source: 2017 Kantar-TNS survey).
We fund 20% of the French economy	21,1% market share on loan outstandings, all non-financial sector customers (source: Banque de France - Q3-2017).
No. 1 creditor of the social and solidarity-based economy	Banque de France,/ISBLM scope, September 2017
No. 1 bank chosen by persons under legal guardianship or supervision	Ministry of Justice (December 2016)
70% of our employees are motivated	Diapason survey
26% market share in home loans	Source: Banque de France Q3-2017
CET 1 ratio of 15.4%	CRR/CRD IV without phase-in measures
No. 10 mandated lead arranger of infrastructure financing solutions in the world	Source: IJ Gloabl at 12/31/2017

DIFFICULTIES AND LIMITATIONS

It is difficult to analyze and interpret the data owing to the large number of information systems in use within Groupe BPCE. The reporting scopes vary according to the type of data (human resources, environmental, societal or business data).

6

6.6 Report by one of the Statutory Auditors, a designated independent third-party body, on the consolidated social, environmental and societal information contained in the management report

Fiscal year ended December 31, 2017

To the Shareholders,

In our capacity as Statutory Auditor of BPCE SA group, (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, 2017 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 Board of Directors is responsible for drawing up a management report including the CSR Information provided for in Article R. 255-105-1 of the French Commercial Code, prepared in accordance with the standard applied by the company (hereinafter the "Standard"), a summary of which is provided in the management report. This Standard is available from the company's registered office on request.

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 Auditor's responsibility

It is our responsibility, on the basis of our work:

- to certify that the CSR Information required is included in the management report, or that any omission is explained pursuant to the third Sub-Paragraph of Article R. 225-105 of the French Commercial Code (Certificate of inclusion of the CSR Information);
- to 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).

It is not our responsibility, however, to assess any other applicable legal provisions, including in particular those provided for in Article L. 225-102-4 of the French Commercial Code (vigilance plan) and by Act No. 2016-1691 of December 9, 2016 on the prevention of corruption (the Sapin II Act).

Our work involved eight persons and was conducted between December 2017 and February 2018 during a six-week period. We were assisted in our work by our CSR 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; in accordance with the professional code of the Compagnie nationale des commissaires aux comptes (France's National Association of Statutory Auditors) relating to this assignment, and pursuant to the international standard ISAE 3000 for the conclusion on the fairness of the information[(2)].

(1) Whose scope is available at www.cofrac.fr
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Attestation regarding the completeness of CSR Information

Nature and scope of the work

We familiarized ourselves with the presentation of the sustainable development Standards, in accordance with the social and environmental consequences linked to the company's activities and to its commitments, and, where applicable, to the resulting initiatives or programs, on the basis of meetings with the managers of the departments concerned.

We compared the CSR Information set out in the management report with the list provided for by Article R. 225-105-1 of the French Commercial Code.

In the event that some consolidated information was missing, we checked that explanations had been provided in accordance with the provisions of Sub-Paragraph 3 of Article R. 225-105 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.

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 relates to Groupe BPCE (and not BPCE SA group), the company considering that such disclosure is more appropriate to provide better information.

Reasoned opinion on the fairness of the CSR Information

Nature and scope of the 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 appropriate nature of the Standard in terms of its relevance, completeness, reliability, objectivity, and comprehensible nature, taking best practices in the sector into consideration, where applicable;
- verify the implementation of a 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 extent of our checks and controls in accordance with the nature and significance of the CSR Information, in view of the company's specific features, the social and environmental challenges posed by its business activities, its sustainable development strategy and of best practices in the sector.

Regarding the CSR Information that we considered to be the most important[(1)]:

- at the level of the consolidating entity, we consulted the documentary sources, and held meetings in order to corroborate the qualitative information (organization, policies and initiatives), implemented analytical procedures on the quantitative information, checked the calculation and consolidation of the data on the basis of spot checks, and ascertained that they were coherent and consistent with the other information provided 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 consolidated data, 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 19% of headcount, 14% of quantitative environmental data disclosed, and between 77% and 100% of the quantitative societal data disclosed.

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(1) Environmental indicators: New green financing products sold by the Banque Populaire banks and the Caisses d'Epargne (number of loans and amount of outstandings in euros); Amount of Groupe BPCE outstanding loans for renewable energy projects (in billions of euros); Total final energy consumption (in kWh) and per m2 (in kWh/m2); Result of Groupe BPCE consolidated carbon review excl. Kyoto by scope (emissions in tCO2eq) and by item (emissions in tCO2eq and as a %).

HR indicators: Breakdown of headcount by contract type, status and gender; breakdown of hires by contract, status and gender; departures of employees on permanent contracts by reason and gender; breakdown of permanent staff (excl. permanent work-study) present at December 31, 2017 by salary bracket; breakdown of training hours by gender and status; breakdown of permanent staff trained by area of training (as a %).

Societal indicators: Percentage of group purchases made from SMEs; assets under management in open-ended and dedicated SRI and solidarity-based funds and employee savings plans (in billions of euros); assets under management in SRI and solidarity-based funds as a share of total assets under management (as a %); total SRI funds sold by the Banque Populaire banks and the Caisses d'Epargne (in millions of euros); summary of microloans with support issued by Groupe BPCE (number and amount in euros); financing for the regional, public sector, the social economy and social housing by Groupe BPCE (in thousands of euros).

Qualitative information: Making energy transition projects a reality; Preventing and managing climate risk; Developing skills to support the Group's digital transformation and improve customer satisfaction; Objectives for gender equality in the workplace; Incorporating environmental and social (E&S) criteria into financing and investment activities; Implementing CSR policies in sensitive sectors; Preventing corruption.

(2) Environmental and HR indicators: Natixis SA, Crédit Foncier de France SA, Banque Populaire du Nord.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

Finally, we have assessed the relevance of the related explanations, where applicable, regarding the total or partial absence of certain information.

We believe that the sampling methods and the size of the samples chosen by us while exercising our professional judgment allow us to express a conclusion of limited assurance; a higher level of assurance would have required more extensive work. 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 our work, we did not observe any significant misstatement likely to call into question the fact that the CSR Information, taken as a whole, is presented in a fair manner, in accordance with the Standard.

Neuilly-sur-Seine, March 28, 2018

One of the Statutory Auditors
Deloitte & Associés

Jean-Marc Mickeler	Julien Rivals
Partner	Partner, Sustainable Development

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 elects its own Chairman.

The Annual General Shareholders' Meeting appoints its officers.

The duties of scrutineer are performed by two consenting shareholders representing, themselves or as proxies, the greatest number of shares. The officers of the Annual General Shareholders' Meeting appoint a Secretary who may be selected from outside the shareholders' ranks.

A register of attendance is kept in accordance with regulations in force.

The Ordinary General Shareholders' Meeting convened on first notice may validly transact business only if the shareholders present or represented own at least one-fifth of the voting shares. The Ordinary General Shareholders' Meeting convened on second notice may validly transact business regardless of the number of shareholders present or represented.

Resolutions of the Ordinary General Shareholders' Meeting are carried by majority vote of the shareholders present or represented, including 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 2.4.5.

7.1.4 Company documents

Documents relating to the company such as its articles of association, financial statements, and the Management Board and Statutory Auditor reports presented at Annual General Shareholders' Meetings may be viewed at the company's registered office and are also available on BPCE's website: www.bpce.fr.

7.2 Share capital

7.2.1 Share capital at December 31, 2017

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 2017.

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 cancelled said shares and reduced its share capital to €505,831,755.

At its meeting of March 14, 2011, the Management Board recorded the buyback of the last shares held by SPPE, *i.e.* 2,573,653 category "C" shares for a total of €1,220,208,723.54. These shares were held as treasury shares by BPCE until April 18, 2011, at which time it cancelled said shares and reduced its share capital to €467,226,960. During this same period, BPCE also redeemed the deeply subordinated notes held by SPPE for a total of €1,072,070,137.

Subsequent to these transactions, BPCE's category "C" shares have lapsed, and the company's share capital continues to be equally divided between the Caisses d'Epargne (category "A" shares) and the Banque Populaire banks (category "B" shares).

On September 28, 2012, Banque Populaire Lorraine Champagne bought back 9,431 category "B" BPCE shares held by Segimlor.

One of the steps in the simplification of the Group's structure consisted in 2013 of an increase in BPCE's stake in the Banque Populaire banks and in the Caisses d'Epargne for an amount of €2 billion *via* a reduction in BPCE's capital and the exceptional payment of a cash dividend deducted from "Additional paid-in capital."

The increase in this stake had to be approved by a decision of BPCE's Extraordinary General Shareholders' Meeting, which met on July 11, 2013. The implementation of this decision was subject to a condition precedent, namely the permanent buyback of all cooperative investment certificates (CICs) followed by their cancellation and the corresponding reduction of the share capital of each of the Banque Populaire banks and Caisses d'Epargne.

At its meeting of August 6, 2013, BPCE's Management Board 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 name Banque Populaire Auvergne Rhône Alpes.

On December 22, 2016, CASDEN transferred 178,833 category "B" shares to Banque Populaire Aquitaine Centre Atlantique, 89,416 category "B" shares to Banque Populaire Bourgogne Franche-Comté and Banque Populaire du Sud and 44,708 category "B" shares to BRED, for a total of 402,373 category "B" BPCE shares.

On May 1, 2017, Caisse d'Epargne Picardie absorbed Caisse d'Epargne Nord France Europe and adopted the new name Caisse d'Epargne Hauts de France.

On July 28, 2017, CASDEN transferred 110,000 category "B" shares to Banque Populaire Auvergne Rhône Alpes and 89,416 category "B" shares to Banque Populaire du Sud, for a total of 199,416 category "B" BPCE shares.

On December 7, 2017, Banque Populaire Atlantique absorbed Banque Populaire de l'Ouest, Caisse Régionale de Crédit Maritime Mutuel Atlantique and Caisse Régionale de Crédit Maritime Mutuel Bretagne-Normandie and adopted the new name Banque Populaire Grand Ouest.

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 this period only free conveyance within the same network is possible.

The new articles of association have already defined the system for the period commencing August 1, 2019: free conveyance of shares within the same network will remain possible and transfers other than free conveyance (*i.e.* to shareholders of another category or to third parties) will also become possible.

Transfers of shares will be subject to a pre-emptive right that may be exercised by shareholders of the same category. The transfer of any shares that are not covered by the pre-emptive right will require the prior approval of the Supervisory Board deliberating with a qualified majority (12 out of 18 members). In the event approval is not obtained, the Management Board will have to find a solution.

The Annual General Shareholders' Meeting also decided to shift Groupe BPCE's solidarity mechanism towards a greater pooling of resources by changing the order of priority in terms of coverage (network funds and the Mutual Guarantee Fund ahead of capacity-based contributions).

Finally, the Annual General Shareholders' Meeting decided to improve the Group's solvency support mechanism by establishing a bonus and netting system that encourages shareholder institutions to contribute to the achievement of the Group target.

7.3 Ownership structure and distribution of voting rights

7.3.1 Ownership structure over the past three years

Shareholders	Share capital at 12/31/2017			Share capital at 12/31/2016			Share capital at 12/31/2015		
	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 Hauts de France	1,754,804	5.64%	5.64%	-	-	-	-	-	-
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%
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%
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%
BP Alsace Lorraine Champagne	1,748,773	5.61%	5.61%	1,748,773	5.61%	5.61%	1,748,766	5.61%	5.61%
BP Aquitaine Centre Atlantique	980,743	3.15%	3.15%	980,743	3.15%	3.15%	801,910	2.57%	2.57%
BP Atlantique	-	-	-	681,543	2.19%	2.19%	681,543	2.19%	2.19%
BP Auvergne Rhône Alpes	1,727,490	5.55%	5.55%	1,617,490	5.19%	5.19%	-	-	-
BP Bourgogne Franche-Comté	1,079,095	3.46%	3.46%	1,079,095	3.46%	3.46%	989,679	3.18%	3.18%
BRED Banque Populaire	1,540,578	4.95%	4.95%	1,540,578	4.95%	4.95%	1,495,870	4.80%	4.80%
BP Côte d'Azur	-	-	-	-	-	-	388,172	1.25%	1.25%
BP Grand Ouest	1,433,048	4.60%	4.60%	-	-	-	-	-	-
BP Loire et Lyonnais	-	-	-	-	-	-	553,183	1.78%	1.78%
BP du Massif Central	-	-	-	-	-	-	431,814	1.39%	1.39%
BP Méditerranée	630,629	2.02%	2.02%	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%
BP Provençale et Corse	-	-	-	-	-	-	242,457	0.78%	0.78%
BP Rives de Paris	1,391,300	4.47%	4.47%	1,391,300	4.47%	4.47%	1,391,300	4.47%	4.47%
BP du Sud	818,950	2.63%	2.63%	729,534	2.34%	2.34%	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	891,621	2.86%	2.86%	1,091,037	3.50%	3.50%	1,493,410	4.79%	4.79%

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	Share capital at 12/31/2017			Share capital at 12/31/2016			Share capital at 12/31/2015		
Shareholders	**No. of shares**	**% share capital**	**% voting rights**	**No. of shares**	**% share capital**	**% voting rights**	**No. of shares**	**% share capital**	**% voting rights**
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%
Mr. Jacques Galiegue	17	0.00%	0.00%	17	0.00%	0.00%	17	0.00%	0.00%
Mr. Robert Arnaud	-	-	-	-	-	-	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%
CE Hauts de France	1,754,804	5.64%	5.64%
BP Alsace Lorraine Champagne	1,748,773	5.61%	5.61%
BP Auvergne Rhône Alpes	1,727,490	5.55%	5.55%

BPCE currently has no employee share ownership agreements in place.

7.3.2 Improper control

The company is controlled as described in Chapter 7.3.1; however, the company believes there is no risk of said control being exercised improperly.

7.3.3 Changes of control

To BPCE's knowledge, and in accordance with European regulations, there are no agreements that could lead to a change in control of the company at a subsequent date.

In accordance with Article L. 512-106 of the French Monetary and Financial Code, "the central institution of the Caisses d'Epargne and the Banque Populaire banks (...) is incorporated as a public limited company in which the Banque Populaire banks and the Caisses d'Epargne together hold the absolute majority of the share capital and voting rights."

7.4 Material contracts

As of the date of publication of this financial information, with the exception of the agreements referred to in Chapter 7.6 (related-party agreements), BPCE has not entered into any material contracts other than those entered into in the normal course of business.

7.5 Material changes

The financial statements of BPCE SA group and Groupe BPCE for the 2017 fiscal year were approved by the Management Board on February 5, 2018. Since that date, there have been no material changes in the financial or trading position of 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, 2017

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 not transferred to BPCE in 2009, and which was merged with BPCE through absorption on August 5, 2010;
- "BP Participations" designates the former Banque Fédérale des Banques Populaires (BFBP), a French limited liability company (*société anonyme*) with a Board of Directors, renamed BP Participations on July 31, 2009 as the holding company for all of the Banque Populaire network's equity interests not transferred to BPCE in 2009 and which was merged with BPCE through absorption on August 5, 2010.

7.6.1 Agreements and commitments to be submitted for the approval of the Annual General Shareholders' Meeting

AGREEMENTS AND COMMITMENTS AUTHORIZED AND ENTERED INTO DURING THE YEAR

In accordance with Article L. 225-88 of the French Commercial Code, we were informed of the following agreements and commitments approved by the Supervisory Board.

Commitments maturing or likely to mature because of the termination or change of position of members of the Management Board

Director concerned on the applicable date: François Riahi

At its meeting on December 21, 2017, the Supervisory Board:

- accepted the resignation, effective January 1, 2018, of Marguerite Bérard-Andrieu as a member of the Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies;
- appointed François Riahi, on the recommendation of the President 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 January 1, 2018 and for the remainder of Marguerite Bérard-Andrieu'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.

The Supervisory Board decided that François Riahi would receive the same benefits as the other members of the Management Board, namely:

- involuntary-termination severance pay: the monthly benchmark pay used in the calculation corresponds to the fixed pay granted for the last calendar year of work and to the average of the variable pay for the last three calendar years of work;
- retirement bonus: the monthly benchmark pay used in the calculation corresponds to the fixed pay granted for the last calendar year of work and to the average of the variable pay for the last three calendar years of work;
- supplementary pension plans;
- no employment contract or suspended employment contract – Insurance for loss of corporate office;
- rules governing the maintenance of rights to receive pay for a period of 12 months in case of temporary work disability;
- social protection schemes applicable to all employees.

AGREEMENTS AUTHORIZED AND ENTERED INTO SINCE THE FISCAL YEAR-END

We have been informed of the following agreements and commitments authorized by the Supervisory Board since the end of the fiscal year.

Employment contracts entered into between BPCE and three members of the Management Board

Directors concerned on the applicable date: Catherine Halberstadt, François Riahi and Laurent Roubin, members of the Management Board of BPCE

It was determined that it would be in BPCE's best interest to enter into employment contracts with three members of the Management Board in the context of the rollout of Groupe BPCE's TEC 2020 strategic plan, which requires the development of the technical skills needed to implement projects in a more complex, more digital environment, with a strengthened regulatory framework, and given the financial conditions attached to these contracts.

At its meeting of February 13, 2018, the Supervisory Board, having examined the main provisions of the employment contracts (pay, eligibility for mechanisms provided for in the collective bargaining agreement, continued payment of compensation for a period of 12 months in the event of medical leave, continuation of Groupe BPCE seniority, entry into force of contracts after approval by the Annual General Shareholders' Meeting of the new pay policy), approved and authorized BPCE's entry into three employment contracts with Catherine Halberstadt, François Riahi and Laurent Roubin, respectively.

The Supervisory Board also noted that, in accordance with the rules of the group health, benefits and pension plans (Articles 83 and 39 of the French General Tax Code), the pay used to calculate these group benefits is that which is subject to social security charges (*i.e.*, received under the employment contract and for holding a corporate office).

Lastly, the deferred commitments, as described in the BPCE 2017 related-party agreements letter, will be amended to comply with this change in the pay structure at the next meeting of the Supervisory Board, in accordance with Article L. 225-90-1 of the French Commercial Code.

7.6.2 Agreements and commitments already approved 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 2017.

Commitments maturing or likely to mature because of the termination or change of position of members of the Management Board

Directors concerned on the applicable date (April 4, 2012): François Pérol, President 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, President of the Management Board of BPCE, Jean-Yves Forel, Daniel Karyotis, Catherine Halberstadt and Laurent Mignon, members of the Management Board of BPCE.

Directors concerned on the applicable date (April 22, 2016): François Pérol, President of the Management Board of BPCE, Marguerite Bérard-Andrieu, Catherine Halberstadt, Laurent Roubin and Laurent Mignon, members of the Management Board of BPCE.

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.

Involuntary-termination severance pay

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 compensation equal to no less than 12 months of fixed and variable remuneration and no more than 24 months, provided they have at least 12 years' seniority with the Group.

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.

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 the indemnity is equal to the monthly benchmark pay x (12 months +1 month per year of seniority within the Group). Seniority is calculated in years and fractions of a year.

The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group.

Where at least 50% of the maximum variable component is awarded on average during the last three years of the corporate office in progress (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full.

Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the company's governing body.

Regardless, any compensation paid for termination of an employment contract is deducted from the amount of involuntary-termination severance pay.

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. 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 the Management Board may benefit from a retirement bonus equal to no less than six 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 bonus is subject to the same conditions as those applicable to involuntary-termination severance pay, *i.e.*, 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 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.

If involuntary-termination severance pay or compensation for non-renewal of corporate office is received, 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 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 bonus is then equal to the monthly benchmark pay x (6 + 0.6A), where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope. 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 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 €3,035,790.00 on BPCE's 2017 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 2017, 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, 2017: €98,607.46
- Catherine Halberstadt from January 1 to December 31, 2017: €47,996.58
- Marguerite Bérard-Andrieu from January 1 to December 31, 2017: €47,966.06
- Laurent Roubin from January 1 to December 31, 2017: €43,815.89

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 Catherine Halberstadt and Laurent Roubin the benefit of the pension plan for company directors of Groupe BPCE defined by the Rules of the pension plan for company directors of Groupe BPCE on July 1, 2014 and has decided to subordinate the benefit for Laurent Roubin of the conditional rights provided for by that plan to the attainment by Groupe BPCE of positive net income for the applicable period.

The Supervisory Board 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 pay for the calculation of plan benefits, since the pension plan for company directors of Groupe BPCE of which Laurent Roubin has the benefit enables the acquisition of a pension equal to 15% of the benchmark pay, assuming membership of the plan for a minimum of 7 years.

No employment contract or suspended employment contract – Unemployment insurance

The Supervisory Board decided that members of the BPCE Management Board may be affiliated with a private unemployment insurance plan (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 members of the BPCE Management Board 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 members of the BPCE Management Board 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 €313,824.00 in 2017) 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).

Pension plan through a group insurance policy under Article 82 of the French General Tax Code

The supplemental executive pension plans in which the Group's executive directors participated were harmonized and closed to new company directors effective July 1, 2014.

To enable company directors who did not participate in a Group supplemental executive pension plan to participate in an alternative plan, a proposal was made to increase the company director's fixed pay by 20%, and consequently the basis for variable pay, as the company director agreed to pay this increase in the fixed component into an "Article 82" pension plan (group insurance policy, with no initial tax or employee benefits, paid out on retirement as a lump sum or annuity, taxed as life insurance, but with no possibility of surrender before retirement).

At its meeting of February 9, 2017, the Supervisory Board authorized BPCE to purchase this pension plan through a group insurance policy under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" or the "Natixis pension guarantee" pension plan may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein.

This agreement had no impact on BPCE's 2017 financial statements.

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 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 d'Alsace, Alain Maire, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Bourgogne Franche-Comté, Philippe Monéta, a member of the Supervisory Board of CNCE and Chairman of CE Loire Drôme Ardèche and Didier Patault, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Bretagne Pays de Loire.

CNCE and the Caisses d'Epargne have implemented, and may continue to implement in the future, with the Banque de France, GCE group refinancing arrangements involving the direct or indirect use of assets belonging to the Caisses d'Epargne.

The purpose of the collateral remuneration agreement is to determine the bases for calculation and payment under which the Caisses d'Epargne will receive a payment from CNCE in return for transferring assets that are eligible for ECB Monetary Policy Operations not otherwise eligible for specific remuneration as securities lending or repo transactions.

The agreement is entered into for three years and is renewable automatically for another three-year period, unless terminated in advance.

At its meeting of June 24, 2009, the CNCE Supervisory Board authorized the signing with each of the Caisses d'Epargne of this agreement.

This transaction resulted in the recognition of an expense of €3,452,596.03 on BPCE's 2017 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 €1,430,902.08 on BPCE's 2017 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, President 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 2017 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 group recorded €281,077.78 in income in its 2017 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 group recorded €479,706.66 in income in its 2017 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, President of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Daniel Karyotis, a member of the Management Board of BPCE and permanent representative of BPCE, a Board Member of Natixis, Alain Condaminas, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Thierry Cahn, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Catherine Halberstadt, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis and Pierre Valentin, a member of the Supervisory Board of BPCE and a Board Member of Natixis.

On April 9, 2013, BPCE established a medium-term notes ("Notes") program in the United States within the framework of a scheme defined in Section 3(a) (2) of the Securities Act of 1933 (the "3(a)(2) Program"). The maximum total nominal amount of the program is $10 billion.

It was proposed to change the limits of the Agreement concerning the guarantee:

- notes issued under the 3(a)(2) Program cannot exceed a total nominal amount of $6 billion per year;
- of which a maximum of $3 billion may not be loaned by BPCE to Natixis (so where applicable, based on Natixis' funding needs, the proceeds from the Notes issued can be loaned by BPCE to Natixis at shorter maturities than those of the Notes).

On February 19, 2014, the Supervisory Board approved the signing of an amendment to the Agreement aimed at changing the sub-limits called for in Article 4 of the Agreement. Furthermore, the proceeds loaned to Natixis can be made available by BPCE for shorter maturities than those of the notes issued, depending on Natixis' funding needs.

This transaction resulted in the recognition of an expense of €2,464,356.03 on BPCE's 2017 financial statements.

Invoicing agreement related to the affiliation of Natixis

Directors concerned on the applicable date: François Pérol, President of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Jean Criton, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Olivier Klein, a member of the Management Board of BPCE and a Board Member of Natixis, Philippe Queuille, a member of the Management Board of BPCE and a Board Member of Natixis, Nicolas Duhamel, a member of the Management Board of BPCE and permanent representative of BPCE, a Board Member of Natixis.

CNCE, central institution of the former Groupe Caisse d'Epargne, and BFBP, central institution of the former Groupe Banque Populaire, authorized the affiliation of Natixis with CNCE and BFBP, which, in that capacity, were responsible for ensuring the smooth functioning of Natixis and received in consideration remuneration calculated in accordance with the invoicing agreement executed on May 31, 2007.

As BPCE replaced CNCE and BFBP as the central institution, effective from July 31, 2009, and decided to revise the amount of the contribution remunerating the services provided by BPCE in connection with the affiliation of Natixis, a further agreement was executed on December 21, 2010, triggering the termination of the invoicing agreement executed in 2007 (the latter was in force until March 31, 2010), effective from April 1, 2010, providing for an annual flat-rate amount of €22,000,000 with an indexation clause effective from 2011.

When the 2012 budget was set, in order to take the overall context into account, a decision was made to revise the amount of the contribution based on the actual cost of the policy assignments carried out by BPCE on behalf of Natixis.

The parties decided to enter into a new invoicing agreement for that purpose, which outright replaced the agreement of December 21, 2010. The new agreement became effective from January 1, 2012.

At its meeting of February 22, 2012, the Supervisory Board approved the terms and conditions of the new invoicing agreement with Natixis and authorized the execution thereof.

The agreement resulted in the recognition of income of €40,000,000.00 on BPCE's 2017 financial statements.

Purchase of Natixis securities and the issue and purchase of perpetual deeply subordinated notes

Directors concerned on the applicable date: François Pérol, President of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Francis Henry, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis.

The transaction is intended to allow BPCE to issue new Tier 1 instruments in exchange for the old Tier 1s issued by Natixis, NBP Capital Trust I and NBP Capital Trust III. Natixis' Tier 1 investors were therefore given the option of exchanging their securities for new Tier 1 securities issued by BPCE.

The Natixis securities collected by BPCE in this exchange were then transferred to Natixis, which cancelled them, with all earnings from the transaction transferred to Natixis. This transaction helped Natixis maintain its Tier 1 status.

Under the terms of the contract:

- Natixis bought from BPCE all of the bonds and other securities that Natixis, NBP Capital Trust I and NBP Capital Trust III had issued, which were contributed to the exchange offers made by BPCE; the securities tendered to the offers were acquired by BPCE in exchange for the delivery of new bonds it had issued;
- BPCE underwrote perpetual deeply subordinated notes that were issued by Natixis for a total nominal amount equal to the price at which the securities tendered to the offers were acquired by BPCE.

At the July 31, 2009 meeting, the Supervisory Board of BPCE authorized the signing of the Natixis securities purchase contract and authorized BPCE to underwrite deeply subordinated notes issued by Natixis.

This transaction resulted in the recognition of an expense of €95,563,553.10 on BPCE's 2017 financial statements.

Protection mechanism in favor of Natixis concerning a portion of the workout portfolio assets

Directors concerned on the applicable date: François Pérol, President 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 €31,831,262.25 on BPCE's 2017 financial statements.

On May 11, 2011, the BPCE Supervisory Board approved the signature of a total return swap concerning Chapel's equity, in parallel to the purchase by Natixis of the assets of Chapel previously held by Sahara (included in the workout portfolio assets).

In order to re-establish the equivalent of the guarantee by Neptune of which Natixis previously had the benefit *via* Sahara, it was thus proposed that in parallel to the purchase by Natixis of the assets of Chapel, BPCE should guarantee Chapel's equity by means of a total return swap, in practice substantially equating with the sale of 85% of Chapel's equity to BPCE at a price of €81.10 per share, with Natixis bearing the full cost of financing the asset.

This agreement had no impact on BPCE's 2017 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 €77,092.06 on BPCE's 2017 financial statements.

The debts guaranteed amounted to €1,363,369,000.00 as at December 31, 2017.

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 2017 financial statements.

Invoicing agreement related to the affiliation of Crédit Foncier de France

Directors concerned on the applicable date: François Pérol, President 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 €10,500,000.00 on BPCE's 2017 financial statements.

Amendment to MiFID agreement

Directors concerned on the applicable date: François Pérol, President 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 2017 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 2017 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 2017 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 *bancassurance* business model while at the same time preserving the interests of customers, the level of fees and commissions, and service quality during the transitional period.

Final Framework Agreement and its addendum

Directors concerned on the applicable date: François Pérol, President of the Management Board of BPCE, a Board Member of CNP Assurances and Chairman of the Board of Directors of Natixis, Jean-Yves Forel, a member of the Management Board of BPCE and a Board Member of CNP Assurances, Laurent Mignon, a member of the Management Board of BPCE and Managing Director of Natixis, Pierre Valentin, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Didier Patault, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Thierry Cahn, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Catherine Halberstadt, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Alain Condaminas, a Board Member of Natixis and a member of the Supervisory Board of BPCE and Gérard Bellemon, a Board Member of Natixis Assurances and a member of the Supervisory Board of BPCE.

The Final Framework Agreement was executed between CNP Assurances (acting in its name and on behalf of itself and in the name and on behalf of its subsidiaries), BPCE (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and/or in the name and on behalf of the members of the Banque Populaire network as central institution of the Banque Populaire network, and/or in the name and on behalf of its subsidiaries), Natixis (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of its subsidiaries), Natixis Assurances, ABP Vie and ABP Prévoyance.

The purpose of the Final Framework Agreement is:

- to note the non-renewal of the Existing Agreements;
- to define, organize and delimit the contractual whole formed by the New Partnership Agreements of which it is the umbrella agreement;
- determine the term of the New Partnership Agreements, namely seven years as from January 1, 2016. At the end of this seven-year period, BPCE will be able to either extend the New Partnership Agreements for a period of three years as from January 1, 2023, or to purchase CNP's insurance deposit inventory. BPCE will have the option of acquiring the existing portfolio at December 31, 2020 and CNP the option, in 2020 and 2022, of notifying BPCE of its desire to initiate discussions with a view to such sale;
- to define and organize the functioning of the Partnership Committee and any sub-committees subsequently formed by the Partnership Committee; and
- more generally, to organize and monitor the relationships between the Parties for the purposes of the Renewed Partnership.

An addendum to the Final Framework Agreement was signed on December 30, 2015 between BPCE, CNP Assurances and Natixis in order to determine a new time limit for the signature of certain of the intended New Partnership Agreements not already signed before December 31, 2015.

The addendum was also designed to amend certain agreements to reflect regulatory or operating developments requiring the modification of certain appendices, and also provides for the deferral to January 1, 2016 of the constitution of the Partnership Committee.

Agreements between CNP Assurances, BPCE, Natixis and ABP Vie (a subsidiary of Natixis Assurances)

Directors concerned on the applicable date: François Pérol, President of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances, Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances, Daniel Karyotis, a member of the Management Board of BPCE and permanent representative of BPCE at Natixis, Alain Condaminas, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Catherine Halberstadt, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Thierry Cahn, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Pierre Valentin, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis and Gérard Bellemon, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis Assurances.

- Tranche 2 new business reinsurance treaty between ABP Vie and CNP Assurances in the presence of BPCE and Natixis: 90% reinsurance by CNP Assurances for new business involving ex-CNP customers.
- Tranche 2 reinsurance administration contract between ABP Vie, CNP Assurances and BPCE in the presence of Natixis, designed to define administrative arrangements:
  - the supply by BPCE to CNP Assurances of the list of customers insured, in accordance with the periodicity and other provisions of the contract, in the event of the observance of any interest rate or behavioral market shock, and
  - deployment of the necessary tests to ensure the proper functioning of the procedures (including the exchange of information) provided for by the contract.
- EuroCroissance administration contract between CNP Assurances, BPCE and ABP Vie in the presence of Natixis, designed to define administrative arrangements on similar bases to those applying to the tranche 2 reinsurance administration contract.

This agreement had no impact on BPCE's 2017 financial statements.

EuroCroissance contract between CNP Assurances and ABP Vie in the presence of BPCE

Directors concerned on the applicable date: François Pérol, President of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances and Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances.

The EuroCroissance contract has been executed between CNP Assurances (acting in its name and on behalf of itself and in the name and on behalf of its subsidiaries), BPCE (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and/or in the name and on behalf of the members of the Banque Populaire network as central institution of the Banque Populaire network, and/or in the name and on behalf of its subsidiaries) and ABP Vie, in the presence of Natixis.

The EuroCroissance contract provides for compensation for the technical commitments arising as a result of payments by insured customers into EuroCroissance funds (an investment vehicle providing for the constitution of a Technical Provision for Diversification) with effect from January 1 of the calendar year of observance of any interest rate or behavioral market shock, independently of the date of subscription of the corresponding policy with ABP Vie.

This agreement had no impact on BPCE's 2017 financial statements.

Pension savings agreements between CNP Assurances and BPCE

Directors concerned on the applicable date: François Pérol, President 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.

- <u>Retirement savings plan partnership agreement</u> between CNP Assurances and BPCE mentioning in particular the termination of the distribution of the life insurance and capitalization products of CNP Assurances by the Caisse d'Epargne network with effect from January 1, 2016 (subject to certain contractual exceptions).

  The agreement has been signed between CNP Assurances (acting in its name and on behalf of itself and of its subsidiaries) and BPCE (acting in its name and on behalf of itself and, as central institution, in the name and on behalf of the members of the Caisse d'Epargne network and of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle-Calédonie, Banque de Saint-Pierre-et-Miquelon and Banque de Tahiti).
- Implementation of a <u>Savings Mechanism</u> 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.
- <u>Addendum to the retirement savings plan life insurance commissioning agreement</u> designed to extend the agreement until maturity of the last such policy issued by CNP Assurances. Distributors are remunerated on the basis of a contractual percentage applied to movements and outstandings subject eventually to increase based on the type of policy involved.

  The agreement has been signed between CNP Assurances and BPCE acting, as central institution, in the name and on behalf of the members of the Caisse d'Epargne network and of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle-Calédonie, Banque de Saint-Pierre-et-Miquelon and Banque de Tahiti.

This agreement had no impact on BPCE's 2017 financial statements.

Agreements relating to borrowers' insurance and providence policies

Directors concerned on the applicable date: François Pérol, President of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances and Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances.

In respect of individual providence policies:

- individual providence policies commissioning agreement between CNP Assurances and BPCE acting in its name and on behalf of itself, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and on behalf of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle-Calédonie, Banque de Saint-Pierre-et-Miquelon and Banque de Tahiti. Distributors are remunerated on the basis of the premiums paid by policyholders or on the technical results for each distributing institution and type of policy.

In respect of payment protection insurance:

- an exclusive partnership for seven years between CNP Assurances, BPCE, ABP Vie and ABP Prévoyance subject to coinsurance by CNP Assurances and two subsidiaries of Natixis Assurances (ABP Vie and ABP Prévoyance) amounting respectively to 66% and 34% for all policies distributed by the networks of Banque Populaire (with the exception of BRED, Crédit Coopératif and CASDEN), Caisse d'Epargne, Banque Palatine and Crédit Foncier. In the event of renewal of the agreement, the coinsurance ratio would be adjusted to an equal balance for CNP Assurances (50%) and the two subsidiaries of Natixis Assurances (50%);
- a management and service level agreement between CNP Assurances and BPCE defining the relationships between the beneficiaries (namely the networks of Banque Populaire (with the exception of BRED, Crédit Coopératif and CASDEN), Caisse d'Epargne, Banque Palatine and Crédit Foncier) and the insurer (CNP Assurances) and setting out the duties of each party with regard to the management of insurance requests, claims and the associated financial flows. The applicable financial terms and conditions will be defined by type of policy and for each institution;
- a remuneration agreement between BPCE, CNP Assurances (acting in its name and in the name and on behalf of CNP IAM), ABP Vie and ABP Prévoyance defining the financial terms and conditions prevailing between the insurer and the lending institutions (namely the networks of Banque Populaire (with the exception of BRED, Crédit Coopératif and CASDEN), Caisse d'Epargne, Banque Palatine and Crédit Foncier) with regard to the distribution of payment protection insurance policies with effect from January 1, 2016 and for the duration of the Agreement. The applicable financial terms and conditions will be defined by type of policy and for each institution.

This agreement had no impact on BPCE's 2017 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, President 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 2017 financial statements.

Amendment 6 to the CNP Assurances shareholders' agreement

Director concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and member of the Board of Directors of CNP Assurances.

The French government, Caisse des dépôts et consignations, CNCE and La Banque Postale, as shareholders together owning the majority of CNP Assurances' shares and voting rights, entered into a shareholders' agreement on September 2, 1998.

The agreement was concluded in the framework of the intended sale by the French government of the major part of its shareholding in CNP Assurances, of the transfer of part of the company's share capital to the private sector and of the company's stock market flotation. The parties wished to show their intention to remain invested in the capital in the long term and to set certain share-transfer rules between themselves as well as to express their shared intention to reinforce the business development of CNP in France and abroad.

On February 8, 2017, the parties signed Amendment 6 to the shareholders' agreement, as successively amended, as they wished, first, to comply with the legislative provisions on appointing two directors representing employees and thereby eliminate the power to appoint one director for employee shareholders and, second, to maintain some measure of flexibility in the operation of the Board of Directors and to terminate the appointment of three non-voting directors.

Amendment 6 to the shareholders' agreement with CNP Assurances, signed at a late date (on February 8, 2017), was authorized by the Annual General Shareholders' Meeting on May 19, 2017.

The shareholders' agreement, initially entered into on September 2, 1998, has been tacitly renewed for two years, in accordance with the mechanism provided for by the parties, *i.e.*, until the next expiration date on December 31, 2019.

This agreement had no impact on BPCE's 2017 financial statements.

Paris La Défense and Neuilly-sur-Seine, March 28, 2017

The Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars
Jean-Marc Mickeler Sylvie Bourguignon	Agnès Hussherr Nicolas Montillot	Michel Barbet-Massin Charles de Boisriou

8 STATEMENT BY THE PERSON RESPONSIBLE

8.1 Statement by the person responsible for the registration document and for the annual financial report

François Pérol,

President of the BPCE Management Board.

Statement by the person responsible

Having taken all reasonable care to ensure that such is the case, to the best of my knowledge, all of the information contained in the registration document is in accordance with the facts and contains no omission likely to affect its import.

To the best of my knowledge, I certify that the financial statements of Groupe BPCE, BPCE SA group and BPCE have been prepared in accordance with applicable accounting standards and give a true and fair view of their respective assets, financial position and profit or loss, as well as those of all affiliated companies, and that the management report (the content of which is presented in a cross-reference table in Chapter 9) gives a true and fair picture of the development of their respective business, results and financial position, as well as those of all affiliated companies, along with a description of the main risks and uncertainties to which they are exposed.

I have obtained a letter from the Statutory Auditors certifying that they have verified the information concerning the financial position and the financial statements of Groupe BPCE, BPCE SA group and BPCE as set out in the registration document and have read the entire document.

Paris, March 28, 2018

François Pérol

President 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 mail at the following address:

BPCE

Département Émissions et Communication Financière

50, avenue Pierre Mendès-France

75013 Paris

9.2 Cross-reference table for the registration document

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9.3 Cross-reference table for the annual financial report and the management report

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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	211-236; 458-465
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Report on corporate governance		
Information on governance		34-85
Information on pay		86-107
Capital structure		592-596
Information required by Article L. 225-37-5 of the French Commercial Code on on items liable to have an impact in the event of a public offering		596
Information onagreements entered into by a subsidiary and a corporate officer holding more than 10% of the voting rights (Article L. 225-37-4 2° of the French Commercial Code)		462
Table summarizing capital increase authorizations, in accordance with Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, and use of these authorizations in fiscal year 2017		462 ; 596
Pursuant to Articles 212-13 and 221-1 of the AMF General Regulation, the registration document also contains the following regulatory information		
Statutory Auditors' special report on related-party agreements and commitments		598-608
Statutory Auditors' fees		349 ; 449 ; 502
Statement by the person responsible for the document		610

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, 2016 and the Statutory Auditors' report, presented on pages 224 to 329 of the registration document filed with the AMF on March 23, 2017 under number D. 17-0211;
- BPCE SA group's consolidated financial statements for the fiscal year ended December 31, 2016 and the Statutory Auditors' report, presented on pages 330 to 415 of the registration document filed with the AMF on March 23, 2017 under number D. 17-0211;
- BPCE's annual financial statements for the fiscal year ended December 31, 2016 and the Statutory Auditors' report, presented on pages 422 to 460 of the registration document filed with the AMF on March 23, 2017 under number D. 17-0211;

- 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.

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	SDGs	Page No.
Strategy						
Reporting scope	G4-20; G4-21; G4-22; G4-32; G4-33	Art. R. 225-105				584
	G4-2; G4-56; G4-15, G4-16; G4-45; G4-47	Art. R. 225-105-1-I 2 a)				
		Art. R. 225-105-1-I 2°a)			16	521-528
Sustainable development strategy		Art. R. 225-105-1-I 3°b)				
Environment						
Raw materials	G4-EN1; G4-EN2	Art. R. 225-105-1-I 2 c)			12	580
Energy	G4-EN3 to G4-EN7	Art. R. 225-105-1-I 2°c)			7, 12	578-580
Water	G4-EN8 to G4-EN10	Art. R. 225-105-1-I 2 c)		7/8/9	12	581
Biodiversity	G4-EN11; G4-EN12	Art. R. 225-105-1-I 2°e)			15	581
	G4-EN15 to G4-EN19	Art. R. 225-105-1-I 2°d)	IV			576-578
Emissions, run-off and discharges	G4-EN23	Art. R. 225-105-1-I 2°c)			12	580
	FS2; FS7; FS8; FS11	Art. R. 225-105-1 I 3°a)			8, 9, 11, 13, 16	530-552
Products and services	G4-EN27	Art. R. 225-105-1 I 3°a)				
Travel	G4-EN30		148-3 1			579-580
Environmental approach		Art. R. 225-105-1-I 2°a)	III	7/8/9		121; 576-581; 537-552
Society						
	G4-S01; G4-S02	Art. R. 225-105-1-I 3°a)			1, 2, 3, 8, 10, 14, 17	553-556; 529; 530-532 ; 536
Communities	FS14					553-556
Anti-money laundering procedures	G4-SO3	Art. R. 225-105-1-I 3 d)		10	16	559
Product liability						
Labeling of products and services		Art. R. 225-105-1-I 3°b)	III-VI[2]	8		532-535; 561-562
Responsible marketing	G4-PR1	Art. R. 225-105-1-I 3 d)			16	561-562
Legislative compliance	G4-PR9			10	16	197-198 ; 559-561
Economy						
Economic performance	G4-EC2			7/8/9	8	517
Procurement policy	G4-EC5; G4-EC9	Article R. 225–105-1-I 3 c)		1/2	12	553-556
Indirect economic impacts	G4-EC6; G4-EC7	Art. R. 225-105-1-I 3°a)			1, 2, 8, 9	537-546; 552 553-558
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)			5, 8, 10	565; 568-570; 571-575
	G4-LA8	Art. R. 225-105-1-I 1°d)			8, 16	568-569
Occupational health and safety	G4-LA6; G4-LA7	Art. R. 225-105-1-I 1 b) and d)		1/3/4/5/6		
	G4-LA9	Art. R. 225-105-1-I 1 e)				565-566; 575-576
Training and education	G4-LA10	Art. R. 225-105-1-I 1 e)			4	
Diversity and equal opportunities	G4-LA12; G4-LA13	Art. R. 225-105-1-I 1 f)			5, 10	567-568; 570
Human rights						
Freedom of association and right to collective bargaining	G4-HR4				16	
Prohibition of child labor	G4-HR5	Art. R. 225-105-1-I 1g)		2/3/4/5	16	570 ; 559-560
Abolition of forced or compulsory labor	G4-HR6				4, 16	

(1) *French Energy Transition for Green Growth Act.*
(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	
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
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
ALM	Asset and liability management
AMF	*Autorité des marchés financiers*/French financial markets authority
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
ECB	European Central Bank
EIB	European Investment Bank
MTN	Medium Term Note
BRRD	Bank Recovery and Resolution Directive
CCF	Credit Conversion Factor
CIC	Cooperative investment certificates
CDD	*Contrat de travail à durée déterminée*/Fixed-term employment contract
CDI	*Contrat de travail à durée indéterminée*/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
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
CEGC	Compagnie Européenne de Garanties et de Cautions
CET1	Common Equity Tier 1
CHSCT	*Comité d'Hygiène, de Sécurité et des Conditions de Travail*/Committee for Hygiene, Safety and Working Conditions
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
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
HR	Human Resources department
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

Acronyms	
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)
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
FTE	Full-time equivalent
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
SRF	Single Resolution Fund
FSB	The Financial Stability Board, whose mandate is to identify vulnerabilities in the global financial system and to implement principles for regulation and supervision in the interest of financial stability. Its members are central bank governors, finance ministers and supervisors from the G20 countries
GAPC	*Gestion active des portefeuilles cantonnés*/Workout portfolio management
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
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
DTAs	Deferred tax assets
IFRS	International Financial Reporting Standards
IRB	Internal-ratings based, an approach to capital requirements based on the financial institution's internal rating systems
A-IRB	Advanced IRB approach
F-IRB	Foundation IRB approach
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
ISF	*Impôt sur la fortune*/Wealth tax
SRI	Socially Responsible Investment
L&R	Loans and receivables
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 their cash outflows minus cash inflows over a 30-day stress period without the support of central banks
LBO	Leveraged buyout
AML-CTF	Anti-money laundering and counter-terrorism financing
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
SSM	Single Supervisory Mechanism
MREL	Minimum Requirement for own funds and Eligible Liabilities
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

Acronyms	
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
BCP	Business Continuity Plan
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
SME	Small- and medium-sized enterprises
SMI	Small- and medium-sized industries
NBI	Net banking income
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
CSR	Corporate Social Responsibility
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
IS	Information system
Socama	*Sociétés de cautionnement mutuel artisanales*/Mutual Guarantee Companies for small businesses
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
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)
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
VSE	Very small enterprises
EFTT	European Financial Transaction Tax
TUP	*Transmission universelle de patrimoine*/Total transfer of assets and liabilities
CGU	Cash Generating Unit
VaR	Value at Risk: a measurement of market risk on a bank's trading book expressed as a monetary value. It allows the entity performing the calculation to appraise the maximum losses liable to be incurred on its trading book. A statistical variable, VaR is always associated with a confidence interval (generally 95% or 99%) and a specific time frame (in practice, one day or 10 days, as the trading positions involved are meant to be unwound within a few days)

Key technical terms

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
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
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)
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
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
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
Capital requirement	The amount of capital that banks are required to hold, *i.e.* 8% of 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
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
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)
Derivative	A financial security or financial contract whose value changes based on the value of an underlying asset, which may be either financial (equities, bonds, currencies, etc.) or non-financial (commodities, agricultural products, etc.) in nature. This change may coincide with a multiplier effect (leverage effect). Derivatives can take the form of either securities (warrants, certificates, structured EMTNs, etc.) or contracts (forwards, options, swaps, etc.). Exchange-traded derivatives contracts are called futures
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)
Gross exposure	Exposure before the impact of provisions, adjustments and risk mitigation techniques
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
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
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
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
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
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
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
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
Capital or total capital adequacy ratio	Ratio of total capital (Tier 1 and 2) to risk-weighted assets (RWA).
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
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
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
Operational risk	Risks of losses or penalties due to failed internal procedures or systems, human error or external events
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
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
Swap	An agreement between two counterparties to exchange different assets, or revenues from different assets, until a given date
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
Net values	Total gross value less allowances/impairments
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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