2019 UNIVERSAL REGISTRATION DOCUMENT

AND ANNUAL FINANCIAL REPORT

GROUPE BPCE

Contents

Message from the chairman of the management board 3
Group profile 4
Groupe BPCE at a glance 4
Asolid group generating robust performances 6
Balanced governance 8
Our commitment to making sustainable development a reality 10

1 PRESENTATION OF GROUPE BPCE 13

1.1 Group history 14
1.2 Understanding the structure of Groupe BPCE 16
1.3 Highlights 18
1.4 TEC 2020: a strategic plan focused on digital transformation, commitment and growth 20
1.5 Groupe BPCE's business lines 23
1.6 Calendar 40
1.7 Contacts 40

2 NON-FINANCIAL PERFORMANCE REPORT 41 SNFP

2.1 Putting our cooperative identity to work for regional development 44
2.2 Applying CSR in our activities 54
2.3 Supporting the energy, ecological and social transition in local regions 66
2.4 Responsible internal and external practices 83
2.5 CSR reporting methodology 106
2.6 Report by one of the Statutory Auditors, appointed as independent third-party, on the consolidated Non-Financial Performance Statement published in the Group management report 110
2.7 Cross-reference table of the main social, environmental and societal information 112

3 REPORT ON CORPORATE GOVERNANCE 113 AFR

3.1 Introduction 114
3.2 Corporate Governance Code 114
3.3 Management and Supervisory Bodies 116
3.4 Role and operating rules of governing bodies 158
3.5 Rules and principles governing the determination of pay and benefits 169
3.6 Potential conflicts of interest 191

4 ACTIVITIES AND FINANCIAL INFORMATIONS 2019 193 AFR

4.1 Foreword 194
4.2 Significant events of 2019 194
4.3 Groupe BPCE financial data 198
4.4 BPCE SA group financial data 211
4.5 Investments 213
4.6 Post-balance sheet events 213
4.7 Outlook for Groupe BPCE 214

5 FINANCIAL REPORT 217 RFA

5.1 IFRS Consolidated Financial Statements of Groupe BPCE as at December 31, 2019 219
5.2 Statutory Auditors' report on the consolidated financial statements 359
5.3 IFRS Consolidated Financial Statements of BPCE SA group as at December 31, 2019 367
5.4 Statutory Auditors' report on the consolidated financial statements 486
5.5 BPCE management report 495
5.6 BPCE parent company annual financial statements 502
5.7 Statutory Auditors' report on the consolidated financial statements 543
5.8 Controls of accounting and financial reporting quality 547
5.9 Persons responsible for auditing the financial statements 552

6 RISK REPORT 555 AFR

6.1 Key figures 557
6.2 Risk factors 561
6.3 Risk management system 571
6.4 Capital management and capital adequacy 586
6.5 Credit risks 598
6.6 Counterparty risk 620
6.7 Securitization transactions 623
6.8 Market risks 629
6.9 Liquidity, interest rate and foreign exchange risks 635
6.10 Legal risks 642
6.11 Non-compliance and security risks 646
6.12 Operational risks 651
6.13 Climate risk 658

7 LEGAL INFORMATION 659

7.1 Charter of incorporation and articles of association 660
7.2 Share capital 662
7.3 Ownership structure and distribution of voting rights 664
7.4 Material contracts 665
7.5 Material changes 665
7.6 Statutory Auditors' special report on related-party agreements and commitments 666

8 ADDITIONAL INFORMATION 679 RFA

8.1 Statement by the person responsible for the universal registration document and for the annual financial report 680
8.2 Documents on display 681
8.3 Cross-reference table for the universal registration document 682
8.4 Cross-reference table for the annual financial report and the management report 684
8.5 Glossary 686

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

The Statement of Non-Financial Performance is identified in the summary using the following icon SNFP

2019 UNIVERSAL REGISTRATION DOCUMENT
AND ANNUAL FINANCIAL REPORT

Operating in more than **40** COUNTRIES

9 MILLION cooperative shareholders

Groupe BPCE, the second largest banking group in France, performs a full range of banking and insurance activities.

Its **105,000 employees,** serve **36 million customers** around the world – individuals, professionals, businesses, investors, and local authorities. It provides retail banking and insurance services in France through its two major cooperative networks, Banque Populaire and Caisse d'Epargne.
With Natixis, it also provides Asset & Wealth Management, Corporate & Investment Banking and Payment services around the world.

www.groupebpce.com

The original Universal Registration Document was filed on March 25, 2020 with the AMF, in its capacity as the competent authority in respect of Regulation (EU) No. 2017/1129, without prior approval pursuant to Article 9 of said regulation. Groupe BPCE Universal Registration Document may only be used for the purposes of a public offering or admission of securities to trading on a regulated market if it is accompanied by a memorandum pertaining to the securities and, where applicable, an executive summary and all amendments made to the Universal Registration Document. The complete package of documents is approved by the AMF in accordance with Regulation (EU) No. 2017/1129.

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

Message from **the chairman of the management board**

In 2019, Groupe BPCE demonstrated its ability to expand, innovate and pursue its transformation to serve its customers, cooperative shareholders, and employees.

Despite extremely low interest rates, our three core businesses delivered strong performances, thanks to the trust shown by our customers and our employees' energy.

With our cooperative banks, our 14 Banques Populaires and 15 Caisses d'Epargne, and Natixis, we serve all types of customers in France and around the world, providing financing, investment, savings, and insurance solutions to individuals, professionals, businesses, local authorities, and institutional clients.

Our Group is constantly adapting, investing and innovating to better serve our customers. ***Our Digital Inside strategy***, which is centered on our customer advisors, **was commended with an award from the ratings agency D-Rating.** In 2019, our Group also acquired a majority stake in Oney Bank. We also finalized our insurance set-up and launched a project to create a major insurance asset manager within Natixis with the merger of Ostrum and Banque Postale Asset Management. These initiatives are designed to ensure our Group is ready to rise to the challenges that lie ahead.

Our Group also intends to **play its role in the energy transition in full by financing the renewable energy sector** and by **helping all its customers transform their energy mix and their business models.** For several years now, our banks have regularly taken concrete initiatives to counter climate change. In September 2019, Groupe BPCE and Natixis signed the Principles for Responsible Banking, undertaking to strategically align their activities with the United Nations Sustainable Development Goals and the Paris Agreement on climate change. All our business lines are working to foster a low carbon society. A recent example is the creation by Natixis in 2019 of the Green Weighting Factor, a unique capital allocation model that encourages financing solutions with the most positive impact on the environment and climate change, while penalizing those with a negative impact.

In 2019, we continued to bolster our financial strength in order to shore up our Group's financial stability. We understand that, unfortunately, 2020 will be a very difficult year for many of our customers. We firmly believe that the three pillars of our business operations **(entrepreneurial spirit**, engagement with our customers on a daily basis and **collective intelligence)** will be considerable sources of strength in supporting our customers and helping them envision the future with confidence under the best possible conditions.

Laurent MIGNON
Chairman of the Management Board

Groupe BPCE at a glance

A full-service cooperative banking model serving the group's customers and the economy

OUR PERFORMANCE IS ROOTED IN THE STRENGTH OF OUR COOPERATIVE BANKING MODEL AND OUR AREAS OF EXPERTISE

Our robust full-service cooperative banking model, built on strong brands (Banque Populaire, Caisse d'Épargne and Natixis), paves the way for a long-term approach. Its decentralized structure promotes team spirit and decision-making with close ties to its customers.

The Fédération Nationale des Banques Populaires (FNBP) and the Fédération Nationale des Caisses d'Épargne (FNCE), the bodies that provide deliberation, communication and representation for the two networks and their cooperative shareholders, play an essential role in defining, coordinating and promoting the banks' cooperative spirit and social responsibility initiatives, in accordance with Groupe BPCE's commercial and financial objectives.

We firmly believe that our cooperative model is open to the future and in tune with society's expectations.

Groupe BPCE is the No. 2 banking group in France , funding more than 20% of the French economy.

WE HELP OUR CUSTOMERS ACHIEVE THEIR GOALS

All our customers, be they individuals, professionals, associations, corporate customers of all sizes or institutional customers, have constantly evolving expectations, with increasing demands in terms of availability, feedback, advice and service.

The Group has four main business lines in France and abroad. With this structure, it is able to meet these needs by offering appropriate products and services across all distribution channels: Retail Banking & Insurance, Asset & Wealth Management, Corporate & Investment Banking, and Payments.

9 million cooperative shareholders

36 million customers

WE FUND >20% of the French economy

PRESENT IN MORE THAN 40 countries

105,000 employees

€24 bn in net banking income (in 2019)

No.17 worldwide BY ASSETS UNDER MANAGEMENT (source: Cerulli)

Natixis listed on Euronext Paris CAC Next 20

(1) Market share: 21.9% of on-balance sheet customer deposits & savings and 21% of customer loans (source: Banque de France Q3 2019 – all non-financial customers combined).

(2) 21% market share in loan outstandings, all non-financial sector customers combined (source: Banque de France, Q3 2019).

Strong, recognized brands

Diversified business lines in France and internationally

RETAIL BANKING & INSURANCE

Banking and financial services, Insurance, Specialized Financing

Banque Populaire,
Caisse d'Epargne,
Banque Palatine,
Natixis Assurances,
Financial Solutions & Expertise
Oney

ASSET & WEALTH MANAGEMENT (NATIXIS)

Asset management, Wealth management

Natixis Investment Managers,
Natixis Wealth Management

CORPORATE & INVESTMENT BANKING (NATIXIS)

Capital markets, Financing, Trade & Treasury Solutions

Natixis

PAYMENTS (NATIXIS)

Management of domestic, European and international payment instruments

Natixis Payments

The defining characteristics of our banking model

PARTICIPATORY GOVERNANCE

↓

The cooperative shareholders elect their representatives to sit on the Boards of the Banques Populaires and Caisses d'Epargne [1]

LOCAL PRESENCE

↓

29 banks operating **in all the different regions** of mainland France and overseas territories

ABILITY TO TAKE ACTION OVER THE LONG TERM

↓

Indivisible reserves

SOCIETAL SOLIDARITY

↓

1.6 million jobs supported by the activities of the Banque Populaire and Caisse d'Épargne networks

ENVIRONMENTAL COMMITMENT

↓

€10.8 billion in outstanding loans **for the energy transition**

(1) Through the election of directors of Local Savings Companies.

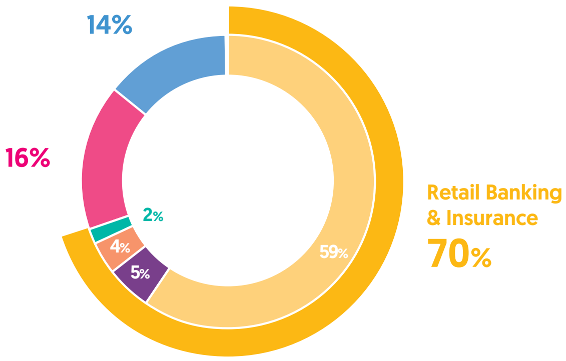
A solid group generating robust performances

Recurring, diversified revenue base

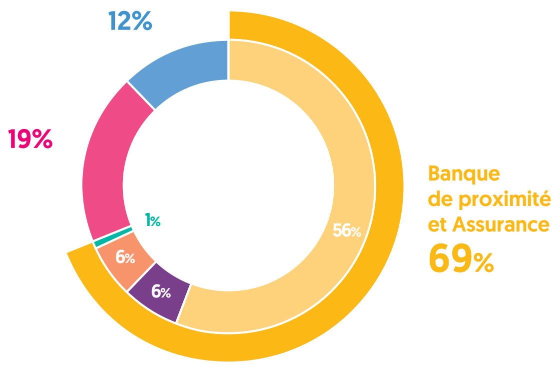
GROUPE BPCE – SUMMARY INCOME STATEMENT

in millions of euros	2019	2018	2017
Net banking income	**24,305**	**24,001**	**23,720**
Gross operating income	**6,722**	**6,314**	**6,621**
Cost/income ratio	72.3%	73.7%	72.1%
Cost of risk	(1,367)	(1,299)	(1,384)
Income before tax	**5,538**	**5,297**	**5,516**
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,030**	**3,026**	**3,024**

BUSINESS LINE CONTRIBUTIONS TO NBI [1] IN 2019 *(As a %)*



BUSINESS LINE CONTRIBUTIONS TO INCOME BEFORE TAX [1] IN 2019 *(As a %)*



Asset & Wealth Management · Corporate & Investment Banking
Networks · Financial Solutions & Expertise · Insurance · Payments

GROUPE BPCE – ACTIVITY

in billions of euros	2019	2018	2017
Balance sheet total	1,338.1	1,273.9	1,259.9
Customer loans (gross loan outstandings)	706.1	671.9	704.9

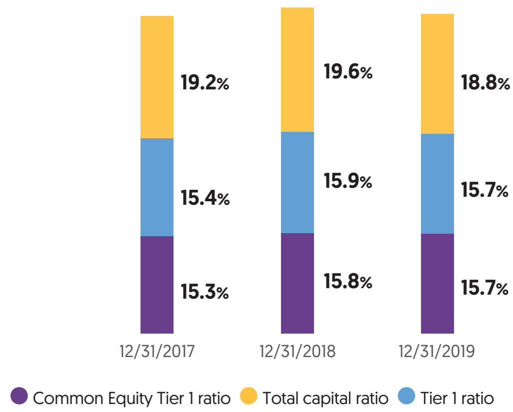
(1) Excluding the Corporate Center .

High level of solvency

GROUPE BPCE – FINANCIAL STRUCTURE AND LIQUIDITY RESERVES

in billions of euros	12/31/2019	12/31/2018	12/31/2017
Equity attributable to equity holders of the parent	69.9	66.2	64.0
Common Equity Tier 1 capital	66.0	62.2	59.0
Tier 1 capital	66.0	62.5	59.5
Total regulatory capital	79.3	76.9	74.0
Liquidity reserve	231	204	214

GROUPE BPCE – CAPITAL RATIOS



CREDIT RATINGS AT DECEMBER 31, 2019

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

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

BPCE SA group indicators [1]

SUMMARY INCOME STATEMENT

in millions of euros	2019	2018	2017
Net banking income	11,145	10,800	10,499
Gross operating income	2,286	2,005	2,358
Income before tax	1,923	1,856	2,126
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**631**	**685**	**845**

FINANCIAL STRUCTURE

in billions of euros	12/31/2019	12/31/2018	12/31/2017
Equity attributable to equity holders of the parent	20.4	19.6	18.9
Tier 1 capital	19.9	19.0	18.5
Tier 1 ratio	11.2%	10.9%	10.3%
Total capital ratio	18.6%	19.1%	18.4%

(1) BPCE SA group includes BPCE SA and its subsidiaries. The Banques Populaires and Caisses d'Epargne do not contribute to the results of BPCE SA group.

Balanced governance

Key supervisory board figures

At 12/31/2019

10 meetings

19 members

6 non-voting directors

41.2% women

98% attendance rate

SUPERVISORY BOARD

2 BPCE EMPLOYEE REPRESENTATIVES

Vincent GONTIER

Frédéric HASSAINE

3 INDEPENDENT MEMBERS

Valérie PANCRAZI

Anne-Claude PONT

Kadidja SINZ

7 BANQUE POPULAIRE REPRESENTATIVES

Thierry CAHN
Chairman

Gérard BELLEMON

Bernard DUPOUY

Yves GÉVIN

Michel GRASS

Olivier KLEIN

Catherine MALLET

7 CAISSE D'EPARGNE REPRESENTATIVES

Pierre VALENTIN
Vice-Chairman

Catherine AMIN-GARDE

Alain DENIZOT

Eric FOUGÈRE

Dominique GOURSOLLE-NOUHAUD

Françoise LEMALLE

Didier PATAULT

On a consultative basis

6 NON-VOTING DIRECTORS

From the Banques Populaires

Sylvie GARCELON, Daniel KARYOTIS

From the Caisses d'Epargne

Pierre CARLI, Joël CHASSARD

Non-voting directors

Chairman of the FNBP
André JOFFRE

Chairman of the FNCE
Jean ARONDEL

Audit Committee · Risk Committee · Appointment Committee · Compensation Committee · Cooperative and CSR Committee

Supervisory Board members' expertise

SKILLS

> 50% — 6
- Retail Banking & Insurance
- Financial accounting and financial disclosures
- Risk management, compliance verification and internal audit
- Strategic planning and understanding of business strategy
- Management skills and experience
- Cooperative banking experience

30% TO 50% — 3
- Financial markets, capital markets, capital adequacy and models
- Legal and regulatory skills
- International

10% TO 30% — 1
- Digital and Information Systems

The Board's 5 specialized committees

In 2019

AUDIT COMMITTEE	RISK COMMITTEE	APPOINTMENT COMMITTEE	COMPENSATION COMMITTEE	COOPERATIVE AND CSR COMMITTEE
6 members	6 members	7 members	8 members	6 members
5 meetings	8 meetings	4 meetings	2 meetings	2 meetings
93% attendance rate	96% attendance rate	96% attendance rate	94% attendance rate	100% attendance rate

Management Board members

Since October 4, 2018

5 MEMBERS


Laurent MIGNON
Chairman of the Management Board and CEO


Christine FABRESSE
Head of Retail Banking & Insurance


Catherine HALBERSTADT
Head of Human Resources


Nicolas NAMIAS
Chief Financial Officer and Head of Corporate Strategy


François RIAHI
Chief Executive Officer of Natixis

40% women

Our commitment to making sustainable development a reality

A policy with three priorities

As the number two provider of financing for the French economy, and with an international presence, our strategy is focused on three areas.

INNOVATING FOR GREEN GROWTH

Groupe BPCE supports its customers in the transformation of their energy mix and their business model.

COMMITTING TO OUR CUSTOMERS AND REGIONS

We contribute to the economic and social development of regional ecosystems.

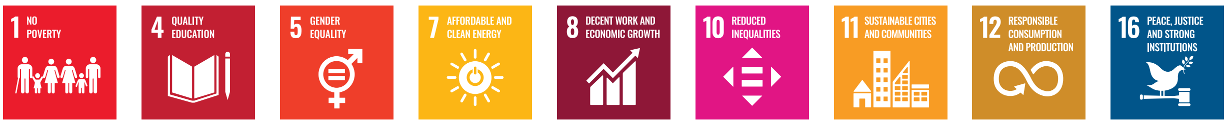
SHOWING EXEMPLARY BEHAVIOR TOWARDS OUR EMPLOYEES

We are committed to our 105,000 employees, to provide them with equal opportunities, optimal working conditions and a fair, motivating environment to allow them to progress throughout their career.

Support for the Sustainable Development Goals (SDGs)

The **SDGs** are the benchmark for all of Groupe BPCE's actions under its CSR policy.

Its actions have a positive impact on **9 priority goals** through its internal management, patronage activities, and especially its financing activities (financing in the social, non-profit, renewable energy, agriculture, education, healthcare and microfinance sectors, etc.).



Non-financial ratings At 12/31/2019

A MSCI	C-Prime OEKOM	65/100 (AVERAGE) SUSTAINALYTICS	57/100 (ROBUST) VIGEO – EIRIS

A leading bank in green growth

By investing its customers' savings in a more responsible economy and financing the energy and ecological transition, we are a responsible bank and insurance company. Our commitment extends to developing solutions to finance the energy transition, encouraging responsible deposits and savings, and promoting dedicated refinancing solutions such as green bonds and social bonds.

SUPPORTING THE ENERGY TRANSITION

- **Helping our customers change their way of life:** issuing Eco-PTZ interest-free loans to finance energy efficiency renovations in people's homes; offering a special financing solution to help craftsmen and SMEs with the ecological transition.
- **Expertise in renewable energy:** €10.8 billion in outstanding loans.Flagship deals: financing for the first offshore wind farm in Saint-Nazaire.
- **Meeting new investor priorities:** €4 billion in green and social bonds issued by the Group.

STEERING DEPOSITS AND SAVINGS TOWARDS A MORE RESPONSIBLE ECONOMY

- **Groupe BPCE is a longstanding leader** in socially responsible investment, with over €82 billion in assets under management.
- **A responsible insurer:** Natixis Assurances has pledged to align its portfolio with the 2°C global warming scenario set in the Paris Agreement by investing nearly 10% of its assets each year in green assets (target: green assets to account for 10% of total AuM by 2030).

INCORPORATING ESG CRITERIA IN OUR FINANCING ACTIVITIES

- Signatory of the **Equator Principles** since 2010.
- Integration of **ESG criteria in the sector risk policies applied by the Banques Populaires and Caisses d'Epargne.**
- **Divesting from fossil fuels:** sector policies for the coal, oil and gas sectors.In 2019, Natixis lowered the **exclusion threshold** in its coal sector policy from 50% of a company's activities to 25%.

Data at 12/31/2019

Innovation: Natixis, a Groupe BPCE subsidiary, is decarbonizing its balance sheet with the *Green Weighting Factor*

In 2019, Natixis was the first bank to manage the climate impact of its balance sheet by applying the *Green Weighting Factor*. This internal capital allocation model adjusts the expected return on each loan depending on its impact on the climate. Its rating system influences individual decision-making and encourages teams to favor green financing solutions (for an equivalent level of credit risk).

Multiple commitments

Groupe BPCE has made a number of national and international commitments and contributes to sustainability discussion groups.

Signatory of:

Business for Inclusive Growth (B4IG)

United Nations Women's Empowerment Principles

1

PRESENTATION OF GROUPE BPCE

1.1 Group history 14

1.2 Understanding the structure of Groupe BPCE 16

1.3 Highlights 18

1.4 TEC 2020: a strategic plan focused on digital transformation, commitment and growth 20

1.5 Groupe BPCE's business lines 23

1.6 Calendar 40

1.7 Contacts 40

1.1 Group history

Groupe BPCE was established in 2009 through the merger of Groupe Banque Populaire and Groupe Caisse d'Epargne. This marked the combination of two leading cooperative banks, created in 1878 and 1818 respectively, sharing common values rooted in solidarity, a local presence, democratic governance and a long-term vision.

The first step to forming the Group took place in 2006, with the creation of Natixis from the merger of Ixis and Natexis Banques Populaires.

True to its roots, Groupe BPCE is as committed as ever to bringing about transformations and meeting the pressing challenges of its time, particularly when it comes to the energy and ecological transition.

2019

A CHANGING GROUP:

- Purchase of a **50.1% stake in Oney Bank**
- Talks between Groupe BPCE and La Banque Postale: plan to establish a top-tier European asset manager **specializing in insurance-related asset management** with LBPAM and renewed partnership with CNP Assurances

A STREAMLINED GROUP: integration of Crédit Foncier's activities and expertise and integration of Natixis Specialized Financial Services into BPCE SA

Groupe BPCE is the first Premium Partner of the Paris 2024 Olympic and Paralympic Games

Groupe BPCE signs the Principles for Responsible Banking

2018

Caisse d'Epargne Grand Est Europe established

2017

Groupe BPCE launches «TEC 2020", the strategic plan for 2018-2020: a combination of **digital Transformation** in order to seize opportunities created by the ongoing technological revolution, **Engagement** towards customers, employees and cooperative shareholders, and **Growth** in all its core businesses

2016

Two new regional bank mergers completed: creation of **Caisse d'Epargne Hauts de France** and **Banque Populaire Grand Ouest**

Two regional bank mergers completed: **creation of Banque Populaire Méditerranée** and **Banque Populaire Auvergne Rhône Alpes**

2014

The strategic plan for 2014-2017, "Another way to grow", is focused on development and transformation, with the goal of constantly striving **to better meet the expectations and needs of customers, while affirming the Group's difference as a cooperative banking structure**

Natixis sets up a **single insurance division,** enabling the Group to become a **fully fledged bancasseur**

2010

The first strategic plan, "Together", mobilizes all Group entities to become the **preferred banks of the French people and their companies**

2009

GROUPE BPCE ESTABLISHED FROM THE MERGER OF GROUPE BANQUE POPULAIRE AND GROUPE CAISSE D'EPARGNE

2006

GROUPE BANQUE POPULAIRE AND GROUPE CAISSE D'EPARGNE TAKE THE FIRST STEP TOWARDS A BUSINESS COMBINATION, WITH THE CREATION OF THEIR JOINTLY-OWNED SUBSIDIARY, NATIXIS.

BANQUE POPULAIRE

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

1962 The Banques Populaires **open their services to individual customers**

1917 The Banques Populaires rapidly become **major players in their regional economies**, serving craftsmen, small retailers and SMEs

1878 **THE FIRST BANQUE POPULAIRE IS ESTABLISHED.** The Banques Populaires were founded by and for entrepreneurs to help them finance their development plans

CAISSE D'EPARGNE

2004 By purchasing CDC Ixis, the Groupe Caisse d'Epargne branches out into **investment banking**

1999 The Caisses d'Epargne become **cooperative banks**

1983 The Caisses d'Epargne qualify as **non-profit credit institutions**

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

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

1818 **THE FIRST CAISSE D'EPARGNE IS FOUNDED** to promote, collect and manage general public savings

1.2 Understanding the structure of Groupe BPCE

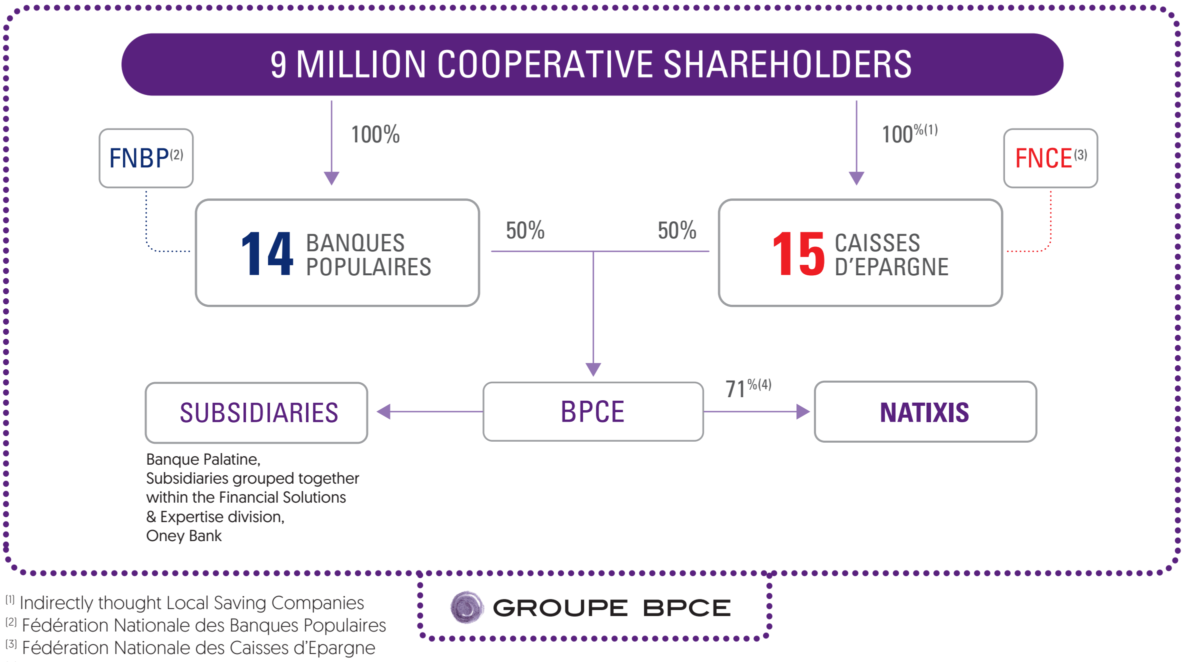
Overview

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

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

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

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



(1) Indirectly thought Local Saving Companies
(2) Fédération Nationale des Banques Populaires
(3) Fédération Nationale des Caisses d'Epargne
(4) Float: 29%

Three-pillar structure

1
TWO BPCE SA COOPERATIVE SHAREHOLDER NETWORKS

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

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

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

Being a cooperative shareholder means owning a cooperative share (a percentage of the share capital not quoted on the stock exchange), representing a portion of the share capital in a Banque Populaire or an LSC for a Caisse d'Epargne, and playing a role in the bank's operation by taking part in Annual General Shareholders' Meetings and voting to approve the financial statements and resolutions, validating management decisions and electing Directors.

Each institution is governed by a Board of Directors and a Chief Executive Officer for the Banques Populaires, or a Steering and Supervisory Board and a Management Board for the Caisses d'Epargne.

SEE CHAPTER 3
"CORPORATE GOVERNANCE"

2
BPCE SA: THE CENTRAL INSTITUTION DEDICATED TO ACHIEVING THE GROUP'S AMBITIONS

BPCE SA is responsible for the strategy, coordination and organization of the Group as well as each of the networks.

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

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

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

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

SEE CHAPTER 7
"LEGAL INFORMATION"

3
SPECIALIZED SUBSIDIARIES

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

As a bank for corporate and wealth management customers, **Banque Palatine** helps its customers achieve their personal and professional goals alike.

Oney, a 50.1%-owned subsidiary of Group BPCE since October 2019, is a French bank with an international presence that supports the daily lives of its customers by offering in-store and online shopping experiences.

1.3 Highlights

January 2019

Groupe BPCE, with its brands, has been an official Premium Partner of the Paris 2024 Olympic and Paralympic Games since January 1, 2019. As a major and historic project, this partnership represents an unprecedented opportunity for Groupe BPCE to tap into all its sources of energy and all its strengths over the next six years and beyond.

February 2019

Auchan Holding and BPCE entered into exclusive talks aimed at initiating a long-term partnership, with BPCE acquiring a 50.1% stake in Oney Bank SA.

April 2019

The creation of the Financial Solutions and Expertise (SEF) division was finalized. SEF comprises the Factoring, Leasing, Sureties & Guarantees, Consumer Finance and Securities Services business lines (Natixis), and well as Socfim and Crédit Foncier Immobilier (Crédit Foncier and Pramex International).

As announced in June 2018, the Crédit Foncier operations and areas of expertise were redeployed across different Groupe BPCE entities.

In order to better serve the interests of Group companies, the BPCE Community was created, i.e. a community of 8,000 employees from BPCE SA, BPCE Achats (Procurement), the FSE division and IT EIGs BPCE-IT, IT-CE and i-BP. Its work is predominantly focused on the Banque Populaire and Caisse d'Epargne networks, and its purpose is to better meet the needs of Group companies, which are having to deal with far-reaching and long-term changes in their businesses, while responding to more demanding regulations.

May 2019

Under the renewed partnership with Covéa, as of 2020 Natixis Assurances will take over the new non-life insurance activities for the individual customers of the Banque Populaire network, in addition to those of the Caisse d'Epargne network.

June 2019

Groupe BPCE and La Banque Postale entered into talks to broaden and expand their business partnership.

July 2019

Groupe BPCE and Brink's France entered into a partnership for the operation and management of Banque Populaire and Caisse d'Epargne ATMs. The aim of this partnership is to expand the range of services provided to their customers while harmonizing the management and technical infrastructures of their ATM networks.

August 2019

Groupe BPCE undertook to combat inequality by joining the G7 Business for Inclusive Growth (B4IG), an initiative coordinated with the OECD aimed at promoting inclusive growth. The 30 largest international corporations joining forces in this coalition have committed to stepping up their initiatives to improve human rights across the value chain, establish inclusive working environments and foster inclusion in internal and external ecosystems.

September 2019

Groupe BPCE and Natixis signed the Principles for Responsible Banking, undertaking to strategically align their activities with the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change. In signing the Principles for Responsible Banking, Groupe BPCE and Natixis joined a coalition of 130 banks worldwide committed to playing a decisive role in building a sustainable future.

Natixis was the first bank to actively manage the climate impact of its balance sheet using the Green Weighting Factor. The GWF allocates capital to financing solutions based on their impact on the climate and is applied to loans granted by Corporate and Investment Banking.

October 2019

Groupe BPCE purchased a 50.1% stake in Oney Bank, with the remaining share capital owned by Auchan Holding. With offers and locations complementing those of Oney Bank, Groupe BPCE will expand its scope of expertise in specialized financial services, and particularly in payments.

According to the most recent annual survey conducted by digital rating agency D-Rating, the Banque Populaire and Caisse d'Epargne brands have risen to the top tier of retail banking groups, both for the level of use and performance of their digital communication channels. They recorded the strongest improvement in the sector between 2018 and 2019, with Banque Populaire gaining nine places and Caisse d'Epargne six.

November 2019

Groupe BPCE reaffirmed its commitment to promoting the ecological transition, signing the FBF manifesto in honor of the fifth annual Climate Finance Day. The manifesto reiterates the commitment made by French banks to ecological transition, along with their determination to ramp up their initiatives aimed at building a low-carbon, inclusive and ecological economy.

Groupe BPCE helped finance the first French offshore wind farm. As lead arranger, Natixis coordinated the response of various Group companies: Caisse d'Epargne Bretagne Pays de Loire, Caisse d'Epargne Normandie, Caisse d'Epargne Ile-de-France and Banque Populaire Grand Ouest. Groupe BPCE's direct contribution amounted to €100 million.

December 2019

Groupe BPCE, Natixis and La Banque Postale reached a major milestone in their efforts to broaden and expand their business partnership; the agreements covering CNP Assurances (extension of the commercial agreements through end-2030 and shareholders' agreement) were signed and the main terms of the plan to establish a top-tier European asset manager specializing in insurance-related asset management with LBPAM were defined.

Groupe BPCE issued the second Green Bond in its history, totaling €500 million, for the purpose of refinancing renewable energy assets.

As agreed upon with the Banques Populaires, the Caisses d'Epargne and their federations, Natixis and Banque Palatine, Groupe BPCE paid €10 million to the Heritage Foundation for the Restoration of Notre-Dame de Paris in the wake of the fire of April 2019.

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

The strategic plan for the 2018-2020 period, entitled "TEC 2020", focuses on a combination of digital Transformation in order to seize opportunities created by the ongoing technological revolution, Engagement towards the Group's customers, employees and cooperative shareholders, and Growth in all its core businesses.

Digital transformation

The Group is accelerating its digital transformation under the leadership of 89C3 Factory, a dedicated organization responsible for promoting the technological vision and the development of digital products in liaison with the Group's IT developers.

The goal is to attain the highest possible customer satisfaction scores by putting the Group's digital NPS on a par with pure players by 2020.

To achieve this, the Group has developed joint customer interfaces and has raised the account management web spaces to the level of mobile apps, with functionalities that are constantly upgraded (authentication, card management and transfers). In 2019, 74.9% of principal active customers of the Banques Populaires and Caisses d'Epargne used at least one of the digital channels available to them. As of end-December 2019, 48.1% of active customers had used the mobile app, an increase of 10.6 points year-on-year.

Digital application processes have been developed for consumer and home loans for individual customers and equipment loans for professional customers. In 2019, digital solutions helped generate nearly 100,000 consumer loans with outstandings of €1.3 billion, and €1.8 billion in new home loans. The Caisses d'Epargne also developed *Numairic,* the first online credit solution for municipalities.

The development of digital spaces has helped us achieve good service and customer satisfaction levels, with an NPS of +40 at end-December 2019 and scores of 4.4/5 on mobile app stores.

A Group data analytics platform became operational in 2019. The Group intends to use the data to customize its offers, measure certain risks more precisely, enhance its CRM tools and build artificial intelligence tools. The ethical use of personal data is a vital element in building confidence and will be central to the banking relationship of the future.

The Group also continued to optimize its operating model in retail banking, with the multi-year program to encourage electronic signatures and paperless documents. In 2019, electronic signatures were used for 75.8% of applications and amendments, helping to make life easier for customers and reducing printing costs. The Group also used virtual assistants to automate processes and increase efficiency. The Group signed a partnership agreement with Brink's France for the operation and dynamic management of the Banques Populaires and Caisses d'Epargne's ATMs.

Digital transformation also affected non-life insurance. Natixis Assurances unveiled a new service for managing automobile and two-wheeler claims and rolled out a new technological platform to optimize the digital management of insurance claims while enhancing the customer experience.

The Group is gradually rolling out Office 365 to facilitate collaboration and sharing, including across businesses and while on the move. New communities have emerged (digital ambassadors, digital champions and data management officers) to support, disseminate and implement the digital transformation and the democratization of data within the Group companies.

Our engagement towards our customers, staff and cooperative shareholders

MORE CONVENIENCE, EXPERTISE AND SOLUTIONS FOR OUR CUSTOMERS

In retail banking, the Banques Populaires and the Caisses d'Epargne continue to develop their multi-channel relationship model that lets customers choose how much or how little support they require. Central to this model, together with developments in online and mobile banking services, are the Group's actions to overhaul branch formats (points of sale and business centers), establishing multi-site branches, refocusing on advisory services, reception areas that foster a "side-by-side" rather than "face-to-face" relationship and creating collaborative work spaces.

To round out the everyday banking offers, the Banques Populaires and Caisses d'Epargne have developed new products and services, particularly for families, and a new digital offering, Enjoy, launched by the Caisses d'Epargne.

In order to offer its clients more expertise and solutions, the Asset & Wealth Management business line is strengthening its position as world leader in active investment strategies thanks to its size, profitability, capacity for innovation and the development of its international distribution platform *via* its multi-boutique network. At December 31, 2019, assets under management stood at €934 billion, up 16% year-on-year.

Meanwhile, Corporate & Investment Banking offers its clients recognized expertise in four specific sectors: Energy and Natural Resources, Infrastructure, Aviation, Real Estate & Hospitality.

A STRONG EMPLOYER PROMISE

As an employer, the Group is committed to enhancing employee value through training and internal mobility, developing its employer brand in order to attract and retain top talent and to continuing its efforts to promote diversity among executives and company directors.

To achieve this, in 2018 the Group signed another three-year Occupation and Skills Forecasting (GPEC) agreement with labor representatives in order to establish a structured framework in today's fast-changing environment undergoing considerable technological innovation.

An unprecedented training drive is underway, with an increase of more than 25% in the number of hours spent on professional training and an investment of 10 million training hours over the duration of the plan.

Further efforts have been made to improve gender equality: the percentage of women in executive roles was 43.7% at end-2019 and the proportion of female company directors reached 26.4%, an increase of 6 points since the start of the plan.

The Group has set up a dedicated intranet platform to facilitate job mobility.

In 2019, Natixis ranked tenth out of 25 French prizewinners in the Glassdoor league table of the "Best Employers 2020", and appeared in the Bloomberg Gender-Equality index.

A RESPONSIBLE GROUP, PRODUCTIVELY ENGAGED IN SOCIETY

The Group is committed to serving the wider community by contributing to the regions and local ecosystems, fostering green growth and CSR and providing products and services to vulnerable customers.

As such, the Group finances around 20% of the French economy (housing, transport, energy, telecommunications, universities, hospitals, etc.). At end-2019, loan outstandings of Banque Populaire customers stood at €225 billion and those of Caisses d'Epargne customers totaled €291 billion, an overall increase of 7.6% year-on-year.

As at year-end, the Group provided €10.8 billion in financing for the energy transition and managed €86.4 billion in responsible deposits and savings, up nearly 20% year-on-year.

In 2019, the Group joined the international "Business 4 Inclusive Growth" initiative aimed at reducing regional and gender equalities. In France, the Group is the number one bank in microloans with support, with 21,131 solidarity-based loans with support distributed for a total of €555.8 million.

For its refinancing, the Group continued its policy of issuance on the green and social bond market for ecologically and socially responsible investors.

Ambitious growth targets in all business lines

The Group has set goals for 2020 for each of its business lines:

FOR RETAIL BANKING

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

FOR ASSET MANAGEMENT

- confirming our position as a world leader in active investment strategies in terms of size, profitability and capacity for innovation;
- developing alternative strategies and solutions;
- expanding global distribution capacities;

FOR CORPORATE & INVESTMENT BANKING

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

New strategic operations

In 2019, the Group carried out new strategic operations in order to vitalize retail banking, streamline its organizational structure and prepare for the future:

- incorporation of Natixis specialized financial services, *i.e.* Factoring, Sureties & Guarantees, Leasing, Consumer Finance and Securities Services, in BPCE SA;
- partnership with Auchan Holding, with BPCE SA having purchased a 50.1% stake in Oney Bank, a leading European player in consumer finance and payment activities;
- acquisition by BPCE SA of Crédit Foncier's stake in Socfim, a global player in financing for real estate professionals;
- sale by BPCE International of:
  - Banque de Tahiti and Banque de Nouvelle Calédonie to Caisse d'Epargne Ile-de-France,
  - stakes in banking operations located in Sub-Saharan Africa to Moroccan group BCP:
    - in Cameroon: 68.5% of Banque Internationale du Cameroun pour l'Épargne et le Crédit (BICEC),
    - in Madagascar: 71% of Banque Malgache de l'Océan Indien (BMOI),
    - in the Republic of the Congo: 100% of Banque Commerciale Internationale (BCI);
- agreement signed for the sale of 60% of Banque Tuniso-Koweitienne (BTK) by BPCE International to the Tunisian government subject to the procurement of the necessary authorizations;
- talks in progress between Groupe BPCE and Banque Postale with a view to expanding their business partnership in 2020:
  - merger of the asset management activities of Ostrum Asset Management and La Banque Postale Asset Management (LBPAM) to establish a European specialist in euro fixed-income strategies and insurance, which will be 55%-owned by Natixis Investment Managers and 45% by LBPAM,
  - for the purposes of the CNP Assurances/La Banque Postale merger, establishment of a new shareholders' agreement through end-2030 between BPCE and La Banque Postale, in their capacity as shareholders, owning 16.11% and 62.13% of CNP Assurances' share capital, respectively,
  - agreement between BPCE and CNP Assurances through end-2030 resulting in a 50-50 coinsurance split between Natixis Assurances and CNP Assurances for collective payment protection insurance and the reinsurance by CNP Assurances of 34% of individual payment protection policies underwritten by BPCE Vie.

This growth is being achieved in strict compliance with the Group's financial fundamentals, *i.e.* keeping the CET1 ratio above 15.5% for the duration of the plan and the TLAC ratio above 21.5% (excluding senior preferred debt) as from early 2019 by issuing €4 billion to €5 billion in senior non-preferred debt per year, while keeping cost of risk on outstandings low (19 bp in 2019). Groupe BPCE has set an NBI target of more than €25 billion by the end of 2020. The target cost/income ratio is approximately 64% for Retail Banking and Insurance, 68% for Asset & Wealth Management, and 60% for Corporate & Investment Banking.

To meet these targets, the Group will rely on revenue synergies between BPCE, Natixis, Banques Populaires and Caisses d'Epargne business lines (€431 million in additional revenues generated as of end-2019 despite the low interest rate environment, which is detrimental to financing activities) and a cost-cutting program whose target of €1 billion in savings by 2020 was reached in 2019.

1

1.5 Groupe BPCE's business lines

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

RETAIL BANKING, FINANCIAL SOLUTIONS AND EXPERTISE, INSURANCE

BANQUE POPULAIRE — CAISSE D'EPARGNE — BANQUE PALATINE — oney

- Banking and financial services
- Advisory and specialized financing
- Personal insurance, non-life insurance

ASSET AND WEALTH MANAGEMENT

NATIXIS INVESTMENT MANAGERS

- Asset management
- Wealth management

NATIXIS WEALTH MANAGEMENT BEYOND BANKING

CORPORATE AND INVESTMENT BANKING

NATIXIS BEYOND BANKING

- Capital markets
- Financing
- Trade & Treasury Solutions
- Strategy consultant services

PAYMENTS

NATIXIS PAYMENTS BEYOND BANKING

- Payment solutions

1.5.1 Retail Banking and Insurance

N°1 (1) bank for SMEs

N°2 (2) bank for individual customers

N°2 (3) bank for professional customers and individual entrepreneurs

26% (4) market share in home loans

€552bn in loan outstandings

€746bn (5) in deposits and savings

4.4/5 Banque Populaire and Caisse d'Epargne Apps ranking in AppStore® in December 2019

(1) 53% (No. 1) in terms of total penetration rate (Kantar 2019 SME-SMI survey).
(2) Market share: 22.3% in household deposits/savings and 26% in home loans (Banque de France, Q3-2018). Total penetration rate of 29.1% (No. 2) among individual customers (SOFIA TNS-SOFRES survey, April 2019).
(3) 41% (No. 2) penetration rate among professional customers and individual entrepreneurs (2017-2018 CSA Pépites survey).
(4) Banque de France Q3-2019 – Home loan outstandings.
(5) On- and Off-balance sheet deposits and savings.

Banque Populaire banks

Founded by entrepreneurs for entrepreneurs more than 140 years ago, the Banque Populaire banks have stayed true to their roots, confirming their position as the leading bank for SMEs in France for the tenth year in a row[1]. A top-tier banking network with 12 regional Banque Populaire banks and two national affiliated banks (CASDEN, dedicated to the civil service sector, and Crédit Coopératif, a bank serving the social and solidarity-based economy), Banque Populaire is also the No. 2 bank of craftsmen and small retailers[2].

Key figures

- **14 Banque Populaire banks**
- **4.6 million cooperative shareholders**
- **9.3 million customers**
- **31,000 employees**
- **€288.3bn in deposits and savings**
- **€225bn in loan outstandings**
- **€6.4bn in net banking income**

IN 2019

- The Banque Populaire banks kept up their sales momentum. Loan outstandings rose 7.6% and deposits and savings 8.5%.
- The *Comfort* and *Premium* levels were added to the new everyday banking package deals *via* the *Forfait Cristal* (Cristal Package) and the *Pack Famille* (Family Pack).
- Banque Populaire accelerated its development in private banking and has become the No. 3 player in France[3], with over €83 billion in assets under management.

INDIVIDUAL CUSTOMERS

The Banque Populaire banks maintained their sales momentum and continued to gain market share, increasing their number of customers 1.8% year-on-year to over 5 million, including nearly 4 million principal active customers. New lending grew substantially for consumer and home loans alike (+6.1% and +14%, respectively).

New solutions were launched in 2019, including the *Comfort* and *Premium* levels added to the new everyday banking package deals *via* the Cristal Package and the Family Pack. This is a first in the banking industry, with key everyday banking services offered to all members of the family (of any configuration) at one fixed price. In another major advance, the Banque Populaire digital spaces are now recognized for their usage and performance rates, as demonstrated by the ranking conducted by digital rating agency D-Rating, published in October 2019: Banque Populaire rose nine places in one year, marking one of the biggest improvements in the banking sector. Some of the latest new app features include: 1) *Paylib entre amis* (Paylib for friends and family) for transferring funds free of charge with just the beneficiary's telephone number, and 2) simplified management of debit cards, with temporary card locking.

In addition, the *Création Pépite Factory* scholarship, designed to help students and recent graduates with ideas for start-ups or acquisitions obtain corporate status and online registration, was rolled out across the entire Banque Populaire banks network.

Lastly, the new family provident insurance offer was launched, *Assurance Famille*, a policy guarding against everyday unforeseen circumstances in any family, professional and financial situation.

€31.1bn in new loans, +13%

€118.6bn in loan outstandings, +8.8%

€157bn in deposits and savings, +5.8%

240,000 new non-life insurance policies

(1) Kantar 2019 SME-SMI Survey – Banque Populaire: No. bank of SMEs, including the Banques Populaires, Crédit Coopératif and the regional banks of Crédit Maritime Mutuel.
(2) 2017-2018 Pépites survey (CSA).
(3) Private banking survey by l'Opinion, 2018 (published September 2019).

PRIVATE BANKING

As the No. 3 private banking player in France[1], with €83.3 billion in assets under management, Banque Populaire accelerated its development in this business line. The number of private banking clients climbed 9.5% and assets under management by more than 8.2% (net of market effects). This momentum is mainly attributable to wealthy clients and shareholding company directors, who are the key growth drivers in this area. In this client segment, net inflows were up 35%[2].

In the product and service range, an investment advisory service was launched in partnership with Harvest, a leading developer of wealth management software tools. Designed to meet the specific expectations of high-end clients, the investment advisory service incorporates a digital wealth management solution called *Moneypitch*. Clients have access to a secure website and mobile app, offering them a comprehensive view of their assets, and enjoy very high-level services.

436,000 clients, +9.5%

€83.3bn in AuM, +8.2%

PROFESSIONAL CUSTOMERS

More than 1 million professionals are customers of the Banque Populaire banks. In 2019, more than 58,500 new professional customers joined Banque Populaire. The Banque Populaire banks have developed a business partner approach with these customers, combining financing, services, digital solutions, insurance and employee savings plans with the aim of providing daily support for all their business ventures.

Named Best Bank by accounting industry magazine *Le Monde du Chiffre,* earning the golden trophy for the third year in a row, Banque Populaire is still the No. 1 bank recommended by franchisors according to the 15th annual franchising survey conducted with the French Franchising Federation.

Financing

Loan outstandings amounted to €51.7 billion and new medium/long-term loans totaled €9.2 billion, up 12% year-on-year. This momentum was mainly rooted in the success of the *Digital Pro* loan. *Digital Pro* is a collateral-free loan requiring no supporting documents, with a single interest rate regardless of term, which can be applied for and taken out very easily online by eligible customers benefiting from a pre-approved credit line.

In 2019, Banque Populaire, Fédération Nationale des Socama and the European Investment Fund (EIF) entered into a new three-year €2 billion loan counter-guarantee agreement under the Investment Plan for Europe, aka the Juncker Plan, and COSME, the EU program for the Competitiveness of Small and Medium-sized Enterprises. This new agreement will benefit more than 65,000 French VSEs (very small enterprises). Under the EIF's counter-guarantee programs, Banque Populaire and the Socamas have already issued loans totaling €6 billion to 200,000 French VSEs[3].

New services

In 2019, a new Socama Loan was launched to finance the digital transition of businesses run by professional customers.

Two additional offers were created to assist self-employed professionals with the everyday administrative and management tasks of their businesses.

Insurance

Banque Populaire hit the 138,800 customers mark with its retirement and provident insurance solutions, designed with Natixis Assurances to protect professional customers as well as their employees and families.

1.1 million professional customers

497,000 craftsmen and small retailers

160,000 self-employed professionals

65,700 farmers

€51.7bn in loan outstandings, +4.6%

(1) Private banking survey by l'Opinion, 2018 (published September 2019).
(2) Internal analysis.
(3) BTB monitoring of EIF allocations – EIFweb.

CORPORATE AND INSTITUTIONAL CUSTOMERS

Banque Populaire was once again the No. 1 bank of SMEs in France, according to the Kantar 2019 survey[1], the leading SME-SMI banking penetration survey on the market. According to Kantar, 43% of SMEs-SMIs are Banque Populaire customers.

In 2019, a new tablet app called A*lliance Entreprises* was rolled out, allowing Banque Populaire account managers to share digital content with their customers and to conduct side-by-side customer appointments. Dialog is improved by having a comprehensive view of the customer's data on hand.

International

The Banque Populaire banks and BPI France strengthened their cooperation by entering into a partnership agreement to promote the international development of French SMEs and ISEs. This agreement formalized the implementation of joint initiatives and enhanced technical/financial resources aimed at opening up new growth prospects for corporate customers. The Banque Populaire banks assist their customers with all international plans, with more than 60 dedicated specialists in the regions working to assemble solutions while also capitalizing on the subsidiaries of Groupe BPCE (Natixis, Pramex) and its partners (Stratexio, Connector, Coface and now BPI France) to meet all customer needs.

Financial Engineering

The Banque Populaire banks have expanded their financial engineering expertise. In 2019, they advised more than 80 CEOs on their strategic operations (disposals, acquisitions, capital increases), were selected as lead arranger by 100 SMEs primarily to fund acquisitions, and own 450 stakes in regional SMEs. The 80 employees of Banque Populaire Financial Engineering advise and support CEOs during the key milestones of their corporate development.

The brand expanded its presence among CEOs and expert clients with a dedicated financial engineering website, a new Buyers base, communication campaigns and targeted partnerships.

131,400 corporate customers, +3.9%

250,600 associations and institutional customers, +1.5%

No. 1 bank for SMEs, 43% are customers[1]

€21.6bn in MLT loans

CASDEN

CASDEN furthered its development, achieving its goal of becoming the leading bank in the civil service sector. In 2019, it stepped up its strategy of establishing partnerships with civil service organizations (fire departments, national police force, prefectures (Ministry of the Interior), Ministry of the Economy and Finance, etc.). Since it was opened to all civil servants in late 2015, CASDEN has succeeded in gaining more than 584,000 new cooperative shareholders, including 134,000 in 2019, with 70% from the civil service sector (excluding the National Education system).

In the interest of making life easier for cooperative shareholders and better meeting their needs, CASDEN has extensively overhauled its home loan procedure. CASDEN's consumer finance offer was added to the Banque Populaire tool in autumn 2019. Thanks to this innovation, cooperative shareholders can be presented with the best consumer loan for their needs, either by CASDEN or Banque Populaire. CASDEN is committed to progress in the area of CSR and obtained LUCIE certification in November 2019.

CRÉDIT COOPÉRATIF

As the leading bank serving the social & solidarity-based economy and engaged citizens, Crédit Coopératif organized a series of six events with the French in 2019 with the theme "My bank and me", in a bid to better understand their expectations and meet their needs. This type of event will help the bank expand its strategic plan in the future. In terms of innovation, Crédit Coopératif deployed *Apple Pay* and *Samsung Pay* for the individual customer base. It continued renovating its sales network, with a preference for welcoming spaces and improved accessibility for disabled persons, and opened business centers in Grenoble, Sarlat, La Rochelle, Nantes, Nancy, Pau and Valence.

Specializing in financing solutions for the operation of construction and public works groups, Crédit Coopératif subsidiary BTP Banque, with a network of 42 business centers, celebrated its 100th anniversary in 2019.

Ecofi Investissements, Crédit Coopératif's asset management company, enhanced its SRI process, which is now applied to its entire range of open-ended funds[2]. Three flagship Ecofi Investissements funds – *Ecofi Enjeux Futurs*, *Épargne Éthique Actions* and *Épargne Éthique Obligations* – were SRI-certified *via* an independent certification process conducted by EY. Meanwhile, *Ecofi Agir pour le Climat* obtained Greenfin certification (previously "TEEC") for the Energy and Ecological Transition *via* a certification process performed by Novethic.

100,000 cooperative shareholders

436,000 customers

€3.2m in donations, raised from solidarity-based products, distributed to 53 associations

(1) Kantar survey: 12 regional Banque Populaire banks, Crédit Coopératif, BTP Banque, Banque de Savoie, Banque Pelletier, Crédit Maritime, Banque Chaix, Banque Edel, BFCC, Banque Marze, Banque Dupuy, de Parseval, CCSO.
(2) Excluding certain indexed funds and funds under delegated management.

Caisses d'Epargne

The Caisses d'Epargne have financed the French economy for more than 200 years. They support their customers over the long term at every key milestone of their lives, always with the general public interest in mind and with the ambition of serving all customers equally, as promised by their slogan *"Vous être utile"*. Individuals, professionals, associations, corporates and local authorities all receive personalized solutions from their Caisse d'Epargne, tailored to their individual needs and objectives. The 15 Caisses d'Epargne are cooperative banks, forming the No. 2 banking network in France.

Key figures

- **15 Caisses d'Epargne**
- **4.5 million cooperative shareholders**
- **18.6 million customers**
- **34,300 employees**
- **€441.4bn in deposits and savings**
- **€291bn in loan outstandings**
- **€7bn in net banking income**

IN 2019

- Caisse d'Epargne launched its new everyday banking offer *Les Formules* (package deals) in 2019. Made up of core services and three levels of package deals, customers can choose the right combination to meet their needs and the needs of their family.
- As a Premium Partner of the Paris 2024 Olympic and Paralympic Games with Groupe BPCE, Caisse d'Epargne teamed up with Seventure Partners to launch an investment fund dedicated to the sports economy *Sport & Performance Capital*.
- Lastly, Caisse d'Epargne rolled out *Numairic*, an unprecedented digital credit solution that can be used by municipalities to apply for credit online and immediately receive a proposal from the bank.

INDIVIDUAL CUSTOMERS

Over 460,000 new individual customers joined Caisse d'Epargne in 2019. New lending activity was very strong, with new home loans up 25.3% year-on-year and consumer loans up 6.5%.

The new everyday banking range was launched in 2019. The *Formules* offering can be tailored to meet all customer needs, for the entire family, by combining core services (particularly digital) with one of three package deals selected according to the level of service sought by the customer. For example, customers can choose to be able to reach their advisor at extended hours, or elect to receive international services.

Groupe BPCE continued implementing its *Digital Inside* strategy, with the development of new digital processes starting with onboarding, and in the approach to applying for and managing credit, deposits and savings, and insurance offers. The Caisse d'Epargne banking app is recognized for its usage and performance rates. The bank gained six spots in one year and has risen to the top tier of retail banking groups according to the most recent annual survey conducted by digital rating agency D-Rating.

Lastly, the substantial improvement achieved in non-life insurance highlighted the Caisse d'Epargne network's strategy of meeting the everyday banking and insurance needs of its customers.

€165.6bn in loan outstandings, +7.7%

€347.7bn in deposits and savings, +2.4%

€10.5bn in life insurance inflows

A portfolio of 5.3 million non-life insurance policies, +5%

PRIVATE BANKING

The Caisses d'Epargne gained more than 64,000 new clients in 2019, bringing assets under management to €254 billion. This momentum is the direct result of a more personalized relationship, a broad range of solutions, and increasingly cutting-edge expertise. Dedicated training programs, in partnership with major universities among other partners, have been established with a focus on conventional wealth management engineering expertise (portfolio management, legal and tax consulting) and the specific challenges facing CEOs. In a bid to better inform its wealth management clients, the dedicated website *Vision Patrimoine* was expanded to include three web conferences and multiple web series on real estate investments and Off-balance sheet deposits and savings.

With two new private banking entities – Caisse d'Epargne Languedoc-Roussillon and Caisse d'Epargne d'Auvergne et du Limousin – there are now 13 Caisses d'Epargne with Private Banking departments.

The Caisse d'Epargne network broadened its range of wealth management products and services in 2019. A new tool developed at Groupe BPCE level, *MoneyPitch,* was rolled out on the network offering Private Banking clients a comprehensive view of their assets and personalized investment advice drawing on the expertise of their Private Banking advisor. The quality of Groupe BPCE's expertise in off-balance sheet savings was recognized at the 2019 *Mieux Vivre Votre Argent* awards: asset manager Mirova received the top prize *Corbeille d'Or* and Caisse d'Epargne took second place in the "2019 Network category" for the performance of its range of funds over the long term. It also won two certificates: "Best Equity Fund Range" and "Best SRI Range".

No. 2 in France[1]

1.6 million of customer relationships

€254bn in assets under management, +5.8%

PROFESSIONAL CUSTOMERS

With loan outstandings in excess of €13.1 billion, up 9.3% year-on-year, the Caisses d'Epargne once again proved they were more than capable of helping their professional customers achieve their goals, for example, by simplifying the credit application process for solutions such as the *Digital pro loan,* available at all Caisses d'Epargne, thanks to a pre-approved credit line. New investment loans were up sharply (+14.5%) to almost €3.9 billion.

New offers were launched for small retailers in particular, such as PayPlug, a streamlined full-online collection tool. *CE BoostFid,* the customer loyalty solution built in to the electronic payment systems used by small retailers, was also rolled out at most Caisses d'Epargne. By turning the debit card into a loyalty card, *CE BoostFid* allows retailers to reward customer loyalty and facilitates the organization of targeted marketing campaigns.

383,000 professional customers, +2%

€13.1bn in MLT loans, +9.3%

6,600 employee savings contracts

More than 9,200 new PRO non-life insurance policies

CORPORATE CUSTOMERS

With nearly 30,000 customers (VSEs, SMEs and ISEs), the Caisses d'Epargne further supported the development of corporate customers in 2019, with boosted investments and robust lending momentum.

Caisse d'Epargne continued deploying *Néo Business,* dedicated to innovating companies, with more than 50 account managers spread out across 110 business centers and a budget of €200 million reserved for funding innovative expenditures (innovation loan, with 50% backing by the European Investment Fund). Also to that end, a partnership was established with Bpifrance Innovation: Innovation account managers in Caisse d'Epargne's *Néo Business* program work closely with Bpifrance's Innovation advisors to provide CEOs with their highest expertise and financing & guarantee solutions.

In 2019, Caisse d'Epargne also partnered with *Trophées des Futures Licornes* with the goal of identifying high-potential French corporates expected to be worth more than €1 billion within the next five years. Of the seven winners, two were Caisse d'Epargne customers.

Lastly, to complete its range of products and services, Caisse d'Epargne launched *PulCEo,* an online payment processing solution for customers that use several different banks.

30,000 corporate customers

€6.8bn in MLT loans, +18%

€133.2bn in payment processing flows, +15.7%

(1) Xerfi/Precepta survey, December 2019.

FINANCIAL ENGINEERING

The Caisses d'Epargne offer a full range of financial engineering solutions: private equity, consulting on disposals-business transmissions, and structured financing (arrangement, syndication and management of financing solutions). Investing in the share capital of companies in their region is a pillar of strategic development for the Caisses d'Epargne, with 17 regional entities and a national venture capital firm (Caisse d'Epargne Développement) with a budget of €100 million. The Caisses d'Epargne have invested in regional or national investment funds, which in turn invest in the share capital of regional SMEs and ISEs. Loan outstandings topped €1 billion at end-2019.

Of the many initiatives launched under Groupe BPCE's partnership with Paris 2024, Caisse d'Epargne teamed up with Seventure Partners to create a national investment fund *Sport & Performance Capital* of around €80 million dedicated to the sports economy.

The Caisses d'Epargne cover the various segments of the structured financing market: syndicated corporate loans, LBOs/acquisition financing, project financing (renewable energy, infrastructure, etc.), asset financing (rolling stock, long-term real estate, etc.) and infrastructure (very high-speed networks in particular). With a total of €2.6 billion in arranged debt, including 16% in infrastructure or renewable energy projects and 28% in LBOs/acquisition financing, for over 200 deals, the Caisses d'Epargne have become key players in regional structured financing.

REAL ESTATE PROFESSIONALS

In 2019, Caisse d'Epargne consolidated its position among the top players in the real estate professionals market.

New loans and signed commitments increased by 15.7% over the 12 months of 2019, totaling €7.9 billion. The Caisses d'Epargne offer financing and guarantees for all types of projects alongside real estate developers, real estate agents, subdividers/site developers and investors. Total loan outstandings on the real estate professionals market rose 18% to €13 billion.

€4.8bn in new short-term loans, +19.7%

€2.1bn in new MLT loans, +18%

SOCIAL AND SOLIDARITY-BASED ECONOMY (SSE)

With loan outstandings of €5.4 billion in 2019, Caisse d'Epargne is the No. 1 private-sector lender to the social and solidarity-based economy[1], representing 14%[2] of employment in France's private sector. Thanks to its tight-knit partnership with the entire SSE ecosystem and social innovation support networks, customer acquisition was strong yet again in 2019 with close to 1,000 new customer relationships. This momentum was fueled by the expansion of social entrepreneurship in the regions, with a focus on ecological transition projects.

For the first time, Caisse d'Epargne affirmed its ambition on this market *via* a media campaign launched in November 2019.

In 2019, Caisse d'Epargne added the *Espace Dons* donation platform to the range of services included in *Espace Asso,* the digital solution designed to facilitate day-to-day operations for associations. Lastly, one-third of the Caisses d'Epargne set up remote assistance for smaller entities providing employment in the social and solidarity-based economy.

No. 1 in SSE financing, with 21.2% market share[1]

€735m in new MLT loans

PROTECTED PERSONS

Caisse d'Epargne is the primary bank of nearly half of all protected persons, persons under legal guardianship/supervision and dependent adults living at home. Across France, 150 specialized advisors are on-hand to assist family representatives and legal guardians. 2019 was especially busy on the regulatory front, both in terms of compliance with new rules governing the management of accounts held by dependent adults, and the implementation of associated commercial proposals. Caisse d'Epargne contributed to these reforms, underscoring its willingness to assist legal protection professionals.

No.1 bank for persons under legal guardianship/supervision and dependent adults living at home[3]

327,000 customers

€9.3bn in managed deposits and savings

(1) Banque de France – ISBLM scope, June 2019.
(2) Observatoire de l'ESS.
(3) French Ministry of Justice, October 2018.

PUBLIC SECTOR

Caisse d'Epargne is a major partner to local authorities and public-sector healthcare institutions, providing a comprehensive range of solutions: everyday banking, cash management, bridging loans, project financing and more. With elections coming up, 2019 was another year of robust public-sector investment. Against this backdrop, Caisse d'Epargne recorded a year-on-year increase in public-sector financing of over 7%.

Caisse d'Epargne receives funding from the European Investment Bank to offer subsidized-rate loans on projects in France supported by Europe, particularly under the *Plan Santé France* healthcare plan, the *Plan Eau et Assainissement* water and sanitation plan, and the *Plan France Très Haut Débit,* very high-speed network plan.

Furthermore, the Caisses d'Epargne are among the leading lenders for public sports infrastructure projects. They provide solutions specifically co-built to help local authorities create and manage local facilities, and work with the European Investment Bank to offer attractive financing options for larger-scale projects as well. This is just one more example of how Groupe BPCE gets involved in the sports economy, a factor that strengthens social cohesion. The Caisses d'Epargne are also on the cutting edge of Open Payment solutions for public transportation systems with the aim of facilitating green mobility in all large cities. For example, contactless payment on Aixpress, an all-electric bus line offering a high level of service, is launched in Aix-en-Provence in January 2020.

Numairic, a highly innovative digital credit solution for municipalities, was rolled out in 2019 at all Caisses d'Epargne. With *Numairic*, municipalities (particularly those with fewer than 5,000 residents) are able to directly submit credit applications online 24/7 and immediately obtain a loan offer.

With €42.8bn in loan outstandings, Caisse d'Epargne ranks No. 1 in public sector financing.

SOCIAL HOUSING AND SEMI-PUBLIC ENTITIES

As longstanding partners of social housing organizations, the Caisses d'Epargne are well-versed in meeting the needs of this segment, from everyday banking to financing and investment solutions.

In light of record-low interest rates, 2019 saw Caisse d'Epargne take unprecedented measures, teaming up with institutional investors and Natixis to provide social housing landlords with very long-term fixed-rate loans spanning 40, 50 and even 60 years.

The number of local public-sector entities increased to 1,310 in 2019. The Caisses d'Epargne boosted their penetration rate in this segment to 63%.

Caisse d'Epargne also acts as a social housing operator in conjunction with the HLM Habitat en Région division, which comprises 21 entities managing a total of 223,000 homes at end-2019.

€3.7bn in new loans

€10.4bn in loan outstandings

€2.7bn in inflows

Banque Palatine

For 240 years, Banque Palatine has been a partner to intermediate-sized enterprises (ISEs) and private company directors. ISEs needing to finance a project, undertake capital transactions or expand their business internationally can call on Banque Palatine to build tailored solutions and meet their needs based on extensive business and sector expertise. Private Banking experts draw on a comprehensive understanding of their customers' personal and professional environment to construct a suitable wealth strategy in consultation with them.

Key figures

- **More than 13,000 corporate customers**
- **More than 60,000 private banking customers**
- **1,350 employees**
- **€16.6bn in deposits and savings**
- **€9.8bn in loan outstandings**

IN 2019

- Christine Jacglin was appointed Chief Executive Officer of Banque Palatine in November. She was previously CEO of Crédit Coopératif (since 2015), where she led the development and transformation project.
- As part of the effort to attract high-end clients, new offers and services were made available to ISEs and private company directors.
- Banque Palatine launched a new communication campaign to highlight its unique positioning and its role not only as a financial partner to ISEs and their CEOs but also as a private banking institution, all under the tagline *"L'art d'être banquier"* (the art of being a banker).
- Banque Palatine continued and ramped up the implementation of its migration to Banque Populaire's information system by 2020.

ACTIVITY

Banque Palatine maintained strong sales momentum on both markets, with loan outstandings climbing +7% overall, and customer acquisition up +4.6% among corporate customers and +1.3% among private banking clients. These improvements can be primarily attributed to the development of the private banking range with the creation of a Wealth Management and Discretionary Portfolio Management department. On the corporate customers market, two departments were created to better meet their specific customer needs: Cash Management and Marketing Development.

The bank expanded its network of branches, opening an office in Brest to cover the southern tip of Brittany and inaugurating a new "high-end" branch format in Lyon Confluence, Chambéry, Montpellier and Annecy.

Lastly, Banque Palatine completed its innovation financing range (*Digitization* loan, *Usine 4.0* IT hardware loan) for ISEs, with a cyber-risk insurance policy called *CyberSecure*.

CSR

Banque Palatine has published its index on gender equality in the workplace. At 96 points, the score ranks among the leading French corporations (all sectors combined).

Established in 2018, "Fondation Palatine des ETI, Mécènes ensemble", Banque Palatine's foundation with ISEs, in partnership with "Mouvement des entreprises de taille intermédiaire" and placed under the aegis of "Fondation Entreprendre", promotes entrepreneurial engagement in the interest of social integration. The first Request for Projects was launched in 2019, centered on two priority issues: reintegration of former convicts and regions facing hardships. Five association projects were selected out of 36 submissions. A budget of €130,000 was divided up among the five projects.

Banque Palatine organized the first Solidarity Week, during which more than 70 employees were able to take part in association activities for four days.

PALATINE ASSET MANAGEMENT

Banque Palatine's asset management company, Palatine Asset Management, invests in the real economy by investing in predominantly European corporates. It was recognized at the 2019 Awards Ceremony held by *Mieux Vivre Votre Argent* magazine for the performance of its SRI fund range. In October, Palatine Asset Management launched the *Palatine Planète* fund (previously called *Palatine Or Bleu*), investing in companies operating in the environmental sector.

Financial Solutions and Expertise division

Created on April 1, 2019, BPCE's Financial Solutions and Expertise (FSE) division comprises the former Natixis Specialized Financial Services (BPCE Factor, BPCE Lease, Compagnie Européenne de Garanties et Cautions, BPCE Financement and EuroTitres), Crédit Foncier subsidiaries specialized in financing for real estate professionals and advisory services (Socfim and CFI) as well as Pramex International, an offshoot of BPCE International.

FSE combines expertise in the financing, advisory and custodial services business lines. This new division reflects the Group's goal of focusing its activities on retail banking in a bid to accelerate its development for the benefit of cooperative shareholders and customers alike.

FINANCING BUSINESS LINES

BPCE Factor

BPCE Factor develops factoring solutions for companies of all sizes, covering their entire growth process (set-up, development, acquisitions, international expansion, etc.). Factored receivables stabilized at over €59 billion in 2019. In keeping with the 2018 launch of *Pro Zen,* a commitment-free offer with usage-based pricing for professional customers, this year BPCE Factor launched *"Pro Zen Créateurs"* for companies less than 18 months old.

Since 2017, BPCE Factor has been the only factoring company to receive certification for its range of customer services from Bureau Véritas, renewed in November 2019.

BPCE Financement

BPCE Financement develops comprehensive revolving and personal loan solutions for the Groupe BPCE networks, with loan outstandings totaling €26.4 billion. In 2019, BPCE Financement broadened its range of operations by partnering with CASDEN to develop consumer finance with its cooperative shareholders.

BPCE Lease

BPCE Lease, the No. 2 real estate leasing company in France[1], offers a comprehensive range of leasing solutions: non-real estate and real estate leasing, operational vehicle leasing, leasing with option to buy (yachts or automobiles), operational IT leasing and renewable energy financing. At end-2019, BPCE Lease and its subsidiaries recorded lease outstandings of €13.9 billion, representing an inventory of around 162,500 leases. Already operating in Spain and Italy, this year BPCE Lease opened its doors in Belgium.

In addition to implementing a new system to help corporate customers make the energy transition, BPCE Lease rolled out a new operational vehicle leasing offer for individual customers in 2019 *via* subsidiary BPCE Personal Car Lease.

CEGC

Compagnie Européenne de Garanties et Cautions (CEGC) offers a wide range of financial guarantees across all Groupe BPCE markets, including individual, professional and corporate customers, and real estate, social economy and social housing sectors. In 2019, CEGC guaranteed home loans for individual customers totaling more than €35 billion. All businesses combined, revenue generated with the Caisses d'Epargne and the Banque Populaire banks rose 19% and 37%, respectively.

One of the highlights of 2019 was the delivery of new digital tools for individual, professional and corporate customers.

Socfim

As the leader on the real estate development financing market[1] (real estate developers, real estate agents, development funds, etc.), with more than 2 million m^2 of commercial real estate and 59,788 homes currently being financed, *i.e.* loan outstandings exceeding €7 billion, Socfim expanded its expertise in 2019 to become Groupe BPCE's real estate financing specialist after taking over CFF's long-term investors business. It now covers all real estate professional requirements (short term, long term, corporate finance, round tables).

(1) Internal analysis.

ADVISORY BUSINESSES

Pramex International

Pramex International specializes in advising French start-ups, SMEs and ISEs on international expansion, either through internal growth (creating and overseeing foreign subsidiaries) or external growth (international acquisitions).

Established by the Banque Populaire banks, Pramex International expanded its services in 2019 to the Caisse d'Epargne network by launching a pilot program with Caisse d'Epargne Hauts de France, Caisse d'Epargne Bretagne Pays de Loire and Caisse d'Epargne Normandie.

CFI

Crédit Foncier Immobilier provides real estate advisory services combining valuations, strategic analysis, project management assistance and marketing of real estate assets.

This comprehensive range of advisory services is targeted towards major property owners, real estate professionals, financial institutions and individual customers, to help them with the valuation of their real estate holdings.

CUSTODY BUSINESSES

EuroTitres is the leading French provider[1] of outsourced custody services on the retail market. In 2019, EuroTitres provided custody services for Groupe BPCE institutions and other non-Group retail banks covering more than 3 million securities accounts, and processed nearly 5 million transactions for individual customers (stock market orders, fund subscriptions).

In November 2019, for the purposes of the privatization of Française des Jeux, EuroTitres provided Banque Populaire and Caisse d'Epargne customers with Internet and mobile resources, as well as a dedicated telephone platform which enabled nearly 100,000 Groupe BPCE customers to subscribe for the IPO, with 25,000 opening a new securities account.

(1) Internal analysis.

1.5.2 Natixis

Natixis is a French international financial institution specializing in asset and wealth management, corporate and investment banking, insurance and payments. A subsidiary of Groupe BPCE, Natixis serves and advises its own customer base of corporates, financial institutions and institutional investors, as well as the customers of the Groupe BPCE networks.

Key figures

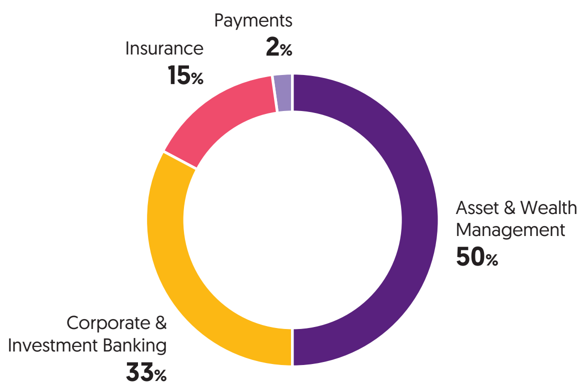
- **Nearly 16,000 employees**
- **Operating in 38 countries**
- **Listed on Euronext Paris CAC Next 20**
- **€9.2bn in net banking income, +6%**
- **€8.4bn in business line net banking income, +6%**
- **€1.37bn in net income attributable to equity holders of the parent, +3%**

Underlying NBI and Net income (Group share). Change vs. 2018 has been restated for the disposal of the retail banking activities to BPCE SA.

IN 2019

- Natixis continued rolling out *New Dimension*, its strategic plan for 2018-2020 centered on three priorities: deepening the transformation of the business model successfully launched under the previous plan (*Deepen*), ramping up the digital transformation (*Digitalize*), and setting itself apart from the competition (*Differentiate*) to become a leading bank in the sectors and fields in which the Natixis teams have developed strong, widely recognized expertise. With a Basel III CET1 ratio of 11.3% at, December 31, 2019, Natixis boasts a solid balance sheet that it can draw on to achieve its development targets.
- During the talks initiated by Groupe BPCE and La Banque Postale with the aim of broadening and expanding their business partnership, Natixis and La Banque Postale set out the guidelines and conditions of the proposed merger of some of their asset management operations in France. The goal is to create a major player in insurance strategies in Europe and in Euro fixed income strategies.
- In particular, Natixis implemented its *Green Weighting Factor*, an innovative management tool to support its clients in their ecological transition, thereby becoming the first bank to actively manage the climate impact of its balance sheet. Ultimately, Natixis is aiming to align its financing solutions with the objectives of the Paris Agreement on climate change.
- Natixis is working towards its goal of becoming a fully-fledged insurer *via* the *INNOVE2020* project, which will see it cover all life and non-life insurance requirements of the Groupe BPCE networks starting in 2020.

BUSINESS LINE CONTRIBUTION TO 2019 INCOME BEFORE TAX



ASSET & WEALTH MANAGEMENT

Asset & Wealth Management develops solutions to meet the deposits and savings, investment, risk management and advisory needs of the various private banking and institutional clients of Natixis and the Groupe BPCE networks.

Its ambition is to consolidate its position as a global leader in active portfolio management.

Asset Management

Ranked among the world's top asset managers[1] (€934 billion) in assets under management[2], Natixis Investment Managers offers a range of diversified solutions to help investors build their portfolios.

With its multi-boutique model, drawing on the expertise of more than 20 affiliated asset management acompanies worldwide, Natixis Investment Managers is developing the Active Thinking™ approach to help its clients achieve their targets in any market conditions.

Natixis Investment Managers posted solid earnings in various business segments in 2019.

Its affiliate Mirova, specializing in impact investments incorporating ESG criteria, expanded significantly on the back of growing interest in responsible investment, solid investment performances and the strength of its brand.

Natixis Investment Managers broadened its international equities offer by launching a range of resolutely active conviction strategies *via* its new affiliate Thematics Asset Management, and by purchasing a minority stake in WCM Investment Management in the United States, with the implementation of a solid distribution partnership.

Moreover, Natixis Investment Managers further expanded its footprint by doing more business with insurers and financial institutions all around the world. A merger was recently announced between affiliate Ostrum Asset Management and La Banque Postale, aimed at combining their insurance activities and thus forming a leader on the European insurers market.

Natixis Investment Managers also bought a minority stake in Fiera Capital, its preferred distribution partner in Canada. In Asia, expected to make the biggest contribution to global growth of AuM in the industry over the next 10-15 years, Natixis Investment Managers further developed the scope of its partnerships and increased the number of affiliates distributed across the region.

The launch of Vauban Infrastructure Partners – an affiliate specializing in international infrastructure investment, particularly in the transportation, utilities and digital equipment sectors – hit a major milestone in the development of Natixis Investment Managers' international range of real and alternative assets.

The expansion of Flexstone Partners validated the Group's strategy of combining the expertise of its subsidiaries in the private equity advisory market to create a single platform.

In 2019, Natixis Investment Managers further improved its brand visibility by considerably building up its media presence and entering into global partnerships with influential groups such as PRI (Principles for Responsible Investment), the G7 Investor Leadership Network, the World Economic Forum and the Dow Jones. Natixis Investment Managers is determined to maintain a strong worldwide presence in a bid to promote its unique active portfolio management approach.

Building on its multi-affiliate business model, Natixis Investment Managers is developing the reach of its distribution network, further diversifying its line-up of affiliate investment offers, streamlining its operating model and expanding its global footprint. The Group is also continuing to invest in ESG strategies and impact investments, in diversity and inclusion, and undertaking to achieve noteworthy and measurable progress in these areas.

Wealth Management

Natixis Wealth Management serves two types of clients: the wealth management customers of Groupe BPCE's retail banking networks along with business from Natixis[3], and secondly direct clients (business owners, executive managers, and wealthy families). it designs and implements wealth management and financial solutions, and offers its clients a wide range of expertise and solutions covering all facets of their investment objectives: corporate advisory and wealth engineering services, portfolio management advisory services, financing, private equity, life insurance, structured products, real estate and diversification solutions, all in close cooperation with multiple Natixis entities. Natixis Wealth Management also relies on its wholly-owned asset management subsidiary Vega Investment Managers – which covers funds of funds, advisory and open-architecture fund selection – and on all Natixis Investment Managers affiliates to provide various products and services to its clients.

After simplifying its business model (selling its Sélection 1818 platform targeting independent financial advisors), Natixis Wealth Management continued refocusing its wealth management business on the High Net Worth Individuals (HNWI) segment. In 2019, it acquired asset manager and investment advisory firm Massena Partners, boasting an exclusively HNWI client base. To that end, it also entered into a partnership with Essling Capital in order to build up its private equity offers and real estate club deals.

Similarly, it decided to ramp up its digital transformation and better incorporate its expertise within the Group. For the last two years, Natixis Investment Managers has been developing digital solutions to facilitate and streamline interactions between clients and their dedicated advisors. It set up an interface which clients can use to purchase a life insurance contract in real time *via* electronic signature and simplified administrative constraints.

At end-2019, Natixis Wealth Management posted assets under management of €30.4 billion, representing a year-on-year increase of €4.3 billion (+16%).

(1) Cerulli Quantitative Update: Global Markets 2019 ranked Natixis Investment Managers as the 17th largest asset manager in the world, based on assets under management at December 31, 2018.
(2) Net asset value at December 31, 2019.
(3) Internal analysis.

Employee Savings

Natixis Interépargne works with companies of all sizes to help them set up and manage their employee savings and pensions. As a subsidiary of Groupe BPCE, the second biggest banking group in France, Natixis Interépargne benefits from the strong local presence offered by the Banque Populaire and Caisse d'Epargne networks. The company bases its activities on the range of financial management solutions developed by Natixis Investment Managers, a specialist in active investment strategies for employee savings plans.

For over 50 years, Natixis Interépargne has provided companies and savers with digital services and tools at the cutting edge of innovation for an ever simpler, more seamless, and more personalized experience in employee savings and pensions.

In 2019, Natixis Interépargne consolidated its position as the leading provider of employee savings and pensions solutions with 77,000 corporate customers, nearly 3 million savers, a 27.1% market share in employee savings and a 28.9% share of the collective pension plans market[1]. With 24.6% of the SRI market, Natixis Interépargne cemented its leadership position in SRI (socially responsible investment) employee savings[1].

Following the introduction of the Pacte Act on business growth and transformation, 2019 also saw the development of the employee savings and pension offer for SMEs and professional customers with 20,000 new policies underwritten.

CORPORATE AND INVESTMENT BANKING

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

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

Corporate and Investment Banking posted NBI of €3.34 billion in 2019, up 4%.

In 2019, Corporate and Investment Banking continued to implement the objectives of the *New Dimension* strategic plan (2018-2020) targets aimed at achieving the following goals: to be recognized as a bank that offers innovative solutions and to become a benchmark bank in four strategic sectors (energy and natural resources, aerospace, infrastructure, real estate and hospitality).

Natixis confirmed its position as a leading player in green, sustainable finance:

- its *Green Weighting Factor*, an unprecedented mechanism for allocating the capital of each financing solution according to its impact on the climate, is now operational. It is applied to loans granted by Natixis all over the world an in all business sectors (excluding the financial sector). All "green" loans receive a discount of up to 50% in their weighted assets, while the weighting of loans generating a negative impact on the climate and the environment is increased by up to 24%. By adjusting the expected return on each loan depending on its impact on the environment and the climate, Natixis encourages its teams to favor green financing solutions (for an equivalent level of credit risk).
- In addition, the Green & Sustainable Hub, which assists clients in their energy transition, significantly expanded its business in loans and investment solutions, while maintaining growth on the bond market.

Natixis received numerous awards for its expertise and innovation capabilities in the "green" sector: "Deal of the Year" at the SRP Europe Awards Ceremony 2020; "Social Loan of the Year" and "Green Bond of the Year" at the IFR Awards 2019.

The bank continued to develop its advisory services, as shown by the "Most Innovative Investment Bank for Financial Institutions Group" Award from *The Banker* it received in recognition of Natixis' close relationship with its institutional clients, as well as its ability to deliver innovative solutions adapted to their needs.

Capital Markets

Natixis continued implementing its strategy centered on an innovative range of solutions tailored to specific customer needs. It consolidated its long-standing reputation with institutional investors, insurance companies, mutual insurers and supranational agencies, while strengthening its offering for hedge funds, pension funds and asset management companies.

Business increased significantly on the credit market. In fixed income, the advisory and financial engineering teams created bespoke solutions for their clients, including in particular structures capable of generating performance in a persistently low interest rate environment and amid macro-economic uncertainties. Natixis continued to flesh out its equity derivatives range with the addition of new investment solutions, net strategies and thematic indices (*e.g.* water index).

Strategic financing and business sectors

The three business lines Real Assets (covering aviation, infrastructures, real estate and hospitality), Energy & Natural Resources, and Distribution & Portfolio Management are the hub of Natixis sector-oriented and originate-to-distribute (O2D) strategy. In 2019, they generated solid results, driven by robust origination and distribution business. The global infrastructure and real estate activities in Europe did especially well. In particular, Natixis was ranked No. 1 bookrunner and MLA[2] for credit financing in the EMEA region, for the third year in a row.

(1) Internal analysis.
(2) Dealogic.

Trade & Treasury Solutions (TTS)

Natixis continued innovating in a bid to facilitate and secure banking transactions for its customers. For example, with *My Tracked Transfer,* financial companies and institutions are able to track their international payment transactions in real time. Clients are now able to initiate credit transfers using *Instant Payment* while securing their bank details with SEPAmail Diamond. TTS also launched instant payment *via* API in partnership with Datalog Finance. And, in trade finance and supply chain finance, TTS set up electronic signatures for Dailly transactions, and further developed its Receivables Finance offering on the Marco Polo blockchain platform.

Investment Banking

In 2019, Strategic and Acquisition Finance turned in a very strong performance on a highly competitive market. Natixis was ranked No. 1 bookrunner for sponsored loans in France and No. 6 bookrunner for sponsored loans in the EMEA region[1].

Natixis also completed a number of landmark deals on a highly active global bond market in 2019. It maintained and proved its commitment to funding the green transition with all categories of issuers. Of note, it won *The Banker* magazine's 2019 "Deal of the Year" award for the Danone social bond issue.

Natixis also did swift business on the primary equity market in France, taking part as global coordinator in the IPO of Française des Jeux (€1.9 billion), France's biggest IPO in 10 years and the first privatization in the last 15 years, named "2019 IPO of the Year" by Euronext.

In 2019, Natixis/ODDO-BHF was ranked No. 1 (first equal) on the IPO market in France by number of deals and by volume[2].

M&A Advisory

Natixis carried out a strategic investment in Azure Capital. With this Australian operation specializing in infrastructure, energy and natural resources, Natixis completed its international network of seven boutiques including PJ SOLOMON (United States), Fenchurch Advisory (United Kingdom), Natixis Partners España (Spain), Natixis Partners and Clipperton (France), and Vermilion Partners (China).

In France, Natixis Partners is ranked No. 5 by number of deals[3], and more specifically No. 3 among mid-caps by number of deals[4].

INSURANCE

Natixis Assurances designs and manages a comprehensive range of personal insurance products (life insurance retirement savings vehicles, payment protection insurance, and individual provident insurance) and non-life insurance products (automotive, multi-risk home, supplementary health insurance, personal accident insurance, legal protection, non-banking insurance, etc.) for the Groupe BPCE networks and their customers.

Its ambition is to consolidate its position as a top-tier insurer in France by setting itself apart from the competition through a high-quality customer experience and operational excellence. To that end, it has set up insurance platforms serving both the Banque Populaire and Caisse d'Epargne networks (one for personal insurance, the other for non-life insurance). Initiated in 2016, this strategy is now paying off: Natixis Assurances has made the greatest progress on the French domestic market, now ranking among the Top 10 insurers and Top 5 bancassureurs[5].

Insurance generated NBI of €846 million in 2019, up +7%.

Personal Insurance

In personal insurance a new personal protection insurance line was launched on the Banque Populaire network in the first half of 2019. User-friendly, digital and more competitive, the *Assurance Famille*, Family Insurance and *Assurance Obsèques,* Funeral Insurance products got off to a very good start with a sharp increase in new policies and higher guaranteed payouts to better meet client needs.

Premium income from personal insurance was up +6%. Unit-linked vehicles made up 31% of gross inflows (direct business).

Assets under management came to €68.4 billion (o/w €17 billion in unit-linked assets).

Non-life insurance

The plan to create a single non-life insurance business model for individual and professional customers within Natixis Assurances was realized after it was agreed, in May 2019, to renew the partnership with Covéa from January 1, 2020. This partnership focuses on insurance of professional risks for customers of the Caisses d'Epargne and Banque Populaire banks. Starting in 2020, Natixis Assurances will take over the new non-life insurance activities for the individual customers of the Banque Populaire network in addition of the Caisses d'Epargne.

Furthermore, a new solution for home insurance, personal accident insurance, and auto and two-wheeler insurance was rolled out under the claim management transformation and digitization plan, aimed at improving customer satisfaction.

Non-life insurance business continued to show growth: premium income from non-life insurance products climbed 6% to €1.58 billion, driven by auto insurance (+8%) and multi-risk home insurance (+7%).

(1) Refinitiv.
(2) Natixis.
(3) L'Agefi & Mergermarket.
(4) L'Agefi.
(5) Internal analysis.

PAYMENTS

Natixis Payments creates solutions covering the entire payment value chain, including transmission, acquisition, e-payment, e-wallets, prepaid cards and everything in between.

Its mission is to provide personalized, seamless and secure interactions, bearing in mind that the payment experience is becoming increasingly important in the relationship with consumers, employees and users.

Natixis Payments has structured its offering around three major customer categories:

- retailers:
  - online payment solutions for large retailers and market places (Dalenys), VSEs/SMEs (PayPlug) and associations (E-cotiz),
  - physical payment solutions (in or out of store) including payment terminals, SmartPOS and open payment,
  - omnichannel solution for unified purchasing;
- private or public enterprises:
  - payment means: Payments in a box *(Xpollens)* and instant payment,
  - employee benefits: restaurant vouchers *(Apetiz),* multi-brand gift certificates *(Titres Cado)* and *Cesu Domali*® service vouchers,
  - benefits for works councils *(Comitéo)* and social benefit payment solutions *(Weezen);*
- banks and fintechs:
  - card payments: Payments in a box *(Xpollens)* and transmission processing,
  - electronic payment acquisition solutions,
  - account-to-account payments: SEPA credit transfers/direct debits, instant payment.

In 2019, the Payments division entered into strategic partnerships, including with Visa, the world leader in digital payments:

- creation of *Xpollens,* a white-label Payments in-a-box solution offering innovative payment services to fintechs, merchants and corporates. With this solution, clients can easily incorporate a complete range of payment services, ranging from issuing instant payment cards to instant payment to account administration;
- cooperation at FIFA Women's World Cup France 2019™, where Visa selected Natixis Payments as point-of-sale acquirer and prepaid solutions provider in stadium. Building on this initial success with its subsidiary Natixis Payments, Groupe BPCE, Premium Partner of the Paris 2024 Olympic and Paralympic Games, is focused on helping Visa deliver an unforgettable experience for spectators.

Continuing in the area of partnerships, PlayPlug now provides its online retailer customers with the "3x 4x Oney" guaranteed split payment solution, which allows end customers to pay by bank card in three or four installments. PayPlug also teamed up with Shopify with the common goal of allowing users of the Shopify platform to use an omnichannel payment solution that is easy to use and offers the highest level of protection against fraudulent transactions.

The division kept the recruitment momentum going in 2019, hiring 200 new employees to expand its range of expertise and contribute new essential skills for its development (data, marketing, growth hacking, pricing).

1.6 Calendar

May 6, 2020	After market close – Publication of first-quarter 2020 results
May 29, 2020	BPCE Annual General Shareholders' Meeting
August 3, 2020	After market close – Publication of second-quarter and first-half 2020 results
November 5, 2020	After market close – Publication of third-quarter 2020 results

Calendar subject to change

1.7 Contacts

https://groupebpce.com/

"Investor Relations" section

Roland Charbonnel,

Head of Group Funding and Investor Relations

2

NON-FINANCIAL PERFORMANCE REPORT

	Introduction	42
2.1	**Putting our cooperative identity to work for regional development**	**44**
2.1.1	Drawing on our business model to create sustainable, robust value	44
2.1.2	Contributing to local development – Our regional footprint	48
2.2	**Applying CSR in our activities**	**54**
2.2.1	Engagement and dialog	55
2.2.2	Measuring our performance	58
2.2.3	Identify and manage risks to boost growth	60
2.2.4	Our key performance indicators:	61
2.3	**Supporting the energy, ecological and social transition in local regions**	**66**
2.3.1	Reflecting environmental, social and governance risks and our customers' requirements and aspirations in our strategy	67
2.3.2	Financing and facilitating the energy, ecological and social transition with Groupe BPCE's products and services	70
2.3.3	Steering customers' deposits and savings towards a more responsible economy	78
2.4	**Responsible internal and external practices**	**83**
2.4.1	Respecting business ethics	83
2.4.2	Reducing Groupe BPCE's carbon footprint	94
2.4.3	Looking after our employees	98
2.5	**CSR reporting methodology**	**106**
2.5.1	CSR reporting structure	106
2.5.2	Reporting scope for 2019	108
2.6	**Report by one of the Statutory Auditors, appointed as independent third-party, on the consolidated Non-Financial Performance Statement published in the Group management report**	**110**
2.7	**Cross-reference table of the main social, environmental and societal information**	**112**

Introduction

The way in which Groupe BPCE does business is as important as its primary activity of providing banking and insurance products and services. Our long-term vision guides our actions on a daily basis by taking into account the social, environmental and economic impact of our activities. Groupe BPCE is a banking and insurance group, but we are also a responsible group and a cooperative group.

Drawing on its values, in recent years the Group has been stepping up its contribution to the Sustainable Development Goals (SDGs). It firmly believes that the shared language that defines these 17 global goals, broken down into 169 targets, will play a useful role in building a sustainable future by 2030. It intends to take part in this movement and report on its progress through this non-financial performance report.

Groupe BPCE's sustainable development policy primarily focuses on the following Sustainable Development Goals:

- transparency and the cooperative business model (SDG 16);
- banking inclusion (SDGs 1 and 10);
- financing the energy, ecological and social transition (SDGs 7, 8 and 12);
- a strong local presence (SDG 11);
- objectives for gender equality in the workplace and the inclusion of persons with disabilities (SDGs 5 and 10);
- boosting its employees' employability (SDG 4).

This year, Groupe BPCE wanted to strengthen and afford more credibility to its action in favor of the SDGs by identifying strategic targets and performance indicators to measure its effective contribution. To do this, all the initiatives described in the non-financial performance report and all the risks identified by the Group have been analyzed with regard to the SDGs.

This analysis identified two types of strategic goals for the Group:

- the SDGs for which BPCE makes a positive contribution, *i.e.* action taken by the Group to facilitate the achievement of the goals by 2030;
- the SDGs for which BPCE has taken action to minimize its identified risks;
- the analysis, represented in the following diagram is organized into the three types of actions that embody the Group:
  - a Banking group (through its banking and insurance businesses),
  - a Responsible group (through its internal operations),
  - a Cooperative group (through its strong local presence and its cooperative values).

The diagram shows the SDGs and the Group's strategic targets, as well as the action taken, providing a clear overall transparent view of Groupe BPCE's contribution to the Sustainable Development Goals.

A BANKING GROUP

POSITIVE CONTRIBUTION TO THE SDGS

1.4	Banking services for vulnerable customers
6.6	New credit line: Eau & Assainissement III (Water & Sanitation III) – €150 million to fund local authorities
7.2	Renewable energy financing
7.3	Special solutions to fund thermal renovations
8.10	Specific products ensuring access to banking services for all
9.3	Specific financing solutions and professional microloans for small industrial companies
12.6	Questionnaire to assess the appropriation of ESG criteria by business customers and customers in the social and solidarity-based economy
13.2, 13.3	Incorporation of GHG emissions in investments, in particular by aligning Natixis' investment policy with the 2°C scenario
15.a	Mirova funds range specialized in preserving biodiversity

RISK MITIGATION

3.5	Exclusion policy for tobacco financing and investments (Natixis)
8.4	Incorporation of criteria to ensure new investments do not harm the environment
8.7, 8	Recognition of ESG criteria to incorporate human rights and labor law in financial decisions
10.2	Specific solutions for persons under legal guardianship and initiatives to facilitate access to banking services for persons with disabilities
12.c	Exclusion policy for investments in oil and gas sectors (Natixis)
12.6	Exclusion policies and incorporation of ESG criteria in financing and investments

A RESPONSIBLE GROUP

POSITIVE CONTRIBUTION TO THE SDGS

3.4	Charters and policies to improve well-being in the workplace
4.3, 4.4	Commitments to develop employee value and professional training
5.5	Initiatives to raise the percentage of female executives
8.6	Support for young people in the job seeking process
8.7, 8.8	Signatory of B4IG in 2019: undertaking to step up efforts to improve human rights across the value chain
16.6	Dialog with stakeholders, and collaborative working and decision-making methods

RISK MITIGATION

3.4	Systems to limit psychosocial risks
5.1	Raising awareness of gender equality
8.4	Action to limit the environmental impact of the activity
8.5	Commitment to employment and anti-discrimination recruitment policies

A COOPERATIVE GROUP

POSITIVE CONTRIBUTION TO THE SDGS

4.4	Educational patronage
8.3, 8.5	Survey of the socio-economic footprint of BP and CE: €1.6 million jobs supported
11.4	Patronage of cultural heritage and culture

RISK MITIGATION

16.4	Systems to combat fraud and crime
16.5	Prevention of corruption
16.6	Initiatives for transparency and responsibility in marketing and relations with suppliers

2.1 Putting our cooperative identity to work for regional development

2.1.1 Drawing on our business model to create sustainable, robust value

OUR MAIN ACTIVITIES

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

It is the second largest banking group in France and has a strong local presence. Its 105,000 employees serve 36 million customers, including 9 million cooperative shareholders, performing their duties with a constant eye on the needs of individuals and local areas.

With 14 Banques Populaires, 15 Caisses d'Epargne, Natixis and Banque Palatine, Groupe BPCE offers its customers a full range of products and services, including deposits and savings, investments, cash management, payment instruments, and financing and insurance solutions. In keeping with its cooperative structure, the Group builds lasting relationships with its customers and helps them achieve their goals. It contributes to financing more than 20% of the French economy.

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

THE MAJOR CHALLENGES ARISING FROM THE ENVIRONMENT AND CLIMATE CHANGE

Since 2009, international climate change negotiations and European and French policies on energy transition have relied heavily on the role played by banks and investors to channel financing into initiatives to preserve the climate. New international standards are being prepared to structure and harmonize financing for green growth, manage the financial risk inherent in climate change and provide a transparent framework for communication.

At the COP 21 Climate Summit in 2015, Paris was the first financial center to announce its support for the scientific consensus on the impact of greenhouse gas emissions and to take steps to ensure the financial sector contributes to speeding up the transition to a low carbon economy.

The European Commission's Action Plan on Sustainable Finance revealed in 2018 set three priorities – information and transparency, risk management and long-term governance – which are included in the work of the three European supervisory authorities (ESAs).

Our stakeholders – the European Commission, rating agencies, the regulatory authorities, NGOs, our investors, our customers and our cooperative shareholders – regularly ask what we are doing to tackle climate change and protect biodiversity. It is now clear that climate change and the loss of biodiversity will impact entire sectors of the economy.

As a banker and insurer, Groupe BPCE is ready to meet these challenges and help its customers in the transition towards a more sustainable economy.

Groupe BPCE's capacity to meet its customers' needs and create value is intrinsically linked to changes in its ecosystem, for example new regulations, environmental issues, societal and social changes, or the consequences of globalization.

INTERNATIONAL ENVIRONMENT, GEOPOLITICAL AND DEMOGRAPHIC RISKS

THE MAIN CHALLENGES

- More frequent health/pandemic risk disrupting the global economy
- Climate risk
- US protectionism, risk of currency war and decline in globalization (competition between China and United States, doubts about multilateralism and the structure of value chains)
- Risks to European Union stability: Brexit, Italian banking risk, derailment of public debt subsequent to fiscal measures associated with Covid-19, widening of sovereign spreads
- Long-term impacts of low interest rates: risk of growing imbalances already observable (public debt, reformation of asset price bubbles, etc.)
- Emergence of new financial markets or of financial and monetary assets competing against existing payment systems: cryptocurrencies, Libra, etc.

OUR STRENGTHS / OUR SOLUTIONS

- A decentralized and united cooperative group with strong brands operating directly in local regions
- A dynamic, diversified group that has shown it is capable of adapting and transforming
- Consistently robust financial strength, ensuring the Group's financial stability
- A conservative risk policy and a moderate risk profile

MACRO-ECONOMIC CONDITIONS

THE MAIN CHALLENGES

- Severe global recession triggered by Covid-19, followed by a vigorous spring-back, potentially sparking inflationary tensions (supply/demand imbalance)
- Steep artificial contraction (intensity associated with length of mandatory confinement period) in French growth, also followed by a vigorous spring-back
- Rushed monetary and fiscal initiatives aimed at mitigating the adverse economic and social consequences of mandatory confinement
- Persistently low interest rates: a risk for retail banking activities, especially in France

OUR STRENGTHS / OUR SOLUTIONS

- Diversifying Group revenues and developing growth drivers: expanding the bancassurance model, becoming a pure player in payments
- Developing the business lines that are the least dependent on interest rates and fees
- Building revenue synergies between business lines and exploring new growth drivers

CHANGING REGULATORY ENVIRONMENT AND EVER TOUGHER REQUIREMENTS

THE MAIN CHALLENGES

- Increase in regulations in all areas: banking, prudential, customer and investor protection, anti-money laundering and counter terrorist financing, anti-corruption
- Incorporation of ESG and climate risks
- Uncertainty about future developments
- Unfair competition: regional differences, unregulated players

OUR STRENGTHS / OUR SOLUTIONS

- Proactive measures allowing us to achieve regulatory solvency and liquidity targets ahead of schedule
- A policy of maintaining high capital adequacy recognized by the rating agencies, allowing us to develop our businesses on favorable terms while offering our stakeholders a high level of protection, as confirmed by ESG rating agencies
- A Code of Conduct and Ethics further strengthening the bonds of trust between Groupe BPCE and its customers

TECHNOLOGICAL INNOVATION, NEW ENTRANTS AND CYBERSECURITY

THE MAIN CHALLENGES

- Arrival of new players (fintechs, GAFA, neo-banks) and new technologies (blockchain, AI, chatbots, etc.)
- Increasing digitalization of the economy and changing customer practices and needs (real time, fast response, simplicity, transparency, etc.)
- Rapid pace of technological change creating big expectations in terms of cybersecurity and data protection
- New operating models (automation, digitalization)

OUR STRENGTHS / OUR SOLUTIONS

- Accelerating the digital transformation by creating leading digital services to enhance customer satisfaction (user friendliness, simplicity, personalization)
- Developing data centric companies to provide more personalized customer services
- Developing partnerships with fintechs
- Enhancing operational efficiency: customer self-service, process optimization and simplification through the use of integrated business platforms and pooled functions

CORPORATE SOCIAL RESPONSIBILITY

THE MAIN CHALLENGES

- Global commitment to combating climate change
- Declaration made by French banks to help develop a low-carbon, greener, and more inclusive economy
- Rising inequality, regional imbalances, increasing social unrest
- Inclusion of vulnerable persons amid rising poverty

OUR STRENGTHS / OUR SOLUTIONS

- Incorporating ESG criteria in financing, investments and sector policies
- Helping customers address climate risk and gear up for the energy transition
- Steering savings towards a more responsible economy
- Developing brokerage of green or social bonds
- Reducing the Group's carbon footprint
- Supporting vulnerable customers

OUR BUSINESS MODEL

The strength of our model derives from:

- our cooperative, decentralized structure, with 29 regional banks;
- known brands (Banque Populaire, Caisse d'Epargne, Crédit Coopératif, CASDEN, Banque Palatine, Natixis). Groupe BPCE is the second largest banking group in France, with leading positions on its main markets in France and international ambitions in certain Asset & Wealth Management and Corporate & Investment Banking activities;
- our structure as a full-service bank with a diversified business portfolio dominated by retail banking in France. Our business model has shown its resilience and its ability to gain market share while keeping risks under control.

Groupe BPCE draws on different resources to conduct its businesses:

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

The quality of the its fundamentals (its solvency and management), as reflected in its the good financial ratings, allows Groupe BPCE to develop its business activities.

OUR STRENGTHS, OUR IMPACTS

OUR STRENGTHS

Our business model

- **COOPERATIVE and DECENTRALIZED** – Each bank is wholly-owned by its cooperative shareholders
- **No. 2 FRENCH BANKING GROUP** – 14 Banques Populaires, 15 Caisses d'Epargne
- **A FULL-SERVICE BANK** – Retail Banking & Insurance, Asset & Wealth Management, Corporate & Investment Banking

Human resources

- **9 million** cooperative shareholders
- **36 million** customers
- **105,000** employees, o/w **89%** in France

Financial resources

- **15.7%** CET1 ratio
- **€19.4bn** Funding MLT market funding in 2019
- **HIGH LONG-TERM RATINGS** – FitchRatings **A+**, Moody's **A1**, R&I **A+**, Standard & Poor's **A+**

OUR AMBITIONS

Our ambitions TEC2020

- **DIGITAL TRANSFORMATION** – Seize opportunities from the technological revolution
- **COMMITMENTS** – To our customers, employees, and cooperative shareholders
- **GROWTH** – Ambitious targets for all our business lines

Notre activité

- **€706bn** in loan outstandings
- **€746bn** in deposits and savings
- **€934bn** in assets under management
- **€68bn** in life insurance assets under management by by Natixis

OUR IMPACTS

Customers

- **No. 2** bank for individual customers
- **26%** market share home loans (individuals)
- **€10.8bn** in energy transition loan outstandings
- **€86.4bn** in responsible deposits and savings

Local regions

- **+20%** in financing for the French economy
- **No. 1** creditor of the social and solidarity-based economy
- **No. 1** bank for SMEs
- **€111bn** Boosting GDP through the loans and operations of the Banque Populaire and Caisse d'Epargne networks

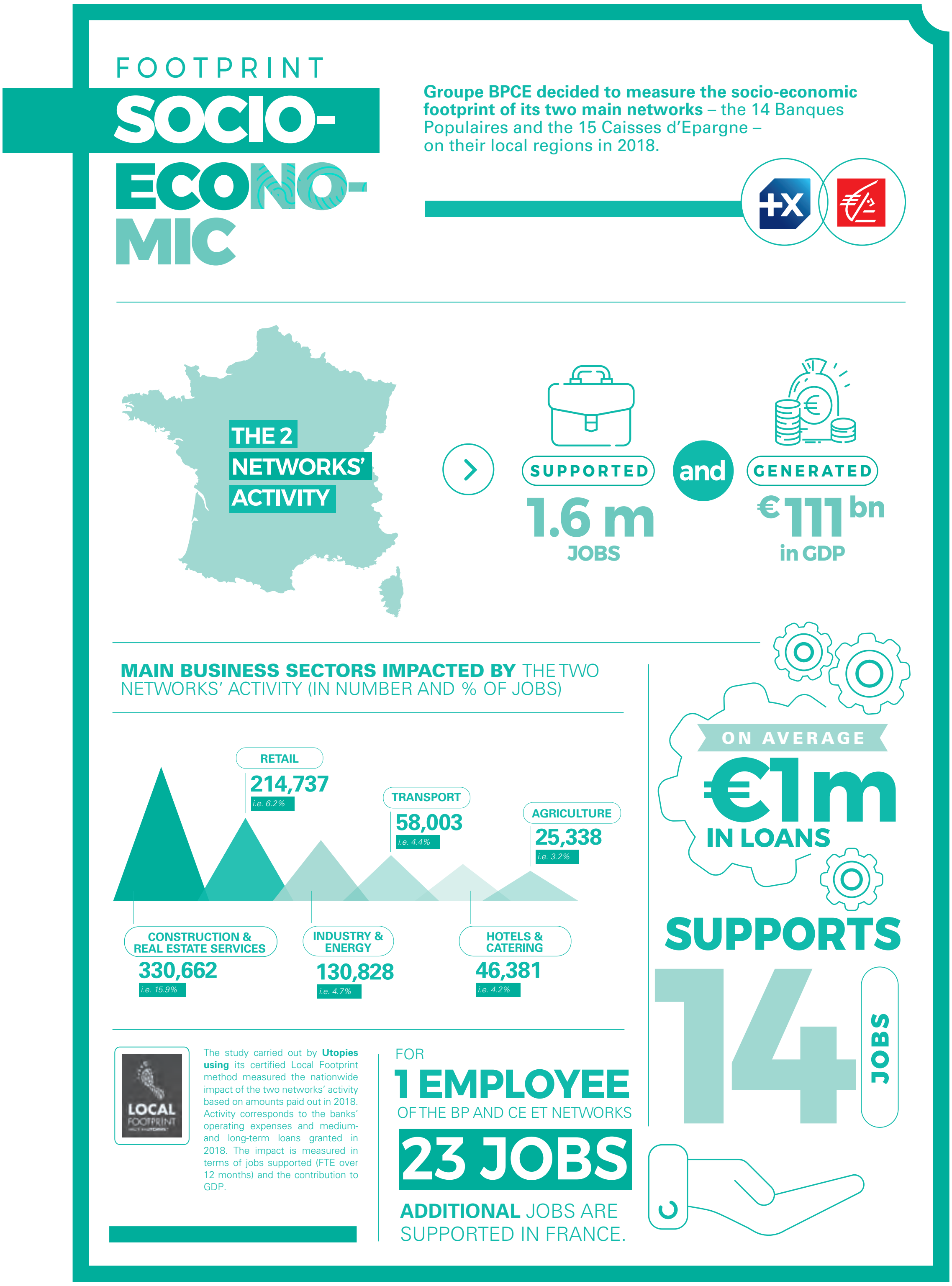
Employees

- **69%** of employees are engaged
- **6,903** new hires with permanent contracts
- **99%** of employees have received professional training
- **43.7%** of our managers are women

2.1.2 Contributing to local development – Our regional footprint

In 2019, Groupe BPCE commissioned a review of the socio-economic footprint of its two retail networks, the Banques Populaires and the Caisses d'Epargne. The review was conducted using a LocalFootprint@ certified method (see Chapter 2.5, Methodology) based on data for 2018. It calculated the impact of the two Banques Populaires and Caisse d'Epargne networks' activity (financing and operations) in terms of jobs supported and their contribution to GDP.

RESULTS OF THE REVIEW OF THE SOCIO-ECONOMIC FOOTPRINT



LOCAL PROCUREMENT

Groupe BPCE uses ppliers and gives priority to small, medium and intermediate sized companies in its local communities.

	12/31/2019	12/31/2018	Change 2018-2019
SMEs[1] as a percentage of all suppliers	89 %	87 %	+2.3 %
ISEs[2] as a percentage of all suppliers	7 %	9 %	(22.2%)
Amount of purchases made from SMEs	40 %	39 %	2.6 %
Amount of purchases made from ISEs	28 %	29 %	(3.5 %)
Percentage of local suppliers	73 %	69 %	6 %

(1) Definition of SMEs (small and medium sized enterprises): companies with fewer than 250 employees and revenues below €50 million.
(2) Definition of ISEs (intermediate sized enterprises): companies with 250 to 5,000 employees and revenues greater than or equal to €50 million and less than €1.5 billion.

OUR COOPERATIVE STRUCTURE

We are committed to contributing to the development of the regions in which we have a longstanding presence. Our cooperative structure shapes our approach to our businesses. We want to continue to build an environment that fosters growth for our cooperative shareholders and our customers both now and in the future.

We serve all types of customers and are deeply committed to the communities in which we have extensive roots. We work with local stakeholders to strengthen ecosystems and improve quality of life in local regions. We strive to increase the positive impact of our activities on our regions' economic and human development.

This is the foundation of the Groupe BPCE 2018-2020 CSR strategy presented in Chapter 2.2.

Both the Banque Populaire and Caisse d'Epargne networks have a federation that protects their identity, their values and their interests.

The federations organize discussions, hear ideas and provide representation, producing positions shared by all network entities. They support the network's CSR strategy, facilitate cooperative shareholder relations, provide training for directors and assist with governance. They also promote initiatives in local communities.

BANQUES POPULAIRES

The 4.58 million cooperative shareholders are the foundation of the cooperative structure of Banques Populaires. They own the share capital, vote at Annual General Shareholders' Meetings and directly elect the directors who will represent them at Board of Directors' Meetings. In 2019, over 561,000 cooperative shareholders voted, *i.e.* an average turnout rate of 15% for the network.

The cooperative shareholders are regularly invited to meetings where they can talk with company managers and directors about the latest news affecting their bank. At some banks, they issue awards to local solidarity-based projects they wish to see supported. Cooperative shareholders have the opportunity to join shareholder clubs and help support recipients of microloans through organizations such as "Grand Ouest Coopération". They enjoy access to special information channels to keep up to date with news about their banks, including newsletters, magazines, and websites.

In 2019, the Banque Populaire network had 225 directors (and 16 non-voting directors) who enrich discussions at Board of Directors' Meetings in the interests of all customers and cooperative shareholders. They include business leaders, researchers and teachers, all of whom are committed to the development of their local regions.

The Fédération Nationale des Banques Populaires is responsible for ensuring that the members of the Boards of Directors have appropriate skills, and in 2019 it organized training sessions on topics such as:

- the role of directors, including personal development,
- risk management and risk appetite,
- the opportunities provided by CSR and how to incorporate it into corporate strategy.

To meet regulatory requirements calling for an assessment of the performance of the Board of Directors, the Federation has set up an online self-assessment solution available to all institutions in the Banque Populaire network.

It uses an online tool to manage the online training program: the *Académie des Administrateurs,* or Directors' Academy. This solution meets several goals:

- offering a view of the entire training catalog provided by the Federation;
- allowing directors to sign up for training modules online and to access their transcripts;
- facilitating access to training through e-learning modules and videos.

In 2019, it was rounded out by an application providing a single point of entry to the information and tools available from the Federation, including a bi-monthly press review.

For the past three years, the Banques Populaires have organized the *"Faites de la Coopération"* event – a week-long initiative to raise awareness and allow discussion about the cooperative banking model. This event is part of Social and Solidarity-Based Economy month, which is held in November. This year's event included employee training (with the launch of three modules on the B'digit application), a conference on the cooperative model in TED Talks format, creativity workshops hosted by Banque Populaire Corporate Foundation prizewinners, the announcement of the results of the DIFCOOP survey conducted in conjunction with Lyon 3 University and ways to put right 10 misconceptions about the cooperative banking model.

Since 2011, the Banques Populaires have used a specialized tool to keep their cooperative shareholders abreast of their initiatives in the areas of societal and cooperative responsibility. The Banques Populaires' Cooperative and Societal Footprint, which is inspired by the ISO 26000 CSR standard, identifies and measures the value in euros of the initiatives taken by each bank for its main stakeholders. The aim is to measure the "cooperative edge" offered by the Banques Populaires. These data are included in Groupe BPCE's open data system.

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDER BASE

Banques Populaires	At 12/31/2019[1]	At 12/31/2018	At 12/31/2017	Change 2018-2019
Number of cooperative shareholders *(in millions)*	4.58	4.44	4.30	3%
Percentage of cooperative shareholder customers (as a %)	33%[2]	33%[1]	33%	-
Average value of shares held per cooperative shareholder *(in euros)*	3,269[2]	2,235	2,167	46.3%
Customer satisfaction rate (difference between percentage of very satisfied customers and percentage of dissatisfied customers)[3]	22	18	14	+4 points

(1) Excluding BRED, CASDEN and Crédit Coopératif.
(2) Data at end-September 2019.
(3) Data from the BP and CE individual customer satisfaction survey. (Internal source: Group (excluding Crédit Coopératif and CASDEN) Customer Research division).

COOPERATIVE INDICATORS: GOVERNANCE AND DIRECTOR TRAINING

Banques Populaires	2019	2018	2017	Change 2018-2019
Governance bodies				
Number of members of Boards of Directors	225	225	242	0%
Director attendance rate at Board of Directors Meetings (as a %)	85%	83%	83%	2.4%
Percentage of Board Members who are women (as a %)	45.5%	44%	42%	3.4%
Percentage of Board Chairmen and Vice-Chairmen who are women (as a %)	24%	19%	15.5%	26.3%
Director training				
Boards of Directors: percentage of members who took at least one training course over the year *(as a %)*	77%	83%	58%	(7.2%)
Boards of Directors: average number of training hours per person[1]	9.3	11.6	5.6	(19.8%)

(1) 2018 data including Audit Committee training courses.

CAISSES D'EPARGNE

At the end of 2019, the Caisses d'Epargne had 4.54 million cooperative shareholders, the majority of whom are individual customers. Cooperative shareholders are represented by 208 local savings companies (LSCs), which form an intermediate layer that helps strengthen each bank's local roots and relationships, and provide the shareholders with a forum for expression.

In 2019, the Caisses d'Epargne continued their efforts to get their cooperative shareholders more involved in the life of their bank as key stakeholders. They provide them with dedicated information and communication channels including in-branch information points, a website (www.societaires.caisse-epargne.fr), newsletters and conferences hosted by Caisse d'Epargne experts.

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

The Caisses d'Epargne also provide support to the cooperative shareholder representatives, LSC directors and Steering and Supervisory Board Members. Introductory and ongoing training is a top priority to ensure that they fulfill the duties of their office and contribute actively to the governance of the Caisses d'Epargne. The training catalog covers a wide range of subjects, for example:

- for directors, an induction program focusing on learning about the identity and history of the Caisses d'Epargne, CSR, the Group's business lines, digital solutions and acquiring a strong foundation of general banking culture;
- for members of Boards of Directors and Supervisory Boards, initial regulatory training tackles the six areas established by decree: governance, accounting and financial information, banking and the financial markets, legal and regulatory requirements, risk management and internal control, and strategic planning;
- for the specialized committees, nationwide training courses are offered to members of the Risk, Audit, Appointments, and Remuneration Committees.

New topics were placed in the spotlight in 2019, including banking and the regulatory environment, payment services and the digital transformation.

COOPERATIVE INDICATORS: COOPERATIVE SHAREHOLDER BASE

Caisses d'Epargne	At 12/31/2019	At 12/31/2018	At 12/31/2017	Change 2018-2019
Number of individual cooperative shareholders *(in millions)*	4.54	4.63	4.76	(1.9%)
Percentage of cooperative shareholder customers *(as a %)*(1)	25%	25%	24%	0%
Average value of shares held per cooperative shareholder *(in euros)*(2)	3,255	3,050	2,873	6.7%
Customer satisfaction rate (difference between percentage of very satisfied customers and percentage of dissatisfied customers)(3)	15	10	2.8	50%

(1) Natural persons only (customers and cooperative shareholders). Figure calculated as the "total number of cooperative shareholders" divided by "total number of customers". Source: cooperative shareholder base dashboard, 2019.
(2) Figures calculated based on the "total number of customers" and "outstanding cooperative shares"; natural persons only. (Internal source: cooperative shareholder base dashboard, 2019).
(3) Data from the BP & CE individual customer satisfaction survey. (internal source: Group Customer Research division).

COOPERATIVE INDICATORS: GOVERNANCE AND DIRECTOR TRAINING

Caisses d'Epargne	2019	2018	2017	Change 2018-2019
Governance bodies				
Number of members of Steering and Supervisory Boards	298	303	303	(1.7%)
Director attendance rate at Steering and Supervisory Board Meetings *(as a %)*	94%	93%	93%	0%
Percentage of Steering and Supervisory Board Members who are women *(as a %)*	46%	45%	39%	2.2%
Percentage of Steering and Supervisory Board Chairmen or Vice-Chairmen who are women *(as a %)*	30%	29%	20%	3.5%
Director training				
Steering and Supervisory Boards: percentage of members who took at least one training course over the year *(as a %)*	90%	87%	96%	3.5%
Steering and Supervisory Boards: average number of training hours per person (basis = 100)	11.05	9.2	8	13.2%

CSR GUIDELINES

The Fédération Nationale des Caisses d'Epargne, the Caisses d'Epargne and external stakeholders have co-constructed four joint 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.

These CSR Guidelines, broken down into eleven objectives, provide a common framework in which each Caisse d'Epargne, operating as a fully-fledged cooperative bank, defines its own CSR strategy. This shared framework facilitates the exchange of best practices and achievement of common goals, while respecting the cooperative structure of the Caisses d'Epargne.

COOPERATIVE REVIEW

The French act of September 10, 1947 on the status of cooperatives establishes the principle of a cooperative review every five years. The review is performed by an independent auditor responsible for verifying that the structure and operation of cooperative entities observe cooperative principles and rules. In the last two years, all the Banques Populaires and the Caisses d'Epargne have appointed a cooperative auditor and completed a cooperative review, which was submitted to the 2019 Annual General Shareholders' Meetings. None of the Banques Populaires or the Caisses d'Epargne was identified as possibly being 'non-compliant' with the cooperative banking model and the auditors voiced no reservations in the course of their audit.

PATRONAGE

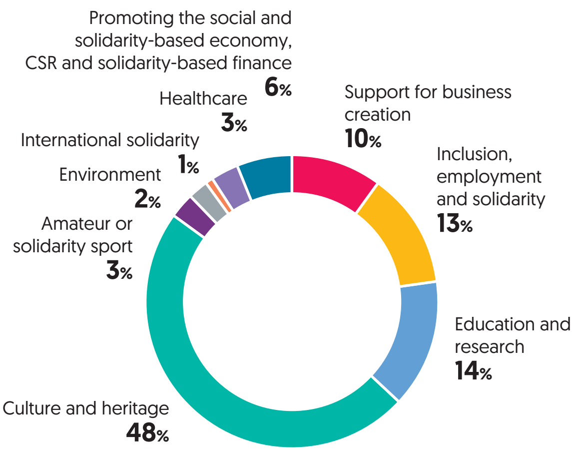
Local patronage and partnerships

The Banques Populaires are involved in initiatives in support of civil society in various areas. They are highly involved in supporting business creation (through microloans in particular), integration and solidarity, and actively support education and research. In order to take effective action in the local public interest and to structure their patronage, nine Banques Populaires 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 Banques Populaires naturally focus on education and research.

In 2019, patronage activities by the Banque Populaire network represented nearly €14.7 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 to increase the Banques Populaires' impact on society by promoting the cooperative model, education, entrepreneurship and professional inclusion.

In 2012, the FNBP created an endowment fund to finance projects eligible for patronage.

Adie and Entreprendre pour Apprendre are two longstanding partners.

Since 2017, the foundation has financed research projects on the cooperative banking model in partnership with the Burgundy School of Business (addressing the challenges of providing local services in the future). In 2019, it stepped up its support for research by signing a three-year partnership with the Lyon 3 University Cooperation Academic Chair (survey of what makes cooperatives different) and the Paris Sud/Saclay University Chair on Intangibles (to produce a regional innovation index). 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 Finances & Pédagogie.

Banque Populaire Corporate Foundation

The Banque Populaire Corporate Foundation has been the patronage vehicle of the 14 Banques Populaires since 1992. It supports talented individuals with a project in the following areas:

- classical music;
- disability;
- arts and crafts.

The Banque Populaire Corporate Foundation provides funding and support over the long term. The experts who form the jury, former prizewinners, and the Foundation team together form a valuable network for sharing experiences and offering advice.

The Corporate Foundation's prizewinners reflect the Banques Populaires' cooperative and societal engagement by embodying their values of solidarity, enterprise and innovation. The Corporate Foundation promotes the qualities of high standards, determination, and pushing oneself to the limits and shows that there are different types of success, which are available to all. In 2019, the Banque Populaire Corporate Foundation supported 33 winning candidates in music, 36 disabled prizewinners and 25 winners in the artists category.

Local patronage and partnerships at the Caisses d'Epargne

A commitment to philanthropic activity lies at the heart of the history, identity and values of the Caisses d'Epargne. The Caisses d'Epargne are among the leading patrons in France. In 2019, patronage activities totaled €31.6 million and 1,135 predominantly solidarity-based local projects were financed.

Each Caisse d'Epargne has its own philanthropic strategy based on 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. A network of 15 philanthropy managers builds a common approach through the sharing of tools and best practices. The Caisses d'Epargne and their federation worked with Le Rameau (an advisory and research laboratory) to complete an in-depth analysis of alliances between companies and non-profits 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 that aim to:

- eliminate exclusion and financial hardship, in particular banking and financial exclusion;
- support humanitarian programs;
- fund local solidarity projects, such as the Cap'Jeunes program organized by France Active, as a complement to the Caisses d'Epargne's initiatives. This project provides funding and support to help disadvantaged young people create a business. Since the launch of this partnership in 2016, nearly €278,500 have been awarded to the Cap'Jeunes program, benefiting 103 young entrepreneurs.

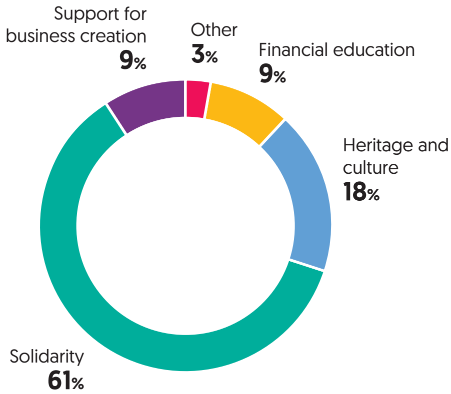
The Caisse d'Epargne network endowment fund also supports Finances & Pédagogie (www.finances-pedagogie.fr). It organizes educational programs on money matters across the country.

The goals of the Fondation Belem (www.fondationbelem.com), recognized as an institution operating in the public interest, are to:

- promote France's maritime history;
- keep the last-remaining major 19th-century sail ship, which has been listed as an historical monument since 1984, among the nation's cultural assets.

The Caisses d'Epargne also support athletics (basketball, handball and skiing: espritbasket.fr, esprithandball.fr and espritglisse.fr) through patronage and sponsorship activities.

DONATION AMOUNTS BY CATEGORY



Natixis' commitments to solidarity-related projects

Natixis is involved in a number of solidarity-related projects with a high level of engagement among its staff members.

Since 2013, Natixis has allowed its employees to take humanitarian leave (Congé Solidaire®) to support the non-profit association Planète Urgence. Projects include protecting biodiversity, providing social and educational support for children, and adult skills training in various fields. It has funded 150 missions since the project's launch.

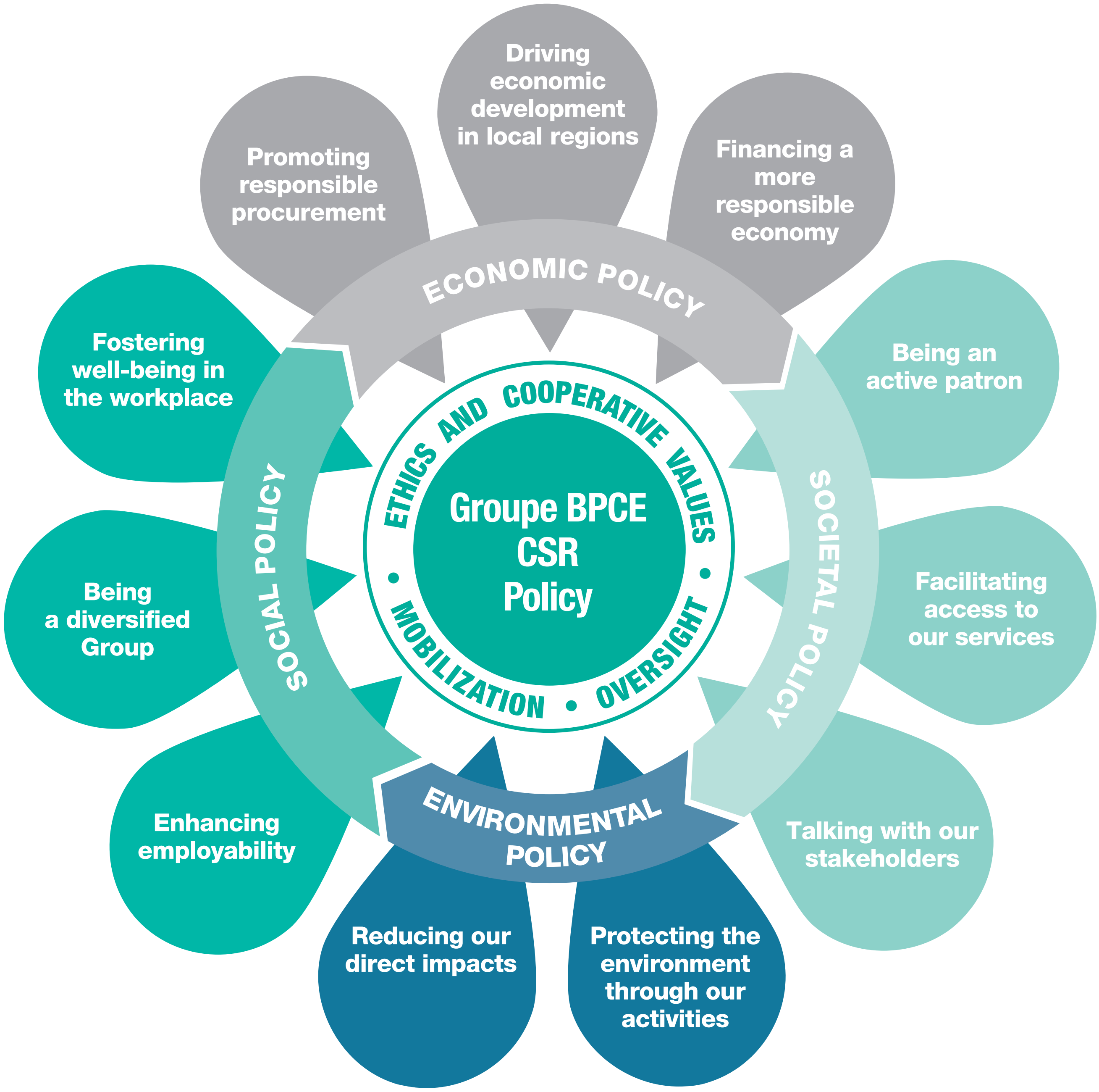
Natixis also encourages its employees to take part in charity races – for example in 2019, nearly 450 employees participated in the Odyssea race. Natixis fully matched employees' registration fees to fund cancer research by the Gustave Roussy cancer center. For the tenth year running, Natixis entered a team into the Course du Cœur charity road race to support the Transform association's campaign on organ donation.

In 2019, Natixis set up a payroll giving scheme under which employees can make a small monthly donation to a charity of their choice *via* the Microdon platform. Three charities were chosen in a vote by Natixis' employees: Action Contre la Faim, France Alzheimer, and Zéro Waste France. Two others were proposed by Natixis in line with its HR policies in favor of diversity and inclusion: UN Women and Sports dans la Ville. To encourage employees to give to these charities, Natixis matches all donations made. The scheme is available to 11,000 members of staff in France and should be rolled out around the world in 2020.

2.2 Applying CSR in our activities

Groupe BPCE's 2018-2020 CSR strategy was validated by the Management Board and presented to the Group Steering and Supervisory Board in 2018. It is organized into four commitments (economic, social, societal and environmental) and contributes to the Group's general strategy.

Over the past two years, the strategy has been distributed to all the Group's Business Lines and the four commitments have been integrated at the heart of our activities.



2.2.1 Engagement and dialog

Groupe BPCE has made national and international commitments that require it to meet the highest international standards.

INTERNATIONAL COMMITMENTS

	Signing date	Commitment	Entities concerned	Pledges made
	2003	Global Compact Advanced	Groupe BPCE & Natixis	• Respect human rights, international labor standards, environmental protection and the prevention of corruption
	2010	Principles for Responsible Investment	Natixis	• Incorporate environmental, social and corporate governance (including anti-corruption) considerations in investment decisions
	2010	Equator Principles Signatories: thirteen Natixis Investment Managers subsidiaries which together hold 72% of all the assets under management by Natixis Investment Managers subsidiaries: AEW, Alliance ENTREPRENDRE, DNCA, Flexstone Partners, Investors Limited mutual fund, Loomis Sayles, Mirova, MV Crédit, Naxicap Partners, Ossiam, Ostrum AM, Seeyond, and Seventure Partners	Natixis	• Evaluate the environmental and social (E&S) risks and impacts of the projects it finances using a methodology accepted by many financial institutions to encourage its customers to manage, minimize, and remedy the impacts they cause
New	**2019**	UNEP FI:	Groupe BPCE & Natixis	• Align the business strategy with the United Nations Sustainable Development Goals (SDG) and the Paris Agreement on climate change • Organize activities to foster more inclusive finance and a sustainable economy • Be transparent on their positive and negative impacts in terms of local communities and the planet https://newsroom-en.groupebpce.fr/news/groupe-bpce-and-natixis-make-climate-action-and-sustainability-central-to-its-business-through-principles-for-responsible-banking-c1a3-53927.html
	2019	Business for Inclusive Growth (B4IG)	Groupe BPCE	• Intensify steps to improve human rights across the value chain, to establish inclusive working environments and to foster inclusion in internal and external ecosystems https://newsroom-en.groupebpce.fr/news/groupe-bpce-commits-to-tackling-inequality-by-joining-g7-business-for-inclusive-growth-b4ig-coalition-powered-by-the-oecd-4d73-53927.html

FINANCIAL SECTOR INITIATIVES

BPCE is actively involved in financial sector initiatives in France, Europe and internationally.

INTERNATIONALLY: INTERNATIONAL STANDARDS

BPCE is involved in international standards (ISO) work on environmental finance. Its goal is to ensure that financial standards models are compatible with those specific to the Banques Populaires and Caisses d'Epargne, in particular as cooperative banks.

At the end of 2018, BPCE was asked to chair the AFNOR group of finance, environment, climate and economy experts and to coordinate the future ISO 14100 environmental finance standard with China. This initiative is part of the bilateral agreements signed between France and China at the fifth High Level Economic and Financial Dialog (HED) at the end of 2017.

IN EUROPE: SUSTAINABLE FINANCE

Natixis is part of the Technical Expert Group (TEG) on Sustainable Finance set up by the European Commission. The TEG is responsible for building a European action plan on financing sustainable growth and proposing a taxonomy of sustainable economic activities. BPCE also takes part in specific working groups set up by European banking organizations to contribute to the TEG's work. These include the European Savings and Retail Banking Group (ESBG), the European Association of Co-operative Banks (EACB), and the European Banking Federation (EBF).

IN FRANCE: ADDRESSING CLIMATE CHANGE

On July 2, 2019, at an industry-wide meeting with the Minister of the Economy and Finance, Bruno Le Maire, the main organizations and federations representing the Paris financial center published a shared declaration setting out new commitments to mitigate climate change and help reach the goal of zero net carbon emissions by 2050, by:

- encouraging members to adopt a coal divestment strategy, with a defined divestment timetable, and to include this in their ESG reporting from 2020;
- conducting methodological research in collaboration with supervisory authorities on how to evaluate portfolio exposure to climate risk and assessing the alignment of investment portfolios with a 2°C scenario. The Paris financial center will also contribute to the diffusion and open source standardization of these methodologies;
- monitoring commitments with the creation of an observatory to track the actions and achievements of Paris financial center members in the realm of green and sustainable finance. The observatory, which will include a scientific committee, will be jointly governed by the main professional bodies (AFG, FBF, FFA, France Invest) and by Finance for Tomorrow.

To this end, the ACPR and the AMF have each set up a Climate and Sustainable Finance Committee, of which Groupe BPCE is a member. The FBF has set up a Climate Committee chaired by Laurent Mignon which brings together representatives from the Risk and CSR departments of all French banking groups.

Concerning the preparation of climate stress tests:

Groupe BPCE is part of the ACPR's working group to draw up stress test scenarios pursuant to Article 173-V of the French act of August 17, 2015 on the energy transition for green growth. In 2019, the working group began to review the sectors most exposed to physical and transition risks and to examine existing methodologies in order to propose an approach that can be used for climate stress tests.

Other national commitments

Signing date	Commitment	Entities concerned
2010	Corporate Diversity Charter	Groupe BPCE
	Cancer@Work	14 Groupe BPCE entities
2017	Work-Life Balance Charter	14 Banques Populaires, 15 Caisses d'Epargne and Natixis
Starting in 2015	Supplier Relations and Responsible Procurement label backed by the ISO 20400 Responsible Procurement standard	11 Group entities

TALKING WITH OUR STAKEHOLDERS

Groupe BPCE interacts with its stakeholders in the course of its business. The following diagram shows some of its stakeholders and the ways in which it interacts with them.

Customers

Businesses
Institutions
Individuals

- Satisfaction surveys and complaints management
- Design and management of products and services
- Partnerships

Cooperative shareholders

Banque Populaire customers
Caisse d'Epargne customers

- Shareholders' Meetings
- Meetings and newsletters
- Coordination by the Fédération des Caisses d'Epargne and the Fédération des Banques Populaires

Directors

Local savings companies
Boards of Directors of the Banques Populaires
Supervisory Boards of the Caisses d'Epargne
BPCE SA Supervisory Board
Specialized committees

- Participation in Board of Directors, Supervisory Board and committee meetings

Employees

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

- Internal information
- Satisfaction surveys
- Economic and Labor Relations Council
- Women's networks

Suppliers and sub-contractors

Businesses
Service providers
Companies working with disabled persons

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

NGOs and non-profits

Non-profits protecting the environment and human rights

- Interaction via contributions to surveys
- Skills sponsorship
- Employee volunteering

Institutions, federations, regulators

Financial regulatory authorities

- Participation in industry-wide initiatives
- Filing of documents and information

Ratings agencies, investors and independent third parties

Financial and ESG rating agencies
Statutory auditors

- Transfer of information and audit documents for ratings/audits
- Regular dialog

Academic and research sector

Business schools and universities
Research institutions

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

2.2.2 Measuring our performance

QUANTITATIVE OVERSIGHT

Project	Monitoring indicator	2017	2018	2019	2020 targets
Economic engagement					
Funding a more responsible economy	Responsible savings, including SRI[1] *(in billions of euros)*	27	72.5	86.4	35
Developing responsible procurement	Group institutions with Responsible Supplier Relations and Procurement certification (number)	7	9	11	14
	Procurement RFPs incorporating a CSR component[2] *(as a %)*	NS	34%	36%	80%
	Supplier payment deadlines *(in days)*	30	31	32	28
Societal engagement					
Promoting access to Groupe BPCE services	Origination of microloans with support for individual customers *(in millions of euros)*	19	20	20	Consolidating Groupe BPCE's market leadership
	Origination of microloans and other solidarity-based loans for entrepreneurs *(in millions of euros)*	484.3	515.7	536.2	Consolidating Groupe BPCE's market leadership
Reducing our direct environmental impacts	Carbon emissions (in metric tons of CO_2 equivalent) – Scope 1, 2 and 3 emissions – excl. data centers	602,629	601,587	587,999	(10%)
Promoting the environment in our business lines	Financing for the energy transition[3] *(in billions of euros)*	8.2	8.7	10.8	10
Attracting and retaining top talent	Employees recommending the Group as an employer *(as a %)*	65%	NC[4]	56%	70%
Changes in Groupe BPCE's reputation	Featuring among the Top 20 in the Potential Park "Top Employers" ranking	36th	14th	17th	Top 20
Promoting gender equality	Women in management roles *(as a %)*	42.3%	42.9%	43.7%	45%
	Female company directors *(as a %)*	20.4%	26.1%	26.4%	30%
Developing employability	Total number of training hours over 3 years *(in millions of hours)*	8	2.3	5.5	10
Promoting mobility	Launch of Mobiliway website	16%	39%	61%	100%
Empowering employees to drive change	Percentage of employees who feel they can drive change	40%	NC[5]	39%	50%
Digitized HR services	Use of electronic signatures in employment contracts *(as a %)*	42%	81%	92%	80%
Oversight	Number of Group entities audited by an external auditor based on ISO 26000	7	7	8	12
ESG rating	MSCI	AA (2016)	AA	A	Maintain
	OEKOM (Germany)	C/Prime (2016)	C/Prime	C/Prime	Maintain
	Sustainalytics	61/100	65/100	65/100	Maintain
	Vigeo-Eiris (France-United Kingdom)	55/100	57/100	57/100	Maintain

(1) €82.4 billion in SRI and €4 billion in responsible deposits and savings (CODEVair, regional passbook savings accounts, "Épargne engagée" range at Crédit Coopératif).
(2) RFPs, use of companies working with people with disabilities, total cost of ownership approach, use of SMEs/VSEs or start-ups, integration of a CSR rating in the overall rating.
(3) Renewable energy loan outstandings + building energy renovation loans and environmentally friendly equipment loans for professional customers and SMEs + green car loans.
(4) Measured in alternate years.
(5) Data available alternate years.

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

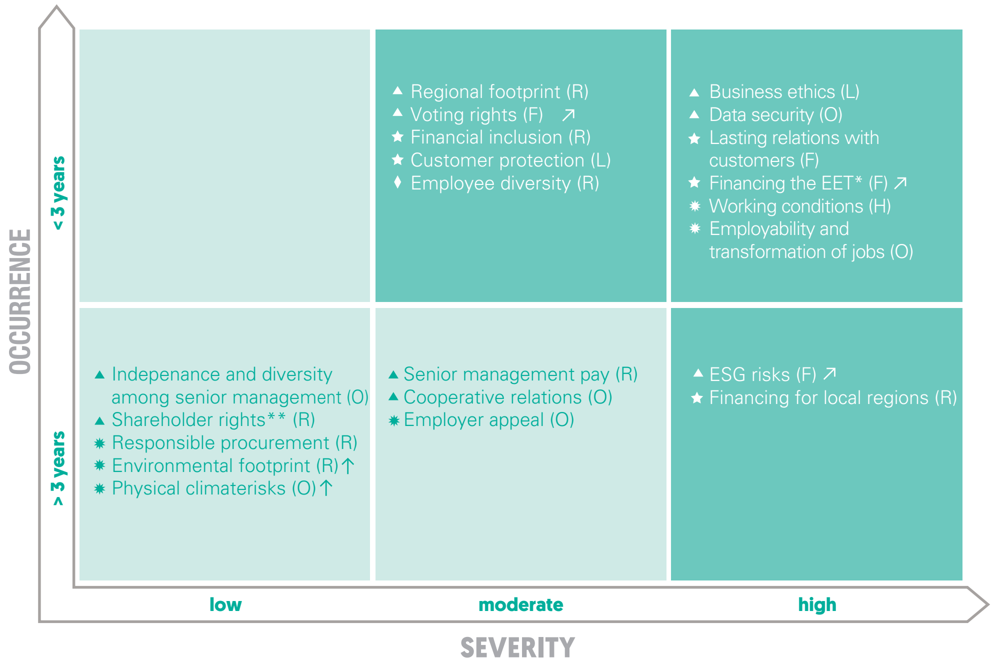
- measuring the impact of Groupe BPCE institutions on the economic landscape of their regions, while developing accurate teaching tools and programs;
- incorporating ESG criteria into risk policies and publishing sector policies on Group activities;
- structuring mechanisms dedicated to:
  - skills sponsorship,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

OUR ACHIEVEMENTS IN 2019

Strategic projects	2019 achievements
1. Measuring and promoting the local socio-economic footprint	Harmonization of processes across the two networks: money flows (savings/loans), distribution of value (regional approach), publication in the non-financial performance report. Seven studies of the socio-economic footprint to calculate direct and indirect impacts and those generated by the business activity. A study of the cumulative impact of the two networks, for the Caisse d'Epargne network, for the Banque Populaire network, and for Caisse d'Epargne Aquitaine Poitou-Charentes, Caisse d'Epargne Grand Est Europe, Banque Populaire Aquitaine Centre Atlantique, and Banque Populaire Val de France. Creation of a database as of December 31, 2018 to measure the socio-economic footprint of all the Banques Populaires and the Caisses d'Epargne.
2. Responsible savings	Training and awareness courses on the distribution of SRI funds organized by Mirova for the Banque Populaire and Caisse d'Epargne networks. Work under way to improve transparency and measure the impact of passbook savings accounts.
3. Developing responsible procurement	Collection of information from suppliers with a view to reducing the carbon footprint of procurement activities. Platform for promoting services outsourced to companies working with persons with disabilities by Group entities and services and suppliers that meet CSR criteria. Communication on the impact of regulatory developments for purchases from companies working with persons with disabilities. "Responsible Supplier Relations and Procurement" certification for 11 banks: BPCE SA, Banque Populaire Sud, Caisse d'Epargne Hauts de France, Banque Populaire Grand Ouest, Banque Populaire Rives de Paris, Caisse d'Epargne Bretagne Pays de Loire, Caisse d'Epargne Grand Est Europe, Caisse d'Epargne Ile-de-France, Caisse d'Epargne Midi-Pyrénées, Caisse d'Epargne Aquitaine Poitou-Charentes, Caisse d'Epargne Rhône Alpes. Training on the corporate duty of due diligence for the procurement function and CSR departments. Training module on procurement ethics. Responsible procurement training for the procurement function and CSR departments. Communication on best practices for supplier payment deadlines. Hub for sharing best practice for supplier payment deadlines.
4. Inclusive finance	Implementation in the retail networks of the roadmap for vulnerable customers. Target met for increasing take-up of solutions for vulnerable customers (OCF *"Offre clientèle fragile"* range) by 30% between 2017 and 2019. Cap on fees for vulnerable customers and for customers benefiting from specific offers.
5. Reducing direct environmental impacts	Working groups to produce an action plan for reducing our emissions in procurement, transport and responsible digital practices. Contribution to Net Zero, an industry-wide carbon neutral initiative aimed at establishing a methodology for companies seeking to achieve a challenging, credible and harmonized net zero carbon footprint.
6. Drafting a green growth strategy	Updating of the incorporation of ESG criteria for 11 sector lending policies and 1 focus for retail banking. Dissemination of renewable energy project financing techniques to all Group entities. Guarantee obtained from the European Investment Fund (EIF) for projects relating to the ecological transition in the agricultural sector (INAF project). Publication by Natixis of a new policy stepping up its commitments in the coal sector. Application of the Green Weighting Factor, an internal capital allocation model that adapts the expected return on different financing solutions depending on their impact on the environment and climate change by using a favorable or adverse adjustment to weighted assets. https://groupebpce.com/en/all-the-latest-news/news/2019/green-weighting-factor-natixis-innovates-in-favor-of-the-climate Second public green bond issue (issue of €500 million in senior preferred securities over five years to refinance renewable energy assets) https://newsroom-en.groupebpce.fr/news/groupe-bpce-completes-its-second-ever-green-bond-issue-688f-53927.html
7. Sustainability reporting and ratings	Ongoing work to improve the accuracy of IT reporting packages. Optimization of carbon emission calculation indicators. Q&A book on key CSR topics.
8. Raising awareness on reporting and CSR	Implementation of the strategic plan with the Banque Populaire and Caisses d'Epargne federations (*Faites de la Coopération* event, training for directors, etc.). Support for the networks with training in CSR, carbon review and reporting. Annual Meetings for the CSR function and/or the Green growth function.
9. Communication and CSR	Communication to all members of staff on key dates, for example European Sustainable Development Week (raising awareness on the problem of plastic waste *via* the website, mailings and videos), European Mobility Week, and sharing best practice throughout the Group. Participation in work done by the ORSE (Corporate Social Responsibility Observatory) and the Global Compact. Signature of the PRB.
10. Implementation of an innovative policy to encourage well-being, health and exercise in the workplace and employee diversity and employability	20 Groupe BPCE companies have signed the Cancer@Work Charter. Guide to gender equality. BPCE sports activity review (Bilan APS, *Activité Pratique Sportive*) under the partnership with the Paris 2024 Olympic Games.
11. Ethics	Publication of the Groupe BPCE code of conduct and ethics and employee training *via* an e-learning course.
12. ISO 26000 certification	Five banks completed the process in 2019. The following banks are now ISO 26000 certified: Banque Populaire Alsace Lorraine Champagne, Banque Populaire Grand Ouest, Banque Populaire Rives de Paris, CASDEN and Crédit Coopératif, Caisse d'Epargne Rhône Alpes, Caisse d'Epargne Bretagne Pays de Loire, Caisse d'Epargne Aquitaine Poitou-Charentes, Caisse d'Epargne Midi-Pyrénées.

2.2.3 Identify and manage risks to boost growth

GROUPE BPCE RISK MATRIX



Risk category	Main impact	Trend for the future
▲ Governance	(F)inancial	→ Higher severity
★ Products & Services	(O)perational	↑ Higher occurrence
✸ Internal operations	(L)egal	↗ Combination of both
	(R)eputational	
	(H)uman	

* Energy and ecological transition
** Relating to Natixis

All the risks in the matrix were reviewed and various divisions at BPCE and the federations were interviewed. No changes were made further to the review.

2.2.4 Our key performance indicators:

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

Major risk	Definition of risk	Risk/exposure management system	2018 key performance indicators	2018 results	2019 key performance indicators	2019 results
Accessibility of products and services & inclusive finance	Ensuring that products and services are accessible to all in all regions and in technological terms	See Chapter 2.3.2, "Financing and facilitating the energy, ecological and social transition with Groupe BPCE's products and services" – "Supporting financially vulnerable customers"	Number of customers with products for vulnerable customers (number)	27,140	Number of customers with products for vulnerable customers (number and change vs. 2018)	36,805 +35%
Financing for local regions	Fulfilling our role in financing all types of customers (businesses, professionals, local authorities, individuals, members of the social and solidarity-based economy)	See Chapter 2.3, "Supporting the energy, ecological and social transition in local regions"	Amount in loan outstandings for the Banques Populaires and the Caisses d'Epargne	€444.6 billion	Amount and change in loan outstandings for the Banques Populaires and the Caisses d'Epargne	€475 billion 6.8%
Integration of ESG criteria in lending/investment decisions	Recognition of ESG criteria and transition and physical risks arising from climate change in sector policies and in financing and investment decisions	See Chapter 2.3.1, "Reflecting environmental, social and governance risks and our customers' requirements and aspirations in our strategy"	Percentage of sector lending policies including CSR criteria (as a %)	100%	Percentage of sector lending policies including CSR criteria (as a %)	100%
Data security and confidentiality	Protection against cyber-threats, safeguarding of clients' and employees' personal data and ensuring business continuity	See Chapter 2.4.1,"Business ethics- protection and cybersecurity"	General Data Protection Regulation (GDPR) systems	Qualitative data	Percentage of new community projects with ISS and Privacy support	87%
Lasting relations with customers	Delivering satisfactory customer service quality over the long term	See Chapter 2.4.1, "Respecting business ethics – Customer satisfaction and quality policy"	Annual customer NPS (Net Promoter Score) and change	BP (10) +9 CE (17) +8	Annual customer NPS (Net Promoter Score) and change	BP (4) +6 CE (10) +7
Customer protection and transparency of the range of products and services	Ensuring all customers understand our products and services. Providing clear information and selling products and services suited to each client's requirements	See Chapter 2.4.1, "Respecting business ethics – Customer protection"	Solutions applied in terms of customer protection and transparency of the range of products and services	Qualitative information	Solutions applied in terms of customer protection and transparency of the range of products and services	Qualitative information
Involvement in the governance of investment targets	Establishing and applying rules governing engagement, voting, support and participation in the Boards of companies in which the Group has an equity holding	See Chapter 2.3.1, "Reflecting environmental, social and governance risks and our customers' requirements and aspirations in our strategy"	Voting and engagement policy (scope: Mirova/Natixis and ECOFI (Crédit Coopératif))	Qualitative information	Voting and engagement policy (scope: Mirova/Natixis and ECOFI (Crédit Coopératif))	Qualitative information
Regional footprint	Acting as an employer and purchaser with an appropriate local presence	See Chapter 2.1.2, "Contributing to local development"	Percentage of local suppliers (as a %)	69%	Socio-economic footprint (calculated by Utopies)	1.6 million jobs supported and €111 billion contributed to GDP
Employability and transformation of jobs	Matching companies' requirements with employees' needs to address changing business requirements	See Chapter 2.4.3, "Quantitative human resources indicators for Groupe BPCE"	Number of hours of training per FTE (in hours per FTE)	32	Number of hours of training per FTE (in hours per FTE)	33

Major risk	Definition of risk	Risk/exposure management system	2018 key performance indicators	2018 results	2019 key performance indicators	2019 results
Diversity and equal treatment	Ensure equal treatment of applicants and employees within the company	See Chapter 2.4.3, "Promoting gender equality and diversity"	Percentage of women in management roles (as a %)	42.9%	Percentage of women in management roles (as a %)	43.7%
Employer appeal	Provide attractive working conditions, career development opportunities and give meaning to employees' duties	See Chapter 2.4.3, "Quantitative human resources indicators for Groupe BPCE"	Percentage of resignations	2.6%	Percentage of resignations	2.9%
Financing for the energy transition, green and blue growth and solidarity-based growth	Establish a strategy to help clients manage the environment and energy transition and apply it at all levels of the company	See Chapter 2.3.2, "Financing and facilitating the energy, ecological and social transition with Groupe BPCE's products and services" See Chapter 2.3.3, "Steering deposits and savings towards a more responsible economy"	Financing for the energy and ecological transition: production (in euros and change)[1] Responsible deposits and savings (in euros)[2]	€169 million (7.90%) €72.5 billion	Financing for the energy and ecological transition: production (in euros and change)[1] Responsible deposits and savings (in euros and change) [2]	€196 million 16% €86.43 billion 19%
Environmental footprint	Measure and reduce the environmental footprint	See Chapter 2.4.2, "Reducing our carbon footprint"	Annual CO_2 emissions per FTE (tCO_2eq/FTE) and change	6.9 (1%)	Annual CO_2 emissions per FTE (tCO_2eq FTE) and change	6.8 (1%)
Business ethics, transparency and respect for law	Compliance with regulatory requirements, anti-corruption and anti-fraud policies, prevention of unethical behavior and access to information	See Chapter 2.4.1, "Respecting business ethics – the Group's Codes of Conduct"	Existence of a code of ethics distributed to employees, oversight and governance	Qualitative information	Share of employees having completed code of conduct training	84%

(1) Green building loans (Eco Ptz + PrevAir + Ecureuil Crédit DD + ProVair loans) + Green mobility loans (AutoVair + Ecureuil auto DD loans).

(2) Assets under management SRI + CODEVair (Banques Populaires) + Compte sur Livret Régional (CSLR) passbook savings accounts (Caisses d'Epargne) + sustainable range of products (Crédit Coopératif).

CSR GOVERNANCE

GROUP CSR GOVERNANCE

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

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

- drive and oversee the Group's CSR policy and support all institutions in implementing this policy;
- serve as a source of foresight, expertise, and innovation in order to establish Groupe BPCE on markets relating to green 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 to serve the networks; Development of savings and solidarity-based financing; Contribution to inclusive finance mechanisms.	Coordination of CSR reporting and the Group/institution carbon review; Oversight and monitoring of the Group CSR approach; Dialog with ESG rating agencies, investors and NGOs.	Organization and oversight of sustainable development and CSR aspects for management projects and in the strategic plan; Regulatory, economic and technical watch; Communication and organization of sustainable development function events.	Expansion of the forward-looking expertise and research approach to issues relating to the green economy and CSR, particularly in the economic and technological fields.

To take action, the CSR & Sustainable Development division relies on a CSR function whose responsibilities are divided between the Group's central institution, regional banks and subsidiaries, including Natixis. Each entity has an appointed CSR officer responsible for implementing the Group's commitments and adapting them to the specific features of the entity and its region if necessary.

The CSR function has the following structures:

- bodies that exchange information and coordinate and share skills:
  - a national meeting for all the Group's CSR officers. It addresses topics including improvements to reporting to better measure performance, workshops for sharing CSR best practice, forward-looking discussions on forthcoming reporting requirements and the expectations of our stakeholders,
  - a specific national reporting meeting to help entities prepare the non-financial performance report,
  - a national meeting on green, responsible growth to centralize technical and sales expertise. An annual plenary meeting (125 participants on average) has been held since 2014;
- steering and oversight bodies:

Body	Roles
Groupe BPCE Supervisory Board Cooperative and CSR Committee	Steers and rules on major strategic CSR guidelines. The committee met twice in 2019.
CSR function (network of CSR managers and their business line counterparts)	Rolls out initiatives based on their specific priorities and involves all Group employees in the field.
Cooperative Shareholder & CSR Committee of the Fédération Nationale des Banques Populaires and CSR Committee of the Fédération Nationale des Caisses d'Epargne	Approve national CSR guidelines and assist with their local implementation.
Local CSR Committees of Group institutions	Monitor and coordinate local implementation of the CSR policy.

- training on sustainable development issues:
  - in 2019, a training session on "The Basics of CSR" was provided to the business lines,
  - two training courses on CSR reporting (organization and tools) and two on the carbon review tool were provided, and three CSR reporting telephone hotlines were made available in 2019.

The Group CSR & Sustainable Development division works with other divisions (Risk, Logistics, Procurement, Digital divisions and the federations) to promote CSR culture and support the action taken by the CSR officers in each function.

For its internal communications, the CSR & Sustainable Development division has a dedicated Intranet and three discussion groups on the company social network (green growth, CSR, and climate risks-sustainable finance).

CSR GOVERNANCE AT NATIXIS

Natixis' CSR policy is steered by a dedicated CSR Department reporting to Natixis' Corporate Secretary, who is a member of the Natixis Senior Management Committee.

Its CSR team, which has eight permanent employees, works with the BPCE CSR & Sustainable Development division.

It draws on a network of around two hundred officers in all Natixis' business lines and support functions.

The CSR officers in the support functions (Real Estate & Logistics, Human Resources, IT, Compliance, etc.) are involved in projects to incorporate sustainability in the company's operations.

Corporate & Investment Banking has created a Green Hub comprising experts who help issuers and investors all around the world by offering them solutions and expertise in sustainable financing.

In the Asset & Wealth Management and Insurance business lines, CSR officers have implemented CSR initiatives for many years.

ESG RATINGS

Keenly aware of the major role played by ESG rating agencies, Groupe BPCE responds to the requests of these agencies and maintains dialog with them. This is one of the CSR commitments set out in the strategic plan.

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

Agency	Current rating	Previous rating
OEKOM	C – Prime (2018)	C – Prime (2016)
MSCI	A (August 2019)	AA (2018)
SUSTAINALYTICS	65/100 – Average performer (2018)	61/100 – Average performer (2016)
VIGEO EIRIS	57/100 – Robust (2018)	55/100 – Robust (2016)

A REGULAR AUDIT OF CSR REPORTING AND PROCESSES

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

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

The Banque Populaire network uses the CSR & Cooperative Dividend to measure its commitment to its stakeholders.

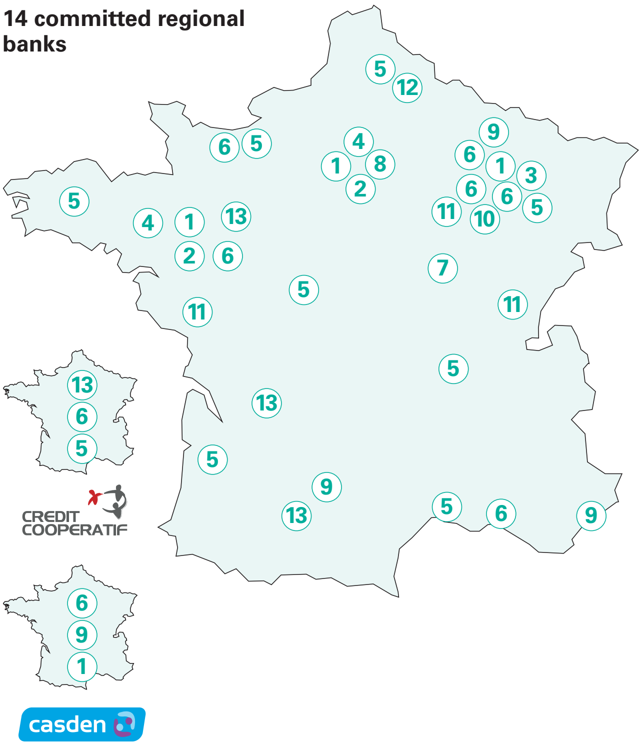
Since 2014, the Caisses d'Epargne's federation has made available a CSR self-assessment tool to help them implement CSR action plans.

The Caisses d'Epargne also increasingly call on external assessments of their initiatives and the quality of their CSR approach. In 2014, a CSR self-assessment tool was made available to the Caisses d'Epargne by their federation to help them implement action plans in accordance with the ISO 26000 CSR standard.

MAP OF CERTIFIED BANQUES POPULAIRES

THE BANQUES POPULAIRES

14 committed regional banks



4 banks with "Lucie" certification,
2 VIGEO 26000 assessments
1 bank with AFNOR "Engagé RSE" label

2 banks with responsible supplier relations labels

8 banks with gender equality certification

16 banks with environmental certification/statements

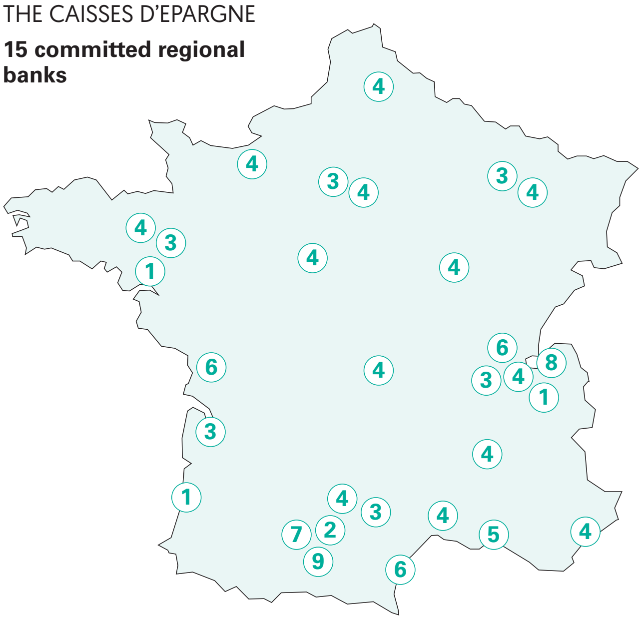
3 banks with customer relationship quality certification

4 sustainable product certifications

MAP OF THE CAISSES D'EPARGNE

THE CAISSES D'EPARGNE

15 committed regional banks



"Lucie" certification for **3** banks and "Engagé RSE" certification for **1** bank (certification covering the CSR policy as a whole)

6 banks with Responsible Supplier Relations labels

13 banks with professional equality certification

1 bank with environmental certification for energy management (ISO 50001)

3 banks with environmental certification: NF HQE / NF Office buildings (French standards) and **2** banks with real estate certification: HPE and BREEAM

1 2 3 4

5 6 7 8

9

2.3 Supporting the energy, ecological and social transition in local regions

The TEC 2020 plan set three major goals in terms of the Group's "Commitment to its cooperative shareholders":

- to reach €10 billion in outstanding loans to finance green growth by the end of 2020;
- to record €35 billion in responsible deposits and savings;
- to issue at least two sustainable bonds per year with its own assets.

As of December 31, 2019, one year before the end of this strategic plan, the initial conclusions can be drawn as to progress made towards these targets.

Regarding the financing objective, outstanding loans are growing steadily, and have exceeded the initial target, at €10.8 billion, driven by loans to finance renewable energy projects. Large-scale projects represent €9.8 billion in outstanding loans. Groupe BPCE finances energy efficiency projects, including thermal renovations and low carbon mobility solutions for individuals, professionals and SMEs. As of the end of 2019, outstanding loans in this area amounted to €1 billion.

Despite intense competition and the falling cost of facilities, demand for renewable energy structured finance is not slowing. Financing for green growth is a bullish segment. However, it is important to keep a close eye on market developments.

RENEWABLE ENERGY SECTORS

Wind and photovoltaic solar power solutions are reaching maturity and demand for energy transition project financing is intensifying.

While interest rates remain persistently low, Groupe BPCE is using all its expertise to structure financing solutions adapted to the complexity of these projects. The quality of its relationships with its stakeholders allows it to find solutions suited to all players.

RESPONSIBLE SAVINGS

The initial responsible deposits and savings targets have already been exceeded.

Interest in responsible bank deposits and savings (passbook accounts) is strong. The products distributed by Groupe BPCE's networks are growing by between 20%-30% per year, confirming the appeal of these types of products. The next challenge is to adjust the range of solutions to address the issues at stake.

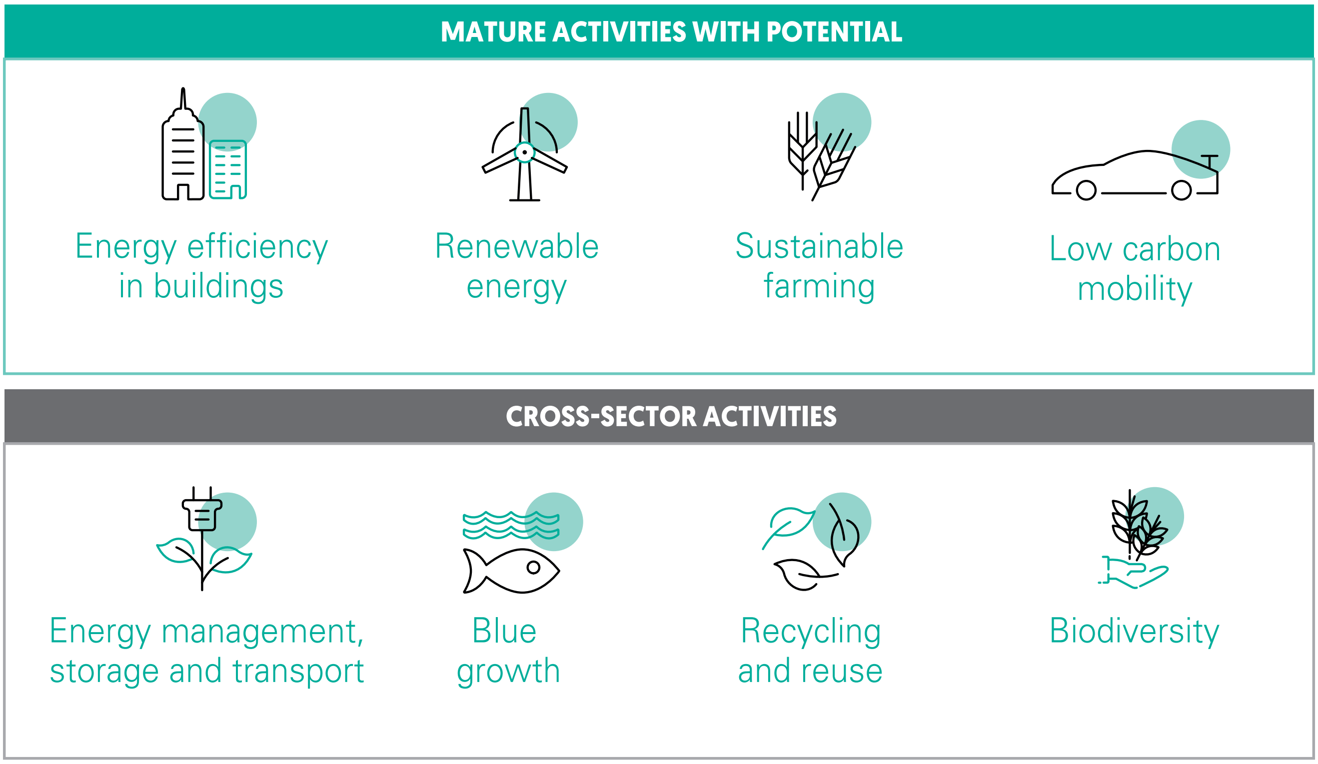
The first priority is to address the theme of re-use. The themes to be covered must meet:

- consumers' concerns, which are constantly changing;
- the major CSR priorities set by governments;
- banks' sales targets.

The second priority is to enhance communications on these products to bring them into line with the highest standards of transparency and impact acknowledgement. The identification and traceability of financing for the energy and ecological transition are crucial to achieving the targets set.

Since 2018, action plans have been implemented on the main retail markets (individuals, businesses, real estate, agriculture) to identify areas where CSR priorities are aligned with business targets. This has led to the launch of initiatives to expand the green growth financing market. The initiatives were focused on different issues in each market: Acculturation, Training, Products & Services, Distribution, and Communications.

This work also refocused Groupe BPCE's vision on four main areas of the energy and ecological transition, with four cross-business priorities.



This vision in terms of priorities is shaping the strategic work in progress for the 2021-2024 period. The ten strategic projects prioritized by Groupe BPCE include one solely focused on environmental issues. It involves several executive and non-executive directors and will set out the Group's new goals and the means to achieve them for the next four years, which will be a crucial period for addressing climate change.

2.3.1 Reflecting environmental, social and governance risks and our customers' requirements and aspirations in our strategy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS ARE GAINING IN IMPORTANCE

Groupe BPCE has stepped up its prevention and management of climate risk while pursuing the commitments set out in its TEC 2020 strategic plan (covering the period 2018-2020).

RECOGNIZING THE CONSEQUENCES OF THE GROUP'S BUSINESS ACTIVITY AND THE USE OF ITS PRODUCTS AND SERVICES ON CLIMATE CHANGE.

Integration of Environmental, Social and Governance (ESG) criteria

IN SECTOR POLICIES APPLICABLE TO THE ENTIRE GROUP

ESG criteria have been systematically incorporated in sector lending policies since 2018. As of the end of 2019, all the Group's sector policies include ESG criteria.

In particular, in 2019, the Group's sector lending policies for the agri-food, construction and public works, and real estate professionals sectors were clarified and updated.

The ESG analysis methodology includes an initial identification of the impact of companies in each sector on the environment and an assessment of how these risks affect their activities. Social, societal and governance risks are also analyzed in terms of the impact they have on business models in the sector in question. The Risk division decides which sectors are reviewed each year and the review frequency based on a group-wide schedule.

IN THE ANALYSIS OF CUSTOMER FILES

The Group Climate Risk department drafted a specific questionnaire in 2019 to assess how its business customers and those in the social and solidarity-based economy have appropriated ESG risks. This ESG questionnaire is being tested among customers in the first quarter of 2020 by client managers in Group entities that are taking part in the pilot schemes. At the end of the test phase, the aim is to roll out the questionnaire in all the Banques Populaires and Caisses d'Epargne in 2020.

Natixis is also working on an integrated approach to incorporate ESG criteria in its decisions for its Large Corporate clients. The process will be included in the bank's existing onboarding and financing information systems and involves the business lines and the Compliance, Risk and CSR departments.

IN FINANCING AND INVESTMENTS IN SENSITIVE SECTORS:

Natixis has set up a risk monitoring team to supervise policies in sensitive sectors. ESG principles are factored into all these policies and exclusion criteria apply. These policies cover the following sectors: coal, defense, tobacco, oil and gas. They are published on the Natixis website.

https://www.natixis.com/natixis/jcms/ala_5415/en/environmental-and-social-risk-management

Internal CSR policies also cover the nuclear, mining and metals and palm oil sectors.

In June 2019, Natixis toughened the exclusion criteria in its coal sector policy.

THE GREEN WEIGHTING FACTOR: MANAGING THE CLIMATE IMPACT OF NATIXIS' CORPORATE & INVESTMENT BANKING ACTIVITIES

In 2018, in accordance with the announcements made at Climate Finance Day in December 2017, Natixis was one of the first banks in the world to use a solution to manage the climate impact of its balance sheet, going beyond simple disclosures. The bank ultimately aims to align its financing activities with the objectives of the Paris Agreement on Climate Change. It has given itself one year to set out the goals of its transition.

The Green Weighting Factor has been fully incorporated into the bank's existing loan approval process and systems since September 16, 2019. It is based on an extremely detailed approach to each sector. Each transaction is assigned a rating. The rating is based on an assessment of the impact of the financing solution on the climate and also takes into account its main non-climate environmental impacts (water, pollution, waste, biodiversity). By adjusting the expected return on each loan depending on its impact on the environment and the climate, Natixis encourages its teams to favor green financing solutions (for an equivalent level of credit risk). This is a concrete way of contributing to the United Nations Sustainable Development Goals regarding climate change and the environment.

For further information, please see the Natixis universal registration document, Chapter 6.3.2.1 "Green Weighting Factor: an innovative solution for a greener financing portfolio".

IN RETAIL BANKING

ESG criteria

Work has begun on determining specific ESG criteria for different sectors of activity, allowing each sector's ESG impact to be analyzed. French and international certification and standards applicable to the sector under consideration are examined to confirm the counterparty's commitment to take better account of ESG issues.

The taxonomy for green finance

From 2020, the details of the European taxonomy will systematically be incorporated into these analyses so as to assess the possible application of indicators set at a European level.

IN INVESTING ACTIVITIES

In 2019, Natixis Investment Managers, which groups the expertise of 25 affiliate asset management companies (€934 billion in assets under management at December 31, 2019), pursued its pledge to take Environmental, Social and Governance (ESG) issues into consideration in the investment models each of its affiliates develops.

Natixis has developed different methods for measuring the impact of its portfolios. The table below provides a summary of the methods used and the results obtained. For further information, please see the Natixis 2019 universal registration document, Chapter 6.3.2.6 "Aligning with the objectives of the Paris Agreement".

Company	Calculation method	Percentage of portfolio	Carbon footprint	Global warming scenario
Mirova	Proprietary model	84.6% of portfolio	Assessment of the carbon footprint	Global warming due to portfolio = 1.5°C
DNCA	Carbon footprint (scope 1 and 2 emissions) for companies in the portfolio tCO_2eq/€m in revenues	69% of portfolio	195 tCO_2eq per €m in revenues	
Naxicap	First estimate of carbon intensity of companies in the portfolio (scope 1 & 2 emissions) tCO_2eq/€m invested	54% of the portfolio Net Asset Value	62 tCO_2eq per €m invested (based on 2018 data)	
Ossiam	Carbon footprint measurement tCO_2eq/€m in revenues	12.3% of assets under management	3 funds: 241 tCO_2eq per €m in revenues Mandate: 209 tCO_2eq per €m in revenues	

Portfolios not listed above are not currently subject to a consolidated assessment in terms of their alignment with global warming scenarios or carbon footprint.

In 2018, Natixis Assurances made a commitment to combat climate change by aligning its investment policy with the 2°C global warming scenario set in the Paris Agreement. Each year, Natixis Assurances will devote nearly 10% of its new investments to green assets, with a target of 10% of its total investments being in green assets by 2030.

At the end of 2019, over €980 million had been invested in green assets over the year. Its commitment covers all its investment portfolios (excluding unit-linked policies).

NEW ENVIRONMENTAL, SOCIAL AND SOCIETAL CONCERNS THROUGHOUT THE ECONOMY

The expectations of Groupe BPCE's clients have changed considerably in recent years, in particular with regard to environmental, social and societal concerns. Groupe BPCE's management, business lines, CSR & Sustainable Development, Research and Risk divisions monitor these changes in order to adapt its products and services.

ENVIRONMENTAL ISSUES

2018 marked a turning point in the recognition of climate and environment-related issues in businesses' and consumers' concerns, investment decisions and consumption habits. This trend was confirmed and intensified in 2019.

The environment is among French people's main concerns. The Sociovision 2019 survey showed that 46% of French people listed "Air, water and soil pollution" as their main concern (compared with 19% in 2015, when it was the fifth biggest concern).

This trend is reflected in consumption habits, with a shift towards use rather than ownership, resulting from growing awareness of climate change and plastic pollution in particular. The conclusions of the 15th Greenflex survey of responsible consumption showed a trend of 'Consuming better and consuming less'. This survey showed that 60% of French people believe it is urgent to take action to save the planet and that climate change, the loss of biodiversity and waste management are key issues. Nearly 80% of consumers have already changed their consumption habits in light of these issues. Healthcare, local employment and animal well-being are cited as concerns alongside these issues relating to climate change and pollution.

EXPECTATIONS AMONG SOCIETY VIS-À-VIS COMPANIES

Society's expectations regarding the role of companies has also changed considerably. With widespread distrust of large corporate brands, 69% of French people pay attention to companies' commitments to the environment and social aspects (Sociovision 2019 survey).

Research into investor interest in the incorporation of ESG issues in savings products has confirmed these trends for the banking industry. The latest research by the FIR (Forum for Responsible Investment) and the AMF (French financial markets authority) shows that nearly 60% of savers believe it is important to consider environmental and social aspects when investing. Savers are unfamiliar with these issues and would like their banks to give them more information.

COMPANIES EVER MORE COMMITTED

The feeling of responsibility among leaders of small, medium and intermediate sized enterprises goes beyond economic concerns – over 80% of business leaders feel responsible for their employees' well-being, local society and environmental protection.

According to a survey by BPIFrance[1], 50% of heads of small, medium and intermediate sized enterprises have a CSR policy and 26% have a structured approach with action plans. The portion of companies with CSR policies increases with the number of employees, from 23% in very small enterprises to 54% in intermediate sized enterprises. In small, medium and intermediate sized enterprises, CSR often takes the form of more open governance and improved working conditions. Environmental concerns are less of a priority. However, there are significant disparities between sectors: the services sector is committed to social aspects, while the transport and tourism sectors are more focused on the environment.

STRONG DEMAND FROM INSTITUTIONAL INVESTORS

After issuing its first green bond to finance renewable energy projects in December 2015, Groupe BPCE doubled down on its green bond activity with a new €500 million issue in November 2019. This issue was a big success and was oversubscribed more than four times.

In accordance with the legal framework published in 2018, Groupe BPCE also completed several issues in other formats, referred to as social bonds (Human Development Bonds and Local Economic Development Bonds) in 2017 and 2018, when three issues were made in this category.

In January 2019, Groupe BPCE issued a Local Economic Development bond for JPY 50 billion (€404 million) on the Japanese domestic market.

Following on from these successes, Groupe BPCE is pursuing its strategy of focusing on sustainable development issues in different markets and has met its goal of making at least two green or social bond issues per year by 2020.

(1) A human adventure: SMEs, mid-sized companies, and CSR - https://www.bpifrance.fr/A-la-une/Actualites/Etude-Une-aventure-humaine.-Les-PME-ETI-et-la-RSE-39531

2.3.2 Financing and facilitating the energy, ecological and social transition with Groupe BPCE's products and services

MEETING FAMILIES' NEEDS

THERMAL RENOVATIONS IN INDIVIDUAL HOMES

In 2019, Groupe BPCE was the number three provider of Eco-PTZ interest-free eco-loans in France, with a market share of 21%. Loans totaling €508 million have allowed our customers to make energy efficiency renovations in their homes. As an active contributor to the Eco-PTZ Committee of the SGFGAS (a personal guarantee provider for low income families), Groupe BPCE has put forward multiple proposals to improve product distribution and efficiency for the individual Eco-PTZ loan and the Eco-PTZ Copropriété loan for commonhold associations. The Group – *via* Caisse d'Epargne Ile-de-France – is one of only two banks that grant Eco-PTZ Copropriété loans.

The launch of the LDD Sustainable Development passbook savings account in 2006 obliged banks to allocate 10% of the deposits collected to thermal home renovation projects within the meaning of the "CITE" (energy transition tax credit) list.

The Group's retail banking networks distribute loans backed by LDD passbook savings accounts: PREVair at the Banques Populaires and the Ecureuil Crédit DD loan for the Caisses d'Epargne. Loan outstandings at December 31, 2019 totaled €142 million.

GIVING THE GREEN LIGHT TO GREEN PROJECTS

Natixis Assurances also encourages individual policyholders to save energy *via* its range of home insurance products. The range includes coverage of equipment such as domestic windmills, solar panels or solar-powered water heaters, energy control cabinets, storage batteries and rainwater collection tanks. In the event of a claim, policyholders can repair damaged paintwork themselves using eco-friendly paint available at a preferential price. Policyholders also receive assistance and advice on how to save energy.

FACILITATING ACCESS TO ZERO CARBON MOBILITY

Groupe BPCE helps businesses and individuals in the transition to zero carbon mobility through its retail banks, insurance activities and as an investor. The Group's networks have created special products to help their customers adopt mobility solutions generating little to no carbon emissions. The Banques Populaires' AUTOVair loan and the Caisses d'Epargne's Ecureuil Auto DD loan can be used to buy hybrid and electric vehicles, including electric bicycles, at preferential rates. Loan outstandings at December 31, 2019 totaled €130 million.

Natixis Assurances offers preferential rates to individuals who travel less than 8,000 km per year in their car: this option applies to 25.5% of contracts (194,297 policies), representing €67.8 million in annual premiums in 2019. Savings of up to 30% are offered to electric vehicle owners. In the interest of supporting its customers, Natixis Assurances also offers eco-driving courses.

Mirova factors in sustainable mobility by encouraging investments in securities issued by vehicle manufacturers and equipment suppliers that propose technical solutions to solve the challenge of offering more and more people mobility solutions while reducing the environmental and social impacts linked to transport.

As the transition to electric vehicles gathers pace, Mirova published a report providing insight into the challenges facing the electric vehicle sector and the solutions available and identifying high added value segments in this sector to channel savings towards these companies, which are crucial to the energy transition.

NEW GREEN FINANCING PRODUCTS SOLD BY THE BANQUES POPULAIRES AND THE CAISSES D'EPARGNE

	2019		2018		2017	
in thousands of euros	Number	Outstandings	Number	Outstandings	Number	Outstandings
Regulated green loans						
PREVair (loans backed by LDD deposits) and CODEVair	158	1,482.92	242	2,463.33	376	3,339.60
Ecureuil Crédit DD (loans backed by LDD deposits)	3,237	37,813.66	3141	32,052.16	3,429	33,404.53
Eco-PTZ (interest-free eco-loans)	6,705	78,367.79	4,354(1)	62,727.40(1)	5,380	78,555.54
TOTAL GREEN HOME LOANS	**10,100**	**117,664.35**	**7,738**	**97,242.89**	**9,185**	**115,299.67**
PREVair Auto (car loan)	1,955	28,327.23	2,100	28,284.34	2064	26,627.94
Ecureuil Auto DD (car loan)	3,290	36,808.93	3,203	34,922.61	3,258	33,850.89
TOTAL ZERO CARBON MOBILITY LOANS	**5,245**	**65,136.15**	**5,303**	**63,206.96**	**5,322**	**60,478.83**
PROVAir	98	13,432.61	62	8,961.01	68	7,740.65
TOTAL GREEN FINANCING	**15,443**	**196,233.12**	**13,103**	**169,410.86**	**14,575**	**183,519.14**

(1) Data adjusted in relation to figures published in the 2018 non-financial performance report.

On September 18, 2019, Banque Populaire du Sud opened EQWI – a sustainable e-branch for customers concerned about environmental and societal issues. EQWI is committed to:

- being a flexible, environmentally-friendly e-branch combining the benefits of digital (availability, accessibility, zero paper) with human relations (in-branch appointments);
- offering solidarity-based savings: using its funds exclusively to finance projects that contribute to environmental protection and sustainable development;
- granting responsible loans: financing its customers' environmentally-friendly projects such as the purchase of a low emission vehicle or home renovations and helping farmers with the transition to eco-friendly farming;
- being an e-branch for everyone: providing personalized solutions to all customers (individuals, professionals, farmers, non-profits and start-ups);
- having specialized advisors: supporting customers' projects with the expertise of advisors trained in sustainability.

https://www.eqwi.fr

HELPING ALL MEMBERS OF THE LOCAL ECONOMY WITH THE ECOLOGICAL TRANSITION

FINANCING THE TRANSITION IN THE AGRI-FOOD SECTOR

The agri-food sector is undergoing major transformations due to rapid changes in consumer behavior. Producers, processing firms and distributors need guidance to move towards a more responsible, local and circular business model.

Accordingly, several initiatives have been set up to facilitate farmers' investments in local development and the agricultural transition with loans guaranteed by the European Investment Fund (EIF). These loans are named Foster (provided by the Occitanie region, Banque Populaire Occitane, and Banque Populaire du Sud) and Alter'na (issued by Banque Populaire Aquitaine Centre Atlantique).

On December 4, 2019, Groupe BPCE signed the National Initiative for French Farming (INAF) agreement to set up and implement a similar guarantee system at a national level in partnership with the French government and the EIF[1].

Specific loans have been developed to finance direct-to-customer sales by farmers. These solutions support local economic and social development, improve access to quality food and reduce carbon emissions from transport.

Innovative, collective, responsible practices in agriculture are promoted with awards for regional farming initiatives and a national prize. The communications campaign organized for these awards showcases these regional initiatives in favor of the social, ecological and energy transition.

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 and manufacturing equipment. Beneficiaries can also address waste management problems or polluting discharges, or adopt renewable energy solutions. At December 31, 2019, 1,154 such projects had been financed for a total of €130 million.

Thanks to a financing line provided by the EIB in July 2018, Groupe BPCE has financed investments by small, medium and intermediate sized enterprises. The €250 million credit line has been used in full.

Negotiations are in progress for a new facility, PEM&ETI Green, provisionally for €300 million, to finance these companies' investments in tangible and intangible assets. At least one quarter of the credit line will be allocated to Climate Action projects.

Crédit Coopératif helps its customers reduce their environmental impact:

In partnership with the European Investment Bank (EIB), the European Commission and the European Union's LIFE program, Crédit Coopératif has designed a solution to issue loans exceeding usual risk limits to finance energy efficiency projects. The agreement also allows Crédit Coopératif to offer subsidized interest rates thanks to a guarantee mechanism. The loans are available to SMEs, non-profits, local public sector entities and intermediate sized enterprises (ISEs), enabling them to finance improvements in terms of heat or electricity consumption in existing buildings, production facilities or industrial processes.

Crédit Coopératif benefits from technical expertise provided by specialized consultants to support its customers' projects.

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

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

Groupe BPCE is the leading financer of the social economy: non-profits, foundations, mutual insurers, social entrepreneurs and cooperative groups. Among the Banques Populaires, Crédit Coopératif makes a particularly substantial contribution to this field.

Meanwhile, the Caisse d'Epargne network is:

- the number one private bank in the social housing sector. It is also a social housing operator *via* the Habitat en Région network, which manages 244,000 housing units. The Caisses d'Epargne are involved as partners in the governance of social housing landlords. They are on the Boards of one out of three organizations in France (public housing offices, social housing companies, cooperatives, non-profits, etc.). In 2019, the Caisses d'Epargne granted €2.36 million in loans to social housing companies;
- a major partner of the public sector: €3.64 in loans granted in 2019.

For more than 20 years, Compagnie Européenne de Garanties et de Cautions (CEGC), has been involved in the setting up of financing for social housing and non-profits working in the social and medical-social sector.

In 2019, CEGC provided guarantees for 60 social housing renovation projects (energy efficiency renovations, enhancements, renovations or construction), as well as for 54 centers for disabled persons and nursing homes for the elderly, and 69 non-profits working on social integration and support.

(1) EIF – European Investment Fund.

It issued slightly more than €209 million in guarantees to allow these projects to go ahead.

CEGC also provides guarantees to semi-public companies for sustainability projects.

It guaranteed a loan issued to finance the factory built by the regional semi-public company, SHEMA, on behalf of LM Wind Power, which will build wind turbine rotor blades as part of the development of offshore energy production by the Port of Cherbourg. The guarantee was set up in 2019. CEGC worked with partner banks to guarantee a total of €2.7 million[1]. (A call for tenders was issued in 2011 to develop renewable energy in France under the Grenelle Act, with a goal of 6,000 MW in offshore energy production by 2020.)

Groupe BPCE will be able to finance its customers in the healthcare and medical-social sector thanks to a new €80 million credit facility provided by the European Investment Bank in June 2019. The credit facility, named Plan Santé France, is earmarked for projects to modernize facilities requiring investments of under €50 million.

The Caisses d'Epargne are longstanding partners of local authorities and finance their investment projects. To finance local authorities, Groupe BPCE regularly negotiates credit lines with the European Investment Bank (EIB).

In November 2019, the EIB granted Groupe BPCE a new €150 million credit line – Eau & Assainissement III (Water & Sanitation III). This credit line will allow the Group to finance local authority investments in water and waste water treatment, biodiversity, flood defense systems and curbing coastal erosion.

Two new credit lines are being negotiated with the EIB for 2020.

One will finance investments in public infrastructure energy efficiency improvements, for an amount estimated at €300 million.

The other, for €100 million, will finance the development of greener means of transport by funding local authority investments in vehicles and infrastructure.

Examples of financing include:

- Caisse d'Epargne de Bourgogne Franche-Comté, which granted a €5 million loan to the Doubs Très Haut Débit public sector joint venture to develop the fiber optics network in the Doubs department;
- Caisse d'Epargne Bretagne Pays de Loire, which invested €25 million in new tramway lines in Angers.

FINANCING FOR THE REGIONAL PUBLIC SECTOR, SOCIAL HOUSING AND THE SOCIAL ECONOMY BY GROUPE BPCE[2]

Indicators *(in thousands of euros)*	**2019**	**2018**	**2017**	**Change 2018-2019**
Total annual new regional public sector loans	4,308,946	4,026,637	5,229,984	7%
Total annual new social housing loans	2,524,172	3,002,815	2,451,444	(15.9%)
Total annual new social economy loans	1,490,237	1,914,676	1,858,393	(22.2%)

In 2019, outstanding loans issued by the Banques Populaires and the Caisses d'Epargne in all markets amounted to €475 billion, making them major creditors of the French economy and local regions.

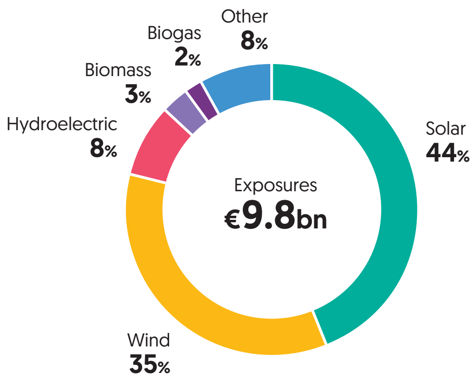
MAKING MAJOR ENERGY TRANSITION PROJECTS A REALITY

RENEWABLE ENERGY

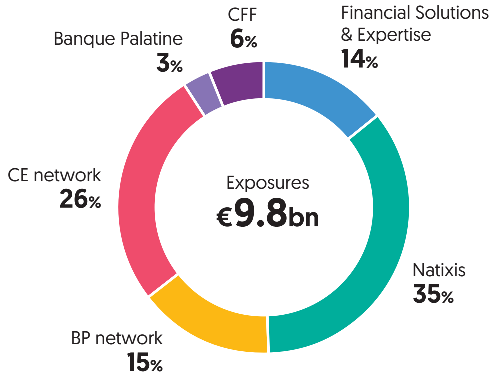
Groupe BPCE is one of the leaders in renewable energy financing for all sizes of projects in France through its different entities.

The Banques Populaires and the Caisses d'Epargne are key sources of financing for local projects. The two networks draw on the expertise of several specialized subsidiaries such as Grand Ouest Environnement, Hypéria Finance and BPCE Energéco.

Groupe BPCE's renewable energy loan outstandings amounted to €9.8 billion at September 30, 2019, focused on solar power (44%) and wind power (35%) assets predominantly located in France (64%).



(1) Call for tenders was issued in 2011 to develop renewable energy in France under the Grenelle Act, with a goal of 6,000 MW in offshore energy production by 2020.
(2) Rectified data.



In August 2018, the EIB granted Groupe BPCE a €110 million credit facility to finance public and private sector renewable energy projects. The credit facility is intended to finance small-scale projects of less than €10 million. To date, €65.7 million of the credit line has been drawn (61%).

At the end of 2019, the EIB granted Groupe BPCE a new facility to finance renewable energy, including biogas. This credit line, named "BPCE *Action pour le Climat*", will finance projects up to €15 million for business customers, semi-public organizations and local authorities.

The Banques Populaires have a structure in place to arrange financing for the sponsors of projects involving mature energy sources – solar and wind power – as well as biogas. This expertise has given the Banque Populaire network a solid reputation in this sector. It was chosen by the EIB to distribute European aid for renewable energy overall (climate action lending policy), biogas (portfolio of projects) and energy efficiency (the Private Finance for Energy Efficiency, or PF4E, instrument).

Crédit Coopératif is a longstanding provider of financing for renewable energy projects across France. It is mainly active in the solar and photovoltaic segments, as well as hydroelectricity production, and has more recently extended its expertise to biogas and heating networks.

CRÉDIT COOPÉRATIF FLAGSHIP ACHIEVEMENTS IN 2019

Crédit Coopératif financed the installation of electric thermal energy batteries for combined heat and power systems operated by COMAX. The batteries will store green electricity produced by these power systems and release it as required so as to better manage production and ensure stable frequency across the grid.

Crédit Coopératif structured and financed €2.1 million in senior debt and a €3.4 million short-term credit line for the construction of a 12 MW thermal solar power plant on the Malteries Franco-Suisses site in Issoudun (in the Indre department) – the world's fourth largest malt producer and a subsidiary of the Axéréal cooperative group. The plant's solar collectors will cover around 15,000 m^2, making it the world's third biggest thermal solar power plant supplying an industrial site. I will supply around 8.7 GWh of heat per year (approximately one-tenth of the site's consumption), which will also be available at night thanks to a storage tank. The renewable source of heat will reduce the site's natural gas consumption and cut its CO_2 emissions by around 2,200 metric tons per year – the equivalent of removing 1,100 new vehicles from the roads.

BPCE Energéco is a leading player in financing the energy transition. For over 15 years, BPCE Energéco has financed more than 3.5 GW in electricity and heat production from renewable sources.

In 2019, it arranged financing for 23 deals representing a total of €350 million. Some of the projects are located in France and will add total installed capacity of 185 MW in the wind and solar power segments.

BPCE ENERGÉCO FLAGSHIP ACHIEVEMENT IN 2019

BPCE Energéco and Banque Populaire Grand Ouest provided a financing solution for a regional project in Anjou. A group of citizens and a semi-public entity purchased the Hydrôme wind farm, which will supply 12,000 people with electricity from a renewable source.

In 2019, Natixis' Corporate & Investment Banking infrastructure financing teams arranged 25[1] new deals totaling €2.1 billion, representing installed capacity of 7,832 MW, including:

- 8 onshore wind farms with a total capacity of 2,429 MW;
- 3 offshore wind farms with a total capacity of 1,498 MW;
- 15 PV and concentrated solar power projects with a capacity of 3,712 MW;
- 2 hydroelectric facilities with a capacity of 193 MW.

Renewable energy accounted for more than 90% of total financing granted by Corporate & Investment Banking in the electricity production sector in 2019.

(1) One of these projects include solar and wind power and one of the projects include solar, wing and hydralic power.

2019 Key Events

FINANCING FOR OFFSHORE WIND FARMS IN FRANCE AND INTERNATIONALLY

Natixis funded the first offshore wind farm in France off the coast at Saint-Nazaire. This 480 MW wind farm has 80 turbines covering a surface area of 78 km^2 located 12 km and 20 km offshore and at depths ranging from 12 m to 25 m. It will be operational in 2022 and it is expected to produce the equivalent of 20% of the electricity consumption of the Loire-Atlantique department.

In 2019, Natixis also played a major role in the renewable energy sector in the Asia-Pacific region, where it financed the SIHU project, which has a capacity of 640 MW. This offshore wind farm in Taiwan will be China's biggest facility. On completion, it will supply clean energy to over 450,000 homes in Taiwan, saving nearly 916,000 metric tons of CO_2 per year.

FACILITATING THE TRANSITION FOR REAL ESTATE PORTFOLIOS

As a provider of financing

In 2019, Natixis continued to expand its financing and arrangement business in the sustainable real estate sector, with various solutions including mortgage loans, green bonds, securitization vehicles and green loans. Four green loans were closed having financed over 26,700 m^2 in green real estate.

As a responsible investor

AEW CILOGER continued its efforts to obtain certification for its portfolio assets throughout 2019. Seven funds took part in the Global Real Estate Sustainability Benchmark (GRESB) assessment, which covers ESG themes. Six of these funds achieved a Green Star rating.

In 2019, AEW CILOGER also issued a request for proposals for electricity or gas supplies from 100% renewable sources in buildings where it purchases energy.

AEW Capital Management took part in the GRESB Assessment for several of its real estate portfolios and was awarded a score of 86/100 for its AEW Core Property Trust fund in 2019, ranking it seventh out of more than 40 funds (equivalent fund universe).

Natixis Assurances monitors the portion of its real estate investments that have environmental certification. At year-end 2019, 19% of real estate assets managed under investment mandates were certified (HQE, BREEAM, etc.). Natixis Assurances extended its policy of incorporating ESG criteria in its real estate portfolio in 2019. In 2020, it will implement an energy convergence plan and continue to obtain certification for the assets in its portfolio.

ICAWOOD: THE FIRST GREEN EQUITY BRIDGE LOAN

Natixis and ICAMAP closed the first green equity bridge loan for €100 million. This deal, which observes the Loan Market Association's Green Loan Principles, will finance the development of real estate projects using low carbon construction techniques in the Greater Paris area.

ENABLING EVERYONE TO ACCESS FINANCING AND BANKING SERVICES

In 2019, Groupe BPCE pursued its inclusive finance policy with various solutions to provide all customers with appropriate banking products and services. These include specific services for financially vulnerable customers, the prevention of over-indebtedness, personal or professional microloans, accessibility for disabled customers, and banking services for protected persons.

IMPROVING THE TREATMENT OF CUSTOMERS FACING FINANCIAL DIFFICULTIES

The TEC 2020 strategic plan emphasized the importance of how the Group treats customers facing financial difficulties and led to the implementation of action plans in each network. The number of customers taking out the specific range of services for vulnerable customers (OCF, or *Offre Clients Fragiles*) is monitored on a monthly basis.

In September 2018, the Group set a goal of increasing the number of OCFs by 30% in relation to 2017. As of December 31, 2019, this objective had been met, with 36,805[1] new OCFs opened in 2019 by customers facing financial difficulties (36%). Several entities have set up dedicated units or use existing ones. At the same time, the Group continued to provide specific training in this area, with 13,048 members of staff trained in the range of services available for vulnerable customers *via* e-learning courses and virtual classrooms.

At the end of 2018, the Group also decided to place a monthly cap on the nine most frequent payment incident fees for customers concerned by this range (€16.50/month maximum) and for customers in one of the three vulnerable situations defined by regulations but who do not benefit from an OCF (€25/month maximum). These limits took effect on January 1, 2019 and on average 89,366[2] customers have been assisted directly by this cap on payment incident fees.

STEPPING UP THE PREVENTION OF OVER-INDEBTEDNESS

In 2015, in accordance with the AFECEI Charter for Banking Inclusion and the Prevention of Over-indebtedness published in 2014, Groupe BPCE introduced a predictive scoring method to allow the early identification of customers at risk of incurring excessive debt. Customers identified by this system are invited to meet with their advisor.

In 2019, the Group worked on extending and enhancing this scoring method, and an upgraded version will be rolled out in 2020.

(1) Source: DITG – Groupe BPCE reporting survey.
(2) Source: table of average fee caps per OCF-2019 per quarter.

RESEARCH ON THE TOPIC OF "NO MORE DEBT"

Banque Populaire Grand Ouest and Informatique Banque Populaire teamed up with Nantes University in November 2019 in a research program combining psychology, sociology and artificial intelligence to identify what factors lead to the risk of over-indebtedness. The program is expected to last one year and aims to produce a software component for persons working with individuals in financial difficulty.

FACILITATING ACCESS TO BANKING SERVICES FOR PERSONS WITH DISABILITIES

Visually-impaired customers can receive account statements and check books in Braille on request. ATMs have been adapted for their use.

On July 1, 2019, BPCE Procurement renewed its nationwide master agreement with Delta Process to facilitate access to telephone banking for a period of three years. The contract provides for videophone interpreting services between bank employees and the customers concerned. They are available in all disability-accessible Groupe BPCE contact points (customer relations centers, branches and e-branches). These facilities are accompanied by nationwide e-learning modules on disabilities, which were attended by 395 members of staff in 2019, and are supplemented by classroom-based courses.

BRANCH ACCESSIBILITY

	2019	2018	2017	Change 2018-2019
Percentage of accessible branches (2005 Disability Act) *(in %)*	99%	87%	63%	14%

SERVING PROTECTED PERSONS

In France, 747,000 adults receive legal or social protection under a ruling by a guardianship judge. The extent of the measures that apply depends on the individual's degree of autonomy. This affects banks for the management of protected persons' bank accounts in conjunction with their legal representative.

The Caisse d'Epargne network is the market leader among this customer segment with 310,000 protected adult customers, representing a penetration rate of 41.5%. It has 150 experts dedicated to protected persons across the country, who offer products and services that meet their specific needs (for example secure cash withdrawal cards). Legal representatives can also access a range of services to help them manage the protected person's account.

The Caisses d'Epargne also publish practical guides for representatives and legal guardians, and a newsletter covering topics relating to vulnerable individuals.

As the Group's number two provider in this area, Crédit Coopératif serves 129,000 protected adult customers with services and management solutions adapted to their situation. Crédit Coopératif maintains a relationship of trust with legal guardians and guardians' associations. It has extended its solutions by establishing a clear distinction between the services offered to guardians and those available to the adult customers. A specific customer onboarding charter has been drafted for protected persons. Crédit Coopératif is also working on new digital payment solutions.

PROMOTING PERSONAL AND PROFESSIONAL MICROLOANS IN PARTNERSHIP WITH SUPPORT NETWORKS

Partnerships with the networks

In 2019, Groupe BPCE remained the number one bank in France in personal and professional microloans with support, with nearly one third of the market.[1]

It has consolidated its position as the leading financer of the three major microloan support agencies, funding or refinancing a total of €555.8 million for 21,131 beneficiaries. For other solidarity-based loans, which are not considered microloans due to their higher amounts (the Lagarde Act of July 1, 2010 caps microloans at €46,000), the Group's market share is the same.

These loans qualify as solidarity-based loans because their approval is not based on standard bank scoring criteria, particularly for project sponsors who are out of work or cannot put up personal collateral. They are guaranteed by specific mechanisms, for example interest-free loans requiring no personal surety, or delegated public sector guarantees. Project sponsors are supported by a solidarity-based finance provider that is a partner of a Banque Populaire bank or Caisse d'Epargne.

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

SUMMARY OF MICROLOANS[1] WITH SUPPORT

	New loans in 2019[2]		New loans in 2018		New loans in 2017		Change 2018-2019	
Type of loan *(in euros)*	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Personal banking microloans	4,988	14,504,035	5,361	14,965,587	5,790	15,251,697	(7%)	(3%)
Personal non-banking microloans	1,545	5,137,651	1,787	5,704,572	1,273	3,860,942	(14%)	(10%)
Secured professional banking microloans, o/w guaranteed by France Active	2,242	74,049,744	2,407	71,749,351	1,984	65,141,491	(7%)	3%
Professional non-banking microloans	6,514	24,516,136	5,570	20,441,971	4,664	17,056,621	17%	20%
GROUPE BPCE TOTAL (INCL. CAISSES D'EPARGNE, BANQUES POPULAIRES, CRÉDIT COOPÉRATIF)	**15,289**	**118,207,566**	**15,125**	**112,861,481**	**13,711**	**101,310,751**	**1%**	**5%**

(1) Microloans: loans issued to borrowers in vulnerable situations covered by a guarantee and supported by a public interest organization. Caps on funds issued as established by the Lagarde Act of July 1, 2010.
(2) France Active – Fafi.

NACRE (*NOUVEL ACCOMPAGNEMENT À LA CREATION ET À LA REPRISE D'ENTREPRISES*) TOP-UP LOANS

	New loans in 2019		New loans in 2018		New loans in 2017		Change 2018-2019	
Issuing network (in euros)	**Number**	**Payments**	**Number**	**Payments**	**Number**	**Payments**	**Number**	**Payments**
GROUPE BPCE TOTAL	**547**	**20,439,542**	**1,109**	**40,018,571**	**1,611**	**56,646,769**	**(51%)**	**(49%)**

TOP-UPS FOR START-UP LOANS PROVIDED BY INITIATIVE FRANCE (ESTIMATE AT JANUARY 31, 2020)

	New loans in 2019		New loans in 2018		New loans in 2017		Change 2018-2019	
Issuing network *(in euros)*	**Number**	**Payments**	**Number**	**Payments**	**Number**	**Payments**	**Number**	**Payments**
GROUPE BPCE TOTAL[1]	**5,295**	**417,200,000 [2]**	**5,216**	**377,803,603**	**5,015**	**366,266,977**	**5%**	**5%**

(1) Including the Caisses d'Epargne, the Banques Populaires and Crédit Coopératif.
(2) 2020 estimates provided by Initiative France.
Sources: Report by the Fonds de cohésion sociale (social cohesion fund), Adie reporting, France Active, Initiative France and France Active disclosures on NACRE financing.

Caisses d'Epargne

In 2019, the Caisses d'Epargne consolidated their rank as the number one bank for personal microloans[1] while also holding on to their leading position in the professional microloan segment. They offer solutions for microloan borrowers *via* the Parcours Confiance association and the Créa-Sol microfinance institution. Sixty advisors are dedicated to this activity across France, alongside over 600 partners providing support for borrowers.

In 2019, 4,442 personal microloans and 1,214 professional microloans were issued by the Caisses d'Epargne, alongside 453 microloans *via* Créa-Sol. At the national level, they are represented on the Steering and Supervisory Board of the *fonds de cohésion sociale* (social cohesion fund).

In 2019, the Caisses d'Epargne further rolled out the *Mobilize Véhicule Neuf* vehicle leasing solution with purchase option financed *via* a microloan, in partnership with Renault and the *Entreprise et Pauvreté* action tank, to enable persons in financial difficulty to lease a new vehicle.

The Caisses d'Epargne also rolled out cash management microloans with the support of the social cohesion fund, to allow individual customers to repay overdue loans.

They also maintained their international commitments through their involvement in the European Microfinance Network (EMN), and Paris Europlace, which has set up a microfinance group.

WOMEN ENTREPRENEURS: A EUROPEAN SURVEY LAUNCHED BY THE CAISSES D'EPARGNE[2]

For eight in ten French women entrepreneurs, the decision to set up their own business was a way of taking control of their career development. 80% of women said they had no problems financing their business. Setting up a business is a truly rewarding challenge but there are various difficulties to overcome. From Italy to Sweden, as well as in France, Germany and the United Kingdom, more than 60% of women entrepreneurs are happy with their lives. This figure peaks at 78% in France and 84% in Sweden.

(1) Source: Fonds de cohésion sociale (social cohesion fund).
(2) Caisse d'Epargne/CREDOC survey of 2,500 entrepreneurs (excluding self-employed workers) in France, Italy, Sweden, Germany, and the United Kingdom in July 2019.

Partnership with business creation support networks

The Banques Populaires work with networks that support business creation, including Adie (French association for the right to economic initiative), Initiative France, France Active, Réseau Entreprendre, and BGE (formerly Boutiques de Gestion). They primarily focus their microfinance initiatives on professional microloans.

The Banques Populaires remained ADIE's leading provider of refinancing, representing 23% of microloan origination. Nearly €28.9 million in credit lines were granted, and €24.4 million disbursed to finance 7,115 microloans, contributing to the creation or retention of 7,058 jobs for self-employed workers or employees.

They also provide top-ups to start-up loans requiring no personal guarantees for young people, as set up by Adie. As well as this financing, the Banques Populaires and their federation:

- provide funding for the new training program for young people entitled "I am an entrepreneur" (formerly CréaJeunes);
- are partners of Adie's communications campaign on "Entrepreneurship for all" week;
- organize the *Créadie Jeune* – Banque Populaire award for young people with entrepreneurial projects in local regions and at a national level. The FNBP's Chief Executive Officer is a member of Adie's Board of Directors.

In 2019, the Banques Populaires granted €287.4 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 the incubator France Active, generating €36 million in secured loans.

Crédit Coopératif remains active in microloans with Adie. In 2019, it financed 1,104 micro-business creations with professional microloans. It is also involved in the personal microloan segment through its strong commitment to support networks (Adie, the Red Cross, Secours Catholique, Missions Locales, etc.) and a partnership between its subsidiary BTP Banque and Pro-BTP (a social protection agency for construction workers) to enable apprentices in the construction sector to buy a vehicle. Accordingly, in 2019 it granted 1,412 personal microloans with support. In 2019, 61% of Crédit Coopératif's loans were aimed at facilitating the professional integration of women.

L'ENVOLÉE, A CRÉDIT COOPÉRATIF BUSINESS INCUBATOR

In 2019, Crédit Coopératif opened *L'Envolée,* an inclusive business incubator in Saint-Denis (in the Seine-Saint-Denis department) for entrepreneurs committed to fostering a fairer, more equitable and open society for all. Crédit Coopératif and its partners share their expertise with entrepreneurs who place social impact and inclusion at the center of their business plans. They receive individual support, business development assistance and access to an active network of partners. The incubator is also funded by the Ile-de-France region.

Partnership with the non-profit Finances & Pédagogie

The Caisses d'Epargne support the association Finances & Pédagogie, which is an educational program for young people, for people in financial difficulty, social aid professionals, volunteers with charities and employees.

The objective is not only to provide support on recurrent topics involving money (managing a budget, relations with the bank, knowing how to talk about money, planning for life events, etc.) but also to address new challenges: digital money, sustainable development, professional retraining, setting up a business, etc.

In 2019, 3,081 sessions were held for 50,467 trainees. They included:

- 17,848 young people from schools and vocational training centers;
- 15,682 people receiving assistance from entities in the social and solidarity-based economy or other social organizations;
- over 1,469 social workers and volunteers, mainly from the social services divisions of associations, guardianship organizations and local governments.

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

- 63% covered everyday budgeting and money issues;
- 25% covered banking and payment instruments;
- and 12% covered issues related to credit, microloans and excessive debt.

The association is a member of the Operational Committee for National Financial Education Strategy run by the Banque de France. Its educational materials are available on the Finances & Pédagogie website and are also published on the national portal *"Mes questions d'argent"* (My questions about money). It is also accredited by the French Ministry of Education. Its key teaching materials are validated and incorporated in the educational library of the INC (French National Consumer Institute).

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

2.3.3 Steering customers' deposits and savings towards a more responsible economy

SOLIDARITY-BASED SAVINGS ARE PART OF GROUPE BPCE'S DNA

The Banques Populaires and the Caisses d'Epargne are regional cooperative banks that channel most of their customers' savings and deposits into local projects.

Groupe BPCE is a leader in solidarity-based savings in France, ranking number one in terms of inflows and management in the latest Finansol professional survey.

At December 31, 2019, Groupe BPCE managed nearly 36% of total solidarity-based savings (€4.5 billion out of €12.6 billion).

Passbook savings accounts

CODEVair is a Finansol-certified product distributed by the Banques Populaires, aimed at encouraging customers to put their savings into the energy transition. Launched in 1999 by Banque Populaire d'Alsace, CODEVair is now distributed by nine Banques Populaires, including Crédit Coopératif. Outstanding deposits and savings amounted to €1.85 billion at December 31, 2019. The savings in these accounts have financed 11,500 projects totaling €283 million, in particular low energy homes and low emission vehicles.

All the Caisses d'Epargne offer the *Compte sur Livret Régional* (CSLR) passbook savings account. Funds collected are used to finance local support and development initiatives. Each Caisse d'Epargne chooses to use the funds to finance digital development, healthcare or employment. Outstanding savings in CSLR accounts total €1.42 billion, invested by 17,009 customers who can ask to be informed of the projects financed by their savings.

Crédit Coopératif is one of the leaders in solidarity-based financial products in France. It offers the AGIR range, which includes a charity debit card and six passbook savings accounts.

The flagship product is the Livret AGIR, which donates 50% of accrued interest to one of the 25 beneficiary associations approved by the bank. In 2019, over €3 million in donations were made *via* Crédit Coopératif solidarity-based products and Ecofi Investissements solidarity-based investment funds. With the *Coopération pour ma région* passbook savings account, savers can put their deposits to work in funding the social and solidarity-based economy in the region of their choice. The REV3 account finances projects sponsored by the REV3 organization in the Hauts de France region.

RESPONSIBLE PASSBOOK SAVINGS ACCOUNTS

Responsible passbook savings accounts *(outstandings in millions of euros)*	**2019**		**2018**		**2017**		**Change 2018-2019**	
	Number	**Outstandings**	**Number**	**Outstandings**	**Number**	**Outstandings**	**Number**	**Outstandings**
LDD Sustainable Development passbook savings account	293,138	1,347	304,616	1,269	312,664	1,268	(3.9%)	5.8%
CODEVair passbook savings account	9,608	587	8,871	687	6,918	411	8.3%	(14.6%)
Regional passbook savings account	17,009	613	12,422	422	10,599	309	36.9%	45.3%
Crédit Coopératif committed passbook savings accounts (Épargne engagée)	73,103	832	71,156	769	67,538	662	2.74%	12.6%

CROWDFUNDING SOLUTIONS FOR PROJECTS TO IMPROVE SOCIETY

Espace Asso

The *Espace Asso* range of digital services has rounded out the *Espace Dons* offer since 2018. This solution, developed by the fintech E-Cotiz, allows non-profits to digitalize their membership registrations, donations, and any sales or ticketing inflows. As well as making their cash collection process more secure, *Espace Asso* facilitates their day-to-day management, enables them to optimize their cash management, saves time, and simplifies their relationship with their members. The *Espace Dons* website, which complements this range of services, showcases non-profit organizations and allows them to receive donations from the general public. The projects it promotes are localized to encourage regional solidarity. Each Caisse d'Epargne can match crowdfunding donations through its patronage scheme.

With this range of services, the Caisse d'Epargne network is helping its customers from the social and solidarity-based economy with the digital transition, in line with its values of encouraging social innovation and its position as the leading private financer of the social and solidarity-based economy.

Crédit Coopératif is also involved in crowdfunding with the support of new digital players such as the equity structure, WiSEED, with which it has formed a partnership to promote innovative offers in the energy, ecological and solidarity transition field. It also supports Financement Participatif France, an association that represents and promotes crowdfunding platforms.

CREATION OF THE KIWAI CROWDFUNDING PLATFORM

On November 15, 2019, at the Hôtel de Région (regional parliament) in Rouen, Hervé Morin, President of Normandy, revealed Normandy's first crowdfunding platform for the ecological transition, alongside Christophe Descos, Chairman of Kiwaï and Bruno Goré, Chairman of the Management Board of Caisse d'Epargne Normandie. This crowdfunding platform will bring together entrepreneurs with local sustainable development projects and individuals who wish to invest usefully in their region. A call for projects was announced to attract candidates with projects in Normandy to launch the crowdfunding campaign in December.

SRI AND ESG EXPERTISE SERVING THE SUSTAINABLE DEVELOPMENT CAUSE

INCORPORATING ESG CRITERIA

Groupe BPCE's asset managers offer a range of investment solutions that incorporate ESG criteria to different degrees:

- first level: ESG analysis – recognition of ESG criteria in the analysis of issuers, without this systematically having an impact on investment decisions;
- second level: ESG integration – incorporation of ESG criteria in investment decisions (including thematic and/or impact investments and exclusion strategies);
- third level: Certification – funds certified by recognized third parties (the French SRI label, Greenfin, Finansol, Febelfin, LuxFlag ESG, Nordic Swan EcoLabel, FNG Siegel).

Under an inclusive system, when a fund qualifies for Certification, it also joins the ESG integration category, and a fund that qualifies for the ESG integration level also enters the ESG analysis category.

ANALYSIS AND INTEGRATION

SUMMARY OF HOW ESG CRITERIA ARE TAKEN INTO ACCOUNT IN THE INVESTMENT ANALYSIS/DECISION PROCESS

Company	Analysis/integration	Scope covered in billions of euros (total AuM in portfolio)	Percentage of AuM Analysis/Integration
Ostrum	Analysis/Integration	€274.1 billion	93%/24.3%
Mirova	Integration	€12.5 billion	100%
DNCA	Analysis/Integration	€22.34 billion	71.7%/3.5%
Naxicap Partners	Analysis	€3.6 billion	98%
Seeyond	Integration	€9.7 billion	9.7%
Thematics	Integration	€0.6 billion	100%
Ossiam	Integration	€4.2 billion	18.3%
AEW Ciloger	Integration	€31.6 billion	16% of assets

CHANGE IN PERCENTAGE OF ASSETS UNDER MANAGEMENT THAT INCORPORATE ESG CRITERIA IN INVESTMENT DECISIONS

Indicator (as a %)	2019	2018	2017	2016	Change 2018-2019
Ostrum AM	24.3%	21%	5.6%	4.95%	15.7%
Mirova	100%	100%	100%	100%	0%
Ecofi Investissements	73.4%	57.9%	64.9%	66.5%	27%
Banque Palatine	3.5%	2.1%	0.7%	0.7%	67%
DNCA	3.5%	2.2%[(1)]	NC	NC	59%
Seeyond	9.7%	7.2%[(1)]	NC	NC	34.7%

(1) Year of inception.

Ostrum AM incorporates material ESG aspects in its analysis for both its equity and credit funds. The companies it invests in are always asked about ESG issues and how they include them in their business model. This process applies to €255.4 billion in assets under management, representing 93% of its total assets under management. Ostrum AM's responsible investment approach applies to all its investments in sovereign assets from emerging and developed countries and over 90% of its credit investments. Since 2019, all its equity investments incorporate ESG dimensions throughout the investment process.

In October 2019, Citywire ranked Ostrum AM fifth out of 220 investment management firms that are truly committed to ESG.

Ostrum AM offers its customers socially responsible products on all its asset classes with a range of investment strategies, representing a total of €66.6 billion, or 24.3% of its total assets under management:

- Best in Class and Positive Screening: selection of the best rated issuers from an investment universe that excludes issuers with a high ESG risk profile;
- Best in Universe: selection of issuers from all sectors with the best ESG performance in the investment universe;
- Bespoke Strategies: strategies co-built with clients for their dedicated funds or discretionary mandates so as to match their ESG philosophy as closely as possible.

Mirova, the Group's sustainable investment affiliate, includes ESG criteria in its investment filters on all asset classes, representing €12.5 billion in assets under management. This year, Mirova was awarded the 2019 Gold Prize for Management Companies.

MIROVA WOMEN LEADERS EQUITY FUND

In the first quarter of 2019, Mirova launched a global equity fund on the theme of the presence of women in companies' executive bodies. Women's presence in senior management positions is a key factor of diversity in companies and proof of their commitment to gender equality. Mirova has set criteria and created an investment universe of 250 companies around the world, and has built a portfolio of around 50 companies from this universe following an active fundamental management approach. The fund has obtained the French SRI label and it has entered into a partnership with the French National Committee of UN Women, to which it donates part of its management fees. Natixis Assurances is committed to supporting projects with a strong social impact and has invested €10 million in this fund.

DNCA manages €22.34 billion in assets, including €16 billion analyzed against ESG criteria (71.7% of total assets under management).

Naxicap Partners applies ESG analysis to all companies in its portfolio in which the total investment exceeds €5 million, which account for 98% of assets under management. External auditors perform mandatory pre-investment ESG analysis. Each issue is analyzed in detail, including a review of its materiality, its strategic importance in the sector, a summary of the company's ESG performance and appropriate indicators. Naxicap Partners won Private Equity magazine's 2019 ESG – Sustainable Development award.

After performing pre-investment ESG audits, Naxicap Partners systematically includes an ESG clause in its shareholders' agreements. This clause includes a commitment by the company to implement a detailed action plan and provide regular information and responses to ESG questionnaires (120 indicators). In addition, Naxicap Partners works with the management of the companies in its portfolio to establish a plan to reduce greenhouse gas emissions and adapt to climate change. In 2020, it intends to include ESG criteria in the variable compensation of its investment teams and the executive officers of the companies in its portfolio.

AEW CILOGER in Europe, and AEW Capital Management in the United States, both of which specialize in real estate investments, are building a corporate culture that respects ESG principles. ESG aspects are considered and discussed with the Investment Committee at the acquisition stage for direct investments. Before making any investment decisions, the investment team looks at:

- ESG strategy;
- certifications;
- renewable energy on site or renewable energy certificates purchased;
- risks relating to the water supply and water quality.

Natixis Assurances ultimately aims to fully incorporate ESG criteria, with certification for all its real estate assets (compared with 40% of its portfolio by market value as of the end of 2019).

Fund certification

Fund managers who incorporate ESG criteria can seek certification for their funds based on the region in which they are sold and/or the investment sector.

Company	Number of certified funds	Certification	Amount at 12/31/2019
DNCA (Beyond range)	6	6 SRI labeled funds including 4 Febelfin certified funds	€0.78 billion
Ostrum AM	13	SRI, Greenfin	€12.9 billion
Mirova	4	SRI	€4.7 billion
Mirova	NC	Greenfin	€2.4 billion
Mirova	NC	Finansol	€0.9 billion
Mirova	NC	Other labels	€0.9 billion
Ossiam	4 funds	SRI	€0.54 billion

4 DNCA FUNDS OBTAIN FEBELFIN CERTIFICATION – THE NEW LABEL FOR THE EUROPEAN FINANCIAL CENTER

The new Belgian Febelfin certification imposes new standards based on the recommendations of the European expert group on promoting sustainability funds among retail investors: transparency, ESG analysis and exclusions with low tolerance thresholds for coal and conventional and unconventional fossil fuels. DNCA was awarded this certification for all the sustainability funds it sells in Belgium. Three equity funds and a mixed fund were certified, representing €685 million in assets under management.

AEW CILOGER set up a working group within the French association of investment property companies (ASPIM) to create a real estate SRI label in France incorporating criteria covering all environmental, social and governance issues.

SOCIETAL EXCLUSION POLICIES:

Natixis has adopted exclusion policies for sectors and issuers that do not respect certain human rights and fundamental principles of corporate responsibility. DNCA, Ostrum AM, Mirova, Seeyond, Thematics AM, Ossiam and Natixis Assurances apply these policies to their investments, The following sectors and issuers are excluded:

- controversial weapons;
- tobacco[1];
- companies deemed the worst offenders (companies that do not observe the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises)[2];
- countries on the FATF list or under US or European embargo.

In addition, Natixis Assurances applies ESG criteria ahead of its investment process to exclude issuers deemed to be opposed to achieving Sustainable Development Goals. These are issuers with a negative rating in research by Mirova. Natixis Assurances' life insurance investments have had no exposure to these issuers since the end of 2017.

INVESTOR STATEMENT ON GENDER EQUALITY IN THE WORKPLACE

A group of 66 investors representing over $4 trillion in assets is calling on companies to step up their commitments to gender equality in the workplace. This group of investors is coordinated by Mirova. Natixis Investment Managers, Ostrum AM and Natixis Assurances have also signed this collaborative statement. The statement is supported by UN Women and the United Nations Global Compact. It is part of the Women's Empowerment Principles, which Natixis has signed.

MIROVA AND OSTRUM AM FIGHT DEFORESTATION IN THE AMAZON

In September 2019, as media attention was focused on fires in the Amazon, 244 investors, including Mirova and Ostrum AM, signed a declaration to curtail deforestation and wildfires in the Amazon. These investors represent $17.2 trillion in assets under management. More generally, Mirova strives to direct its investments towards companies committed to curbing deforestation.

VOTING AND ENGAGEMENT POLICIES

Ostrum AM, Mirova, Seeyond, DNCA, Thematics AM and Ossiam place shareholder engagement at the center of their responsible investor approach.

Ongoing constructive dialog is established with companies to encourage them to take better account of environmental, social and governance issues in their strategic planning.

Their voting and engagement policies are based on two complementary principles:

- individual ongoing engagement by using voting rights and maintaining dialog with issuers;
- collaborative engagement alongside other investors aimed at raising awareness of the importance of ESG among issuers, government authorities and regulators.

In 2019, Ostrum AM supported four new commitments covering gender equality in the workplace, tobacco, deforestation and wildfires in the Amazon, and methane emissions in the oil and gas sectors.

The voting policy and dialog are central to Ecofi Investissements' sustainability strategy; it has updated its voting policy with more stringent requirements in terms of ESG. In accordance with its policy, Ecofi Investissements votes at all Shareholder Meetings of the French and European companies whose shares it holds in its portfolios. Ecofi Investissements maintains application of this voting policy which fosters socially responsible behavior among its investment targets.

It engaged regular individual dialog with several companies involved in serious controversies that are considered as to be emblematic for the energy transition. It also actively contributes to the shareholder coalitions it has joined to influence companies on the front line in terms of the energy transition.

FINANCE WITH SOCIAL IMPACT

Natixis supported the development of several flagship social impact financing solutions in 2019, including a sustainable bond issue with a major social impact and a fixed income structured product.

Sustainable bonds raise funds that may only be used to finance or refinance a combination of green or social projects (exclusively social projects for "social bonds").

Natixis arranged the issuance of 9 sustainable bonds in 2019.

INCLUSION OF SOCIAL CRITERIA IN THE GHANA COCOA BOARD'S SUSTAINABLE TERM LOAN

Natixis co-arranged a sustainable term loan for the Ghana Cocoa Board. This new $300 million loan over three years will finance production improvement programs and includes a margin adjustment mechanism based on environmental and social goals. One of the goals is the promotion of sustainable agricultural practices (training in these practices, planting of shade trees). This deal is one of the first in this sector to encourage environmentally friendly production techniques and improve farmers' livelihoods (in particular for women and children).

(1) Except at Seeyond and only for certified funds at DNCA.
(2) With the exception of Thematics AM and Seeyond for their index tracker funds.

ACTION LOGEMENT ISSUES ITS FIRST SUSTAINABLE BOND FOR €1 BILLION

Natixis was lead manager for the first sustainable bond issue by Action Logement, an organization run jointly by the government, employers and unions which finances low cost housing in France. The bond raised €1 billion over 15 years. It will finance the commitments made by employers and union bodies under the €9 billion voluntary investment plan signed with the government in April 2019. The funds raised will finance and refinance social and green projects, for example, the construction and renovation of social housing. The net proceeds will fund contributions to public policy, assistance and services for individuals, as well as social and capped-rent housing schemes in France.

THE MIROVA SOLIDAIRE FUND TOPS €200 MILLION

In 2019, the Mirova Solidaire fund surpassed the symbolic €200 million mark in terms of assets under management, with inflows of nearly €20 million over the year. These inflows allowed the fund to invest €10 million in the rooming-house scheme run by Habitats & Humanisme. Under this scheme, 20 new rooming-houses (low cost individual residences with shared living spaces) will be provided in line with the government's plan to create 10,000 additional rooms in such houses. The Mirova Solidaire fund was certified a "French Impact" fund in 2019, which will increase its visibility.

Ecofi – Crédit Coopératif's asset management subsidiary – is pursuing its commitment. Since January 1, 2019, Ecofi Investissements has applied its new SRI process to all its open-ended funds and it completed its certification process, obtaining three SRI labels from the French government and a Greenfin label for its investment funds. At the end of 2019, Ecofi Investissements chose a new service provider, ISS ESG, to enhance analysis of its investments in terms of their alignment with the 2°C climate scenario.

RESPONSIBLE SOLIDARITY-BASED EMPLOYEE SAVINGS PLANS

Groupe BPCE's entities offer a range of responsible and/or solidarity-based employee savings solutions via Natixis Interépargne (NIE).

Natixis Interépargne is fully committed to sustainable development, ranking number one in terms of solidarity-based employee savings inflows in France, with over €33.5 billion in assets under management. Natixis Interépargne is a major player in responsible company savings plans in France with SRI-certified assets under custody amounting to €5.8 billion. Solidarity-certified funds amount to more than €1.7 billion. With total assets of over €7.65 billion, Natixis Interépargne's market share exceeds 25% in SRI and 29.5% in solidarity investments in France.

Natixis Interépargne's savings inflows and Mirova's portfolio management expertise combine to provide financing for sustainable and solidarity-based projects. Projects such as these are developed by investing in companies that strictly observe ESG criteria, or by allocating resources to entities in the social and solidarity-based economy.

Mirova's Insertion Emplois Dynamique fund, which was launched in 1994, was one of the first solidarity-based "90/10" funds dedicated to job creation in France. The solidarity allocation (10% of assets) finances structures with a positive social impact across the country in conjunction with France Active, while the equity allocation (90% of assets) invests in listed companies planning to create jobs in France over 3 years, based on analysis performed by Mirova. The employee headcount in the listed companies in which the fund invests increased by an average of 13.1% over the review period (2014-2018), while it rose by 2.7% for CAC 40 companies more generally over the same period. The portfolio's ESG profile also improved over this period, and its carbon impact improved sharply, with the climate scenario implied by its investments (expected temperature rise) estimated at +1.5°C at December 31, 2019, compared with +4.4°C at the end of 2014. The fund has €576 million in assets under management. Mirova manages €967 million in assets in solidarity investments[1].

Natixis Interépargne's SRI expertise is fully on display in the Impact ISR and Cap ISR ranges, created in 2002 and 2013 respectively, which together accounted for over €4.5 billion in AuM in September 2019. These two product ranges invest in funds managed by Mirova, an award-winning asset management company renowned for its responsible investments and the quality of its investment management, offering customers a viable and sustainable alternative to traditional financial investments.

Natixis Assurances systematically includes an ESG-certified unit-linked product (SRI or Greenfin certification) in all new life insurance policies. These certified unit-linked products totaled €804 million at the end of 2019.

(1) Solidarity-based funds (Mirova Solidaire) and "90/10" solidarity-based equity funds (Insertion Emplois Dynamique fund and dedicated fund).

2.4 Responsible internal and external practices

2.4.1 Respecting business ethics

THE GROUPE BPCE CODE OF CONDUCT AND ETHICS

Groupe BPCE published a code of conduct and ethics in 2018, as announced in the TEC 2020 strategic plan. It was reviewed by the Cooperative and CSR Committee then approved by the Executive Management Committee and the Supervisory Board.

http://guide-ethique.groupebpce.fr/

The Code is rooted in international values and standards, and provides a practical guide with clear illustrative examples. It includes a message from Executive Management and sets out the Group's ethical standards in three areas: the interests of customers, employer responsibility and social responsibility, with practical business-oriented examples.

The Code applies to all members of staff in all Groupe BPCE entities. In view of its specific activities, Natixis also published a code of conduct in early 2018 – a master document setting out the main guidelines to be followed by employees in their relations with Natixis' stakeholders: its clients, teams and shareholders, as well as society at large.

https://www.natixis.com/natixis/jcms/rpaz5_65439/en/code-of-conduite

GUIDING PRINCIPLES

These rules of conduct are illustrated with real-life situations that may be encountered by any stakeholder, including employees, managers, directors and other parties. When contradictory influences are at play, it is important that employees have clear rules to help them make the right decision.

The code of conduct and internal policies and procedures provide clear instructions on how to behave, but they cannot provide a solution for all situations. Members of staff must exercise their judgment to make the right decision, drawing on the principles set out in the code of conduct.

If they have any doubts about what they are about to do, employees should ask themselves the following questions:

WHISTLEBLOWING

Groupe BPCE employees can use the internal whistleblowing procedures in place in all Group entities to report breaches of the rules before they become serious risks.

The Group protects whistleblowers. Under no circumstances may they be subject to any disciplinary action or legal proceeding, provided they have acted impartially and in good faith.

The Group code of conduct and ethics was widely rolled out from late 2018 and throughout the first half of 2019, accompanied by a communications plan across all the Group's media. All members of staff must complete a mandatory e-learning course by the end of the first quarter of 2020 to confirm their understanding of the principles set out in the Code. At the end of 2019, 84% of staff had done the course. Work is also under way to set up an ethical governance structure with a specific reporting process, to incorporate ethics in HR processes and to ensure consistency between the code of conduct and ethics and internal procedures. This work should be finalized in the first half of 2020.

PREVENTION OF MONEY LAUNDERING AND FRAUD

Financial security covers anti-money laundering and counter terrorist financing measures, as well as adherence to international sanctions aimed at individual persons, entities or countries.

BPCE works to prevent money laundering and terrorist financing through:

CORPORATE CULTURE

Promoted across all levels of the company, corporate culture is built on:

- formally-established principles governing relationships with customers designed to avert risks; employees are regularly reminded of these principles;
- a harmonized, biannual training program for Group employees, and specialized training for the Financial Security function.

ORGANIZATIONAL STRUCTURE

In accordance with Groupe BPCE's charters, each institution has its own financial security unit. A department within the Risk division coordinates anti-money laundering and counter terrorist financing processes. It determines the financial security policy for the entire Group, establishes and obtains approval for standards and procedures, and ensures that money laundering and terrorism financing risks are taken into account in the Group's procedures for approving new products and services.

SPECIALIZED PROCESSES

In accordance with regulations, the banks have methods for detecting unusual transactions that are specific to each risk classification. These can be used, if needed, to conduct closer analysis and to submit suspicious-transaction reports to Tracfin (French financial intelligence agency) as promptly as possible. The Group's risk classification identifies "high-risk" countries in terms of money laundering, terrorism, tax fraud or corruption. It enhanced its systems in 2018 with the introduction of a set of standards and automated scenarios tailored to the specific features of terrorist financing. As regards compliance with restrictive measures related to international sanctions, Group institutions are equipped with screening tools that generate alerts on customers (asset freezes on certain individuals or entities) and international flows (asset freezes and countries subject to European and/or US embargoes).

SUPERVISION OF OPERATIONS

Internal reports on the prevention of money laundering and terrorist financing are submitted to company directors and governing bodies, as well as to the central institution.

ACTIVITIES IN 2019

The Group Financial Security department increased its headcount so it can actively monitor all Financial Security matters. The permanent control system was reviewed and enhanced.

ANTI-MONEY LAUNDERING

	2019	2018	2017	Change 2018-2019
Percentage of employees trained in their entity's anti-money laundering policies and procedures (based on reports from the entities)[1]	77%	79%	90%	(3%)

(1) Number of employees (on permanent, fixed-term or work-study contracts) who have received anti-money laundering training in the last two years.

ANTI-CORRUPTION MEASURES

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 fraudulent and unethical behavior subject to severe criminal and administrative sanctions.

Groupe BPCE denounces corruption in all forms and in all circumstances. It is a signatory of the United Nations Global Compact, whose tenth principle states that "Businesses should work against corruption in all its forms, including extortion and bribery."

Anti-corruption measures

The Group strives to prevent corruption in order to guarantee the financial security of its activities, in particular by:

- taking measures against money laundering, terrorist financing and fraud, supervising politically-exposed persons, and complying with embargoes;

- ensuring that employees observe the code of conduct and professional rules of compliance and ethics by applying policies governing conflicts of interest, exchanges of gifts, benefits and invitations, confidentiality and professional secrecy. Disciplinary sanctions have been defined for any failure to respect professional rules governing the activities conducted by Group companies;
- exercising due diligence when making contributions to political campaigns or to government agents, donations, patronage and sponsorship, or lobbying;
- supervising relations with intermediaries and business introducers *via* groupwide standardized contracts describing the reciprocal services and obligations, and committees for approving and contractually establishing compensation terms;
- producing and regularly updating a map of exposure to corruption risks arising from the Group's activities. This was supplemented in 2019 by a map of exposure to procurement categories that are exposed to corruption risks;
- organizing regulatory training sessions on ethical rules applicable in the industry and on fighting corruption, in the form of a mandatory e-learning course for all new hires and members of the business lines that are most at risk.

A whistleblowing system is available to employees and included in the internal rules. Employees and external service providers have a procedure in place for implementing the whistleblowing system.

The Group also has a comprehensive corpus of standards and procedures setting out the rules governing the strict separation of operating and control functions, including:

- a tiered system of delegation of authority for granting loans;
- 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 Group's internal control system for accounting information is based on a structured audit process 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. 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. These charters apply to parent company affiliates and all BPCE subsidiaries.

BPCE Procurement and Natixis are working to establish common rules for assessing the Group's suppliers in terms of anti-corruption requirements. A KYS system will be introduced in 2020 with rules for assessing the Group's suppliers in terms of their exposure to the risk of corruption, in particular in certain procurement categories.

Pursuant to the requirements of Article 17 of the French act of December 9, 2016 on transparency, prevention of corruption and economic modernization (Sapin 2 Act), Natixis has also reviewed its anti-corruption policy, which is available on its website https://www.natixis.com/natixis/jcms/rpaz5_65439/en/code-of-conduite

COMBATING TAX AVOIDANCE AND THE GROUP'S TAX POLICY

Groupe BPCE conducts most of its activities in France, under a regional cooperative business model. Through its subsidiary Natixis, the Group serves multinational enterprises and has thus established commercial operations all around the world. Its presence in different jurisdictions is justified for such business reasons and not for the purpose of enjoying any specific tax advantages.

SIGNATURE OF A TAX PARTNERSHIP WITH THE MINISTER OF PUBLIC ACTION AND ACCOUNTS

BPCE SA, acting on behalf of itself and its wholly-owned subsidiaries, signed the Tax Partnership with the Minister of Public Action and Accounts on its official launch on March 14, 2019.

The Tax Partnership involves regular, transparent dialog with the tax authorities on a voluntary basis and is aimed at large corporations and intermediate sized enterprises, which are subject to frequent tax audits.

It allows the companies concerned to obtain a clear response from the authorities on complex tax matters that can cause financial or legal risk, in exchange for more transparency.

Groupe BPCE is the only bank admitted to this new scheme. To date, 190 Group entities have adhered to the Tax Partnership.

As a reminder, BPCE was a pioneer in this area in 2013 when it joined the experimental 'trusted relationship' scheme set up by the tax authority.

Plans to set up a fiscal code of conduct

Groupe BPCE has decided to draft a fiscal code of conduct setting out the principles and general framework to be used as a guide to the Group's own taxation, as well as the taxation applicable to its customers within their relations with the Group. The Code will be issued to all members of staff and will be applicable to all.

Groupe BPCE transfer pricing policy

Groupe BPCE's transfer pricing policy observes OECD recommendations and does not give rise to indirect profit shifting.

The general underlying goal is for profits to be taxed where the value is created, in line with OECD transfer pricing guidelines and with local tax rules.

Groupe BPCE applies the "arm's length principle" to ensure that the parties to intragroup transactions are paid the amount they would normally receive on the open market, that transfer pricing methods are applied consistently and that transactions are performed responsibly and transparently.

Groupe BPCE prepares transfer pricing documentation for its intragroup transactions to comply with local transfer pricing documentation requirements in the countries where its entities are located.

Transfer pricing tax compliance

French legislation requires the completion of several specific tax returns and disclosures on transfer pricing.

At the end of 2019, BPCE completed the new Country-by-Country (CbC) report for 2018. This report was created in accordance with Action 13 of the OECD's Base Erosion and Profit Shifting (BEPS) action plan – a coordinated international approach to combat tax evasion by multinational enterprises.

The French General Tax Code requires the arm's length principle be applied to intragroup transactions.

Groupe BPCE entities are subject to regular tax audits during which the authorities review the compliance of its transfer pricing policy.

Financial institutions are also subject to specific annual reporting requirements (under the European CRD IV directive), calling for an itemized disclosure of corporate tax paid in all countries of operation. This report is included in Groupe BPCE's annual registration document.

No commercial presence in non-cooperative states or territories

Groupe BPCE does not conduct any business in non-cooperative countries and territories, and there are no registered offices of Group companies in these countries.

The French tax authorities publish a list of non-cooperative states or territories pursuant to Article 238-0 A of the General Tax Code. The latest list includes the following countries: Botswana, Brunei, Guatemala, Marshall Islands, Nauru, Nioué, and Panama.

DUE DILIGENCE OBLIGATIONS

As a French company with over 5,000 employees, Groupe BPCE is subject to the act of March 27, 2017 defining the requirements in terms of due diligence of parent companies and client companies. This act requires the Group to prepare a due diligence action plan containing measures capable of identifying and preventing risks of violations to human rights and fundamental freedoms, the environment, and occupational health and safety, which could be associated with the activities conducted by BPCE as well as its subsidiaries, sub-contractors and suppliers.

The plan notably includes risk mapping, a risk assessment and mitigation measures, as well as a whistleblowing system.

The Group sees this new regulatory obligation as an opportunity to reiterate and continuously improve its existing due diligence plan. It strengthens the environmental and social risk management framework implemented by the Group on a voluntary basis.

Governance, methodology and scope of the due diligence plan

In view of the issues covered by the due diligence system and the scope of risks covered, a number of divisions were involved in drafting the due diligence plan: CSR & Sustainable Development, Risks, Compliance and Permanent Control, Human Resources, Procurement, and Legal, as well as representatives from Natixis, a BPCE subsidiary also subject to the law on due diligence.

Tasked with identifying the main risks liable to arise in the course of its activities, the working group selected the following two risk approaches:

- an approach tailored to the activities and operations of BPCE and its subsidiaries, covered in the "Activities" pillar;
- an approach specific to the procurement function, developed during the update of procurement processes as a whole, addressed in the "Procurement" pillar.

In light of these identified risks, and given the obligation to provide results, reasonable due diligence measures intended to prevent the risks were identified and/or enhanced.

The overall rollout of the due diligence plan is coordinated by the divisions listed above and implemented under their responsibility. The plan is designed to adapt over time as new issues and risks are identified.

In preparing its due diligence plan, the Group determined the issues covered by the scope of the law, identified the risks involved in relation to the non-financial performance report and reviewed its policies and existing risk assessment and management procedures.

The Group based its due diligence plan on the Declaration of Human Rights of 1789, the Environment Charter and international law more broadly. It led to a risk review covering the following:

- issues involving human rights and fundamental freedoms, in particular discrimination, inequality, the right to privacy and family life, the right to protest, freedom of association and freedom of opinion;
- issues involving personal health and safety: health-related risk, failure to observe legal working conditions, forced labor, child labor, violation of worker safety and unequal access to healthcare;
- issues relating to the environment: risk of pollution (water, sea, soil), interfering with the fight against global warming, harming biodiversity, waste management.

As a signatory of the Global Compact (for the second year, with "advanced level" obtained in 2019), Groupe BPCE has undertaken to uphold the ten associated principles covering human rights, international labor standards, environmental protection and the prevention of corruption.

First, regarding the risks relating to the Group's activities, the review scope included its employees and the main activities performed in respect of its banking business ("Activities" pillar).

Second, the scope of suppliers and sub-contractors was extended with a specific system ("Procurement" pillar).

For monitoring purposes, the indicators used under the TEC2020 strategic plan and for the Group's non-financial performance disclosures enable it to monitor the implementation and effectiveness of action taken by the Group. These indicators are mentioned in the explanation of the due diligence plan.

2

"Activities" pillar

Employees: identification of risks, implementation of mitigating measures and monitoring indicators.

For the management of its employees, Groupe BPCE is aware that its first scope of responsibility lies in-house and to this end, it has a responsible HR policy covering its employees and their geographical location.

For the risks incurred by its members of staff – most of whom work in France – the most relevant areas requiring attention in terms of the activities performed by BPCE and its subsidiaries are shown in the table below. These issues are already strictly monitored under existing legislation in France, in particular the Labor Code. Groupe BPCE's human resources management policies provide a response to the goals of achieving a fairer society and address the transformation of its business activities over time. A series of voluntary charters, agreements and operational systems ensure the protection and safety of employees in performing their duties.

These topics are covered by the risk analysis performed for the non-financial performance report under "Diversity", "Employability and transformation of jobs", and "Working conditions".

Subject	Mitigating measures	Monitoring indicator
Preventing discrimination and promoting equal opportunities for men and women	see Chapter 2.4.3, "Ensuring equality – developing gender equality, promoting diversity"	Women in management roles: 42.3% (in 2017), 42.9% (in 2018), 43.7% in 2019 Objective: 45% Female company directors: 20.4% (in 2017), 26.1% (in 2018), 26.4% in 2019 Objective: 30%
Promoting equal opportunities	See Chapter 2.4.3, "Equal opportunities"	No specific indicators at present
Preventing discrimination against persons with disabilities	See Chapter 2.4.3, "Ensuring equality – a commitment to persons with disabilities"	The employment rate of persons with disabilities stands at 5.03% for the two networks.
Facilitating social dialog and the freedom of association	See Chapter 2.4.3, "Dialog with employee representatives at the Groupe BPCE level and review of collective bargaining agreements"	4 meetings of the Group Committee 2 meetings of the Strategic Planning Committee
Non-compliance with legal working conditions	See Chapter 2.4.3, "Improving quality of life in the workplace"	No specific indicators at present
Health and safety in the workplace	See Chapter 2.4.3, "Occupational health and safety conditions and workplace accidents"	No data available for 2019 at present for 2018, number of absences due to workplace/commuting accidents: 1,089.

As a responsible company, BPCE ensures it applies ethical business practices by fostering a compliance culture among all members of staff through the Groupe BPCE code of conduct and ethics. This is rounded out by a responsible compliance approach implemented by Financial Security and Compliance, covering anti-money laundering, anti-fraud and anti-corruption systems.

This risk is reported in the non-financial performance report under "Respecting business ethics in all Group business lines".

Subject	Mitigating measures	Monitoring indicator
Business ethics	See Chapter 2.4.1, "Prevention of money laundering and fraud"	% of employees trained in the code of conduct and ethics 84% of employees registered by their entities were trained in the code of conduct and ethics, representing 49,500 people in 2019.

Financial products and services: identification of risks, implementation of mitigating measures and monitoring indicators.

Regarding the risks relating to discrimination against customers arising with the distribution of financial products and services, the topics identified are presented in the table below along with the mitigating measures applied by Groupe BPCE.

These risks are covered by the risk analysis performed for the non-financial performance report under "Financial inclusion", "Financing the real economy and society's needs", and more generally, *via* the risks relating to lasting customer relations and customer protection and the transparency of the product offer.

Risks regarding customers' right to privacy, data protection and cybersecurity were also identified. These risks are covered in the non-financial performance report under "Data security".

Subject	Mitigating measures	Monitoring indicator
Preventing discrimination and promoting equal opportunities for men and women	See Chapter 2.3.2, "Promoting personal and professional microloans in partnership with support networks"	Women accounted for 49% of entrepreneurs supported with a professional microloan by the Banques Populaires and the Caisses d'Epargne (*via* our partner France Active)
Promoting equal opportunities for visible minorities	See Chapter 2.3.2, "Financing for the energy, ecological and social transition with Groupe BPCE's products and services" and Chapter 2.2.1, "Engagement and dialog"	It is not possible to report on visible minorities because this would involve the application of criteria requiring the production of sensitive data under the terms of the GDPR
Data security and confidentiality	See Chapter 2.4.1, "Data protection and cybersecurity"	Percentage of new community projects with ISS and Privacy support: 87%

More generally, as part of its business as a banker, Groupe BPCE is subject to a series of regulations (anti-money laundering, anti-corruption, embargoes, etc.) which form an integral part of its activity. Over and above these requirements, ESG criteria are gradually being incorporated into the Group's risk policies to take into account the impact of the activities it finances. A section on climate risk and strengthening CSR principles was added to the Group's credit risk policy in 2018. A new paragraph on the ESG risk assessment and ratings (high, moderate, or low risk) has also been added to supplement sector policies (agri-food, automotive, construction and public works, communications and media, transport sectors, etc.). The non-financial performance report addresses this risk under "ESG risks" (see Chapter 2.3.1, "Reflecting environmental, social and governance risks and our customers' requirements and aspirations in our strategy").

In its financing activities, for several years now, Groupe BPCE, including Natixis, has addressed the human rights and environmental risks incurred by some of its financing activities, most notably by applying the Equator Principles for project financing and specific policies for sensitive sectors. (See Chapter 2.2.1, "Engagement and dialog" and Chapter 2.3.1, "Reflecting environmental, social and governance risks and our customers' requirements and aspirations in our strategy".)

As a signatory of the Equator Principles, for the past several years, Natixis has applied a system for measuring and managing risks related to human rights and the environment in its project financing activities. It also applies specific sector policies in high risk sectors.

In addition to this due diligence, Natixis is also working on an integrated approach to managing environmental, social and governance (ESG) risks for its corporate clients. The process is being included in the bank's existing client onboarding and loan approval systems, involving the business lines and the Compliance, Risk and CSR departments. This project will use questionnaires specific to each sector rolled out gradually among existing and new customers to establish a ranking of clients based on due diligence categories.

Procurement pillar

In a concerted approach, BPCE Procurement, acting on behalf of Groupe BPCE, and three other banking groups decided to map out their CSR risks by procurement category using shared classifications covering around a hundred sourcing categories. The CSR risk map and the corresponding due diligence plan were presented to the procurement and CSR functions in the last quarter of 2018. The map identifies risks of serious violations and prioritizes the necessary actions in each category. It also incorporates the risk associated with the country in which the majority of the added value on each product or service is generated.

This risk map identified thirteen procurement categories with a high or very high level of risk independent of country risk, which can increase or decrease the intrinsic risk. For these categories, a specific procedure has been set up for proposal requests organized by BPCE Procurement on behalf of Group companies. Under this procedure, suppliers must complete a questionnaire specific to each category and provide details of the action taken to mitigate the risks and prevent major violations. BPCE Procurement assesses these actions and assigns a CSR rating, which is included in the supplier's overall rating. Depending on the results, an improvement plan is established with the chosen suppliers, subject to review at the six-month point.

This system can be used outside the consultation process for suppliers already approved or those that invoice large amounts to Groupe BPCE.

Procurement managers at Groupe BPCE entities may apply this due diligence system on a voluntary basis and can contact their CSR manager to prepare a joint action plan.

BPCE Procurement has provided training to familiarize the procurement and CSR functions with the system, in the form of morning procurement meetings, classroom-based lessons and specific due diligence e-learning courses.

Indicators are used to monitor the rollout of the due diligence process for high and very high risk procurement categories:

- 31% of relevant procurement categories have been assessed;
- 46% of relevant procurement categories are currently being assessed;
- 100% of BPCE Procurement buyers responsible for these procurement categories have received training.

Whistleblowing

Groupe BPCE has a whistleblowing system in place setting out the applicable procedure at all Group entities, as provided for in the act of December 9, 2016 (Sapin 2 Act) and the Ministerial Order of November 3, 2014 on internal control of banking sector companies. The current whistleblowing procedure applies to all internal employees, as well as to external and occasional staff, who may use the procedure should they become aware of any crime, offence, major violation of the law, threat or major breach of general interest or any conduct or situation that breaches the code of conduct. Groupe BPCE entities protect whistleblowers. Under no circumstances may they be subject to any disciplinary action or legal proceeding, provided they have acted impartially and in good faith.

The current whistleblowing procedure will be supplemented by the effective implementation of the obligations arising from the French Due Diligence Act in 2020.

RESPONSIBLE PROCUREMENT POLICY

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

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

ENGAGING STAKEHOLDERS WITH THE RESPONSIBLE PROCUREMENT POLICY

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

APPLYING THE RESPONSIBLE PROCUREMENT POLICY IN DAILY PROCUREMENT ACTIVITIES

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

CSR is incorporated:

- in the Groupe BPCE procurement policy: developing responsible procurement is one of the three priorities of the Group's procurement policy;
- in the procurement process: the responsible procurement policy has been adapted and included in the different tools used in the procurement process;
- in supplier relations: analysis considered how to find a simple, quantifiable way of measuring suppliers' CSR performance. Procurement teams can include a voluntary CSR performance assessment questionnaire for suppliers and their products in order to identify CSR risks and opportunities in the tender process and incorporate this performance in their overall assessment;
- in procurement documents: A the end of 2019, 36% of tender documentation included a CSR component, up 6% compared to 2018.

The Group's procurement managers are instructed to apply and circulate this policy within their companies and among their supplier panels.

PROMOTING SUSTAINABLE, BALANCED RELATIONS WITH SUPPLIERS

In 2019, two Groupe BPCE companies – Banque Populaire du Sud and Caisse d'Epargne Hauts de France – applied for the Responsible Supplier Relations and Procurement label in cooperation with BPCE Procurement. The companies certified in 2016 – Banque Populaire Rives de Paris, Caisse d'Epargne Ile-de-France and Caisse d'Epargne Midi-Pyrénées – have renewed their certification for three years.

As part of a program of constant improvements, the companies certified in 2018 and 2019 – Banque Populaire Grand Ouest, Caisse d'Epargne Aquitaine Poitou-Charentes, Caisse d'Epargne Bretagne Pays de Loire, Caisse d'Epargne Grand Est Europe, Caisse d'Epargne Rhône Alpes and BPCE – received a positive assessment in their annual review.

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

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

Eleven Groupe BPCE companies have committed to this label, reflecting the responsible procurement strategy coordinated by BPCE Procurement and the integration of CSR at the center of the procurement function and in relations with suppliers.

RAISING AWARENESS OF RESPONSIBLE PROCUREMENT

In 2019, two e-learning training courses on ethics in procurement and responsible procurement were published for the procurement and CSR departments.

A platform for sharing services, suppliers and best practice – ONEMAP RSE – was made available to Groupe BPCE employees. The objective is to allow localized sourcing, taking CSR criteria into account.

An event on payment deadlines was organized by BPCE Procurement. It allowed purchasers, Accounting and Finance departments in the Group companies to share their payment rules and use testimonials to identify best practices.

DUE DILIGENCE ACTION PLAN

The initiatives implemented in accordance with parent company and client company due diligence requirements are detailed in section 2.4.1 of this chapter, "Due diligence obligations".

Outlook

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

SUB-CONTRACTING POLICY

In accordance with the responsible procurement policy, the Group's suppliers are required to comply with current CSR rules and regulations and to encourage their own suppliers and sub-contractors to do the same. These commitments are included in the responsible procurement charter, which is one of the reference documents included in RFP documentation.

DISABILITY AND RESPONSIBLE PROCUREMENT POLICY ("PHARE")

Since July 2010, when it launched the responsible purchasing and disabilities policy (*Politique Hanidcap et Achats Responsables,* or PHARE), Groupe BPCE has contributed to the professional and social inclusion of persons with disabilities by sub-contracting some operations to companies working with disabled persons.

In 2019, Groupe BPCE bolstered this commitment by spending €15 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 499 Full-Time Equivalent (FTE) positions[1]. To develop purchasers' expertise and independence when purchasing from companies working with people with disabilities, an e-learning training course was made available to the procurement function and the Group's disability officers.

Groupe BPCE currently works with over 300 suppliers in this sector who provide different types of services both directly and via co-contracting agreements.

With this policy, the Group has undertaken to continue expanding its cooperation with EAs *(entreprises adaptées),* which are companies offering disability-friendly work environments, and with ESATs *(établissement et service d'aide par le travail),* which are establishments offering employment to disabled persons with special needs and unable to work in an ordinary setting.

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 also provides the opportunity to share best practices and thus facilitate the implementation of new initiatives.

In 2019, four Group entities attended the fifth symposium held in south-eastern France. The theme of the symposium was innovation, providing an opportunity to learn about new activities offered by companies in the social and solidarity-based economy and start-ups in the region.

PURCHASES FROM COMPANIES WORKING WITH PEOPLE WITH DISABILITIES

	2019[1]	2018	2017
Number of full-time equivalent positions in companies working with disabled persons (2019 estimate)	499	518	523
Purchases from companies working with disabled persons (2019 estimate) *(in thousands of euros)*	15,025	15,169	15,770

(1) Estimate.

CUSTOMER PROTECTION

Groupe BPCE protects its customers' interests by tasking committees with the approval of new products, services and sales processes and any upgrades.

In 2010, Groupe BPCE introduced an approval procedure for new banking and financial products and services. This procedure is designed to manage the risks associated with the sale of products and services and the implementation of new sales processes (digitalization, etc.) and to take into account regulatory requirements aimed at protecting customers' interests and personal data. The approval procedure includes contributions from the competent experts and business lines within BPCE. This procedure must be completed before the new product or sales process is presented to the Group's approval committees prior to marketing or development.

Within the scope of investment services, BPCE's marketing process incorporates the obligations arising from the Markets in Financial Instruments directive and regulation (MiFID II), the Insurance Distribution Directive (IDD) and the Packaged Retail Investment and Insurance-based Products Regulation (PRIIPs). A remediation plan was set up in 2018 and continued in 2019 to enhance IT security in some processes. Accordingly, specific governance and supervision of products covered by MiFID II have resulted in the establishment of:

- a committee in charge of validating model securities portfolios, which meets quarterly since the third quarter of 2018 to monitor the performance of high risk asset allocations, perform a macroeconomic review and prepare an allocation analysis and outlook;
- a Product Governance and Supervision Committee working alongside manufacturers, established in 2019 to exchange information between manufacturers and distributors, and to oversee complaints and the distribution strategy in line with sales reporting, product changes and investor protection, etc.

COMPLIANCE WITH THE GROUPE BPCE CODE OF CONDUCT AND ETHICS

BPCE has published a code of conduct and ethics for the whole Group. Employees have been informed about the Code and it is available on the Intranet and on Internet.

http://guide-ethique.groupebpce.fr/

Providing customers with clear, accurate and truthful information

The Group ensures it provides its customers with accurate information (in-branch displays; contractual, pre-contractual and commercial documentation; product subscription process). To this end, BPCE has a system for approving national sales material, which includes approval by the Compliance division and the Legal department, where applicable. Local communications campaigns are approved by the Group's banks, which have been provided with a compliance guide listing all their obligations in this area.

Compliance is careful to ensure that sales procedures, processes and policies guarantee that compliance and ethics rules are observed at all times for all customer segments, and in particular that customers are given suitable advice with respect to their situation and their needs.

(1) Estimate.

In terms of our CSR products (environmental products, and social and solidarity-based products), a specific range has been produced with Mirova's UCITS and funds investing in regional SMEs, particularly innovative SMEs (FIPs – local investment funds, and FCPIs – innovation investment funds).

Employee training

Group employees regularly receive training on customer protection, the right to hold an account and vulnerable customers. Ethics and compliance training, entitled "Fundamentals of professional ethics", has been set up for all employees.

Supervision of sales challenges

Group Compliance coordinates the approval of national sales challenges, ensures that conflicts of interest are managed properly and guarantees that customer interests always come first. Local challenges are coordinated by local Compliance teams.

Addressing market abuse and financial activities

With the transposition of the Market Abuse directive and regulation, the Group began using a market abuse alert analysis and reporting tool covering the Banques Populaires, the Caisses d'Epargne and their subsidiaries. A virtual assistant helps staff members analyze alerts reported by the Group's information systems.

The Group's market abuse memorandum has been updated and compliance staff are given special training to enhance their skills and due diligence in the analysis of market abuse alerts.

Lastly, the SRAB KPI measurement methods (regarding the separation of banking activities) recommended by the AMF and ACPR were implemented throughout the Group.

COMPLAINTS MANAGEMENT:

The complaints handling process

Complaints are handled at three successive levels:

- Level 1: the branch or business center in charge of the relationship;
- Level 2: the Customer Relations department of the bank or the subsidiary if the complaint has not been resolved at level 1;
- Level 3: the mediator, if the complaint persists despite the level 2 intervention.

The mediator is an independent body. It has its own website where customers can complete a form to submit their request for mediation.

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.

Informing customers about the complaints handling process

Customers are informed of the complaints handling process and how to contact the bank:

- on the Group's websites;
- in fee guides;
- in the general terms and conditions.

Monitoring of the complaints handling process

This monitoring covers:

- the reasons for complaints;
- the products and services involved;
- processing times.

Key indicators are regularly submitted to Groupe BPCE bank directors, Internal Control departments and all sales structures.

63% of complaints are addressed in less than 10 days.

The average processing time in 2019 was 13 days[1].

Analysis and use of information about complaints

Group entities analyze complaints in order to detect failures, shortcomings and bad practices.

This analysis allows them to establish corrective measures to be implemented with the relevant divisions.

The Group is working on developing research into the causes of complaints.

This continuous improvement process is also aided by customer comments shared through satisfaction surveys and observed by monitoring online and social media activity and customer opinions.

CUSTOMER SATISFACTION AND QUALITY POLICY

In 2019, Groupe BPCE committed to providing a customer experience aligned with the highest standards on the market. To do so the Group has activated all key components of customer satisfaction.

Customer satisfaction is measured using the NPS (net promoter score).

The Group uses customer surveys to help the brands – from the branches to the head office – effectively boost customer satisfaction on all markets.

These surveys allow us to contact all customers once a year and each time they are in contact with their advisor, enabling us to capture customer satisfaction in real time and make improvements to their mobile experience or their experience in their branch or with their advisor. All members of staff can now access a mobile phone app that shows customer satisfaction levels in real time – the app records over 100,000 visits per year.

At the end of 2019, the NPS had increased by 6 points over one year for the Banques Populaires and by 7 points over one year for the Caisses d'Epargne.

Two programs were rolled out across the networks to accelerate this trend:

- the first program, targeting individual and professional customers, is focused on "keeping things simple, maintaining a close relationship with customers, and being committed banking experts";
- the second program, targeting corporate customers, is focused on "being responsive and proactive".

(1) Source: Complaint monitoring tools.

These programs are intended to enhance performance in terms of everyday banking experience and at key times in the customer's life.

They clearly reflect customer satisfaction drivers and provide each entity with the information they need to implement them successfully.

Customers have high expectations: they expect their advisor to answer the first time they call and provide a response within half a day, and they want to keep the same advisor for longer than three years.

Action taken under these programs in 2019 focused in particular on key customer expectations:

- improved telephone access and responsiveness in our branches;
- rollout of a program on relationship management attitudes to generate more customer recommendations;
- launch of efforts to better manage the frequency with which customers' advisors change.

The results achieved at the end of 2019 are encouraging:

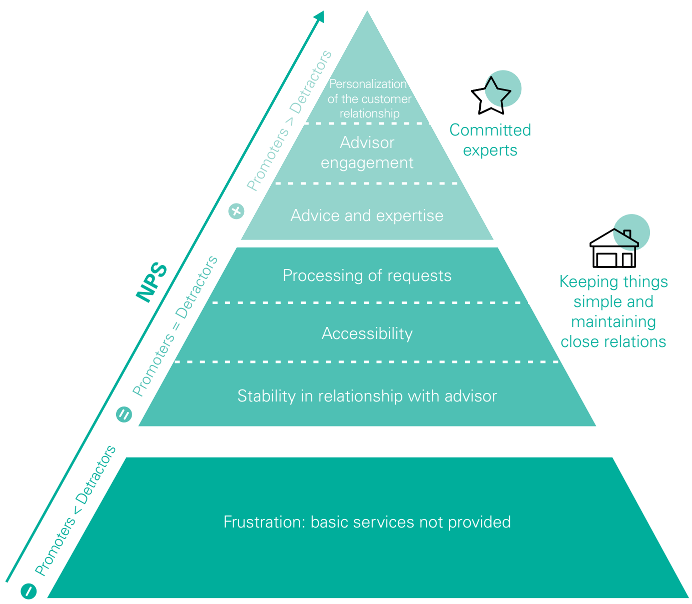
- accessibility: +3 points for the Banques Populaires and +7 points for the Caisses d'Epargne;
- responsiveness: +2 points for the Banques Populaires and +6 points for the Caisses d'Epargne;
- change of advisor: +2 points for the Banques Populaires and +4 points for the Caisses d'Epargne;
- opinion of advisor: +3 points for the Banques Populaires and +6 points for the Caisses d'Epargne.

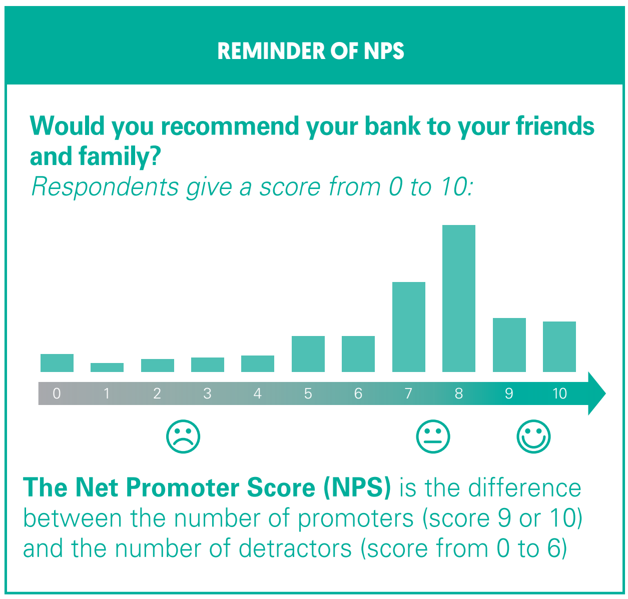
NPS PROGRESS

	At 12/31/2019	At 12/31/2018	At 12/31/2017	Change 2018-2019
NPS – Banques Populaires	(4)	(10)	(19)	6 points
NPS – Caisses d'Epargne	(10)	(17)	(25)	7 points

Components of the Net Promoter Score (NPS)

Customer advisors remain central to the relationship despite the rise of digital banking. Advisors make the biggest contribution to customer satisfaction





DATA PROTECTION AND CYBERSECURITY

Preventing risks relating to cyber threats, safeguarding the information systems and protecting data – in particular the personal data of our customers, employees and all our stakeholders – are key priorities and the focus of Groupe BPCE's concerns.

Trust lies at the heart of the Group's digital transformation and it firmly believes that cyber security is essential for its businesses.

Organization

GROUP SECURITY DIVISION (DS-G)

The Group Security division (DS-G) establishes and adapts Group IT System Security policies. It provides continuous and consolidated oversight of information system security, along with technical and regulatory watch. It initiates and coordinates Group projects aimed at reducing risks in its field.

Within its remit, DS-G represents Groupe BPCE vis-à-vis banking industry groups and public authorities.

As a contributor to the permanent control system, the Group Head of Security reports to the Group Security Compliance department within the Group Corporate Secretary's Office. Within the central institution, the Group ISS division also works regularly with the Group's Inspection Générale division.

Groupe BPCE has established a groupwide Information System Security function comprising the Head of Group Information System Security (RSSI-G), who coordinates the function, and the Heads of IT System Security for all Group entities.

The heads of Information System Security for parent company affiliates, direct subsidiaries and EIGs are functionally subordinated to the RSSI-G through coordinated actions. This means that:

- the RSSI-G is notified of the appointment of any heads of information system security;
- the Group's information system security policy is adopted by the individual entities, and each company's application methods for the Group policy must be presented for validation to the Group's Head of Information System Security prior to approval by Executive Management and presentation to the Board of Directors or the Management Board;
- a report on the institutions' compliance with the Group's information system security policy, permanent controls, risk level, primary incidents and actions is submitted to the RSSI-G.

DATA PROTECTION

- each entity has its own Data Protection Officer (DPO), who reports functionally to the Group DPO Coordinator;
- the Group DPO Coordinator is responsible for organizing the personal data protection process;
- each entity business line has data processing officers who liaise with the DPO;
- training on personal data protection is provided to the DPOs and Group employees.

As of the end of 2019, 87% of new community projects received ISS and Privacy support.

Cyber security strategy

In response to the new challenges of IT transformation and to achieve the goals it has set, the Group has a cyber security strategy with four priorities:

- to support the Group's digital transformation and growth:
  - raising customer awareness of how to manage cyber risks and providing support,
  - ramping up and standardizing security, GDPR and fraud support in business line projects with an appropriate level of security under a Security by Design/Privacy by Design and Privacy by Default approach,
  - enhancing the customer and employee digital security experience,
  - facilitating secure use of the public cloud;
- to provide governance and observe regulations:
  - implementing governance and a common reference framework for security matters,
  - strengthening and automating permanent controls,
  - developing a Risk Appetite Framework,
  - managing risks caused by third parties, including in terms of personal data protection;
- to continually improve understanding of the information systems' assets and improve their protection:
  - applying and reinforcing security basics,
  - enhancing protection of the most sensitive assets, in line with the risk appetite framework, in particular regarding data,
  - implementing user identity and access management governance,
  - developing cyber culture within the Group and the associated tools and methods for different target populations;
- to continually improve its cyber attack detection and response capabilities:
  - enhancing monitoring systems, in particular through the Groupe BPCE CERT (Computer Emergency Response Team).

In 2019, the cyber security strategy was implemented in the following major projects:

- definition of the Group Security Master Plan to establish the Group's ambitions in terms of cyber security, taking into account IT security, IT continuity and regulatory compliance IT projects [GDPR[1], PSD2[2], etc.];
- extension of the ISS mapping of all the Group's information systems, including entities' private information systems and shadow IT systems. This project is scheduled for completion by the end of 2020, with an intermediate goal of mapping out the information systems serving the 28 most critical business processes by the end of the first half of 2020;
- production of a groupwide identity and access management (IAM) roadmap, aimed at:
  - establishing a Group database of individuals, applications and organizations,
  - implementing Group IAM governance,
  - integrating all the Group's applications in the IAM, if possible, with automatic data input and a global view of user rights;
- definition and initial execution of the Group Awareness Plan:
  - delivery of an awareness-raising kit to all Group entities for Cyber Security month;
  - provision of ongoing training in secure development of applications for the Group's developers;
  - phishing awareness-raising campaigns for 30,000 members of staff at 32 Group institutions;

(1) General Data Protection Regulation.
(2) European Payment Services directive version 2.

- design and implementation of an enhanced personal data protection awareness campaign for project managers and the heads of products and services;
- in the fight against cybercrime:
  - implementation of new services adapted to changing threats, available to all Group institutions; for example, an IOC (indicators of compromise) management platform and a proactive solution for analyzing web and mobile malware,
  - increased presence of the Groupe BPCE CERT (Computer Emergency Response Team) in the InterCERT-FR community (run by the ANSSI) and in the European TF-CSIRT task force,
  - creation of a unified Group Security Operations Center (SOC) – a surveillance and detection control tower – including a Level 1 supervisor, operating 24/7,
  - expansion in 2019 of the VIGIE community (Groupe BPCE's collective due diligence system) to include the Banques Populaires and the Caisses d'Epargne, in order to improve communications and oversight of their private information systems.

2.4.2 Reducing Groupe BPCE's carbon footprint

Reducing the environmental footprint of the Group's own operations is one of the key pillars of the 2018-2020 CSR strategy and the Group has set a goal of reducing its carbon emissions by 10% in relation to 2017.

To this end, it has established a Group environmental reporting system and organized several campaigns to raise awareness of best practices.

The Group's training catalogue offers specific CSR training sessions open to all Group employees, covering:

- awareness of CSR, energy and climate issues: a session on the CSR basics was provided to Group employees;
- CSR reporting: one session was held to raise employee awareness of the organization of CSR data collection and the use of IT tools for preparing and publishing the CSR report;
- training in the tools used to calculate the Group's greenhouse gas emissions; two training sessions were held for all employees using these tools in their work and for a panel of officers from the Logistics division; attendees were given a starter kit at the end of each session;
- drafting and publication of three practical guides, in 2019, covering the categories that generate the most emissions, namely procurement, mobility and fixed assets;
- working groups focused on:
  - responsible procurement, particularly regarding emission factors related to the CSR maturity of our suppliers,
  - green IT, to identify best practices in the Group,
  - mobility, with a review of mobility plans, the promotion of initiatives linked to the mobility plan in the carbon review (trips avoided, for example) and suggestions for mobility week.

GROUPE BPCE, A PARTNER AND PRECURSOR OF THE NET ZERO INITIATIVE, LAYS THE FOUNDATIONS OF A GROUPWIDE CARBON NEUTRALITY FRAMEWORK

In 2018, the Group joined the Net Zero initiative alongside eight other French companies, to draft a methodology for companies seeking to achieve a challenging, credible and harmonized net zero carbon footprint. Carbon neutrality was explicitly mentioned in the Paris Agreement on climate change as an objective to be reached by the end of the century. It corresponds to a balance between greenhouse gas emissions and the volumes absorbed by carbon sinks. The first mission of the initiative was to draft a market-wide methodology for companies seeking to achieve zero net emissions.

CLIMATE CHANGE

The Group's target is to cut its greenhouse gas emissions by 10% in relation to 2017 by 2020, from 602,629 to 542,366 metric tons of CO_2 equivalent (tCO_2eq)[1].

To monitor progress on initiatives subject to clear targets, the Group CSR & Sustainable Development division has used a special tool since 2013 to review its greenhouse gas (GHG) emissions. The tool is based on a methodology compatible with that used by the ADEME (the French environment and energy management agency), ISO 14064 and the Greenhouse Gas Protocol.

After seven years spent collecting carbon data using a stable benchmark shared by all Group companies, the tool is able to provide:

- an estimate of each company's greenhouse gas emissions;
- a map of GHG emissions:
  - by source: energy use, procurement of goods and services, business travel, fixed assets and other,
  - by scope: Indirect emissions caused by the Group's products and services are excluded from the scope of this analysis, but work is underway on this subject (see chapter 2.3.1, "Reflecting environmental, social and governance risks and our customers' requirements and aspirations in our strategy").

The entities that currently perform carbon review represent 94% of the Group's permanent staff.

Each year, the Group provides stable benchmark indices covering the entire Group and each individual entity. The indices are used to define local GHG emission reduction plans and drive national initiatives.

(1) See note on methodology – optimization of the number of indicators.

RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW IN 2019

In 2019, total Group emissions (excluding its datacenters) amounted to 587,999 tCO_2eq, down 2% in relation to 2018. Emissions per employee came to 6.8 tCO_2eq/FTE, down by 1% against 2018. This smaller decline in emissions per employee was due to a reduction in headcount.

Emissions are primarily generated by travel (32%), procurement (28%) and fixed assets (25%).

RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW (EMISSIONS IN TCO_2EQ)[1]

Indicator	2019	2018	2017	Change 2018-2019
Direct greenhouse gas emissions – Scope 1 (tCO_2eq)	27,877	28,869	28,652	(3%)
Indirect greenhouse gas emissions – Scope 2 (tCO_2eq)	18,747	24,689	30,738	(24%)
Indirect greenhouse gas emissions – Scope 3 (tCO_2eq)	541,376	548,029	543,239	(1%)
Total (excl. data centers)	587,999	601,587	602,629	(2%)
Total tCO_2eq/FTE	6.8	6.9	7.0	(1%)

The data centers made up 2% of total Group emissions in 2019.

Indicator	2019	2018	2017	Change 2018-2019
Data center emissions	10,064	11,281	14,572	(11%)
% of Group carbon emissions (recorded in the carbon review) generated by data centers	1.7%	1.9%	2.4%	(9%)

A breakdown of the largest sources of GHG emissions in 2019 is provided below.

RESULTS OF GROUPE BPCE'S CONSOLIDATED CARBON REVIEW, BY SOURCE (EMISSIONS IN TCO_2EQ)[1]

GROUPE BPCE CARBON EMISSIONS IN 2019

587,999 tCO_2eq

POSTE	2019 (tCO_2eq)	SHARE OF TOTAL	CHANGE 2018-2019
TRAVEL	**189,381**	32%	(4%)
Daily work commute	99,376	17%	(3%)
Business travel	49,183	8%	1%
Customer and visitor travel	40,822	7%	(8%)
PROCUREMENT Goods and services purchased	**165,118**	28%	(6%)
FIXED ASSETS IT equipment, buildings, vehicles, ATMs	**144,759**	25%	(13%)
TRANSPORT Mail, cash transport	**51,331**	9%	(5%)
ENERGY Electricity, natural gas, heating oil, heating network	**36,929**	6%	(19%)
WASTE Non-hazardous and recycled waste, WEEE	**482**	0.1%	(58%)

(1) See note on methodology – optimization of the number of indicators and calculations using the same consolidated scope.

With the exception of fixed assets, emissions declined in all areas, partly due to the "emission factor" effect and also as a result of initiatives taken by Groupe BPCE entities. Emission factors are reviewed annually by the Ademe and Carbon 4, and are updated in Groupe BPCE's information systems.

The 4% decline in travel-related emissions is due to internal policies and the significant decrease in the number of customer journeys to their branches thanks to the expansion of digital communications tools.

For fixed assets, emissions were up by 13% due to a substantial increase in emission factors. This increase was not offset by the reduction in surface area or the 90% increase in energy-efficient surface area.

Procurement emissions were down by 6%. This was due to improved recognition of our suppliers' carbon emissions in emission factors. This policy is aligned with the overall responsible procurement policy.

There are various best practices for reducing emissions, some of which are described below.

ENERGY CONSUMPTION

The Group's energy consumption amounted to 180 kW/h per m^2 in 2019 *versus* 164 kW/h per m^2 in 2018. A series of measures were taken to reduce our energy consumption in 2019.

- Better energy-use management, in particular with the installation of automated controllers in branches: since 2016, an energy-saving solution has been available to the companies in the Group. The software identifies energy savings and implements energy reduction initiatives with the assistance of Energy Manager.
- Launch of an IOT solution to collect information about temperatures in our branches, replacing the previous "plugged-in" solution.
- Performance of energy audits on all Groupe BPCE buildings, in accordance with regulations.
- Continued replacement of incandescent light bulbs with LED bulbs and installation of motion detectors in most head office buildings :
  - Less use of heating oil (-2% from 2018 to 2019) in our networks. This decline reflects the gradual replacement of heating oil by low carbon energy sources.
- Large-scale initiatives at the four data centers:
  - At the two Albireo sites: investments were made in new control valves for the denco data center cooling units at the Albireo campus. Existing valves were replaced with Energy Valves, which are self-regulating, measure energy use and report malfunctions, thus improving energy efficiency from the production to the distribution stage.

These initiatives reduced the PUE[1] by 0.2 points (for a constant level of consumption), representing annual savings of €250,000-€300,000 on the campus' energy bill. The annual PUE stands at 1.60 for the Saphir building and 1.56 for the Topaze building, representing an average of 1.58 for the Albireo campus over 2019. These figures are moving closer to the initial target PUE of 1.4.

- At the two Antarès sites: three changes were made in 2019 to reduce energy consumption:
  - new technology for hot water tanks;
  - replacement of light bulbs with LEDs, which divided the corresponding energy use by three;
  - changes to the air recovery systems in server rooms to avoid hot aisle/cold aisle air recycling. This work is currently being finalized.

As a result of all the steps taken to optimize energy consumption, in 2019, the average PUE at the Sirius site was 1.71 and the average PUE (after resale) at the Vega site was 1.70.

- Employee incentives to limit energy use at the main regional locations: information on environmentally friendly practices, dedicated Intranet site, etc.
- A Power Purchase Agreement (PPA) was signed with Engie in late 2019.

  Albiant-IT, which manages the Albireo & Antares data centers, signed a PPA to purchase 30 GWh in electricity per year (40% of the data centers' annual consumption) produced by a wind farm in Fauquembergues (in the Pas-de-Calais department). The agreement covers five years from January 2020.

ENERGY CONSUMPTION

Indicator	2019	2018	2017	2016	Change 2018-2019
Total energy consumption per m^2 (kWh/m^2)	180	164	172	180	10%
Total final energy consumption (kWh)(1)	540,692,814	575,137,611	547,846,479	547,977,132	(6%)
o/w data centers (kWh)	13%	12%	12%	NC	1%
Share of renewable energy in total final energy consumption (kWh)	104,726,079	112,589,467	179,405,225	123,369,266	(7%)

(1) Sum of: (kWh of electricity + kWh HHV of gas/1.11 + liters of heating oil x 9.86 + kWh of steam + kWh of cooling)/total m^2.

Indicator	2019	2018	2017	2016	Change 2018-2019
Number of buildings with environmental or other certification	44	42	32	32	5%
Surface area of buildings with environmental or other certification (m^2)	333,201	175,071	148,688	219,149	90%

[1] Power Usage Effectiveness.

REDUCING ENERGY CONSUMPTION FROM TRANSPORTATION

Based on the carbon reviews conducted by the Group, business travel and commuting are one of the highest sources of total estimated CO_2 emissions (averaging nearly one-third of total emissions each year).

The Group has drawn up action plans aimed at limiting and reducing emissions generated by business travel and commuting, such as:

- a strict travel policy explained in a best practice guide on business travel. This guide suggests alternatives for travel by train rather than airplane for trips within France, emphasizing the financial savings as well as the lower carbon emissions to allow the companies to adjust their travel policy;
- a comprehensive listing of electric cars in BPCE Procurement's global range for the Group; furthermore, the Group is also furthering its efforts to apply the total cost of ownership approach groupwide (one of the levers of the AgiR responsible procurement policy) to ensure that all economic and environmental criteria are taken into account (especially CO_2 emissions) when selecting company cars; as a result, the company car fleet is gradually being 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;
- telecommuting options, cutting CO_2 emissions generated by the daily commute;
- eco-driving courses for employees recording the highest mileage for work during the year;
- provision of electric bicycles and cars for employees at their workplace, with charging stations;
- allocation of a mileage bonus for employees who cycle to work;
- organization of network events aimed at raising awareness and educating employees: mobility week, mobility challenges, etc.

Indicator	2019	2018	2017	2016	Change 2018-2019
Total fuel consumption for business travel in cars[1] *(in liters)*	12,962,075	12,732,243	14,832,646	13,571,600	2%
Average grams of CO_2 per km (as stated by manufacturer) for company cars and fleet cars (grams of CO_2/km)	100	99	100	100	1%
Business travel by train *(in km)*	62,421,532	58,800,471	60,335,055	61,384,466	6%
Business travel by plane *(in km)*	61,860,708	66,027,131	72,296,066	69,958,952	(6%)

(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 using the ratio from the carbon review user guide: 0.08 liter/km.

WASTE REDUCTION AND RECYCLING

Thanks to initiatives aimed at promoting recycling and re-use, the Group's total volume of non-hazardous industrial waste per FTE fell by 21%. 49% of this waste is recycled.

Since 2012, Groupe BPCE's constituent entities have reported on their waste management. The waste categories concerned include non-hazardous industrial waste and waste electrical and electronic equipment (WEEE). 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 the waste-management organization Ecologic. It was 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.

BANKING-RELATED WASTE

The drop in the total volume of waste in 2019 was due to the reduction in WEEE as less electrical equipment was destroyed and removed in the regions in 2019. Electrical equipment is often destroyed or removed following mergers of entities. No large establishments were merged in 2019. The decrease in the number of printer ink cartridges collected in 2019 was due to a change in definition by the service providers concerned.

PAYMENT CARD RECYCLING

In 2019, Caisse d'Epargne Aquitaine Poitou-Charentes, with the support of Elise Atlantique-Actes, collected and recycled 396 kg of payment cards, representing around 79,000 cards. All the components of the cards, which are 90% plastic but also contain copper, ink, resin and gold in the microchip, the signature strip, hologram, magnetic stripe and the card security code, are recycled using an innovative patented eco-friendly technique. Caisse d'Epargne Bourgogne Franche-Comté is following the same approach, with customers returning expired bank cards to their branch. It collected 327 kg of cards in 2019. Caisse d'Epargne Bourgogne Franche-Comté uses the services of two local companies offering employment to disabled persons with special needs. The cards are shredded before being recycled using a low-energy technique.

SUSTAINABLE USE OF RESOURCES

Paper use amounted to 3,128 metric tons in 2019, representing 36.40 kg/FTE, compared with 5,755 tons or 66 kg/FTE in 2018.

The reduction in paper consumption is achieved by:

- replacing individual printers with shared printers, where users are required to go to the shared printer to confirm the printouts launched from their workstation, thus avoiding unused printouts;
- dematerialization, particularly in customer relations (in-branch electronic signature, remote selling, paperless account statements and general terms and conditions of sale);
- better monitoring of reports submitted by two key suppliers, thus improving data accuracy and completeness;
- a procurement policy encouraging the use of responsible paper (derived from recycling or sustainably managed forests), *i.e.* containing over 50% recycled paper or PEFC-certified (Program for the Endorsement of Forest Certification schemes) or FSC-certified (Forest Stewardship Council) paper.

PAPER CONSUMPTION

Indicator	2019	2018	2017	2016	Change 2018-2019
Total recycled and/or certified paper [(1)] *(kg per FTE)*	33.47	51.38	51.17	42.92	(35%)
Total non-recycled/non-certified paper [(1)] *(kg per FTE)*	2.92	14.62	25.23	51.52	(80%)
Percentage of recycled and/or certified reams of A4 paper	92%	86%	74.5%	48.3%	7%

(1) Includes A4 reams purchased during the fiscal year, specific printouts, office supplies, marketing materials, large-volume documents, reams of paper other than A4, brochures, forms, envelopes, headed paper, mailings.

2.4.3 Looking after our employees

Group headcount:

- Groupe BPCE's total headcount at December 31, 2019 was 105,019 employees, 89% of whom work in France;
- The Banques Populaires accounted for 30% of the Group headcount, while the Caisse d'Epargne banks accounted for 33%;
- The total headcount fell by 0.4% compared with 2018.

GROUP HEADCOUNT

Total headcount	2019	2018	2017	Change
Banques Populaires	30,985	30,807	31,404	0.6%
Caisses d'Epargne	34,300	35,001	36,112	(2.0%)
Natixis	21,414	23,539	22,790	(9.0%)
Central institution	2,505	1,619	1,559	54.7%
Subsidiaries, other retail banks and joint ventures	15,815	14,492	14,598	9.1%
GROUP TOTAL	**105,019**	**105,458**	**106,463**	**(0.4%)**

Permanent and fixed-term staff, excl. work-study contracts at December 31.

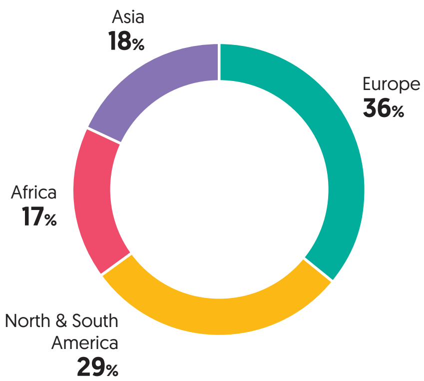
GEOGRAPHIC BREAKDOWN OF HEADCOUNT

11% of Groupe BPCE staff are located outside France.

HEADCOUNT OUTSIDE OF FRANCE

	Natixis	Other subsidiaries	Total	
	Number	Number	Number	%
Europe	3,878	334	4,212	36%
North & South America	3,369		3,369	29%
Africa	1,319	678	1,997	17%
Asia	1,216	839	2,055	18%
GROUP TOTAL	**9,782**	**1,851**	**11,633**	**100%**

Permanent and fixed-term staff, excl. work-study contracts at December 31.



The TEC 2020 strategic plan sets targets intended to meet growth ambitions and challenges, and achieve the corresponding transformations in all of our business lines.

The HR commitments set out in the TEC 2020 plan focus on three key areas:

- ensuring equality: developing gender equality, promoting diversity;
- developing employee value: fostering skills development and enhancing career paths with mobility;
- attracting and retaining the best talents: developing the Group's employer image, improving the quality of life in the workplace and empowering employees to drive change.

ENSURING EQUALITY

PROMOTING GENDER EQUALITY AND DIVERSITY

For Groupe BPCE, it is essential that each of its companies ensures that 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.).

Naturally, the Group has set targets and taken concrete steps to promote diversity ever since it was founded.

The Group Human Resources division has had a Head of Diversity since 2015.

In the 2018-2020 Strategic Workforce Planning agreement, the Group set objectives in three priority areas: gender equality, the employment of persons with disabilities and equal opportunities.

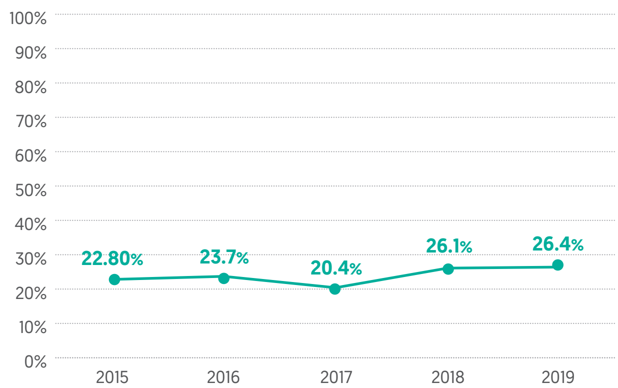
Increasing the number of female company directors

This ambition involves stepping up efforts to identify and support women with the potential to hold senior management positions.

To that end, more will be done to identify, accompany and develop potential candidates based on the following principles:

- female employees identified during Individual Potential Reviews are interviewed by the Company Director Talent division (Direction de la Gestion des Dirigeants, or GDD);
- gender parity in the Group's career development programs;
- personalized career paths can also be proposed;
- individual interviews are available during breakfast meetings organized by "Les Elles de BPCE" in-house women's network;
- for each senior management vacancy, the Company Director Talent division proposes one or more female candidates.

PERCENTAGE OF FEMALE COMPANY DIRECTORS



Increasing the number of female executives

Groupe BPCE has been committed to gender equality ever since it was founded in 2009.

At end-2019, over 57% of all Group employees were women. The number of women executives has always been an important indicator for the Group. The number of women executives has increased from 36.2% in 2010 to 43.7% at the end of 2019, representing a very sharp rise of 7.5 basis points.

The Group HR department is working with all Group companies to promote gender equality policies. It provides staff, middle management and senior management teams with tools to raise awareness.

At the same time, the Group HR department is helping companies complete the intermediate audit for their professional gender equality certification (18 months after first being certified). To date, seven companies have had their professional gender equality certification confirmed and twenty others were audited in late 2018 or 2019. This certification meets the requirements set out in the specifications and expert opinion.

The Group also follows a methodology to identify pay gaps between men and women. This should reduce pay gaps and harmonize salaries at recruitment, in particular at the highest levels.

PERCENTAGE OF WOMEN EXECUTIVES

To bolster the agreements and action plans in place at each company of the Group, two gender equality agreements were signed in June 2018 – one for the Banques Populaires and one for the Caisses d'Epargne. These agreements establish a framework for companies in both networks. They provide support for the networks in their internal negotiations and allow for concrete actions to promote gender equality.

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 over 400 women and 29 local networks. In line with the HR policy promoting gender equality, these networks are valuable forums for discussion and mutual assistance.

A COMMITMENT TO PERSONS WITH DISABILITIES

In 2019, Groupe BPCE continued to support the employment of persons with disabilities in accordance with the agreements signed with the Banque Populaire and Caisse d'Epargne employee representative networks, which were renewed for the 2017-2019 period.

The employment rate of persons with disabilities stands at 5.03% for the two networks, while the legal requirement is 6% and the national average is 3.4%.

Groupe BPCE has notably developed initiatives designed to encourage direct and indirect employment:

- sourcing initiatives to help companies with their recruitment: participation in the Talents Handicap recruitment fairs in March, May, and November 2019. Throughout the year, the Group is also present on specialized websites agefiph.fr and handibanque.fr, and on social media, in particular through its partnership with the blog Talentéo.fr;
- it renewed its partnership with the GESAT network in 2019. This partnership is helping to increase the indirect employment rate while promoting the use of companies working with people with disabilities;
- the Group also entered into a partnership in 2017 with the UPTIH (professional union of independent workers with disabilities). This partnership is helping to increase the indirect employment rate while promoting the selection of independent workers with disabilities.

The Group will also be closely monitoring the legal and regulatory changes related to the Employment of Disabled Workers Obligation under the Pénicaud Act (promoting the freedom to choose one's future career).

EQUAL OPPORTUNITIES

Following on from action taken since 2010 with the *Nos Quartiers ont des Talents* (Our Neighborhoods Have Talent) association, Groupe BPCE participated in the national plan in support of disadvantaged neighborhoods and the *PaQte* agreement between the government and corporations. As a result, four priority initiatives will be rolled out in the coming months:

- raising awareness of working life among young people through internships and school presentations by employees;
- facilitating access to apprenticeships to allow young people from disadvantaged neighborhoods to enter employment and to diversify the Group's talent pool;
- promoting non-discriminatory hiring methods;
- developing purchases from suppliers located in neighborhoods identified as priority areas according to French urban policy.

DEVELOPING EMPLOYABILITY

FOSTERING SKILLS DEVELOPMENT

Transforming our businesses by creating conditions to develop skills and enhance employee value is a priority.

Professional training initiatives in 2019 followed on from measures taken under the TEC 2020 strategic plan in 2018.

TRAINING FOR PERMANENT STAFF ACCORDING TO GENDER AND CATEGORY

	2019			2018			2017		
Employees trained	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Non-management	27,357	13,577	40,934	27,397	13,290	40,687	27,581	13,855	41,436
Management	11,812	15,783	27,595	11,699	16,286	27,985	10,948	15,637	26,585
TOTAL	**39,169**	**29,360**	**68,529**	**39,096**	**29,576**	**68,672**	**38,529**	**29,492**	**68,021**
Number of hours/FTE			**33**			**32**			**32**

Staff with permanent contracts present or having left at December 31.

Training courses targeted primarily advisory and management functions in response to the Group's strategy of establishing a human-relations-based banking model that even better satisfies our customers.

In line with its employer promise, Groupe BPCE's training policy focused on three main areas in 2019:

Boosting expertise to support the transformation:

MANAGEMENT OF OMNI-CHANNEL RELATIONSHIPS

Training for all customer advisors in 2019 focused on the appropriation of omni-channel business relationships (the capacity to serve, inform and advise customers across all distribution channels).

SPECIALIZED ADVISORS

The Group's relations-based banking model aims to have 50% more specialized advisors in 2020. The career paths that currently allow access to positions as Professional CRMs, Private Banking CRMs, Corporate CRMs and Market CRMs have been updated with the dual goal of enhancing expertise and facilitating the rollout of these positions in all local regions.

In addition, in 2019, the Group organized its first "Business Customer Management Excellence" program. This program, which is offered in partnership with ESSEC business school and the CFPB school for the banking industry, leads to a Master's qualification.

BANKING PENETRATION AND ACCOUNT FEES

To meet customer requirements, new offerings to increase banking penetration rates have been rolled out, with the "Cristal" range at the Banques Populaires and *"Les Formules"* for the Caisses d'Epargne. Training was provided to accompany the launch of these products.

CONSTANTLY ADAPTING TO NEW REGULATORY REQUIREMENTS

Since 2018, the companies of the Group have made considerable investments to comply in full with increasing regulatory requirements.

Putting customer satisfaction first:

The service-minded approach involves adopting attitudes that are aligned with our customer segmentation. In addition to the reference framework for corporate client markets, delivered under the HR Lab program, an "Excellence in customer relations" program has begun to be rolled out in Group companies.

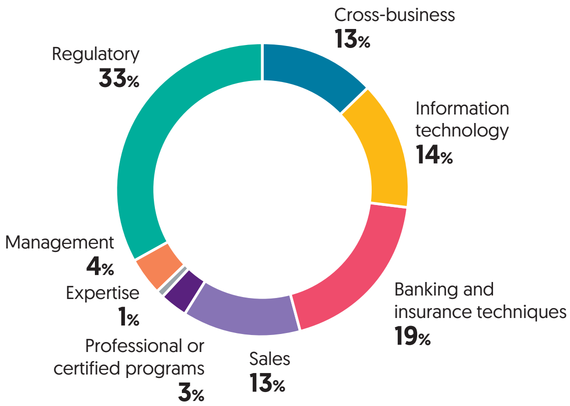
Enabling employees to co-write their career paths:

The Group continues to invest in providing its employees opportunities to self-train at their own pace and according to their personal needs. *Mobile Learning* solutions offer short training sessions available on all devices (videos, quizzes, etc.). This format has been chosen by the Group to enhance its employees' digital acculturation with B'digit.

In 2019, the Group laid the foundations for a self-learning organizational model by rolling out a solution to enable all employees to share their knowledge, experience and practical advice with their peers by posting short video explanations, for example.

The Group also set up a process to generalize Workplace Training Initiatives (AFEST program) as required in the French Future Career Planning Act of September 6, 2018. This way of learning delivers excellent results. It is fully aligned with participants' requirements, does not disrupt the unit's operations and therefore helps improve customer satisfaction.

BREAKDOWN OF PERMANENT STAFF TRAINED BY AREA OF TRAINING

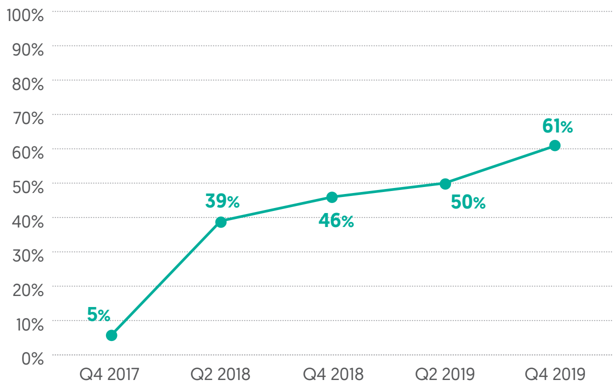


Training is primarily focused on regulatory issues, followed by banking and insurance techniques and IT.

FACILITATING INTERNAL TRANSFERS

Groupe BPCE launched an internal mobility portal in 2017: Mobiliway. This fun and informative Intranet site displays job vacancies available at Group companies. Mobiliway is being gradually rolled out at all Group companies and will be expanded and improved in response to user feedback.

ROLLOUT OF MOBILIWAY



The Group HR division aims to have fully rolled out Mobiliway by the end of 2020 for the Banque Populaire and Caisses d'Epargne regional banks, BPCE SA, Natixis SA, i-BP, IT-CE, BPCE IT, Crédit Foncier de France and Banque Palatine.

At the same time, the Group companies have built on the momentum achieved in inter-company mobility by signing a new Strategic Workforce Planning agreement, which incorporates a new set of common rules. These rules facilitate inter-company transfers through a simplified hiring process, support measures, mobility programs and coordination meetings between HR directors in the local regions.

In 2019, over 1,325 inter-company transfers were made, up from 801 in 2018.

Transfers between functions were once again high in 2019, at nearly 10,000.

Staff departures for mobility reasons (transfers) have risen from 10.8% of all departures in 2016 to 17.3% in 2019.

DEPARTURES OF PERMANENT-CONTRACT EMPLOYEES ACCORDING TO REASON AND GENDER

	2019				2018		2017	
	Women	Men	Total		Total		Total	
Departures, permanent staff	Number	Number	Number	%	Number	%	Number	%
Resignation	1,202	1,068	2,270	29.3%	2,073	29.9%	1,819	28.9%
Dismissal	593	482	1,075	13.9%	882	12.7%	662	10.5%
Transfer	714	629	1,343	17.3%	635	9.1%	547	8.7%
Retirement	755	807	1,562	20.1%	1,695	24.4%	1,630	25.9%
Mutually-agreed termination	341	243	584	7.5%	586	8.4%	511	8.1%
Departure during a trial period	430	309	739	9.5%	452	6.5%	425	6.8%
Other reasons	94	91	185	2.4%	618	8.9%	691	11.0%
TOTAL	**4,129**	**3,629**	**7,758**	**100.0%**	**6,941**	**100.0%**	**6,285**	**100.0%**

Permanent staff, incl. work-study contracts.

MAKING OUR GROUP ATTRACTIVE: ATTRACTING AND RETAINING TALENTED STAFF

Groupe BPCE hired over 6,900 people with permanent contracts in 2019, playing an important role in offering jobs to young graduates from different backgrounds (business schools, universities, apprentice training centers, elite universities, etc.). New hires with fixed-term employment contracts totaled 7,282 in 2019.

BREAKDOWN OF NEW HIRES ACCORDING TO TYPE OF CONTRACT

	2019		2018		2017	
Permanent + fixed-term hires	Number	%	Number	%	Number	%
Permanent staff, incl. work-study contracts	6,903	48.7%	5,623	40.0%	4,669	33.7%
Fixed-term staff, incl. work-study contracts	7,282	51.3%	8,430	60.0%	9,201	66.3%
TOTAL	**14,185**	**100.0%**	**14,053**	**100.0%**	**13,870**	**100.0%**

Permanent and fixed-term staff at December 31.

DEVELOPING THE GROUP'S EMPLOYER IMAGE

In its TEC 2020 plan, Groupe BPCE has undertaken to develop the Group's employer image in a bid to attract and retain talented individuals.

To achieve this, an employer brand platform has been established that complements and is consistent with the existing brands. The objective of the Groupe BPCE employer brand is to create a strong, structured, unique positioning likely to:

- attract priority targets;
- inspire employee engagement and retain the best talent by better meeting today's changing expectations and job relations (employee/applicant experience).

New and improved hiring methods

OPTIMIZING SOURCING

In response to changing candidate behavior and the impact of digital on sourcing activities, Groupe BPCE is implementing hiring practices intended to increase visibility among candidates.

A new applicant experience

The Group's recruitment website has been revamped to focus on applicants, with videos taking center stage to:

- showcase real employees instead of presenting a corporate text drafted by HR;
- provide sections where applicants can submit their resume, prepare for an interview, define their career path, etc.;
- involve employees in promoting their business line, company and the Group's values (*via* social media, referrals, videos).

The number of visits and pages viewed on https://recrutement.bpce.fr/is monitored for information purposes.

EMPOWERING EMPLOYEES TO DRIVE CHANGE

This requires support from managers, who must listen and provide direction. It also involves developing collaborative working methods, made possible with the launch of the groupwide social network, Yammer, and through other initiatives taken by Group companies in this area.

Two major assessment and monitoring systems were set up to gauge the impact and perception of these initiatives:

Measuring satisfaction at key stages of an employee's career

The TEC 2020 strategic plan places particular emphasis on the quality of the employee experience, as well as the customer experience. Employee satisfaction is measured and monitored at key stages in their careers (recruitment, mobility, promotion to management level).

At each key stage, employees receive a questionnaire. Their feedback is anonymized and used to develop concrete operational action plans. The questionnaire provides immediate insight into employees' everyday work-lives, and helps with the continual improvement of HR processes.

Employer survey

To measure employee satisfaction, an internal opinion survey (Diapason) is conducted in Group companies every two years. In the latest edition, 74,000 members of staff were surveyed (30 companies in November 2018 and 6 in January 2019). The survey covered the following topics: the digital revolution, new business lines, management, working conditions, human resources management, etc. Employees had the opportunity to freely, individually and directly express their opinions and expectations in terms of their careers and their support for the Group's strategy.

HR Lab

The HR Lab was set up following the decision made in the TEC 2020 strategic plan to co-construct HR solutions for the Group.

The HR Lab started with an HR Hackathon that brought together forty employees from different backgrounds assisted by coaches to upgrade HR operating methods and develop a service-minded approach, as well as to roll out the Workplace Training Initiative (AFEST program).

Dialog with employee representatives at the Groupe BPCE level and review of collective bargaining agreements

Dialog with employee representatives at the Groupe BPCE level is conducted through two bodies:

- the Group Committee, a forum for information, discussion and dialog, which met four times in 2019. The topics addressed included the economic situation, and the financial and social audit of the Group's financial statements, prepared in advance by the economic and employment/training committees;
- the Strategic Planning Committee, provided for by the SWP agreement of December 22, 2017, and which met twice in 2019. Key items on the agenda included the presentation of strategic labor issues and concerns for Groupe BPCE.

Most of the collective bargaining agreements signed in 2019 were the result of negotiations conducted locally with the Group companies. They covered the following main topics: gender equality, mandatory annual negotiations, quality of life in the workplace, and the organization of the new employee representative body, the CSE (Economic and Labor Relations Council).

IMPROVING QUALITY OF LIFE IN THE WORKPLACE

Working conditions

All Group companies have systems in place to address psychosocial risks.

These systems are part of a resolute approach to psychosocial risks: measuring risks (questionnaires, surveys), identifying vulnerable populations (monitoring and alert system), raising awareness among managers, and helping any employees struggling with problems (counseling and psychological support).

Groupe BPCE promotes a policy on quality-of-life in the workplace that moves beyond simple risk prevention and fosters long-term employee engagement.

In 2019, the Group companies continued and expanded their efforts to improve quality-of-life in the workplace, stimulated by the agreements signed in 2016. Improvement focused particularly on the work-life balance, the right to disconnect after hours, telecommuting and digital transformations.

The aim of the Group's approach to quality-of-life in the workplace is to strengthen the appeal of the Group's businesses and increase the engagement, professional motivation and loyalty of all employees, while also reducing stress at work and lowering absenteeism.

Groupe BPCE's Human Resources division works with all Group companies to constantly improve the quality of working conditions by coordinating and sharing best practices, particularly *via* the network of occupational quality-of-life officers and implementing measures to help people cope with change.

As of 2019, twenty Groupe BPCE companies had signed the Cancer@Work Charter, underscoring their commitment to take concrete action to promote the integration and continued employment of people directly or indirectly affected by cancer or other chronic illness.

Banque Populaire Val de France and Caisse d'Epargne Loire-Centre were awarded the first Cancer@Work label, which was created in 2019 to encourage the recognition and inclusion of cancer in the workplace. These banks met all the conditions required in the new certification process, which is aligned with Corporate Social Responsibility standards under the Global Reporting Initiative. The label was designed by members of the Cancer@Work association with the support of Axa, Malakoff Médéric and Roche France.

These two Groupe BPCE companies were particularly committed to the "Working with cancer and chronic illness" program launched by the Group Human Resources division in 2016 at the request of employees affected by such illnesses. As well as signing a charter, the program involves taking real steps to incorporate chronic illness in human resources and Corporate Social Responsibility policies at all levels: from diagnosis, throughout treatment, on the employee's return to work, among colleagues and managers, etc.

Occupational health and safety conditions and workplace accidents

At Groupe BPCE, policies and budgets relating to health and safety conditions fall within the remit of each of the entities and the CHSCTs (Health, Safety and Working Conditions Committees).

In addition to investing in specific programs to improve occupational health and safety, Group companies also implement more traditional monitoring and prevention programs.

The increase in the number of workplace and commuting accidents seen in 2018 continued in 2019.

All Group companies have a CHSCT that oversees occupational health, safety and working conditions, and is primarily responsible for protecting the health and safety of employees. Each of these committees oversees improvements in safety and working conditions as well as compliance with applicable legal and regulatory provisions.

NUMBER OF ABSENCES FOR WORKPLACE/COMMUTING ACCIDENTS

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management	585	169	754	606	174	780	537	166	703
Management	247	143	390	194	115	309	133	124	257
TOTAL	**832**	**312**	**1,144**	**800**	**289**	**1,089**	**670**	**290**	**960**

Absenteeism among employees with permanent and fixed-term contracts due to workplace/commuting accidents.

Absenteeism

Absenteeism is a real concern for the Group and its companies. The Group provides its companies with a structured system for identifying, analyzing and preventing absenteeism and taking action to manage it.

The most recent evaluation of overall absenteeism (including maternity/paternity leave, illness, family events and other reasons) remains close to 7%.

Since absenteeism rates include maternity leave, in a Group with a predominantly female workforce, it makes sense that the rate of absence is higher among women.

The Group is not able to differentiate absences related specifically to occupational illness, which are very rare in the banking sector.

ABSENTEEISM DUE TO ILLNESS ACCORDING TO GENDER AND CATEGORY

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Non-management	5.5%	3.4%	4.8%	5.7%	3.4%	4.9%	5.4%	3.3%	4.7%
Management	3.2%	1.9%	2.4%	3.3%	2.0%	2.5%	3.3%	1.9%	2.5%
TOTAL	**4.7%**	**2.5%**	**3.7%**	**5.0%**	**2.6%**	**4.0%**	**4.8%**	**2.6%**	**3.8%**

Absenteeism among employees with permanent and fixed-term contracts as per Group human resources data.

Rising employee engagement in a constantly improving working environment should allow the Group to retain its talented staff and limit the number of resignations among staff with permanent employment contracts. That rate has been stable for the past three years.

RESIGNATIONS

	2019	2018	2017
Departure rate	**2.9%**	**2.6%**	**2.8%**

INTERNATIONAL LABOR ORGANIZATION

Groupe BPCE pursues growth in accordance with fundamental human and social rights wherever it does business.

FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

Each entity monitors compliance with rules on freedom of association and working conditions in respect of its international activities.

ELIMINATION OF FORCED LABOR AND EFFECTIVE 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, according to definitions in International Labor Organization conventions, even if local laws authorize such practices.

ELIMINATION OF DISCRIMINATION IN EMPLOYMENT

In its procurement policy, Groupe BPCE refers to its sustainable development policy, to its adherence to the Global Compact and to such founding texts as the Universal Declaration of Human Rights and the international conventions of the International Labor Organization.

Suppliers undertake to respect these agreements in their countries of operation by signing contracts containing specific clauses to that end.

One of the commitments of the Global Compact concerns respect for Human Rights.

Full quantitative human resources indicators for Groupe BPCE are available on https://groupebpce.com/en/csr/employees

2.5 CSR reporting methodology

This section explains the methodology applied by Groupe BPCE in its CSR reporting.

2.5.1 CSR reporting structure

Sustainable development indicators based on the Global Reporting Initiative (GRI) guidelines are used to complete the non-financial performance report, in line with the ESG risk analysis performed by the Group in 2019 (see Chapter 2.3.1). The indicator guidelines were also updated to incorporate the 2018 regulatory changes, the expectations of our stakeholders (rating agencies, investors, NGOs, etc.), feedback from sustainable development officers in charge of reporting, and the recommendations of the independent third party for fiscal year 2017.

ENVIRONMENTAL INDICATORS

For fiscal year 2019, 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, rolled out in 2015.

Most of the emissions factors are based on those set by the French Environment and Energy Management Agency (ADEME) 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;
- to replace Ademe's emissions factors (or factors from any other public or semi-public source) when they are not relevant or sufficiently detailed.

Green growth indicators are business indicators (eco-loans) collected from centralized databases for both networks. indicators on outstanding renewable energy loans are collected from the Group Risk division.

HUMAN RESOURCES INDICATORS

No major changes were made to the human resources indicators so as to ensure stability and to allow for comparison.

Human resources data (excluding training) are extracted from two centralized information systems managed by the Group HR Data Management and Information Systems division, namely the "Services" data center for companies in the Caisse d'Epargne network and the "Perse" infocenter 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 published in 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 contracts have 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 broken down by reason: dismissal, resignation, departure during a trial period, mutually-agreed termination, transfer within the Group and retirement. The departure rate corresponds to the number of departures among permanent staff in year N divided by the total number of permanent staff at December 31 in year N-1.

Transfers between different Group companies are taken into account in the new hires and departures figures.

Absenteeism figures are calculated at December 31 of year N, based on absences recorded at that date and recorded in the HR information system at the time of data extraction for the scope under review.

Absenteeism is calculated as per the Group human resources data. It corresponds to the ratio between the number of days of absence in year N and the number of days due to be worked in the same year.

Indicators related to training are extracted from the new Apogée Formation data center. These data cover all of the training sessions assigned under the plan for a given year and approved by the training departments of the companies within the scope reviewed at the time of the data extraction.

SOCIETAL INDICATORS

Societal indicators are mainly business indicators, such as socially responsible investments and loans to local authorities, to social housing operators and to 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.

The amounts reported for assets under management are grouped into three major categories:

- firts level: ESG analysis – recognition of ESG criteria in the analysis of issuers, without this systematically having an impact on investment decisions;
- second level: ESG integration – incorporation of ESG criteria in investment decisions (including thematic and/or impact investments and exclusion strategies);

- third level: Certification – funds certified by recognized third parties (the French SRI label, Greenfin, Finansol, Febelfin, LuxFlag ESG, Nordic Swan EcoLabel, FNG Siegel).

BUSINESS MODEL

The Group's business model is described in Chapter 1.1, "A business model that creates lasting value and has confirmed its solidity." It sets out our main activities, the main challenges in our business environment, our business model and what stands us apart from our peers. The business model is updated each year as often as necessary.

MEASURING OUR SOCIO-ECONOMIC FOOTPRINT

The aim of the socio-economic footprint is to measure the impact that the Banques Populaires and Caisses d'Epargne have on employment and GDP. The review covers the banks' operating expenses (purchases from suppliers, payroll expenses and taxes) and the loans they grant to their customers (medium and long-term loans, lease financing, microloans). It does not include:

- impacts generated by short-term financing;
- impacts generated by off-balance sheet financing (guarantees, sureties, etc.);
- impacts generated by investments in the financial markets, equity investments and insurance compensation payouts;
- productivity or competitiveness gains that the loans granted may generate for their beneficiaries;
- the impact of support provided to customers by employees of the Caisse d'Epargne and Banque Populaire networks.

Groupe BPCE drew on the expertise of the specialist firm Utopies to complete the measurement using the LOCAL FOOTPRINT® model. This model uses inflows and outflows by department, and replicates as closely as possible how the economy functions. However, the results must be interpreted in light of the assumptions inherent to the model.

LOCAL FOOTPRINT® quantifies jobs supported and GDP generated in economic sectors and departments across the supply chain based on consumer spending and public sector spending. Consistency checks are performed at different stages in the calculation process.

SOURCES AND DETAILS OF BUSINESS MODEL DATA (CHAPTER 2.1)

Information	References
2nd largest banking group in France	Market share: 21.9% in customer deposits and savings; 21% in customer loans (Banque de France, Q3 2019)
No. 2 bank for individual customers	Market share: 22.3% in household deposits and savings; 26% in home loans (Banque de France, Q3 2018). Total penetration rate of 29.1% (No. 2) among individual customers (SOFIA TNS-SOFRES survey, April 2019)
Change in Net Promoter Score	2018/2019 change in NPS (expressed in points)
26% market share in home loans	(Banque de France, Q3 2018) – Quarterly SURFI reports – home loan outstandings
We fund over 20% of the French economy	21.1% market share in loan outstandings, all non-financial sector customers (Banque de France, Q3 2019)
No. 1 lender to the social economy	CE APRI lending market share: 21.2% *(Source: Banque de France, end-June 2018)*
No. 1 bank for SMEs	53% (No. 1) in terms of total penetration rate (2019 Kantar-TNS survey of SMEs).
69% of our employees are engaged	Diapason 2018 employee survey

REPORTING STRUCTURE

CSR reporting is organized by the Group's Sustainable Development division, which coordinates the required tasks each year (updating the guidelines, indicators and user guides; advising the banks in the drafting of their own CSR annual report; etc.).

Like every year, it worked with the Group's operational divisions (IT, Human Resources, Real Estate & Logistics, Procurement, etc.) and federations (FNBP, FNCE) in order to make better use of centralized databases.

More specifically, in preparing the 2019 non-financial performance report, the Group Sustainable Development division worked with the Group Risk division and its regional functions.

Various initiatives were taken in this respect in 2019, in collaboration with all of the contributors to the non-financial performance report, to facilitate the appropriation of this new process by all Group entities:

- groupwide distribution of a memorandum going over regulations and detailing the reporting process for the business lines;
- organization of two days of seminars for the CSR function:
  - a one-day presentation of the tool box used to implement the non-financial performance report in their entities and the methodology, attended by the four independent third parties working with the Group,
  - a one-day conference for all sustainable development officers from every entity to inform them about the importance of CSR reporting and answer their questions about the data collection process;
- awareness-raising among the Group's business functions about CSR reporting issues through visits by the sustainable development team (the credit exposure managers club, real estate & logistics conference, national procurement meeting, etc.);
- two carbon review training sessions (beginners and advanced levels), a CSR reporting training session and two sessions on the basics of CSR;
- two conference calls attended by nearly all of the sustainable development officers to provide advice and answer questions about the non-financial performance report and the collection of CSR data.

REPORTING TOPICS

The following topics are considered relevant in terms of the bank's indirect impacts: circular economy, reducing food waste, combating food poverty, improving animal welfare and ensuring responsible, fair, sustainable food supplies.

These topic are not addressed in specific paragraphs in this report but are covered by the bank's ESG risk analysis procedures. For its lending business, these topics are covered in sector policies. For investment and asset management activities, they are covered by the ESG ratings methodologies for fund management.

ROLE OF METHODOLOGY TOOLS

Risk analysis matrix

The matrix used to rate the 21 CSR risks provides a rating system for gross risks based on their frequency and severity over a three-year period. It also measures the Group's net risk exposure in terms of the risk management systems (processes/quality, resources, controls) used.

User Guides

The user guide, addressed to all contributors to the Group CSR reporting processes, was updated for 2019. With respect to the Group's registration document (but also for each entity, *i.e.* annual management report or registration document), it defines the following:

- 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.

The Group carbon-review user guide was also updated in 2019. 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.

In 2019, the Group published three methodology memos for Travel, Fixed Assets and Procurement.

Reporting period

Published data cover the period from January 1, 2019 to December 31, 2019. Where physical data are not comprehensive for the period, contributors make approximate calculations to estimate the value of the missing data from average ratios provided by Groupe BPCE (in the user guides) based on FTEs and/or the surface area covered. The contributors review the estimates used and send their comments along with the information provided and approved by the Group.

Comparability

For 2019, 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 2018 and some that were newly introduced in 2019.

Controls

The "ESG information quality control framework" defines the organization of control systems for ESG information within Groupe BPCE, and describes the main policies in place on this subject. 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 (since 2017).

If any data published in the management report for the previous year prove inaccurate, a correction is made with an accompanying explanation on the bottom of the same page.

2.5.2 Reporting scope for 2019

Groupe BPCE's long-term objective is to meet the regulatory requirement of producing CSR reporting for the statutory scope of consolidation (the same as used for the publication of the Group's consolidated financial statements). The scope established for 2019 was defined as reasonably as possible under the circumstances. This scope varies depending on the type of indicator. The scope will expand every year, with the aim of covering the entire statutory scope of consolidation.

HUMAN RESOURCES INDICATORS – REPORTING SCOPE

In 2019, the reporting scope reviewed for human resources indicators (excluding training and absenteeism) included the following:

- the Banques Populaires;
- the Caisses d'Epargne;
- Banque de Savoie;

- the subsidiaries of Crédit Coopératif;
- SBE, PRIAM;
- the i-BP, IT-CE and BPCE-IT organizations;
- BPCE SA group and Natixis SA;
- BPCE Lease, BPCE Car Lease, BPCE Factor, BPCE Financement;
- Natixis Payment Solutions, Natixis Interépargne.

The human resources reporting scope covers 90% of the Group's headcount in France.

With respect to training and absenteeism data, the scope is limited to the Banques Populaires, the Caisses d'Epargne, BPCE SA group and the IT subsidiaries of Groupe BPCE. It represents 89% of permanent staff (incl. work-study contracts) covered by the human resources data.

ENVIRONMENTAL AND SOCIETAL INDICATORS – REPORTING SCOPE

For 2019, the reporting scope covers 94% of Groupe BPCE's permanent headcount.

It includes the following entities (barring specifically-mentioned exceptions):

- the 14 companies of the Banque Populaire network, composed of the Banques Populaires and their subsidiaries in France;
- the 15 companies of the Caisse d'Epargne network and their subsidiaries;
- BPCE, BPCE Factor, BPCE Financement, BPCE Lease, Compagnie Européenne de Garanties et de Cautions, BPCE IT, i-BP, IT-CE, Natixis SA and its subsidiaries in France, Banque Palatine and its subsidiaries in France, Crédit Foncier.

The methodologies and scopes related to BRED Banque Populaire, Crédit Coopératif and Natixis are outlined in their respective management reports.

SCOPE OF THE CARBON REVIEW

In 2019, a working group comprising representatives of Groupe BPCE entities, overseen by the Group CSR & Sustainable Development division and Carbone 4, was tasked with optimizing the indicators used in the carbon review. All the indicators were reviewed to pinpoint those with an insignificant impact, those which are difficult to obtain and those offering little scope for action.

The conclusions led to the removal of 25 indicators covering procurement, fixed assets, transport, customer/visitor travel and refrigerants, representing 10.81% of the Group's total carbon emissions in 2018.

Following this change, Groupe BPCE's carbon review for 2018 and 2017 was recalculated to cover the same scope.

This review was also used to recalculate data from previous years (2018 and 2017), using the same scope of consolidation as in 2019.

DIFFICULTIES AND LIMITATIONS

It is difficult to analyze and interpret the data owing to the large number of information systems in use within Groupe BPCE. The reporting scopes vary according to the type of data (human resources, environmental, societal or business data).

2.6 Report by one of the Statutory Auditors, appointed as independent third-party, on the consolidated Non-Financial Performance Statement published in the Group management report

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2019

To the Shareholders,

In our capacity as Statutory Auditor of BPCE SA, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non financial statement for the year ended December 31, 2019 (hereinafter the "Statement"), presented in the group management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement has been prepared by applying the company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the company's website or on request from its headquarters.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the statutory auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e. the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on the company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation nor on the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information).*

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- We familiarized ourselves with the Group's business activity and the description of the principal risks associated.
- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector.
- We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, the respect for human rights and the fight against corruption and tax evasion.

- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code.
- We verified that the Statement presents the business model and a description of principal risks associated with all the entity's activities, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks.
- We referred to documentary sources and conducted interviews to :
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important[1] ; concerning certain risks (*Customer protection and transparency of the range of products and services, Involvement in the governance of investment targets and Consequences of the group's business activity and the use of its products and services on climate change*), our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities.
- We verified that the Statement covers the consolidated scope, i.e. all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement.
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information.
- We carried out, for the key performance indicators and other quantitative outcomes[2] that in our judgment were of most significance:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities[3] and covered between 15% and 100% of the consolidated data for the key performance indicators and outcomes selected for these tests;
- We assessed the overall consistency of the Statement in relation to our knowledge of the company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work engaged the skills of eight people between November 2019 and March 2020.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around ten interviews with people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that cause us to believe that the non financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Comments

Without qualifying the conclusion expressed above and in accordance with Article A. 225-3 of the French Commercial Code, we make the following comments regarding the asset management activities:

- the information related to the integration of ESG criteria and to the methods used to assess the impact of portfolios are limited to certain asset management companies of the group;
- the results of the carbon footprint assessments of the portfolios are presented on a voluntary basis for some asset management companies and were not the object of verification on our part.

Paris-La Défense, March 25, 2020

One of the statutory auditors,

Deloitte & Associés

Sylvie Bourguignon	**Julien Rivals**
Partner	Partner, Sustainability Services

(1) Solutions applied in terms of customer protection and transparency of the range of products and services, Voting and engagement policy (scope:Mirova/Natixis and ECOFI (Crédit Coopératif)), Assessment of the carbon footprint and/or the climate trajectory of the portfolio.
(2) Number of customers with products for vulnerable customers (number and trend), Amount and change in loan outstandings for the Banques Populaires and the Caisses d'Epargne, Percentage of sector lending policies including CSR criteria (as a %), Percentage of new community projects with ISS and Privacysupport, Annual customer NPS (Net Promoter Score) and trends, Socio-economic footprint (calculated by Utopies), Number of hours of training per FTE,Percentage of women in management roles (as a %), Percentage of resignations, Total group headcount, Distribution of hires by contract, Financing for theenergy and ecological transition: production (in euros and trend), Responsible deposits and savings (in euros and trend), Annual CO2 emissions per FTE(tCO2eq/FTE) and trend, Share of employees having completed code of conduct training (as a %).
(3) Natixis SA, Banque Populaire Centre Atlantique, Banque Populaire du Nord.

2.7 Cross-reference table of the main social, environmental and societal information

Major gross ESG risks[(1)]	GRI 4 equivalent	Article 173 LTECV[(2)]	Global Compact	Sustainable development goals	Page No.
Business ethics, transparency and respect for law	G4-56; G4-41; G4-SO4 and FS4		10	16	83
Data security and confidentiality	G4-PR8				92
Lasting relations with customers	FS3; FS5; G4-PR8; G4-24; G4-26				91
Financing for the energy transition, green and blue growth and solidarity-based growth	G4-EC2; FS1; G4-EN27; FS15	III IV VI[(3)]	8, 9	6, 7, 8, 9, 11, 12, 13, 14, 15	66
Working conditions	G4-LA4; G4-LA5; G4-LA6; G4-LA8; G4-HR4; G4-HR5; G4-HR6		3	3, 4, 8, 16	104
Employability and transformation of jobs	G4-LA9; G4-LA10		3	4, 8, 13	101
Integration of ESG criteria in lending/investment decisions	G4-EC2; G4-EN27; FS1; FS2; FS3; FS11;	III V	7, 8	6, 7, 8, 9, 10, 11, 12, 14	67 & 79
Financing for local regions	G4-EN27; G4-EN28; G4-EN29; G4-EN30; G4-EC7; FS8; FS7			2, 4, 7, 8, 11, 12, 13, 14, 16	70
Regional footprint	G4-SO1; G4-SO2; G4-9; FS13; G4-EC1; G4-EC9			1, 2, 8, 9	48
Accessibility of products and services & inclusive finance	FS7; FS14; FS16; G4-9			1, 8, 10, 11	74
Customer protection and transparency of the range of products and services	G4-PR5				91
Diversity among employees	G4-10; G4-LA1; G4-HR3; G4-HR8		1, 2, 3, 4, 5, 6	5, 8, 10	100
Involvement in the governance of investment targets	G4-16; FS5				81

(1) Based on the risk analysis performed in Chapter 2.2 pursuant to directive 2014/95/EU, enacted into French law by Ministerial Order No. 2017-1180 of July 19, 2017 and Decree No. 2017-1265 of August 9, 2017, amending Articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code initially established by Article 225 of the Grenelle 2 Act of 2010 and its 2012 implementing decree.

(2) French Energy Transition for Green Growth Act.

Information required in accordance with Article 173, Section VI, of the French Energy Transition for Green Growth Act, available on the reports published by the companies in question.

3

REPORT ON CORPORATE GOVERNANCE

3.1	**Introduction**	**114**
3.2	**Corporate Governance Code**	**114**
3.3	**Management and Supervisory Bodies**	**116**
3.3.1	Groupe BPCE governance structure	116
3.3.2	Supervisory Board	118
3.3.3	Management Board	125
3.3.4	Executive Management Committee – BPCE governing body	126
3.3.5	Directorships and offices held by corporate officers	127
3.4	**Role and operating rules of governing bodies**	**158**
3.4.1	Supervisory Board	158
3.4.2	Specialized committees	161
3.4.3	Attendance of Supervisory Board and Specialized Committee Meetings	166
3.4.4	Management Board	166
3.4.5	Annual General Shareholders' Meetings	167
3.5	**Rules and principles governing the determination of pay and benefits**	**169**
3.5.1	Pay policy, components of pay, benefits in kind, loans, guarantees and attendance fees received by members of the Supervisory Board of BPCE	169
3.5.2	Corporate officer pay policy for fiscal year 2020	174
3.5.3	Pay and benefits of any kind awarded to company directors for 2019	181
3.5.4	Procedure for enforcing pay policies and practices covered by Articles L. 511-71 to L. 511-88 of the French Monetary and Financial Code	190
3.6	**Potential conflicts of interest**	**191**
3.6.1	Members of the Supervisory Board	191
3.6.2	Members of the Management Board	191

3.1 Introduction

Dear Shareholders,

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

- the composition of the Supervisory Board and implementation of the principle of balanced representation of women and men;
- the conditions governing the preparation and organization of the Supervisory Board's work during the year ended December 31, 2019; 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 5, 2020, then approved by the Supervisory Board at its meeting of February 6, 2020.

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

3.2 Corporate Governance Code

In preparing this report, BPCE referred to the Corporate Governance Code for listed companies published in December 2008 and revised in January 2020 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, the proportion of independent directors on the Supervisory Board and its committees, Board member ownership of a material number of shares and the publication of the CEO pay ratio.

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 Banques Populaires and Caisses d'Epargne, which are already amply represented on the Supervisory Board as voting or non-voting directors. Accordingly, a shorter term of office would not substantially change the composition of the Supervisory Board. In addition, BPCE staggers reappointments, renewing the terms of office of half of the Supervisory Board members every three years, in order to avoid mass reappointments and promote a smooth Board member reappointment process. This gives shareholders sufficiently frequent opportunity to provide an opinion on Supervisory Board members, as recommended in the AFEP-MEDEF Code.

Regarding Supervisory Board member 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 Banques Populaires 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, regarding information on company director pay, BPCE does not apply the recommendation which stipulates that information on pay ratios should be published, thereby enabling comparison of company director pay and employee pay. In fact, the legislator's aim in drafting this legal provision, now taken up by the AFEP-MEDEF Code recommendation, which is to enable shareholders or investors of publicly-traded corporations to assess company director pay against the company's performance, is not relevant in light of BPCE's capital structure, under which the Banques Populaires and Caisses d'Epargne together hold all of the share capital and voting rights.

Finally, with the exception of the CEO pay ratio, BPCE formally adheres to and implements the AFEP-MEDEF Code recommendations on executive pay.

STATEMENT OF NON-COMPLIANCE WITH THE AFEP-MEDEF CODE[1]

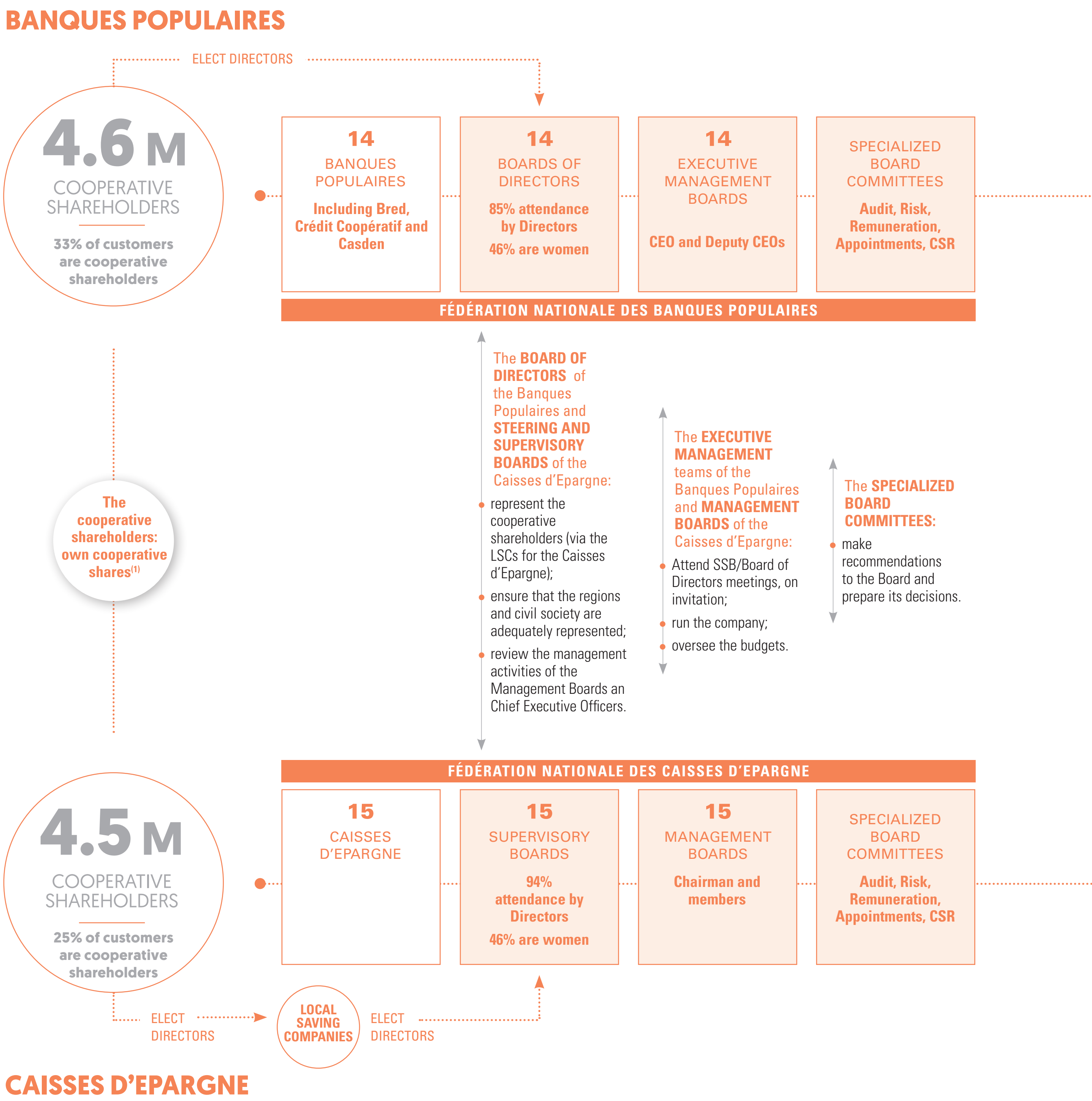
Independent directors	Recommendations partly implemented (not followed regarding proportion of independent directors on the board)
Directors' terms of office	Recommendations partly implemented (not followed regarding the six-year term)
Audit Committee	Recommendations partly implemented (not followed regarding proportion of independent directors on the committee)
Committee responsible for appointments	Recommendations partly implemented (not followed regarding proportion of independent directors on the committee)
Committee responsible for pay	Recommendations partly implemented (not followed regarding proportion of independent directors on the committee)
Shareholding obligation of company directors	Recommendations not implemented
Transparency regarding company director pay	Recommendations partly implemented (not followed regarding the publication of the CEO pay ratio)

3

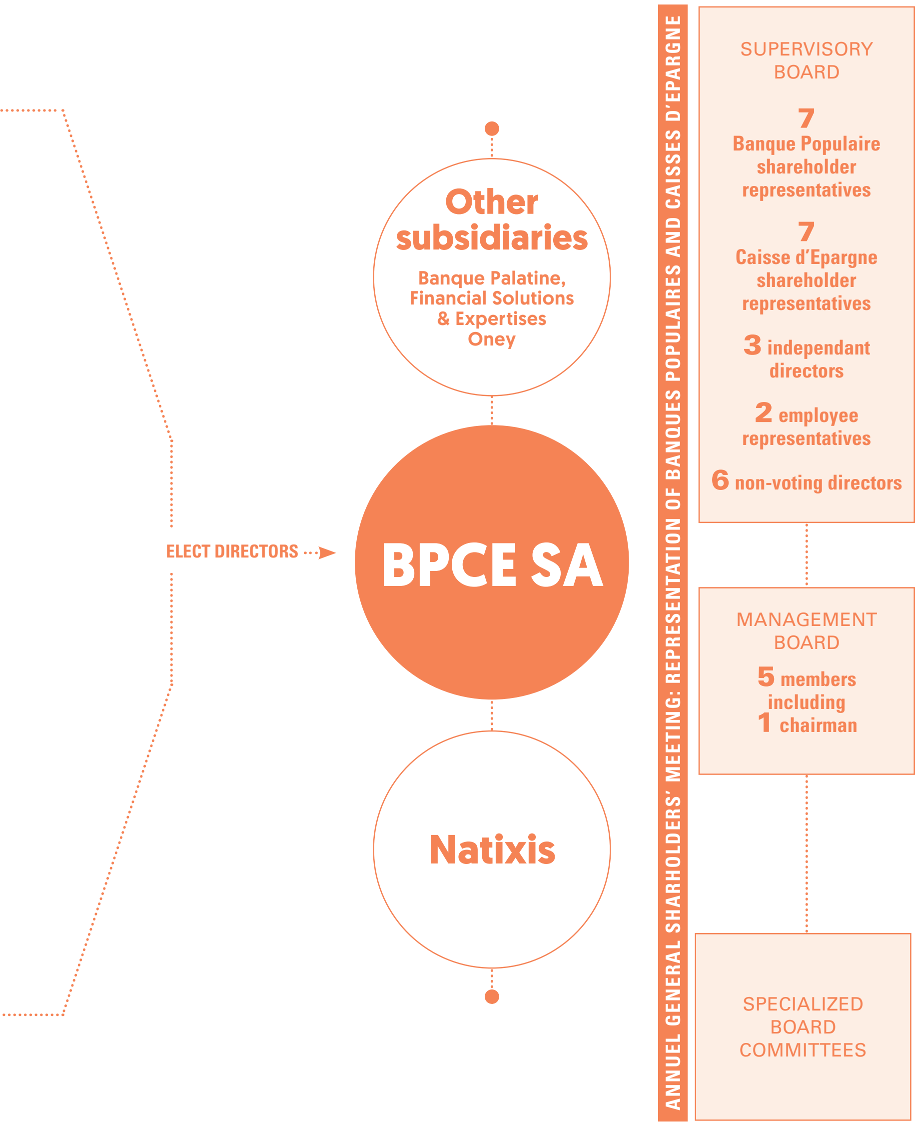
(1) BPCE has implemented the provisions of the AFEP-MEDEF Code, adapting them to its Management Board/Supervisory Board governance model.

3.3 Management and Supervisory Bodies

3.3.1 Groupe BPCE governance structure



(1) Through the Local Saving Companies for the Caisses d'Epargne.



The **BPCE SA SUPERVISORY BOARD**:

- approves the policy and strategic guidelines of Groupe BPCE and each of the networks;
- verifies and audits the parent company and consolidated financial statements.

The **AUDIT COMMITTEE**:

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

The **RISK COMMITTEE**:

- is tasked with assessing the effectiveness of internal control and risk management systems.

The **APPOINTMENTS COMMITTEE**:

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

The **REMUNERATION COMMITTEE**:

- makes proposals to the Board regarding the levels and conditions of pay granted to Management Board members and the Chairman of the Management Board, and the distribution of attendance fees payable to the Board members.

The **COOPERATIVE** and **CSR COMMITTEE**:

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

3.3.2 Supervisory Board

The terms of the BPCE Supervisory Board Members were renewed at the Ordinary General Shareholders' Meeting of May 22, 2015 for a period of six years, *i.e.* until the Annual General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020. Furthermore, under the staggered reappointment procedure for Supervisory Board members, the Supervisory Board acknowledged the resignation of eight of its members at its meeting of May 17, 2018. The Combined General Meeting held on May 25, 2018 subsequently appointed eight new members for a period of six years, *i.e.* until the Annual General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2023.

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

GUIDELINES

Under Article 21 of the Articles of Association as amended on June 26, 2019, 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 Banques Populaires), three independent members as defined by the AFEP-MEDEF Code[1] and two members representing employees of BPCE and its direct or indirect subsidiaries headquartered in France.

The Supervisory Board includes six Non-Voting Directors acting in an advisory capacity.

Among the Non-Voting Directors, the Chairman of Fédération Nationale des Caisses d'Epargne and the Chairman of Fédération Nationale des Banques Populaires, who cannot be members of the Supervisory Board, are Non-Voting Directors as of right, in accordance with Article 28.1 of BPCE's Articles of Association.

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

The Non-Voting Directors are tasked with ensuring that BPCE fulfills its assigned responsibilities, particularly those set out by law, without interfering or getting involved in BPCE's management.

In accordance with Article L. 2312-72 of the French Labor Code, the Articles of Association also stipulate the presence of one non-voting representative from the company's Works Council.

The Supervisory Board includes a committee consisting of the Chairman, the Vice-Chairman, a Chairman of the Management Board of a Caisse d'Epargne and a Chief Executive Officer of a Banque Populaire bank. The Supervisory Board Committee serves as a forum for exchange and discussion about important matters before they are presented to the Supervisory Board. It is not a decision-making body.

APPOINTMENT

During the company's life and subject to co-opting, Supervisory Board Members are appointed by the shareholders at the Ordinary General Shareholders' Meeting, as indicated in Article 21 of BPCE's Articles of Association, on a motion by Category A or B shareholders, depending on the category in question.

Independent members are proposed by the Appointments Committee to the Supervisory Board, which asks the Management Board to put their appointment to a vote at the Ordinary General Shareholders' Meeting.

The two members representing employees of BPCE and its subsidiaries are appointed by each of the two unions that received the most votes in the first round of elections referred to in Articles L. 2122-1 and L. 2122-4 of the French Labor Code.

Supervisory Board Members hold office for a term of six years. Their duties end at the close of the Ordinary General Shareholders' Meeting convened to rule on the financial statements for the past fiscal year, held during the year in which their term expires.

The Supervisory Board is partially reappointed every three years, and for the first time since the Annual General Shareholders' Meeting that approved the financial statements for the year ended December 31, 2017.

Solely for the purposes of beginning to stagger Supervisory Board reappointments, the terms of eight members ended early upon the conclusion of the Annual General Shareholders' Meeting that approved the financial statements for the year ended December 31, 2017. That same meeting also appointed the same number of Supervisory Board Members for a period of six years.

The Supervisory Board Members are eligible again under the conditions set out by the Articles of Association, specifically the provisions of Article 21 regarding the completion of a half-term without reaching the mandatory age limit of 70. They are automatically deemed to have resigned once they no longer carry out the responsibilities set out in Article 21 of the Articles of Association. Furthermore, no persons may be appointed as members of the Supervisory Board if, from the date of their appointment, they cannot complete at least half of their term before reaching the above-cited age limit.

DIVERSITY POLICY

In accordance with the law and Articles of Association as well as the Internal Rules, the Appointments Committee is tasked with making proposals regarding the choice of Group outsiders and Supervisory Board Members suggested to it.

To that end, the Appointments Committee verifies the fitness of Supervisory Board candidates with respect to their integrity, skills, and independence while pursuing a goal of diversity within the Supervisory Board, meaning a situation where the characteristics of the Supervisory Board Members differ to an extent that ensures a variety of viewpoints within the Supervisory Board, given that the cooperative nature of the Group greatly helps to promote diversity.

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

As such, the Appointments Committee checks the following criteria: education, professional experience, age, balanced geographic representation, representation of different market types, representation of the different socio-professional categories of the Group's cooperative shareholder base, and a minimum 40% target for the representation of the underrepresented gender.

With respect to these criteria, when assessing a candidate for the Supervisory Board, the Appointments Committee strives to maintain or achieve a balance and have a skill set appropriate for the Group's activities and strategic plan, as well as the technical responsibilities assigned to the various Supervisory Board Committees.

None of these criteria on its own, however, is sufficient to mark the presence or absence of diversity, which is assessed collectively within the Supervisory Board. This is because the Appointments Committee prioritizes the synergy of technical skills, cultural diversity, and diverse experience in order to achieve a set of profiles that enhances the angles of analysis and viewpoints on which the Supervisory Board may rely when conducting its discussions and making its decisions, thereby encouraging good governance.

Finally, the Appointments Committee reports to the Supervisory Board any changes that it recommends making to the composition of the Supervisory Board in order to achieve the goals set out in the diversity policy.

GENDER EQUALITY

At December 31, 2019, seven out of the total 19 members of the BPCE Supervisory Board were women (*i.e.* 41.17%). In accordance with Article L. 225-79 of the French Commercial Code, the members representing employees of BPCE and its direct or indirect subsidiaries headquartered in France are not included in this calculation. At December 31, 2019, BPCE met the gender representation requirement for members of its Supervisory Board (a minimum of 40% for each gender) and therefore was in compliance with the provisions of Article L. 225-69-1 of the French Commercial Code.

INDEPENDENCE

In keeping with the corporate governance guidelines and best practices set out in the Supervisory Board's internal rules adopted on July 31, 2009 and amended on December 20, 2018, Supervisory Board Members:

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

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

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

An independent member must not:

- be an employee or executive corporate officer of the company or Groupe BPCE, or an employee or director of one of the company's shareholders, and must not have been so during the previous five years;
- be an executive corporate officer of a company in which the company directly or indirectly holds a directorship or in which a designated employee or an executive corporate officer of the company (either currently or in the last five years) holds a directorship;
- be a customer (or directly or indirectly linked to a customer), supplier, investment banker or commercial banker, if the business relationship is such that it could compromise the free exercise of the member's judgment;
- have close family ties with an executive or non-executive corporate officer of the company or its group;
- have been an auditor, accountant, or permanent or alternate Statutory Auditor of the company or of any Groupe BPCE companies during the last five years;
- have been a non-executive corporate officer of the company for longer than 12 years; or
- receive or have received any substantial additional pay from the company or Groupe BPCE, excluding attendance fees and including participation in any stock option package or any other performance-based pay package.

The Supervisory Board may find that one or more of its members, although meeting the criteria above, should not be classified as independent given their individual situation or that of the company, with regard to their shareholdings or for any other reason.

Pursuant to Article 3.2 of the Internal Rules, at its meeting of December 10, 2019, the Appointments Committee reviewed and confirmed the independent status of Kadidja Sinz and Anne-Claude Pont, based on the criteria defined by the Supervisory Board's Internal Rules. In 2019, the adherence to the defined criteria in order to qualify Valérie Pancrazi as an independent member was examined at the time of her appointment.

AVAILABILITY

Pursuant to the requirements set by the European Central Bank (ECB), at its meeting of December 19, 2019 BPCE's Supervisory Board acknowledged a fit & proper policy governing in particular the assessment of Board member availability. This policy implements a system to ensure that Board members dedicate sufficient time to their roles and responsibilities.

To that end, the Appointments Committee assesses the availability of potential Board members by checking the number of corporate offices held and determining the amount of time allotted to each office.

AUDIT

Pursuant to the AFEP-MEDEF Code and in accordance with the EBA/ESMA governance guidelines, a formal audit was conducted in 2019 by law firm FIDAL, under the direction of the Appointments Committee.

The audit lasted two months and the findings were presented to the Supervisory Board at its meeting of December 19, 2019.

FIDAL conducted individual interviews, based on an interview guide developed with input from all Board members and non-voting directors. The firm also met with the Chairman of the Management Board.

Through this evaluation, the Supervisory Board was able to identify areas in which progress had been achieved, areas for improvement and focuses for further discussion.

A detailed audit report containing the results of these interviews was produced and analyzed at a special meeting of the Appointments Committee. A summary was then drafted for submission to the Supervisory Board. FIDAL presented its findings to the Supervisory Board at its meeting of December 19, 2019, also attended by the Management Board.

The audit found that most members believe the Supervisory Board's overall performance is satisfactory and has improved since the previous audit. The quality of the discussions between the Supervisory and Management Boards provide a forum for debate and more in-depth analysis of the questions submitted to the Supervisory Board and its committees.

Significant improvements have been implemented, in particular the introduction of staggered renewals of terms of offices, increased female representation and younger members. The Supervisory Board has become increasingly involved, particularly in terms of strategy, through recent changes to the role of the Audit Committee. The audit also highlighted improved risk management, performance oversight and better execution of decisions made by the Supervisory Board. The make-up and operation of the committees was deemed satisfactory, as was the quality of the work conducted by the committees and reports submitted to the Supervisory Board.

Each member's individual contribution to the Board is effective and deemed very satisfactory, and attendance rates are high.

Focuses for further discussion were identified regarding possible changes to the Board, including:

- appointing members with international experience and expertise in the digital, technology and IT, cyber risk and HR fields;
- implementing an annual strategy day that could be incorporated into the Learning Expedition, which is highly appreciated by Board members;
- the potential for an enhanced role for the Cooperative and CSR Committee in defining Groupe BPCE's CSR strategy.

TRAINING

In compliance with Article L. 511-53 of the French Monetary and Financial Code, BPCE is committed to training the members of its Supervisory Board.

The main components of the training program were defined by considering the experience and needs of the members of the Board, as well as the proposals made during the Board audit.

As such, the training program takes into consideration that Board members working within a Banque Populaire bank or Caisse d'Epargne already benefit from training programs organized by the network Federations.

Furthermore, Natixis' training modules are open to members of BPCE's Supervisory Board and are designed to be consistent with the existing module specific to members of BPCE's Supervisory Board.

Board members who are employee representatives also receive additional training provided by a third-party training firm in accordance with applicable legal and regulatory provisions.

There are four core components to BPCE's training program:

- a core curriculum open to all Board members;
- a training program for new Board members;
- ongoing training.

Training may be provided by internal and/or external providers.

During fiscal year 2019, members of BPCE's Supervisory Board had the opportunity to receive training on the following subjects:

- digital/cloud technology – strategy and objectives;
- artificial intelligence initiatives/Risks: internal models;
- permanent control;
- compliance: GDPR, MiFID II, IDD, PRIIPs;
- Sapin II (code of ethics, code of conduct, financial penalties);
- valuation procedures and new accounting standards (IFRS 9, 15 and 16);
- main principles of compliance and current regulatory developments;
- prudential regulation: capital adequacy and liquidity;
- developments in bancassurance.

At its meeting of August 2, 2019, the Board approved a multi-year training program for 2019-2021, with the goal of complying with the marketplace best practices and standards (EBA, ESMA, IFA) and consolidating Board member expertise.

An acclimation program for new Board members appointed in 2021 was implemented and will include meetings with heads of Internal Control functions and the main business lines.

The "ongoing training" component was enhanced as follows:

- access to a document library;
- MOOC (Massive Open Online Course) and e-learning courses introduced;
- personal coaching sessions, virtual classes, simulations and one-to-one interviews can now be organized;
- current topics can also be added to the initial program as they arise.

Specifically for 2020, the following training sessions have been scheduled:

- new payment instruments;
- roles and responsibilities of Board members and company directors;
- the Fit and Proper policy;

- review of internal models;
- crisis management, recovery and resolution;
- Natixis' capital market activities: positioning, objectives and risks for the Group;
- Natixis' Asset Management business;
- Natixis' Insurance business.

MEMBERS

The tables below list the changes to the composition of the Supervisory Board and its committees during fiscal year 2019 (first table) and the members of the Supervisory Board as at December 31, 2019[1] (second table).

CHANGES TO THE COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES DURING THE FISCAL YEAR

(Situation at December 31, 2019)

	Resignation	Appointment	Reappointment
Supervisory Board	Maryse Aulagnon (independent member) 04/19/2019	Valérie Pancrazi (independent member) 05/09/2019 (term of office ends: 2021 OGM)	-
	Michel Grass (as Chairman – he remains a Supervisory Board member) 05/24/2019	Pierre Valentin Chairman of the Supervisory Board 05/24/2019 (term of office ends: 2021 OGM)	-
	Nicolas Plantrou (as Vice-Chairman – he remains a Supervisory Board member) 05/24/2019	Thierry Cahn Vice-Chairman of the Supervisory Board 05/24/2019 (term of office ends: 2021 OGM)	-
	Nicolas Plantrou (member of the Supervisory Board) 12/14/2019	Éric Fougère (member of the Supervisory Board) 12/19/2019 (term of office ends: 2021 OGM)	-
Audit Committee	Pierre Valentin 05/24/2019	Nicolas Plantrou 05/24/2019	-
	Thierry Cahn 05/24/2019	Bernard Dupouy 05/24/2019	-
	Nicolas Plantrou 12/14/2019	Éric Fougère 12/19/2019	-
Risk Committee	-	Michel Grass 05/24/2019	-
Remuneration Committee	Maryse Aulagnon (Chairman) 04/19/2019	Valérie Pancrazi (Chairman) 05/09/2019	-
Appointments Committee	Maryse Aulagnon (Chairman) 04/19/2019	Valérie Pancrazi (Chairman) 05/09/2019	-
	Bernard Dupouy 05/24/2019	Michel Grass 05/24/2019	-
Cooperative and CSR Committee	Michel Grass 05/24/2016	Pierre Valentin 05/24/2019	-
	Nicolas Plantrou 05/24/2019	Thierry Cahn 05/24/2019	-

Members of the Supervisory Board at December 31, 2019

SB: Supervisory Board

BD: Board of Directors

SSB: Steering and Supervisory Board

(1) The biographies of Supervisory Board Members are available in section 3.3.5.

	Personal information				Experience	Position on the Board				
Office	**Age**	**Gender**	**Nationality**	**Number of shares**	**Number of offices held in listed companies**	**Independence**	**Date of initial appointment/ reappointment**	**Term of office ends in**	**Length of tenure on the Board**	**Participation in Board committees**
Chairman of the Supervisory Board							**05/24/2019**	**2021**		
Pierre Valentin Chairman of the SSB of Caisse d'Epargne Languedoc-Roussillon	66	M	Fr	0	0		Initially appointed 07/31/2009 Reappointed 05/22/2015	2021	10 years	Yes: Cooperative and CSR Committee
Vice-Chairman of the Supervisory Board							**05/24/2019**	**2021**		
Thierry Cahn Chairman of the BD of Banque Populaire Alsace Lorraine Champagne	63	M	Fr	0	1		Initially appointed 07/31/2009 Reappointed 05/22/2015 and 05/25/2018	2024	10 years	Yes: Cooperative and CSR Committee
Banque Populaire representatives										
Gérard Bellemon Chairman of the BD of Banque Populaire Val de France	65	M	Fr	0	0		Initially appointed 06/19/2018	2024	1 year and 6 months	Yes: Appointments Committee Remuneration Committee
Bernard Dupouy Chairman of the BD of Banque Populaire Aquitaine Centre Atlantique	64	M	Fr	0	1		Initially appointed 08/02/2018	2024	1 year and 5 months	Yes: Audit Committee Remuneration Committee
Yves Gevin Chief Executive Officer of Banque Populaire Rives de Paris	61	M	Fr	0	0		Initially appointed 05/22/2015 Reappointed 05/25/2018	2024	4 years	Yes: Audit Committee Appointments Committee Remuneration Committee Cooperative and CSR Committee
Michel Grass Chairman of the BD of Banque Populaire Bourgogne Franche-Comté	62	M	Fr	0	0		Initially appointed 05/22/2015	2021	4 years	Yes: Risk Committee Appointments Committee
Olivier Klein Chief Executive Officer of BRED Banque Populaire	62	M	Fr	0	0		Initially appointed 01/01/2019	2021	1 year	Yes: Risk Committee
Catherine Mallet Chairman of the BD of Banque Populaire Occitane	50	F	Fr	0	1		Initially appointed 05/17/2018	2021	1 year and 7 months	No
Caisse d'Epargne representatives										
Catherine Amin-Garde Chairman of the SSB of Caisse d'Epargne Loire Drôme Ardèche	64	F	Fr	0	0		Initially appointed 07/31/2009 Reappointed 05/22/2015 and 05/25/2018	2024	10 years	Yes: Appointments Committee Remuneration Committee
Alain Denizot Chairman of the Management Board of Caisse d'Epargne Rhône Alpes	59	M	Fr	0	0		Initially appointed 12/20/2018	2021	1 year and 11 days	Yes: Risk Committee
Dominique Goursolle-Nouhaud Chairman of the SSB of Caisse d'Epargne Aquitaine Poitou-Charentes	67	F	Fr	0	0		Initially appointed 08/02/2018	2021	1 year and 5 months	Yes: Appointments Committee Remuneration Committee
Françoise Lemalle Chairman of the SSB of Caisse d'Epargne Côte d'Azur	54	F	Fr	0	1		Initially appointed 05/22/2015 Reappointed 05/25/2018	2024	4 years	Yes: Risk Committee

Office	Personal information: Age	Gender	Nationality	Number of shares	Experience: Number of offices held in listed companies	Position on the Board: Independence	Date of initial appointment/ reappointment	Term of office ends in	Length of tenure on the Board	Participation in Board committees
Didier Patault Chairman of the Management Board of Caisse d'Epargne Île-de-France	58	M	Fr	0	0		Initially appointed 07/31/2009 Reappointed 05/22/2015 and 05/25/2018	2024	10 years	Yes: Audit Committee Appointments Committee Remuneration Committee Cooperative and CSR Committee
Éric Fougère[2] Chairman of the SSB of Caisse d'Epargne Bourgogne Franche-Comté	52	M	Fr	0			Initially appointed 12/19/2019	2021	13 days	Yes: Audit Committee
Independent members										
Valérie Pancrazi[3] Independent advisor, VAP Conseils	56	F	Fr	0	0	X	Initially appointed 05/09/2019	2024	8 months	Yes: Appointments Committee Remuneration Committee
Kadidja Sinz Head of Europe – Liberty Specialty Markets	62	F	Fr	0	0	X	Initially appointed 08/02/2018	2021	17 months	Yes: Audit Committee Risk Committee
Anne-Claude Pont Chairman and Co-Founder of Wilov	59	F	Fr	0	0	X	Initially appointed 03/29/2018	2021	1 year and 8 months	Yes: Audit Committee Risk Committee
Members representing employees of BPCE and its subsidiaries										
Vincent Gontier Fédération CFDT des Banques et Assurances	65	M	Fr	0	0		Initially appointed 04/28/2015	2021	4 years	Yes: Remuneration Committee
Frédéric Hassaine Fédération de la Finance et de la Banque CFE-CGC	53	M	Fr	0	0		Initially appointed 04/30/2015	2021	4 years	No
Non-Voting Directors										
Jean Arondel[1] Chairman of Fédération Nationale des Caisses d'Epargne	69	M	Fr	0	1		Initially appointed 05/06/2015	2021	4 years	Yes: Cooperative and CSR Committee
Pierre Carli Chairman of the Management Board of Caisse d'Epargne de Midi-Pyrénées	64	M	Fr	0	0		Initially appointed 07/31/2009 Reappointed 05/22/2015	2021	10 years	No
Joël Chassard Chairman of the Management Board of Caisse d'Epargne Provence Alpes Corse	62	M	Fr	0	0		Initially appointed 05/17/2018	2021	1 year and 7 months	No
Sylvie Garcelon Chief Executive Officer of CASDEN Banque Populaire	54	F	Fr	0	1		Initially appointed 12/20/2018	2021	1 year and 11 days	No
André Joffre[1] Chairman of Fédération Nationale des Banques Populaires	66	M	Fr	0	0		Initially appointed 06/19/2018	2021	1 year and 6 months	Yes: Cooperative and CSR Committee
Daniel Karyotis Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes	58	M	Fr	0	1		Initially appointed 11/08/2016	2021	3 years	No

(1) Non-Voting Director as of right.
(2) Replacing Nicolas Plantrou, whose term of office ended December 14, 2019.
(3) Replacing Maryse Aulagnon, whose term of office ended April 19, 2019.

SUPERVISORY BOARD – DISTRIBUTION OF EXPERTISE

Areas of expertise	>50%	30% to 50%	10% to 30%
Retail Banking & Insurance	X		
Financial markets, capital markets, capital adequacy and models		X	
Financial accounting and financial disclosures	X		
Risk management, compliance verification and Internal Audit	X		
Legal and regulatory expertise		X	
Strategic planning and understanding of business strategy	X		
Management skills and experience	X		
International		X	
Information systems and digital expertise			X
Cooperative banking experience	X		

COMPOSITION OF BOARD COMMITTEES (AT DECEMBER 31, 2019)

AUDIT COMMITTEE

Since August 2, 2018, the Audit Committee has been chaired by Kadidja Sinz, independent member, Head of Europe, Liberty Specialty Markets.

The committee's other members were chosen for their expertise in accounting, finance and internal control:

- Bernard Dupouy, Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Île-de-France;
- Éric Fougère, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Bourgogne Franche-Comté;
- Anne-Claude Pont, independent member, Chairman of Wilov.

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

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

The biographies of Audit Committee members are available in section 3.3.5.

RISK COMMITTEE

Since March 29, 2018, the Risk Committee has been chaired by Anne-Claude Pont, independent member, Chairman of Wilov.

The other members of the committee were chosen for their knowledge, skills and expertise in corporate strategy and risk management:

- Alain Denizot, Chairman of the Management Board of Caisse d'Epargne Rhône Alpes;
- Michel Grass, Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté;
- Olivier Klein, Chief Executive Officer of BRED Banque Populaire;
- Françoise Lemalle, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur;
- Kadidja Sinz, independent member, Head of Europe, Liberty Specialty Markets.

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

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

The biographies of Risk Committee members are available in section 3.3.5.

APPOINTMENTS COMMITTEE

Since May 9, 2019, the Appointments Committee has been chaired by Valérie Pancrazi, independent member, Independent Advisor of VAP Conseils.

The other members of the Appointments Committee were chosen for their expertise and professional experience:

- Catherine Amin-Garde, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche;
- Gérard Bellemon, Chairman of the Board of Directors of Banque Populaire Val de France;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Dominique Goursolle-Nouhaud, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes;
- Michel Grass, Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Île-de-France.

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

When invited by the Chairman of the Appointments Committee, the Head of the Group Human Resources function attends meetings of the Appointments Committee as a non-voting participant.

The biographies of Appointments Committee members are available in section 3.3.5.

REMUNERATION COMMITTEE

Since May 9, 2019, the Remuneration Committee has been chaired by Valérie Pancrazi, independent member, Independent Advisor of VAP Conseils.

The other members of the Remuneration Committee were chosen for their expertise and professional experience:

- Catherine Amin-Garde, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche;
- Gérard Bellemon, Chairman of the Board of Directors of Banque Populaire Val de France;
- Bernard Dupouy, Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Vincent Gontier, employee representative;
- Dominique Goursolle-Nouhaud, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Île-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 Remuneration Committee as a non-voting participant.

The biographies of Remuneration Committee members are available in section 3.3.5.

COOPERATIVE AND CSR COMMITTEE

Since June 19, 2018, the Cooperative and CSR Committee has been chaired by Jean Arondel, Non-Voting Director as of right, Chairman of the Fédération Nationale des Caisses d'Epargne.

The other members of the Cooperative and CSR Committee were chosen for their expertise and professional experience:

- Thierry Cahn, Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne, Vice-Chairman of the Supervisory Board of BPCE;
- André Joffre, Non-Voting Director as of right, Chairman of Fédération Nationale des Banques Populaires;
- Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris;
- Didier Patault, Chairman of the Management Board of Caisse d'Epargne Île-de-France;
- Pierre Valentin, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon, Chairman of the Supervisory Board of BPCE.

The biographies of Cooperative and CSR Committee members are available in section 3.3.5.

3.3.3 Management Board

GUIDELINES

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

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

The Supervisory Board appoints the Chairman of the Management Board, who then provides it with recommendations on the other members to be appointed to the Management Board.

Members of the Management Board are appointed for four-year terms, with their terms of office ending at the conclusion of the Ordinary General Shareholders' Meeting that approved the financial statements for the previous year and held during the year in which their term of office expires.

DIVERSITY POLICY

At its meeting of December 19, 2019, the Supervisory Board adopted a diversity policy applicable to members of the Management Board.

Accordingly, and in compliance with the Internal Rules, the Appointments Committee:

- is in charge of submitting motions to the Supervisory Board on potential candidates for the office of Management Board Chairman;
- regularly reviews and assesses the integrity and expertise of candidates for the office of Management Board member (appointed by the Board based on motions from the Chairman of the Management Board).

The Appointments Committee regularly reviews and assesses candidates for the office of Management Board member in terms of their integrity, expertise, independent judgement and availability while pursuing a goal of diversity within the Management Board.

To that end, the Appointments Committee examines the following criteria: education; professional experience; age; and strategic, managerial, business and financial expertise, while making every effort to achieve balanced gender representation on the Management Board.

With respect to these criteria,

- when assessing a candidate for the office of Management Board member, the Appointments Committee strives to maintain or achieve a balance and have a skill set appropriate for the Group's activities and strategic plan; and
- ensures that at all times the members of the Management Board collectively have the necessary skills to understand the risks, challenges and potential developments involved in running a cooperative banking group.

SUCCESSION PROCEDURE FOR THE CHAIRMAN OF THE MANAGEMENT BOARD

In accordance with Article 3.2 of the Internal Rules, the Appointments Committee drafted a succession procedure for the Chairman of the Management Board, which was adopted by the Supervisory Board at its meeting of December 20, 2018.

The purpose of this procedure is to define the terms under which the Chairman of the Management Board is to be replaced in the event of a temporary or permanent absence. Specifically, it stipulates that:

- a legal representative may be appointed for the replacement period in the event of a temporary absence;
- candidate(s) should be sought from within the Group and, if necessary, outside the group in the event of a permanent absence.

MEMBERS

Management Board Members at December 31, 2019
Laurent Mignon, Chairman of the Management Board
Christine Fabresse, Member of the Management Board – Head of Retail Banking and Insurance
Catherine Halberstadt, Member of the Management Board – Head of Human Resources
Nicolas Namias, Member of the Management Board – Chief Financial Officer
François Riahi, Member of the Management Board – Chief Executive Officer of Natixis

3.3.4 Executive Management Committee – BPCE governing body

EXECUTIVE MANAGEMENT COMMITTEE MEMBERS (AS OF DECEMBER 31, 2019)

Laurent Mignon, Chairman of the Management Board;

Christine Fabresse, Member of the Management Board – Head of Retail Banking and Insurance;

Catherine Halberstadt, Member of the Management Board – Head of Human Resources;

Nicolas Namias, Member of the Management Board – Chief Financial Officer;

François Riahi, Member of the Management Board – Chief Executive Officer of Natixis;

Laurent Benatar, Chief Information Officer;

Jacques Beyssade, Corporate Secretary;

Géraud Brac de La Perrière, Chief Risk Officer;

Jean-Yves Forel, Chief Executive Officer[1] - Head of Retail Banking Europe and Paris 2024 Project;

Dominique Garnier, Deputy Chief Executive Officer, Head of Financial Solutions and Expertise;

Yves Tyrode, Chief Digital Officer.

Furthermore, Stéphanie Paix, who reports directly to Laurent Mignon, is Deputy Chief Executive Officer in charge of the Group Inspection Générale division.

GENDER EQUALITY

At December 31, 2019, two out of the total five members of the Management Board were women (*i.e.* 40%), which meets the minimum legal requirement stipulated in the French Commercial Code for members of the Supervisory Board.

Pursuant to the provisions of the AFEP-MEDEF Code, as amended in January 2020, the Supervisory Board has drawn up a diversity policy including gender equality targets that will be applied to all governing bodies.

At January 1, 2020, 74 out of the 230 top 10% of senior management positions were held by women (32.17%).

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

3.3.5 Directorships and offices held by corporate officers

Pierre Valentin

CHAIRMAN OF THE SUPERVISORY BOARD AND MEMBER OF THE COOPERATIVE AND CSR COMMITTEE OF BPCE

BORN 02/06/1953

Mr. Valentin has a degree in private law and a postgraduate degree from the Institut des Assurances d'Aix-Marseille. He is an entrepreneur and began his career at Mutuelle d'Assurances du Bâtiment et des Travaux Publics in Lyon in 1978. In 1979, he set up Société Valentin Immobilier. Pierre Valentin quickly formed a long-standing commitment to the Caisse d'Epargne network. In 1984, he became a consulting advisor to Caisse d'Epargne d'Alès. In 1991, he served as a consulting advisor to Caisse d'Epargne Languedoc-Roussillon. He was appointed Chairman of local savings company Vallée des Gardons in 2000. He has been a member of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon since 2000 and was Chairman of the Audit Committee from 2003 to 2006. In 2006, he was appointed Chairman of the Steering and Supervisory Board of Caisse d'Epargne Languedoc-Roussillon, and was re-appointed to this office 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, served as 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.

On May 24, 2019, the Supervisory Board appointed Pierre Valentin as Chairman of the Supervisory Board of BPCE.

OFFICES HELD AT DECEMBER 31, 2019

- **Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE** (since May 24, 2019)
- **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, FNCE, Association Maison de Santé Protestante d'Alès**
- **Legal Manager:** SCI Les Trois Cyprès**

TERMS OF OFFICE EXPIRED IN 2019

- **Member of the Audit Committee of BPCE** (until May 24, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

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

2017

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

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**

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

Thierry Cahn

VICE-CHAIRMAN OF THE SUPERVISORY BOARD AND MEMBER OF THE COOPERATIVE AND CSR COMMITTEE OF BPCE

BORN 09/25/1956

Mr. Cahn has been a member of the Board of Directors of Banque Fédérale des Banques Populaires, Groupe Banque Populaire's central institution, since 2008. He also served as a member of the Board of Directors of Banques Populaires Participations from July 2009 to August 2010 and has been 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, 2019

- **Vice-Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE (since May 24, 2019)**
- **Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne**
- **Director:** Natixis*
- **Member of the Supervisory Board:** Banque BCP Luxembourg

TERMS OF OFFICE EXPIRED IN 2019

- **Member of the Audit Committee of BPCE** (until May 24, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board and the Audit Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne**
- **Director:** Natixis*
- **Member of the Supervisory Board:** Banque BCP Luxembourg (since July 3, 2018)

2017

- **Member of the Supervisory Board and the Audit Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne**
- **Director:** Natixis*

2016

- **Member of the Supervisory Board and the Audit Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne**
- **Director:** Natixis*

2015

- **Member of the Supervisory Board and the Audit Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne**
- **Director:** 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

FOR THE BANQUE POPULAIRE NETWORK

Gérard Bellemon

MEMBER OF THE SUPERVISORY BOARD, THE APPOINTMENTS COMMITTEE AND THE REMUNERATION COMMITTEE OF BPCE

BORN 10/01/1954

Age 65, a graduate of the École de Commerce IDRAC, Gérard Bellemon is Chairman of the Board of Directors of Banque Populaire Val de France. He is also Chairman of SAS Suard Bellemon.

He holds directorships at BPCE VIE and Natixis Investment Managers.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Val de France**
- **Director:** BPCE Vie, Natixis Investment Managers
- **Chairman:** SAS Suard Bellemon**, SAS SOGEBEST**

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** (since June 19, 2018)
- **Chairman of the Board of Directors of Banque Populaire Val de France**
- **Director:** BPCE Vie, Natixis Investment Managers
- **Chairman:** SAS Suard Bellemon**, SAS SOGEBEST**

2017

- **Chairman of the Board of Directors of Banque Populaire Val de France**
- **Director:** Natixis Investment Managers, BPCE Vie (since March 28, 2017)
- **Chairman:** SAS Suard Bellemon**, SAS SOGEBEST**

2016

- **Chairman of the Board of Directors of Banque Populaire Val de France**
- **Director:** Natixis Investment Managers (since October 20, 2016), Natixis Assurances
- **Chairman:** SAS Suard Bellemon**, SAS SOGEBEST**

2015

- **Chairman of the Board of Directors of Banque Populaire Val de France**
- **Director:** Natixis Assurances
- **Chairman:** SAS Suard Bellemon**, SAS SOGEBEST**

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

Bernard Dupouy

MEMBER OF THE SUPERVISORY BOARD, THE REMUNERATION COMMITTEE AND, SINCE MAY 24, 2019, THE AUDIT COMMITTEE OF BPCE

BORN 09/19/1955

A graduate of École Supérieure de Commerce et d'Administration et des Entreprises de Bordeaux, Bernard Dupouy joined the Board of Directors of Banque Populaire du Sud-Ouest (BPSO) in 1996 as a director. He was appointed Secretary in 2006, then Vice-Chairman in 2009. In November 2011, BPSO became Banque Populaire Aquitaine Centre Atlantique (BPACA). At that time, Bernard Dupouy became Deputy Vice-Chairman, then Chairman of the Board of Directors in January 2015.

He also chaired the Board of Directors of Crédit Commercial du Sud-Ouest, a subsidiary of BPSO, from 2008 to 2011. From 2011 to 2015, he was Chairman of its Audit and Risk Committee, while also serving as a director.

A director of Crédit Maritime Mutuel du Littoral Sud-Ouest from 2012 to 2015, Bernard Dupouy then became permanent representative of BPACA, director of Crédit Maritime, and Chairman of the Audit, Risk, and Accounts Committee from 2012 to June 4, 2018, when that entity was merged into BPACA.

A well-respected businessman in Aquitaine, Bernard Dupouy is the head of DUPOUY SA, a company involved in overseas territories exports and distribution.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board, the Remuneration Committee and, since May 24, 2019, the Audit Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique**
- **Chairman of the Board of Directors, Chief Executive Officer**: DUPOUY SA Group**, Établissements DUPOUY SBCC**
- **Vice-Chairman of the Board of Directors**: FNBP
- **Director**: Natixis*, Union Maritime du Port de Bordeaux, Société Centrale des Caisses de Crédit Maritime Mutuel
- **Legal Manager**: SCI Badimmo**

TERMS OF OFFICE EXPIRED IN 2019

- **Member of the Appointments Committee of BPCE** (until May 24, 2019)
- **Vice-Chairman of the Board of Directors**: Congrès et Expositions de Bordeaux (until March 18, 2019)
- **Permanent Representative of BPACA, Director**: Bordeaux Grands Événements (until April 25, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** (since August 2, 2018)
- **Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique**
- **Chairman and Chief Executive Officer**: DUPOUY SA Group**, Établissements DUPOUY SBCC**
- **Vice-Chairman of the Board of Directors**: FNBP, Congrès et Expositions de Bordeaux
- **Director**: Natixis*, Union Maritime du Port de Bordeaux, Société Centrale des Caisses de Crédit Maritime Mutuel (since June 5, 2018)
- **Permanent Representative of BPACA, Director**: Bordeaux Grands Événements
- **Legal Manager**: SCI Badimmo**

2017

- **Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique**
- **Chairman and Chief Executive Officer:** DUPOUY SA Group**, Établissements DUPOUY SBCC**
- **Chairman of the Board of Directors**: Madikera Management 2M**
- **Vice-Chairman**: Congrès et Expositions de Bordeaux
- **Director**: Natixis*, BPCE Vie, Natixis Interépargne, FNBP, FNBP endowment fund, Union Maritime du Port de Bordeaux
- **Permanent Representative of BPACA, Director**: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest, Fondation Bordeaux Université, Bordeaux Grands Événements (secretary)
- **Legal Manager**: SCI Badimmo**

2016

- **Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique**
- **Chairman and Chief Executive Officer**: DUPOUY SA Group**, Établissements DUPOUY SBCC**
- **Chairman of the Board of Directors**: Madikera Management 2M**
- **Vice-Chairman**: Congrès et Expositions de Bordeaux
- **Director**: Natixis Interépargne, FNBP, FNBP endowment fund, Union Maritime du Port de Bordeaux
- **Permanent Representative of BPACA, Director**: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest, Bordeaux Grands Événements (secretary)
- **Legal Manager**: SCI Badimmo**

2015

- **Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique**
- **Chairman and Chief Executive Officer**: DUPOUY SA Group**, Établissements DUPOUY SBCC**
- **Vice-Chairman**: Congrès et Expositions de Bordeaux
- **Director**: FNBP, FNBP endowment fund, Union Maritime du Port de Bordeaux
- **Permanent Representative of BPACA, Director**: Caisse Régionale de Crédit Maritime Mutuel du Littoral du Sud-Ouest, Bordeaux Grands Événements (secretary)
- **Legal Manager**: SCI Badimmo**
- Elected member of the Bordeaux Chamber of Commerce and Industry

* 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

MEMBER OF THE SUPERVISORY BOARD, THE AUDIT COMMITTEE, THE APPOINTMENTS COMMITTEE, THE REMUNERATION COMMITTEE AND THE COOPERATIVE AND CSR COMMITTEE OF BPCE

BORN 09/02/1958

Mr. Gevin earned an engineering degree from Institut National des Sciences Appliquées (INSA) in 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, 2019

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

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE**
- **Chief Executive Officer of Banque Populaire Rives de Paris**
- **Chairman of the Board of Directors:** TURBO SA – BP Développement (since June 19, 2018)
- **Chairman**: SAS Rives Croissance
- **Member of the Supervisory Board**: Naxicap Partners
- **Director**: Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d'Entreprise Banque Populaire Rives de Paris, Fondation d'Entreprise Banque Populaire
- **Permanent Representative of Banque Populaire Rives de Paris, Director**: i-BP
- **Legal Manager**: Equinoxe

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**: SAS Rives Croissance
- **Member of the Supervisory Board**: Naxicap Partners
- **Director:** Compagnie Européenne de Garanties et Cautions (CEGC), Fondation d'Entreprise Banque Populaire Rives de Paris, Fondation d'Entreprise Banque Populaire
- **Permanent Representative of Banque Populaire Rives de Paris, Director**: i-BP, BP Développement
- **Legal Manager**: Equinoxe

2016

- **Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE**
- **Chief Executive Officer of Banque Populaire Rives de Paris**
- **Chairman of the Board of Directors**: TURBO SA
- **Chairman**: 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

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

Michel Grass

MEMBER OF THE SUPERVISORY BOARD, THE RISK COMMITTEE AND THE APPOINTMENTS COMMITTEE OF BPCE

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 Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté since 2010.

Michel Grass was Chairman of the Supervisory Board of BPCE from May 2017 to May 2019.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board, the Risk Committee and the Appointments Committee of BPCE** (since May 24, 2019)
- **Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté**

TERMS OF OFFICE EXPIRED IN 2019

- **Chairman of the Supervisory Board** (until May 24, 2019) and **member of the Cooperative and CSR Committee of BPCE** (until May 24, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté**

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**

2016

- **Member of the Supervisory Board and the Risk Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté**
- **Director**: Natixis*, SA HLM Brennus Habitat**

2015

- **Member of the Supervisory Board and the Risk Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Bourgogne Franche-Comté**
- **Director**: Natixis*, Natixis Global Asset Management, Banque Palatine, SA HLM Brennus Habitat** (since August 5, 2015)
- **Deputy Mayor of the City of Sens**
- **Vice-Chairman**: FNBP, Communauté de Communes du Sénonais
- **Associate Member**: Yonne Chamber of Commerce and Industry

* Listed company
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FNBP : Fédération Nationale des Banques Populaires

Olivier Klein

MEMBER OF THE SUPERVISORY BOARD AND THE RISK COMMITTEE OF BPCE

BORN 06/15/1957

Olivier Klein is graduate of ENSAE and HEC's finance program, with a degree in Economic Sciences from Université Panthéon-Sorbonne and qualification certificates in Russian and English.

He began his career at Banque Française du Commerce Exterieur (BFCE) in 1985. After holding various positions at BFCE, Olivier Klein founded and managed its Investment Banking division (mergers & acquisitions and private equity). At the same time, he was part of the team responsible for merging Crédit National and BFCE (which formed Natexis).

Olivier Klein joined Groupe Caisse d'Epargne in 1998 and, from 2000, was Chairman of the Management Board of Caisse d'Epargne Île de France Ouest.

In early 2007, he was asked to merge two Caisses d'Epargne. He became Chairman of the Management Board of the newly-created Caisse d'Epargne Rhône Alpes.

In early 2010, Olivier Klein was appointed Chief Executive Officer*** of Groupe BPCE in charge of Commercial Banking and Insurance.

At the same time, he was a member of the Board of Directors of Natixis and CNP, and Chairman of the Board of Banque Palatine.

In late 2012, he was appointed Chief Executive Officer of BRED Banque Populaire.

In April 2018, Olivier Klein was appointed to the Board of Directors of Rexecode and in January 2019, he joined the Groupe BPCE Supervisory Board.

3

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board and the Risk Committee of BPCE** (since January 1, 2019)
- **Chief Executive Officer of BRED Banque Populaire**
- **Chief Executive Officer**: COFIBRED
- **Vice-Chairman of the Supervisory Board**: SOCFIM
- **Member of the Supervisory Board**: PREPAR VIE
- **Director**: BRED Gestion, COFIBRED, BIC-BRED, BRED Bank Fiji Ltd, BRED Bank Cambodia, Banque FRANCO LAO, Promepar Asset Management, BIC BRED – Suisse SA, Rexecode
- **Permanent Representative of BRED BP, Director**: BCI Mer Rouge, BCI NC

TERMS OF OFFICE EXPIRED IN 2019

- **Director**: PREPAR IARD (until March 29, 2019)
- **Permanent Representative of BRED BP, Director**: SOFIAG (until March 1, 2019), SOFIDER (until April 8, 2019), Click and Trust (until March 15, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Chief Executive Officer of BRED Banque Populaire**
- **Chairman of the Board of Directors**: PROMEPAR Asset Management
- **Chairman**: PERSPECTIVES Entreprises
- **Member of the Supervisory Board**: SOCFIM, PREPAR VIE
- **Director**: NATIXIS Investment Managers International, NATIXIS Investment Managers, Banque FRANCO LAO
- **Permanent Representative of BRED BP, Director**: BCI NC, SOFIAG, SOFIDER, BCI Mer Rouge, Click and Trust

2017

- **Chief Executive Officer of BRED Banque Populaire**
- **Chairman of the Board of Directors**: PROMEPAR Asset Management
- **Chairman**: PERSPECTIVES Entreprises
- **Member of the Supervisory Board**: TIKEHAU
- **Director**: Banques Populaires (IPBP), Banque FRANCO LAO
- **Permanent Representative of BRED BP, Director**: BCI NC, SOFIAG, SOFIDER, BCI Mer Rouge, Click and Trust

2016

- **Chief Executive Officer of BRED Banque Populaire**
- **Chairman of the Board of Directors**: PROMEPAR Asset Management
- **Chairman**: ADAXTRA
- **Member of the Supervisory Board**: TIKEHAU
- **Director**: Banque FRANCO LAO
- **Permanent Representative of BRED BP, Director**: BCI NC, SOFIAG, SOFIDER, BCI Mer Rouge, Click and Trust, Ciloger Habitat 3 (until June 21, 2016)

2015

- **Chief Executive Officer of BRED Banque Populaire**
- **Chairman**: ADAXTRA
- **Director**: Banque FRANCO LAO
- **Permanent Representative of BRED BP, Director**: BCI NC, SOFIAG, SOFIDER, BCI Mer Rouge, Click and Trust, Ciloger Habitat 3

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

Catherine Mallet

MEMBER OF THE SUPERVISORY BOARD OF BPCE

BORN 05/29/1969

A graduate of École Supérieure de Commerce de Toulouse, Catherine Mallet has been a Management Board member in charge of Finance and Communication for ACTIA Group, which specializes in manufacturing electronic components and systems for the automotive, telecommunications, and energy sectors, since 2003. In 2015, she was appointed a director of the Board of the Banque Populaire Occitane, then Chairman of the Board of Directors on May 14, 2018.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board of BPCE**
- **Chairman of the Board of Directors of Banque Populaire Occitane**
- **Member of the Management Board**: ACTIA Group SA*/**, LP2C SA**
- **Director**: ACTIA PCs, ACTIA Systems, ACTIA China, ACTIA Italia, ACTIA De Mexico, CIPI ACTIA, ACTIA Corp, ACTIA Inc., ACTIA India, ACTIA Do Brasil, ACTIA UK, ACTIA Electronics
- **Permanent Representative of LP2C, Director**: ACTIA 3E
- **Permanent Representative of ACTIA Group, Director**: ACTIA Telecom
- **Permanent Representative of Action Logement Immobilier (MEDEF), Director**: Promologis SA HLM
- **Committee member**: Associations Toulouse Place Financière, Leader Toulouse

TERMS OF OFFICE EXPIRED IN 2019

- **Permanent Representative of Action Logement Immobilier (MEDEF)**: Ma Nouvelle Ville SA (formerly CILEO Développement SA)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board of BPCE** (since May 17, 2018)
- **Chairman of the Board of Directors of Banque Populaire Occitane** (since May 14, 2018)
- **Member of the Management Board**: ACTIA Group SA*/**, LP2C SA**
- **Director**: ACTIA PCs, ACTIA Systems, ACTIA China, ACTIA Italia (since April 24, 2018), ACTIA De Mexico, CIPI ACTIA, ACTIA Corp, ACTIA Inc., ACTIA India, ACTIA Do Brasil, ACTIA UK
- **Permanent Representative of Action Logement Immobilier (MEDEF), Director**: Promologis SA HLM
- **Permanent Representative of Action Logement Immobilier (MEDEF)**: Ma Nouvelle Ville SA (formerly CILEO Développement SA)
- **Committee member**: Associations Toulouse Place Financière, Leader Toulouse

2017

- **Member of the Management Board**: ACTIA Group SA*/**, LP2C SA**
- **Director**: Banque Populaire Occitane, ACTIA PCs, ACTIA Systems, ACTIA China, ACTIA De Mexico, CIPI ACTIA, ACTIA Corp, ACTIA Inc., ACTIA India, ACTIA Do Brasil, ACTIA UK (since August 1, 2017)
- **Committee member**: Associations Toulouse Place Financière
- **Permanent Representative of Action Logement Immobilier (MEDEF), Member of the Supervisory Board**: Promologis SA HLM
- **Permanent Representative of Action Logement Immobilier (MEDEF)**: Ma Nouvelle Ville SA (formerly CILEO Développement SA)

2016

- **Member of the Management Board**: ACTIA Group SA*/**, LP2C SA**
- **Director**: Banque Populaire Occitane, ACTIA PCs, ACTIA Systems, ACTIA China, ACTIA De Mexico (since April 6, 2016), CPI ACTIA (since April 19, 2016), ACTIA Corp (since March 8, 2016), ACTIA Inc. (since March 8, 2016), ACTIA India (since September 29, 2016), ACTIA Do Brasil
- **Permanent Representative of Action Logement Immobilier (MEDEF), Member of the Supervisory Board**: Promologis SA HLM
- **Permanent Representative of Action Logement Immobilier (MEDEF)**: CILEO Développement SA

2015

- **Member of the Management Board**: ACTIA Group SA*/**, LP2C SA**
- **Director**: Banque Populaire Occitane, ACTIA PCs (since March 17, 2015), ACTIA Systems (since October 30, 2015), ACTIA China (since April 7, 2015), ACTIA Do Brasil
- **Permanent Representative of Action Logement Immobilier (MEDEF), Member of the Supervisory Board**: Promologis SA HLM
- **Permanent Representative of Action Logement Immobilier (MEDEF)**: CILEO Développement SA

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

FOR THE CAISSE D'EPARGNE NETWORK

Catherine Amin-Garde

MEMBER OF THE SUPERVISORY BOARD, THE APPOINTMENTS COMMITTEE AND THE REMUNERATION COMMITTEE OF BPCE

BORN 03/08/1955

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

OFFICES HELD AT DECEMBER 31, 2019

- **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, Natixis Interépargne

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

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

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, Natixis Interépargne

2016

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

2015

- **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

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

Alain Denizot

MEMBER OF THE SUPERVISORY BOARD AND THE RISK COMMITTEE OF BPCE

BORN 10/01/1960

A graduate of IAE Paris with a degree in Agricultural Economics, and holding another degree in Accounting, Alain Denizot began his career at Crédit du Nord, followed by SG Warburg France and then Société Marseillaise de Crédit. In 1990, he joined Caisse d'Epargne Île-de-France-Ouest as manager and then Director of Financial Management. In 1995, he became a member of the Management Board in charge of the Risk and Finance division, then in 1999 a member of the Management Board in charge of the Network and Development. In 2000, he joined Caisse d'Epargne de Flandre as Chief Executive Officer and Management Board member in charge of the Network and Banking Development. In 2003, he became CEO of Ecureuil Assurance IARD. He was appointed Chairman of the Management Board of Caisse d'Epargne Picardie in early 2008. And in 2011 he joined Caisse d'Epargne Nord France Europe, now Caisse d'Epargne Hauts de France (CEHDF), as Chairman of the Management Board. He was appointed Chairman of the Management Board of Caisse d'Epargne Rhône Alpes (CERA) on November 12, 2018.

OFFICES HELD AT DECEMBER 31, 2019

- **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 Board of Directors**: Banque du Léman (Switzerland)
- **Chairman of the Supervisory Board**: Rhône Alpes PME Gestion
- **Director**: BPCE Factor (formerly Natixis Factor), FNCE
- **Non-Voting Director**: CE Holding Participations, Société des Trois Vallées
- **Permanent Representative of CERA, Director**: IT-CE, Fondation d'entreprise CERA, GIE BPCE IT, Erilia
- **Permanent Representative of CERA, Legal Manager**: SCI dans la Ville, SCI Garibaldi Office, SCI Lafayette Bureaux, SCI le Ciel, SCI Le Relais
- **Permanent Representative of CERA, Chairman of the Board of Directors**: Association Le HUB612 (formerly B612)
- **Permanent Representative of CERA, Chairman**: SAS REWORK PLACE
- **Permanent Representative of CE Holding Participations, Director**: Habitat en Région Participations

TERMS OF OFFICE EXPIRED IN 2019

- **Chairman of the Board of Directors**: Batixia (until January 24, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board and the Risk Committee of BPCE** (since December 20, 2018)
- **Chairman of the Management Board of Caisse d'Epargne Rhône Alpes** (since November 12, 2018)
- **Chairman of the Board of Directors**: Batixia, Banque du Léman (Switzerland) (since November 30, 2018)
- **Director**: Natixis Factor, FNCE
- **Permanent Representative of CERA, Director**: IT-CE (since December 2018), Fondation d'entreprise CERA (since November 12, 2018), GIE BPCE-IT (since December 7, 2018), Erilia (since December 14, 2018)
- **Permanent Representative of CERA, Legal Manager**: SCI dans la ville (since November 12, 2018), SCI Garibaldi Office (since November 12, 2018), SCI Lafayette Bureaux (since November 12, 2018), SCI Le Ciel (since November 12, 2018), SCI Le Relais (since November 12, 2018)
- **Permanent Representative of CERA, Chairman**: Association Le HUB612 (since November 12, 2018)
- **Permanent Representative of CERA, Chairman**: SAS REWORK PLACE (since November 12, 2018)

2017

- **Chairman of the Management Board of Caisse d'Epargne des Hauts de France (formerly CENFE)**
- **Chairman of the Board of Directors**: SIA Habitat, Batixia
- **Director**: Société Immobilière Grand Hainaut (SIGH), SA Euratechnologies**, Natixis Factor, Natixis*
- **Permanent Representative of CEHDF, Director**: Hainaut Immobilier SA, BPCE-IT, Erilia, IT-CE, Finorpa SCR and Finorpa Financement
- **Non-Voting Director**: CE Holding Participations

2016

- **Chairman of the Management Board of Caisse d'Epargne des Hauts de France (formerly CENFE)**
- **Chairman of the Board of Directors**: SIA Habitat, Batixia
- **Director**: Habitat en Région, Natixis Factor, Natixis*
- **Permanent Representative of CEHDF, Director**: Hainaut Immobilier SA, BPCE-IT, Erilia, IT-CE, Finorpa SCR and Finorpa Financement
- **Permanent Representative of CENFE, Chairman**: Savoirs pour Réussir en Nord Pas de Calais, Immobilière Nord France Europe
- **Permanent Representative of CENFE, member of the Supervisory Board**: Finovam**, Finorpa Conseil**, Finorpa Financement**
- **Permanent Representative of Immobilière Nord France Europe, Chairman**: SAS Euroissy Parc
- **Director and Treasurer**: Fondation Caisses d'Epargne pour la Solidarité
- **Non-Voting Director**: CE Holding Participations.

2015

- **Chairman of the Management Board of Caisse d'Epargne des Hauts de France (formerly CENFE)**
- **Chairman of the Board of Directors**: Batixia
- **Director**: CE Holding Promotion, BPCE, Immobilière Nord France Europe, Natixis Factor, Natixis*
- **Permanent Representative of CEHDF, Director**: Hainaut Immobilier SA, BPCE-IT, IT-CE, Habitat en Région
- **Permanent Representative of CENFE, Chairman**: Savoirs pour Réussir en Nord Pas de Calais, Immobilière Nord France Europe
- **Permanent Representative of CENFE, member of the Supervisory Board**: Finovam**, Finorpa Conseil**, Finorpa Financement**
- **Permanent Representative of CE Holding Promotion, Director**: Habitat en Région Services and Valoénergie
- **Permanent Representative of Immobilière Nord France Europe, Chairman**: SAS Euroissy Parc
- Director and Treasurer: Fondation Caisses d'Epargne pour la Solidarité
- **Chairman**: Lyderic Invest1*/**

* Listed company
** Non-group company
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FNBP : Fédération Nationale des Banques Populaires

Éric Fougère

MEMBER OF THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE OF BPCE

BORN 08/13/1967

A graduate of the specialized Master's program in Banking Senior Management at the Centre d'études supérieures bancaires in Paris, Éric Fougère has been Chief Financial Officer and member of the Management Board of Groupe Louis Latour in Beaune since 2006. He began his career at Le Crédit Lyonnais (LCL) group where he was Head of Corporate Banking.

Since 2013, he has actively participated in the governance of Caisse d'Epargne de Bourgogne Franche-Comté, initially as a director of local savings company (LSC) Sud Côte d'Or, before becoming Chairman of this same LSC in January 2015. He was appointed as a member of the Stearing and Supervisory Board (SSB) in April of the same year and subsequently became Chairman of the Risk Committee. He has been Chairman of the SSB since april 2019.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board and the Audit Committee of BPCE** (since December 19, 2019)
- **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Bourgogne Franche-Comté** (since April 30, 2019)
- **Chairman**: SLE Sud Côte d'Or
- **Member of the Management Board:** SA Louis LATOUR**
- **Director**: SLE Sud Côte d'Or, Louis LATOUR – Inc.**, Louis LATOUR – Ltd.**, Louis LATOUR – Vins Fins Henry FESSY**

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Chairman of the Steering and Supervisory Board:** Caisse d'Epargne de Bourgogne Franche-Comté
- **Chairman**: SLE Sud Côte d'Or
- **Member of the Management Board**: SA Louis LATOUR**
- **Director**: SLE Sud Côte d'Or, Louis LATOUR – Inc.**, Louis LATOUR – Ltd.**, Louis LATOUR – Vins Fins Henry FESSY**

2017

- **Chairman of the Steering and Supervisory Board:** Caisse d'Epargne de Bourgogne Franche-Comté
- **Chairman**: SLE Sud Côte d'Or
- **Member of the Management Board**: SA Louis LATOUR**
- **Director**: SLE Sud Côte d'Or, Louis LATOUR – Inc.**, Louis LATOUR – Ltd.**, Louis LATOUR – Vins Fins Henry FESSY**

2016

- **Chairman of the Steering and Supervisory Board:** Caisse d'Epargne de Bourgogne Franche-Comté
- **Chairman:** SLE Sud Côte d'Or
- **Member of the Management Board:** SA Louis LATOUR**
- **Director**: Louis LATOUR – Inc.**, Louis LATOUR – Ltd.**, Vins Fins Henry FESSY**

2015

- **Chairman of the Steering and Supervisory Board:** Caisse d'Epargne de Bourgogne Franche-Comté
- **Chairman:** SLE Sud Côte d'Or (since January 2015)
- **Member of the Management Board**: SA Louis LATOUR**
- **Director**: Louis LATOUR – Inc.**, Louis LATOUR – Ltd.**, Louis LATOUR – Vins Fins Henry FESSY**

3

* Listed company
** Non-group company
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FNBP : Fédération Nationale des Banques Populaires

Dominique Goursolle-Nouhaud

MEMBER OF THE SUPERVISORY BOARD, THE APPOINTMENTS COMMITTEE, AND THE REMUNERATION COMMITTEE OF BPCE

BORN 04/22/1952

After earning a degree in accounting and finance, and another from IAE Bordeaux 3 in management and administration, Dominique Goursolle-Nouhaud was head of urban transport in Périgeux and the Gonthier-Nouhaud transportation company for many years. She was also Vice-Chairman of CESER Nouvelle Aquitaine and Chairman of URSSAF Aquitaine until late 2017. She has been CEO and then Chairman of holding company SAS ESCE, specializing in real estate management and art dealing since 1990.

Dominique Goursolle-Nouhaud has been a member of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes since 2009 and was elected its Chairman on December 20, 2017. Since August 2, 2018, Dominique Goursolle-Nouhaud has been a member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE.

OFFICES HELD AT DECEMBER 31, 2019

- **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 Aquitaine Poitou-Charentes**
- **Chairman of the Board of Directors**: SLE Dordogne Périgord
- **Member of the Board of Directors**: BPCE Financement (formerly Natixis Financement)
- **Director**: CE Holding Participations (since June 18, 2019)
- **Chairman**: SAS ESCE**

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE** (since August 2, 2018)
- Chairman of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes
- **Member of the Board of Directors**: Natixis Financement
- **Chairman of the Board of Directors**: SLE Dordogne Périgord
- **Chairman**: SAS ESCE**

2017

- **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes** (since December 20, 2017)
- **Member of the Board of Directors:** Natixis Financement
- **Chairman of the Board of Directors**: SLE Dordogne Périgord
- **Chairman:** SAS ESCE**
- **Vice-Chairman:** Conseil économique et Social d'Aquitaine, Medef and the Dordogne Chamber of Commerce**

2016

- **Member of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes**
- **Member of the Board of Directors:** Natixis Financement (since December 22, 2016)
- **Chairman of the Board of Directors**: SLE Dordogne Périgord
- **Chairman:** SAS ESCE**
- **Chairman**: Aquitaine regional URSSAF**
- **Vice-Chairman**: Conseil économique et Social d'Aquitaine, Medef and the Dordogne Chamber of Commerce**

2015

- **Member of the Steering and Supervisory Board of Caisse d'Epargne Aquitaine Poitou-Charentes**
- **Chairman of the Board of Directors**: SLE Dordogne Périgord
- **Chairman:** SAS ESCE**
- **Chairman**: Aquitaine regional URSSAF**
- **Vice-Chairman**: Conseil économique et Social d'Aquitaine, Medef and the Dordogne Chamber of Commerce**

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Françoise Lemalle

MEMBER OF THE SUPERVISORY BOARD AND THE RISK COMMITTEE OF BPCE

BORN 01/15/1965

A chartered accountant since 1991 (and the youngest Chartered Accountant in the PACA region that year), Françoise Lemalle registered with the Compagnie des Commissaires aux Comptes in 1993. She runs an accounting and auditing firm of 20 people, located in Mougins. She regularly hosts training sessions for small retailers, craftsmen and self-employed professionals, mostly at management centers.

In 1999, she became a founding director of local savings company SLE de Cannes, before being elected as its Chairman in 2009. She was on the SSB of Caisse d'Epargne Côte d'Azur as a Non-Voting Director, then from 2009 as LSC Chairman, joining the Audit Committee at that time as well. Françoise Lemalle was appointed Chairman of the SSB on April 23, 2015.

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

OFFICES HELD AT DECEMBER 31, 2019

- **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
- **Representative of Caisse d'Epargne Côte d'Azur, Director**: FNCE
- **Treasurer**: Association Benjamin Delessert

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **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
- **Representative of Caisse d'Epargne Côte d'Azur, Director**: FNCE
- **Treasurer**: Association Benjamin Delessert

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
- **Representative of Caisse d'Epargne Côte d'Azur, Director:** FNCE
- **Treasurer**: Association Benjamin Delessert

2016

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

2015

- **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

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Didier Patault

MEMBER OF THE SUPERVISORY BOARD, THE AUDIT COMMITTEE, THE APPOINTMENTS COMMITTEE, THE REMUNERATION COMMITTEE AND THE COOPERATIVE AND CSR COMMITTEE OF BPCE

BORN 02/22/1961

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

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

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

OFFICES HELD AT DECEMBER 31, 2019

- **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 Île-de-France (CEIDF)**
- **Chairman of the Supervisory Board**: Banque BCP (France)
- **Chairman of the Board of Directors**: BNC (since June 24, 2019), BT (since June 20, 2019)
- **Director**: Natixis Coficiné, CE Holding Participations, Natixis Investment Managers
- **Permanent Representative of CEIDF, Director**: FNCE
- **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 Île-de-France

TERMS OF OFFICE EXPIRED IN 2019

- **Permanent Representative of CEIDF, Director**: Fondation de France (until August 25, 2019)
- **Director as a qualified person (for CEIDF)**: Paris Habitat – OPH (until September 9, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE**
- **Chairman of the Management Board of Caisse d'Epargne Île-de-France (CEIDF)**
- **Chairman of the Supervisory Board**: Banque BCP (France)
- **Director**: Natixis Coficiné, CE Holding Participations, Natixis Investment Managers
- **Director as a qualified person (for CEIDF)**: Paris Habitat – OPH
- **Permanent Representative of CEIDF, Director**: FNCE, Fondation de France
- **Permanent Representative of CEIDF, member of the Supervisory Board**: IT-CE
- **Permanent Representative of CEIDF, Chairman**: Bicentenaire Caisse d'Epargne (association)
- **Legal Representative of CEIDF, Chairman**: SAS Immobilière Thoynard Île-de-France

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 Île-de-France (CEIDF)**
- **Chairman of the Supervisory Board**: Banque BCP (France)
- **Director**: Natixis Coficiné, CE Holding Participations
- **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 Île-de-France

2016

- **Member of the Supervisory Board, the Audit Committee, the Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee of BPCE**
- **Chairman of the Management Board of Caisse d'Epargne Île-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 Île-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 Île-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)

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Nicolas Plantrou (until December 14, 2019)

CHAIRMAN OF THE STEERING AND SUPERVISORY BOARD OF CAISSE D'EPARGNE NORMANDIE

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 offices at 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, until May 24, 2019, served as Vice-Chairman of the BPCE Supervisory Board.

OFFICES HELD AT DECEMBER 31, 2019

- **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie**
- **Chairman of the Board of Directors:** SLE Rouen Elbeuf Yvetot
- **Chairman:** Fondation Belem
- **Vice-Chairman of the Supervisory Board**: CHU Charles Nicolle**
- **Director**: Crédit Foncier, CE Holding Participations, FNCE
- **Vice-Chairman of the Board of Directors**: Fondation Fil Seine

TERMS OF OFFICE EXPIRED IN 2019

- **Member of the Supervisory Board and the Audit Committee of BPCE** (from May 24 to December 14, 2019)
- **Vice-Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE** (until May 24, 2019)
- **Chairman of the Board of Directors:** CE Holding Participations (until June 17, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Vice-Chairman of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE**
- **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie**
- **Chairman of the Board of Directors:** SLE Rouen Elbeuf Yvetot
- **Chairman:** 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 Fil Seine

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
- **Chairman**: 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 Fil Seine

2016

- **Member of the Supervisory Board and the Audit Committee of BPCE**
- **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie**
- **Chairman of the Board of Directors:** SLE Rouen Elbeuf Yvetot
- **Chairman:** Fondation Belem
- **Vice-Chairman of the Supervisory Board**: CHU Charles Nicolle**
- **Director:** Crédit Foncier, CE Holding Participations (formerly CE Holding Promotion), FNCE, Fil Seine

2015

- **Member of the Supervisory Board and the Audit Committee of BPCE**
- **Chairman of the Steering and Supervisory Board of Caisse d'Epargne Normandie**
- **Chairman of the Board of Directors**: SLE Rouen Elbeuf Yvetot
- **Foundation Chair**: Fondation Belem
- **Vice-Chairman of the Supervisory Board**: CHU Charles Nicolle**
- **Director**: Banque Privée 1818, Crédit Foncier, CE Holding Promotion, FNCE, Fil Seine

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EMPLOYEE REPRESENTATIVES

Vincent Gontier

MEMBER OF THE SUPERVISORY BOARD AND THE REMUNERATION COMMITTEE OF BPCE – EMPLOYEE REPRESENTATIVE

BORN 07/29/1954

Vincent Gontier graduated from the HEC business school after working briefly at a sales and acquisitions 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 Capital Market Advisory team.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board and the Remuneration Committee of BPCE**
- **Employee representative**
- **Chairman:** La Compagnie des Algorithmes SAS**

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board and the Remuneration Committee of BPCE**
- **Employee representative**
- **Chairman**: Compagnie des Algorithmes SAS** (since October 22, 2018)

2017

- **Member of the Supervisory Board and the Remuneration Committee of BPCE**
- **Employee representative**

2016

- **Member of the Supervisory Board and the Remuneration Committee of BPCE**
- **Employee representative**

2015

- **Member of the Supervisory Board and the Remuneration Committee of BPCE - Employee representative**

Frédéric Hassaine

MEMBER OF THE SUPERVISORY BOARD OF BPCE – EMPLOYEE REPRESENTATIVE

BORN 05/22/1966

Frédéric Hassaine is a graduate of the Toulouse Business School with a 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 financial engineering and accounting for large corporates.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board of BPCE – Employee representative**

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board of BPCE – Employee representative**

2017

- **Member of the Supervisory Board of BPCE – Employee representative**

2016

- **Member of the Supervisory Board of BPCE – Employee representative**

2015

- **Member of the Supervisory Board of BPCE – Employee representative**

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INDEPENDENT MEMBERS

Maryse Aulagnon (until April 19, 2019)

MEMBER OF THE SUPERVISORY BOARD, CHAIRMAN OF THE APPOINTMENTS COMMITTEE AND THE REMUNERATION COMMITTEE OF BPCE – INDEPENDENT MEMBER

BORN 04/19/1949

Ms. Aulagnon is a graduate of École Nationale d'Administration and 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.

She is Chairman and Chief Executive Officer of Finestate and was Chairman of Affine, a group that she founded, from 1990 to 2018. She is also an Honorary Counsel of the French Council of State, Chairman of Fédération des Sociétés Immobilières et Foncières (FSIF) and a member of the Boards of Directors of Air France-KLM and Veolia Environnement.

OFFICES HELD AT DECEMBER 31, 2019

- **Chairman and Chief Executive Officer**: MAB-Finances (Finestate)**
- **Chairman**: FSIF (since April 17, 2019), Finestate-Résdences** (since September 2019)
- **Director**: Air France KLM*/**, Veolia Environnement*/**
- **Legal Manager**: MabMidi**

TERMS OF OFFICE EXPIRED IN 2019

- **Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member** (until April 19, 2019)
- **Permanent Representative of MAB-Finances, member of the Executive Committee:** Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 collines** (terms of office ended December 18, 2018)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member**
- **Chairman and Chief Executive Officer**: MAB-Finances**
- **Director**: Air France KLM*/**, Veolia Environnement*/**,
- **Legal Manager**: MabMidi**
- **Permanent Representative of MAB-Finances, member of the Executive Committee**: Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 Collines**

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 RE*/** (since January 1, 2017), Gesfimmo SA**
- **Chairman and Chief Executive Officer**: MAB-Finances**
- **Director**: Air France KLM*/**, Veolia Environnement*/**, Holdaffine**
- **Legal Manager**: MabMidi**
- **Permanent Representative of Affine RE*/**, Non-executive Chairman**: Banimmo*/**, Banimmo France*/**, Promaffine**, Urbismart**
- **Permanent Representative of Affine RE*/**, Legal Manager**: Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)
- **Permanent Representative of Promaffine, Legal Manager**: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**
- **Permanent Representative of ATIT, Trustee**: 2/4 Haussmann**
- **Permanent Representative of ATIT, Legal Manager**: Parvis Lille**
- **Permanent Representative of MAB-Finances, member of the Executive Committee**: Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 Collines**

2016

- **Member of the Supervisory Board, Chairman of the Appointments Committee and the Remuneration Committee of BPCE – Independent Member**
- **Chairman and Chief Executive Officer**: Affine RE*/**, Gesfimmo SA**
- **Chairman and Chief Executive Officer**: MAB-Finances** (since June 30, 2016)
- **Director**: Air France KLM*/**, Veolia Environnement*/**, Holdaffine**
- **Legal Manager**: MabMidi**
- **Permanent Representative of Affine RE*/**, Non-Executive Chairman**: Banimmo*/**, Banimmo France*/**, Promaffine**, Urbismart**
- **Permanent Representative of Affine RE*/**, Legal Manager**: Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)
- **Permanent Representative of Promaffine, Legal Manager**: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**
- **Permanent Representative of ATIT, Trustee**: 2/4 Haussmann**
- **Permanent Representative of ATIT, Legal Manager**: Parvis Lille**
- **Permanent Representative of MAB-Finances, member of the Executive Committee**: Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 Collines**

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 RE*/**
- **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 RE*/** Chairman**: Banimmo*/**, Banimmo France*/**, Promaffine**, Urbismart**
- **Permanent Representative of Affine RE*/**, Legal Manager**: Nevers Colbert**, ATIT**, Les Jardins des Quais**, Affine Sud** (formerly Brétigny)
- **Permanent Representative of Promaffine, Legal Manager**: Lucé Parc-Leclerc**, Nanterre Terrasses 12**, Paris 29 Copernic**
- **Permanent Representative of ATIT, Trustee**: 2/4 Haussmann**
- **Permanent Representative of ATIT, Legal Manager**: Parvis Lille**
- **Permanent Representative of MAB-Finances, member of the Executive Committee**: Target Real Estate**, Saint-Étienne Molina**, Capucine Investissements**, Les 7 Collines**

* Listed company
** Non-group company
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Valérie Pancrazi (since May 9, 2019)

MEMBER OF THE SUPERVISORY BOARD, CHAIRMAN OF THE APPOINTMENTS COMMITTEE AND CHAIRMAN OF THE REMUNERATION COMMITTEE – INDEPENDENT MEMBER

BORN 02/02/1963

A graduate of École Polytechnique, with a post-graduate degree in the Financial Markets from Université Paris Dauphine and École Nationale des Ponts et Chaussées, Valérie Pancrazi began her professional career in 1988 as the Head of securitization and international finance for Compagnie Bancaire Group (Paribas). In June 1992, she became Chief Executive Officer of Bear Stearns Finance SA. From February 1999 to October 2004, Valérie Pancrazi worked at AXA RE, first as Deputy Chief Executive Officer of AXA RE Finance, then special advisor to the Chairman and finally Head of Corporate Finance. From November 2004 to June 2007, she was Head of private equity investment mandates for French and international AXA group entities at AXA Private Equity (now ARDIAN). Since 2009, Valérie Pancrazi has been an independent advisor (VAP Conseils) and, since 2012, an expert in corporate finance and international financial transactions at the Paris Court of Appeal.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board, Chairman of the Appointments Committee and Chairman of the Remuneration Committee of BPCE – Independent Member** (since May 9, 2019)
- **Chairman**: VAP CONSEILS SASU**
- **Independent Director**: Crédit Foncier de France
- **Independent Member of the Supervisory Board**: GAGEO SAS**
- **Independent Director on the Board of Directors**: Poclain SAS**

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Chairman**: VAP CONSEILS SASU**
- **Independent Director:** Crédit Foncier de France
- **Independent member of the Supervisory Board**: GAGEO SAS**
- **Independent Director on the Board of Directors**: Poclain SAS**

2017

- **Chairman**: VAP CONSEILS SASU**
- **Independent Director**: Crédit Foncier de France
- **Independent Director on the Board of Directors**: Poclain SAS**

2016

- **Chairman**: VAP CONSEILS SASU**
- **Independent Director**: Crédit Foncier de France, Frey SA**
- **Independent member of the Supervisory Board**: QUANTEL SA**
- **Independent Director on the Board of Directors**: Poclain SAS**

2015

- **Chairman**: VAP CONSEILS SASU**
- **Independent Director**: Frey SA**
- **Independent member of the Supervisory Board**: QUANTEL SA**
- **Independent Director on the Board of Directors**: Poclain SAS**

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Anne-Claude Pont

MEMBER OF THE SUPERVISORY BOARD, CHAIRMAN OF THE RISK COMMITTEE AND MEMBER OF THE AUDIT COMMITTEE OF BPCE – INDEPENDENT MEMBER

BORN 05/15/1960

Anne-Claude Pont has nearly 30 years' experience in corporate finance and management. After graduating from ESCP, she started at Crédit Lyonnais in the United States. When she returned to France, she joined Compagnie Bancaire (Groupe Paribas) where she was put in charge of International Cash Management. She continued her career at German Group HVB, where she became Chief Executive Officer in France, head of Markets, Human Resources, and Information Systems. In 2007 Anne-Claude Pont joined RBS to grow its FI (Financial Institutions) business in France, Belgium, and Luxembourg, as a Managing Director and member of the Executive Committee. Finally, in 2016, she co-founded Wilov, the first 100% smartphone-connected auto insurer, where the price adjusts to daily usage levels ("Pay when you drive").

Anne-Claude Pont is a certified director (Sciences-Po-IFA 2015) and a member of several networks (including IFA, FBA, France Digitale and France Fintech).

In March 2018, she was appointed as an independent member of the BPCE Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board, Chairman of the Risk Committee and member of the Audit Committee of BPCE – Independent Member**
- **Chairman:** Wilov**

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Board of Directors, Chairman of the Risk Committee and member of the Audit Committee of BPCE – Independent Member** (since March 29, 2018)
- **Chairman:** Wilov**

2017

- **Independent Director:** Crédit Foncier de France
- **Chairman**: Wilov**
- **Vice-Chairman:** Femmes Business Angels**
- **Member of the Strategic Committee:** Skippair**

2016

- **Independent Director:** Crédit Foncier de France
- **Chairman:** Wilov** (since August 19, 2016)
- **Committee member:** Femmes Business Angels** (since May 31, 2016)

2015

- **Independent Director:** Crédit Foncier de France
- **Committee member:** Femmes Business Angels**

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Kadidja Sinz

MEMBER OF THE SUPERVISORY BOARD, CHAIRMAN OF THE AUDIT COMMITTEE AND MEMBER OF THE RISK COMMITTEE OF BPCE – INDEPENDENT MEMBER

BORN 04/29/1957

Kadidja Sinz holds an advanced degree in private international law and an Executive MBA. She also graduated from Institut d'Études Politiques de Paris in international relations and the Centre des Hautes Études en Assurance.

She began her career in the United States at Chubb, a US firm specializing in political risks. Later, she joined AIG in France to hone her skills at the European level before joining ACE, then XL (bought out by AXA) in 2010. In 2016, she joined US insurer Liberty Mutual, which specializes in corporate risk, as Chief Executive Officer for Europe.

Kadidja Sinz was appointed as an independent member of the BPCE Supervisory Board in August 2018, Chairman of the Audit Committee, and member of the Risk Committee.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Supervisory Board, Chairman of the Audit Committee and member of the Risk Committee of BPCE – Independent Member**
- **Chief Executive Officer of Liberty Specialty Markets Europe****

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Supervisory Board, Chairman of the Audit Committee and member of the Risk Committee of BPCE – Independent Member** (since August 2, 2018)
- **Chief Executive Officer of Liberty Specialty Markets Europe****

2017

- None

2016

- None

2015

- None

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NON-VOTING DIRECTORS

Jean Arondel

NON-VOTING DIRECTOR ON THE SUPERVISORY BOARD AND MEMBER OF THE COOPERATIVE AND CSR COMMITTEE OF BPCE

BORN 04/12/1950

OFFICES HELD AT DECEMBER 31, 2019

- **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:** Association pour l'Histoire des CEP
- **Vice-Chairman**: World Savings Banks Institute (WSBI)
- **Director**: Coface SA*, CE Holding Participations
- **Observer (alternate) at the Annual General Shareholders' Meeting and on the Board of Directors**: European Savings Banks Group (ESBG)
- **Permanent Representative of CELC, Co-Legal Manager**: SNC Ecureuil 5 rue Masseran, Fondation d'entreprise Caisse d'Epargne Loire-Centre
- **Permanent Representative of CELC, Director**: Fondation d'entreprise Caisse d'Epargne Loire-Centre

TERMS OF OFFICE EXPIRED IN 2019

–

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **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:** Association pour l'Histoire des CEP
- **Vice-Chairman**: World Savings Banks Institute (WSBI)
- **Co-Legal Manager**: SNC Ecureuil 5 rue Masseran
- **Director**: Coface SA*, CE Holding Participations
- **Observer** (alternate) at the Annual General Shareholders' Meeting and on the Board of Directors of European Savings Banks Group (ESBG)

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:** Association pour l'Histoire des CEP
- **Vice-Chairman**: World Savings Banks Institute (WSBI)
- **Co-Legal Manager**: SNC Ecureuil 5 rue Masseran
- **Director**: Coface SA*, CE Holding Participations (formerly CE Holding Promotion)
- **Observer** (alternate) at the Annual General Shareholders' Meeting and on the Board of Directors of European Savings Banks Group (ESBG)

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:** Association pour l'Histoire des CEP
- **Vice-Chairman**: World Savings Banks Institute (WSBI)
- **Co-Legal Manager**: SNC Ecureuil 5 rue Masseran
- **Director**: Coface SA*, CE Holding Participations (formerly CE Holding Promotion)
- **Observer** (alternate) at the Annual General Shareholders' Meeting and on the Board of Directors of 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:** Coface SA*, CE Holding Promotion
- **Observer** at the Annual General Shareholders' Meeting and on the Board of Directors of European Savings Banks Group (ESBG)
- **Permanent Representative of Caisse d'Epargne Loire-Centre, Director**: Natixis Lease

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FNBP : Fédération Nationale des Banques Populaires

Pierre Carli

NON-VOTING DIRECTOR ON THE SUPERVISORY BOARD OF BPCE

BORN 08/21/1955

OFFICES HELD AT DECEMBER 31, 2019

- **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**, Midi Épargne, Association TOULOUSE 2030
- **Chairman**: SOREPAR SAS, Comité Régional Fédération Bancaire de Midi-Pyrénées**
- **Vice-Chairman of the Board of Directors**: IRDI, PROMOLOGIS
- **Director**: FNCE, Groupe Promo Midi, CE Holding Participations, Toulouse School of Management**
- **Permanent Representative of CEMP, member of the Board of Directors**: IRDI Midi-Pyrénées
- **Permanent Representative of CEMP, member of the Supervisory Board**: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT, IRDI GESTION**
- **Permanent Representative of SOREPAR, member of the Board of Directors**: SEM OPPIDEA**

TERMS OF OFFICE EXPIRED IN 2019

- **Member of the Supervisory Board**: Ecureuil Service SAS (until January 1, 2019)
- **Permanent Representative of CEMP, member of the Board of Directors**: Fondation d'Entreprise du Toulouse Football Club** (until January 1, 2019)
- **Chairman of the Board of Directors**: IDEI Association (until January 1, 2019), Fondation Espace Ecureuil (until January 1, 2019)
- **Director**: GIE BPCE Achats (until January 1, 2019)
- **Permanent Representative of Midi Foncière**: SAINT-EXUPERY MONTAUDRAN** (until January 1, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Non-Voting Director on the Supervisory Board of BPCE**
- **Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)**
- **Chairman of the Supervisory Board**: Capitole Finance-Tofinso, Midi 2I, Sotel**
- **Chairman of the Board of Directors**: Midi Foncière, IDEI Association**, Midi Epargne, Association TOULOUSE 2030 (since March 13, 2018)
- **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, Toulouse School of Management**
- **Member of the Supervisory Board**: Ecureuil Service SAS
- **Permanent Representative of CEMP, member of the Supervisory Board**: CE Syndication Risque, IT-CE, TOFINSO INVESTISSEMENT, IRDI GESTION**
- **Permanent Representative of CEMP, member of the Board of Directors**: Fondation d'Entreprise du Toulouse Football Club**
- **Permanent Representative of Midi Foncière**: SAINT-EXUPERY MONTAUDRAN**
- **Permanent Representative of SOREPAR, member of the Board of Directors**: SEM OPPIDEA**

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, 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, 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**: EDENIS, Fondation d'Entreprise du Toulouse Football Club**
- **Permanent Representative of Midi Foncière**: SAINT-EXUPERY MONTAUDRAN**
- **Permanent Representative of SOREPAR, member of the Board of Directors**: SEM OPPIDEA**
- **Permanent Representative of CEMP, Director**: Association Habitat en Région

2016

- **Non-Voting Director on the Supervisory Board of BPCE**
- **Chairman of the Management Board of Caisse d'Epargne Midi-Pyrénées (CEMP)**
- **Chairman of the Supervisory Board**: Capitole Finance-Tofinso, Midi 2I, Sotel**
- **Chairman of the Board of Directors**: Midi Foncière, IDEI Association**, Midi Épargne, Ecureuil Immo, Fondation d'Entreprise Espace Ecureuil
- **Chairman**: SOREPAR SAS, 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**
- **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**
- **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**

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Joël Chassard

NON-VOTING DIRECTOR ON THE SUPERVISORY BOARD OF BPCE

BORN 01/28/1957

OFFICES HELD AT DECEMBER 31, 2019

- **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
- **Vice-Chairman of the Board of Directors**: BPCE Assurances (since March 19, 2019)
- **Director**: BPCE Lease (formerly Natixis Lease), BPCE Assurances, CE Holding Participations, Logjoffreirem
- **Permanent Representative of CEPAC, Director**: FNCE, IT-CE
- **Permanent Representative of CEPAC, Chairman of the Management Board**: CEPAC I-D (formerly Viveris SAS), Erilia
- **Permanent Representative of CEPAC, member as of right of the Supervisory Board**: France Active PACA (since April 17, 2019)
- **Permanent Representative of CEPAC, Chairman of the Board of Directors**: Erilia (since June 18, 2019)
- **Permanent Representative of CEPAC, Co-Legal Manager**: PY et ROTJA

TERMS OF OFFICE EXPIRED IN 2019

- **Chairman of the Board of Directors**: Logirem (until December 13, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Non-Voting Director on the Supervisory Board of BPCE** (since May 17, 2018)
- **Chairman of the Management Board of Caisse d'Epargne Provence Alpes Corse (CEPAC)** (since March 30, 2018)
- **Chairman of the Board of Directors**: Logirem (since April 25, 2018)
- **Chairman of the Supervisory Board**: Sogima (since April 18, 2018)
- **Vice-Chairman of the Board of Directors**: Erilia (since April 27, 2018)
- **Director**: BPCE Assurances, Natixis Lease, CE Holding Participations (since June 25, 2018)
- **Permanent Representative of CEPAC, Director**: FNCE (since October 30, 2018), IT-CE (since April 25, 2018)
- **Permanent Representative of CEPAC, Co-Legal Manager**: PY et ROTJA (since March 30, 2018)

2017

- **Chairman of the Management Board of Caisse d'Epargne Normandie**
- **Director**: BPCE Assurances, Natixis Lease, CE Holding Participations
- **Chairman**: CEN Innovation
- **Non-Voting Director**: SEML Zenith Caen
- **Permanent Representative of Caisse d'Epargne Normandie, Director**: FNCE, IT-CE, Erilia, Surassur, Habitat en Région Services, Fonds Caisse d'Epargne Normandie pour l'initiative solidaire

2016

- Chairman of the Management Board of Caisse d'Epargne Normandie
- **Director**: BPCE Assurances, Natixis Lease, CEGC, FNCE, CE Holding Participations
- **Permanent Representative of Caisse d'Epargne Normandie, Director:** FNCE, IT-CE, Erilia, Surassur, Habitat en Région Services, Fonds Caisse d'Epargne Normandie pour l'initiative solidaire
- **Non-Voting Director**: SEML Zenith Caen

2015

- **Chairman of the Management Board of Caisse d'Epargne Normandie**
- **Director**: BPCE Assurances, Natixis Lease, CEGC, SAS Ecureuil Vie Développement
- **Permanent Representative of Caisse d'Epargne Normandie**: IT-CE, Surassur, Habitat en Région Services

3

* Listed company
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Sylvie Garcelon

NON-VOTING DIRECTOR ON THE SUPERVISORY BOARD OF BPCE

BORN 04/14/1965

OFFICES HELD AT DECEMBER 31, 2019

- **Non-Voting Director on the Supervisory Board of BPCE**
- **Chief Executive Officer of CASDEN Banque Populaire**
- **Director**: Natixis*, Fondation d'Entreprise Banque Populaire, FNBP, Banque Palatine, CNRS

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Non-Voting Director on the Supervisory Board of BPCE** (since December 20, 2018)
- Chief Executive Officer of CASDEN Banque Populaire
- **Director**: Natixis*, Fondation d'Entreprise Banque Populaire, FNBP, Banque Palatine, CNRS

2017

- **Chief Executive Officer of CASDEN Banque Populaire**
- **Director**: Natixis*, Fondation d'Entreprise Banque Populaire, FNBP, Banque Palatine, CNRS

2016

- **Chief Executive Officer of CASDEN Banque Populaire**
- **Director**: Natixis*, Fondation d'Entreprise Banque Populaire, Banque Palatine

2015

- **Chief Executive Officer of CASDEN Banque Populaire**

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André Joffre

NON-VOTING DIRECTOR ON THE SUPERVISORY BOARD AND MEMBER OF THE COOPERATIVE AND CSR COMMITTEE OF BPCE

BORN 12/31/1953

OFFICES HELD AT DECEMBER 31, 2019

- **Non-Voting Director of the Supervisory Board and member of the Cooperative and CSR Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire du Sud**
- **Chairman of the Board of Directors of Fédération Nationale des Banques Populaires (FNBP)**
- **Director:** BPCE Factor (formerly Natixis Factor), Tecsol**

TERMS OF OFFICE EXPIRED IN 2019

- **Chairman of the Board of Directors**: Banque Dupuy, de Parseval** (until June 1, 2019), Banque MARZE** (until June 1, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Non-Voting Director on the Supervisory Board and member of the Cooperative and CSR Committee of BPCE** (since June 6, 2018)
- **Chairman of the Board of Directors of Banque Populaire du Sud**
- **Chairman of the Board of Directors of Fédération Nationale des Banques Populaires** (since June 6, 2018)
- **Director**: Natixis Factor, Tecsol**, Banque Marze**

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 of the Board of Directors**: Banque Marze**
- **Chairman and Chief Executive Officer**: Tecsol**
- **Vice-Chairman of the Board of Directors**: Banque Dupuy, de Parseval**
- **Director**: Natixis Factor
- **Legal Manager**: Tecsol Presse**
- **Permanent Representative of Banque Populaire du Sud, Director**: Caisse Régionale du Crédit Maritime La Méditerranée

2016

- **Member of the Supervisory Board, the Appointments Committee and the Remuneration Committee of BPCE**
- **Chairman of the Board of Directors of Banque Populaire du Sud**
- **Chairman of the Board of Directors**: Banque Marze** (since November 25, 2016)
- **Chairman and Chief Executive Officer**: Tecsol**
- **Vice-Chairman of the Board of Directors**: Banque Dupuy, de Parseval**
- **Director**: Natixis Factor
- **Legal Manager**: Tecsol Presse**
- **Permanent Representative of Banque Populaire du Sud, Director**: Caisse Régionale du Crédit Maritime La Méditerranée

2015

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

3

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

Daniel Karyotis

NON-VOTING DIRECTOR ON THE SUPERVISORY BOARD OF BPCE

BORN 02/09/1961

OFFICES HELD AT DECEMBER 31, 2019

- **Non-Voting Director on the Supervisory Board of BPCE**
- **Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes (BPAURA)**
- **Chairman of the Board of Directors**: Banque de Savoie
- **Director**: COFACE SA*
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director:** i-BP, Pramex International
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Chairman**: Garibaldi Capital Développement, SAS Sociétariat BPA
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Non-Voting Director**: Siparex

TERMS OF OFFICE EXPIRED IN 2019

- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Chairman**: SAS Sociétariat BPMC (until August 9, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Non-Voting Director on the Supervisory Board of BPCE**
- **Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes (BPAURA)**
- **Chairman of the Board of Directors**: Banque de Savoie
- **Director**: COFACE SA*
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director:** i-BP, Pramex International
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Chairman**: Garibaldi Capital Développement, SAS Sociétariat BPA, SAS Sociétariat BPMC
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Non-Voting Director**: Siparex

2017

- **Non-Voting Director on the Supervisory Board of BPCE**
- **Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes (BPAURA)**
- **Chairman of the Board of Directors**: Banque de Savoie
- **Director**: COFACE SA*
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Director:** i-BP, Pramex International
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Chairman**: Garibaldi Capital Développement, SAS Sociétariat BPA, SAS Sociétariat BPMC
- **Permanent Representative of Banque Populaire Auvergne Rhône Alpes, Non-Voting Director**: Siparex

2016

- **Non-Voting Director on the Supervisory Board of BPCE**
- **Chief Executive Officer of Banque Populaire Auvergne Rhône Alpes (BPAURA)**
- **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

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 Promotion

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

MANAGEMENT BOARD

Laurent Mignon

CHAIRMAN OF THE MANAGEMENT BOARD OF BPCE

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 at Banque AGF, AGF Asset Management and AGF Immobilier, and in 2003 he was put in charge of the life insurance and Financial Services division and of Credit Insurance. In 2006, he was made Chief Executive Officer and Chairman of the Executive Committee. From September 2007 to May 2009, he was a managing partner at Oddo et Cie. From 2009 to May 2018, he served as Chief Executive Officer of Natixis. He has been a member of the BPCE Management Board since 2013.

Laurent Mignon has been Chairman of the BPCE Management Board since June 1, 2018.

OFFICES HELD AT DECEMBER 31, 2019

- **Chairman of the Management Board of BPCE**
- **Chairman of the Board of Directors**: Natixis*
- **Chairman**: CE Holding Participations SAS
- **Director**: Sopassure, CNP Assurances*/**, Arkema*/**, AROP** (Association pour le Rayonnement de l'Opéra de Paris)
- **Non-Voting Director:** ODDO BHF SCA** (since March 29, 2019), FIMALAC** (since April 16, 2019)
- **Member of the Executive Committee:** Fédération Bancaire Française** (since September 1, 2019)

TERMS OF OFFICE EXPIRED IN 2019

- **Chairman of the Management Board:** Crédit Foncier de France (until July 31, 2019)
- **Chairman: Fédération Bancaire Française, Association Française des Établissements de Crédit et des Entreprises d'Investissement**** (until August 31, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Chairman of the Management Board of BPCE** (since June 1, 2018)
- **Chief Executive Officer of Natixis*** (until May 31, 2018)
- **Chairman of the Board of Directors**: Natixis* (since June 1, 2018), Crédit Foncier de France (since May 17, 2018), Natixis Investment Managers (until June 1, 2018), Natixis Assurances (until June 7, 2018), Coface SA* (until June 15, 2018)
- **Director**: Sopassure (since June 18, 2018), CNP Assurances*/** (since June 1, 2018), Arkema*/**, AROP** (Association pour le Rayonnement de l'Opéra de Paris)
- **Chairman:** CE Holding Participations (since June 6, 2018)
- **Vice-Chairman** (since June 1, 2018) then **Chairman** of Fédération Bancaire Française** (since September 1, 2018)
- **Chairman:** Association Française des Établissements de Crédit et des Entreprises d'Investissement** (since September 1, 2018)

2017

- **Member of the Management Board of BPCE**
- **Chief Executive Officer of Natixis***
- **Chairman of the Board of Directors**: Natixis Investment Managers, Coface SA*, Natixis Assurances
- **Director**: Peter J. Solomon Company LP, Peter J. Solomon GP, LLC (since December 15, 2017), Arkema*/**, AROP** (Association pour le Rayonnement de l'Opéra de Paris)

2016

- **Member of the Management Board of BPCE**
- **Chief Executive Officer of Natixis***
- **Chairman of the Board of Directors**: Natixis Investment Managers (formerly Natixis Global Asset Management), Coface SA*
- **Director**: Lazard Ltd*/** (until April 19, 2016), Arkema*/**, Peter J. Solomon Company LP (since June 8, 2016), AROP** (Association pour le Rayonnement de l'Opéra de Paris)

2015

- **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)

3

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FNBP : Fédération Nationale des Banques Populaires

Christine Fabresse

MEMBER OF THE MANAGEMENT BOARD OF BPCE, HEAD OF RETAIL BANKING AND INSURANCE

BORN 05/24/1964

A graduate of Montpellier Business School, Christine Fabresse joined Crédit Lyonnais in 1987, where she worked as a sales manager, business center director, international cash management specialist, Head of Retail and Professional markets, then beginning in 2001 as Head of HR Development at Crédit Lyonnais, and finally in 2003 as Head of HR Policies and Mobility at Crédit Agricole SA. In 2006, she joined the Executive Management Committee of LCL as Head of Sales in retail banking. In 2008, she joined the Executive Committee of Caisse Nationale des Caisses d'Epargne (CNCE), leading the Sales Development division. Later, at Groupe BPCE, she became Head of Development at Caisses d'Epargne, and was appointed as a member of the Executive Committee in 2011. In June 2013, she was appointed Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon, before being appointed, effective November 1, 2018, as a member of the BPCE Management Board, Head of Retail Banking and Insurance.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Management Board of BPCE, Head of Retail Banking and Insurance**
- **Chairman of the Board of Directors**: Banque Palatine
- **Director**: Crédit Foncier de France
- **Permanent Representative of BPCE, Director**: Natixis Investment Managers
- **Permanent Representative of BPCE Maroc, Director**: Banque Centrale Populaire Maroc (BCP)

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Management Board of BPCE, Head of Retail Banking and Insurance** (since November 1, 2018)
- **Chairman of the Board of Directors**: Banque Palatine (since November 19, 2018)
- **Director**: Crédit Foncier de France
- **Permanent Representative of BPCE, Director**: Natixis Investment Managers (since November 1, 2018)
- **Permanent Representative of BPCE Maroc, Director**: Banque Centrale Populaire (BCP) (since November 26, 2018)

2017

- **Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon**
- **Director**: BPCE-VIE, Crédit Foncier de France, Compagnie de Financement Foncier, Bastide le Confort Médical**, Ellisphère
- **Permanent Representative of CEP Languedoc-Roussillon, Director**: BPCE-IT, IT-CE, Erilia, FNCE

2016

- **Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon**
- **Director**: Crédit Foncier de France, Compagnie de Financement Foncier
- **Permanent Representative of CEP Languedoc-Roussillon, Director**: BPCE-IT, IT-CE, Erilia, Ellisphère, FNCE

2015

- **Chairman of the Management Board of Caisse d'Epargne Languedoc-Roussillon**
- **Director**: Crédit Foncier de France, Compagnie de Financement Foncier, Nexity
- **Permanent representative of CEP Languedoc-Roussillon, Director**: BPCE-IT, IT-CE, Ellisphère, Fédération Nationale des Caisses d'Epargne

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FNBP : Fédération Nationale des Banques Populaires

Catherine Halberstadt

MEMBER OF THE MANAGEMENT BOARD OF BPCE, HEAD OF HUMAN RESOURCES

BORN 10/09/1958

Catherine Halberstadt has a postgraduate degree in Accounting and another in Business, Administration and Finance from 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, starting in 2000, Deputy Chief Executive Officer. In 2008, Ms. Halberstadt became Chief Executive Officer of Natixis Factor.

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

Since January 1, 2016, Catherine Halberstadt has served as the BPCE Management Board Member in charge of Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE. She was reappointed effective November 1, 2018 as BPCE Management Board Member, Head of Human Resources.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Management Board of BPCE, Head of Human Resources**
- **Director**: Crédit Foncier de France, Bpifrance Financement**
- **Permanent Representative of BPCE, Director**: Natixis*

TERMS OF OFFICE EXPIRED IN 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Management Board of BPCE, Head of Human Resources**
- **Director**: Crédit Foncier de France, Bpifrance Financement**
- **Permanent Representative of BPCE, Director**: Natixis* (since January 1, 2018)

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 de France, Bpifrance Financement**

2016

- **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 de France, Bpifrance Financement**

2015

- **Chief Executive Officer of Banque Populaire du Massif Central**
- **Director**: Crédit Foncier de France, 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

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FNBP : Fédération Nationale des Banques Populaires

Nicolas Namias

MEMBER OF THE MANAGEMENT BOARD OF BPCE, CHIEF FINANCIAL OFFICER

BORN 03/25/1976

An alumnus of the elite École Nationale d'Administration (ENA) with degrees from Stanford Graduate School of Business (Executive Program), ESSEC and Institut d'Études Politiques de Paris, Nicolas Namias began his career in 2004 in the Treasury department of the French Ministry of Economy and Finance. He was first tasked with preparing for the international financial summits of the G8 and G20, before being named as the Government's Substitute Commissioner to the *Autorité des marchés financiers* (AMF). In June 2008, he joined the Finance division of Groupe BPCE, then became Head of Planning for Commercial Banking and Insurance. In 2012, he was named Technical Advisor to the Prime Minister for the funding of the economy, businesses, and international economic affairs.

Nicolas Namias returned to Groupe BPCE in 2014 as Head of Strategic Planning at Natixis and a member of the Executive Committee. In this role, he has coordinated all acquisitions carried out by Natixis since 2014. In September 2017, he was appointed Chief Executive Officer and Head of Strategic Planning, and as a member of the Natixis Executive Management Committee.

In June 2018, Nicolas Namias was appointed as a member of the BPCE Management Board member in charge of Finance, Strategy, Legal Affairs and the Secretary's Office of the Supervisory Board. Since November 2018, he has been a BPCE Management Board Member, Chief Financial Officer.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Management Board of BPCE, Chief Financial Officer**
- **Chairman of the Board of Directors:** Crédit Foncier de France (since August 1, 2019), GIE BPCE Services Financiers (since April 18, 2019)
- **Deputy Chief Executive Officer**: CE Holding Participations
- **Director**: Natixis Coficiné, GIE BPCE Services Financiers (since March 1, 2019)
- **Permanent Representative of BPCE, Director**: CE Holding Participations
- **Permanent Representative of Natixis, Director**: IFCIC

TERMS OF OFFICE EXPIRED IN 2019

- **Permanent Representative of BPCE, Director**: Crédit Foncier de France (until July 31, 2019)

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Management Board of BPCE, Chief Financial Officer**
- **Deputy Chief Executive Officer**: CE Holding Participations (since June 6, 2018)
- **Director**: Natixis Coficiné (since November 30, 2018)
- **Representative of BPCE, Director**: Crédit Foncier de France (since June 1, 2018)
- **Permanent Representative of Natixis, Director:** IFCIC

2017

- **Member of the Executive Management Committee, Chief Financial Officer and Head of Strategic Planning of Natixis***
- **Director**: Natixis Partners, Natixis Assurances, Natixis Partners Espana
- **Permanent Representative of Natixis, Director**: IFCIC, Natixis Investment Managers, Compagnie Française d'Assurance pour le Commerce Extérieur

2016

- **Member of the Executive Committee, Head of Strategic Planning of Natixis***
- **Chairman of the Board of Directors**: HCP NA LLC
- **Director**: Natixis Partners, Natixis Partners Espana
- **Permanent Representative of Natixis, Director**: IFCIC, Ellisphère

2015

- **Member of the Executive Committee, Head of Strategic Planning at Natixis***
- **Chief Executive Officer**: Natixis HCP
- **Chairman of the Board of Directors**: HCP NA LLC
- **Director**: Natixis Partners, Natixis Partners Espana
- **Permanent Representative of Natixis HCP, Director**: Ellisphère

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FNBP : Fédération Nationale des Banques Populaires

François Riahi

MEMBER OF THE MANAGEMENT BOARD OF BPCE

BORN 04/08/1973

A graduate of École Centrale de Paris, IEP Paris and Stanford, an alumnus of the elite École Nationale d'Administration (ENA) and a former Inspector of Public Finances, François Riahi joined Groupe BPCE in March 2009 as Deputy Chief Executive Officer in charge of Group Strategy, then Head of the Asia Pacific platform of Natixis Corporate & Investment Banking.

From 2016 until the end of 2017, François Riahi was a member of the Natixis Executive Management Committee, co-heading the Corporate & Investment Banking division. Since January 1, 2018, he has been a member of the BPCE Management Board in charge of Group Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies.

François Riahi has served as Chief Executive Officer of Natixis and a BPCE Management Board Member since June 1, 2018.

OFFICES HELD AT DECEMBER 31, 2019

- **Member of the Management Board of BPCE**
- **Chief Executive Officer of Natixis***
- **Chairman of the Board of Directors**: Natixis Investment Managers, Natixis Assurances, Coface SA*, Natixis Payment Solutions
- **Director**: Peter J. Solomon GP Company LLC, Peter J Solomon Securities LLC
- **Legal Manager**: SNC TEA et EMMA**

OFFICES EXPIRED AT DECEMBER 31, 2019

- -

OFFICES HELD AT DECEMBER 31 IN PREVIOUS YEARS

2018

- **Member of the Management Board of BPCE** (since January 1, 2018)
- **Chief Executive Officer of Natixis*** (since June 1, 2018)
- **Chairman of the Board of Directors**: Natixis Investment Managers (since June 1, 2018), Natixis Assurances (since June 7, 2018), Coface SA* (since June 15, 2018), Natixis Payment Solutions (since September 21, 2018)
- **Director**: Peter J. Solomon Company GP Company LLC (since June 1, 2018), Peter J Solomon Securities LLC (since May 30, 2018)
- **Legal Manager**: SNC TEA et EMMA**

2017

- **Member of the Executive Management Committee of Natixis*, Co-Head of Corporate & Investment Banking**
- **Chairman of the Supervisory Board**: Natixis Pfandbriefbank AG
- **Permanent Representative of Natixis**: Natixis Assurances, Natixis Coficiné
- **Director**: Natixis Japan Securities Co Ltd, Natixis North America LLC
- **Legal Manager**: SNC TEA et EMMA**

2016

- **Member of the Executive Management Committee of Natixis*, Co-Head of Corporate & Investment Banking**
- **Chairman of the Supervisory Board**: Natixis Pfandbriefbank AG
- **Director**: Natixis Japan Securities Co Ltd, Natixis North America LLC
- **Legal Manager**: SNC TEA et EMMA**

2015

- **Head of the Asia Pacific platform of Natixis* Corporate & Investment Banking**
- **Director**: Natixis Asia Limited, Natixis Australia PTY Ltd, Natixis Japan Securities Co Ltd
- **Legal Manager**: SNC TEA et EMMA**

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3.4 Role and operating rules of governing bodies

3.4.1 Supervisory Board

DUTIES AND POWERS

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

The Supervisory Board:

- receives a report from the Management Board on the company's business activities once every quarter;
- examines and checks the parent company and consolidated financial statements prepared and presented by the Management Board within three months of the end of the fiscal year, along with a written report on the position and activities of the company and its subsidiaries during the past year;
- presents to the Ordinary General Shareholders' Meeting a report on corporate governance that states the makeup of the managerial and supervisory bodies, the role and operation of the governing bodies, the diversity policy applied to Supervisory Board members, the principles and rules for determining pay and benefits of any kind given to corporate officers, and including its observations on the management report prepared by the Management Board and the financial statements for the previous fiscal year.

In addition to these powers, the Supervisory Board has the authority to:

Own powers

- appoint the Chairman of the Management Board;
- appoint the other members of the Management Board, based on motions by the Chairman of the Management Board;
- set the method and amount of pay received by each Management Board member;
- grant the status of Chief Executive Officer to one or more members of the Management Board, based on a motion by the Chairman of the Management Board, and withdraw said status as applicable;
- propose the appointment of the Statutory Auditors at the Annual General Shareholders' Meeting, after they are recommended by the Audit Committee;
- decide to move the registered office to another location within the same *département* or to an adjacent *département*, subject to ratification of the decision by the next Ordinary General Shareholders' Meeting.

Decisions subject to a simple majority vote

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

- approval of the policy and strategic guidelines of Groupe BPCE and each of the networks;
- authorization of any transaction[1] exceeding €100 million;
- authorization of any transaction[2] proposed by BPCE that is not part of the BPCE strategic plan, regardless of the transaction amount;
- approval of the company's annual budget and definition of the rules for calculating contributions due from affiliated institutions;
- authorization of related-party agreements pursuant to the French Commercial Code;
- approval of Groupe BPCE's internal solidarity mechanisms;
- approval of the national and international agreements involving each of the networks and Groupe BPCE as a whole;
- approval of the general criteria that must be met by the directors of Groupe BPCE's affiliated institutions, including age limits, which may not exceed:
  - 65 for Chief Executive Officers or members of the Management Board, or
  - 70 for Chairmen of Boards of Directors and Steering and Supervisory Boards, it being stipulated that no individuals may be appointed Chairman of a Board of Directors or a Steering and Supervisory Board if they 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;
- authorization of the directors of affiliated institutions as well as the withdrawal of such authorization 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 or Caisse d'Epargne, including through the merger of two or more Banques Populaires or two or more Caisses d'Epargne;

(1) Refers to any proposed capital investment or divestment, contribution, merger, spin-off, restructuring, joint venture or partnership by the company or its subsidiaries, and the negotiation or signing of any national or international agreements on behalf of the Caisses d'Epargne, the Banques Populaires and affiliates and, in each instance, any related or ancillary transactions. Also refers to (i) acquisitions, disposals, and equity investments or divestments by the Banques Populaires and the Caisses d'Epargne in credit institutions, financial companies, Insurance companies, investment service providers, portfolio or fund management firms, acquisitions or disposals of bank branches or branches targeting specific customer segments, whether directly or indirectly (ii) equity investments or divestments in industrial or commercial companies by the Banques Populaires and the Caisses d'Epargne; and (iii) equity investments or divestments by the Banques Populaires and the Caisses d'Epargne in companies, regardless of their form or purpose, whose articles of association or legal form entail undefined liability for the partners (not limited to the amount of their contribution).
(2) Same as above.

- examination and approval of the main risk limits applicable 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 Internal Control audits and finding, 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 Banques Populaires will be of identical number and will together hold, at a minimum, the majority of seats on the Board;
- upon recommendation from the Appointments Committee, examination and assessment of the integrity and skills of candidates for the Supervisory Board and the non-voting directors, Chairman, and other members of the Management Board;
- adoption of the board's Internal Rules.

Decisions subject to a qualified majority vote (13 of 19 members)

The following operations proposed by the Management Board are subject to the prior authorization of the Supervisory Board and a favorable vote from at least thirteen of its nineteen present or represented members:

- any decision to subscribe for or acquire (or any agreement binding the company therein), by any means (including by transfer of assets to the company), securities or rights of any kind whatsoever, be they issued by a company or any other entity and directly or indirectly representing an investment or contribution of more than €1 billion;
- any decision to transfer (or any agreement binding the company therein), by any means, securities or rights of any kind whatsoever held by the company and representing a divestment of more than €1 billion for the company;
- any decision by the company to issue equity securities or shares giving immediate or eventual access to the company's capital, without pre-emptive rights;
- any merger, demerger, spin-off, or related decision involving the company;
- any decision relating to the admission of company shares or shares in any of its main direct or indirect subsidiaries to trading on a regulated market;
- any transaction related or connected to the aforementioned cases;
- any decision to appoint the Chairman or remove the Chairman of the company's Management Board from office;
- any decision to submit to the Annual General Shareholders' Meeting any changes to the Articles of Association with regard to the company that amend the terms of governance;
- any decision to approve the disposal of securities.

INTERNAL RULES

The Internal Rules of the Supervisory Board, adopted at the Board Meeting of July 31, 2009 and amended at the Board Meeting of December 20, 2018, form the Supervisory Board's Governance Charter, which sets out its internal operating procedures, notably for the purpose of ensuring that governing bodies interact efficiently and operate smoothly.

The Internal Rules enhance the quality of the work done by Supervisory Board members by promoting the application of corporate governance principles and best practices in the interest of ethics and efficiency.

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

- specifying the procedures for convening Supervisory Board and Supervisory Board Committee Meetings, as well as the rules under which they are to deliberate;
- specifying the general and specific powers of the board under the law, as set out in Articles 27.1 and 27.2 of the company's Articles of Association;
- specifying those instances requiring the board's prior approval for material transactions ("Important Decisions" and "Key Decisions"), as set out in Articles 27.3 and 27.4 of the company's Articles of Association;
- specifying the rules governing the information of Board members;
- 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);
- expertise, *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, 2019. In 2019, the average attendance rate for Supervisory Board Members was 97.87%. In addition to issues routinely discussed (Management Board quarterly 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

- appointment of the Board Secretary;
- presentation of the Supervisory Board's corporate governance report;
- determination of the variable pay of Management Board Members for 2018 and establishment of fixed pay and the criteria (amount, trigger, qualitative and quantitative criteria) for determining the variable pay of Management Board Members for 2019;
- adoption of the amended Group standards on risk-takers;
- at its March 28, 2019 meeting, acknowledgment of the end of the term of office of Maryse Aulagnon, Independent Member of the Supervisory Board, Chairman of the Appointments Committee and Chairman of the Remuneration Committee, effective April 19, 2019;
- at its May 9, 2019 meeting, appointment of Valérie Pancrazi as an Independent Member of the Supervisory Board, Chairman of the Appointments Committee and Chairman of the Remuneration Committee, replacing Maryse Aulagnon, for the remainder of her predecessor's term of office until the Annual General Shareholders' Meeting convened to approve the 2024 financial statements;
- at its May 24, 2019 meeting, appointment of Pierre Valentin as Chairman of the Supervisory Board, replacing Michel Grass whose term of office had expired. Pierre Valentin will perform his duties as Chairman for a two-year term expiring at the end of the Annual General Shareholders' Meeting convened in 2021 to approve the financial statements for the fiscal year ending December 31, 2020;
- at its May 24, 2019 meeting, appointment of Thierry Cahn as Vice-Chairman of the Supervisory Board, replacing Nicolas Plantrou whose term of office had expired. Thierry Cahn will perform his duties as Vice-Chairman for a two-year term expiring at the end of the Annual General Shareholders' Meeting convened in 2021 to approve the financial statements for the fiscal year ending December 31, 2020;
- at its May 24, 2019 meeting, appointment of Nicolas Plantrou and Bernard Dupouy as members of the Audit Committee for the duration of their terms of office as members of the Supervisory Board, replacing Pierre Valentin and Thierry Cahn;
- at its May 24, 2019 meeting, appointment of Michel Grass as a member of the Risk Committee for the duration of his term of office as a member of the Supervisory Board;
- at its May 24, 2019 meeting, appointment of Michel Grass as a member of the Appointments Committee for the duration of his term of office as a member of the Supervisory Board, replacing Bernard Dupouy;
- at its May 24, 2019 meeting, appointment of Pierre Valentin and Thierry Cahn as members of the Cooperative and CSR Committee for the duration of their terms of office as Chairman and Vice-Chairman of the Supervisory Board, replacing Michel Grass and Nicolas Plantrou;
- at its December 19, 2019 meeting, acknowledgment of the end of the term of office of Nicolas Plantrou, member of the Supervisory Board and member of the Audit Committee, on December 14, 2019;
- at its December 19, 2019 meeting, appointment of Éric Fougère as a member of the Supervisory Board and a member of the Audit Committee, for the remainder of his predecessor Nicolas Plantrou's term of office, *i.e.* until the Annual General Shareholders' Meeting convened in 2021 to approve the financial statements for the year ending December 31, 2020;
- approval of the training program for the employee representative members of the Supervisory Board;
- presentation of the report on the annual audit of the Board's operations conducted by law firm Fidal;
- follow-up on the Board Member training program;
- review of the dashboard of persons comprising the "regulated population";
- annual review of independent member status on the Board;
- approval of the update to the diversity policy applicable to members of the Board;
- approval of the diversity policy applicable to members of the Management Board;
- acknowledgment of the Fit & Proper policy, which sets out the rules governing the makeup of BPCE subsidiary boards and the rules governing the number of offices held and availability applicable to all non-executive offices on boards of Group entities.

STRATEGIC OPERATIONS

- authorization of BPCE's acquisition of 50.1% of the share capital and voting rights of Oney Bank;
- authorization of BPCE International's sale of its entire stake and voting rights in Banque de Tahiti and Banque de Nouvelle Calédonie to Caisse d'Epargne Île-de-France;
- approval of the framework agreement renewing the partnership entered into by Groupe BPCE and Natixis with COVEA Group for the provision of professional risk Insurance to the customers of the Caisses d'Epargne and the Banques Populaires;

- authorization of BPCE's acquisition of Crédit Foncier de France's entire stake in Socfim, *i.e.* 100% of its share capital and voting rights.

FINANCE

- presentation of BPCE's annual financial statements for the year ended December 31, 2018;
- presentation of BPCE's 2019 quarterly and half-year financial statements;
- acknowledgment of budget trends and the amended 2019 budget;
- approval of the 2020 budget;
- establishment of rules for the calculation of contributions of ChROME program funding and approval of BPCE's call for ChROME contributions;
- review of the rules governing the Group's solidarity mechanism;
- review and follow-up on Groupe BPCE's capital adequacy 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;
- approval of the change to the interest rate risk criterion;
- examination of the independence and fees of Statutory Auditors;
- approval of the update to Groupe BPCE's Recovery Plan (RP) for 2019;
- follow-up on the ICAAP (Internal Capital Adequacy Assessment Process) for 2019, the methods used within this framework and the results of internal stress tests used to determine figures for 2019;
- follow-up on the Supervisory Review and Evaluation Process (SREP);
- review of the senior management report on the effectiveness of the enhanced compliance mechanism, drawn up by the Management Board (Senior Management) and implemented in accordance with the Volcker rule's specifications;

Depending on the type of matters submitted to the Supervisory Board, discussions were held and decisions made on the basis of the reports presented by the relevant Board Committees.

3.4.2 Specialized committees

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

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

Under no circumstances may the specialized committees be consulted either for the purpose of delegating powers to said committees powers that are allocated to the Supervisory Board by law or the Articles of Association, or to reduce or limit the Management Board's powers.

Whenever it is necessary to consult 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 has eight members, including one employee representative as stipulated by Article L. 225-79-2 of the French Commercial Code.

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

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

AUDIT COMMITTEE

DUTIES

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

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

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

The Audit Committee is also responsible for reviewing the strategic operations undertaken by Groupe BPCE.

The Audit Committee oversees:

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.

Statutory audit of the annual and consolidated financial statements, and of the Statutory Auditors' independence

In this respect, its duties include:

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

Groupe BPCE strategic operations

The Audit Committee is asked to review and issue a prior opinion on any material internal or external growth operations submitted for the approval of the Supervisory Board, including in particular:

- any material equity investments or divestments, contributions, mergers, spin-offs, restructuring operations, joint ventures, strategic deals, alliances or partnerships entered into by BPCE or its subsidiaries;
- any material acquisitions or disposals, including acquisitions or disposals of Equity interests, carried out by the Banques Populaires and the Caisses d'Epargne, specifically reviewing the associated terms and conditions as well as the prudential and accounting impacts.

ACTIVITY

The Audit Committee met five times between January 1 and December 31, 2019. The average attendance rate at these meetings was 93.10%.

The main issues that it addressed were as follows:

- presentation of BPCE's annual financial statements for the year ended December 31, 2018 and review of the 2020 budget;
- presentation of BPCE's 2019 quarterly and half-year financial statements;
- monitoring of the impact of adopting IFRS 9 and the Impairment for credit risk under IFRS 9;
- review and examination of Groupe BPCE's capital adequacy and liquidity ratios;
- oversight of the management of intra-group prudential ratio requirements;
- monitoring of the impact on the financial statements of the Group's transformation initiatives;
- regular reporting on the earnings of BPCE International and its subsidiaries and monitoring the run-off management of BPCE International's assets;
- analysis of the practicalities of ChRome program funding;
- monitoring of the work performed by the Statutory Auditors, reviewing their independence and fees, approving the services carried out by the Statutory Auditors other than certifying financial statements;
- reviewing the strategic operations undertaken by the Group.

RISK COMMITTEE

DUTIES

The Risk Committee assists the Supervisory Board with respect to BPCE's overall strategy and risk appetite, both current, future and when the Supervisory Board reviews the strategy's implementation. Accordingly, it is tasked with assessing the effectiveness of the internal control and risk management systems and, more generally, fulfills the duties set out in Articles L. 511-92 *et seq.* of the French Monetary and Financial Code and by the Ministerial Order of November 3, 2014 on internal control of banking sector companies.

In this respect, its duties include:

- conducting a regular review of the strategies, policies, procedures, systems, tools and limits referred to in Article 148 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies and the underlying assumptions, and sharing its findings with the Supervisory Board;
- reviewing the total risk exposure of company and Groupe BPCE activities, based on the associated reports;
- advising the Supervisory Board on the company's overall strategy and risk appetite, both current and future;
- assisting the Supervisory Board when it reviews the implementation of this strategy by the members of the Management Board and the Head of Risk Management;

- assisting the Supervisory Board in regularly reviewing the policies established to comply with the provisions of the Ministerial Order of November 3, 2014 on internal control of banking sector companies, assessing the effectiveness of these policies and that of the provisions and procedures implemented for the same purposes as well as any corrective measures undertaken in the event of failures;
- reviewing the annual report(s) on risk measurement and supervision and on the conditions under which internal control is conducted throughout the Group;
- proposing to the Board the materiality criteria and thresholds referred to in Article 98 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies, *i.e.* the criteria and thresholds used to identify incidents that must be brought to the Board's attention;
- ensuring the independence of Groupe BPCE's Inspection Générale division, which is authorized to request or access all items, systems, or information required for the successful completion of its duties;
- reviewing the annual schedule of the Group's Inspection Générale division;
- ensuring that the findings of audits performed by the ACPR and/or the ECB and the Group's Inspection Générale division, whose summaries regarding the company and Groupe BPCE entities are disclosed to it, are addressed;
- reviewing the follow-up letters sent by the ACPR and/or by the ECB and issuing an opinion on the draft replies to these letters;
- determining, in accordance with its purview, if the prices of products and services (referred to in Books II and III of the French Monetary and Financial Code: financial instruments, savings products, bank transactions, investment services, etc.) offered to customers are compatible with the company's risk strategy and, if not, presenting a corrective action plan to the Supervisory Board;
- determining if incentives provided by the company's pay practices and policy are compatible with the risks incurred by the company, its capital and liquidity and the likelihood that the expected benefits will vest, as well as their staggered vesting over time.

ACTIVITY

The Risk Committee met eight times between January 1 and December 31, 2019. The average attendance rate at these meetings was 95.56%.

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 Group's 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;
- review of the work performed by the Group's Inspection Générale division and presentation of the 2020 audit plan;
- review of risk management and measurement work, and particularly the review of Group risk monitoring mechanisms (monitoring 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;
- analysis of EBA stress testing methods and review of the methods and results of the 2019 internal stress tests carried out to assess BPCE's resilience under certain extreme scenarios, especially the "reverse stress test", which aims to define a scenario based on a specific solvency impact;
- review of the methods and results of the annual ICAAP (Internal Capital Adequacy Assessment Process) process intended to analyze capital adequacy;
- review of the economic viability of the transactions and credit risks of Groupe BPCE's banking institutions, in accordance with Article L. 511-94 of the French Monetary and Financial Code;
- monitoring of internal caps and Group limits (credit risks, market risks, interest rate risks and liquidity risks);
- review of changes made to a resilience threshold related to risk appetite;
- review of the model risk management policy;
- review of the senior management report (SMR) on the effectiveness of the compliance mechanism in accordance with the Volcker rule's specifications;
- review of the Contingency and Business Continuity Plan (CBCP);
- follow-up on the implementation of the BCBS 239 regulatory provisions on data quality, risk data aggregation and risk reporting;
- review of cybersecurity throughout Groupe BPCE;
- review of the Leveraged Buy Out and Collateralized Loan Obligation situation;
- review of autocalls;
- update to Groupe BPCE's Recovery Plan (RP);
- progress update on the "New definition of default" project;
- review of work associated with the General Data Protection Regulation one year later;
- presentation of the final 2018 Volcker Certification;
- update on the EDGAR program.

APPOINTMENTS COMMITTEE

DUTIES

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

- the choice of members of the Supervisory Board and Non-Voting Directors who come from outside Groupe BPCE. Supervisory Board Members from inside Groupe BPCE are appointed in compliance with the company's Articles of Association and Article L. 512-106 of the French Monetary and Financial Code;
- the appointment of the Chairman of the Management Board.

Furthermore, the Appointments Committee:

- regularly reviews and assesses the integrity and skills of candidates for the Supervisory Board and the Non-Voting Directors, Chairman, and other members of the Management Board;
- assesses the balance and diversity of knowledge, skills and experience individually and collectively held by the members of the Supervisory Board;
- specifies the duties and qualifications required for positions on the Supervisory Board and assesses the amount of time that should be spent on Supervisory Board duties;
- sets a target for the balanced representation of men and women on the Supervisory Board and creates a policy to achieve this target;
- writes, submits to the Supervisory Board, and annually reviews a diversity policy applicable to Supervisory Board Members with respect to criteria such as age, gender, or qualifications and professional experience, as well as a description of the goals of that policy, its terms of implementation, and the results achieved during the past year;
- periodically, and at least once a year, assesses:
  - the structure, size, composition and effectiveness of the Supervisory Board with respect to its assigned tasks, and submits all useful recommendations to the Board,
  - the knowledge, skills and experience of the members of the Supervisory Board, both individually and collectively, and reports on this assessment to the Board;
- periodically reviews the policies of the Supervisory Board governing the selection and appointment of Management Board members and the Head of Risk Management and makes appropriate recommendations;
- ensures that the Supervisory Board is not dominated by any one person or small group of people under conditions that are detrimental to the company's interests;
- writes and periodically reviews a succession procedure for company directors, which it submits to the Supervisory Board.

ACTIVITY

The Appointments Committee met four times between January 1 and December 31, 2019. The average attendance rate at these meetings was 96.30%.

The main issues that it addressed were as follows:

- review of the skills and integrity of candidates to be Supervisory Board Members;
- review of the skills, integrity, and independence of candidates to be independent Supervisory Board Members;
- launch of the Supervisory Board's annual audit process, and analysis of the audit report and distribution of expertise among members of the Supervisory Board;
- annual review of independent member status on the Supervisory Board;
- review of the conflicts of interest management process for independent members;
- review of diversity policies for members of the Management and Supervisory Boards;
- review of the Fit & Proper policy governing the makeup of BPCE subsidiary boards and the rules governing the number of offices held and availability for board members of Group entities.

REMUNERATION COMMITTEE

DUTIES

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

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

Furthermore, the Remuneration Committee:

- conducts an annual review:
  - of the principles of the company's pay policy,
  - of the pay, compensation and benefits of any kind granted to corporate officers of the company,
  - of the pay policy for categories of personnel, including Management Board Members, risk takers, persons exercising control duties and any employees who, as a result of their total income, are in the same pay bracket, whose professional activities have a material impact on the company's or Group's risk profile;
- directly controls the pay granted to the Head of Risk Management, referred to in Article L. 511-64 of the French Monetary and Financial Code and, where applicable, the Head of Compliance;
- reports regularly on its work to the Supervisory Board;
- examines the draft of the Supervisory Board's corporate governance report;
- gives its opinion to the Board on the policy for granting stock options or similar securities and on the list of beneficiaries;
- is informed of Groupe BPCE's pay policy, particularly the policy regarding the main company directors of affiliated institutions;
- reviews and issues opinions on the Insurance policies taken out by the company covering the liability of company directors;
- gives its opinion to the Board on the section of the annual report covering issues within the remit of the Remuneration Committee.

ACTIVITY

The Remuneration Committee met twice between January 1 and December 31, 2019. The average attendance rate at these meetings was 93.75%.

The main issues that it addressed were as follows:

- variable pay of Management Board members for 2018 and the amounts and conditions of fixed and variable pay for Management Board members for 2019 (definition of conditions for deferred portions, definition of quantitative and qualitative criteria);
- 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 2018, 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 2018, 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 the report on internal control of Groupe BPCE credit institutions regarding the policy and practices governing pay in respect of 2018 granted to members of the executive body and persons whose professional activities have a material impact on the corporate risk profile, pursuant to Article 266 of the Ministerial Order of November 3, 2014 on internal control of banking sector companies.

COOPERATIVE AND CSR COMMITTEE

DUTIES

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

To this end, the Cooperative and CSR Committee monitors cooperative share sales and dividend practices exercised by the Banques Populaires 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, 2019. The average attendance rate at these meetings was 100%.

The main issues that it addressed were as follows:

- status report on transactions in cooperative shares;
- oversight of the roll-out of the Group code of conduct and ethics;
- monitoring of CSR and cooperative actions taken under the Group's 2018-2020 Strategic Plan;
- review of Groupe BPCE's non-financial performance report and ESG ratings;
- presentation of Group CSR institutional communication;
- review of targets set for vulnerable customers;
- update on the Regional footprint initiative conducted with the two federations;
- review of financial center initiatives on climate risk and their impacts on banks;
- analysis of how the cooperative model is perceived;
- analysis of the Group's outlook in terms of Purpose and Mission Statement;
- updates on the FNBP and FNCE projects.

3.4.3 Attendance of Supervisory Board and Specialized Committee Meetings

	Supervisory Board	Audit Committee	Risk Committee	Appointments Committee	Remuneration Committee	Cooperative and CSR Committee	Total	Individual attendance rate
Members of the Supervisory Board				**Meetings attended/number of meetings**				
Pierre Valentin, Member and Chairman of the Board	9/10	2/2	N/A	N/A	N/A	2/2	13/14	92.86%
Thierry Cahn, Member and Vice-Chairman of the Board	10/10	2/2	N/A	N/A	N/A	2/2	14/14	100%
Caisse d'Epargne Representatives								
Catherine Amin-Garde	10/10	N/A	N/A	4/4	2/2	N/A	16/16	100%
Alain Denizot	10/10	N/A	7/8	N/A	N/A	N/A	17/18	94.44%
Éric Fougère	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dominique Goursolle Nouhaut	10/10	N/A	N/A	3/4	2/2	N/A	15/16	93.75%
Françoise Lemalle	9/10	N/A	8/8	N/A	N/A	N/A	17/18	94.44%
Didier Patault	10/10	4/5	N/A	4/4	2/2	2/2	22/23	95.65%
Nicolas Plantrou (until December 14, 2019) Member and Vice-Chairman of the Board	9/9	2/2	N/A	N/A	N/A	N/A	11/11	100%
Banque Populaire Representatives								
Gérard Bellemon	9/10	N/A	N/A	4/4	2/2	N/A	15/16	93.75%
Bernard Dupouy	10/10	2/3	N/A	2/2	2/2	N/A	16/17	94.12%
Yves Gevin	10/10	5/5	N/A	4/4	1/2	2/2	22/23	95.65%
Michel Grass Member and Chairman of the Board	10/10	N/A	5/5	2/2	N/A	N/A	17/17	100%
Olivier Klein	10/10	N/A	8/8	N/A	N/A	N/A	18/18	100%
Catherine Mallet	10/10	N/A	N/A	N/A	N/A	N/A	10/10	100%
Independent Members								
Maryse Aulagnon (until April 19, 2019)	3/4	N/A	N/A	1/1	1/1	N/A	5/6	83.33%
Valérie Pancrazi (since May 9, 2019)	5/5	N/A	N/A	2/2	1/1	N/A	8/8	100%
Anne-Claude Pont	10/10	5/5	8/8	N/A	N/A	N/A	23/23	100%
Kadidja Sinz	10/10	5/5	7/8	N/A	N/A	N/A	22/23	95.65%
Employee Representatives								
Vincent Gontier	10/10	N/A	N/A	N/A	2/2	N/A	12/12	100%
Frédéric Hassaine	10/10	N/A	N/A	N/A	N/A	N/A	10/10	100%
Non-Voting Directors								
Jean Arondel – FNCE	N/A	N/A	N/A	N/A	N/A	2/2	2/2	100%
André Joffre – FNBP	N/A	N/A	N/A	N/A	N/A	2/2	2/2	100%
Pierre Carli	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Joël Chassard	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sylvie Garcelon	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel Karyotis	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AVERAGE	**97.87%**	**93.10%**	**95.56%**	**96.30%**	**93.75%**	**100%**	**96.85%**	

3.4.4 Management Board

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

In particular, the Management Board:

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

- exercises all banking, financial, administrative and technical powers;
- approves the appointment of executive management at the company's main direct and indirect subsidiaries;
- appoints the person or persons tasked with temporary Management or Control functions for an affiliated institution in the event the Supervisory Board decides to dismiss any persons referred to in Article L. 512-108 of the French Monetary and Financial Code;
- decides, in an emergency, to suspend one or more executive managers of an affiliated institution as a protective measure;
- uses the Group's internal solidarity mechanisms, notably by calling on the guarantee and solidarity funds of the Networks and the Group;
- approves the Articles of Association of affiliated institutions and local savings companies and any changes thereto;
- determines the rules governing the pay granted to executive managers of affiliated institutions, including any contingent pay and benefits granted to such individuals on or after termination of employment;
- authorizes any transaction of less than €100 million;
- issues general internal directives to affiliated institutions, covering the objectives defined in Article L. 511-31 of the French Monetary and Financial Code.

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

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

On the recommendation of the Chairman of the Management Board, the Supervisory Board may grant the same power of representation to one or more Management Board members, who shall then bear the title of Chief Executive Officer. The Chairman of the Management Board and the Chief Executive Officer or officers, if any, are authorized to appoint a special representative to deputize them in respect of part of their powers.

With the authorization of the Supervisory Board, the members of the Management Board may, on the recommendation of the Chairman of the Management Board, divide management tasks between them. However, in no event should this division have the effect of removing the Management Board's capacity as a collegial management body.

Once every three months, the Management Board presents a written report to the Supervisory Board on the company's performance. Within three months of the end of each accounting period, the Management Board completes the parent company financial statements and presents them to the Supervisory Board for verification and control. It also submits the consolidated financial statements to the Supervisory Board within this same period.

3.4.5 Annual General Shareholders' Meetings

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

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

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

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

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

Their participation is subject to the registration of the shares in the name of the shareholder by the second business day preceding the Annual General Shareholders' Meeting at twelve midnight, Paris time, in the registered share accounts maintained by the company.

3° Shareholders unable to personally attend the Annual General Shareholders' Meeting may select one of the following three options:

- to grant a proxy to another shareholder or, if the shareholder is a natural person, to the shareholder's spouse; or
- to vote by absentee ballot; or
- to send a power of attorney to the company without designating a representative.

4° Annual General Shareholders' Meetings are chaired by the Chairman of the Supervisory Board or, in the Chairman's absence, by the Vice-Chairman. In the absence of both the Chairman and Vice-Chairman, Annual General Shareholders' Meetings are chaired by a member of the Supervisory Board specially appointed for this purpose by the Supervisory Board. Failing this, the Annual General Shareholders' Meeting elects its own Chairman.

The Annual General Shareholders' Meeting appoints its officers.

The duties of scrutineer are performed by two consenting shareholders representing, themselves or as proxies, the greatest number of shares. The officers of the Annual General Shareholders' Meeting appoint a Secretary, who may be selected from outside the shareholders' ranks.

A register of attendance is kept in accordance with regulations in force.

5° The Ordinary General Shareholders' Meeting convened on first notice may validly transact business if the shareholders present or represented own at least one-fifth of the voting shares. The Ordinary General Shareholders' Meeting convened on second notice may validly transact business regardless of the number of shareholders present or represented.

Resolutions of the Ordinary General Shareholders' Meeting are carried by majority vote of the shareholders present or represented, including shareholders who have voted by absentee ballot.

The Ordinary General Shareholders' Meeting called to approve the financial statements for the past fiscal year is consulted on the components of pay due or granted for the fiscal year ended to the Chairman of the Management Board and to each member of the Management Board.

It is consulted on the overall budget for pay of any kind paid during the fiscal year ended to the company's executive managers and to categories of staff referred to in Article L. 511-71 of the French Monetary and Financial Code, whose professional activities have a material impact on the company or Group risk profile.

The Ordinary General Shareholders' Meeting may, in accordance with Article L. 511-78 of the French Monetary and Financial Code, resolve to raise the variable pay to an amount greater than the fixed pay amount, within the limit of double the fixed pay amount, for the company's executive managers, as well as for categories of staff referred to in Article L. 511-71 of said Code whose professional activities have a material impact on the company or Group risk profile. This resolution is carried by a two-thirds majority of the votes of the shareholders present or represented, including the shareholders having voted by absentee ballot. If at least half the shareholders are not present or represented, the resolution is carried by a three-quarters majority vote.

6° The Extraordinary Shareholders' Meeting convened on first notice may validly transact business only if the shareholders present or represented own at least one-fourth of the voting shares.

The Extraordinary Shareholders' Meeting, convened on second notice, may validly transact business only if the shareholders present or represented own at least one-fifth of the voting shares.

Resolutions of the Extraordinary Shareholders' Meeting are carried by a two-thirds majority of the votes of the shareholders present or represented, including shareholders who have voted by absentee ballot.

7° Copies or extracts of the minutes of the Annual General Shareholders' Meeting are validly certified by the Chairman of the Supervisory Board, by the Vice-Chairman, a member of the Management Board, or by the Secretary of the Annual General Shareholders' Meeting.

8° Ordinary and Extraordinary Shareholders' Meetings exercise their respective powers in accordance with regulations in force.

3.5 Rules and principles governing the determination of pay and benefits

3.5.1 Pay policy, components of pay, benefits in kind, loans, guarantees and attendance fees received by members of the Supervisory Board of BPCE[1]

At the Combined General Meeting on May 19, 2017, the total amount pay allocated to members of BPCE's Supervisory Board for attendance at meetings was set at €700,000. This pay is detailed in the statement regarding pay collected by the non-executive corporate officers 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 pay for attendance at meetings among the Supervisory Board Members.

Aside from the Chairman, who receives annual fixed pay, Supervisory Board Members are paid based on their attendance at meetings.

PAY GRANTED TO THE CHAIRMAN OF THE SUPERVISORY BOARD

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

PAY GRANTED TO SUPERVISORY BOARD MEMBERS

Pay granted to the Vice-Chairman of the Supervisory Board:

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

Other members of the Supervisory Board:

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

ADDITIONAL PAY GRANTED TO SUPERVISORY BOARD MEMBERS

Chairman of the Audit Committee:

- annual fixed pay: €23,900;
- variable pay for each meeting attended, up to a limit of four meetings during the fiscal year: €2,400.

Other members of the Audit Committee:

- annual fixed pay: €750;
- variable pay for each meeting attended, up to a limit of four meetings during the fiscal year: €875.

Chairman of the Risk Committee:

- annual fixed pay: €23,900;
- variable pay for each meeting attended, up to a limit of six meetings during the fiscal year: €2,400.

Other members of the Risk Committee:

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

Chairman of the Appointments Committee:

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

Other members of the Appointments Committee:

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

Chairman of the Remuneration Committee:

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

Other members of the Remuneration Committee:

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

Chairman of the Cooperative and CSR Committee:

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

Other members of the Cooperative and CSR Committee:

- annual fixed pay: €750;
- variable pay for each meeting attended, up to a limit of two meetings during the fiscal year: €600.

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

As a reminder, the Chairman and Vice-Chairman of the Supervisory Board to not receive any pay for participating in the Cooperative and CSR Committee.

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 pay for attendance at meetings allocated to Supervisory Board Members at the Annual General Shareholders' Meeting.

Non-Voting Directors receive:

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

RULES GOVERNING PAY GRANTED TO MEMBERS OF THE SUPERVISORY BOARD

Attendance fees were eliminated by Article 185 of the PACTE Act (act No. 2019-486 of May 22, 2010), which replaced them with "pay" that may be paid to directors and members of the Supervisory Board of a French limited liability company *(société anonyme)*.

The change in legal terminology has no impact on the tax or social security charges applicable to the sums paid to directors and members of the Supervisory Board.

As such, any references to "attendance fees" below should be construed from a legal point of view as "pay".

Attendance fees 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 they so choose, 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 year in which the attendance fees are collected 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 pay for attendance at meetings received by corporate officers in respect of their duties on the boards of Group companies during the period in question.

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

STATEMENT OF PAY RECEIVED BY BPCE NON-EXECUTIVE DIRECTORS FROM JANUARY 1 TO DECEMBER 31, 2019 (AMF TABLE NO. 3)

	Fiscal year 2018		Fiscal year 2019	
	Amount due(1)	Amount paid(2)	Amount due(3)	Amount paid(4)
Pierre Valentin Chairman of the Supervisory Board since May 24, 2019				
Annual fixed pay	N/A	N/A	€240,860.19	€240,860.19
BPCE director attendance fees	€23,250.00	€39,744.44	€11,310.75	€11,310.75
Other pay	€1,800.00	€1,800.00	€3,000.00	€3,000.00
Michel Grass Chairman of the Supervisory Board until May 24, 2019				
Annual fixed pay	€400,000.00	€400,000.00	€159,139.77	€159,139.77
BPCE director attendance fees	N/A	€9,768.05	€16,215.86	€16,215.86
Other pay	N/A	N/A	N/A	N/A
Thierry Cahn Vice-Chairman of the Supervisory Board since May 24, 2019				
BPCE director attendance fees	€23,250.00	€45,300.00	€65,182.79	€65,182.79
Other pay	€28,000.00	€28,000.00	€29,000.00	€29,000.00
Nicolas Plantrou Vice-Chairman of the Supervisory Board until May 24, 2019				
BPCE director attendance fees	€87,266.66	€153,986.12	€51,158.20	€51,158.20
Other pay	€15,900.00	€13,900.00	€15,500.00	€16,500.00
Caisse d'Epargne representatives				
Catherine Amin-Garde				
BPCE director attendance fees	€24,700.00	€49,400.00	€23,500,00	23 500,00
Other pay	€5,100.00	€5,100.00	€6,600.00	€5,700.00
Astrid Boos (until June 23, 2018)				
BPCE director attendance fees	€15,461.38	€39,561.38	N/A	N/A
Other pay	€7,200.00	€7,200.00	N/A	N/A
Alain Denizot (since December 20, 2018)				
BPCE director attendance fees	N/A	N/A	€25,000.00	€25,000.00
Other pay	€39,300.00	€42,000.00	€2,400.00	€3,300.00
Dominique Goursolle-Nouhaud (since August 2, 2018)				
BPCE director attendance fees	€11,189.51	€11,189.51	€23,500.00	€23,500.00
Other pay	€3,000.00	€3,000.00	€40,400.00	€37,400.00
Françoise Lemalle				
BPCE director attendance fees	€25,000.00	€50,000.00	€23,800.00	€23,800.00
Other pay	€33,400.00	€33,400.00	€35,000.00	€35,000.00
Stéphanie Paix (until November 12, 2018)				
BPCE director attendance fees	€23,806.66	€48,806.66	N/A	N/A
Other pay	€33,419.18	€33,419.18	N/A	N/A
Didier Patault				
BPCE director attendance fees	€30,900.00	€61,800.00	€29,700.00	€29,700.00
Other pay	€6,000.00	€3,750.00	€7,800.00	€6,600.00
Banque Populaire representatives				
Gérard Bellemon (since June 19, 2018)				
BPCE director attendance fees	€14,146.39	€14,146.39	€23,500.00	€23,500.00
Other pay	€11,400.00	€10,300.00	€8,900.00	€11,400.00
Alain Condaminas (until January 1, 2019)				
BPCE director attendance fees	€25,000.00	€50,000.00	N/A	N/A
Other pay	€34,800.00	€33,600.00	N/A	N/A
Pierre Desvergnes (until June 27, 2018)				
BPCE director attendance fees	€11,969.16	€36,669.16	N/A	N/A
Other pay	€3,000.00	€7,500.00	N/A	N/A
Bernard Dupouy (since August 2, 2018)				
BPCE director attendance fees	€11,189.51	€11,189.51	€24,650.00	€24,650.00
Other pay	€27,600.00	€27,600.00	€26,194.52	€27,994.52

	Fiscal year 2018		Fiscal year 2019	
	Amount due[1]	Amount paid[2]	Amount due[3]	Amount paid[4]
Yves Gevin				
BPCE director attendance fees	€30,900.00	€61,800.00	€29,975.00	€29,975.00
Other pay	€3,000.00	€2,400.00	€2,400.00	€3,000.00
André Joffre (until June 19, 2018)				
BPCE director attendance fees	€17,732.77	€46,328.61	N/A	N/A
Other pay	€2,700.00	€4,500.00	N/A	N/A
Olivier Klein (since January 1, 2019)				
BPCE director attendance fees	N/A	N/A	€25,000.00	€25,000.00
Other pay	N/A	N/A	N/A	€2,400.00
Catherine Mallet (since May 17, 2018)				
BPCE director attendance fees	€13,491.93	€13,491.93	€19,000.00	€19,000.00
Other pay	€0.00	€0.00	€0.00	€0.00
Independent members				
Maryse Aulagnon (until April 19, 2019)				
BPCE director attendance fees	€56,750.00	€112,300.00	€17,315.56	€17,315.56
Marwan Lahoud (until June 19, 2018)				
BPCE director attendance fees	€24,371.24	€81,671.24	N/A	N/A
Marie-Christine Lombard (until March 29, 2018)				
BPCE director attendance fees	€13,012.50	€70,962.50	N/A	N/A
Valérie Pancrazi (since May 9, 2019)				
BPCE director attendance fees	N/A	N/A	€33,051.08	€33,051.08
Other pay	N/A	N/A	€46,500.00	€44,500.,00
Anne-Claude Pont (since March 29, 2018)				
BPCE director attendance fees	€53,337.50	€53,337.50	€61,550.00	€61,550.00
Other pay	€35,500.00	€0.00	N/A	€35,500.00
Kadidja Sinz (since August 2, 2018)				
BPCE director attendance fees	€29,010.88	€29,010.88	€58,500.00	€58,500.00
Employee representatives				
Vincent Gontier[5]				
BPCE director attendance fees	€22,150.00	€44,900.00	€20,950.00	€20,950.00
Frédéric Hassaine[5]				
BPCE director attendance fees	€19,000.00	€38,000.00	€19,000.00	€19,000.00
Non-Voting Directors				
Jean Arondel (FNCE)				
BPCE director attendance fees	€20,002.36	€31,352.36	€25,800.00	€25,800.00
Other pay	€89,546.88	€89,546.88	€79,000.00	€71,200.00
Pierre Carli				
BPCE director attendance fees	€9,400.00	€18,800.00	€7,600.00	€7,600.00
Other pay[6]	€13,800.00	€13,800.00	€1,800.00	€13,800.00
Joël Chassard (since May 17, 2018)				
BPCE director attendance fees	€6,683.87	€6,683.87	€9,400.00	€9,400.00
Other pay	€15,100.00	€11,500.00	€23,400.00	€26,100.00
Sylvie Garcelon (since December 20, 2018)				
BPCE director attendance fees	N/A	N/A	€9,400.00	€9,400.00
Other pay	€42,000.00	€42,000.00	€43,000.00	€43,000.00
Dominique Garnier (until November 30, 2018)				
BPCE director attendance fees	€9,066.67	€15,822.22	N/A	N/A
Other pay	€22,950.00	€4,950.00	N/A	N/A
André Joffre (since June 19, 2018)				
BPCE director attendance fees	€7,320.14	€7,320.14	€11,350.00	€11,350.00
Other pay	€2,700.00	€4,500.00	€1,800.00	€2,700.00
Daniel Karyotis				
BPCE director attendance fees	€9,400.00	€18,800.00	€9,400.00	€9,400.00
Other pay	€22,000.00	€22,000.00	€23,000.00	€16,100.00
Alain Lacroix (until March 31, 2018)				

	Fiscal year 2018		Fiscal year 2019	
	Amount due[1]	Amount paid[2]	Amount due[3]	Amount paid[4]
BPCE director attendance fees	€2,200.00	€11,600.00	N/A	N/A
Other pay	€3,000.00	€7,800.00	N/A	N/A
Dominique Martinie (until June 6, 2018)				
BPCE director attendance fees	€9,810.00	€35,610.00	N/A	N/A
Other pay	€4,500.00	€7,800.00	N/A	N/A
TOTAL PAY	**€1,567,052.44**	**€2,129,889.95**	**€1,408,953.72**	**€1,509,003.72**

(1) Amounts due in respect of 2018: all amounts owed in respect of 2018, regardless of the date of payment.
(2) Amounts paid in 2018: all amounts paid and received in 2018 (due in 2017 and paid in 2018 and due in 2018 and paid in 2018) excluding withholding taxes (amounts actually received by members include withholding taxes).
(3) Amounts due in respect of 2019: all amounts owed in respect of 2019, regardless of the date of payment.
(4) Amounts paid in 2019: all amounts paid and received in 2019 (due in 2018 and paid in 2019 and due in 2019 and paid in 2019) excluding withholding taxes (amounts actually received by members include withholding taxes).
(5) Both employee representatives have waived attendance fees in favor of their unions.
N/A Not Applicable
(6) The attendance fees for Capitole Finance-Tofinso and Midi Foncière are determined during the General Shareholders' Meeting that approved the previous year's financial statements. The amounts have not yet been declared as of the publication of the BPCE Registration Document/Universal Registration Document.

3

3.5.2 Corporate officer pay policy for fiscal year 2020

The pay policy described below was defined by the Supervisory Board on February 6, 2020, based on a motion by the Remuneration Committee.

This policy sets the principles and criteria for determining, distributing and granting the fixed, variable and non-recurring items making up the total pay and benefits of any kind that may be granted to members of the Management Committee for the 2020 fiscal year.

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

The other members of the Management Board, except the Chief Executive Officer of Natixis, receive an employment contract. Their pay is divided 90%/10% respectively between the employment contract and corporate office.

Given his duties as Chief Executive Officer of Natixis, the member of the BPCE Management Board who is also CEO of Natixis is paid solely for his corporate office at Natixis. As such, he does not collect any pay from BPCE.

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

The terms and conditions of payment of annual variable pay granted to Management Board Members comply with the Group standard on risk takers, which deploys - at Group level – the regulatory provisions governing the pay granted to persons whose professional activities have a material impact on the corporate risk profile as set out by the European CRD IV Directive of June 26, 2013, its enactment into French law in the French Monetary and Financial Code by the Ordinance of February 20, 2014, and by the Ministerial Decree and Order of November 3, 2014.

PAY POLICY APPLICABLE TO THE CHAIRMAN OF THE MANAGEMENT BOARD

Pay component	Principles and criteria adopted
Annual fixed pay	In accordance with Article 19 of the BPCE Articles of Association and based on a motion by the Remuneration Committee, the Supervisory Board sets the pay granted to the Chairman of the Management Board, taking into account the unique responsibilities of the Chairman of the Management Board compared to other Board Members. This pay primarily reflects the professional experience related to the position held and the responsibilities exercised, and is determined by comparison to market practices. Since January 1, 2018, it has included a special supplement equal to 20% of the Chairman's fixed pay in respect of the Article 82 supplemental pension scheme. The fixed pay of the Chairman of the Management Board is periodically reviewed.
Annual variable pay	For the **Chairman of the Management Board**: variable pay is determined based on target pay equal to 100% of fixed pay (including the special supplement) 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 2020, 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 20, 2019. No variable pay is granted if this criterion is not met[1]. **Quantitative criteria** account for 60% of variable pay and are defined based on quantitative factors that reflect how well a number of the Group's financial fundamentals are being satisfied. These criteria are defined by the Supervisory Board, and take into account[2]: • net income attributable to equity holders of the parent (30%); • the Group's cost/income ratio (20%); • the Group's net banking income (10%). For each of these criteria, if the target as set by the Supervisory Board is reached, Management Board Members would be entitled to receive the entire fixed percentage. In respect of fiscal year 2020, **qualitative criteria** account for 40% of variable pay and are determined based on key targets in terms of: • Retail Banking and Insurance; • Financial Solutions & Expertise; • Group Human Resources; • Finance and Strategy; • Supervision – control – governance; • information systems and digital; • and a cross-business performance linked to the strategic plan. Only quantitative criteria can be used to determine outperformance. Between 50% and 70% of variable pay is deferred in equal installments over three years (*i.e.* in 2022, 2023 and 2024 for deferred variable pay awarded in 2020), depending on the variable pay amount[3]. The deferred portion is indexed to the change in net income attributable to equity holders of the parent, assessed as a rolling average over the last three calendar years preceding the grant 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.
Multi-year variable pay	The Chairman of the Management Board does not receive any multi-year variable pay.
Exceptional pay	The Chairman of the Management Board does not receive any exceptional pay.
Grants of stock options/preference shares	The Chairman of the Management Board does not receive any stock options or preference shares.
Grants of bonus shares	The Chairman of the Management Board does not receive any bonus shares.
Attendance fees	The Chairman of the Management Board does not collect attendance fees.
Sign-on bonus	The Chairman of the Management Board does not receive a sign-on bonus.
Benefits in kind	Based on a motion by the Remuneration Committee, the Supervisory Board may resolve to grant an annual housing allowance to the Chairman of the Management Board. In the wake of the bases for contributions to R2E and CGP supplementary pension plans being capped at eight times the annual ceiling for social security annuities as of January 1, 2020, additional CGP and R2E compensation has been implemented at the same cost to the employer. This fixed compensation is not included in the calculation bases that determine the special supplement, variable pay, retirement bonuses and involuntary-termination severance pay.

(1) The 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) All of the variable pay allocated by Group companies for the year in question is taken into account when determining the percentage of deferred variable pay. This particularly applies to company directors who may take up new offices during the year.

POST-EMPLOYMENT BENEFITS

These commitments made in favor of Laurent Mignon, Chairman of the Management Board, were approved by the Annual General Shareholders' Meeting held on May 24, 2019 under the related-party agreements and commitments procedure.

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

Pay component	Principles and criteria adopted
Supplementary pension plan	The Chairman of the Management Board is entitled to: • the mandatory CGP collective supplementary defined-contribution pension plan for all BPCE employees and by extension applicable to BPCE company directors. The contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; and capped at eight times the annual ceiling for social security annuities; 70% of this contribution is paid by the company and 30% by the employee; • the mandatory R2E collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors. The contribution rate is 3.5% of pensionable pay capped at eight times the annual ceiling for social security annuities. This contribution is funded entirely by the company. If the Chairman of the Management Board is not on the Group's supplementary executive pension plan, **he is entitled to participate in the pension plan through a group Insurance policy** under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. On February 8, 2017, the Supervisory Board authorized BPCE to join this "Article 82" Insurance plan. The Chairman of the Management Board participates in this plan. As such, the Chairman's fixed pay includes a 20% special supplement.

PAY POLICY APPLICABLE TO THE MEMBERS OF THE MANAGEMENT BOARD (EXCEPT FOR THE CHAIRMAN OF MANAGEMENT BOARD AND THE CHIEF EXECUTIVE OFFICER OF NATIXIS)

Pay component	Principles and criteria adopted
Fixed pay	Based on a motion by the Remuneration Committee, the Supervisory Board sets the pay granted to the members of the Management Board. Fixed pay primarily reflects the professional experience related to the position held and the responsibilities exercised, and is determined by comparison to market practices. The fixed pay of the members of the Management Board is periodically reviewed.
Annual variable pay	For members of the Management Board, variable pay is determined based on target pay equal to 80% of their fixed pay (including the special supplement, if applicable) for the fiscal year, with a maximum of 100%. Variable pay is determined based on the quantitative and qualitative criteria previously validated by the Supervisory Board. It is awarded if the criterion for triggering variable pay is met, specifically pertaining to the Group Basel III Common Equity Tier 1 ratio. This level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of December 20, 2019. No variable pay is granted if this criterion is not met[1]. **Quantitative criteria** account for 60% of variable pay and are defined based on quantitative factors that reflect how well a number of the Group's financial fundamentals are being satisfied. These criteria are defined by the Supervisory Board, and take into account[2]: • net income attributable to equity holders of the parent (30%); • the Group's cost/income ratio (20%); • the Group's net banking income (10%). For each of these criteria, if the target as set by the Supervisory Board is reached, Management Board Members would be entitled to receive the entire fixed percentage. In respect of fiscal year 2020, **qualitative criteria** account for 40% of variable pay and are determined based on key targets in terms of: • Retail Banking and Insurance; • Financial Solutions & Expertise; • Group Human Resources; • Finance and Strategy; • Supervision – control – governance; • information systems and digital; • and a cross-business performance linked to the strategic plan. Only quantitative criteria can be used to determine outperformance. Between 50% and 70% of variable pay is deferred in equal installments over three years (*i.e.* in 2022, 2023 and 2024 for deferred variable pay awarded in 2020), depending on the variable pay amount[3]. The deferred portion is indexed to the change in net income attributable to equity holders of the parent, 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.
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.
Benefits in kind	Based on a motion by the Remuneration Committee, the Supervisory Board may resolve to grant an annual housing allowance to members of the Management Board. In the wake of the bases for contributions to R2E and CGP supplementary pension plans being capped at eight times the annual ceiling for social security annuities as of January 1, 2020, additional CGP and R2E compensation has been implemented at the same cost to the employer. This fixed compensation is not included in the calculation bases that determine the special supplement, variable pay, retirement bonuses and involuntary-termination severance pay.

(1) The 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) All of the variable pay allocated by Group companies for the year in question is taken into account when determining the percentage of deferred variable pay. This particularly applies to company directors who may take up new offices during the year.

POST-EMPLOYMENT BENEFITS

These commitments made in favor of Catherine Halberstadt, Christine Fabresse and Nicolas Namias were approved by the Annual General Shareholders' Meeting held on May 24, 2019 under the related-party agreements and commitments procedure. Specifically regarding Catherine Halberstadt, her eligibility for the defined-benefit plan for Groupe BPCE executive directors was authorized by the Annual General Shareholders' Meeting held on May 27, 2016.

Pay component	Principles and criteria adopted
Involuntary-termination severance pay and retirement bonus	Members of the Management Board, under certain conditions, receive a severance or bonus when their duties cease. Members of the Management Board are entitled to **involuntary-termination severance pay** equal to at least 12 months' pay (fixed and variable portions), and up to 24 months, earned for 12 years of seniority with the Group. Payment is subject to the following conditions: ● **Conditions for receiving involuntary-termination severance pay** The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE. This severance is not paid if the company director leaves the Group at his own initiative. Persons receiving involuntary-termination severance pay lose any entitlement under the defined-benefit plan, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code, and/or to any retirement bonus they may claim. For persons re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract. Finally, involuntary-termination severance pay is only due if the Group generated positive net income in the last fiscal year preceding the termination of the corporate office. ● **Determination of involuntary-termination severance pay** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special supplement 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 with the Remuneration Committee. If involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus. ● **Amount of the retirement bonus** The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special supplement) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work. Amounts paid in respect of the relevant corporate office and employment contract are taken into account. The amount of involuntary-termination severance pay is equal to: *Monthly benchmark pay x (6 + 0.6 A)* where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banques Populaires, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA group). The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years. Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

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Pay component	Principles and criteria adopted
Supplementary pension plan	Members of the Management Board receive: • the mandatory CGP collective supplementary defined-contribution pension plan for all BPCE employees and by extension applicable to BPCE company directors. The contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; and capped at eight times the annual ceiling for social security annuities; 70% of this contribution is paid by the company and 30% by the employee; • the mandatory R2E collective supplementary defined-contribution pension plan for all BPCE senior executives (AFB agreement) and by extension applicable to BPCE company directors. The contribution rate is 3.5% of pay capped at eight times the annual ceiling for social security annuities. 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. 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 25.6.2 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. For the members of the Management Board who benefit from this plan, the annual vesting of conditional entitlements is contingent on Groupe BPCE generating a net profit for the period considered. Members of the Management Board who are not on the Group's supplemental executive pension plan **are entitled to participate in the pension plan through a group Insurance policy** under Article 82 of the French General Tax Code, in which company directors of Groupe BPCE who do not benefit from the "Pension plan for company directors of Groupe BPCE" may participate, as this policy is funded solely through voluntary payments by the company directors who have decided to participate therein. As such, the fixed pay of the Management Board Members on that plan includes a 20% special supplement.

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

Pay component	Principles and criteria adopted
Annual fixed pay	The total amount of pay allocated to members of BPCE's Supervisory Board for attendance at meetings was set at the Annual General Shareholders' Meeting on May 19, 2017. Based on recommendations from the Remuneration Committee, the Supervisory Board sets the guidelines for allocating pay between the members of the Supervisory Board. Aside from the Chairman, who receives annual fixed pay, Supervisory Board Members are paid based on their attendance at meetings. **Fixed pay granted to members of the Supervisory Board** 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 Appointments Committee, the Remuneration Committee and the Cooperative and CSR Committee also collect an additional annual amount for their work on these committees. **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 pay allocated to Supervisory Board Members at the Annual General Shareholders' Meeting. As such, Non-Voting Directors receive an annual amount.
Variable pay	**Variable pay granted to members of the Supervisory Board** In addition to an annual sum, the members of the Supervisory Board, except for the Chairman, collect a fee for each meeting they attended, within the limit of nine meetings during the fiscal year. Except for the Vice-Chairman, this supplemental portion of variable pay is greater than the annual sum. **Additional pay granted to Board Committee Members** In addition to an annual sum, the Board Committee Members (including Chairmen) collect a fee 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 a fee 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.

3.5.3 Pay and benefits of any kind awarded to company directors for 2019

The pay awarded to company directors of BPCE SA in respect of fiscal year 2019 complies with the pay policy defined by the Supervisory Board on February 12, 2019, based on the motions of the Remuneration Committee and approved by the Annual General Shareholders' Meeting held on May 24, 2019 called to approve the financial statements for fiscal year 2018.

With respect to Management Board Members, the items mentioned below were approved by the Annual General Shareholders' Meeting.

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

Given his duties as Chief Executive Officer of Natixis, the member of the BPCE Management Board who is also CEO of Natixis is paid solely for his corporate office at Natixis. As such, he does not collect any pay from BPCE.

The other members of the Management Board receive an employment contract. The enactment of employment contracts as of June 1, 2018 was authorized and approved by the Supervisory Board on February 13, 2018. Their pay is divided 90%/10% respectively between the employment contract and corporate office. These terms were renewed by the Supervisory Board on October 4, 2018, and the related regulatory agreements were presented to the Annual General Shareholders' Meeting held on May 24, 2019 to approve the 2018 financial statements.

Pay received by the Chairman and members of the Management Board for fiscal year 2019:

FIXED PAY FOR 2019

	Annual fixed pay*	Comments
Laurent Mignon Chairman of the Management Board	**€1,200,000** (including a special supplement in respect of the supplemental pension scheme pursuant to Article 82 of the French General Tax Code)	**Unchanged in 2019**
Christine Fabresse	**€500,000**	**Unchanged in 2019**
Catherine Halberstadt	**€500,000**	**Unchanged in 2019**
Nicolas Namias	**€600,000** (including a special supplement in respect of the supplemental pension scheme pursuant to Article 82 of the French General Tax Code)	**Unchanged in 2019**
François Riahi	**€0**	**François Riahi** is compensated solely for his corporate office at Natixis

* Excluding benefits in kind.

ANNUAL VARIABLE PAY IN RESPECT OF 2019

ACHIEVEMENT OF TARGETS SET FOR FISCAL YEAR 2019

Annual variable pay in respect of 2019 was determined based on quantitative and qualitative criteria that were the same for all Board Members and had previously been submitted to the Remuneration Committee for review on February 8, 2019, then validated by the Supervisory Board on February 12, 2019 and submitted to the Annual General Shareholders' Meeting on May 24, 2019.

The achievement rates for performance criteria, validated by the Supervisory Board on February 6, 2020 after receiving the opinion of the Remuneration Committee on February 5, 2020, was as follows:

- the trigger criterion is observation of the Group Basel III Common Equity Tier 1 ratio. This level corresponds to the minimum CET1 level, plus the P2R, P2G and the phase-in combined buffers set by the ECB in its letter of April 14, 2019. No variable pay is granted if this criterion is not met. This criterion was verified at December 31, 2019 and had been met;
- quantitative criteria account for 60% of variable pay: net income attributable to equity holders of the parent (30%), the Group's cost/income ratio (20%), and the Group's net banking income (10%). The achievement rate for quantitative criteria was 66.90%;
- qualitative criteria account for 40% of variable pay and are associate with the performance of Retail Banking and Insurance, Specialized Financial Services, Group human resources; finance and strategy; supervision, control and governance; and information systems and the digital transformation. The achievement rate for qualitative criteria was 38.00%.

Taken together, the achievement rate for all criteria was 104.90%.

	Variable pay	Variable pay awarded in respect of fiscal year 2019
Laurent Mignon Chairman of the Management Board	Target at 100% of fixed pay including the special supplement, with a maximum of 120%	104.90% x 100% = €1,258,800
Christine Fabresse	Target at 80% of fixed pay, with a maximum of 100%	104.90% x 80% = €419,600
Catherine Halberstadt	Target at 80% of fixed pay, with a maximum of 100%	104.90% x 80% = €419,600
Nicolas Namias	Target at 80% of fixed pay including the special supplement, with a maximum of 100%	104.90% x 80% = €503,520
François Riahi	€0	€0

TERMS AND CONDITIONS OF PAYMENT

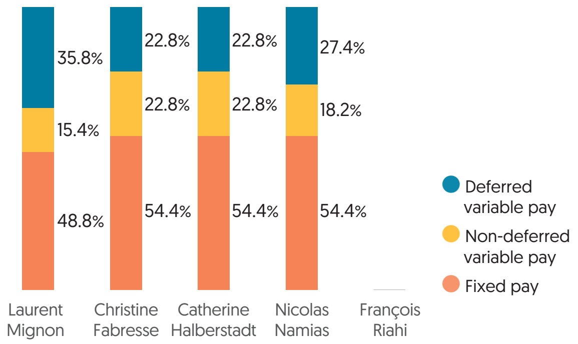
In accordance with the pay policy approved by the Annual General Shareholders' Meeting held on May 24, 2019, a portion of the variable pay awarded to members of the Management Board is deferred in equal installments over three years (*i.e.* 2021, 2022 and 2023 for the variable pay awarded in respect of 2019). For the Chairman of the Management Board, 70% of variable pay awarded in respect of 2019 is deferred, for the Chief Financial Officer and Head of Group Strategy, 60% of variable pay awarded in respect of 2019 is deferred and for the other members of the Management Board, 50% is deferred.

The deferred portion is indexed to the change in net income attributable to equity holders of the parent (for fiscal years before 2016, it was indexed to the change in net income attributable to equity holders of the parent, calculated after neutralizing the impact of the revaluation of own debt), 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.

PAY MIX FOR FISCAL YEAR 2019

The pay mix for members of the Management Board for fiscal year 2019 is as follows:



In accordance with Article L. 511-73 of the French Monetary and Financial Code, the BPCE Annual General Shareholders' Meeting will be consulted in 2020 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.

OTHER ITEMS

Members of the Management Board receive a company car allowance.

Catherine Halberstadt receives an annual housing allowance of €40,000.

Regarding the supplementary pension plan for executive directors, the estimated annual amount of the annuity resulting from potential entitlements reported at December 31, 2019 is €141,758 for Catherine Halberstadt and €102,439 for Christine Fabresse.

STANDARDIZED TABLES SUMMARIZING PAY GRANTED TO COMPANY DIRECTORS, IN ACCORDANCE WITH AMF RECOMMENDATIONS

AMF TABLE 1

STATEMENT OF PAY, STOCK OPTIONS AND SHARES GRANTED TO EACH COMPANY DIRECTOR FROM JANUARY 1 TO DECEMBER 31, 2019

		Fiscal year	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)
Laurent Mignon	Chairman of the Management Board (since June 1, 2018)	2018	€1,462,790	€700,000	€0	€0	€0
		2019	€2,458,800	€1,428,837	€0	€0	€0
	Member of the Management Board – Chief Executive Officer of Natixis[(2)] (until May 31, 2018) and Chairman of the Natixis Board of Directors since June 1, 2018	2018	€1,028,552	€1,839,335[(3)]	€0	€0	€47,460
		2019	€300,000	€1,300,371[(3)]	€0	€0	€0
Christine Fabresse	Member of the Management Board – Head of Retail Banking and Insurance (since November 1, 2018)	2018	€156,822	€84,162	€0	€0	€0
		2019	€968,746	€588,746	€0	€0	€0
Catherine Halberstadt	Member of the Management Board – Head of Human Resources	2018	€980,153	€825,011	€0	€0	€0
		2019	€963,680	€907,710	€0	€0	€0
Nicolas Namias	Member of the Management Board – Chief Financial Officer (since June 1, 2018)	2018	€655,346	€350,123	€0	€0	€0
		2019	€1,112,599	€773,164	€0	€0	€0
	Chief Financial Officer of Natixis[(4)] (from January 1 to May 31, 2018)	2018	€331,253	€371,428	€0	€0	€8,649
		2019	€0	€173,996	€0	€0	€0
François Riahi	Member of the Management Board – Chief Executive Officer of Natixis[(5)] (since June 1, 2018)	2018	€996,245	€1,295,791[(6)]	€0	€0	€93,333[(7)]
		2019	€1,790,646	€1,551,632[(6)]	€0	€0	€160,000[(7)]
	In respect of his duties as Member of the Management Board in charge of Group Finance from January 1, 2018 to May 31, 2018	2018	€602,359	€323,396	€0	€0	€0
		2019	€0	€111,585	€0	€0	€0

(1) No multi-year variable pay or bonus share plan were granted during the 2018 and fiscal year 2019s, except for Laurent Mignon, François Riahi, and Nicolas Namias, by Natixis, for their duties at Natixis, respectively as Chief Executive Officer of Natixis from January 1 to May 31, 2018, Chief Executive Officer of Natixis since June 1, 2018, and Chief Financial Officer of Natixis and member of the Natixis Executive Management Committee from January 1 to May 31, 2018.

(2) Laurent Mignon did not receive pay for his duties as a member of the BPCE Management Board and Chief Executive Officer of Natixis. Laurent Mignon received pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Executive Officer of Natixis, and receives pay from Natixis for his duties as Chairman of the Board of Directors of Natixis.

(3) This amount includes the payment and awarding of shares related to deferred variable pay in respect of previous years and granted for his duties as Chief Executive Officer of Natixis. Deliveries of shares relating to the long-term incentive plans for members of the Nataxis Executive Management Committee are presented in AMF Table 7. In addition, a benefit in kind of €7,066 for a supplementary health care plan was reported in 2018 for Laurent Mignon.

(4) Nicolas Namias received pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Financial Officer of Natixis from January 1 to May 31, 2018.

(5) François Riahi does not receive pay for his duties as a member of the BPCE Management Board and Chief Executive Officer of Natixis. François Riahi receives pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Executive Officer of Natixis.

(6) Of which a family allowance of €2,384 in 2019 and €1,388 in 2018.

(7) Value of the shares at the grant date, *i.e.* a fair value of €79,587 for 2019 and €55,372 for 2018.

AMF TABLE 2

Summary statement of pay granted and paid to each company director

In the following statements:

The expression "amount granted" corresponds to the pay and benefits granted to a corporate officer in respect of their duties during the fiscal year, regardless of the date of payment.

The expression "amount paid" corresponds to the pay and benefits actually paid to a corporate officer in respect of their duties during the fiscal year, regardless of the grant date.

PAY STATEMENT: LAURENT MIGNON

Chairman of the Management Board (since June 1, 2018)	Fiscal year 2018		Fiscal year 2019	
	Amount granted	**Amount paid**	**Amount granted**	**Amount paid**
Fixed pay	€700,000	€700,000	€1,200,000	€1,200,000
Annual variable pay	€762,790(1)	€0	€1,258,800(2)	€228,837(3)
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	€0	€0	€0	€0
TOTAL	**€1,462,790**	**€700,000**	**€2,458,800**	**€1,428,837**
Other pay for Laurent Mignon for his duties at Natixis(4)	**€1,028,552(5)**	**€1,839,335(6)**	**€300,000**	**€1,300,371(6)**

(1) Variable pay in respect of 2018, of which €228,837 (30%) paid in 2019 and the balance (70%) deferred over three years in equal shares of €177,984.
(2) Variable pay in respect of 2019, of which €377,640 (30%) paid in 2020 and the balance (70%) deferred over three years in equal shares of €293,720.
(3) Amount paid in 2019 for the variable portion due in respect of fiscal year 2018.
(4) Laurent Mignon received pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Executive Officer of Natixis, and receives pay from Natixis for his duties as Chairman of the Board of Directors of Natixis.
(5) At its meeting of May 23, 2018, the Board of Directors also allocated 11,661 performance shares to Laurant Mignon, Chief Executive Officer of Natixis until June 1, 2018, prorated to reflect the length of the time served in office in 2018, valued at €80,000 at the grant date.
(6) This amount includes the payment and awarding of shares related to deferred variable pay in respect of previous years and granted for his duties as Chief Executive Officer of Natixis. Deliveries of shares relating to the long-term incentive plans for members of the Natixis Executive Management Committee are presented in AMF Table 7. In addition, a benefit in kind of €7,066 for a supplementary health care plan was reported in 2018 for Laurent Mignon.

PAY STATEMENT: CHRISTINE FABRESSE

Member of the Management Board – Head of Retail Banking and Insurance (since November 1, 2018)	Fiscal year 2018		Fiscal year 2019	
	Amount granted	**Amount paid**	**Amount granted**	**Amount paid**
Fixed pay	€83,349	€83,349*	€500,000	€500,000
Annual variable pay	€72,660(1)	€0	€419,600(2)	€36,330(3)
Multi-year variable pay	€0	€0	€0	€0
Exceptional pay	€0	€0	€0	€0
Benefits in kind (company car, housing and other benefits)	€813(4)	€813(4)	€49,146(5)	€49,146(5)
Attendance fees	€0	€0	€0	€0
Other pay	N/A(6)	€0	N/A(6)	€3,270(7)
TOTAL	**€156,822**	**€84,162**	**€968,746**	**€588,746**

(1) Variable pay in respect of 2018, of which €36,330 (50%) paid in 2019 and the balance (50%) deferred over three years in equal shares of €12,110.
(2) Variable pay in respect of 2018, of which €209,800 (50%) paid in 2020 and the balance (50%) deferred over three years in equal shares of €69,933.
(3) Amount paid in 2019 for the variable portion due in respect of 2018.
(4) Company car allowance of €813.
(5) Company car allowance of €9,104 and move-in bonus of €40,042.
(6) Under her employment contract, Christine Fabresse benefits from the BPCE SA group incentive scheme. The individual amount granted to Christine Fabresse for the year in question is not yet known as of the publication date of the registration document / universal registration document for the year in question.
(7) Under the terms of her employment contract, Christine Fabresse benefits from BPCE's group incentive scheme, paid in 2019 in respect of fiscal year 2018.
* The €16 difference *versus* the projected amount stems from the calendar calculation method of the 13th month applied to the employment contract portion.

PAY STATEMENT: CATHERINE HALBERSTADT

	Fiscal year 2018		Fiscal year 2019	
Member of the Management Board – Head of Human Resources	**Amount granted**	**Amount paid**	**Amount granted**	**Amount paid**
Fixed pay	€500,103	€500,103*	€500,000	€500,000
Annual variable pay	€435,970(1)	€280,829(2)	€419,600(3)	€352,158(4)
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(5)	€44,080(5)	€44,080(5)	€44,080(5)
Attendance fees	€0	€0	€0	€0
Other pay	N/A(6)	€0	N/A(6)	€11,473(7)
TOTAL	**€980,153**	**€825,011**	**€963,680**	**€907,710**

(1) Variable pay in respect of 2018, of which €217,985 (50%) paid in 2019 and the balance (50%) deferred over three years in equal shares of €72,662.
(2) Amount paid in 2018 for the variable portion due in respect of 2017, *i.e.* €224,800, and for the deferred portion of variable pay in respect of 2016, *i.e.* €56,029.
(3) Variable pay in respect of 2019, of which €209,800 (50%) paid in 2020 and the balance (50%) deferred over three years in equal shares of €69,933.
(4) Amount paid in 2019 for the variable portion due in respect of 2018 (€217,985), the deferred portion of variable pay in respect of 2017 (€76,769) and the deferred portion of variable pay in respect of 2016 (€57,404).
(5) Housing allowance of €40,000 and company car allowance of €4,080.
(6) Under her employment contract, Catherine Halberstadt benefits from the BPCE SA group incentive scheme. The individual amount granted to Catherine Halberstadt for the year in question is not yet known as of the publication date of the registration document / universal registration document for the year in question.
(7) Under the terms of her employment contract, Catherine Halberstadt benefits from BPCE's group incentive agreement paid in 2019 in respect of fiscal year 2018.
* The €103 difference *versus* the projected amount stems from the calendar calculation method of the 13th month applied to the employment contract portion.

PAY STATEMENT: NICOLAS NAMIAS

	Fiscal year 2018		Fiscal year 2019	
Member of the Management Board – Chief Financial Officer (since June 1, 2018)	**Amount granted**	**Amount paid**	**Amount granted**	**Amount paid**
Fixed pay	€350,123	€350,123*	€600,000	€600,000
Annual variable pay	€305,223(1)	€0	€503,520(2)	€152,612(3)
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	€9,079(4)	€9,079(4)
Attendance fees	€0	€0	€0	€0
Other pay	N/A(5)	€0	N/A(5)	€11,473(6)
TOTAL	**€655,346**	**€350,123**	**€1,112,599**	**€773,164**
Other compensation for Nicolas Namias for his duties at Natixis(7)	**€331,253**	**€371,428**	**€0**	**€173,996**

(1) Variable pay in respect of 2018, of which €152,612 (50%) paid in 2019 and the balance (50%) deferred over three years in equal shares of €50,871.
(2) Variable pay in respect of 2019, of which €201,408 (40%) paid in 2020 and the balance (60%) deferred over three years in equal shares of €100,704.
(3) Amount paid in 2019 for the variable portion due in respect of 2018 (€152,612).
(4) Company car allowance of €9,079.
(5) Under his employment contract, Nicolas Namias benefits from the BPCE SA group incentive scheme. The individual amount granted to Nicolas Namias for the year in question is not yet known as of the publication date of the registration document / universal registration document of the year in question.
(6) Under the terms of his employment contract, Nicolas Namias benefits from BPCE's group incentive agreement paid in 2019 in respect of fiscal year 2018.
(7) Nicolas Namias received pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Financial Officer of Natixis from January 1 to May 31, 2018. The amount paid includes the payment and awarding of shares relating to deferred variable pay for previous years at Natixis. Excluding the collective variable pay (incentive schemes and profit sharing) received by Nicolas Namias in respect of 2017 for his duties as Head of Strategy at Natixis. On May 23, 2018, Nicolas Namias received 2,125 performance shares with a fair value of €8,649, amounting to €14,583 at the grant date. The amounts paid in 2019 consist of deferred variable pay installments in respect of previous years and share deliveries.
* The €123 difference *versus* the projected amount stems from the calendar calculation method of the 13th month applied to the employment contract portion.

PAY STATEMENT: FRANÇOIS RIAHI

	Fiscal year 2018		Fiscal year 2019	
Member of the Management Board – Chief Executive Officer of Natixis	**Amount granted**	**Amount paid**	**Amount granted**	**Amount paid**
Fixed pay	€0	€0	€0	€0
Annual variable pay	€0	€0	€0	€0
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	€0	€0	€0	€0
TOTAL	**€0**	**€0**	**€0**	**€0**
Other pay granted to François Riahi for his duties at BPCE (before the date he was appointed as member of the Management Board and Chief Executive Officer of Natixis)	**€602,359**	**€323,396**	**€0**	**€111,585[(1)]**
Other pay granted to for François Riahi for his duties at Natixis[(2)]	**€996,245[(3)]**	**€1,295,791[(4)]**	**€1,790,646[(3)]**	**€1,551,632**

(1) The amount paid to François Riahi in 2019 comprises the variable pay in respect of 2018 (non-deferred portion) for his duties as Member of the Management Board in charge of Group Finance from January 1, 2018 to May 31, 2018, before the date he was appointed as Member of the Management Board and Chief Executive Officer of Natixis.

(2) François Riahi receives pay from Natixis, a company under the control of BPCE as defined by Article L. 233-16 of the French Commercial Code, for his duties as Chief Executive Officer of Natixis. The amount paid includes the payment and awarding of shares relating to deferred variable pay for previous years.

(3) At its meeting of August 2, 2018, the Board of Directors also allocated 13,605 performance shares to François Riahi, prorated to reflect the length of the time served in office in 2018, valued at €93,333 at the grant date and, at its May 28, 2019 meeting, it granted 31,708 performance shares valued at €160,000 at the grant date.

(4) This amount includes the payment and awarding of shares related to deferred variable pay in respect of previous years and granted for other duties. Excluding collective variable pay schemes (long-term incentive and profit-sharing plans) paid to François Riahi in respect of 2017 for his duties as Co-Head of Corporate and Investment Banking. Deliveries of shares related to long-term incentive plans for members of the Natixis Executive Management Committee are presented in AMF Table 7.

AMF TABLE 4

STOCK OPTIONS ALLOCATED TO COMPANY DIRECTORS DURING FISCAL YEAR 2019

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 fiscal year 2019.						

AMF TABLE 5

STOCK OPTIONS EXERCISED BY COMPANY DIRECTORS DURING FISCAL YEAR 2019

Name of company director	Number and date of the plan	Number of options exercised during the year	Strike price
No stock options were exercised during fiscal year 2019.			

AMF TABLE 6

BONUS SHARES GRANTED TO CORPORATE OFFICERS DURING FISCAL YEAR 2019

BONUS SHARES GRANTED BY THE NATIXIS ANNUAL GENERAL SHAREHOLDERS' MEETING DURING THE FISCAL YEAR TO EACH CORPORATE OFFICER BY THE ISSUER AND BY EACH COMPANY IN THE GROUP

Name of corporate officer	Date of plan	Number of shares granted during the fiscal year	Value of shares based on the method used for consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Laurent Mignon	04/12/2019	10,172[1]	€49,308[2]	03/01/2021	10/01/2021[3]	Yes
	04/12/2019	20,345[1]	€98,615[2]	03/01/2022	10/01/2022 [3]	Yes
François Riahi	05/28/2019	31,708[4]	€79,587	05/27/2023	05/27/2023 [3]	Yes
	04/12/2019	11,461[1]	€55,556[2]	03/01/2021	10/01/2021 [3]	Yes
	04/12/2019	22,924[1]	€111,113[2]	03/01/2022	10/01/2022 [3]	Yes
Nicolas Namias	04/12/2019	2,993	€14,508	03/01/2021	10/01/2021	Yes
	04/12/2019	5,986	€29,017	03/01/2022	10/01/2022	Yes

(1) Bonus shares awarded under the annual deferred variable pay scheme in respect of 2018.
(2) Value at grant date.
(3) 30% of vested shares are subject to a lock-in period until the end of the company director's term of office.
(4) Performance shares granted by Natixis.

AMF TABLE 7

BONUS SHARES GRANTED THAT VESTED DURING THE FISCAL YEAR FOR EACH CORPORATE OFFICER

Bonus shares granted that vested for each corporate officer	Number and date of the plan	Number of shares vested during the fiscal year	Vesting conditions
Laurent Mignon[1]	02/12/2015	16,392	[2]
	07/28/2016	57,510	[2]
	04/10/2017	17,947	[2]
François Riahi[1]	04/10/2017	18,828	[2]
Nicolas Namias	07/28/2016	3,343	[2]
	04/10/2017	1,316	[2]
TOTAL	**-**	**115,336**	**-**

(1) 30% of vested shares are subject to a lock-in period until the end of the company director's term of office.
(2) See presentation of the guidelines for corporate officers' pay in section 2.4 of the Natixis universal registration document.

AMF TABLE 8

PAST GRANTS OF STOCK OPTIONS AND BONUS SHARES DURING FISCAL YEAR 2019

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 fiscal year 2019.						

AMF TABLE 9

STOCK OPTIONS EXERCISED BY THE 10 NON-EXECUTIVE DIRECTOR EMPLOYEES WHO EXERCISED THE MOST OPTIONS DURING FISCAL YEAR 2019

Name of non-executive director employee	Number and date of the plan	Number of options granted and exercised during fiscal year 2019	Weighted average price
No stock options were granted to or exercised by BPCE employees during fiscal year 2019.			

AMF TABLE 10

PAST BONUS SHARE ALLOCATIONS TO COMPANY DIRECTORS

Name of company director	Date of Natixis Annual General Shareholders' Meeting	Date of Natixis Board of Directors meeting	Total number of bonus shares granted[1]	Vesting date	End of holding period[2]	Number of shares vested at 12/31/2019	Total number of shares canceled or lapsed	Bonus shares outstanding or lapsed at period end
Laurent Mignon	05/21/2013	02/18/2015	27,321	02/18/2019	02/18/2019	16,392	10,929	0
Laurent Mignon	05/24/2016	07/28/2016	47,463	07/28/2020	07/28/2020	-	-	47,463
Laurent Mignon	05/24/2016	07/28/2016	57,510[3]	03/01/2019	10/01/2019	57,510	-	0
Laurent Mignon	05/24/2016	04/10/2017	17,947[3]	03/01/2019	10/01/2019	17,947	-	0
Laurent Mignon	05/24/2016	04/10/2017	35,894[3]	03/01/2020	10/01/2020	-	-	35,894
Laurent Mignon	05/24/2016	05/23/2017	29,911	05/23/2021	05/23/2021	-	-	29,911
Laurent Mignon	05/24/2016	04/13/2018	28,258[3]	03/01/2020	10/01/2020	-	-	28,258
Laurent Mignon	05/24/2016	04/13/2018	56,517[3]	03/01/2021	10/01/2021	-	-	56,517
Laurent Mignon	05/24/2016	05/23/2018	11,661	05/23/2022	05/23/2022	-	-	11,661
Laurent Mignon	05/24/2016	04/12/2019	10,172[3]	03/01/2021	10/01/2021	-	-	10,172
Laurent Mignon	05/24/2016	04/12/2019	20,345[3]	03/01/2022	10/01/2022	-	-	20,345
François Riahi	05/24/2016	04/13/2018	18,525[3]	03/01/2020	10/01/2020	-	-	18,525
François Riahi	05/24/2016	04/13/2018	37,050[3]	03/01/2021	10/01/2021	-	-	37,050
François Riahi	05/24/2016	08/02/2018	13,605	05/23/2022	05/23/2022	-	-	13,605
François Riahi	05/24/2016	05/28/2019	31,708	05/27/2023	05/27/2023	-	-	31,708
François Riahi	05/24/2016	04/12/2019	11,461[3]	03/01/2021	10/01/2021	-	-	11,461
François Riahi	05/24/2016	04/12/2019	22,924[3]	03/01/2022	10/01/2022	-	-	22,924
Nicolas Namias	05/24/2016	04/13/2018	3,817[3]	03/01/2020	10/01/2020	-	-	3,817
Nicolas Namias	05/24/2016	04/13/2018	7,634[3]	03/01/2021	10/01/2021	-	-	7,634
Nicolas Namias	05/24/2016	05/23/2018	2,125	05/23/2022	05/22/2022	-	-	2,125
Nicolas Namias	05/24/2016	04/12/2019	2,993[3]	03/01/2021	10/01/2021	-	-	2,993
Nicolas Namias	05/24/2016	04/12/2019	5,986[3]	03/01/2022	10/01/2022	-	-	5,986

(1) All bonus shares granted during fiscal years 2015 to 2019 (inclusive) are subject to performance conditions.
(2) 30% of shares awarded to the Natixis company director at the end of the vesting period are subject to a lock-in period until the end of the company director's term of office.
(3) Shares granted under the annual deferred variable pay plan in respect previous years at Natixis.

AMF TABLE 11

SITUATION OF COMPANY DIRECTORS

Name of company director	Term of office: Start (or reappointment)	Term of office: End	Employment contract	Supplementary pension plan	Compensation or benefits due or potentially due as a result of termination of/change in duties	Compensation related to a non-compete clause
Laurent Mignon Chairman of the Management Board	11/01/2018	2023	No	CGP, R2E, Group System for Article 82	Yes	No
Catherine Halberstadt Member of the Management Board Head of Human resources	11/01/2018	2023	Yes	CGP, R2E, Pension plan for company directors of Groupe BPCE	Yes	No
Nicolas Namias Member of the Management Board Chief Financial Officer	11/01/2018	2023	Yes	CGP, R2E, Group System for Article 82	Yes	No
Christine Fabresse Member of the Management Board Retail Banking and Insurance	11/01/2018	2023	Yes	CGP, R2E, Pension plan for company directors of Groupe BPCE	Yes	No
François Riahi[1] Member of the Management Board Chief Executive Officer of Natixis	11/01/2018	2023	No	Group System for Article 82	No[2]	No[2]

(1) François Riahi does not receive benefits as a member of the BPCE Management Board and Chief Executive Officer of Natixis.

(2) François Riahi, due to his corporate office as Chief Executive Officer of Natixis, receives severance and non-compete pay, which was approved at the Annual General Shareholders' Meeting of Natixis on May 23, 2018.

3.5.4 Procedure for enforcing pay policies and practices covered by Articles L. 511-71 to L. 511-88 of the French Monetary and Financial Code

Information on the policies and practices on pay granted to members of the executive body and persons whose professional activities have a material impact on the corporate risk profile will be the subject of a report published on the BPCE website prior to the Annual General Shareholders' Meeting, in accordance with the same terms applicable to the universal registration document.

3.6 Potential conflicts of interest

3.6.1 Members of the Supervisory Board

INTEGRITY OF MEMBERS

Pursuant to Article L. 511-98 of the French Monetary and Financial Code, the integrity and expertise of all newly appointed members are subject to review by the Appointments Committee.

In accordance with the Internal Rules of BPCE's Supervisory Board, Supervisory Board members must perform their duties with loyalty and professionalism.

They must not take any initiatives intended to harm the company's interests and they must act in good faith in all circumstances.

Furthermore, all members of the Supervisory Board and its committees, as well as anyone who may be invited to attend their meetings, are bound by an obligation of professional secrecy, as provided for in Article L. 511-33 of the French Monetary and Financial Code and by a duty of discretion regarding their discussions and any confidential information or information presented as confidential by the Chairman of the meeting, as provided for in Article L. 225-92 of the French Commercial Code.

The Chairman of the Board stresses that the proceedings of a meeting are confidential whenever regulations or the interests of the company or Groupe BPCE may require it. The Chairman of each Board Committee does the same.

The Chairman of the Board or one of its committees takes the measures necessary to ensure the confidentiality of discussions. This may require all persons taking part in a meeting to sign a confidentiality agreement.

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

In addition, Supervisory Board Members:

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

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

CONFLICTS OF INTEREST

To the company's knowledge:

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

DISCLOSURE OF CONVICTION

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

3.6.2 Members of the Management Board

INDEPENDENCE AND INTEGRITY

Pursuant to Article L. 511-98 of the French Monetary and Financial Code, the integrity and expertise of all newly appointed members are subject to review by the Appointments Committee.

Members of the Management Board may hold other offices subject to laws and regulations in force. A Management Board Member may not perform duties similar to those of Chief Executive Officer or Deputy Chief Executive Officer at a Caisse d'Epargne or a Banque Populaire.

CONFLICTS OF INTEREST

To the company's knowledge:

- there are no conflicts of interest between any duties of Management Board Members with respect to the issuing entity and their private interests or other duties;
- there are no family ties between Management Board Members.

At the filing date of this document, no member of the Management Board was linked to BPCE or any of its subsidiaries by a service agreement offering benefits.

DISCLOSURE OF CONVICTION

To the company's knowledge, to date, no member of the Management Board has, for at least the previous five years, been convicted of fraud, associated with bankruptcies, receiverships or liquidations, convicted of a crime or subject to an official public sanction handed down by statutory or regulatory authorities, or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from participating in the management or conduct of the affairs of any issuer.

4

ACTIVITIES AND FINANCIAL INFORMATIONS 2019

4.1 Foreword 194

4.2 Significant events of 2019 194

4.2.1 Economic and financial environment 194

4.2.2 Significant events of the fiscal year 195

4.3 Groupe BPCE financial data 198

4.3.1 Groupe BPCE results 198

4.3.2 The Group's business lines 199

4.3.3 Income statement by sector 200

4.3.4 Retail Banking and Insurance 201

4.3.5 Asset & Wealth Management 205

4.3.6 Corporate and Investment Banking (CIB) 207

4.3.7 Corporate Center 208

4.3.8 Analysis of the Groupe BPCE consolidated balance sheet 209

4.4 BPCE SA group financial data 211

4.4.1 BPCE SA group results 211

4.4.2 Analysis of BPCE SA group's consolidated balance sheet 212

4.5 Investments 213

4.5.1 In 2019 213

4.5.2 In 2018 213

4.5.3 In 2017 213

4.6 Post-balance sheet events 213

4.7 Outlook for Groupe BPCE 214

4.1 Foreword

The financial data for the fiscal year ended December 31, 2019 and the comparative data for 2018 were prepared under IFRS as adopted by the European Union and applicable at that date, 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 Banques Populaires and the Caisses d'Epargne.

4.2 Significant events of 2019

4.2.1 Economic and financial environment

2019 ENVIRONMENT: GLOBAL INDUSTRIAL DOWNTURN, FRENCH RESILIENCE AND STRATEGIC U-TURN BY THE FED AND ECB

In 2019, there was a sharper slowdown in the global economy, which grew 2.8% per year, vs. around 3.6% in 2018, after experiencing a peak in activity in 2017. Industry went into recession from Q4 2018, primarily in Europe and Asia, in the automotive sector but also in electronics. This downturn, fueled by US protectionist threats, exacerbated the contraction of global trade, to the particular detriment of the most integrated economies such as China and Germany. Finally, the accumulation of uncertainties, which intensified from the beginning of 2019, undermined the confidence of economic agents. These included geopolitical crises with Iran, the risk of escalating protectionism, inversion of the yield curve in August in the United States, emergence, finally postponed, of a hard Brexit on October 31, politico-budgetary vicissitudes on Italian public finances until the summer, etc. More specifically, the American economic exception came to an end, due to the attenuation of the effect of the previous fiscal stimulus. China continued its gradual slowdown, albeit against the backdrop of rising inflation, due to the swine fever pandemic. The euro zone suffered from the decline in German and Italian industrial production, to 1.2% per year, vs. 1.9% in 2018. Moreover, aside from the temporary geopolitical tensions, the price of Brent crude oil, whose annual average was $64.2 a barrel (Brent), was not a source of inflation due to global growth running out of steam.

Despite the economic slowdown, we paradoxically saw a relative surge in stock market, bond and real estate assets, due primarily to the decline in nominal interest rates to much lower levels than in 2018. In particular, the CAC 40 rose by 26.4%, to 5,978.06 points on December 31, 2019, vs. 4,730.69 points a year earlier, its highest performance for 20 years. Fears of a prospective recession and escalating trade tensions prompted the Fed and ECB to radically alter their strategic course in light of consistently waning inflation expectations on both sides of the Atlantic. From July, the Fed carried out three successive 25 basis point cuts in its key rate. We also saw a spectacular liquidity crisis on September 16 and 17 in the US interbank repo market. The ECB also significantly eased its monetary conditions in light of the industrial downturn in the euro zone and weak underlying inflation. On September 12, it decided on a further cut in the deposit rate for banks to -0.5% (-0.4% previously), the contested resumption of the monthly asset purchase program for €20 billion from November 1 and the relaunch of long-term loans to banks (TLTRO), not to mention the introduction of the tiering of the deposit rate, in order to reduce the cost for banks. This monetary easing movement therefore helped precipitate further declines in long yields. Accordingly, the 10-year OAT moved into negative territory from June 18, standing for the first time in its history at -0.44% on August 28. It amounted to 0.13% on average over the year, vs. 0.78% in 2018.

Aside from the slight unforeseen contraction in economic activity in the fourth quarter (-0.3% per year), French growth remained resilient given the German downturn. This was due to the favorable impact of the Macron measures to boost household purchasing power and the fact that the economy is less dependent as regards the contraction in global trade. Admittedly, activity decelerated but returned to a rate close to its potential, around 1.3% per year. It was based firstly on still robust business investment, aided by supportive financing conditions and a one-off positive cash effect. In contrast, household consumption reacted with a traditional lag of around four quarters to the acceleration in purchasing power to more than 2.1%, as a result of the tax measures announced in December 2018 and April 2019, the decline in inflation (1.1% vs. 1.9% in 2018) and the improvement in employment. The "Yellow Vest" movement, and then to a lesser extent the strike related to pension reform from December 5, had a relatively moderate negative impact on the economy. In contrast to 2018, foreign trade was hurt by the slump in global demand. However, growth, which has been more job-rich since 2015, was strong enough to bring the unemployment rate down to an annual average of 8.2% vs. 8.7% in 2018.

4.2.2 Significant events of the fiscal year

Ten years after it was established, Groupe BPCE continued to strengthen its universal cooperative banking model. With regard to strategic advances, in 2019 Groupe BPCE acquired a 50.1% stake in Oney Bank, thereby strengthening its development potential in specialized financial services, particularly payments and consumer finance. Present in 10 countries, with 2,600 employees, 7.7 million customers and 400 brick-and-mortar and online retail partners, Oney Bank will benefit from the joint expertise of BPCE and Auchan Holding with a view to accelerating its growth and expanding its presence in Europe in payment, financing and digital identification solutions. Local digital banking will also enhance the customer offering.

The expanded business partnership between Groupe BPCE and La Banque Postale also achieved a significant milestone with the signature of agreements concerning CNP Assurances (extension of commercial agreements and the shareholders' pact) and the definition of the main terms of the project to merge the asset management activities. Under the project, Ostrum Asset Management will develop euro fixed-income and credit strategies and insurance for Ostrum Asset Management and LBP Asset Management, thus grouping together assets under management of around €435 billion (based on the assets as at June 30, 2019), with the goal of creating an asset manager that complies fully with the principles of socially responsible investment.

Following on from the sale of Banque des Mascareignes, the Group finalized the sale of BPCE International's equity investments in Africa to the Moroccan group Banque Centrale Populaire (BCP): 68.5% in Banque Internationale du Cameroun pour l'Épargne et le Crédit, 71% in Banque Malgache de l'Océan Indien, 100% in Banque Commerciale Internationale in Republic of the Congo. These disposals are part of the Group's refocusing strategy in priority sectors and areas for the development of its businesses.

At the same time, Caisse d'Epargne Ile-de-France acquired BPCE International's equity interests in Banque de Tahiti and Banque de Nouvelle Calédonie.

The plan to integrate Crédit Foncier's operations and teams into the Group was implemented in accordance with the established procedures and timetable. In accordance with the agreement entered into with CFF's Management and labor representatives, employees whose jobs were slated to be cut were offered jobs at other Group companies in January 2019. These employees, who also had the option of transferring outside the Group under a voluntary resignation plan, joined their new companies in early April. Loan origination by CFF was redeployed within the Group networks in April after a transition phase. A new real estate partnership management organization at the Group level was set up. Disposals of CFF's main subsidiaries were initiated internally within the Group, in particular the disposal of Socfim to BPCE SA which was finalized at end-2019.

Finally, the project to set up the Financial Solutions and Expertise division within BPCE SA was completed. This division comprises the businesses from Natixis (Factoring, Leasing, Sureties and Guarantees, Consumer Finance and Securities Services) and Crédit Foncier (Socfim) and will be joined by CFI (Crédit Foncier Immobilier) and Pramex International. This change in the organization of Groupe BPCE will enable a better service to be provided to the customers of the Banques Populaires and the Caisses d'Epargne.

To strengthen its collective efficiency, the BPCE Community, consisting of 8,000 people whose actions are dedicated primarily to the two main networks (the Banques Populaires and the Caisses d'Epargne), was established. The aim of this community is to better meet the needs of Group companies, which are having to deal with far-reaching and long-term changes in their businesses, while effectively responding to more demanding regulations. This community, consisting of BPCE SA, BPCE-IT, IT-CE, i-BP, BPCE Achats and the Financial Solutions and Expertise division, has four main roles: i) to develop a strategic vision and prepare for the future; (ii) to be a common home for retail banking; (iii) to pool resources when this is the more appropriate decision to take and (iv) to ensure the Group's effective performance and sustainability.

Concerning the Group's digital transformation, 2019 saw the implementation of a new "digital inside" approach based on the strong conviction that this transformation must be everyone's business. It is conducted by and for all the business lines and makes advisers the main players in the rollout of the digital system among customers. This approach has been successfully implemented since the digital rating agency D-rating has ranked the Banques Populaires and the Caisses d'Epargne top of the traditional banks in terms of the level of use and performance of their digital channels and Groupe BPCE the leading bank in terms of transformation momentum.

New services were introduced within the Banque Populaire and Caisse d'Epargne applications. They include biometry activated on Sécur'Pass, the IBAN scan, use of selfcare for Banque Populaire insured parties, real time card management with, in particular, locking and unlocking of the card without canceling it, temporary increase in limits free of charge, integration of Paylib between friends. The digitalization of three loan application processes was also introduced: (i) personalized offer on home loans, (ii) full-digital, omnichannel loan offer, enabling all beneficiaries to define their preferred level of autonomy at each step of the application process, (iii) loans for professional equipment taken out online with a pre-established budget on equipment loans. In addition, Caisse d'Epargne Bourgogne Franche-Comté was the first bank in Groupe BPCE to offer full digitalization of home loans. It is a fully online home loan application process, from simulation to the signature of the loan agreement.

Banque Populaire also rolled out Alliance Entreprises, an application available on tablets which enables CRMs to share digital content serving as a support during sales discussions with their customers. Therefore, by switching from a traditional "face-to-face" meeting to a "side-by-side" meeting, this new tool increases business efficiency and enhances the strategic dialog with the manager.

Natixis Assurances also pursued its digital transformation by unveiling TEC#CARE, a new service for managing automobile and two-wheeler claims, and by rolling out the Guidewire InsurancePlatform which optimizes the digital management of applications.

There was a massive take-up of these new tools and functionalities by our customers who expressed their satisfaction: mobile use experienced a sharp rise, with the number of active mobile Banque Populaire and Caisse d'Epargne customers totaling 5 million. The proportion of active customers regularly using Banque Populaire and Caisse d'Epargne digital channels continued to increase. Banque Populaire and Caisse d'Epargne mobile applications obtained the best store rating (App Store and Google Play) in the generalist banks category (4.4/5) and are now ranked second among French people's preferred banking applications.

2019 also saw the implementation of new API rules. The approved Payment Service Providers of regulatory APIs (BP, CE and Natixis) were provided with related documentation and test sets *via* a public portal (api.89C3.com).

Finally, the "digital inside" approach resulted in the massive rollout of collaborative tools under Microsoft Office 365, in order to simplify the daily working environment of Group employees and encourage collective intelligence.

In order to pursue its digital ambitions and meet the new data challenges, the Group's Digital division became the Digital and Data division and is structured around two departments: (i) a "data governance and democratization" department responsible for coordinating and implementing data governance and culture in the Group and (ii) an "advanced uses of data and artificial intelligence" department, responsible for coordinating business use cases and the center of data science activities and expertise.

The retail banking, financial solutions and expertise, insurance and payments activities were therefore supported and innovative in a particularly restrictive environment, such as the 2019 freeze on bank charges for individual customers, the capping of bank fees for vulnerable customers or low-to-negative interest rates.

Caisse d'Epargne launched *"Les Formules"* (The Formulas), a new range of banking products aimed at families. In order to adapt to all the needs of customers, the offering provides a common set of services and is available in three formulas with a single monthly contribution for the whole family (married couples, civil partners, persons cohabiting or living in a conjugal relationship, traditional families or stepfamilies). The successful launch of this new everyday banking offering on November 4 resulted in more than 100,000 sales as at the end of November. For its part, Banque Populaire made the Cristal – Pack Famille (Family Pack) agreement generally available in mid-November. This new offering launched in 2018 offers essential everyday banking services for families.

Groupe BPCE and Brink's France also announced a partnership for the operation and dynamic management of Banque Populaire and Caisse d'Epargne ATMs. This agreement will enable the Group's banks to expand the range of services they provide to their customers while harmonizing the management and technical infrastructures of their ATM networks. Ultimately, the Group's customers will find all the services offered (withdrawal, transactions, consultation…) by their original bank, automatically once they enter their payment card and regardless of the ATM.

Banque Populaire developed two new personal protection insurance offerings which have been co-designed with its customers. Comprehensive and competitive, the new Banque Populaire personal protection insurance offerings, created by Natixis Assurances, are based around two new policies: Family Insurance and Funeral Insurance.

In Private Banking, Banque Populaire and Caisse d'Epargne launched Moneypitch, an innovative digital solution for their clients. Using a secure website and mobile app, clients have a comprehensive view of their assets and receive very high-end services, ranging from account aggregation to investment advice enhanced with the expertise of their own Private Banker.

Against a general backdrop of the digital transformation of companies, Banque Populaire launched a loan without a personal guarantee to accompany the digital transition of professionals.

Caisse d'Epargne, a major local public sector financer, launched Numairic, the first digital credit solution for French local authorities. With Numairic, local authorities are able to submit credit applications 24/7.

In the area of social housing, Caisse d'Epargne broadened the development of O2D solutions (40/60-year loans transferred to insurance companies) in collaboration with Natixis.

In addition, Caisse d'Epargne and Seventure Partners set up a French investment fund dedicated to the sports economy: "Sport & Performance Capital" amounting to around €80 million intended to finance startups and SMEs operating in the area of sport and well-being.

Moreover, Banque Populaire, Fédération Nationale des Socama and the European Investment Fund (EIF) entered into a new three-year €2 billion loan counter-guarantee agreement under the Investment Plan for Europe. This new agreement will benefit more than 65,000 French Very Small Enterprises (VSEs). The EIF counter-guarantee programs have already enabled Banque Populaire and SOCAMAs to finance 200,000 French VSEs for an amount of €6 billion.

Accordingly, Banque Populaire was recognized in 2019 (and has been for the last 10 years) as the leading bank for SMEs in France. 1 out of 2 SMEs is a customer and 2 out of 3 have been customers for more than 10 years.

In 2019, Natixis continued to implement its New Dimension strategic plan aimed at more effectively meeting the challenges of the financial industry and supporting its clients in their development. In order to increase its robustness, Natixis also took measures to strengthen its operational efficiency and optimize the supervision of risks at all levels of the company.

In Asset & Wealth Management, where Natixis has developed an active management strategy, Natixis Investment Managers strengthened its international network and its asset offering with the setting up of two new affiliates: Vauban Infrastructure Partners and Thematics Asset Management. It also took a minority stake in US asset management company WCM Investment Management and acquired 11% of Fiera capital, the leading independent distribution platform in Canada. Its affiliate, Ostrum Asset Management, also announced the extension of its credit management activities to the United States and the recruitment of a team of experts based in Hong Kong and Singapore to broaden its real asset private debt management offering for institutional investors.

In insurance, Natixis Assurances implemented its objective of becoming a fully-fledged insurer through the #INNOVE2020 program, which will enable it to provide the Banques Populaires and the Caisses d'Epargne with non-life insurance services. 2019 saw the first achievements of the program: (i) creation of a new home insurance product for distribution by the Banques Populaires and the Caisses d'Epargne in 2020, (ii) personalized training modules for nearly 40,000 employees of the two networks, (iii) the design of new processes around the customer and their bank advisor to achieve greater symmetry in terms of service, and creation of these processes in the cloud.

In wealth management, the Natixis Wealth Management business saw the launch of the One Bank project, aimed at streamlining and optimizing the functioning of the Wealth Management business in France and Luxembourg, and the closing of the acquisition of Massena Partners in Luxembourg.

In Employee Savings, Natixis Interépargne created an all-digital personalized advisory service, providing investors with a diagnostic analysis of their investment allocation and helping them to optimize their investments according to their profile.

In payments, Natixis Payments launched the first module of its "tap-to-pay" solution at the Women's Football World Cup, in partnership with Visa. Natixis also launched Xpollens in collaboration with Visa. This is a full "Payments in a Box" solution to benefit from the opportunities resulting from PSD2. This solution enables clients to easily integrate, and in record time, a full range of payment solutions, from payment cards to instant payments through account management.

In Corporate & Investment Banking – M&A advisory activities, Natixis made a strategic investment in Azure Capital, an Australian boutique M&A advisory firm specialized in infrastructures, energy and natural resources.

Natixis continued to develop its sector-based approach and its green financing expertise. In particular, Natixis implemented its Green Weighting Factor, an innovative management tool to support its clients in their ecological transition, thereby becoming the first bank to actively manage the climate impact of its balance sheet. Any "green" financing granted by Corporate & Investment Banking is now awarded a bonus, whereas profitability is reduced for any "brown" financing. Ultimately, Natixis is aiming to align its financing solutions with the objectives of the Paris Agreement on climate change.

In terms of sustainable finance, Groupe BPCE implemented a large number of initiatives in the Banques Populaires, Caisses d'Epargne and Natixis. A head of sustainable finance coordination was appointed within the Group to give even more meaning and consistency to its development and position the Group as a player adhering to the highest of standards.

In addition, Groupe BPCE and Natixis signed the Principles for Responsible Banking, and committed to strategically aligning their activities with the Sustainable Development Goals of the United Nations and the Paris Agreement on climate change. They have therefore joined a coalition of 130 banks around the world, representing assets of more than $47 trillion, which have committed to playing a key role in contributing to a sustainable future.

Natixis also signed the United Nations Women's Empowerment Principles. This commitment reinforces Natixis' actions to promote gender equality.

Groupe BPCE also established a code of conduct and ethics for all employees. Its purpose is to provide employees with a guide for making decisions whenever they have any doubts on how to determine where the long-term interests of the customer or company reside. It lays down the resulting rules of conduct, summarized in the form of twelve principles and illustrated by concrete examples.

After being named a Premium Partner of the 2024 Olympic Games in Paris, Groupe BPCE embarked on the rollout of a national platform in support of nearly one hundred French athletes. This mechanism, initiated by the Group's companies (Banque Populaire, Caisse d'Epargne, Natixis, Banque Palatine, Crédit Coopératif and CASDEN), will see the latter team up with high level sports persons from mainland France and French overseas territories with the aim of giving them the best possible chance of selection and preparation for the next Olympic and Paralympic games of Tokyo 2020 and Paris 2024.

Finally, in line with its cooperative values, Groupe BPCE committed to supporting the restoration of Notre-Dame de Paris.

4.3 Groupe BPCE financial data

4.3.1 Groupe BPCE results

Groupe BPCE generated growth in reported revenue of 1.3% to €24.3 billion, and net income of €3 billion, which includes non-recurring items related to the Group's transformation.

	Groupe BPCE			
			Chg. 2019/2018 pf	
in millions of euros	**2019**	**2018 pf**	**€m**	**%**
Net banking income	24,305	24,001	304	1.3%
Operating expenses	(17,582)	(17,687)	105	(0.6%)
Gross operating income	**6,722**	**6,314**	**408**	**6.5%**
Cost/income ratio	72.3%	73.7%	--	(1.4) pt
Cost of risk	(1,367)	(1,299)	(67)	5.2%
Share in income of equity-accounted associates	265	284	(18)	(6.4%)
Gains or losses on other assets	1	15	(14)	(92.6%)
Change in the value of goodwill	(84)	(16)	(67)	ns
Income before tax	**5,538**	**5,297**	**241**	**4.6%**
Income tax	(1,801)	(1,477)	(324)	21.9%
Non-controlling interests (minority interests)	(707)	(714)	7	(1.0%)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,030**	**3,105**	**(75)**	**(2.4%)**

NET BANKING INCOME

At December 31, 2019, Groupe BPCE's net banking income was up 1.3% compared to 2018, underpinned by strong commercial momentum in retail banking, within the networks in particular, coupled with robust growth in the Insurance, Financial Solutions and Expertise and Payments business lines. It also reflected very strong momentum in the Corporate & Investment Banking division's Asset Management, Global Finance and M&A business lines.

Retail Banking and Insurance saw an increase in net banking income of 1.6% to €16.3 billion, underpinned by high growth in outstandings amid ongoing low interest rates.

Outstanding loans increased by 8.2% year-on-year to €551 billion at the end of December 2019, comprising an increase in home loans of 8.7%, an increase in consumer loans of 16.5% and an increase in equipment loans of 6.6%.

At the end of December 2019, deposits and savings excluding centralized regulated savings amounted to €458 billion (+8.3%) while demand deposits showed an increase of 12.9% year-on-year.

Net banking income in the Asset & Wealth Management division increased by 7.0% in 2019, and by 4.1% at constant exchange rates, to €3.8 billion. This growth was driven by strong growth in performance fees of the European and US asset management companies while the rate of return on assets under management, at 29.6 pts, fell slightly at constant exchange rates in relation to December 31, 2018. Meanwhile, revenues from wealth management and employee savings grew by 3% and 6% respectively year-on-year.

Corporate & Investment Banking generated net banking income of €3.3 billion in 2019, a year-on-year increase of 2.2% and no change at constant exchange rates, having benefited from the diversification of the activities. Excluding non-recurring items and the impact on equity derivatives in Asia, net banking income was down 5.4% at constant exchange rates compared with 2018.

OPERATING EXPENSES

Operating expenses came to -€17.6 billion, down 0.8% (after restatement for the contribution to the Single Resolution Fund), reflecting an improvement in the operating performance and good cost control, which enabled a positive jaws effect. Operating expenses include the transformation costs associated with the Group's key strategic operations aimed at simplifying its structure and generating synergies. These costs primarily related to mergers of entities and IT platform migrations. Operating expenses for the Retail Banking and Insurance arm, excluding transformation costs, increased slightly by 0.5%. This increase was predominantly attributable to the development of activities in the Asset & Wealth Management division.

The Group headcount dipped 0.4% in relation to 2018, to 105,019 employees at December 31, 2019.

Gross operating income amounted to €6.7 billion in 2019, an increase of 6.5% on 2018. Restated for non-recurring items, the cost/income ratio stood at 70.6% in 2019, an improvement of 0.5 of a point.

INCOME BEFORE TAX

At €1.4 billion, Groupe BPCE's cost of risk increased by 5.2% compared to 2018. Divided by customer loan outstandings, Groupe BPCE's cost of risk in basis points hit an average annual low of 20bp (19bp excluding non-recurring items). The rate of non-performing loans to gross outstandings was 2.7% at December 31, 2019, a decrease in relation to 2018. The coverage rate for non-performing loans, including collateral on impaired loan outstandings, came to 74.8% at December 31, 2019 *versus* 74.5% at December 31, 2018. Over full-year 2019, the cost of risk was low in retail banking (19bp for the Banque Populaire network and 15bp for the Caisse d'Epargne network). However, the cost of risk increased for Corporate & Investment Banking (49bp in 2019).

The share in net income of associates and gains or losses on other assets show a decrease of €18 million and €14 million respectively.

The change in the value of goodwill was -€84 million in 2019, of which -€82 million in goodwill impairment on Fidor Bank AG.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The Group's income tax totaled €1,801 million, an increase of 21.9% compared to 2018. This increase is primarily attributable to the impairment and use of deferred tax assets on tax losses and the 2018 comparison base.

Net income attributable to equity holders of the parent was stable in relation to 2018 at €3.0 billion.

Groupe BPCE generated solid earnings thanks to its diversified universal banking model.

SOLVENCY

The Common Equity Tier 1 ratio was 15.7% at December 31, 2019 *versus* 15.8% at December 31, 2018.

Several non-recurring items impacted the Common Equity Tier 1 ratio in 2019:

- the implementation of IFRS 16 (-5 basis points);
- the deduction, at the instruction of the supervisory authority, of the portion of SRF and FGDR (deposit insurance and resolution fund) comprising irrevocable payment commitments (-14 basis points);
- the integration of the Factoring, Sureties & Guarantees, Leasing, Consumer Finance and Securities Services business lines by BPCE SA (-20 basis points);
- the impact of the methodology used to calculate risk-weighted assets linked to the speculative financing of real estate assets (-17 basis points);
- the acquisition by BPCE SA of 50.1% of Oney Bank (-12 basis points).

Moreover, the change in the Common Equity Tier 1 ratio over 2019 can be attributed to:

- the increase in Common Equity Tier 1 capital, driven in particular by earnings taken to reserves (+74 basis points) and cooperative share inflows (+39 basis points);
- the increase in risk-weighted assets related to the activity (-74 basis points).

At 15.7%, Groupe BPCE's Common Equity Tier 1 ratio at December 31, 2019 was significantly higher than the ECB's minimum requirement, as defined by the European Central Bank (ECB) during the 2019 Supervisory Review and Evaluation Process (SREP). The total capital ratio stood at 18.8% at December 31, 2019, *i.e.* above the ECB's minimum requirement.

TLAC (Total Loss Absorbing Capacity) totaled €98.2 billion at end-December 2019. The pro forma TLAC ratio was 23.3% at December 31, 2019 *versus* 22.5% at December 31, 2018 and a target of 21.5% for early 2019, as defined in the TEC 2020 strategic plan.

The leverage ratio came out at 5.3% at December 31, 2019 *versus* 5.2% at December 31, 2018.

LIQUIDITY

Groupe BPCE's total liquidity reserves amounted to €231 billion at December 31, 2019, including €96 billion in available assets eligible for central bank funding, €66 billion in LCR-eligible assets and €69 billion in liquid assets placed with central banks.

Short-term funding increased from €107 billion at December 31, 2018 to €127 billion at December 31, 2019.

At December 31, 2019, Groupe BPCE's total liquidity reserves covered 155% of all short-term funding as well as short-term maturities of MLT debt (*versus* 160% at end-2018).

The Liquidity Coverage Ratio (LCR) was once again above 110% at December 31, 2019.

4.3.2 The Group's business lines

The Group has three core businesses:

Retail Banking and Insurance, which includes:

- the Banque Populaire network, comprised of 14 Banques Populaires and their subsidiaries, Crédit Maritime Mutuel, and the Mutual Guarantee Companies;
- the Caisse d'Epargne network, consisting of the 15 Caisses d'Epargne;
- Financial Solutions and Expertise, a sub-division encompassing the specialized financing activities: Factoring, Leasing, Consumer Finance, Sureties & Financial Guarantees, and Retail Securities Services (formerly housed in the Specialized Financial Services (SFS) sub-division), in addition to Socfim, CFI and Pramex (formerly in Other networks);
- Insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- Payments, which offers a full range of payment and prepaid solutions to local businesses, online and *via* mobile devices, and which is becoming a business line in its own right;
- the Other networks, which include Oney Bank 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;
- employee savings with "Natixis Interépargne", a top-tier player in employee savings plan management in France which has been included in the Asset & Wealth Management division;

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public sector entities. Financing of the cinema industry was included in the Corporate & Investment Banking division in 2019.

The Corporate Center, which primarily includes:

- the Group's central institution and holding companies;
- Natixis' equity interests in Coface, Natixis Algérie and Natixis Private Equity;
- the run-off activities of Crédit Foncier and BPCE International;
- unlisted investments and cross-business activities;
- items related to goodwill impairment and the amortization of valuation differences, as these items form part of the Group's acquisition and investment strategy;
- the contribution to the Single Resolution Fund.

Segment reporting for Groupe BPCE has been restated accordingly for previous reporting periods and also takes account of the transfer of the subsidiaries Banque de Tahiti, Banque de Nouvelle Calédonie, Société Havraise de Calédonie from Groupe BPCE International to the Caisse d'Epargne network and INGEPAR from Groupe BPCE International to the Banque Populaire network.

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	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf
Net banking income	16,317	16,056	3,760	3,513	3,337	3,266	891	1,166	24,305	24,001
Operating expenses	(10,844)	(10,803)	(2,492)	(2,343)	(2,235)	(2,202)	(2,011)	(2,339)	(17,582)	(17,687)
Gross operating income	**5,473**	**5,253**	**1,268**	**1,170**	**1,102**	**1,064**	**(1,121)**	**(1,173)**	**6,722**	**6,314**
Cost/income ratio	66.5%	67.3%	66.3%	66.7%	67.0%	67.4%	ns	ns	72.3%	73.7%
Cost of risk	(1,028)	(999)	(8)	(2)	(312)	(174)	(20)	(125)	(1,367)	(1,299)
Share in income of equity-accounted associates	45	44	1	3	10	12	209	226	265	284
Gains or losses on other assets	8	2	13	43	(15)	3	(4)	(32)	1	15
Change in the value of goodwill							(84)	(16)	(84)	(16)
Income before tax	**4,499**	**4,300**	**1,273**	**1,214**	**786**	**904**	**(1,020)**	**(1,121)**	**5,538**	**5,297**
Income tax	(1,476)	(1,367)	(353)	(328)	(212)	(241)	241	460	(1,801)	(1,477)
Non-controlling interests (minority interests)	(87)	(90)	(447)	(418)	(176)	(199)	3	(7)	(707)	(714)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,936**	**2,842**	**473**	**468**	**397**	**464**	**(776)**	**(669)**	**3,030**	**3,105**

Net banking income for the Group's three business divisions increased by 2.5% compared to 2019, reflecting solid performances by Asset Management, coupled with resilient earnings by Retail Banking and Insurance despite the persistently low interest rate environment. The relative contribution of Retail Banking and Insurance to net banking income, as compared to the contribution of the Group business lines, was 70% *versus* 16% for Asset & Wealth Management and 14% for Corporate & Investment Banking.

(1) Segment reporting for 2018 is stated pro forma of the transfer of Specialized Financing to BPCE SA, with an impact on non-controlling interests and net income attributable to the equity holders of the parent of €79 million.

4.3.4 Retail Banking and Insurance

	Banques Populaires		Caisses d'Epargne		Financial Solutions and Expertise		Insurance		Payments		Other networks		Retail Banking and Insurance		Change	
in millions of euros	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf	€m	%
Net banking income	6,434	6,377	7,048	7,080	1,117	1,089	846	790	423	389	450	332	16,317	16,056	261	1.6%
Operating expenses	(4,356)	(4,355)	(4,677)	(4,791)	(634)	(618)	(478)	(448)	(370)	(341)	(329)	(250)	(10,844)	(10,803)	(41)	0.4%
Gross operating income	**2,079**	**2,022**	**2,370**	**2,288**	**483**	**471**	**368**	**342**	**52**	**48**	**121**	**83**	**5,473**	**5,253**	**220**	**4.2%**
Cost/income ratio	67.7%	68.3%	66.4%	67.7%	56.7%	56.8%	56.5%	56.7%	87.6%	87.6%	73.1%	75.1%	66.5%	67.3%	--	(0.8) pt
Cost of risk	(417)	(479)	(419)	(412)	(79)	(63)	0	0	(2)	(2)	(111)	(42)	(1,028)	(999)	(29)	2.9%
Share in income of equity-accounted associates	34	29	0	0	0	0	10	15	0	0	1	1	45	44	1	2.8%
Gains or losses on other assets	3	0	(3)	1	0	0	0	0	0	1	7	0	8	2	6	ns
Income before tax	**1,699**	**1,571**	**1,949**	**1,878**	**404**	**407**	**378**	**356**	**50**	**47**	**18**	**41**	**4,499**	**4,300**	**199**	**4.6%**

The Retail Banking and Insurance division's income before tax rose by 4.6% compared to 2018 thanks to the increase in net banking income across almost all of the sub-divisions in an environment of persistently low interest rates. Operating expenses (excluding transformation costs) were up 0.4% compared to 2018 due to growth in the activity. The cost of risk rose by 2.9% year-on-year, averaging 18bp in 2019.

The Banque Populaire and Caisse d'Epargne networks accounted for 81% of the Retail Banking and Insurance division's income before tax in 2019.

BANQUES POPULAIRES

The Banque Populaire network maintained robust sales activity in 2019, drawing on the expansion and continued sales of products and services to its customer base. The Banques Populaires posted 2.2% growth in its individual customer base (o/w 2.9% growth in customers using banking products and services), 4.0% growth in its corporate customer base and 1.0% growth in its professional customer base.

GROWTH OF 8.3% IN ON-BALANCE SHEET DEPOSITS AND SAVINGS (EXCLUDING CENTRALIZED SAVINGS)

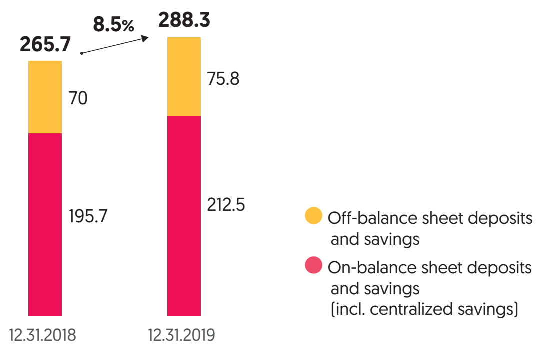
The Banques Populaires recorded robust inflows in what remained a highly competitive economic environment. On-balance sheet deposits and savings (excluding centralized savings) climbed 8.3% to €199.7 billion. Off-balance sheet deposits and savings totaled €75.8 billion at end-2019 (+8.3%), underpinned by UCI, which increased by €2.6 billion (+20.5%), as well as by life insurance outstandings which rose by €2.7 billion (+5.3%).

Business was strong on the individual customer market, which posted an increase in deposits of +5.8%, and even more so on the professional, corporate and institutional customer markets, the outstandings of which increased by 12.0%.

Risk aversion steered individual customer investments more towards On-balance sheet deposits and savings (+6.2%). Growth was driven by passbook savings accounts (+9.1% to €45.5 billion at end-2019), in particular the Livrets Jeune and ordinary passbook savings accounts, the outstandings of which increased by 13.3% to €20.2 billion, and the Livret A passbook savings account, which saw growth of €1.2 billion to €11.8 billion at the end of 2019. The LDD Sustainable Development passbook savings account saw an increase of €0.4 billion (+4.9%) to €8.7 billion at December 31, 2019. Demand deposits also contributed to the growth in on-balance sheet savings and deposits over the year, with an increase of €1.9 billion (+7%), taking total demand deposit outstandings to €29.6 billion at the end of 2019. Regulated home savings products grew by €0.5 billion over the year (+2.5% to €21.4 billion). Term deposits continued to fall, with outstandings decreasing by 25% to €1.5 billion at December 31, 2019.

Professional, corporate and institutional customers also made a significant contribution to the increase in On-balance sheet deposits and savings, primarily in terms of demand deposits (+12.1%, *i.e.* +€7.4 billion to €68.4 billion at end-2019) and term deposits (+19.1%, *i.e.* +€4.6 billion to €28.8 billion).

CUSTOMER DEPOSITS AND SAVINGS *(in billions of euros)*



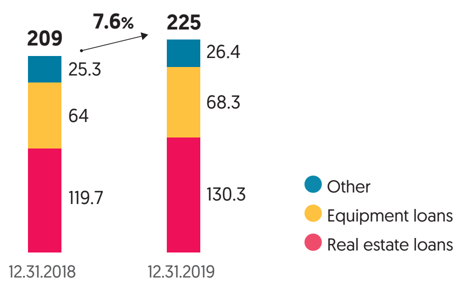
LOAN OUTSTANDINGS UP 7.6% IN AN ENVIRONMENT OF PERSISTENTLY LOW INTEREST RATES

The Banques Populaires consolidated their active role in financing the economy, with an annual increase of 7.6% in loan outstandings to €225.0 billion at end-2019.

The growth in loan outstandings in the individual customer market (+8.8% to €118.6 billion) was buoyed by robust growth in home loan outstandings (+8.9% to €107.1 billion), amid low interest rates which bolstered demand. Consumer loans also contributed to the rise in total loan outstandings, with growth of 8.0% to €11.1 billion at end-2019.

On the professional, corporate and institutional customer markets, growth in outstandings was also strong at +6.3% to €106.4 billion at end-2019, notably in equipment loans (+7.1% to €64.8 billion) and real estate loans (+8.5% to €23.2 billion).

LOAN OUTSTANDINGS *(in billions of euros)*



FINANCIAL RESULTS

The Banque Populaire network's net banking income totaled €6.4 billion in 2019, a slight increase compared to 2018 pro forma (+0.6% excluding the change in the home savings provision).

Net interest income[1] came out at €3.6 billion, up €46.6 million year-on-year. The increase was driven primarily by BRED, in addition to the performances of its international banking and French overseas territories division and its capital markets and commercial banking activities in France.

Fee and commission income declined slightly (-0.4%) to €2.6 billion, in particular account management fees, which were impacted by the various measures implemented to support purchasing power (price freeze, overhaul of the penalty fee framework, capping of fees on products for vulnerable customers). However, fees on payment instruments increased, as did loan fees, in connection with payment protection insurance fees.

Income and expenses from other activities increased (+€8 million), underpinned by operating lease transactions (+€16 million), in connection with the new commissioning scheme for the leasing activity.

Net income from insurance activities, which are mainly related to the Prépar Vie and Prépar IARD subsidiaries of BRED, increased significantly (+€13 million, *i.e.* +11%).

Operating expenses stayed relatively stable (-€0.7 million or +0.0%) at -€4.4 billion, reflecting strong OPEX discipline by the institutions. Payroll costs decreased (+€11 million, *i.e.* -0.4%) to -€2.5 billion amid a reduction in the headcount, particularly in those institutions that were recently merged. Accordingly, Banque Populaire Aquitaine Centre Atlantique, Banque Populaire Alsace Lorraine Champagne, Banque Populaire Auvergne Rhône Alpes, Banque Populaire Grand Ouest and Banque Populaire Méditerranée together registered a decrease of 400 full-time equivalent employees. The reduction in payroll costs helped to offset the increases seen in other operating expenses (-€11 million, +0.6%).

Transformation costs remained stable in 2019 at -€80.5 million, *vs.* -€80.7 million in 2018, and are split across nine institutions. The impacts mainly concern Banque Populaire du Sud (-€28.7 million) following the integration of the Banque Marze, Banque Dupuy, de Parseval and Crédit Maritime de Méditerranée entities as part of the Puissance 4 project, Banque Populaire Grand Ouest (-€23.3 million related to restructuring of the network which saw several branch closures) and Banque Populaire Auvergne Rhône Alpes (-€10.7 million related to Banco 2020 – transformation of the relationship model – with implementation between October 2018 and the start of 2020, the costs of which were attributed in 2019). The residual costs of the IT migration of Crédit Coopératif to the IT-CE platform came to -€5.1 million for 2019.

Gross operating income came out at €2.1 billion, increasing by 2.8%, while the cost/income ratio improved 0.6 of a point to 67.7% in fiscal year 2019.

The cost of risk decreased by -13%: decrease in S1/S2 compartment related to the improvement in ratings and the 2018 comparison base, however an increase in the S3 compartment. In the end, the cost of risk came out at 6.48% of NBI *vs.* 7.51% in 2018.

The Banques Populaires contributed €1.7 billion to the Retail Banking and Insurance division's income before tax, up +8.2% relative to 2018 (pro forma).

CAISSES D'EPARGNE

During fiscal year 2019, the Caisses d'Epargne saw continued strong activity levels, with new loans amounting to €60.5 billion, granted as part of their role in financing the French economy, *i.e.* +13.6% *vs.* 2018, close to its high of 2017 in real estate credit, thus confirming their banking strategy to provide additional banking products and services to individual customers and gain new corporate and professional customers. The number of principal active customers increased by 0.9%, active professional customers by 2.9% and active corporate customers by 7.0% in 2019.

GROWTH OF 7.9% IN ON-BALANCE SHEET DEPOSITS AND SAVINGS (EXCLUDING CENTRALIZED SAVINGS)

Despite the highly competitive savings market, the Caisses d'Epargne saw their On-balance sheet deposits and savings (excluding centralized savings) climb 7.9% (*i.e.* +€18.0 billion) *vs.* 2018 to €246.9 billion.

(1) Fees and commissions on centralized savings have been restated for net interest income and included in fee and commission income.

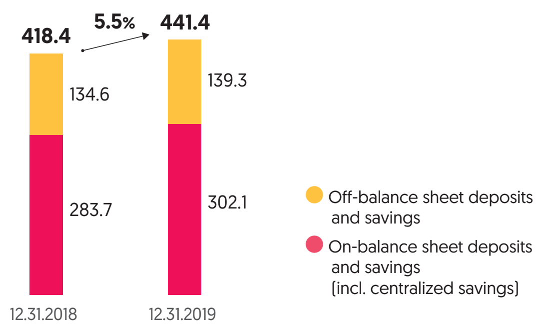
Growth in On-balance sheet deposits and savings was mainly led by demand deposits (+16.3%, *i.e.* +€12.4 billion). Nevertheless, passbook savings accounts increased by 3.1% to €128.1 billion while term accounts rose by 18.1% to €19.5 billion.

There was an increase in the outstandings of Livret Jeune and Livret B passbook savings accounts (+14.3%, *i.e.* +€2.9 billion) as well as in that of Livret A passbook savings accounts (+1.6%, *i.e.* +€1.3 billion), and to a lesser degree in regulated home savings products (+1.5%, *i.e.* +€0.9 billion), which became less popular among savers.

Thus, the individual customer market posted net inflows of +€3.9 billion (+1.8%) in 2019 while the corporate and professional customer markets proved much stronger at +€14.4 billion, *i.e.* +20.5%.

Off-balance sheet deposits and savings rose +3.5% to €139.3 billion, underpinned by growth in life insurance outstandings in 2019 (+4.0%, *i.e.* +€5.1 billion) while growth in UCI outstandings continued to fall (-4.5%, *i.e.* -€0.4 billion).

CUSTOMER DEPOSITS AND SAVINGS *(in billions of euros)*



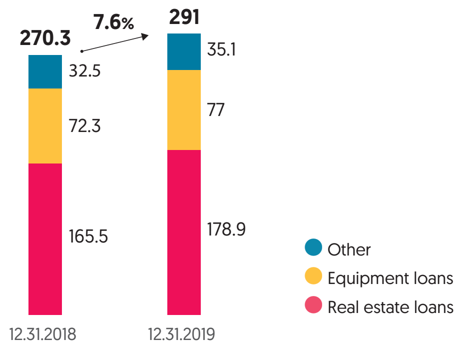
2019: ANOTHER VERY STRONG YEAR FOR LENDING ACTIVITY

The Caisse d'Epargne network was as committed as ever to its role in funding the economy and the regions, with robust growth in loan outstandings of +7.6% *vs.* 2018 to €291.0 billion.

Individual customer loan outstandings increased 7.7% on 2018 to €165.6 billion, driven in particular by an upturn in home loans (+7.8%, *i.e.* +€10.7 billion), the outstandings of which came to €147.8 billion in 2019, with activity boosted by low interest rates.

Loans to professional, corporate and institutional customers increased by 7.6% to €125.4 billion, driven mainly by equipment loans (+6.5%, *i.e.* +€4.7 billion to €77.0 billion) and to a lesser extent real estate loans (+9.8%, *i.e.* +€2.8 billion to €31.1 billion).

LOAN OUTSTANDINGS *(in billions of euros)*



FINANCIAL RESULTS

The Caisse d'Epargne network generated net banking income of €7.0 billion in 2019, a slight decrease *vs.* 2018 (pro forma) (-0.4%, *i.e.* -€32 million).

Net interest income[1] fell by 0.8% to €3.9 billion. The sales momentum ensured high growth in customer outstandings, leading to a volume effect that partly offset the negative interest rate effect. Revenue from financial investments decreased in relation to 2018.

Fees and commissions, which declined by 0.6% *vs.* 2018 (pro forma), were negatively impacted, mainly, by account management fees and the measures to support purchasing power, which nevertheless were partly offset by the positive trend in fees on loans, underpinned by payment protection insurance.

Operating expenses fell by 2.4% to -€4.7 billion. Restated for transformation costs, they were down 1.8% compared with 2018 (pro forma) to -€4.6 billion. The transformation costs include costs related to the implementation of Banco 2020 and costs linked to the absorption of Pacific region banks by Caisse d'Epargne Ile-de-France. They also factor in, albeit to a lesser degree, the residual costs of the creation of Caisse d'Epargne Hauts de France and Caisse d'Epargne Grand Est Europe.

As a result, gross operating income came to €2.4 billion in fiscal year 2019, up 3.6% compared to 2018 (pro forma), while the cost/income ratio improved by 1.3pt to 66.4%.

The cost of risk for the Caisses d'Epargne was up 1.7% to -€0.4 billion. Divided by loan outstandings, it stood at 15bp in December 2019, down 1bp compared to 2018.

The Caisses d'Epargne contributed €1.9 billion to the Retail Banking and Insurance division's income before tax in 2019, up 3.8% compared to 2018 (pro forma).

(1) Fees and commissions on centralized savings have been restated for net interest income and included in fee and commission income.

FINANCIAL SOLUTIONS AND EXPERTISE (SEF)

The Financial Solutions and Expertise businesses developed a strong commercial activity throughout the year, ramping up their relations with the Banque Populaire and Caisse d'Epargne networks in particular.

Factoring generated revenue of €59.4 billion in 2019, with activity holding up well in the professional and SME client segments.

Consumer Finance posted a record level of business activity with loan outstandings at year-end of €26.4 billion, up 7%, driven mainly by momentum in personal loans.

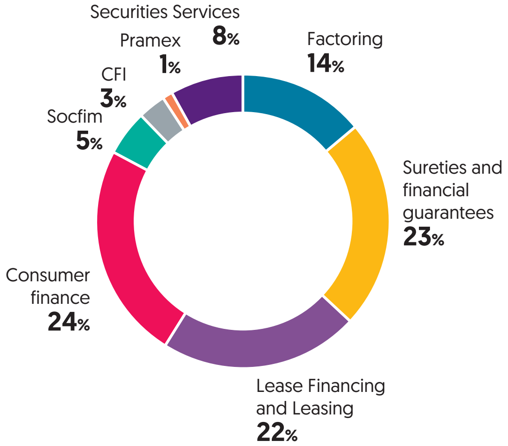
Leasing saw continued growth, notably among the Banque Populaire and Caisse d'Epargne networks, with record growth in new loans of 13%, driven by strong equipment leasing activity.

Sureties and Guarantees saw very strong activity in the loan guarantee market for retail customers, with a substantial increase in the penetration rate on the Banque Populaire network. Gross issued premiums rose by 24% *vs.* 2018 on this market.

Securities Services continued to expand its range of services for the networks.

SOCFIM saw strong growth in its real estate financing activity, with new loans up 14.5% year-on-year.

BREAKDOWN OF 2019 SEF NBI BY BUSINESS LINE



The net banking income of this division totaled €1,117 million, a year-on-year increase of 2.6%, underpinned mainly by real estate financing (+32%), leasing (+4.4%) and equipment leasing in particular, as well as by the sureties and real estate loan guarantee activities (+1.3%) and consumer finance (+1.2%), which in turn was driven by strong momentum in personal loans.

Operating expenses in the SEF division amounted to €634 million, up 2.5% year-on-year, linked to the development of activities and structuring of the division.

Gross operating income rose 2.6% to €483 million *vs.* 2018 (pro forma).

Although very closely managed during the year, the cost of risk (€79 million), increased by 24.9% mainly due to the impact of IFRS 9 on the 2018 comparison base.

This impact on the cost of risk weighed on growth in income before tax, which totaled €404 million at end-2019, a slight year-on-year decrease of 0.7%.

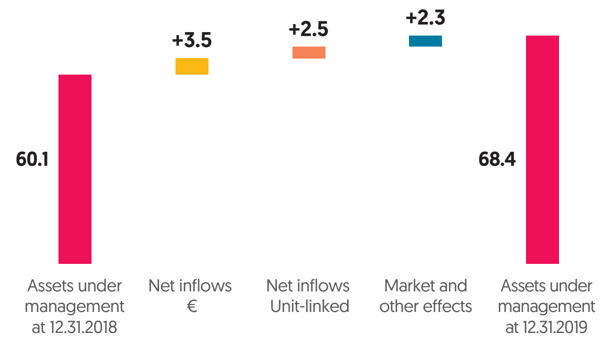
INSURANCE

Sales momentum was very strong in provident and non-life insurance and in life insurance in 2019.

With €10.1 billion in direct business premiums, life insurance inflows were up 5% year-on-year: activity remained at a high level against a backdrop of low interest rates and higher financial markets and inflation. Premiums on unit-linked assets totaled €3.1 billion (-3%) and made up 30.6% of total gross inflows in 2019 *versus* 33.2% in 2018, down 2.6 points year-on-year but outperforming the market by 4 points at end-December (27%). Inflows invested in the euro fund increased by 9% to €7.0 billion.

CHANGE IN LIFE INSURANCE ASSETS UNDER MANAGEMENT EXCLUDING OUTSTANDINGS RELATED TO CNP

(in billions of euros)



Premiums on provident and payment protection insurance (€993 million) continued to increase at a steady pace of 12%, with no material impact from the Bourquin amendment, and with the launch of the Family Insurance and Funeral Insurance ranges in the Banque Populaire network, the impacts of which will not be truly felt until 2020.

The non-life insurance portfolio grew by 5% to 6.1 million policies. Gross sales increased by 1%, with no change in the Caisse d'Epargne network and an increase of 6% in the Banque Populaire network. Earned premiums grew by 6% to €1,577 million, with similar growth levels on both networks. Growth was driven by the core offering, with auto insurance up 8%, multi-risk home insurance up 7%, Pers. acc./Multi-risk acc. insurance up 7%, in line with growth in the portfolio.

Net banking income for the Insurance business lines totaled €846 million, up 7.1% compared with 2018, resulting from:

- growth of 9% in NBI from life insurance, underpinned by growth in insurance outstandings (+14%), continuation of the rollout in the Caisse d'Epargne network that began in 2016 and the revaluation of unit-linked policies. Despite a further decline in interest rates in 2019, the diversification of investment sources helped to contain the dilution of the rate of return on assets;

- growth of 6% in NBI from provident insurance and payment protection insurance, reflecting the resilience of the business;
- growth of 5% in NBI from non-life insurance: the loss ratio remained under control despite an increase in the average guarantee cost on auto equipment and the climate events that occurred in 2019. The combined ratio stood at 91.7%, a slight increase on 2018.

Operating expenses were up 6.8% to €478 million. This growth is lower than growth in NBI, reflecting the development of the activities and the implementation of the New Dimension plan's strategic ambitions: rollout of the new provident insurance offering for individual customers, continuation of the strategic projects in non-life insurance and initiation of rollout, and the work to implement IFRS 17 in particular.

Gross operating income rose 8% to €368 million.

PAYMENTS

This activity showed further strong momentum in 2019, both in the division's historical activities and in the fintech activities.

The historical activities were underpinned by strong growth in electronic payment transactions, with processed volumes continuing to increase at a strong pace (card authorizations +16% and card transactions +10%), and by the NIT (Natixis Intertitres) activity, for which the value of issued restaurant vouchers in millions of euros increased by 6% *versus* 2018.

The fintech activity notably saw growth in volumes recorded by Payplug and Dalenys, which reached record levels in 2019, increasing by 83% and 21% respectively.

Revenue in the Payments division grew by 8.5% year-on-year to €423 million (+€33 million) with scope effects of +€11 million linked to the acquisitions of Comitéo and Titres Cadeaux. This growth was underpinned by the performance of the historical electronic payments and service voucher activities, as well as by the acquired fintech activities. In parallel, the issuing solutions activity (NPS and S-money) contributed €4.9 million to revenue growth, with the launch of specific and innovative payment products and services, such as Xpollens.

Expenses in the Payments division came to €370 million, up 8.5% *vs.* 2018, notably attributable to the staff, IT and digital investments needed for its development.

Overall, gross operating income rose 8.7% to €52 million.

Income before tax came to €50 million, up 7.5%.

OTHER NETWORKS

ONEY BANK GROUP

Groupe BPCE acquired 50.1% of Oney Bank on October 22, 2019. To simplify things, the entire earnings for Q4 2019 are split between Groupe BPCE (50.1%) and the Auchan Holding group (49.9%).

Oney Bank's gross operating income amounted to €37 million in the fourth quarter. Its activity was underpinned by the rollout of new customer processes, particularly relating to the split payment solution in France. It is worth noting that several partnerships were signed in 2019, taking the number of banners that selected Oney's split payment solution to a total of 450.

BANQUE PALATINE

Banque Palatine contributed €43 million to the division's income before tax, up 2.6% relative to 2018. Growth in NBI of 0.5% and closely managed operating expenses helped it to achieve a 2% increase in gross operating income. Following on from the implementation of its transformation program, Palatine notably generated IT migration expenses of €49 million in 2019.

4.3.5 Asset & Wealth Management

	Asset & Wealth Management			
			Chg. 2019/2018 pf	
in millions of euros	2019	2018 pf	€m	%
Net banking income	3,760	3,513	247	7.0%
Operating expenses	(2,492)	(2,343)	(149)	6.3%
Gross operating income	**1,268**	**1,170**	**98**	**8.4%**
Cost/income ratio	66.3%	66.7%	0	(0.4) pt
Cost of risk	(8)	(2)	(7)	ns
Share in income of equity-accounted associates	1	3	(2)	(67.5%)
Gains or losses on other assets	13	43	(30)	(70.7%)
Income before tax	**1,273**	**1,214**	**59**	**4.9%**

The Asset & Wealth Management division saw a 7.0% increase in revenue at current exchange rates in relation to December 31, 2018 to €3.8 billion (+4.1% at constant exchange rates).

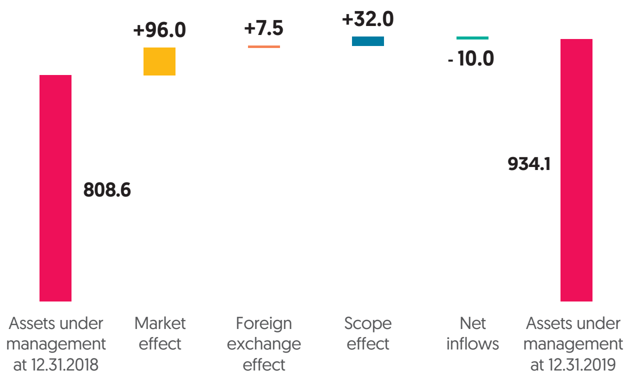
Expenses increased at a slower pace (+6.3% at current exchange rates, *i.e.* +3.3% at constant exchange rates) to €2.5 billion.

Gross operating income was up 8.4% at current exchange rates (+5.7% at constant exchange rates) to €1.3 billion.

ASSET MANAGEMENT

Assets under management stood at €934.1 billion at the end of December 2019, an increase of 16% at current exchange rates (+14% at constant exchange rates) *versus* December 31, 2018, underpinned by a very positive market effect (+€96.0 billion), the scope effect (+€32.0 billion) with the acquisition of WCM in particular (+$34.6 billion) and a positive foreign exchange effect (+€7.5 billion), which was partly offset by net outflows over the year (-€10.0 billion).

YEAR-ON-YEAR CHANGE IN ASSETS UNDER MANAGEMENT
(in billions of euros)



The business line recorded net outflows over the year of €10.0 billion at current exchange rates, i.e. -€7.0 billion on long-term products, including:

- in the US, net outflows on long-term products of -€4.0 billion, primarily at Harris Associates (-€10.3 billion related to equity products) and at Gateway Investment Advisers (-€1.8 billion related to alternative products), which were partly offset by inflows at WCM Investment Management (+€4.8 billion related to equity products) and Loomis Sales & Co (+€3.8 billion related to equity products);
- net outflows of -€4.1 billion recorded at Dynamic Solutions, mainly related to equity products (-€3.6 billion) and structured products (-€1.2 billion);
- net outflows of -€2.3 billion in Europe, primarily at DNCA Finance and H2O (-€3.4 billion and -€3.0 billion respectively related to diversified products), which were partly offset by inflows at Mirova (+€3.2 billion related to equity products) and at AEW Europe (+€0.7 billion related to real estate products);
- a slight net inflow generated by Private Equity firms of -€69.7 million.

At €859.2 billion, average assets under management at December 31, 2019 were up 0.4% compared to 2018, at constant exchange rates. At 29.6 pts, the rate of return on AuM was down slightly in relation to December 31, 2018, at constant exchange rates.

At end-December 2019, AuM can be broken down into predominantly equity products (29.3%), followed by bond products (28.4%) and life insurance (20.2%).

At December 31, 2019, net banking income stood at €3,511 million, up 7% *versus* December 31, 2018 (*i.e.* +4% at constant exchange rates), underpinned by:

- strong growth in performance fees at the European (primarily H2O and DNCA) and US (AEW CM) asset management companies;
- an increase in financial income attributable to the positive impact of the valuation of the seed money portfolio and the integration of WCM and Fiera;
- an improvement in other revenue thanks to a reversal of the previously recognized provision for claims and litigation.

These increases were partly offset by lower fees on assets under management, mainly in the US, linked to the fall in average outstandings and the fee rate over the period.

Expenses came to €2,251 million, including non-recurring items, an increase of 6% *versus* December 31, 2018 (+3% at constant exchange rates). After restatement for the non-recurring provision reversal recognized in Q1 2018 (an outstanding dispute), the increase in expenses is lower (+5%), underpinned by the increase in internal payroll costs (growth in the headcount in line with growth in the activity), operating costs – essentially IT expenses (development of tools and implementation of projects) – and documentation and market data expenses (increase in prices and impact of MIFID).

WEALTH MANAGEMENT

The Wealth Management activity recorded net inflows of €0.5 billion in 2019, underpinned mainly by strong activity in the private B-to-B segment thanks to the networks and international wealth management.

Assets under management came to €30.4 billion, an increase of 16% year-on-year, with a scope effect of €1.5 billion linked to the acquisition of Massena. Restated for this effect, assets under management increased by 11% in relation to 2018.

Meanwhile, loan outstandings climbed 2% to €2.1 billion.

In 2019, net banking income totaled €149 million, up 3% (+€4.7 million) on 2018. After restatement for scope effects related to Sélection 1818 and Massena Partners, it was up 8%. This increase can be attributed mainly to strong performance fees recorded in the last quarter of 2019 (+6.5 million *versus* 2018) and growth in fees on assets under management of 8% over the period.

Expenses stood at €157.5 million, up 5% compared with 2018. After restatement for scope effects related to Sélection 1818 and Massena Partners, expenses increased by 4% *versus* 2018.

EMPLOYEE SAVINGS

Assets under management at end-December 2019 stood at €27.0 billion, up €0.4 billion or 1% in relation to December 31, 2018, underpinned by a very positive market effect (+€3.7 billion) which more than offset net negative investments (-€3.3 billion).

Average assets under management came to €28.7 billion over the year, an increase of 5%.

At December 31, 2019, net banking income stood at €100 million, up 6% compared with December 31, 2018, underpinned by account keeping fees, financial management fees and other income (car lease activity).

Expenses came to €83 million, up 5% in relation to December 31, 2018, primarily comprising growth in IT expenses.

4.3.6 Corporate and Investment Banking (CIB)

	Corporate & Investment Banking			
			Chg. 2019/2018 pf	
in millions of euros	**2019**	**2018 pf**	**€m**	**%**
Net banking income	3,337	3,266	71	2.2%
Operating expenses	(2,235)	(2,202)	(33)	1.5%
Gross operating income	**1,102**	**1,064**	**38**	**3.6%**
Cost/income ratio	67.0%	67.4%	-	-0.4 pt
Cost of risk	(312)	(174)	(138)	79.2%
Share in income of equity-accounted associates	10	12	(1)	(10.3%)
Gains or losses on other assets	(15)	3	(18)	ns
Income before tax	**786**	**904**	**(118)**	**(13.1%)**

In 2019, Corporate & Investment Banking's net banking income remained stable in relation to 2018 at constant exchange rates. Excluding non-recurring items and one-off Autocalls in Asia (€259 million in the fourth quarter of 2018), net banking income decreased by 5.4% at constant exchange rates.

Capital market revenues totaled €1,509 million in 2019, up 11.4% compared with 2018 at constant exchange rates.

Revenues from fixed income, forex, credit, commodities and treasury activities stood at €1,118 million in 2019, down 4.9% on 2018 at constant exchange rates. The following changes were observed in each segment:

- fixed Income and Forex revenues were down 23.9%, with Fixed Income falling 23.7%, attributable to less dynamic sales in France and Asia in long-term issues, and with forex activities falling 24.3% in a context of low currency volatility and a decrease in flow volumes;
- credit revenues were up 15.1% compared to 2018. The business was impacted by continued growth in securitization activities, in both Europe and the US;
- revenues on the repo activities, now shared 50/50 between Fixed Income and Equity, were down 7.5% on 2018, impacted by stricter regulatory constraints and in a competitive market that caused a tightening of margins.

Revenues in the joint venture activities (*i.e.* whose results are also shared between Global Markets and Investment Banking to ensure the alignment of teams) experienced a mixed performance in 2019.

Strategic Financing and Acquisitions posted a limited 1.2% decline in revenue in a LBO market that showed signs of tension.

Revenues from Syndication on the bond market rose 33.5% compared with 2018. The revenues generated on the primary bond issuance market increased 10.8%, while revenues on the secondary market improved sharply thanks to a favorable base effect. Negative impacts were recorded during the last quarter of 2018 on the management of debt positions in a very unfavorable market environment.

Revenues from the equity activities totaled €417 million, up 135.0% at constant exchange rates in relation to 2018, and slightly lower (-4.4%) excluding one-off Autocalls in Asia. Sales activity was redirected to new products during 2019.

At €1,408 million, Financing revenues including TTS (Trade & Treasury Solutions) and the cinema financing activities (Coficiné) decreased by 4.8% at constant exchange rates in relation to 2018.

Revenues from origination and syndication were down 18.1% *versus* 2018, impacted by the fall in securitization of real estate loans in the US in a less dynamic market, particularly in the CMBS segment. Revenues from the financing portfolio remained stable at constant exchange rates, amid ongoing pressure on margins. Revenues from the ENR (Energy & Natural Resources) Trade finance activity fell by 11.2% at constant exchange rates, hurt by a lower average oil price per barrel than in 2018.

Revenues from Investment Banking, including M&A activities, were up 4.8% year-on-year at constant exchange rates to €395 million.

In 2019, Corporate & Investment Banking's expenses totaled €2,235 million, up 1.5% at current exchange rates and stable compared to 2018 at constant exchange rates. Excluding non-recurring items, its expenses came to €2,208 million in 2019, an increase of 0.9% at current exchange rates, and decrease of 0.8% at constant exchange rates, linked to the decline in variable expenses.

Gross operating income totaled €1,102 million, up 3.6% compared with 2018 at current exchange rates and up 0.6% at constant exchange rates. Excluding non-recurring items, it amounted to €1,129 million, up 8.4% at constant exchange rates. The cost/income ratio came to 67.0% in 2019 (66.2% excluding non-recurring items), an improvement of 0.4 of a point *versus* 2018 (67.4%), including non-recurring items.

At €312 million, the cost of risk rose by 79.2% *versus* 2018 (including non-recurring items).

Income before tax totaled €786 million, down 13.1% compared with 2018 at current exchange rates, including a capital loss on the disposal of the subsidiary in Brazil for €14.5 million recognized in Q1 2019 under gains or losses on other assets. Excluding non-recurring items, it amounted to €827 million, down 12.9% at constant exchange rates.

4.3.7 Corporate Center

	Corporate Center			
			Chg. 2019/2018 pf	
in millions of euros	2019	2018 pf	€m	%
Net banking income	891	1,166	(275)	(23.6%)
Operating expenses	(2,011)	(2,339)	328	(14.0%)
Gross operating income	**(1,121)**	**(1,173)**	**52**	**(4.4%)**
Cost of risk	(20)	(125)	105	(84.2%)
Share in income of equity-accounted associates	209	226	(17)	(7.7%)
Gains or losses on other assets	(4)	(32)	28	(86.1%)
Income before tax	**(1,020)**	**(1,121)**	**101**	**(9.0%)**

The Corporate center generated income before tax of -€1,020 million in 2019 *versus* -€1,121 million in 2018 (pro forma). This figure included the following activities and items in 2019:

- the contribution of Crédit Foncier, which rose by €369 million, 2018 having been impacted by a provision for the restructuring of Crédit Foncier;
- the contribution of BPCE International, which increased by 39.2% year-on-year, despite the slowdown in activity and the sale of the equity holdings in Africa in Banque Internationale du Cameroun pour l'Épargne et le Crédit, Banque Malgache de l'Océan Indien and Banque Commerciale Internationale in Republic of Congo;
- Natixis' equity interests, primarily including Coface. Its annual revenue came to €1.5 billion, an increase of 7% at current exchange rates *versus* 2018 (+6% at constant exchange rates and scope), driven by all geographical areas thanks to a record customer retention level and an improvement in new business especially in mature markets. The loss ratio net of reinsurance was 45.0%, stable in relation to 2018. The combined ratio net of reinsurance was 77.7%, an improvement of 1.9 pt due to the positive change in the net cost ratio (-1.8 pt). It should also be noted that Natixis Private Equity continued its withdrawal strategy in 2019 with a divestment from commitments of 19%;
- the contribution of €227 million by CNP Assurances, up €7 million (+3.3%);
- the contribution to the Single Resolution Fund of -€376 million in operating expenses, an increase of -€37 million compared with 2018;
- the impact of asset impairments totaling -€84 million;
- finally, the division included the contributions of the Group's central institution, BPCE SA group, and Natixis' Corporate Center, income from private equity activities and from various other investment companies, central resource or support companies, and property management companies.

4.3.8 Analysis of the Groupe BPCE consolidated balance sheet

			Change	
in billions of euros	**12/31/2019**	**12/31/2018**	**€bn**	**%**
Cash and amounts due from central banks	80.2	76.5	3.8	5.0%
Financial assets at fair value through profit or loss	218.8	200.5	18.3	9.1%
Hedging derivatives – Positive FV	9.3	8.2	1.1	13.8%
Financial assets at fair value through other comprehensive income	44.6	40.1	4.5	11.3%
Financial assets at amortized cost	811.8	782.2	29.6	3.8%
Loans and receivables due from banks	*89.7*	*91.1*	*(1.5)*	*(1.6%)*
Loans and receivables due from customers	*693.3*	*659.3*	*34.0*	*5.2%*
Debt securities at amortized cost	*28.9*	*31.8*	*(2.9)*	*(9.0%)*
Revaluation differences on interest rate risk-hedged portfolios	7.7	5.5	2.2	40.0%
Insurance business investments	119.0	110.3	8.8	7.9%
Current and deferred tax assets and other assets	33.6	39.8	(6.2)	(15.6%)
Fixed assets (excluding goodwill)	8.3	6.4	1.9	29.8%
Goodwill	4.7	4.5	0.2	3.9%
ASSETS	**1,338.1**	**1,273.9**	**64.1**	**5.0%**
Amounts due to central banks	0.0	0.0	(0.0)	ns
Financial liabilities at fair value through profit or loss	201.8	194.9	6.9	3.5%
Hedging derivatives – Negative FV	15.1	13.6	1.5	10.9%
Financial liabilities at amortized cost (excluding subordinated debt)	875.7	832.9	42.8	5.1%
Amounts due to banks	*76.7*	*85.7*	*(9.0)*	*(10.5%)*
Amounts due to customers	*559.7*	*530.3*	*29.4*	*5.5%*
Debt securities	*239.3*	*216.9*	*22.5*	*10.4%*
Revaluation differences on interest rate risk-hedged portfolios	0.2	0.2	0.0	8.0%
Current and deferred tax liabilities and other liabilities	33.6	35.9	(2.3)	(6.5%)
Liabilities related to insurance contracts	110.7	98.9	11.8	12.0%
Provisions	6.2	6.6	(0.4)	(6.4%)
Subordinated debt	17.5	17.6	(0.1)	(0.6%)
Shareholders' equity	**77.3**	**73.4**	**3.9**	**5.4%**
Equity attributable to equity holders of the parent	***69.9***	***66.2***	***3.7***	***5.6%***
Non-controlling interests	*7.4*	*7.2*	*0.2*	*3.0%*
LIABILITIES	**1,338.1**	**1,273.9**	**64.1**	**5.0%**

At December 31, 2019, the consolidated balance sheet of Groupe BPCE totaled €1,338.1 billion, up 5.0% compared with December 31, 2018. The return on assets stood at 28bp in 2019.

CHANGES IN SIGNIFICANT ASSET ITEMS

The main asset items are loans and receivables due from customers (51.8% of total assets at December 31, 2019) and banks (6.7%), financial assets at fair value through profit or loss (16.3%), and insurance business investments (8.9%). Taken together, these items account for nearly 83.8% of the Group's assets.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include assets held for trading, including derivative financial instruments. Total financial instruments measured at fair value through profit or loss increased by €18.3 billion compared to December 31, 2018. This includes:

- an increase in equities and other equity instruments (+€17.1 billion);
- an increase in bonds and other debt securities (+€1.8 billion), bolstered by trading derivatives (+€1.7 billion);
- a decrease in securities and assets purchased under resale agreements from banks (-€3.1 billion).

LOANS AND RECEIVABLES DUE FROM BANKS

Loans and receivables due from banks (net of provisions) amounted to €89.7 billion at December 31, 2019, down by €1.5 billion *versus* December 31, 2018. They are broken down between security deposits paid at amortized cost, term loans and advances and demand loans and advances. 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 customer loans, finance leases, factoring and repurchase agreements. Net outstanding loans and receivables due from customers totaled €693.3 billion, up €34.0 billion over the year (+5.2%), thanks in large part to resilient groupwide performances, with special mention going to Retail Banking and Insurance. This performance can be attributed to the Caisse d'Epargne network for +€21.4 billion and the Banque Populaire network for +€15.7 billion. This momentum was mainly propelled by home loans (+€18.1 billion), short-term credit facilities (+€9.9 billion) and equipment loans (+€7.9 billion). Other customer loans saw a decline of -€2.7 billion. Non-performing loans accounted for 2.7% of gross loan outstandings at December 31, 2019.

INSURANCE BUSINESS INVESTMENTS

These financial assets comprise available-for-sale investments, including investments at fair value through profit or loss, loans and receivables due from customers, and the shares held by cedents and retrocessionaires in liabilities related to insurance policies and financial contracts. This portfolio totaled €119.0 billion at December 31, 2019 *versus* €110.3 billion in fiscal year 2018. The €8.8 billion increase was the result of fast-growing business (+7.9%). 2019 saw strong momentum across all insurance segments. Natixis, which accounted for 89.9% of outstandings at December 31, 2019, recorded inflows of €10.4 billion in life insurance, while its non-life and provident insurance activities saw gains of +6.4% and +12.2% respectively.

CHANGES IN SIGNIFICANT LIABILITY ITEMS

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, 2019, these liabilities amounted to €201.8 billion, up by €6.9 billion (+3.5%) over the period. This increase can be explained by the increase in other financial liabilities held for trading purposes (+€5.4 billion), debt securities designated at fair value through profit or loss (+€2.1 billion), and security deposits received (+€1.4 billion).

AMOUNTS DUE TO BANKS

Amounts due to banks consist mainly of term borrowings and to a lesser extent current accounts. They amounted to €76.7 billion, a decrease of €9.0 billion over the year (-10.5%), incorporating lower term borrowing (-€11.1 billion) which was partially offset by the increase in amounts due to credit institutions on demand (+€2.1 billion).

AMOUNTS DUE TO CUSTOMERS

Amounts due to customers mainly comprise regulated savings accounts, current accounts in credit, customer accounts and repurchase agreements. They totaled €559.7 billion at December 31, 2019, an increase of €29.4 billion compared to December 31, 2018. This increase can mainly be broken down as follows:

- a sharp increase in current accounts in credit (+€23.5 billion);
- higher investments in regulated savings accounts (+€8.6 billion), underpinned by inflows from Livret A passbook savings accounts (+€2.5 billion), Livret B passbook savings accounts (+€4.8 billion), and a strong performance in home savings plans (+€1.3 billion);
- a decline in securities sold under repurchase agreements (-€1.8 billion) and to a lesser degree in other amounts due to customers (factoring) (-€0.7 billion).

DEBT SECURITIES

These mainly comprise bonds, certificates of deposit, treasury notes, commercial paper and senior non-preferred debt, which stood at €239.3 billion at December 31, 2019. Persistently low interest rates contributed to the €22.5 billion increase in this debt in relation to 2018. The increase was mainly due to strong outstandings of senior non-preferred debt (+€5.8 billion) and certificates of deposit (+€5.1 billion) and was significantly underpinned by an increase in treasury notes and commercial paper (+€9.7 billion).

LIABILITIES RELATED TO INSURANCE CONTRACTS

This line mainly comprises technical liabilities related to insurance policies and financial contracts, which amounted to €110.7 billion at December 31, 2019, an increase of €11.8 billion. Technical liabilities related to insurance policies accounted for an increase of +€8.0 billion while profit sharing accounted for +€2.1 billion.

SHAREHOLDERS' EQUITY

Equity attributable to equity holders of the parent totaled €69.9 billion at December 31, 2019 compared to €66.2 billion at December 31, 2018. 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 income is calculated after restating the contribution of non-consolidated entities.

In 2019, 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	2019
Groupe BPCE net income	**3,030**
Entities not consolidated or consolidated under a different method[1]	(2,397)
Other items	(10)
BPCE SA group net income (pf)	**623**

(1) Including the Banques Populaires, Caisses d'Epargne and their consolidated subsidiaries.

BPCE SA group recorded net income attributable to equity holders of the parent of €623 million in 2019, down by €125 million compared to 2018 mainly owing to the continuation of strategic and group transformation projects launched during the last year.

	Retail Banking and Insurance		Asset & Wealth Management		Corporate & Investment Banking		Corporate Center		BPCE SA group	
in millions of euros	2019 pf	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019 pf	2018 pf
Net banking income	2,790	2,557	3,760	3,513	3,337	3,266	1,168	1,332	11,054	10,668
Operating expenses	(1,818)	(1,662)	(2,492)	(2,343)	(2,235)	(2,202)	(2,275)	(2,506)	(8,820)	(8,713)
Gross operating income	**971**	**895**	**1,268**	**1,170**	**1,102**	**1,064**	**(1,107)**	**(1,175)**	**2,234**	**1,954**
Cost/income ratio	65.2%	65.0%	66.3%	66.7%	67.0%	67.4%	ns	ns	79.8%	81.7%
Cost of risk	(149)	(67)	(8)	(2)	(312)	(174)	(22)	(125)	(491)	(368)
Share in income of equity-accounted associates	11	15	1	3	10	12	209	219	231	248
Gains or losses on other assets	7	1	13	43	(15)	3	(12)	(42)	(7)	4
Change in the value of goodwill							(78)	(16)	(78)	(16)
Income before tax	**841**	**843**	**1,273**	**1,214**	**786**	**904**	**(1,010)**	**(1,139)**	**1,890**	**1,822**
Income tax	(276)	(255)	(353)	(328)	(212)	(241)	272	452	(569)	(372)
Non-controlling interests (minority interests)	(78)	(81)	(447)	(418)	(176)	(199)	3	(3)	(698)	(702)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**487**	**507**	**473**	**468**	**397**	**464**	**(735)**	**(692)**	**623**	**747**

Retail Banking and Insurance recorded a -€19 million decline in net income attributable to equity holders of the parent *versus* 2018.

The Asset & Wealth Management division posted net income of €473 million, an increase of 1.1% on 2018, underpinned by the growth in performance fees charged by European and US asset management companies.

Corporate & Investment Banking posted net income of €397 million, a decrease of 14.3% on 2018.

The Corporate center's net income attributable to equity holders of the parent included the contributions of the BPCE SA group central institution, Natixis, Groupe Crédit Foncier and BPCE International, as well as the -€202 million contribution to the Single Resolution Fund.

4.4.2 Analysis of BPCE SA group's consolidated balance sheet

in billions of euros	12/31/2019	12/31/2018	Change €bn	Change %
Cash and amounts due from central banks	72.6	66.7	5.9	8.9%
Financial assets at fair value through profit or loss	212.8	196.3	16.5	8.4%
Hedging derivatives – Positive FV	7.9	7.2	0.7	10.1%
Financial assets at fair value through other comprehensive income	17.1	15.7	1.4	8.8%
Financial assets at amortized cost	321.7	321.9	(0.2)	(0.1%)
Loans and receivables due from banks	*129.4*	*129.3*	*0.1*	*0.1%*
Loans and receivables due from customers	*177.3*	*177.2*	*0.1*	*0.1%*
Debt securities at amortized cost	*15.0*	*15.5*	*(0.5)*	*(2.9%)*
Revaluation differences on interest rate risk-hedged portfolios	6.0	4.7	1.3	27.8%
Insurance business investments	111.8	103.3	8.5	8.2%
Current and deferred tax assets and other assets	24.0	29.8	(5.8)	(19.5%)
Fixed assets (excluding goodwill)	3.3	2.1	1.2	55.7%
Goodwill	4.1	3.9	0.2	4.7%
ASSETS	**781.3**	**751.6**	**29.7**	**4.0%**
Amounts due to central banks	0.0	0.0	(0.0)	ns
Financial liabilities at fair value through profit or loss	208.4	201.2	7.2	3.6%
Hedging derivatives – Negative FV	10.1	9.4	0.8	8.1%
Financial liabilities at amortized cost (excluding subordinated debt)	387.8	375.2	12.6	3.4%
Amounts due to banks	*113.1*	*113.8*	*(0.7)*	*(0.6%)*
Amounts due to customers	*50.2*	*56.7*	*(6.6)*	*(11.6%)*
Debt securities	*224.6*	*204.7*	*19.9*	*9.7%*
Revaluation differences on interest rate risk-hedged portfolios	0.2	0.2	0.0	4.4%
Current and deferred tax liabilities and other liabilities	24.1	26.8	(2.7)	(10.0%)
Liabilities related to insurance contracts	103.0	91.7	11.3	12.3%
Provisions	2.7	3.0	(0.4)	(12.8%)
Subordinated debt	17.3	17.4	(0.0)	(0.3%)
Shareholders' equity	**27.7**	**26.7**	**1.0**	**3.9%**
Equity attributable to equity holders of the parent	***20.4***	***19.6***	***0.8***	***4.2%***
Non-controlling interests	*7.3*	*7.0*	*0.2*	*3.2%*
LIABILITIES	**781.3**	**751.6**	**29.7**	**4.0%**

At December 31, 2019, the consolidated balance sheet of BPCE SA group totaled €781.3 billion, up 4.0% compared with December 31, 2018.

The growth in the balance sheet reflects the disparity between the increase in financial assets at fair value through profit or loss (+€16.5 billion), insurance business investments (+€8.5 billion), and cash and amounts due from central banks (+€5.9 billion), to the detriment of current and deferred tax assets and other assets (-€5.8 billion).

Moreover, Equity attributable to equity holders of the parent totaled €20.4 billion at December 31, 2019, representing an increase compared to December 31, 2018. The change over the period notably included net income for the year, *i.e.* +€0.6 billion.

4.5 Investments

4.5.1 In 2019

Acquisition by BPCE of Natixis SA's Factoring, Sureties & Guarantees, Leasing, Consumer Finance and Securities Services business lines for €2.7 billion on March 31, 2019.

Acquisition by BPCE of a 50.1% stake in Oney Bank SA from Auchan Holding on October 20, 2019.

4.5.2 In 2018

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 the fiscal year.

4.5.3 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 the fiscal year.

4.6 Post-balance sheet events

The financial statements for fiscal year 2019 were approved by the Management Board on February 4, 2020. Since then, Natixis announced on February 25, 2020 that it had concluded a Memorandum of Understanding for the sale of 29.5% of its stake in Coface for a price per share of €10.70. As of the date of signing of the MoU, goodwill impairment will be recognized on this Coface equity interest, estimated at around €100 million based on data taken at December 31, 2019.After the disposal, which may take place several months after the announcement as the necessary regulatory authorizations are obtained, Natixis will no longer be represented on the Board of Directors of Coface.

In light of the spread of Covid-19, economic activity would now appear to be on the path to recession, amid heightened uncertainty at least for the first half in many countries. In particular, mobility restrictions in affected areas, the clear impact of a prolonged economic disruption on value chains, and the spread of the health crisis to the service sector (tourism revenues, air travel, local sales, etc.) have set the stage for weakened economic conditions at least for the first half of 2020.

4.7 Outlook for Groupe BPCE

2020 FORECASTS: RECESSION ON THE HORIZON?

The global economy in 2020 – nearing the end of the cycle, more leveraged than in 2017 and 2018, and in a persistent industrial recession since Q4 2018 – was expected to show moderate improvement until the month of February came along. Activity now seems to be headed for a recession amid greater uncertainty, at least for the first half in many countries, brought on by the spread of the coronavirus (Covid-19) since January. As mandatory confinement measures grow more widespread in an effort to prevent healthcare systems from becoming overloaded, economic activity has been gripped by temporary paralysis, especially in the United States, Europe and France, raising the specter of a severe downturn of as-yet unknowable magnitude and duration. Quarantine measures are causing major and increasing global disruptions in supply and production chains, while also spreading to the service sector (tourism revenues, air travel, local sales), which can then be expected to slow the rate and possibly even the scale of the expected recovery (probably in the second half) once the health crisis has passed. Furthermore, oil prices collapsed in early March to under $30/barrel due to the twofold shock in demand (impact of Covid-19) and supply (price war between manufacturers to gain market share), an event liable to create record-setting over supply. The extension of confinement measures and steep drop in oil prices triggered a panic on the stock market in March, the likes of which have not been seen since 1929, with 7 years of CAC 40 gains wiped out in less than 4 weeks.

This unpredictable shock forced central banks and governments in most affected countries to hit back with an extremely fast, unprecedented and no-holds-barred response, relative to the standard fiscal and monetary rules spanning economic history. They have tended to adopt a "lender of last resort" approach, such as the Fed, the ECB and the German and French governments. The main goal for them is to avoid triggering a downward spiral of mistrust between economic agents, and to prevent temporary liquidity problems from snowballing into solvency problems and causing a chain reaction of defaults by normally sound companies.

The Fed in particular unexpectedly lowered the fed funds rate range to a floor of 0 0.25% on March 15, after the 50-bp cut already made on March 3. It also urgently accelerated its treasury and mortgage bond purchases, which will total $700bn over the next few months. Lastly, it pumped massive liquidity injections into banks and cut their mandatory reserve ratio. Similarly, as it did during the 2008 crisis, the Fed opened dollar swap lines with five other central banks to keep the world's dollar-dependent financial system running smoothly. Meanwhile the BCE, with less leeway to lower its key rates, already launched massive refinancing operations on March 12. It is expected to ramp up this initiative – as it did on March 18 by initiating a new €750bn Pandemic Emergency Purchase Program (PEPP) set to run at least through end-2020 – notably by stepping up its efforts to prevent euro zone sovereign spreads from widening. In addition, the Single Supervisory Mechanism (SSM) relaxed capital requirements for banks, and governments announced guarantees for business loans. These complementary measures should gradually prove effective in shoring up liquidity and credit flows.

On the whole, this monetary activism should keep long rates very low for long, with the 10-year OAT near or below zero, although they should bounce back moderately as economic activity mechanically picks up again in the second half from the extremely low starting point of quasi-deflation hit during the mandatory confinement period. There is the possibility of a risk premium emerging, however, given the magnitude of the fiscal support measures at play, and possibly even the subsequent rise of inflation, stemming from greater pressure on supply as opposed to demand.

On the downside, US economic activity, initially set to enjoy the usual pre-Presidential election boost, may end up in recession despite what may well be a sharp mechanical rebound in the second half. The Chinese economy, expected to take a major hit from the impact of Covid-19 in the first half, is likely to slow significantly despite public and monetary measures taken to stimulate domestic demand. The euro zone, already showing multiple signs that the end of the cycle was nearing, should also fall into recession, even if it does experience a vigorous turnaround in the second half. Once the health crisis is over, the euro zone should benefit from measures to support household purchasing power, persistently ultra-low oil prices (around $40/barrel), and exceptionally accommodative monetary and fiscal policies

Even with a hearty rebound in the second half, French GDP may be in for a rougher than-expected recession, in the event the strict confinement policy lasts more than a month a half (from March 16 to end-April). The intensity of the recession will naturally depend on how long the confinement lasts and how extensive the withdrawal mechanisms are, setting the stage for a severe twofold shock on supply and demand. The economic forecast is as follows: a GDP decline of up to 10% in the first half, caused by the economic paralysis starting on March 16, followed by an equivalent rebound in the second half on the back of extraordinary fiscal measures totaling some €300bn (13% of GDP), with temporary and highly targeted measures aimed in particular at curbing cash flow problems experienced by SMEs.

OUTLOOK FOR THE GROUP AND ITS BUSINESS LINES

The Group will continue implementing its TEC 2020 Strategic Plan in 2020, with three priorities:

First, seizing the opportunities presented by the digital transformation to simplify and personalize the bank's products, services and tools, make customers more independent, generate new revenues and gain efficiency;

Second, making commitments:

- to retail banking customers:
  - by offering solutions tailored to new customer preferences and supporting them in "key moments" of their lives, with different levels of service,
  - by keeping its promise of availability, advice and excellence, thanks in large part to the adaptation of the omni-channel relationship banking model;
- to Asset & Wealth Management clients:
  - by providing a range of innovative, bespoke and active investment strategies and solutions, particularly through a broadened range of expertise and an expanded presence in the Asia-Pacific region;
- to Corporate & Investment Banking clients:
  - by differentiating the Group over the long term and creating value for clients through the implementation of cross-business expertise in its strongest sectors;

- to cooperative shareholders:
  - by furthering its commitments to society and funding the French economy, in a spirit of responsibility and green growth reflected in the development of responsible savings inflows, the funding of the energy transition, and the reduction of the Group's carbon footprint;
- to employees:
  - by keeping its promise as an employer to develop employability, simplify the employee experience and promote diversity,
  - by attracting and retaining top talents in the industry.

Finally, by setting ambitious growth targets for our business lines:

- Banque Populaire: by developing the affinity model, particularly in the civil service sector;
- Caisse d'Epargne: by serving all customer segments while tailoring the sales approach to fit their profile;
- Banque Palatine: by developing private banking activities while migrating to a shared IT platform;
- Financial Solutions and Expertise: 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.

In 2020, the Group will begin preparatory work on its next strategic plan, which is to be announced at the end of the year.

The Management Report does not address the effects of the Covid-19 epidemic, which had not truly taken hold in Europe when the Management Board approved the financial statements for fiscal year 2019 on February 4, 2019. Since then, the "Outlook for Groupe BPCE" section has been updated.

DEFINITIONS AND NOTES ON METHODOLOGY

OPERATING EXPENSES

Operating expenses are the aggregation of operating expenses as presented in the registration document (Note 4.7 to the Groupe BPCE consolidated financial statements) and "Depreciation, amortization and impairment of property, plant and equipment and intangible assets."

COST OF RISK

Cost of risk is expressed in basis points and measures the level of risk by business division, as a percent of the volume of loan outstandings. It is calculated by dividing the net allowance for credit risk over the period by gross customer loan outstandings at the start of the period.

LOAN OUTSTANDINGS, CUSTOMER SAVINGS AND DEPOSITS

The following restatements were carried out for the transition from accounting capital to loan outstandings and customer savings & deposits:

- customer savings and deposits: outstandings exclude debt securities (certificates of deposit and savings bonds);
- loan outstandings: outstandings exclude equivalents of loans and receivables due from customers and other financial activity equivalents.

SOLVENCY

Common Equity Tier 1 is determined in accordance with the applicable CRR/CRD IV rules after deduction, on the supervisor's instructions, of irrevocable payment commitments; non phased-in capital is presented without applying phase-in measures. – Additional Tier 1 capital includes subordinated debt issues which have become ineligible for deferred tax assets, capped at the phase-out rate in force. – The leverage ratio is calculated using the rules of the Delegated Act published by the European Commission on October 10, 2014, without phase-in arrangements. Securities financing operations carried out with clearing houses are offset on the basis of the criteria set forth in IAS 32, without consideration of maturity and currency criteria. Subsequent to the ruling of the European Court of Justice on July 13, 2018, Groupe BPCE once again applied for ECB approval to exclude centralized regulated savings from the calculation of the ratio's denominator.

TOTAL LOSS ABSORPTION CAPACITY

The amount of liabilities eligible for the TLAC numerator is determined in accordance with our interpretation of the FSB term sheet published on November 9, 2015, "Principles on Loss-Absorbing and Recapitalisation Capacity of G-SIBs in Resolution." This amount comprises the following four items:

- Common Equity Tier 1 capital, in accordance with applicable CRR/CRD IV rules;
- Additional Tier 1 capital, in accordance with applicable CRR/CRD IV rules;
- Tier 2 capital, in accordance with applicable CRR/CRD IV rules;
- subordinated debt not recognized in the above categories, with a residual maturity of more than 1 year, *i.e.:*
  - the share of AT1 instruments not recognized in capital (*i.e.* taken in phase-out),
  - the share of the prudential discount on Tier 2 instruments with a residual maturity of more than 1 year,
  - the nominal amount of senior non preferred debt with a maturity of more than 1 year.

Eligible amounts vary somewhat from the amounts included in the numerator of solvency ratios; these eligible amounts are determined in accordance with the principles of the FSB term sheet of November 9, 2015.

LIQUIDITY

Total liquidity reserves include:

- central bank-eligible assets: ECB-eligible securities not eligible for the LCR, taken for their ECB valuation (after ECB haircut), securities held (securitization and covered bonds) that are available and ECB-eligible, taken for their ECB valuation (after ECB haircut) and private debt available and eligible for central bank funding (ECB and Federal Reserve), net of central bank funding;
- LCR eligible assets comprising the Group's LCR reserve taken for their LCR valuation;
- liquid assets placed with central banks (ECB and the Federal Reserve), net of US MMF (Money Market Funds) deposits, plus fiat money.

Short-term funding comprises funding with an initial maturity of less than or equal to 1 year, and the short-term maturities of medium-/long-term debt comprise debt with an initial maturity of more than 1 year maturing within the next 12 months.

The following adjustments were made to customer deposits:

- addition of issues placed by the Banque Populaire and Caisse d'Epargne networks with customers, and certain transactions carried out with counterparties considered equivalent to customer deposits;
- removal of short-term deposits by certain financial customers collected by Natixis in its brokerage activities.

5

FINANCIAL REPORT

Groupe BPCE and BPCE SA group scopes of consolidation 218

5.1 IFRS Consolidated Financial Statements of Groupe BPCE as at December 31, 2019 219

5.1.1 Consolidated income statement 219

5.1.2 Comprehensive income 220

5.1.3 Consolidated balance sheet 221

5.1.4 Statement of changes in equity 222

5.1.5 Consolidated cash flow statement 224

5.1.6 Notes to the financial statements of Groupe BPCE 225

5.2 Statutory Auditors' report on the consolidated financial statements 359

5.3 IFRS Consolidated Financial Statements of BPCE SA group as at December 31, 2019 367

5.3.1 Consolidated income statement 367

5.3.2 Comprehensive income 368

5.3.3 Consolidated balance sheet 369

5.3.4 Statement of changes in equity 370

5.3.5 Consolidated cash flow statement 372

5.3.6 Notes to the financial statements of BPCE SA group 373

5.4 Statutory Auditors' report on the consolidated financial statements 486

5.5 BPCE management report 495

Significant events of 2019 495

Company situation and activity in 2019 496

5.6 BPCE parent company annual financial statements 502

5.6.1 Balance sheet and off-balance sheet items 503

5.6.2 Notes to the parent company annual financial statements 505

5.7 Statutory Auditors' report on the consolidated financial statements 543

5.8 Controls of accounting and financial reporting quality 547

5.8.1 Roles and responsibilities in preparing and processing accounting and financial information 547

5.8.2 Production processes for accounting and financial data 548

5.8.3 Accounting and financial data control process 549

5.9 Persons responsible for auditing the financial statements 552

5.9.1 Statutory Audit system 552

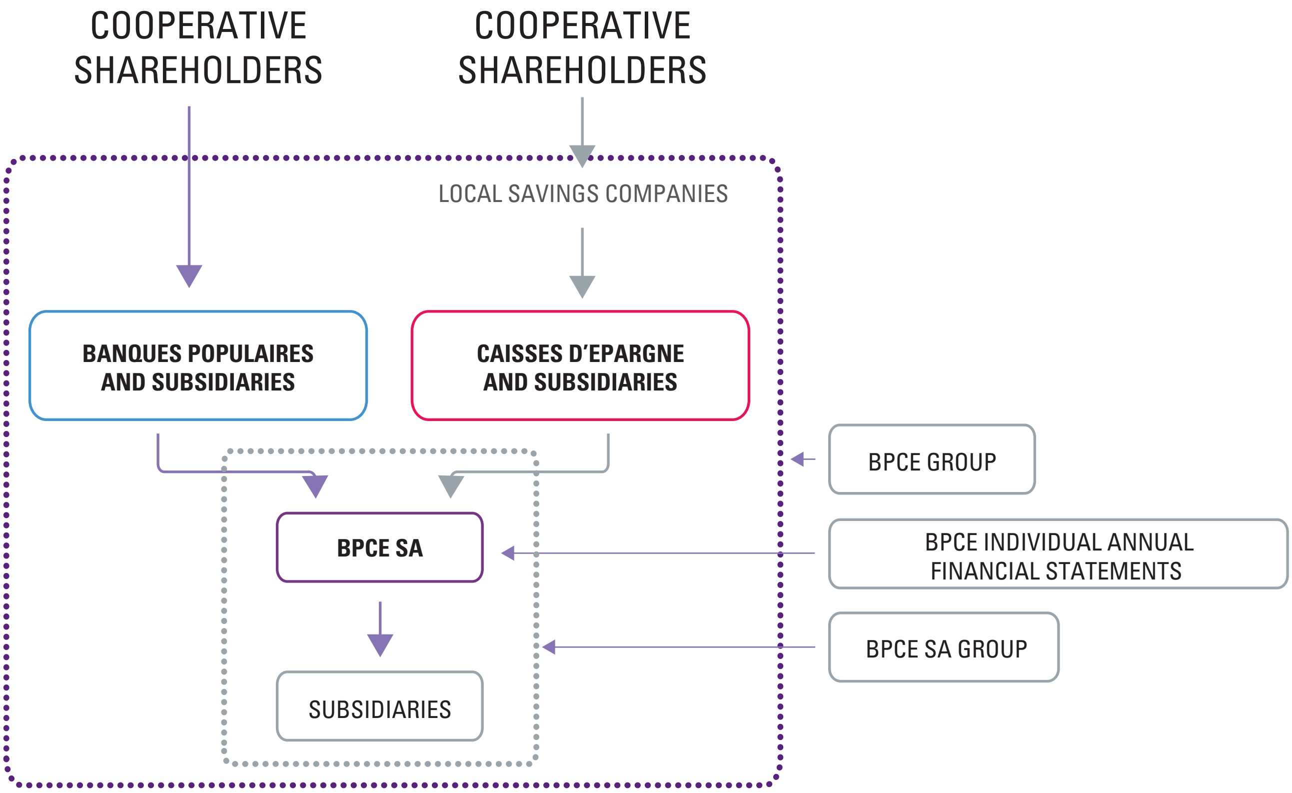
5.9.2 Statutory Auditors of BPCE 552

Groupe BPCE and BPCE SA group scopes of consolidation

The scope of consolidation of both groups, organized around the central institution, are presented in the diagram below.

In addition to BPCE SA group, Groupe BPCE includes the Banques Populaires, the Caisses d'Epargne and their respective subsidiaries.

BPCE SA group comprises BPCE and its subsidiaries. The main difference in terms of consolidation perimeter stems from the contributions of the parent companies, which do not contribute to BPCE SA group's net income.



5.1 IFRS Consolidated Financial Statements of Groupe BPCE as at December 31, 2019

5.1.1 Consolidated income statement

in millions of euros	***Notes***	**Fiscal year 2019**	**Fiscal year 2018** [(1)]
Interest and similar income	*4.1*	24,145	23,481
Interest and similar expenses[(1)]	*4.1*	(15,485)	(14,840)
Commission income	*4.2*	11,607	11,691
Commission expenses	*4.2*	(2,022)	(2,123)
Net gains or losses on financial instruments at fair value through profit or loss	*4.3*	2,223	2,197
Net gains or losses on financial instruments at fair value through other comprehensive income	*4.4*	198	139
Net gains or losses arising from the derecognition of financial assets at amortized cost	*4.5*	11	38
Net income from insurance activities	*9.2.1*	3,306	3,094
Income from other activities	*4.6*	1,316	1,328
Expenses from other activities	*4.6*	(994)	(1,004)
Net banking income		**24,305**	**24,001**
Operating expenses	*4.7*	(16,309)	(16,783)
Depreciation, amortization and impairment for property, plant and equipment and intangible assets[(1)]		(1,273)	(904)
Gross operating income		**6,722**	**6,314**
Cost of credit risk	*7.1.1*	(1,367)	(1,299)
Operating income		**5,355**	**5,014**
Share in net income of associates and joint ventures	*12.4.2*	265	284
Gains or losses on other assets	*4.8*	1	15
Change in the value of goodwill		(84)	(16)
Income before tax		**5,538**	**5,297**
Income tax	*11.1*	(1,801)	(1,477)
Net income		**3,737**	**3,819**
Non-controlling interests	*5.16.1*	(707)	(793)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,030**	**3,026**

(1) Information in respect of fiscal year 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 “Leases” in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 are presented in Note 2.2.

5

5.1.2 Comprehensive income

in millions of euros	Fiscal year 2019	Fiscal year 2018[1]
Net income	**3,737**	**3,819**
Items recyclable to net income	**912**	**(380)**
Foreign exchange rate adjustments	175	166
Revaluation of financial assets at fair value through other comprehensive income recyclable to profit or loss	237	(284)
Revaluation of available-for-sale financial assets of insurance businesses	476	(301)
Revaluation of derivative hedging items that can be recycled to profit or loss	100	85
Share of gains and losses of associates recognized directly in other comprehensive income	184	(275)
Related taxes	(261)	229
Items not recyclable to net income	**(103)**	**335**
Revaluation of property, plant & equipment		
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	(240)	126
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	(235)	412
Revaluation of equity financial assets recognized at fair value through other comprehensive income	282	(60)
Share of gains and losses of associates recognized directly in other comprehensive income	(9)	(1)
Other items recognized through other comprehensive income on items not recyclable to profit or loss	1	(1)
Related taxes	98	(142)
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)	**810**	**(45)**
COMPREHENSIVE INCOME	**4,546**	**3,774**
Attributable to equity holders of the parent	3,706	2,912
Non-controlling interests	840	862
For information: Items not recyclable to profit or loss transferred to retained earnings	***(110)***	***9***

(1) Information in respect of fiscal year 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 “Leases” in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 are presented in Note 2.2.

5.1.3 Consolidated balance sheet

ASSETS

in millions of euros	Notes	12/31/2019	12/31/2018[1]
Cash and amounts due from central banks	5.1	80,244	76,458
Financial assets at fair value through profit or loss	5.2.1	218,767	200,516
Hedging derivatives	5.3	9,286	8,160
Financial assets at fair value through other comprehensive income	5.4	44,630	40,088
Securities at amortized cost	5.5.1	28,922	31,776
Loans and receivables due from banks and similar at amortized cost	5.5.2	89,656	91,142
Loans and receivables due from customers at amortized cost	5.5.3	693,257	659,281
Revaluation differences on interest rate risk-hedged portfolios		7,673	5,480
Insurance business investments	9.1.1	119,046	110,295
Current tax assets		864	873
Deferred tax assets	11.2	3,597	3,174
Accrued income and other assets	5.6	24,326	29,123
Non-current assets held for sale	5.7	578	2,639
Investments in associates	12.4.1	4,247	4,033
Investment property	5.8	769	783
Property, plant and equipment[1]	5.9	6,448	4,419
Intangible assets	5.9	1,089	1,198
Goodwill	3.5.1	4,665	4,489
TOTAL ASSETS		**1,338,064**	**1,273,926**

(1) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 “Leases” in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 (right-of-use assets in lessee’s leasing arrangements) are described in Note 2.2.

LIABILITIES

in millions of euros	Notes	12/31/2019	12/31/2018[1]
Central banks			9
Financial liabilities at fair value through profit or loss	5.2.2	201,776	194,867
Hedging derivatives	5.3	15,068	13,589
Debt securities	5.10	239,341	216,878
Amounts due to banks and similar	5.11.1	76,653	85,662
Amounts due to customers	5.11.2	559,713	530,323
Revaluation differences on interest rate risk-hedged portfolios		238	221
Current tax liabilities[2]		788	262
Deferred tax liabilities	11.2	1,400	884
Accrued expenses and other liabilities[1]	5.12	30,877	32,701
Liabilities associated with non-current assets held for sale	5.7	528	2,096
Liabilities related to insurance policies	9.1.2	110,697	98,855
Provisions[2]	5.13	6,156	6,574
Subordinated debt	5.14	17,487	17,598
Equity		**77,341**	**73,406**
Equity attributable to equity holders of the parent		**69,909**	**66,194**
Share capital and additional paid-in capital	5.15.1	*26,740*	*23,513*
Retained earnings		*38,972*	*39,044*
Gains and losses recognized directly in other comprehensive income		*1,168*	*612*
Net income for the period		*3,030*	*3,026*
Non-controlling interests	5.16	7,431	7,212
TOTAL LIABILITIES AND EQUITY		**1,338,064**	**1,273,926**

(1) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 “Leases” in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 (lease liabilities recorded under lessee’s leasing arrangements) are described in Note 2.2.

(2) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRIC 23. These impacts are presented in Note 2.2.

5.1.4 Statement of changes in equity

in millions of euros	Share capital and additional paid-in capital: Share capital (Note 5.15.1)	Share capital and additional paid-in capital: Additional paid-in capital (Note 5.15.1)	Perpetual deeply subordinated notes	Retained earnings
SHAREHOLDERS' EQUITY AT JANUARY 1, 2018	**18,888**	**3,834**	**683**	**38,428**
Dividend payments				(358)
Capital increase (Note 5.15.1)	791			613
Redemption of deeply subordinated notes				(36)
Interest on deeply subordinated notes				(65)
Impact of acquisitions and disposals on non-controlling interests (Note 5.16.2)				(107)
Total activity arising from relations with shareholders	**791**			**47**
Gains and losses recognized directly in other comprehensive income (Note 5.17)				
Net income for the period				
Comprehensive income				
Other changes[(1)]				(114)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	**19,679**	**3,834**	**683**	**38,360**
Allocation of net income for 2018				3,026
SHAREHOLDERS' EQUITY AT JANUARY 1, 2019	**19,679**	**3,834**	**683**	**41,386**
Dividend payments				(375)
Capital increase (Note 5.15.1)	3,227			(1,594)
Redemption of deeply subordinated notes (Note 5.15.2)			(683)	(64)
Interest on deeply subordinated notes				(73)
Impact of acquisitions and disposals on non-controlling interests (Note 5.16.2)				(382)
Total activity arising from transactions with shareholders	**3,227**		**(683)**	**(2,488)**
Gains and losses recognized directly in other comprehensive income (Note 5.17)				
Capital gains and losses reclassified to retained earnings				110
Net income for the period				
Comprehensive income				**110**
Other changes[(1)]				(37)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2019	**22,906**	**3,834**		**38,971**

(1) Other changes also include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

Gains and losses recognized directly in other comprehensive income										
Recyclable				Non-recyclable						
Foreign exchange rate adjustments	Debt financial assets recognized at fair value through other compre-hensive income	Available-for-sale financial assets of insurance businesses	Change in fair value of hedging derivatives	Equity financial assets recognized at fair value through other compre-hensive income	Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	Revaluation differences on employee benefits	Net income attributable to equity holders of the parent	Total Equity attributable to equity holders of the parent	Non-controlling interests	Total conso-lidated equity
84	**277**	**1,055**	**(302)**	**(46)**	**(167)**	**(258)**		**62,476**	**7,106**	**69,582**
								(358)	(520)	(878)
								1,404	4	1,408
								(36)	(266)	(302)
								(65)		(65)
								(107)	50	(57)
								838	**(732)**	**106**
92	(187)	(310)	40	(46)	214	83		(114)	69	(45)
							3,026	3,026	793	3,819
92	**(187)**	**(310)**	**40**	**(46)**	**214**	**83**	**3,026**	**2,912**	**862**	**3,774**
20				62				(32)	(24)	(56)
196	**90**	**745**	**(262)**	**(30)**	**47**	**(175)**	**3,026**	**66,194**	**7,212**	**73,406**
							(3,026)			
196	**90**	**745**	**(262)**	**(30)**	**47**	**(175)**		**66,194**	**7,212**	**73,406**
								(375)	(1,031)	(1,406)
								1,633		1,633
								(747)		(747)
								(73)		(73)
		20	(31)					(393)	406	13
		20	**(31)**					**45**	**(625)**	**(580)**
100	171	385	74	245	(123)	(175)		677	133	809
				(110)						
							3,030	3,030	707	3,737
100	**171**	**385**	**74**	**135**	**(123)**	**(175)**	**3,030**	**3,707**	**840**	**4,546**
								(37)	5	(32)
296	**261**	**1,150**	**(219)**	**105**	**(76)**	**(350)**	**3,030**	**69,909**	**7,431**	**77,341**

5.1.5 Consolidated cash flow statement

in millions of euros	Fiscal year 2019	Fiscal year 2018
Income before tax	**5,538**	**5,297**
Net depreciation and amortization of property, plant and equipment, and intangible assets	1,447	989
Goodwill impairment	84	10
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	8,928	6,009
Share in net income of associates	(150)	(175)
Net cash flows generated by investing activities	(1,687)	(1,299)
Other changes	(1,544)	(3,611)
Total non-monetary items included in net income before tax	***7,077***	***1,923***
Net increase (decrease) arising from transactions with banks	(11,250)	9,726
Net increase (decrease) arising from transactions with customers	(1,614)	(18,851)
Net increase (decrease) arising from transactions involving financial assets and liabilities	(3,845)	(6,628)
Net increase (decrease) arising from transactions involving non-financial assets and liabilities[1]	720	(6,699)
Income taxes paid	(1,529)	(255)
Net increase (decrease) in assets and liabilities resulting from operating activities	***(17,518)***	***(22,707)***
Net cash flows generated by operating activities (A) – Ongoing operations	**(4,920)**	**(15,616)**
Net cash flows generated by operating activities (A) – Discontinued operations	**16**	**129**
Net increase (decrease) related to financial assets and equity investments	6,785	2,914
Net increase (decrease) related to investment property	(189)	184
Net increase (decrease) related to property, plant and equipment, and intangible assets	(1,322)	(870)
Net cash flows generated by investing activities (B) – Ongoing operations	**5,290**	**2,264**
Net cash flows generated by investing activities (B) – Discontinued operations	**16**	**(36)**
Net increase (decrease) arising from transactions with shareholders[2]	154	168
Other increases (decreases) generated by financing activities[3]	(576)	(279)
Net cash flows generated by financing activities (C) – Ongoing operations	**(424)**	**(90)**
Net cash flows generated by financing activities (C) – Discontinued operations	**1**	**(21)**
Impact of changes in exchange rates (D) – Ongoing operations	**276**	**580**
Impact of changes in exchange rates (D) – Discontinued operations	**(1)**	**1**
Cash flow on assets and liabilities held for sale (E)		**(353)**
TOTAL NET CASH FLOWS (A+B+C+D+E)	**223**	**(13,142)**
Cash and net balance of accounts with central banks	**76,450**	**94,701**
Cash and net balance of accounts with central banks (assets)	76,459	94,701
Net balance of demand transactions with banks	**(1,506)**	**(6,618)**
Current accounts with overdrafts[4]	7,941	6,877
Demand accounts and loans	105	142
Demand accounts in credit	(7,364)	(8,879)
Demand repurchase agreements	(2,188)	(4,758)
Opening cash and cash equivalents	**74,944**	**88,083**
Cash and net balance of accounts with central banks	**80,246**	**76,449**
Cash and net balance of accounts with central banks (assets)	80,246	76,458
Net balance of demand transactions with banks	**(5,080)**	**(1,507)**
Current accounts with overdrafts[4]	6,706	7,941
Demand accounts and loans	50	105
Demand accounts in credit	(9,389)	(7,364)
Demand repurchase agreements	(2,446)	(2,189)
Closing cash and cash equivalents	**75,167**	**74,942**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**223**	**(13,142)**

(1) Including cash flows relating to lease liabilities for -€479 million at December 31, 2019.
(2) Cash flows from or to the shareholders mainly include:

- the redemption of deeply subordinated notes recorded as equity for -€747 million (-€298 million in 2018);
- interest paid on deeply subordinated notes recorded as equity for -€73 million (-€65 million in 2018);
- net changes in share capital and additional paid-in capital of the Banques Populaires and Caisses d'Epargne amounting to +€1,633 million (+€1,404 million in 2018);
- dividend payouts amounting to -€1,406 million (-€878 million in 2018).

(3) Cash flows from financing activities mainly include the impact of redemptions of subordinated notes and loans for -€576 million (-€279 million in 2018).
(4) 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

Note 1	**General framework**	**227**
1.1	groupe BPCE	227
1.2	Guarantee mechanism	227
1.3	significant Events	228
1.4	Post-balance sheet events	229
Note 2	**Applicable accounting standards and comparability**	**229**
2.1	Regulatory framework	229
2.2	Accounting standards	229
2.3	Use of estimates and judgments	232
2.4	Presentation of the consolidated financial statements and balance sheet date	233
2.5	General accounting principles and measurement methods	233
Note 3	**Consolidation**	**236**
3.1	Consolidating entity	236
3.2	Scope of consolidation – consolidation and valuation methods	236
3.3	Consolidation rules	238
3.4	Changes in scope of consolidation during fiscal year 2019	239
3.5	Goodwill	240
Note 4	**Notes to the income statement**	**243**
4.1	Interest and similar income and expenses	243
4.2	Fee and commission income and expenses	244
4.3	Net gains or losses on financial instruments at fair value through profit or loss	246
4.4	Net gains or losses on financial instruments at fair value through other comprehensive income	247
4.5	Net gains or losses on financial instruments at amortized cost	247
4.6	Income and expenses from other activities	248
4.7	Operating expenses	248
4.8	Gains or losses on other assets	249
Note 5	**Notes to the balance sheet**	**249**
5.1	Cash and amounts due from central banks	249
5.2	Financial assets and liabilities at fair value through profit or loss	250
5.3	Hedging derivatives	255
5.4	Financial assets at fair value through other comprehensive income	260
5.5	Assets at amortized cost	262
5.6	Accrued income and other assets	264
5.7	Non-current assets held for sale and associated liabilities	264
5.8	Investment property	265
5.9	Property, plant and equipment and intangible assets	266
5.10	Debt securities	267
5.11	Amounts due to banks and similar, and customers	267
5.12	Accrued expenses and other liabilities	268
5.13	Provisions	269
5.14	Subordinated debt	270
5.15	Ordinary shares and equity instruments issued	271
5.16	Non-controlling interests	272
5.17	Changes in gains and losses recognized directly in other comprehensive income	274
5.18	Offsetting of financial assets and financial liabilities	275
5.19	Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that can be sold or repledged	277
Note 6	**Commitments**	**279**
6.1	Loan commitments	279
6.2	Guarantee commitments	280
Note 7	**Exposure to risks**	**281**
7.1	Credit risk and counterparty risk	281
7.2	Market risk	289
7.3	Interest rate risk and exchange rate risk	289
7.4	Liquidity risk	289
Note 8	**Employee benefits and similar**	**289**
8.1	PAYROLL COSTS	290
8.2	Employee benefits	290
8.3	Share-based payments	294
Note 9	**Insurance businesses**	**296**
9.1	Notes to the balance sheet	297
9.2	Notes to the income statement	304
9.3	Information to be provided on the temporary exemption of insurance businesses from IFRS 9	306
Note 10	**Fair value of financial assets and liabilities**	**306**
10.1	Fair value of financial assets and liabilities	313
10.2	Fair value of financial assets and liabilities at amortized cost	323
Note 11	**Income taxes**	**324**
11.1	Income tax	324
11.2	Deferred tax assets and liabilities	325

5

Note 12 Other information 326

12.1 Segment reporting 326
12.2 Information on leases 328
12.3 Related party transactions 331
12.4 Partnerships and associates 332
12.5 Interests in non-consolidated structured entities 333
12.6 Locations by country 337
12.7 Statutory Auditors' fees 347

Note 13 Details of the scope of consolidation 348

13.1 Securitization transactions 348
13.2 Guaranteed ucits 349
13.3 other interests in consolidated subsidiaries and structured entities 349
13.4 Scope of consolidation at December 31, 2019 349
13.5 Non-consolidated companies at December 31, 2019 357

Note 1 General framework

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 BANQUES POPULAIRES AND THE CAISSES D'EPARGNE

Groupe BPCE is a cooperative group whose shareholders own the two retail banking networks: the 14 Banques Populaires and the 15 Caisses d'Epargne. Each of the two networks owns an equal share in BPCE, the Group's central institution.

The Banque Populaire network consists of the Banques Populaires and the Mutual Guarantee Companies which grant 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 Banques Populaires are wholly-owned by their cooperative shareholders.

The capital of the Caisses d'Epargne is wholly-owned by the LSCs. Local savings companies are cooperative structures with open-ended share capital owned by cooperative shareholders. The LSCs are tasked with coordinating the cooperative shareholder base, in line with the general objectives defined by the individual Caisse d'Epargne with which they are affiliated, and cannot perform banking transactions.

BPCE

BPCE, a central institution as defined by the French Banking Act and a credit institution licensed to operate as a bank, was created pursuant to Act 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 Banques Populaires and the 15 Caisses d'Epargne.

BPCE's corporate mission is to ensure the continuity of the cooperative principles underlying the Banques Populaires 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 operation of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures of the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It also defines the Group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries, including Natixis, a 70.68%-owned listed company, are organized around three core business lines:

- Retail Banking and Insurance, which includes the Banque Populaire network, the Caisse d'Epargne network, the Financial Solutions & Expertise business line (including Factoring, Consumer Finance, Leasing, Sureties & Financial Guarantees, Retail Securities Services, Natixis' Payments and Insurance business lines and Other Networks (primarily Banque Palatine);
- Asset & Wealth Management;
- Corporate & Investment Banking.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to Articles L. 511-31 and L. 512-107-6 of the French Monetary and Financial Code, the guarantee and solidarity mechanism was set up to ensure the liquidity and capital adequacy of the Group and its associates, and to organize financial support within the Group.

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 established the Mutual Guarantee Fund.

The **Banque Populaire Network Fund** was formed by a deposit made by the Banques Populaires of €450 million that was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The deposit made to the **Caisse d'Epargne Network Fund** by the Caisses d'Epargne of €450 million was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The **Mutual Guarantee Fund** was formed by deposits made by the Banques Populaires 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 €179 million at December 31, 2019.

The total amount of deposits made to BPCE in respect of the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may not be less than 0.15% and may not exceed 0.3% of the Group's total risk-weighted assets.

The booking of deposits in the institutions' individual accounts under the guarantee and solidarity system results in the recording of an item of an equivalent amount under a dedicated capital heading.

The Mutual Guarantee Companies *(sociétés de caution mutuelle)*, whose sole corporate purpose is to guarantee loans issued by Banques Populaires, are covered by the liquidity and capital adequacy guarantee of the Banques Populaires 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 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

CONSOLIDATION OF CRÉDIT FONCIER'S OPERATIONS AND EXPERTISE IN GROUPE BPCE

The business components of the plan to consolidate Crédit Foncier's operations in Groupe BPCE, initiated in June 2018, was implemented in 2019.

Subsidiary Socfim was sold to BPCE in December 2019, becoming a global Corporate refinancing player, now comprising long and short-term financing for real estate professionals. Furthermore, after filing a public delisting offer for the shares of its subsidiary Locindus, Crédit Foncier bought back all non-controlling interests in Q1 2019. Locindus was then merged with its parent company, Crédit Foncier de France. This merger had no material impact on the Group's consolidated financial statements at December 31, 2019.

As planned in February 2019, Crédit Foncier ceased its loan origination activity at December 31, 2019, which was then redeployed across the Group networks in April after a transition phase. A new real estate partnership management organization at the Group level was set up. Crédit Foncier has refocused on managing its outstanding loans and on the funding of public sector assets originated by the Group, through Compagnie de Financement Foncier.

The labor components, including the GPEC (strategic workforce planning) and PSE (employment protection plan) agreements, were implemented. Employees whose jobs were slated to be cut were offered jobs at other Group companies in January 2019. These employees, who also had the option of transferring outside the Group under a voluntary redundancy plan, joined their new companies in early April 2019. As a result of the labor components of the plan, the Group recognized an additional net expense of €27 million before tax in 2019 in respect of 1) a higher percentage of employees opting for the voluntary resdundancy plan than initially estimated at December 31, 2018 and 2) the reversal of provisions for employee benefits subsequent to the permanent departure of said employees.

Sale by Natixis and acquisition by BPCE SA of the Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines

On September 12, 2018, Natixis and BPCE announced Natixis' plan to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE SA for €2.7 billion. The deal was signed on March 29, 2019, with a legal effective date of March 31, 2019.

In line with the established timetable, the shares of the subsidiaries, and the assets and liabilities of the EuroTitres business line, were transferred on March 31, 2019 once the conditions precedent had been met.

Control of the subsidiaries sold by Natixis was gradually transferred to BPCE over the period. This, combined with the other characteristics of the deal, led Natixis to recognize the loss of control at January 1, 2019.

As a result, Groupe BPCE consolidated all of the income reported by the transferred subsidiaries since January 1, 2019 into its consolidated income statements for fiscal year 2019.

Given that the disposal was an internal Group transaction, it had no material impact on consolidated income for fiscal year 2019. The impact on shareholders' equity was -€6 million; this corresponds to the costs of the transaction plus the transfer of reserves attributable to the Group (-€241 million) to reserves attributable to non-controlling interests (+€241 million).

ACQUISITION OF A 50.1% STAKE IN ONEY BANK BY BPCE

Following exclusive talks entered into on February 12, 2019, Auchan Holding and BPCE signed a long-term partnership agreement on April 4, 2019, which resulted in BPCE acquiring a 50.1% stake in Oney Bank.

Present in 10 countries, with 2,600 employees, 7.7 million customers and 400 brick-and-mortar and online retail partners, Oney Bank will benefit from the joint expertise of BPCE and Auchan Holding with a view to accelerating its growth and expanding its presence in Europe in payment, financing and digital identification solutions. Local digital banking will also enhance the customer offering.

The deal was finalized on October 22, 2019 and generated goodwill of €138 million, which was temporary given the completion date of the transaction. The Group has a period of twelve months from the acquisition date to finalize the allocation of goodwill from first consolidation.

GROUPE BPCE AND LA BANQUE POSTALE BROADENED AND EXPANDED THEIR BUSINESS PARTNERSHIP

On December 19, 2019, Groupe BPCE, Natixis and La Banque Postale announced the principles of an extended industrial partnership with the creation of a major Retail Banking and Insurance division.

There are several parts to the project, including the integration of certain asset management activities in France. Under the project, Ostrum Asset Management will develop euro fixed income and credit strategies and insurance for Ostrum Asset Management and LBP Asset Management, with the goal of establishing an asset manager fully in line with the principles of socially responsible investment.

The future entity will be 55% owned by Natixis (through its subsidiary Natixis Investment Managers) and 45% by LBP (through its subsidiary LBP Asset Management), with a balanced governance structure.

In addition, in a bid to bolster the multi-partnership model in force at CNP, to which BPCE and LBP are deeply committed, from January 1, 2020 Groupe BPCE and CNP Assurances extended the term of the agreements signed between BPCE/Natixis and CNP Assurances in 2015 (covering payment protection insurance, provident insurance and collective health insurance in particular) from December 31, 2022 to December 31, 2030. These agreements also provide for the transition to a 50-50 coinsurance split between Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances for collective payment protection insurance and for CNP Assurances to underwrite 34% of individual PPI subscribed for by BPCE Vie.

Alongside the CNP Assurances/La Banque Postale merger scheduled for early January 2020, and following the termination at the end of June 2018 by La Banque Postale of the current CNP Assurances shareholders' agreement set to expire on December 31, 2019, BPCE and La Banque Postale entered into a new agreement in their capacity as shareholders of CNP Assurances (holding respective stakes of 16.11% and 62.13%) effective until the end of 2030. Groupe BPCE will still be represented on the CNP Assurances Board of Directors, with two members, and on its specialized committees.

These agreements had no material impact on the Groupe BPCE's consolidated financial statements at December 31, 2019.

SALE OF BPCE INTERNATIONAL'S AFRICAN SUBSIDIARIES

Pursuant to the agreement entered into in September 2018 with BCP Maroc, the African subsidiaries of BPCE International (Banque International du Cameroun pour l'Epargne et le Crédit (BICEC), Banque Commerciale Internationale (BCI) and Banque Malgache de l'Océan Indien (BMOI)), were sold in Q3 2019.

These disposals had no material impact on the Groupe BPCE's consolidated financial statements at December 31, 2019.

In December 2019, an agreement for the sale of Banque Tuniso-Kowetienne (BTK) and its subsidiaries was entered into with the Tunisian government. The deal, subject to the approval of the supervisory authorities, should be finalized in the first half of 2020.

Consequently, their assets and liabilities are presented in accordance with IFRS 5 "Non-Current Assets Held for sale and Discontinued Operations".

NATIXIS INTERTITRES AND NATIXIS DISPUTE

On December 18, 2019, the competition authority published a press release on its website in which it announced it was imposing penalties totaling nearly €415 million on four historic meal voucher issuers for collusion.

Natixis Intertitres alone was fined €4.4 million and was subject to two other fines totaling €79 million jointly and severally with Natixis.

As soon as the penalty was announced, Natixis acknowledged the Authority's ruling while refuting any accusation of collusion with its competitors. It stated that it was extremely surprised by this ruling, which it found both groundless and completely disproportionate. It plans to appeal the ruling and believes it holds multiple arguments to dispute it.

In these conditions, no provision was recorded in the financial statements at December 31, 2019, as Groupe BPCE does not consider that it has caused damages of any kind or breached any regulations, and considers that it has valid arguments to that effect.

1.4 POST-BALANCE SHEET EVENTS

The financial statements for fiscal year 2019 were approved by the Management Board on February 4, 2020. Since then, Natixis announced on February 25, 2020 that it had concluded a Memorandum of Understanding for the sale of 29.5% of its stake in Coface for a price per share of €10.70. As of the date of signing of the MoU, goodwill impairment will be recognized on this Coface equity interest, estimated at around €100 million based on data taken at December 31, 2019. After the disposal, which may take place several months after the announcement as the necessary regulatory authorizations are obtained, Natixis will no longer be represented on the Board of Directors of Coface.

Note 2 Applicable accounting standards and comparability

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2.1 REGULATORY FRAMEWORK

The consolidated financial statements of Groupe BPCE were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable at the reporting date, excluding certain provisions of IAS 39 relating to hedge accounting.

2.2 ACCOUNTING STANDARDS

The standards and interpretations used and detailed in the annual financial statements as at December 31, 2018 were complemented by standards, amendments and interpretations whose application is mandatory for reporting periods starting from January 1, 2019.

Note: the new IFRS 9 "Financial Instruments" was adopted by the European Commission on November 22, 2016 and applies retrospectively from January 1, 2018.

IFRS 9 replaces IAS 39 and defines the new rules for classifying and measuring financial assets and liabilities, the new impairment methodology for the credit risk of financial assets, and hedge accounting, except for macro-hedging, which the International Accounting Standards Board (IASB) is currently studying in a separate draft standard.

Groupe BPCE used the option available in IFRS 9 not to apply the provisions of the standard relative to hedge accounting, and to continue to apply IAS 39 as adopted by the European Union for the recognition of these transactions, *i.e.* excluding certain provisions relating to macro-hedging. In view of the limited volume of asset reclassifications, most transactions recognized using hedge accounting under IAS 39 continue to be disclosed in the same way from January 1, 2018. However, IFRS 7, amended by IFRS 9 requires additional information on hedge accounting to be provided in the Notes.

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable from January 1, 2018. European regulations therefore allow European financial conglomerates to opt to defer application of IFRS 9 for their insurance activities until January 1, 2021 (effective date of new IFRS 17, Insurance Contracts), provided they:

- do not transfer financial instruments between the insurance sector and other sectors of the conglomerate (with the exception of financial instruments designated at fair value through profit or loss for the two sectors affected by the transfer);
- indicate the insurance entities that apply IAS 39;
- disclose specific additional information in the notes to the financial statements.

At its meeting of November 14, 2018, the IASB decided to delay the implementation of IFRS 17 "Insurance Contracts" by one year to January 1, 2022. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17.

As Groupe BPCE is a financial conglomerate, it elected to apply this provision to its insurance businesses, which continue to be covered by IAS 39. The main entities affected by this measure are CEGC, the insurance subsidiaries of COFACE, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, BPCE Prévoyance, BPCE Assurances, BPCE IARD, Muracef, Surassur, Prépar Vie and Prépar IARD.

In accordance with the Implementing Regulation of November 3, 2017, the Group took the necessary steps to prohibit any transfer of financial instruments between its insurance sector and the rest of the Group that would lead to derecognition for the transferring entity; this restriction is not, however, required for transfers of financial instruments measured at fair value through profit or loss by the two sectors involved.

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 major risk treatment of certain public-sector exposures, was published in the Official Journal on December 27, 2017. Groupe BPCE has decided not to opt to neutralize IFRS 9 transitional impacts at the prudential level, due to the limited impact when applying the standard.

IFRS 16

IFRS 16 "Leases" replaces IAS 17 "Leases" and the interpretations related to the accounting treatment of such contracts. Adopted by the European Commission on October 31, 2017, it been applied since January 1, 2019.

IFRS 16 applies to contracts that, irrespective of their legal form, meet the definition of a lease as laid down by the standard. The standard requires the identification of an asset and that the lessee controls the right to use this asset for a period of time. Control is established if the lessee holds the following two rights throughout the period of use:

- the right to obtain almost all of the economic benefits arising from use of the asset;
- the right to decide how the asset is used.

IFRS 16 affects how the lessee recognizes operating leases for which the associated lease payments were previously recognized in income. From the lessor's perspective, the accounting principles do not change substantially in relation to IAS 17.

With certain exceptions, lessees are required under IFRS 16 to record leases in the balance sheet as a right-of-use asset under "Property, plant and equipment" or "Investment property", and as lease liabilities under "Other liabilities".

The accounting principles applied by Groupe BPCE are described in Note 12.2.2.

At its meeting of November 26, 2019, the IFRS Interpretation Committee (IFRS IC) issued clarifications on the application of IFRS 16 pertaining to the methods used to assess lease terms. The impacts of these methods are currently being analyzed. They may lead the Group to review its deployment of accounting principles as applied at December 31, 2019, particularly for the determination of the terms of leases represented by commercial leases under French law.

Groupe BPCE has decided to use the exceptions laid down in the standard by not modifying the accounting treatment of short-term leases (less than 12 months) or that of low value underlying assets, which will continue to be recognized in operating expenses as an expense for the period.

Groupe BPCE has also opted, as lessee, not to apply IFRS 16 to leases involving intangible assets.

In view of the extremely limited impact of the recognition of leasing contracts for vehicles, the Group has decided not to change their accounting treatment.

For leases recognized in the balance sheet, the expense relating to the lease liability is reported as an interest expense under net banking income while the depreciation expense on the right-of-use asset is reported as a depreciation expense under gross operating income.

Regarding Groupe BPCE's activities, the implementation of IFRS 16 mainly affects real estate assets leased for operational purposes as offices and sales branches.

For the first-time application of this standard, the Group has chosen the modified retrospective approach. This method involves assessing, at the date of application, the lease liability based on remaining lease payments using the lessee's incremental borrowing rate applicable over the remaining term of the contracts. In particular, the option not to recognize on the balance sheet leases for low-value assets and leases with a remaining lease term of 12 months or less (in particular for leases set to be automatically renewed at January 1, 2019) was applied.

The amount of lease liabilities so determined at January 1, 2019, totaled €2 billion, recorded under "Accrued expenses and other liabilities". This amount is the current value of lease payments remaining to be paid over the residual term of the lease (as per IFRS 16) at January 1, 2019. The average weighted discount rate used at that date was 1.8%.

This amount may be compared with the information presented in Note 12.2.2 on future minimum payments under leasing transactions as lessee by taking into account the following differences:

- in accordance with IFRS 16, future minimum payments relating to leases to which the Group is committed but whose underlying assets have not yet been made available are not recognized on the balance sheet prior to their commencement date and are thus not included in the amount of lease liabilities.
- lease liabilities are determined without VAT (including non-recoverable VAT), whereas the information disclosed at December 31, 2018 included VAT;
- lease liabilities are initially determined by discounting lease payments over the lease terms, in accordance with IFRS 16. Lease payments recognized in off-balance sheet commitments at December 31, 2018, are not discounted. The discounting effect recognized at January 1, 2019 amounted to -€118 million;
- in addition to the non-cancellable period, the term used to measure lease liabilities includes periods covered by options that the lessee is reasonably certain of exercising (or not exercising);
- leases for which the underlying asset is of low value and short-term leases (including short-term leases at the IFRS 16 transition date) are excluded from the calculation of lease liabilities, in accordance with the exemptions provided for by IFRS 16.

Right-of-use assets are measured using the amount of the lease liability determined on this date and adjusted for lease items already recognized on the balance sheet prior to the application of IFRS 16.

The corresponding amount, recorded under "Property, plant and equipment" at January 1, 2019, came to €2 billion.

The application of IFRS 16 had no effect on Groupe BPCE's opening shareholders' equity at January 1, 2019. Its application had no material impact on Groupe BPCE's income.

IFRIC 23

IAS 12 "Income taxes" gave no particular details on how to account for uncertainties in income taxes, and was clarified by IFRIC 23 "Uncertainty over Income Tax Treatments", which was adopted by the European Commission on October 23, 2018 with effect from January 1, 2019.

The Interpretation clarifies how to apply the deferred income tax recognition and measurement requirements when there is uncertainty over income tax treatments. If there is doubt as to the acceptability of the income tax treatment by the tax authority under tax law, then this tax treatment is an uncertain tax treatment. Assuming it is likely that the tax authority will not accept the income tax treatment used, IFRIC 23 states that the amount of the uncertainty to be reflected in the financial statements shall be estimated using the method that will better predict the resolution of the uncertainty. To determine this amount, two approaches may be used: the most likely amount, or the expected value of the tax treatment (that is, the weighted average of the different scenarios possible). Furthermore, IFRIC 23 requires the measurement of tax uncertainties to be reassessed if facts and circumstances change or new information arises.

Tax uncertainties are reported as assets or liabilities and according to whether they relate to a current or deferred tax under the balance sheet headings "Deferred tax assets", "Current tax assets", "Deferred tax liabilities" and "Current tax liabilities".

Application on January 1, 2019 of IFRIC 23 had no impact on Groupe BPCE's shareholders' equity. The impact in terms of presentation in the financial statements relates only to the presentation in the financial statements of uncertainty over tax treatments, which are now classified under Tax Assets and Liabilities and no longer under Provisions for all Group entities, in accordance with the IFRIC Update of September 2019.

The process of collecting, analyzing and monitoring uncertainties has been revised in order to better document the compliance of the methods of recognition and measurement used by Groupe BPCE with the requirements set out in the Interpretation.

AMENDMENT TO IAS 12 OF DECEMBER 2017, APPLICABLE AS OF JANUARY 1, 2019

In December 2017, the IASB published amended IAS 12, clarifying that the income tax consequences of payments on financial instruments classified as equity under IAS 32 should be recognized in income, other comprehensive income (OCI) or equity, depending on the source of the amounts paid. Accordingly, the tax consequences of payments considered as dividends (as per IFRS 9) must be recorded in the income statement when recognizing the liability for the obligation to pay the dividend. The tax consequences of payments not considered dividends are to be recorded in equity.

As the Group must exercise judgment in making this distinction, it applied the definition of dividends to interest payable from January 1, 2019 on its perpetual deeply subordinated notes. The tax saving arising from the payment of coupons to the holders of these instruments was previously allocated to retained earnings, and the impact on the income statement was +€25 million in 2019.

The retroactive restatement made at January 1, 2019 had no impact on equity as tax on these payments was already recognized in this item.

AMENDMENTS TO IAS 39 AND IFRS 9: INTEREST RATE BENCHMARK REFORM

In September 2019, the IASB published amendments to IFRS 9 and IAS 39 to provide relief for instruments eligible for hedge accounting in the lead up to the interest rate benchmark reform. The amendments were adopted by the European Commission on January 16, 2020. Their application date is January 1, 2020 and they may be applied earlier. Groupe BPCE chose to apply the amendment early as of December 31, 2019.

The amendments allow for the following:

- transactions designated as cash flow hedges are considered "highly probable", as it is assumed that the cash flows will not change as a result of the reform;
- prospective assessments of fair value hedges and cash flow hedges are not affected by the reform, and in particular hedge accounting can continue if retrospective assessment results are outside the 80%-125% range during the transition period, while the ineffective portion of hedging relationships shall continue to be recognized in the income statement;
- hedged risk components determined using a benchmark rate are considered to be separately identifiable.

These amendments apply until the uncertainty arising from the reform is resolved or the hedging relationship is discontinued.

Groupe BPCE considers that all its hedging agreements with a BOR or EONIA component are concerned by the reform and therefore qualify for the amendments for as long as there is uncertainty as to the contractual changes required by regulations or regarding the replacement benchmark to be used or the application period of temporary rates. Groupe BPCE's exposure primarily lies with its derivatives contracts and lending and borrowing contracts that use the EURIBOR, EONIA or US LIBOR interest rates. Hedging transactions are presented in Note 5.3.

Uncertainty arising from the benchmark rate reform and the organization set up at Groupe BPCE to address this matter are described in Note 2.3. The degree of uncertainty regarding derivatives or hedged items indexed to the EURIBOR or EONIA rates, which account for most of Groupe BPCE's hedging activities, is less pronounced than the uncertainty surrounding those indexed to the LIBOR.

The other standards, amendments and interpretations adopted by the European Union did not have a material impact on the Group's financial statements.

IFRS 17

IFRS 17 "Insurance Contracts" was published by the IASB on May 18, 2017 and will replace IFRS 4 "Insurance Contracts". Initially applicable on January 1, 2021, with a comparison at January 1, 2020, this standard is only expected to come into force from January 1, 2022. At its meeting on November 14, 2018, the IASB decided to defer its application by a year as clarifications still need to be given regarding key aspects of the standard. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17. A draft amendment, "Exposure Draft ED/2019/4 Amendments to IFRS 17", was published on June 26, 2019.

IFRS 17 establishes the principles of recognition, measurement, presentation and disclosure for the insurance contracts and investment contracts with discretionary profit-sharing provisions that fall within its scope.

Currently measured at historic cost, contract obligations shall be recognized at present value, in accordance with IFRS 17. To that end, insurance contracts will be measured based on their future cash flows, including a risk margin in order to factor in the uncertainty relating to these cash flows. IFRS 17 also introduces the concept of contractual service margin. This represents the insurer's unearned profit and will be released over time as the services are rendered to the policyholder. The standard demands a more detailed level of granularity in calculations as it requires estimates by group of contracts.

These accounting changes could modify the profile of insurance income (in particular for life insurance) and also introduce greater volatility in income.

Despite the many uncertainties that still remain with respect to the standard (application date, ongoing activities to adjust certain positions, the Exposure Draft published on June 26, 2019), Groupe BPCE's insurance entities have set up project teams to address the changes brought about by the standard and are continuing their preparation work. This work includes decisions and documentation of the choices made pertaining to the standard, modeling, the adaptation of systems and organizations, the production of financial statements and the switchover strategy, financial disclosures and change management.

2.3 USE OF ESTIMATES AND JUDGMENTS

Preparation of the financial statements requires Management to make estimates and assumptions in certain areas with regard to uncertain future events.

These estimates are based on the judgment of the individuals preparing these financial statements and the information available at the balance sheet date.

Actual future results may differ from these estimates.

With respect to the financial statements for the period ended December 31, 2019 in particular, accounting estimates requiring assumptions were mainly used for the following measurements:

- the fair value of financial instruments determined on the basis of valuation models (Note 10);
- the amount of expected credit losses on financial instruments as well as on financing and guarantee commitments (Note 7.1);
- provisions recorded under liabilities in the balance sheet and more specifically the provision for regulated home savings products (Note 5.13) and provisions for insurance policies (Note 9);
- calculations related to the cost of pensions and future employee benefits (Note 8.2);
- deferred tax assets and liabilities (Note 11);
- goodwill impairment testing (Note 3.5).

Judgment must also be exercised to assess the business model and whether a financial instrument can be categorized as SPPI. The procedures are described in the relevant paragraphs (Note 2.5.1).

The adoption of IFRS 16 led Groupe BPCE to extend its use of judgment to estimate the term of leases in order to recognize the right of use of lease assets and to record lease liabilities (Note 12.2.2).

BREXIT: EXIT DATE SET AT JANUARY 31, 2020 AND BEGINNING OF TRANSITION PERIOD

On June 23, 2016, the UK decided to leave the European Union (Brexit) following a referendum. After the triggering of Article 50 of the treaty on European Union on March 29, 2017, the United Kingdom and the 27 other member countries of the European Union gave themselves two years to prepare for the country's effective withdrawal. The Brexit date was postponed three times and finally set at January 31, 2020. The UK Parliament recently approved the Brexit deal negotiated with Brussels, which was ratified by the European Parliament on January 29, 2020. The transition period will run through December 31, 2020, during which future trade agreements for goods and services will be negotiated while current European rules continue to apply.

The political and economic consequences of Brexit are now dependent on the agreements that will be concluded in 2020, bearing in mind that the European MPs already consider the timeline excessively tight.

Against this backdrop, Groupe BPCE has prepared for the various possible Brexit scenarios, and will keep a close eye on the outcome of the negotiations, in order to incorporate them, where necessary, in the assumptions and estimates used in preparing the consolidated financial statements. The risk of European regulations not recognizing UK clearing houses is no longer a short-term risk.

UNCERTAINTIES RELATED TO THE APPLICATION OF CERTAIN PROVISIONS OF THE BMR

European Regulation (EU) 2016/1011 of June 8, 2016 on the indices used as benchmarks (the Benchmark Regulation or BMR) introduces a common framework aimed at guaranteeing the accuracy and integrity of the indices used as benchmarks for financial instruments and contracts, or to measure the performance of investment funds within the European Union.

The purpose of the Benchmark Regulation is to regulate the provision of benchmarks, the provision of data underlying benchmarks, and the use of benchmarks within the European Union. It provides for a transition period for administrators, who have until January 1, 2022 to be approved or registered. After this date, the use by entities supervised by the EU, of benchmarks whose administrators are not approved or registered (or, if they are not located in the EU, are not subject to equivalent or otherwise recognized or approved regulations) will be prohibited.

Under the BMR, the interest rate benchmarks EURIBOR, LIBOR and EONIA have been declared critical.

In the euro zone, uncertainties surrounding the definition of the new benchmark rates were partially lifted in H1 2019. The new index proposals were finalized for the EONIA, which will become an €STR tracker from October 1, 2019 to December 31, 2021. The €STR will replace the "recalibrated" EONIA beginning on January 1, 2022. A new calculation approach aimed at transitioning to a hybrid methodology for the EURIBOR, which has been recognized by the Belgian regulator as being consistent with the requirements laid down by the Benchmark regulation, was finalized in November 2019. The valuation of Euribor-indexed contracts may also be affected by changes in the remuneration of collateralization agreements (usually indexed to the EONIA).

In contrast, for the LIBOR, at this point alternative "risk-free rates" have been defined for the GBP, UK, CHF and Yen LIBOR. However, work is still underway to propose structures which will be based on these alternative rates. Greater uncertainties remain as regards transactions using the LIBOR Index.

In the first half of 2018, Groupe BPCE established a project team tasked with anticipating the impacts of the benchmark reform, from a legal, commercial, financial and accounting viewpoint. From an accounting standpoint, amendments to IFRS 9, IAS 39 and IFRS 7 were published by the IASB in September 2019 on hedge accounting. The amendments to IAS 39 and IFRS 9 have provided for exceptions applicable temporarily to the requirements set out in these standards in terms of hedge accounting while the amendments to IFRS 7 require, for hedging relationships to which these exceptions are applied, disclosures on the reporting entity's exposure to the IBOR reform, on how it manages the transition to alternative benchmark rates and on the major assumptions or judgments that it used to apply these amendments. The IASB's objective is to make it possible for entities to avoid discontinuing hedging relationships as a result of the uncertainties associated with the IBOR reform. The IASB is currently holding discussions on post-IBOR reform matters. No draft regulations have been published at this stage; Special attention should be given to the potential effects of the reform in terms of the derecognition of IBOR-indexed financial assets and liabilities, issues of fair value, the application of the SPPI criterion and hedging relationships for the purposes of the transition.

UNCERTAINTIES OVER TAX TREATMENT FOR INCOME TAX

The Group reflects uncertainties regarding its tax treatment for income tax in its financial statements when it deems it probable that the tax authority will not accept its treatment. To ascertain whether a tax position is uncertain and to assess its effect on the amount of tax, the Group assumes that the tax authority will examine all amounts reported and have full knowledge of all related information. It bases its judgment on administrative policy, case-law and on the existence of any corrections made by the administration relating to similar tax uncertainties. The Group reviews the estimate of the amount it expects to pay or recover from the tax authority due to tax uncertainties in the event of changes in the associated facts and circumstances, as these changes may result from (including, but not limited to) changes in tax law, the expiry of a statutory limitation period, or the outcome of audits and measures conducted by the tax authorities.

2.4 PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BALANCE SHEET DATE

As no specific format is required under IFRS, the presentation used by the Group for summarized statements follows Recommendation No. 2017-02 issued by the *Autorité des normes comptables* (ANC – French national accounting standards authority) on June 2, 2017.

The consolidated financial statements are based on the financial statements at December 31, 2019. The Group's consolidated financial statements for the period ended December 31, 2019 were approved by the Management Board on February 4, 2020. They will be presented to the Annual General Shareholders' Meeting on May 29, 2020.

The amounts presented in the financial statements and in the notes are shown in millions of euros, unless otherwise indicated. Rounding may lead to differences between the amounts shown in the financial statements and those referred to in the notes.

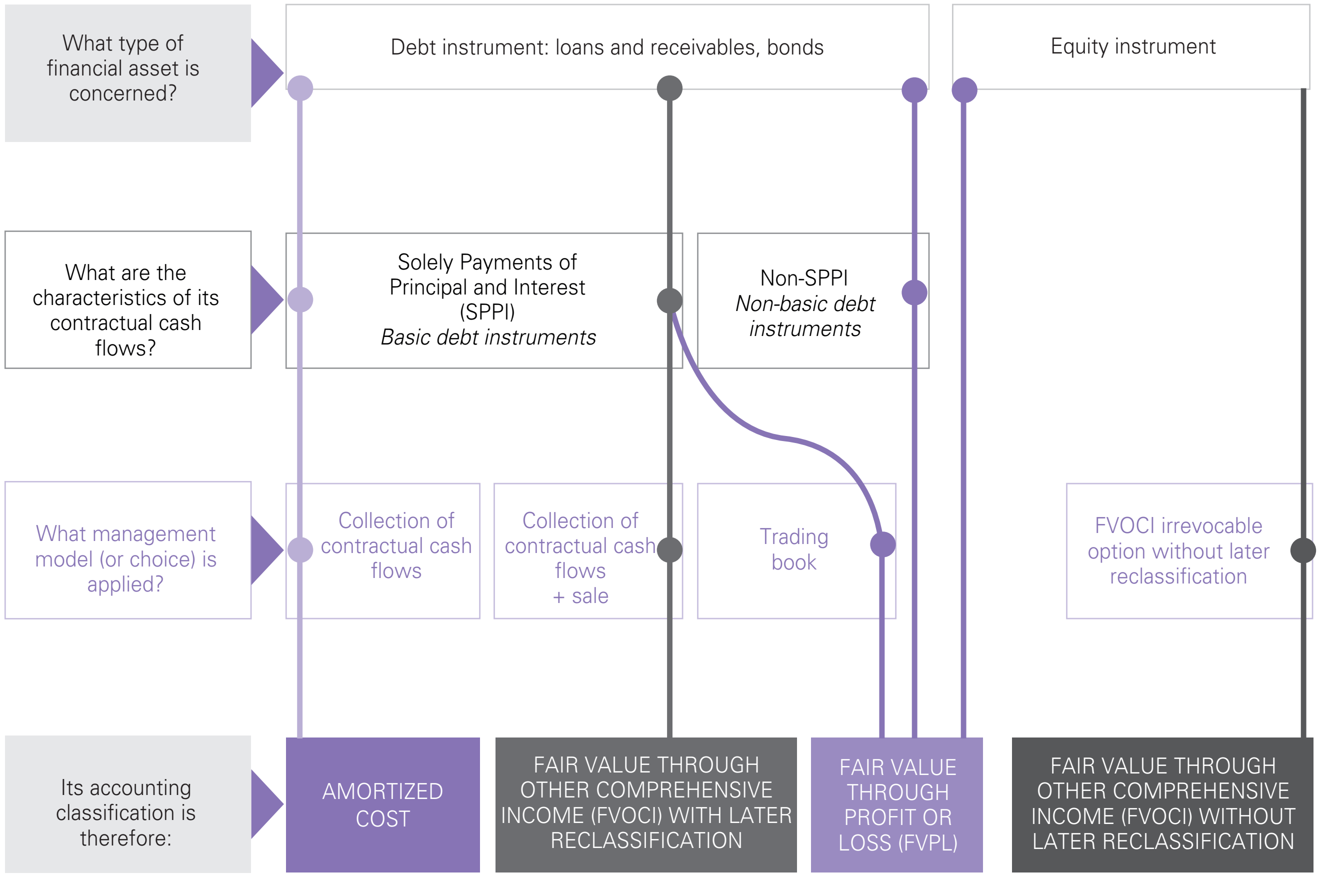
2.5 GENERAL ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

The general accounting principles set out below apply to the main items of the financial statements. Specific accounting principles are presented in the Notes to which they refer.

2.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

IFRS 9 is applicable to Groupe BPCE excluding the insurance subsidiaries, which continue to apply IAS 39.

On initial recognition, financial assets are classified at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, according to the type of instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).



Business model

The entity's business model represents the way in which it manages its financial assets to produce cash flow. Judgment is exercised to ascertain the business model.

The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information.

For example:

- the way in which the performance of financial assets is assessed and presented to the main company directors;
- risks which have an impact on the business model's performance, in particular the way in which these risks are managed;
- the way in which directors are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency of, volume of and reason for sales.

Moreover, the choice of business model must be made at a level which reflects the way in which groups of financial assets are managed collectively with a view to achieving a given economic objective. The business model is therefore not decided on an instrument by instrument basis, but rather at a higher level of aggregation, by portfolio.

The standard provides for three business models:

- a business model whose objective is to hold financial assets in order to receive contractual cash flows ("hold to collect model"). This model, under which the concept of "holding" is relatively similar to holding to maturity, remains valid if disposals occur under the following conditions:
  - the disposals are due to an increase in credit risk,
  - the disposals occur just before maturity and at a price that reflects the contractual cash flows that are still owed,
  - other disposals may also be compatible with the "hold to collect" model's objectives if they are infrequent (even if their value is significant) or if their value is insignificant when considered both individually and overall (even if they are frequent).

  For Groupe BPCE, the "hold to collect" model applies to financing activities (excluding the loan syndication activity) carried out by Retail Banking, Corporate & Investment Banking and Specialized Financial Services;
- a mixed business model under which assets are managed with the objective of both receiving contractual cash flows and disposing of financial assets ("hold to collect and sell model").

  Groupe BPCE applies the hold to collect and sell model primarily to the portion of portfolio management activities for securities in the liquidity reserve that is not managed solely under a hold to collect model.
- a model intended for other financial assets, especially those held for trading, for which the collection of contractual cash flows is incidental. This business model applies to the loan syndication activity (for the portion of outstandings to be sold that was identified at the outset) and to the capital market activities carried out primarily by Corporate & Investment Banking.

Types of contractual cash flows: the SPPI (Solely Payments of Principal and Interest) test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due. The SPPI test should be performed for each financial asset on initial recognition.

The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.

The instrument's contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubt as to whether only the time value of money and credit risk are represented must therefore be analyzed. For example:

- events that would change the amount and date of the cash;
- any contractual option that creates risk exposure or cash flow volatility that is not consistent with a basic lending arrangement, such as exposure to fluctuations in the price of stocks or of a market index, or the introduction of leverage, would make it impossible to categorize contractual cash flows as SPPI;
- the applicable interest rate features (for example, consistency between the rate refixing period and the interest calculation period);
- if a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset;
- early redemption and extension conditions.

For the borrower or lender, a contractual option permitting prepayment of financial instruments does not violate the SPPI test for contractual cash flows if the prepayment amount mainly represents the unpaid amounts of principal and interest and, if applicable, a reasonable additional compensation for the early termination of the contract.

If a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset.

Furthermore, although they do not strictly meet the criteria for compensation of the time value of money, certain assets with a regulated interest rate are classified SPPI if this regulated rate provides consideration that corresponds substantially to the passage of time and presents no exposure to a risk that would be inconsistent with a basic lending arrangement. This is the case in particular for financial assets representing the portion of Livret A passbook savings account inflows that is centralized with Caisse des Dépôts et Consignations.

Financial assets that generate SPPI are debt instruments such as fixed rate loans, floating rate loans without an interest rate tenor mismatch or that are not linked to a security or to a market index, and fixed rate or floating rate debt securities.

Non-SPPI financial assets include UCITS units, convertible bonds and mandatory convertible bonds with a fixed conversion ratio and structured loans to local authorities.

To qualify as SPPI assets, the securities held in a securitization vehicle must meet specific conditions. The contractual terms of the tranche must meet the SPPI criterion. The pool of underlying assets must meet the SPPI conditions. The risk inherent in the tranche must be lower than or equal to the exposure to the vehicle's underlying assets.

A non-recourse loan (*e.g.* infrastructure financing-type project financing) is a loan secured only by physical collateral. If there is no possible recourse to the borrower, the structure of other possible recourses or protection mechanisms for the lender in the event of default must be examined in order to categorize these loans as SPPI assets: acquisition of the underlying asset, collateral provided (security deposits, margin call, etc.), enhancements provided.

Accounting categories

Debt instruments (loans, receivables or debt securities) may be measured at amortized cost, at fair value through other comprehensive income recyclable to profit or loss or at fair value through profit and loss.

A debt instrument is valued at amortized cost if it meets the following two conditions:

- the asset is held under a hold to collect business model; and
- the contractual terms of the financial asset define it as generating SPPI as per the standard.

A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:

- the asset is held under a hold to collect and sell business model; and
- the contractual terms of the financial asset define it as generating SPPI as per the standard.

Equity instruments are, by default, recorded at fair value through profit or loss unless they qualify for an irrevocable option for valuation at fair value through other comprehensive income not recyclable to profit or loss (provided they are not held for trading purposes and accordingly classified as financial assets at fair value through profit or loss), without subsequently being reclassified through profit or loss. If opting for the latter category, dividends continue to be recognized in income.

All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading, financial assets at fair value through profit or loss and non-SPPI assets. Financial assets may only be designated at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch. This option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Embedded derivatives are no longer recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must now be recognized at fair value through profit or loss when it does not meet the SPPI criterion.

For financial liabilities, the classification and measurement rules set out in IAS 39 are carried forward to IFRS 9 unchanged, with the exception of those applicable to financial liabilities that the entity chooses to record at fair value through profit or loss (fair value option), for which revaluation adjustments related to changes in own credit risk are recorded under gains and losses recognized directly in other comprehensive income, without being subsequently reclassified through profit or loss.

The provisions of IAS 39 on the derecognition of financial assets and liabilities remain unchanged in IFRS 9. The amendment to IFRS 9 of October 12, 2017 clarified the treatment under IFRS 9 of modifications of liabilities recognized at amortized cost if the modification does not result in derecognition: the profit or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate shall be recognized in profit or loss.

2.5.2 FOREIGN CURRENCY TRANSACTIONS

The method used to account for assets and liabilities relating to foreign currency transactions entered into by the Group depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the Group entity on whose balance sheet they are recognized, at the exchange rate prevailing at the balance sheet date. All resulting foreign exchange gains and losses are recognized in income, except in two cases:

- only the portion of the foreign exchange gains and losses calculated based on the amortized cost of financial assets at fair value through other comprehensive income is recognized in income, with any additional gains and losses being recognized in "Gains and losses recognized directly in other comprehensive income";
- foreign exchange gains and losses arising on monetary items designated as cash flow hedges or as part of a net investment in a foreign operation are recognized in "Gains and losses recognized directly in other comprehensive income".

Non-monetary assets carried at historic 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 profit or loss if gains and losses relating to the items are recorded in profit or loss, and in "Gains and losses recognized directly in other comprehensive income" if gains and losses relating to the items are recorded in "Gains and losses recognized directly in other comprehensive income".

Note 3 Consolidation

3.1 CONSOLIDATING ENTITY

Due to the Group's structure as described in Note 1, Groupe BPCE's consolidating entity includes:

- the Banques Populaires, namely the 12 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif;
- the 15 Caisses d'Epargne;
- the Mutual Guarantee Companies *(sociétés de caution mutuelle)* collectively affiliated with the Banques Populaires to which they are linked;
- the Group's central institution, BPCE.

In addition, the Group comprises:

- the subsidiaries of the Banques Populaires;
- 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, BPCE International and Oney.

3.2 SCOPE OF CONSOLIDATION – CONSOLIDATION AND VALUATION METHODS

The Group's financial statements include the financial statements of all the entities over which it exercises control or significant influence, whose consolidation had a material impact on the aforementioned financial statements.

The scope of entities consolidated by Groupe BPCE is described in Note 14 – Scope of consolidation.

3.2.1 ENTITIES CONTROLLED BY THE GROUP

The subsidiaries controlled by Groupe BPCE are fully consolidated.

Definition of control

Control exists when the Group has the power to govern an entity's relevant activities, when it is exposed to or is entitled to variable returns due to its links with the entity and has the ability to exercise its power over the entity to influence the amount of returns it obtains.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control exercised. These potential voting rights may result, for example, from share call options traded on the market, debt or equity instruments that are convertible into ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account to calculate the percentage of ownership.

Exclusive control is presumed to exist when the Group holds directly or indirectly either the majority of the subsidiary's voting rights, or at least half of an entity's voting rights and a majority within the management bodies, or is in a position to exercise significant influence.

Special case: structured entities

Entities described as structured entities are those organized in such a way that voting rights are not a key criterion when determining who has control. This is the case in particular when voting rights only apply to administrative duties and relevant activities are managed through contractual agreements.

A structured entity frequently exhibits some or all of the following characteristics:

(a) well-defined activities;

(b) a specific and well-defined aim, for example: implementing a lease eligible for favorable tax treatment, carrying out research and development, providing an entity with a source of capital or funding, or providing investors with investment options by transferring associated risk and advantages to the structured entity's assets;

(c) insufficient equity for the structured entity to finance its activities without subordinated financial support;

(d) financing through the issue, to investors, of multiple instruments inter-related by contract and which create concentrations of credit risk or other risks ("tranches").

The Group therefore considers, among others, collective investment undertakings 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 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 13.4.

Employee pension funds and supplementary health insurance plans are excluded from the scope of consolidation insofar as IFRS 10 does not apply to either post-employment benefit funds or other long-term employee benefit plans, to which IAS 19, "Employee Benefits", applies.

Likewise, interests acquired with a view to their subsequent short-term disposal are recorded as available for sale and recognized in accordance with the provisions of IFRS 5 "Non-Current Assets Held for sale and Discontinued Operations".

3.2.2 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Definitions

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control or joint control over those policies. It is presumed to exist if the Group holds, directly or indirectly, 20% or more of the voting rights of an entity.

A joint venture is a partnership in which the parties which exercise joint control over the entity have rights over its net assets.

Joint control is the contractually agreed sharing of control over a company, which exists only when the strategic decisions require the unanimous consent of the parties sharing control.

Equity method

Income, assets and liabilities of investments in associates and joint ventures are accounted for in the Group's consolidated financial statements using the equity method.

An investment in an associate or a joint venture is initially recognized at its acquisition cost and subsequently adjusted for the Group share in the income and other comprehensive income of the associate or joint venture.

The equity method is applied from the date on which the entity becomes an associate or a joint venture. On the acquisition of an associate or a joint venture, the difference between the cost of investment and the Group's share in the net fair value of the entity's identifiable assets and liabilities is recognized in goodwill. When the net fair value of the entity's identifiable assets and liabilities is higher than the cost of investment, the difference is recognized in income.

The share of net income of entities accounted for under the equity method is included in the Group's consolidated income.

When a Group entity carries out a transaction with a Group joint venture or associate, the profit or loss resulting from this transaction is recognized in interests held by third parties in the associate or joint venture.

The net investment in an associate or joint venture is subject to impairment testing if there is objective evidence of impairment arising from one or more events occurring after the initial recognition of the net investment and if the events have an impact on estimated cash flows, provided this impact can be reliably calculated.

In such cases, the total carrying amount of the investment (including goodwill) is subject to impairment testing in accordance with the provisions of IAS 36 "Impairment of Assets".

Exception to the equity method

When the investment is held by a venture capital organization, an investment fund, an investment company with variable share capital or a similar entity such as an insurance asset investment fund, the investor may choose not to recognize the investment using the equity method. In this case, revised IAS 28 "Investments in Associates and Joint Ventures" authorizes the investor to recognize the investment at its fair value (with changes in fair value recognized in income) in accordance with IFRS 9.

These investments are therefore recognized as "Financial assets at fair value through profit or loss".

The Natixis group's private equity subsidiaries have chosen to measure their investments 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 entity's assets, and obligations for its liabilities.

Accounting treatment of joint activities

An investment in a joint enterprise is accounted for by integrating all interests held in the joint activity, *i.e.* the entitled share in each asset and liability and item of income. These interests are allocated by nature to the various lines of the consolidated balance sheet, consolidated income statement and the statement of net income and gains and losses recognized directly in other comprehensive income.

3.3 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 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.

3.3.3 BUSINESS COMBINATIONS

In accordance with revised IFRS 3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements":

- combinations between mutual insurers are included within the scope of IFRS 3;
- costs directly linked to business combinations are recognized in net income for the period;
- contingent considerations payable are included in the acquisition cost at their fair value at the date of acquisition of a controlling interest in an entity, even if they are only potential.

  Depending on the settlement method, transferred considerations are recognized against:
  - capital and later price revisions will not be booked,
  - or debts and later adjustments are recognized against income (financial debts) or according to the appropriate standards (other debts outside the scope of IFRS 9);
- on an entity's acquisition date, non-controlling interests may be valued:
  - either at fair value (method resulting in the allocation of a share of the goodwill to non-controlling interests),
  - or at the share in the fair value of the identifiable assets and liabilities of the entity acquired (method similar to that applicable to transactions prior to December 31, 2009).

The choice between these two methods must be made for each business combination.

Whatever method is chosen when the acquisition is made, increases in the percentage of interest in an entity already controlled are systematically recognized in capital:

- when an entity is acquired, any share previously held by the Group must be revalued at fair value through profit or loss. Consequently, in the event of a step acquisition, goodwill is determined by referring to the fair value at the acquisition date;
- when the Group loses control of a consolidated company, any share previously held by the Group must be revalued at fair value through profit or loss.

All business combinations that occurred prior to the revisions of IFRS 3 and IAS 27 are accounted for by applying the purchase method, except business combinations involving two or more mutual insurers or entities under joint control, as these transactions were explicitly excluded from the scope of application.

3.3.4 BUYBACK COMMITMENTS WITH THE MINORITY SHAREHOLDERS OF FULLY-CONSOLIDATED SUBSIDIARIES

The Group has entered into commitments with minority shareholders of certain fully consolidated Group subsidiaries to buy out their shares. These buyback commitments are optional commitments (sales of put options). The exercise price for these options may be an amount fixed contractually, or may be established according to a calculation formula defined upon the acquisition of the subsidiary's securities and 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, when the commitment expires, if the buyback does not take place, the liability is written off against non-controlling interests and "Retained earnings attributable to equity holders of the parent" according to their respective amounts;
- as long as the options have not been exercised, results from non-controlling interests subject to put options are included in the consolidated income statement as "Non-controlling interests".

3.3.5 CONSOLIDATED ENTITIES' BALANCE SHEET DATE

The entities included in the scope of consolidation close their accounts on December 31.

3.4 CHANGES IN SCOPE OF CONSOLIDATION DURING FISCAL YEAR 2019

The main changes in the scope of consolidation during 2019 are presented below:

MERGER WITHIN THE CONSOLIDATING ENTITY

Legal merger of Banque Populaire du Sud with Caisse Régionale de Méditerranée

The merger of Caisse Régionale de Méditerranée and Banque Populaire du Sud was enacted by the General Shareholders' Meeting of June 1, 2019, with retroactive effect at January 1, 2019.

This merger had no material impact on the Group's consolidated financial statements.

CHANGES IN THE OWNERSHIP INTEREST IN SUBSIDIARIES AT DECEMBER 31, 2019 (WITH NO IMPACT ON CONTROL)

Change in the Group's ownership interest in Natixis

Following a number of transactions in its own shares, the Group's stake in Natixis stood at 70.68% at December 31, 2019 (*versus* 70.78% at December 31, 2018). The impact of this change on Equity attributable to equity holders of the parent was not material.

ACQUISITIONS OF A CONTROLLING INTEREST

Acquisition of Oney Bank SA group by BPCE

BPCE SA finalized the acquisition of a 50.1% stake in Oney Bank from Auchan group in the fourth quarter of 2019. The Group exercises control over the entity in accordance with IFRS 10. The deal generated goodwill of €138 million, as determined using the partial goodwill method.

Acquisition of Azure Capital

Natixis Holdings (Hong Kong) Limited bought M&A advisory firm Azure Capital in the second quarter of 2019. The following entities have been included in the scope of consolidation: Azure Capital Holdings Pty Ltd, Azure Capital Securities Pty Ltd, The Azure Capital Trust and Azure Capital Limited. Groupe BPCE exercises control over these fully consolidated entities in accordance with IFRS 10. The deal generated goodwill of €11 million, as determined using the partial goodwill method. Groupe BPCE also holds put options on the minority shares, valued at €9 million.

Acquisition of Massena Partners

Natixis bought asset management and investment advisory firm Massena Partners in the second quarter of 2019. The following entities have been included in the scope of consolidation: Massena Partners SA, Massena Wealth Management SARL and the French representative office of Massena Partners. Groupe BPCE exercises control over these fully consolidated entities in accordance with IFRS 10. The deal generated goodwill of €42 million, as determined using the partial goodwill method. Groupe BPCE also holds put options on the minority shares, valued at €1 million.

Acquisition of Titres Cadeaux

Natixis finalized the acquisition of a 50% stake in Titres Cadeaux from La Banque Postale in the first quarter of 2019, bringing its ownership interest to 100%. The company creates and distributes multi-brand gift certificates and cards to individual customers or works councils. The Group exercises control over this fully consolidated entity in accordance with IFRS 10. The deal generated goodwill of €10 million.

Acquisition of Coface PKZ

Natixis finalized the acquisition of Coface PKZ, specializing in credit insurance in Slovenia, in the second quarter of 2019. The deal generated negative goodwill of €5 million, calculated using the partial goodwill method and recorded in the income statement.

Acquisition of Mirova US LLC

Mirova US LLC was consolidated in the second quarter of 2019 as part of the restructuring of operations at Seeyond and Mirova in the United States. Seeyond's US operations were consolidated by Natixis Advisors LP and Mirova's were transferred to a new entity, Mirova US, wholly-owned by Mirova.

OTHER CHANGES IN SCOPE

Newly consolidated entities

The following entities were newly consolidated during fiscal year 2019:

- SCI SHAKE, under Caisse d'Epargne Hauts de France;
- Financière Immobilière Deruelle, under Banque Populaire Auvergne Rhône Alpes;
- Garibaldi Pierre, under Banque Populaire Auvergne Rhône Alpes;
- Sports Imagine;
- SCI Village, under BRED;
- Saudi Arabia Investment Company, under Natixis.

Deconsolidated entities

ENTITIES SOLD

- Banque internationale du Cameroun pour l'épargne et le crédit (BICEC), Banque de Madagascar et de l'Océan Indien (BMOI) and Banque commerciale Internationale du Congo (BCI) were sold in the third quarter of 2019.

- Natixis Brasil was sold on February 6, 2019.
- The following entities were sold to Fiera Capital in accordance with the Fiera investment protocol completed in the second quarter of 2019: Natixis Investment Managers Canada Corp, Natixis Investment Managers Canada LP, Natixis Investment Managers Capital Corporation and Natixis Investment Managers Canada Limited.

OTHER DECONSOLIDATIONS

- Liquidation of Filiales LOCI, SPGRES, NJR Finance BV1, Nexgen Reinsurance Designated Activity Company, Natixis Global Associates Germany, Natixis Global Associates Australia, AEW Partners IV Inc, Mc Donnell and Natixis Investment Corp.
- Deconsolidation of BP Covered Bond, SOGIMA and SACOGIVA, securitization vehicle FCT Natixis Export Credit Agency and investment funds Mirova Global Sustainable Equity Fund, Ostrum Multi Asset Global Income, ASG Managed Futures, DNCA Archer Mid-Cap Europe, Ostrum Ultra Short Term Bonds Plus SI (C) EUR, Fructifonds Profil 6, Fructifonds Profil 9 and ABP Vie Mandat FCPI.

Mergers and full transfers of assets and liabilities

- In 2019, Vendôme Investissements was absorbed by Crédit Foncier *via* a total transfer of assets and liabilities, with retroactive effect at January 1, 2019. EDEL absorbed its subsidiary MONIFO *via* a total transfer of assets and liabilities, with retroactive effect at January 1, 2019.
- Locindus was merged with Crédit Foncier subsequent to a public delisting offer, with retroactive effect at January 1, 2019. Sofiscop was absorbed by Sofiscop Sud Est, which took the name of the absorbed entity (Sofiscop).
- SIMC was absorbed by Banque Populaire Auvergne Rhône Alpes *via* a total transfer of assets and liabilities.
- 3F Holding was absorbed by BPCE SA, *via* a total transfer of assets and liabilities, with retroactive effect at January 1, 2019.

3.5 GOODWILL

3.5.1 VALUE OF GOODWILL

Goodwill related to operations completed during the financial year is described in respect of Note 3.4 on "Changes in scope of consolidation".

in millions of euros	Fiscal year 2019	Fiscal year 2018
Opening net value	**4,489**	**4,304**
Acquisitions[1]	233	190
Disposals	(2)	(27)
Impairment	(88)	(16)
Other changes	(1)	(28)
Foreign exchange rate adjustments	34	66
CLOSING NET VALUE	**4,665**	**4,489**

(1) The main acquisitions carried out over the period which led to the recognition of goodwill involved Oney Bank (€138 million recognized on the acquisition of Oney Bank by BPCE and €32 million in goodwill recorded on the books of Oney Bank) and the following acquisitions: Titres Cadeaux (€10 million recorded by the Payments division), Massena Partners (+€42 million recorded by the Asset & Wealth Management division) and Azure Capital (+€11 million recorded by the Corporate & Investment Banking division).

At December 31, 2019, gross goodwill stood at €5,290 million and total impairment came to -€625 million.

The valuation of FIDOR Bank in the Groupe BPCE consolidated financial statements was revised in 2019 to reflect its potential disposal, which resulted in an impairment loss of -€82 million.

In the absence of other signs of impairment, no additional test was carried out at December 31, 2019.

Certain goodwill items recognized in the United States give rise to tax amortization over 15 years leading to a difference between the carrying amount of the goodwill and its tax base. This difference in accounting treatment generated a deferred tax liability of €347 million at December 31, 2019, compared with €336 million at December 31, 2018 (see Note 11.2).

Breakdown of goodwill

	Carrying amount	
in millions of euros	12/31/2019	12/31/2018
Regional Banks[(1)]	633	633
Banque BCP France	42	42
Other	8	8
Retail Banking	**683**	**683**
BPCE International		6
Oney Bank[(2)]	170	
Fidor Bank AG		82
Other Networks	**170**	**88**
Financial Solutions and Expertise[(3)]	**20**	
Insurance	**39**	**39**
Equity interests (Coface)	**282**	**281**
Specialized Financial Services[(3)]		**148**
Payments[(3)(4)]	**137**	
Retail Banking and Insurance	**1,331**	**1,239**
Asset & Wealth Management[(5)]	**3,190**	**3,121**
Corporate & Investment Banking[(6)]	**144**	**129**
TOTAL GOODWILL	**4,665**	**4,489**

(1) Regional banks: Banque de Savoie, goodwill carried by Banque Populaire du Sud (transfer of Banque Dupuy, de Parseval's and Banque de Marze's goodwill, post-merger), goodwill carried by Banque Populaire Aquitaine Centre Atlantique (transfer of CCSO – Pelletier's goodwill, post-merger) and goodwill carried by Banque Populaire Méditerranée (transfer o<f Banque Chaix's goodwill, post-merger).

(2) o/w +€138 million recognized on the acquisition of Oney Bank by BPCE and +€32 million in goodwill recorded on the books of Oney Bank.

(3) The sale of entities previously belonging to the SFS division changed the presentation of Natixis' CGUs with the creation of the "SEF" CGU by BPCE. In the former SFS CGU, the entities related to the Payments business lines now belong to a dedicated CGU to which goodwill of €127 million (predominantly comprising the goodwill recognized on recent fintech acquisitions by the aforementioned business lines) was reallocated.

(4) o/w +€10 million in goodwill recognized on the acquisition of Titres Cadeaux.

(5) o/w +€40 million in goodwill recognized on the acquisition of Massena Partners. Furthermore, a goodwill adjustment of -€1 million was recorded on MV Crédit within the one-year allocation period.

(6) o/w +€11 million in goodwill recognized on the acquisition of Azure Capital Holding Pty Ltd.

3.5.2 IMPAIRMENT TESTS

All items of goodwill are impaired, based on the value in use of the cash-generating units (CGUs) to which they have been allocated. For the Coface CGU, a listed entity since June 2014, which is not one of Natixis' core businesses and which is managed on an asset basis, as in previous years, value in use was supplemented by other approaches using market data including market multiples, stock market prices and brokers' target prices. An average valuation was determined by weighting the different approaches, with the respective weighting of each approach unchanged compared with the previous fiscal year.

Subsequent to the sale of the retail banking entities to BPCE, the goodwill associated with these entities and allocated to the former SFS CGU is no longer recorded in Natixis' balance sheet. At December 31, 2019, the former SFS CGU was split into three CGUs: the "Payments" CGU, the "Asset & Wealth Management" CGU (in respect of the Employee savings business) and the "Corporate & Investment Banking" CGU (in respect of the Film and Audiovisual Financing business). The goodwill associated with entities not transferred to BPCE was evenly split among these three CGUs.

In the specific case of certain subsidiaries owned by four Banques Populaires (Banque Populaire Auvergne Rhône Alpes, Banque Populaire Méditerranée, Banque Populaire du Sud and BP Aquitaine Centre Atlantique), goodwill was reallocated to the combined CGU, and the financial assumptions presented by combined CGU are averages of the assumptions applied to their constituent CGUs.

Key assumptions used to determine recoverable value

Value in use was primarily determined based on the estimated present value of the CGU's future cash flows (*i.e.* the Discounted Cash Flows (DCF) method) under medium-term plans drawn up for the purposes of the Group's budget process.

The following assumptions were used:

	Discount rate	Long-term growth rate
Retail Banking and Insurance		
Regional banks	7.5%-8.0%	2.0%
Insurance	10.6%	2.5%
Payments	6.9%	2.5%
Financial Solutions & Expertise	9.5%	2.0%
Equity interests (Coface)	9.2%	2.5%
Asset & Wealth Management	**9.1%**	**2.5%**
Corporate & Investment Banking	**11.4%**	**2.5%**

The discount rates were determined by factoring in the following:

- for the Insurance and Payments CGUs, the 10-year OAT risk-free rate averaged over a depth of 10 years and, for the Asset & Wealth Management and Corporate & Investment Banking CGUs, the 10-year OAT and US 10-year averaged over a depth of 10 years. A risk premium calculated from a sample of companies representative of the CGU is then added to these rates;
- 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 the insurance, services and factoring activities;
- for the SEF CGU, based on a weekly average of the 10-year OAT rate of return over a depth of 10 years, plus a national equity risk premium based on the projected rate of return on the French market and the French risk-free rate;
- for the Regional Banks CGU, a risk-free rate (10-year OAT) over a depth of eight years, plus a risk premium calculated based on a sample of listed European banks with a similar banking business, while factoring in the specific characteristics of these institutions.

The impairment tests conducted at the limits of each CGU did not result in the recognition of impairment at December 31, 2019.

Sensitivity of recoverable values

A 30 bp increase in discount rates (assumption based on the historical annual variability observed over one year using 2012-2019 historical data) combined with a 50 bp reduction in perpetual growth rates would reduce the value in use of CGUs by:

- -9.7% for the Asset & Wealth Management CGU;
- -3.9% for the Corporate & Investment Banking CGU;
- -7.8% for the Insurance CGU;
- -12.9% for the Payments CGU;
- -4.3% for the Coface CGU;
- -5.4% for the Financial Solutions & Expertise CGU;
- -6.9% for the Regional Banks CGU.

These variations would not lead to the recognition of any impairment losses for these CGUs.

Similarly, the sensitivity of these CGUs' future cash flows, as forecast in the business plan, to changes in the main assumptions would not significantly affect their recoverable value:

- for Asset & Wealth Management, a 10% decline in the equity markets (a uniform decline across all years) would have a -6% negative impact on the CGU's recoverable value and would not lead to the recognition of impairment;
- for Corporate & Investment Banking, sensitivity to the dollar or to higher liquidity costs 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;

  For non-life insurance, the main vector of sensitivity is the claims 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 over all years would lead to a limited decline of 3% in the value of the CGU, with no impact on impairment;
- for Payments, in terms of business activity, the division's business model is diversified, with i) a historic payments business line for the Groupe BPCE networks, posting a highly recurring business volume over the years (and strong momentum in electronic payments) and ii) a portfolio of fintechs offering multiple products to Group and external customers (book entry securities, merchant solutions, e-commerce, solutions for Works Councils, etc.). This business generates low volatility in earnings trends;
- for Coface, the primary sensitivity vector is "the loss ratio". The projected level of this ratio is around 45.6% (net of reinsurance) for 2019. A one-point increase in the loss ratio relative to the assumptions used for the DCF calculation over all years from 2020, would impact the average multi-criteria value by around 3% and would not lead to the recognition of impairment on the CGU. Furthermore, a valuation at the lowest price in 2019 would lead to a very limited impact on the weighted average valuation for the various methods (around -1%);
- for Financial Solutions & Expertise, the sensitivity of future cash flows, as forecast in the business plan, to a 5%-point fall in recurring net income combined with an increase in the target prudential ratio of 25 basis points would have a negative impact on the CGU's value of -5.8% and would have no impact in terms of impairment;
- for the Regional Banks, the sensitivity of future cash flows, as forecast in the business plan, to a 5%-point fall in recurrent net income combined with an increase in the target prudential ratio of 25 basis points would have a negative impact on the CGU's value of 4.8% and would have no impact in terms of impairment.

Note 4 Notes to the income statement

Key points

Net banking income (NBI) includes:

- interest income and expenses;
- fees and commissions;
- net gains or losses on financial instruments at fair value through profit or loss;
- net gains or losses on financial instruments at fair value through other comprehensive income;
- net gains or losses resulting from the derecognition of financial assets at amortized cost;
- net income from insurance businesses;
- income and expenses from other activities.

4.1 INTEREST AND SIMILAR INCOME AND EXPENSES

Accounting principles

Interest income and expenses are recognized in the income statement for all financial instruments measured at amortized cost using the Effective Interest Method, which include interbank and customer items, the portfolio of securities at amortized cost, debt securities, subordinated debt and lease liabilities. This item also includes interest receivable on fixed income securities classified as financial assets at fair value through other comprehensive income and hedging derivatives, it being specified that accrued interest on cash flow hedging derivatives is taken to income in the same manner and period as the accrued interest on the hedged item.

Interest income also consists of interest on non-SPPI debt instruments not held under a trading model as well as interest on the related economic hedges (classified by default as instruments at fair value through profit or loss).

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to obtain the net carrying amount of the financial asset or financial liability.

The effective interest rate calculation takes account of all transaction fees paid or received as well as premiums and discounts. Transaction fees paid or received that are an integral part of the effective interest rate of the contract, such as loan set-up fees and commissions paid to financial partners, are treated as additional interest.

The Group has chosen the following option to account for negative interest:

- when income from a financial asset debt instrument is negative, it is deducted from interest income in the income statement;
- when income on a financial liability debt instrument is positive, it is deducted from interest expenses in the income statement.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Interest income	Interest expenses	Net	Interest income	Interest expenses	Net
Loans to/borrowings from banks(1)	1,123	(597)	526	1,107	(642)	465
Loans to/borrowings from customers	15,965	(4,738)	11,227	15,568	(4,577)	10,991
Bonds and other debt securities held/issued	915	(4,323)	(3,408)	1,049	(4,086)	(3,037)
Subordinated debt		(664)	(664)		(679)	(679)
Lease liabilities(2)		(25)	(25)	///	///	///
Financial assets and liabilities at amortized cost (excluding finance leases)	**18,003**	**(10,347)**	**7,656**	**17,724**	**(9,984)**	**7,740**
Finance leases	**467**	**///**	**467**	**492**	**(4)**	**488**
Debt securities	587		587	547		547
Financial assets at fair value through other comprehensive income	**587**		**587**	**547**		**547**
TOTAL FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST AND AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME(3)	**19,057**	**(10,347)**	**8,710**	**18,763**	**(9,988)**	**8,775**
Non-standard financial assets not held for trading	**114**		**114**	**158**		**158**
Hedging derivatives	**4,306**	**(4,751)**	**(445)**	**4,208**	**(4,623)**	**(415)**
Economic hedging derivatives	**668**	**(386)**	**282**	**352**	**(229)**	**123**
TOTAL INTEREST INCOME AND EXPENSES	**24,145**	**(15,484)**	**8,661**	**23,481**	**(14,840)**	**8,641**

(1) Interest income from loans and receivables with banks consists of €737 million in income (€720 million in 2018) collected on the Livret A, LDD and LEP passbook savings accounts, which are deposited with Caisse des Dépôts et Consignations.

(2) Information in respect of fiscal year 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 "Leases" in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 are presented in Note 2.2.

(3) Interest income from financial assets with a known credit risk (S3) amounted to €493 million in 2019, o/w €490 million in financial assets at amortized cost.

4.2 FEE AND COMMISSION INCOME AND EXPENSES

Accounting principles

Under IFRS 15 "Revenue from Contracts with Customers", recognition of revenue from ordinary activities reflects the transfer of control of goods and services promised to customers in an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services. The recognition of this revenue calls for a five-step approach:

- identification of contracts with customers;
- identification of specific performance obligations (or items) to be recognized separately from one another;
- determination of the overall transaction price;
- allocation of the transaction price to the various specific performance obligations;
- recognition of revenue when performance obligations are met.

This approach applies to contracts entered into by an entity with its customers, with the exception of leases (covered by IFRS 16), 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 be applied first.

This method primarily applies to the following Group activities:

- 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 (see Note 4.6), in particular for services included in leases.

As a result, fees and commissions are recorded based on the type of service rendered and on the method of accounting for the financial instruments to which the service relates.

This line includes mainly fees and commissions receivable or payable on recurring services (payment processing, custody fees, etc.) and occasional services (fund transfers, late payment penalties, etc.), fees and commissions receivable or payable on execution of significant transactions, and fees and commissions receivable or payable on trust assets held or managed on behalf of the Group's customers.

However, fees and commissions that form an integral part of the effective yield on a contract are recorded under "Net interest income".

Commissions on services

Commissions on services are analyzed to separately identify their different items (or performance obligations) and to assign the appropriate share of revenues to each item. Each item is then recorded in the income statement by type of service provided, and according to the method used to recognize the associated financial instrument:

- commissions payable or receivable on recurring services are deferred over the period in which the service is provided (payment processing, custody fees, etc.);
- commissions payable or receivable on occasional services are recognized in full in income when the service is provided (fund transfers, payment penalties, etc.);
- commissions payable or receivable on execution of a significant transaction are recognized in full in income on completion of the transaction.

When there is some uncertainty about the amount of a commission (incentive fee in asset management, variable financial engineering commission, etc.), only the amount that the Group is already certain to receive, given the information available at the end of the fiscal year, is recognized.

Fees and commissions that form an integral part of the effective yield on an instrument, such as fees on loan commitments given or loan set-up fees, are recognized and amortized as an adjustment to the effective interest rate over the estimated term of the applicable loan. These fees and commissions are recognized as "Interest income" rather than "Fee and commission income".

Fiduciary and similar fees and commissions are those that result in assets being held or invested on behalf of individual customers, pension schemes or other institutions. Trust-management services mainly cover asset management business and custody services on behalf of third parties.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	24	(55)	(31)	19	(47)	(28)
Customer transactions	2,986	(38)	2,948	3,173	(39)	3,134
Financial services	515	(604)	(89)	670	(721)	(52)
Sales of life insurance products	1,222	///	1,222	1,237	///	1,237
Payment services	1,754	(599)	1,155	1,660	(543)	1,116
Securities transactions	222	(139)	83	216	(181)	35
Trust management services[1]	4,133	(4)	4,128	3,976	(5)	3,971
Financial instruments and off-balance sheet transactions	446	(110)	336	475	(109)	366
Other fee and commission income/(expense)	305	(474)	(169)	266	(477)	(212)
TOTAL FEE AND COMMISSION INCOME AND EXPENSES	**11,607**	**(2,022)**	**9,585**	**11,691**	**(2,123)**	**9,568**

* O/w performance fees in the amount of €627 million (o/w €537 million for Europe) in 2019, versus €426 million (o/w €420 million for Europe) in 2018.

5

4.3 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

This item includes gains and losses (including the related interest) on financial assets and liabilities classified as held for trading or designated at fair value through profit or loss.

"Gains and losses on hedging transactions" include gains and losses arising from the revaluation of derivatives used as fair value hedges, as well as gains and losses from the revaluation of the hedged item in the same manner, the revaluation at fair value of the macro-hedged portfolio and the ineffective portion of cash flow hedges.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Gains and losses on financial instruments mandatorily recognized at fair value through profit or loss(1)	**5,974**	**676**
Gains and losses on financial instruments designated at fair value through profit or loss	**(3,739)**	**1,382**
• Gains and losses on financial assets designated at fair value through profit or loss	(9)	20
• Gains and losses on financial liabilities designated at fair value through profit or loss	(3,730)	1,362
Gains and losses on hedging transactions(2)	**(305)**	**(175)**
• Ineffective portion of cash flow hedges (CFH)	(2)	18
• Ineffective portion of fair value hedges (FVH)	(303)	(193)
Changes in fair value of fair value hedges	*(822)*	*181*
Changes in fair value of hedged items	*519*	*(374)*
Gains and losses on foreign exchange transactions	**293**	**314**
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,223**	**2,197**

(1) In 2019, "Gains and losses on financial instruments mandatorily recognized at fair value through profit or loss" included:

- impairments taken against the fair value of CDS entered into with monoline insurers: an increase of €2 million was recorded in 2019 versus a decrease of €40 million in 2018, bringing cumulative impairment to €25 million at December 31, 2019 compared to €23 million at December 31, 2018;
- change in the fair value of derivatives, in the amount of -€152 million, arising from the difference in impairment for counterparty risk (Credit Valuation Adjustment – CVA), in the amount of +€50 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 +€142 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA);
- in 2019, market risks relating to certain transactions in the portfolio of derivatives in Asia were shifted to external counterparties. Simultaneously, reserves set aside on December 31, 2018 in the amount of €173 million were reversed in their entirety in 2019.

(2) "Gains and losses on hedging transactions" consist mainly of gains and losses recorded in the event of over-hedging in interest rate macro-hedging transactions, i.e. -€237 million in 2019 versus -€149 million in 2018 subsequent to the partial declassification of hedging relationships or due to the measured ineffectiveness. This over-hedging is caused mainly by the significant volume of loan renegotiations or prepayments observed in the current low interest rate environment.

DAY ONE PROFIT

in millions of euros	Fiscal year 2019	Fiscal year 2018
Day one profit at the start of the year	87	77
Deferred profit on new transactions	118	104
Profit recognized in income during the year	(84)	(94)
DAY ONE PROFIT AT YEAR-END	**122**	**87**

4.4 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Financial assets at fair value through other comprehensive income include:

- SPPI debt instruments managed under a hold to collect and sell business model at fair value through other comprehensive income recyclable to profit or loss. If they are sold, changes in fair value are taken to income;
- equity instruments at fair value through other comprehensive income not recyclable to profit or loss. In the event of disposal, changes in fair value are not transferred to profit or loss but are taken directly to retained earnings. Only dividends affect income when they correspond to a return on investment.

Gains and losses on SPPI debt instruments managed under a hold to collect and sell business model recognized at fair value through other comprehensive income recyclable to profit or loss include:

- income and expenses recognized in net interest income;
- net gains or losses on debt financial assets at fair value through other comprehensive income;
- impairment recognized in "Cost of credit risk";
- gains and losses recognized directly in other comprehensive income.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Net gains or losses on debt instruments	28	20
Net gains or losses on equity instruments (dividends)	170	119
TOTAL GAINS OR LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**198**	**139**

4.5 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT AMORTIZED COST

Accounting principles

This item includes net gains or losses on financial assets at amortized cost arising from the derecognition of financial assets at amortized cost (loans and receivables, debt securities) and financial liabilities at amortized cost.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Gains	Losses	Net	Gains	Losses	Net
Loans or receivables due from banks	98	(60)	38	26	(17)	9
Loans or receivables due from customers	22	(3)	19	32		31
Debt securities	174	(161)	13	2		1
Gains and losses on financial assets at amortized cost	**294**	**(224)**	**70**	**59**	**(18)**	**41**
Amounts due to banks	66	(122)	(57)	0	(10)	(10)
Debt securities	1	(4)	(3)	9	(3)	6
Gains and losses on financial liabilities at amortized cost	**67**	**(126)**	**(59)**	**9**	**(13)**	**(4)**
TOTAL GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT AMORTIZED COST	**361**	**(350)**	**11**	**69**	**(31)**	**38**

4.6 INCOME AND EXPENSES FROM OTHER ACTIVITIES

Accounting principles

Income and expenses from other activities mainly include:

- income and expenses on investment property (rental income and expense, gains and losses on disposals, depreciation, amortization and impairment);
- income and expenses on operating leases;
- income and expenses on real estate development activities (revenues, purchases used).

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Income and expenses from real estate activities	5	(1)	4	6	(1)	5
Income and expenses from leasing transactions	584	(517)	67	470	(428)	43
Income and expenses from investment property	142	(62)	80	135	(82)	53
Share of joint ventures	*36*	*(13)*	*23*	*18*	*(9)*	*9*
Transfers of expenses and income	*7*	*(5)*	*2*	*11*	*(6)*	*5*
Other operating income and expenses	*504*	*(396)*	*108*	*500*	*(478)*	*22*
Net additions to/reversals from provisions to other operating income and expenses	*38*		*38*	*187*		*187*
Other banking income and expenses	586	(414)	171	717	(493)	223
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**1,316**	**(994)**	**322**	**1,328**	**(1,004)**	**324**

Income and expenses from insurance businesses are presented in Note 9.

4.7 OPERATING EXPENSES

Accounting principles

Operating expenses include mainly payroll costs (wages and salaries net of rebilled amounts), social security charges, and employee benefit expenses such as pension costs. Operating expenses also include the full amount of administrative expenses and external service costs.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Payroll costs	**(10,555)**	**(10,629)**
Taxes other than on income[1]	(893)	(895)
External services and other operating expenses	(4,861)	(5,258)
Other administrative costs	**(5,754)**	**(6,154)**
TOTAL OPERATING EXPENSES [2]	**(16,309)**	**(16,783)**

(1) Taxes other than on income included, in particular, the contribution to the SRF (Single Resolution Fund) for an annual amount of €375 million (versus €340 million in 2018) and the systemic risk tax for an annual amount of €19 million (versus €60 million in 2018).

(2) For fiscal year 2019, general operating expenses included €440 million in transformation costs consisting predominantly of external expenses (€292 million) and payroll costs (€121 million).

The breakdown of payroll costs is provided in Note 8.1.

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 stands at €982 million. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) amount to €239 million. Contributions paid in the form of partner or association certificates and cash security deposits, recognized as assets on the balance sheet, total €743 million.

European directive 2014/59/EU (the Bank Recovery and Resolution Directive) set out a framework for the recovery and resolution of banks and investment firms, and European Regulation 806/2014 (the Single Resolution Mechanism (SRM) Regulation) set up a resolution fund from 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.

The Single Resolution Board set the level of contributions for 2019 in accordance with Delegated Regulation 2015/63 and Implementing Regulation 2015/81 supplementing the BRRD on *ex-ante* contributions to bank resolution financing mechanisms. The amount of contributions paid by the Group totaled €441 million, of which €375 million recognized as an expense and €66 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 €260 million at December 31, 2019.

4.8 GAINS OR LOSSES ON OTHER ASSETS

Accounting principles

This item includes gains and losses on disposals of property, plant and equipment and intangible assets, as well as gains and losses on disposals of consolidated investments in associates.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Gains or losses on disposals of property, plant and equipment and intangible assets used in operations	10	13
Gains or losses on disposals of consolidated investments	(9)	2
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**1**	**15**

In 2019, gains or losses on disposals of consolidated investments were predominantly related to the disposal of Natixis Brasil (-€15 million).

In 2018, gains or losses on disposals of consolidated investments were predominantly related to Axeltis and Selection 1818 (+€42 million). This capital gain was partially offset by the provision recorded for the disposal of BPCE International's African subsidiaries, carried out in 2019 (see Note 1.3).

Note 5 Notes to the balance sheet

5.1 CASH AND AMOUNTS DUE FROM CENTRAL BANKS

Accounting principles

This item mainly includes cash and assets held with central banks at amortized cost.

in millions of euros	12/31/2019	12/31/2018
Cash	2,924	2,667
Central banks	77,320	73,791
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**80,244**	**76,458**

5.2 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

Financial assets and liabilities at fair value through profit or loss comprise instruments held for trading, including derivatives; certain assets and liabilities that the Group chose to recognize at fair value at their date of acquisition or issue using the fair value option available under IFRS 9; and non-SPPI assets.

Date of recognition

Securities are recorded in the balance sheet on the settlement-delivery date.

Temporary transfers of securities are also recorded on the settlement-delivery date.

When such transactions are recorded under "Assets and liabilities at fair value through profit or loss", the commitment is recorded as an interest rate derivative.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

5.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

Financial assets at fair value through profit or loss are:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the near term;
- financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IFRS 9. The qualifying criteria used when applying this option are described above;
- non-SPPI debt instruments;
- equity instruments measured by default at fair value through profit or loss (which are not held for trading purposes).

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, and gains or losses on disposals on these instruments are recognized in "Net gains or losses on financial instruments at fair value through profit or loss", with the exception of non-SPPI debt financial assets whose interest is recorded in "Interest income".

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments contracted by the Group to manage its risk exposure.

Assets designated at fair value through profit or loss

IFRS 9 allows entities to designate financial assets at fair value through profit or loss on initial recognition. However, an entity's decision to do so may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

This option may only be applied to eliminate or significantly reduce an accounting mismatch. Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments contracted by the Group to manage its risk exposure.

	12/31/2019				12/31/2018			
	Financial assets mandatorily recognized at fair value through profit or loss		Financial assets designated at fair value through profit or loss[1]		Financial assets mandatorily recognized at fair value through profit or loss		Financial assets designated at fair value through profit or loss[1]	
in millions of euros	Financial assets considered part of a trading activity	Other financial assets[2][3]		Total	Financial assets considered part of a trading activity	Other financial assets[2][3]		Total
Treasury bills and equivalent	7,170	2		7,172	6,518			6,518
Bonds and other debt securities	10,804	6,647	43	17,495	9,014	6,790		15,804
Debt securities	**17,975**	**6,649**	**43**	**24,667**	**15,532**	**6,790**		**22,322**
Loans to banks excluding repurchase agreements	13	69	2	84	131	74	2	207
Customer loans excluding repurchase agreements	4,599	3,163		7,762	3,874	3,509		7,383
Repurchase agreements[4]	80,921			80,921	83,115			83,115
Loans	**85,533**	**3,232**	**2**	**88,767**	**87,121**	**3,583**	**2**	**90,705**
Equity instruments	**40,928**	**2,063**	**///**	**42,991**	**23,877**	**1,836**	**///**	**25,713**
Trading derivatives[4]	**47,552**	**///**	**///**	**47,552**	**45,867**	**///**	**///**	**45,867**
Security deposits paid	**14,790**	**///**	**///**	**14,790**	**15,909**	**///**	**///**	**15,909**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**206,777**	**11,945**	**45**	**218,767**	**188,305**	**12,209**	**2**	**200,516**

(1) Only in case of an accounting mismatch.
(2) Consisting of non-SPPI assets that fall outside the scope of a trading activity including units of UCITS and private equity investment funds presented in bonds and other debt securities (€5,481 million at December 31, 2019 vs. €5,360 million at December 31, 2018). Loans to customers include some structured loans to local authorities. This category also includes equity instruments the Group decided not to recognize through other comprehensive income for a total of €2,063 million at December 31, 2019.
(3) The criteria used by Groupe BPCE to categorize financial assets at fair value through profit or loss if they do not meet the SPPI criterion are provided in Note 2.5.1.
(4) This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.18.1).

5.2.2 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

These are financial liabilities held for trading or classified in this category on a voluntary basis at initial recognition using the fair value option available under IFRS 9. The trading book includes liabilities arising from short-selling transactions, repurchase agreements and derivative instruments. The qualifying criteria used when applying this option are described above.

These liabilities are measured at fair value at the date of initial recognition and at each balance sheet date.

Fair value fluctuations over the period, interest, and gains or losses related to these instruments are booked as "Net gains or losses on financial instruments at fair value through profit or loss", except for fair value fluctuations attributable to the change in own credit risk for financial liabilities at fair value through profit or loss, which have been booked, since January 1, 2016, in "Revaluation of own credit risk of financial liabilities designated at fair value through profit or loss" within "Gains and losses recognized directly in other comprehensive income". If the liability is derecognized before its maturity (early redemption, for example), fair value gains or losses attributable to own credit risk are directly transferred to retained earnings.

Financial liabilities designated at fair value through profit or loss

IFRS 9 allows entities to designate financial liabilities at fair value through profit or loss on initial recognition. However, an entity's decision to do so may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

In practice, this option may be applied only under the specific circumstances described below:

Elimination of or significant reduction in an accounting mismatch

Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Harmonization of accounting treatment for management and performance measurement

The option applies for liabilities managed and measured at fair value, provided that such management is based on a formally documented risk management policy or investment strategy, and that internal monitoring also relies on a fair value measurement.

Hybrid financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid (combined) instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied to a financial liability when the embedded derivative substantially modifies the cash flows of the host contract and when the separate recognition of the embedded derivative is not specifically prohibited by IFRS 9 (*e.g.* an early redemption option embedded in a debt instrument). The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

This accounting treatment applies in particular to some structured debt issues containing material embedded derivatives.

Financial liabilities in the trading book include liabilities arising from short-selling transactions, repurchase agreements and derivative instruments.

in millions of euros	12/31/2019 Financial liabilities issued for trading	12/31/2019 Financial liabilities designated at fair value through profit or loss	12/31/2019 Total	12/31/2018 Financial liabilities issued for trading	12/31/2018 Financial liabilities designated at fair value through profit or loss	12/31/2018 Total
Short sales	19,984	///	19,984	21,167	///	21,167
Trading derivatives[1]	46,546	///	46,546	46,614	///	46,614
Interbank term accounts and loans		103	103		73	73
Customer term accounts and loans		140	140	2	125	126
Non-subordinated debt securities	297	26,254	26,550	301	24,176	24,476
Subordinated debt	///	100	100	///	100	100
Repurchase agreements[1]	95,536	///	95,536	90,170	///	90,170
Guarantee deposits received	9,090	///	9,090	7,717	///	7,717
Other	///	3,727	3,727	///	4,423	4,423
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**171,452**	**30,324**	**201,776**	**165,970**	**28,897**	**194,867**

(1) This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.18.2).

These liabilities are measured at fair value on the reporting date with changes in value, including coupon, recorded in the "Net gains or losses on financial instruments at fair value through profit or loss" line on the income statement, with the exception of changes in fair value attributable to own credit risk associated with financial liabilities designated at fair value through profit or loss, which are recognized in "Revaluation of own credit risk on financial liabilities recognized at fair value through profit or loss" in accordance with IFRS 9.

Conditions for designating financial liabilities at fair value through profit or loss

At Group level, financial liabilities designated at fair value through profit or loss are mostly held by Natixis. They mostly comprise issues originated and structured for customers and for which the risks and hedges are managed collectively. These issues include significant embedded derivatives for which changes in value are offset by those of the derivative instruments hedging them.

Financial liabilities accounted for under the fair value option, excluding Natixis, also include some structured debt issues and structured deposits containing embedded derivatives (*e.g.* structured medium-term notes and equities for personal savings plans).

in millions of euros	12/31/2019 Accounting mismatches	12/31/2019 Fair value measurement	12/31/2019 Embedded derivatives	12/31/2019 Financial liabilities designated at fair value through profit or loss
Interbank term accounts and loans	13		90	103
Customer term accounts and loans			140	140
Non-subordinated debt securities	20,570		5,684	26,254
Subordinated debt			100	100
Other	3,727			3,727
TOTAL	**24,310**		**6,014**	**30,324**

Financial liabilities designated at fair value through profit or loss and credit risk

in millions of euros	12/31/2019 Carrying amount	12/31/2019 Contractual amount due at maturity	12/31/2019 Difference between the carrying amount and the contractual amount due at maturity	12/31/2018 Carrying amount	12/31/2018 Contractual amount due at maturity	12/31/2018 Difference between the carrying amount and the contractual amount due at maturity
Interbank term accounts and loans	103	92	12	73	64	9
Customer term accounts and loans	140	141	(1)	125	127	(2)
Non-subordinated debt securities	26,254	25,327	927	24,176	26,480	(2,304)
Subordinated debt	100	100		100	101	(1)
Other	3,727	3,726	1	4,423	4,421	2
TOTAL	**30,324**	**29,386**	**939**	**28,897**	**31,193**	**(2,296)**

The total amount of changes in fair value reclassified to "Retained earnings" during the period essentially concerns redemptions of debt securities classified as "Financial liabilities designated at fair value through profit or loss" and amounted to -€1 million at December 31, 2019.

The amount contractually due on loans at maturity comprises the outstanding principal amount at the balance sheet date plus accrued interest not yet due. In the case of securities, the redemption value is generally used.

Revaluations attributable to own credit risk (valuation of own credit risk) amounted to €136 million (o/w +€137 million for debt securities) at December 31, 2019. Changes in these amounts are recorded in non-recyclable gains and losses recognized directly in other comprehensive income.

5.2.3 TRADING DERIVATIVES

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognized on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Trading derivatives are recognized on the balance sheet under "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss". Realized and unrealized gains and losses are taken to income on the "Net gains or losses on financial instruments at fair value through profit or loss" line.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments. Positive or negative fair values represent the replacement value of these instruments. These values may vary significantly depending on changes in market parameters.

in millions of euros	12/31/2019 Notional amount	12/31/2019 Positive fair value	12/31/2019 Negative fair value	12/31/2018 Notional amount	12/31/2018 Positive fair value	12/31/2018 Negative fair value
Interest rate derivatives	3,133,604	20,963	17,526	3,061,238	17,212	15,868
Equity derivatives	148,102	1,748	3,114	121,055	3,551	3,632
Currency derivatives	683,015	7,862	7,112	749,220	8,353	7,625
Other instruments	46,971	193	227	46,815	177	408
Forward transactions	**4,011,692**	**30,766**	**27,979**	**3,978,328**	**29,293**	**27,533**
Interest rate derivatives	544,545	10,046	11,257	653,033	8,780	10,672
Equity derivatives	119,795	1,804	1,808	158,891	3,158	3,524
Currency derivatives	253,649	4,032	4,304	262,775	3,915	3,982
Other instruments	46,021	302	374	49,179	310	350
Options	**964,010**	**16,184**	**17,743**	**1,123,878**	**16,163**	**18,528**
Credit derivatives	**30,139**	**602**	**824**	**36,096**	**410**	**554**
TOTAL TRADING DERIVATIVES	**5,005,841**	**47,552**	**46,546**	**5,138,302**	**45,866**	**46,615**
o/w on organized markets	*471,689*	*1,444*	*979*	*767,566*	*2,166*	*2,715*
o/w over-the-counter transactions	*4,534,152*	*46,108*	*45,567*	*4,370,736*	*43,700*	*43,900*

5.3 HEDGING DERIVATIVES

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognized on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Changes in the fair value of derivatives are recognized in income for the period, except for derivatives qualifying as cash flow hedges or as hedges of net investments in foreign operations for accounting purposes.

Derivatives may only be designated as hedges if they meet the criteria set out in IAS 39 at inception and throughout the term of the hedge. These criteria include formal documentation that the hedging relationship between the derivatives and the hedged items is both prospectively and retrospectively effective.

Fair value hedges mainly consist of interest rate swaps that protect fixed rate financial instruments against changes in fair value attributable to changes in market rates of interest. They transform fixed rate assets or liabilities into floating rate instruments and include mostly hedges of fixed rate loans, securities, deposits and subordinated debt.

Fair value hedging is also used to manage the overall interest rate risk position.

Cash flow hedges fix or control the variability of cash flows arising from floating rate instruments. Cash flow hedging is also used to manage the overall interest rate risk position.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments.

The hedging relationship qualifies for hedge accounting if, at the inception of the hedge, there is formal documentation of the hedging relationship identifying the hedging strategy, the type of risk hedged, the designation and characteristics of the hedged item and the hedging instrument. In addition, the effectiveness of the hedge must be demonstrated at inception and subsequently verified.

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Groupe BPCE used the option available in IFRS 9 not to apply the provisions of the standard relative to hedge accounting, and to continue to apply IAS 39 as adopted by the European Union for the recognition of these transactions, i.e. excluding certain provisions relating to macro-hedging.

Fair value hedges

Fair value hedges are intended to reduce exposure to changes in the fair value of an asset or liability carried on the balance sheet, or of a firm commitment, in particular the interest rate risk on fixed rate assets and liabilities.

The gain or loss on the revaluation of hedging instruments attributable to the risk being hedged is recognized in income in the same manner as the gain or loss on the hedged item. The ineffective portion of the hedge, if any, is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging instrument is taken to income in the same manner as the accrued interest on the hedged item.

5

Where identified assets or liabilities are hedged, the revaluation of the hedged component is recognized on the same line of the balance sheet as the hedged item.

The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account when calculating the effectiveness of a hedge.

If a hedging relationship ceases (investment decision, failure to fulfill effectiveness criteria, or because the hedged item is sold before maturity), the hedging instrument is transferred to the trading book. The revaluation difference recorded in the balance sheet in respect of the hedged item is amortized over the residual life of the initial hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the revaluation gain or loss is recognized in income for the period.

Cash flow hedges

The purpose of cash flow hedges is to hedge the exposure to the variability of cash flow that is attributable to a particular risk associated with a recognized asset or liability or with a future transaction (hedge of interest rate risk on floating rate assets or liabilities, hedge of conditions relating to future transactions such as future fixed interest rates, future prices, exchange rates, etc.).

The portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized on a separate line of "Gains and losses recognized directly in other comprehensive income". The ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging instrument is taken to income under interest income in the same manner as the accrued interest on the hedged item.

The hedged items are accounted for using the treatment applicable to their specific asset category.

If a hedging relationship ceases (because the hedge no longer meets the effectiveness criteria, the derivative is sold or the hedged item ceases to exist), the cumulative amounts recognized in other comprehensive income are transferred to the income statement as and when the hedged item impacts profit or loss, or immediately if the hedged item ceases to exist.

Special case: portfolio hedging (macro-hedging)

Documentation as cash flow hedges

Some Group institutions document their macro-hedging of interest rate risk as cash flow hedges (hedging of portfolios of loans or borrowings).

In this case, the portfolios of assets or liabilities that may be hedged are, for each maturity band:

- floating rate assets and liabilities; the entity incurs a risk of variability in future cash flows from floating rate assets or liabilities insofar as future interest rate levels are not known in advance;
- future transactions deemed to be highly probable (forecasts): assuming total outstandings remain constant, the entity is exposed to the risk of variability in future cash flows on future fixed rate loans insofar as the interest rate at which the loan will be granted is not yet known. Similarly, the Group may be exposed to the risk of variability in future cash flows on the funding that it will need to raise in the market.

Under IAS 39, hedges of an overall net position of fixed rate assets and fixed rate liabilities with similar maturities do not qualify for hedge accounting. The hedged item is therefore deemed to be equivalent to a share of one or more portfolios of identified floating rate instruments (portion of deposit outstandings or floating rate loans); the effectiveness of the hedges is measured by creating a hypothetical instrument for each maturity band and comparing its changes in fair value from inception to those for the documented hedging derivatives.

The characteristics of this instrument model those of the hedged item. Effectiveness is then assessed by comparing the changes in value of the hypothetical instrument with the actual hedging instrument. This method requires the preparation of a maturity schedule.

The effectiveness of the hedge must be shown prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test calculates the retrospective effectiveness of a hedge initiated at various balance sheet dates.

At each balance sheet date, changes in the fair value of hedging instruments, excluding accrued interest, are compared with those of hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealized gain or loss recognized in other comprehensive income is transferred immediately to profit or loss.

When the hedging relationship ceases, if the hedged item is still shown on the balance sheet, or if it is still highly probable, unrealized cumulative gains and losses are recognized in other comprehensive income on a straight-line basis. If the derivative has not been canceled, it is reclassified as a trading derivative, and subsequent changes in its fair value are recognized in income.

Documentation as fair value hedges

Some of the Group's institutions document their macro-hedging of interest rate risk as fair value hedges by applying the carve-out arrangements under IAS 39 as adopted by the European Union.

The version of IAS 39 adopted for use by the European Union does not include certain hedge accounting provisions that appear incompatible with the strategies implemented by European banks to reduce their overall exposure to interest rate risk. In particular, this carve-out allows the Group to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). The Group mainly uses plain vanilla interest rate swaps designated at inception as fair value hedges of fixed rate deposits or loans.

Macro-hedging derivatives are accounted for in the same manner as derivatives used to hedge the fair value of specific transactions (micro-hedging).

In a macro-hedging relationship, gains and losses on the revaluation of the hedged item are recorded in "Revaluation differences on interest rate risk-hedged portfolios", under balance sheet assets for hedges of a portfolio of financial assets and under balance sheet liabilities for hedges of a portfolio of financial liabilities.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed rate portfolio. The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account.

Effectiveness is tested in two ways:

- asset-based testing: for plain vanilla swaps designated as hedging instruments at inception, the Group verifies that no over-hedging exists both prospectively at the date the hedging relationship is designated and retrospectively at each balance sheet date;
- quantitative testing: for other swaps, the change in the fair value of the actual swap must offset the changes in the fair value of a hypothetical instrument that exactly reflects the underlying hedged item. These tests are conducted prospectively at the date the instrument is designated as a hedge and retrospectively at each balance sheet date.

If a hedging relationship ceases, the revaluation adjustment is amortized on a straight-line basis over the remaining term of the initial hedge, if the hedged item has not been derecognized. It is taken directly to income if the hedged item is no longer recorded in the balance sheet. In particular, derivatives used for macro-hedging may be disqualified for hedge accounting purposes when the nominal amount of the hedged items falls below the notional amount of the hedging instruments, for example in the case of the prepayment of loans or the withdrawal of deposits.

Hedges of net investments in foreign operations

A net investment in a foreign operation is the amount of the investment held by the consolidating entity in the net assets of the operation.

The purpose of a hedge of a net investment in a foreign operation is to minimize the foreign exchange effect for a consolidating entity of an investment in an entity whose functional currency is different from the presentation currency of the consolidating entity's financial statements. Net investment hedges are accounted for in the same manner as cash flow hedges.

Unrealized gains and losses initially recognized in other comprehensive income are taken to income when the net investment is sold in full or in part (or when partially sold with loss of control).

Fair value hedges mainly consist of interest rate swaps that protect fixed rate financial instruments against changes in fair value attributable to changes in market rates of interest. They transform fixed rate assets or liabilities into floating rate instruments

Fair value macro-hedges are used to manage the overall interest rate risk position, in particular to hedge:

- fixed rate loan portfolios;
- demand deposits;
- PEL home savings deposits;
- the inflation component of Livret A passbook savings accounts.

Fair value micro-hedges are notably used to hedge:

- fixed rate liabilities;
- fixed rate liquidity reserve securities and inflation-indexed securities.

Cash flow hedges fix or control the variability of cash flows arising from floating rate instruments. Cash flow hedging is also used to manage the overall interest rate risk position.

Cash flow hedges are mainly used to:

- hedge floating rate liabilities;
- hedge the risk of changes in value of future cash flows on liabilities;
- provide macro-hedging of floating rate assets.

The main causes of ineffective hedging are related to:

- ineffective dual-curve valuations: the value of collateralized derivatives (with margin calls yielding EONIA) is based on the EONIA discount curve, while the value of the hedged component of items covered by fair value hedges is calculated using a Euribor discount curve;
- the time value of options;
- over-hedging for asset-based testing of macro-hedges (notional amounts of hedging derivatives higher than the nominal amount of the hedged items, in particular where prepayments on the hedged items were higher than expected);
- credit value adjustments and debit value adjustments linked to credit risk and own credit risk on derivatives;
- differences in interest rate fixing dates between the hedged item and the hedge.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments.

	12/31/2019			12/31/2018		
in millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate derivatives	471,390	7,696	12,029	469,588	6,799	10,422
Currency derivatives[(1)]	739	360	1,009	14,340	582	1,974
Forward transactions	**472,129**	**8,057**	**13,038**	**483,928**	**7,381**	**12,396**
Interest rate derivatives	6,603	3	19	4,327	14	15
Options	**6,603**	**3**	**19**	**4,327**	**14**	**15**
Fair value hedges	**478,732**	**8,060**	**13,058**	**488,255**	**7,395**	**12,412**
Interest rate derivatives	28,736	216	456	27,615	156	378
Currency derivatives[(1)]	24,054	1,009	1,554	18,641	606	798
Forward transactions	**52,790**	**1,225**	**2,009**	**46,256**	**762**	**1,177**
Interest rate derivatives	118	2	1	97	2	1
Options	**118**	**2**	**1**	**97**	**2**	**1**
Cash flow hedges	**52,908**	**1,227**	**2,010**	**46,353**	**764**	**1,178**
TOTAL HEDGING INSTRUMENTS	**531,640**	**9,286**	**15,068**	**534,608**	**8,160**	**13,589**

(1) Currency swaps are documented both as interest rate fair value hedges and as currency cash flow hedges. Total fair value is nevertheless recorded under currency derivatives. In 2018, these derivatives were mainly recorded under currency fair value hedges and are now mainly recorded under currency cash flow hedges in order to better reflect the weight of the currency component (associated with the cash flow hedge) in total fair value.

All hedging derivatives are included in "Hedging derivatives" in balance sheet assets and liabilities.

MATURITY OF THE NOTIONAL AMOUNT OF HEDGING DERIVATIVES AT DECEMBER 31, 2019

	12/31/2019				12/31/2018			
in millions of euros	< 1 year	1 to 5 years	6 to 10 years	> 10 years	< 1 year	1 to 5 years	6 to 10 years	> 10 years
Interest rate risk hedging	**63,866**	**216,818**	**124,655**	**101,507**	**81,527**	**206,871**	**114,750**	**98,478**
Cash flow hedges	3,505	7,864	7,802	9,683	2,837	9,277	5,923	9,675
Fair value hedges	60,361	208,954	116,854	91,824	78,690	197,594	108,827	88,803
Currency risk hedging	**1,553**	**13,902**	**6,108**	**3,230**	**711**	**13,331**	**13,156**	**5,784**
Cash flow hedges[(1)]	1,309	13,480	6,108	3,157	134	6,515	9,541	2,451
Fair value hedges[(1)]	244	422		73	577	6,816	3,615	3,333
TOTAL	**65,419**	**230,722**	**130,763**	**104,737**	**82,238**	**220,202**	**127,906**	**104,262**

(1) Currency swaps are documented both as interest rate fair value hedges and as currency cash flow hedges. Total fair value is nevertheless recorded under currency derivatives. In 2018, these derivatives were mainly recorded under currency fair value hedges and are now mainly recorded under currency cash flow hedges in order to better reflect the weight of the currency component (associated with the cash flow hedge) in total fair value.

HEDGED ITEMS

Fair value hedges

	Fair value hedges				
	12/31/2019				
	Interest rate risk hedging			Currency risk hedging	
in millions of euros	Carrying amount	o/w revaluation of the hedged component(1)	Hedged component remaining to be recognized(2)	Carrying amount	o/w revaluation of the hedged component(1)
ASSETS					
Financial assets at fair value through other comprehensive income	**35,151**	**835**		**659**	**(0)**
Debt securities	34,942	835		652	(1)
Shares and other equity instruments	209			8	
Financial assets at amortized cost	**164,604**	**10,382**	**300**	**5,474**	**989**
Loans and receivables due from banks	28,327	475		552	
Loans and receivables due from customers	126,180	8,155	1	91	17
Debt securities at amortized cost	10,096	1,752	299	4,831	971
LIABILITIES					
Financial liabilities at amortized cost	**160,196**	**7,543**	**314**	**7,734**	**424**
Amounts due to banks	37,370	1,091	3		
Amounts due to customers	6,891	(1)			
Debt securities	101,138	5,660	311	6,710	424
Subordinated debt	14,796	794		1,024	6
TOTAL – FAIR VALUE HEDGES	**359,950**	**18,759**	**613**	**13,867**	**1,413**

(1) Excluding accrued interest.
(2) Declassification, end of hedging relationship.

The ineffective portion of hedging for the period is presented in Note 4.3 "Gains and losses on financial assets and liabilities at fair value through profit or loss" or in Note 4.4 "Gains and losses recognized directly in other comprehensive income".

	Fair value hedges				
	12/31/2018				
	Interest rate risk hedging			Currency risk hedging	
in millions of euros	Carrying amount	o/w revaluation of the hedged component(1)	Hedged component remaining to be recognized(2)	Carrying amount	o/w revaluation of the hedged component(1)
ASSETS					
Financial assets at fair value through other comprehensive income	**32,800**	**570**		**683**	
Debt securities	32,800	570		675	
Shares and other equity instruments				8	
Financial assets at amortized cost	**205,354**	**7,974**	**372**	**5,486**	**982**
Loans and receivables due from banks	22,857	409		533	
Loans and receivables due from customers	169,503	5,920	22	97	16
Debt securities at amortized cost	12,994	1,645	350	4,856	966
LIABILITIES					
Financial liabilities at amortized cost	**153,118**	**5,281**	**390**	**14,141**	**396**
Amounts due to banks	35,149	771		195	
Amounts due to customers	12,720	(1)			
Debt securities	93,660	4,007	390	9,813	396
Subordinated debt	11,589	504		4,133	
TOTAL – FAIR VALUE HEDGES	**391,272**	**13,825**	**762**	**20,310**	**1,378**

1) Excluding accrued interest.
(2) Declassification, end of hedging relationship.

Cash flow hedges

	12/31/2019			
in millions of euros	Fair value of the hedging derivative	o/w effective portion of hedges not due[(2)]	o/w ineffective portion	Balance of hedges due and remaining to be recognized[(1)]
Interest rate risk hedging	(239)	(226)	(13)	36
Currency risk hedging	(544)	(556)	12	
TOTAL – CASH FLOW HEDGES	**(783)**	**(782)**	**(1)**	**36**

(1) Declassification, end of hedging relationship
(2) Booked to other items recognized in other comprehensive income or to profit or loss for the recycled portion with a corresponding entry to hedged items.

At December 31, 2018, the fair value of hedging derivatives was -€413 million, o/w an effective portion of -€429 million and an ineffective portion of €16 million. The balance of hedges due and remaining to be recognized stood at €96 million.

The ineffective portion of the hedge is recorded in the income statement under “Net gains or losses on financial instruments at fair value through profit or loss”, see Note 4.3.

The “Cash flow hedges” reserve corresponds to the effective portion of hedges not due and the balance of hedges that are due and remaining to be recognized, before tax, including the portion attributable to non-controlling interests.

Recycling from “Cash flow hedges” to profit or loss is included either in net interest income or in income on derecognition of the hedged item in the same way as the line impacted by the hedged item.

Cash flow hedges – Details of other items recognized in other comprehensive income

in millions of euros	01/01/2019	Change in the effective portion	Reclassification of the effective portion to profit or loss	Hedged item partially or fully extinguished	12/31/2019
Amount of equity for cash flow hedging	(408)	73	19	6	(310)
TOTAL	**(408)**	**73**	**19**	**6**	**(310)**

At December 31, 2018, the change in the effective portion amounted to +€22 million, the reclassification of the effective portion to profit or loss to +€59 million and the partially or totally hedged item to +€6 million.

5.4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Financial assets at fair value through other comprehensive income are initially recognized at fair value, plus any transaction costs.

Debt instruments measured at fair value through other comprehensive income recyclable to profit or loss

On the balance sheet date, these instruments are carried at their fair value and changes in fair value (excluding accrued interest) are recorded under ”Gains and losses recognized directly in other comprehensive income recyclable to profit or loss” (as the foreign currency assets are monetary assets, changes in the fair value of the foreign currency component affect income). The principles used to determine fair value are described in Note 10.

These instruments are subject to IFRS 9 impairment requirements. Information about credit risk is provided in Note 7.1. If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on debt instruments is recorded under “Interest and similar income” based on the effective interest method. This method is described in Note 5.5 – Assets at amortized cost.

Equity instruments measured at fair value through other comprehensive income not recyclable to profit or loss

On the balance sheet date, these instruments are carried at their fair value and changes in fair value are recorded under “Gains and losses recognized directly in other comprehensive income not recyclable to profit or loss” (as the foreign currency assets are not monetary assets, changes in the fair value of the foreign currency component do not affect income). The principles used to determine fair value are described in Note 10.

The designation at fair value through other comprehensive income not recyclable to profit or loss is an irrevocable option that is applied on an instrument-by-instrument basis only to equity instruments not held for trading purposes. Realized and unrealized losses continue to be recorded in other comprehensive income with no impact on income. These financial assets are not impaired.

In the event of disposal, changes in fair value are not transferred to profit or loss but are taken directly to retained earnings.

Only dividends affect income when they correspond to a return on investment. They are recorded in "Net gains or losses on financial instruments at fair value through other comprehensive income" (Note 4.4).

in millions of euros	12/31/2019	12/31/2018
Loans and receivables	45	26
Debt securities	41,497	37,382
Shares and other equity securities[(1)(2)]	3,089	2,680
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**44,630**	**40,088**
o/w impairment for expected credit losses[(3)]	(81)	(67)
o/w gains and losses recognized directly in other comprehensive income (before tax)[(4)]	495	93
• *Debt instruments*	*350*	*112*
• *Equity instruments*	*145*	*(19)*

(1) Equities and other equity securities include strategic equity interests and certain long-term private equity securities. As these securities are not held for sale, their classification as equity instruments designated at fair value through other comprehensive income is appropriate.
(2) In fiscal year 2019, Natixis Investment Managers acquired stakes in asset management company Fiera Capital for €85 million and in US asset management company WCM Investment Management for €253 million.
(3) Details are provided in Note 7.1.1.
(4) Including the portion attributable to non-controlling interests (+€6 million at December 31, 2019, compared with -€15 million at December 31, 2018).

EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Equity instruments designated at fair value through other comprehensive income can include:

- investments in associates;
- shares and other equity securities.

On initial recognition, equity instruments designated at fair value through other comprehensive income are carried at fair value plus any transaction costs.

On following accounting dates, changes in the fair value of the instrument are recognized in other comprehensive income (OCI).

These changes in fair value that accrue to other comprehensive income will not be reclassified to profit or loss in subsequent years (other comprehensive income not recyclable to profit or loss).

Dividends are only taken to income when they meet the required conditions.

	12/31/2019				12/31/2018			
		Dividends recognized over the period	Derecognition over the period			Dividends recognized over the period	Derecognition over the period	
in millions of euros	Fair value	Equity instruments held at the end of the period	Fair value at the disposal date	Total profit or loss at the disposal date	Fair value	Equity instruments held at the end of the period	Fair value at the disposal date	Total profit or loss at the disposal date
Investments in associates	2,631	153	232	124	2,167	107	42	(4)
Shares and other equity securities	458	17	175	(14)	513	12	18	(5)
TOTAL	**3,089**	**170**	**407**	**110**	**2,680**	**119**	**60**	**(9)**

5

5.5 ASSETS AT AMORTIZED COST

Accounting principles

Assets at amortized cost are SPPI financial assets managed under a hold to collect business model. Most loans originated by the Group are classified in this category. Information about credit risk is provided in Note 7.1.

Financial assets at amortized cost include loans and receivables due from banks and customers as well as securities at amortized cost such as treasury bills and bonds.

Loans and receivables are initially recorded at fair value plus any costs and less any income directly related to the arrangement of the loan or to the issue.

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.

On subsequent balance sheet dates, these financial assets are measured at amortized cost using the Effective Interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the carrying amount of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the implementation 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.

Loan renegotiations and restructuring

When contracts are modified, IFRS 9 requires the identification of financial assets that are renegotiated, restructured or otherwise modified (whether or not as a result of financial hardship), but not subsequently derecognized. Any profit or loss arising from the modification of a contract is recognized in income. The gross carrying amount of the financial asset must be recalculated so it is equal to the present value of the renegotiated or amended contractual cash flows at the initial effective interest rate. The materiality of the modifications is, however, analyzed on a case by case basis.

The treatment of loans restructured due to financial hardship is similar under IFRS 9 as under IAS 39: a discount is applied to loans restructured following a credit loss event (impaired, Stage 3) to reflect the difference between the present value of the contractual cash flows expected at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of credit risk" in the income statement and offset against the corresponding item on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. If the discount is immaterial, the effective interest rate on the restructured loan is adjusted and no discount is recognized.

The restructured loan is reclassified as performing (not impaired, Stage 1 or Stage 2) when no uncertainty remains as to the borrower's capacity to honor the commitment.

For substantially restructured loans (for example, the conversion of all or part of a loan into an equity instrument), the new instruments are booked at fair value and the difference between the carrying amount of the derecognized loan (or portion of the loan) and the fair value of the assets received in exchange is taken to income under "Cost of credit risk". Any impairment previously recorded on the loan is adjusted and fully reversed if the loan is fully converted into a new asset.

Fees and commissions

Costs directly attributable to the arrangement of loans are external costs which consist primarily of commissions paid to third parties such as business provider fees.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more probable than improbable that the loan will be drawn down). Commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

Date of recognition

Securities are recorded in the balance sheet on the settlement-delivery date.

Temporary transfers of securities are also recorded on the settlement-delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

For repurchase transactions, a loan commitment given is recorded between the transaction date and the settlement-delivery date.

5.5.1 SECURITIES AT AMORTIZED COST

in millions of euros	12/31/2019	12/31/2018
Treasury bills and equivalent	15,734	18,264
Bonds and other debt securities	13,373	13,675
Impairment for expected credit losses	(185)	(163)
TOTAL SECURITIES AT AMORTIZED COST	**28,922**	**31,776**

The fair value of securities at amortized cost is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.5.2 LOANS AND RECEIVABLES DUE FROM BANKS AND SIMILAR AT AMORTIZED COST

in millions of euros	12/31/2019	12/31/2018
Current accounts with overdrafts	6,713	7,961
Repurchase agreements	5,032	6,458
Accounts and loans[1]	72,725	72,304
Other loans or receivables due from banks	50	31
Security deposits paid	5,197	4,449
Impairment for expected credit losses	(61)	(60)
TOTAL LOANS AND RECEIVABLES DUE FROM BANKS	**89,656**	**91,142**

(1) Livret A, LDD and LEP savings accounts centralized with Caisse des Dépôts et Consignations and recorded under "Accounts and loans" amounted to €68,187 million at December 31, 2019 versus €66,384 million at December 31, 2018.

The fair value of loans and receivables due from banks and similar is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.5.3 LOANS AND RECEIVABLES DUE FROM CUSTOMERS AT AMORTIZED COST

in millions of euros	12/31/2019	12/31/2018
Current accounts with overdrafts	**13,077**	**12,881**
Other facilities granted to customers	**683,623**	**649,775**
Loans to financial sector customers	10,464	8,016
Short-term credit facilities	83,877	74,027
Equipment loans	169,619	161,710
Home loans	365,788	347,693
Export loans	3,773	3,802
Repurchase agreements	6,566	8,518
Finance leases	18,309	17,539
Subordinated loans	536	612
Other loans	24,690	27,858
Other loans or receivables due from customers	**8,635**	**8,927**
Security deposits paid	**732**	**314**
Gross loans and receivables due from customers	**706,067**	**671,898**
Impairment for expected credit losses	(12,810)	(12,617)
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**693,257**	**659,281**

The fair value of loans and receivables due from customers is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.6 ACCRUED INCOME AND OTHER ASSETS

in millions of euros	12/31/2019	12/31/2018
Collection accounts	1,705	5,503
Prepaid expenses	474	375
Accrued income	1,013	1,126
Other accruals	3,624	3,770
Accrued income and prepaid expenses	**6,816**	**10,774**
Settlement accounts in debit on securities transactions	186	365
Other obligors	17,324	17,984
Other assets	**17,510**	**18,349**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**24,326**	**29,123**

5.7 NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Accounting principles

Where a decision is made to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately on the balance sheet on the "Non-current assets held for sale" line. Any liabilities associated with these assets are also shown separately on the balance sheet on the "Liabilities associated with non-current assets held for sale" line.

Once classified in this category, non-current assets are no longer depreciated/amortized and are measured at the lowest of their carrying amount or fair value less sales costs. Financial instruments continue to be measured in accordance with IFRS 9.

A non-current asset (or group of assets) is held for sale when its carrying amount is recovered by its sale. The asset (or group of assets) must be immediately available for sale and it must be highly likely that the sale will be completed within the next twelve months.

At December 31, 2018, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" related to the assets and liabilities of BPCE International's African subsidiaries and the assets and liabilities of subsidiary Banco Primus.

In fiscal year 2019, BPCE International's subsidiaries in Sub-Saharan Africa were sold (see Note 1.3). Furthermore, lacking the approval of the Portuguese authorities, Groupe BPCE elected to no longer use IFRS 5 classification for the assets and liabilities of subsidiary Banco Primus. Lastly, at June 30, 2019 Groupe BPCE had considered that its investment in Fidor Bank AG was no longer a strategic asset and had initiated a disposal process, automatically presenting the entity's assets and liabilities in accordance with IFRS 5. In the second half of 2019, as the prospect of selling the entity within 12 months had become less probable, these assets and liabilities were reclassified in the consolidated balance sheet.

At December 31, 2019, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" thus included the assets and liabilities of BanqueTuniso-Kowetienne, currently in the process of being sold.

Figures relating to the entities held for sale are shown below:

in millions of euros	12/31/2019	12/31/2018
Cash and amounts due from central banks	15	431
Financial assets at fair value through profit or loss		1
Financial assets at fair value through other comprehensive income	47	146
Securities at amortized cost		26
Loans and receivables due from banks and similar at amortized cost	72	41
Loans and receivables due from customers at amortized cost	403	1,777
Current tax assets	1	5
Deferred tax assets	10	58
Accrued income and other assets	10	57
Investment property	12	13
Property, plant and equipment	6	60
Intangible assets	2	4
Goodwill		20
NON-CURRENT ASSETS HELD FOR SALE	**578**	**2,639**
Debt securities	29	86
Amounts due to banks and similar	161	250
Amounts due to customers	282	1,624
Current tax liabilities		4
Deferred tax liabilities	12	12
Accrued expenses and other liabilities	28	84
Provisions	12	32
Subordinated debt	4	4
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**528**	**2,096**

5.8 INVESTMENT PROPERTY

Accounting principles

In accordance with IAS 40, investment property is property held to earn rent, or for capital appreciation, or both.

The accounting treatment for investment property is identical to that used for property, plant and equipment for all Group entities except for certain insurance entities, which recognize the property they hold as insurance investments at fair value, with any adjustment to fair value recorded in income. Fair value is calculated using a multi-criteria approach, by capitalizing rent at market rates and through comparisons with market transactions.

The fair value of the Group's investment property is based on regular expert valuations, except in special cases significantly affecting the value of the relevant asset.

Investment property leased under an operating lease may have a residual value that will reduce the depreciable amount of the asset.

Gains or losses on the disposal of investment property are recognized in income on the "Net income or expenses on other activities" line, with the exception of insurance businesses, which are recognized in "Income from insurance businesses".

	12/31/2019			12/31/2018		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Property recognized at historic cost	1,365	(596)	769	1,365	(582)	783
TOTAL INVESTMENT PROPERTY			**769**			**783**

Investment property held by the insurance subsidiaries is reported with insurance investments (see Note 9).

The fair value of investment property came to €1,091 million at December 31, 2019 (*vs.* €872 million at December 31, 2018).

The fair value of investment property is classified in Level 3 of the fair value hierarchy in accordance with IFRS 13.

5.9 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Accounting principles

This item includes property owned and used in the business, equipment acquired under operating leases, property acquired under finance leases and temporarily unleased assets held under finance leases. Interests in non-trading real estate companies (SCIs) are accounted for as property, plant and equipment.

In accordance with IAS 16 and IAS 38, property, plant and equipment and intangible assets are recognized as assets only if they meet the following conditions:

- it is probable that the company will enjoy future economic benefits associated with the asset;
- the cost of the asset can be measured reliably.

Property, plant and equipment and intangible assets used in operations are initially recognized at cost plus any directly attributable acquisition costs. Software developed internally that fulfills the criteria for recognition as a non-current asset is recognized at its production cost, which includes external charges and the payroll costs of employees directly assigned to the project.

The component-based approach is applied to all buildings.

After initial recognition, property, plant and equipment and intangible assets are measured at cost less any accumulated depreciation, amortization or impairment. The depreciable amount of the asset takes account of its residual value where this is material and can be measured reliably.

Property, plant and equipment and intangible assets are depreciated or amortized in order to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life. Where an asset consists of a number of components that have different uses or economic benefit patterns, each component is recognized separately and depreciated over a period that reflects the useful life of that component.

The depreciation and amortization periods used by the Group are as follows:

- buildings: 20 to 60 years;
- internal fixtures and fittings: 5 to 20 years;
- furniture and special equipment: 4 to 10 years;
- computer equipment: 3 to 5 years;
- software: not more than 5 years.

Other items of property, plant and equipment are depreciated over their estimated useful life, which generally ranges from five to ten years.

Property, plant and equipment and intangible assets are tested for impairment whenever there is any evidence that they may be impaired at the balance sheet date. If this is the case, the revised recoverable amount of the asset is compared to its carrying amount. If the revised recoverable amount of the asset is lower than its carrying amount, an impairment loss is recognized in income.

This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer any evidence of impairment.

Equipment leased under operating leases (Group as lessor) is recognized as an asset on the balance sheet under property, plant and equipment.

	12/31/2019			12/31/2018[(1)]		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Property, plant and equipment	**11,720**	**(7,570)**	**4,150**	**11,503**	**(7,508)**	**3,995**
Real estate assets	4,324	(2,167)	2,158	4,135	(2,142)	1,993
Movable assets	7,396	(5,403)	1,993	7,368	(5,367)	2,001
Property, plant & equipment leased under operating leases	**733**	**(255)**	**478**	**651**	**(227)**	**424**
Movable assets	733	(255)	478	651	(227)	424
Right of use for lease contracts[(1)]	**2,388**	**(568)**	**1,820**	**///**	**///**	**///**
Real estate assets	2,352	(556)	1,795	///	///	///
o/w contracted during the period	*138*	*(24)*	*114*	///	///	///
Movable assets	36	(12)	24	///	///	///
o/w contracted during the period	*6*	*(1)*	*5*	///	///	///
TOTAL PROPERTY, PLANT & EQUIPMENT	**14,841**	**(8,393)**	**6,448**	**12,154**	**(7,735)**	**4,419**
Intangible assets	**3,906**	**(2,817)**	**1,089**	**4,056**	**(2,857)**	**1,198**
Leasehold rights	140	(80)	60	389	(222)	166
Software	2,990	(2,344)	646	2,949	(2,312)	638
Other intangible fixed assets	775	(392)	383	718	(324)	394
TOTAL INTANGIBLE ASSETS	**3,906**	**(2,817)**	**1,089**	**4,056**	**(2,857)**	**1,198**

(1) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 "Leases" in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 (right-of-use assets in lessee's leasing arrangements) are described in Note 2.2.

5.10 DEBT SECURITIES

Accounting principles

Issues of debt securities not classified as financial liabilities at fair value through profit or loss or through other comprehensive income are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost at each balance sheet date using the effective interest method.

These instruments are recognized on the balance sheet under "Amounts due to banks", "Amounts due to customers" or "Debt securities".

Debt securities are classified based on the nature of the underlying, with the exception of subordinated notes presented under "Subordinated debt".

Securities are recorded in the balance sheet on the settlement-delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

A new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation has been introduced by French law and is commonly referred to as "senior non-preferred debt". These liabilities rank between own funds and other senior preferred debt.

in millions of euros	12/31/2019	12/31/2018
Bonds	125,036	123,110
Interbank market instruments and negotiable debt securities	92,180	77,434
Other debt securities	2,266	1,919
Senior non-preferred debt	18,297	12,468
Total	**237,779**	**214,930**
Accrued interest	1,562	1,947
TOTAL DEBT SECURITIES	**239,341**	**216,878**

The fair value of debt securities is presented in Note 10.

5.11 AMOUNTS DUE TO BANKS AND SIMILAR, AND CUSTOMERS

Accounting principles

These liabilities, which are not classified as financial liabilities at fair value through profit or loss, are carried at amortized cost under "Amounts due to banks" or "Amounts due to customers".

Issues of debt securities (which are not classified as financial liabilities at fair value through profit or loss or through other comprehensive income) are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost at each balance sheet date using the effective interest method.

These instruments are recognized on the balance sheet under "Amounts due to banks", "Amounts due to customers" or "Debt securities".

Temporary sales of securities are recorded on the settlement-delivery date.

For repurchase transactions, a loan commitment received is recorded between the transaction date and the settlement-delivery date when such transactions are recorded as "Liabilities".

5.11.1 AMOUNTS DUE TO BANKS AND SIMILAR

in millions of euros	12/31/2019	12/31/2018
Demand deposits	9,389	7,364
Repurchase agreements	2,446	2,188
Accrued interest	5	7
Amounts due to banks and similar – repayable on demand	**11,840**	**9,559**
Term deposits and loans	59,631	67,947
Repurchase agreements	3,968	6,842
Accrued interest	(122)	(168)
Amounts due to banks and similar – repayable at agreed maturity dates	**63,476**	**74,621**
Guarantee deposits received	**1,336**	**1,482**
TOTAL AMOUNTS DUE TO BANKS AND SIMILAR	**76,653**	**85,662**

The fair value of amounts due to banks and similar is presented in Note 10.

5.11.2 AMOUNTS DUE TO CUSTOMERS

in millions of euros	12/31/2019	12/31/2018
Current accounts	**210,815**	**187,325**
Livret A savings accounts	93,963	91,487
Regulated home savings products	79,985	78,661
Other regulated savings accounts	91,078	86,237
Accrued interest	3	4
Regulated savings accounts	**265,029**	**256,390**
Demand deposits and loans	12,741	13,807
Term accounts and loans	63,174	62,104
Accrued interest	1,601	1,783
Other customer accounts	**77,516**	**77,693**
Repurchase agreements	**5,148**	**6,980**
Other amounts due to customers	**1,180**	**1,913**
Guarantee deposits received	**25**	**22**
TOTAL AMOUNTS DUE TO CUSTOMERS	**559,713**	**530,323**

The fair value of amounts due to customers is presented in Note 10.

5.12 ACCRUED EXPENSES AND OTHER LIABILITIES

in millions of euros	12/31/2019	12/31/2018
Collection accounts	2,534	6,568
Prepaid income	1,556	1,476
Accounts payable	2,663	2,741
Other accruals	5,878	5,113
Accrued expenses and other liabilities	**12,631**	**15,898**
Settlement accounts in credit on securities transactions	601	919
Other accounts payable	15,797	15,884
Lease liabilities[1]	1,848	///
Other liabilities	**18,246**	**16,803**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**30,877**	**32,701**

(1) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 "Leases" in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 (lease liabilities recorded under lessee's leasing arrangements) are described in Note 2.2.

5.13 PROVISIONS

Accounting principles

Provisions other than those relating to employee benefit commitments and similar, regulated home savings products, off-balance sheet commitments, and insurance policies mainly consist of provisions for restructuring, claims and litigation, fines and penalties, and tax risks (excluding income tax).

Provisions are liabilities for which the timing or amount is uncertain, but can be reliably estimated. They correspond to current obligations (legal or implicit), resulting from a past event, and for which an outflow of funds will probably be necessary to settle them.

The amount recognized in provisions is the best estimate of the expense required to extinguish the present commitment at the balance sheet date.

Provisions are discounted when the impact of discounting is material.

Changes in provisions are recognized in the income statement on the lines corresponding to the nature of the future expenditure.

Provisions on regulated home savings products

Regulated home savings accounts (Comptes d'Epargne Logement – CEL) and regulated home savings plans (Plans d'Epargne Logement – PEL) are retail products marketed in France governed by the 1965 law on home savings plans and accounts, and subsequent implementing decrees.

Regulated home savings products generate two types of commitments for the Group:

- a commitment to provide a loan to the customer in the future at a rate set on inception of the contract (for PEL products) or at a rate contingent upon the savings phase (for CEL products);
- a commitment to pay interest on the savings in the future at a rate set on inception of the contract for an indefinite period (for PEL products) or at a rate set on a half-yearly basis according to an indexing formula regulated by law (for CEL products).

Commitments with potentially unfavorable consequences for the Group are measured for each generation of regulated home savings plans and for all regulated home savings accounts.

The risks associated with these commitments are covered by a provision determined using a risk-weighted asset base.

- 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.

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. On this basis, a provision is recorded for a given generation of contracts in the event of a situation liable to be detrimental for the Group, with no netting between generations.

The provision is recognized under liabilities in the balance sheet and changes are recorded in net interest income and expenses.

in millions of euros	12/31/2018	Increase	Use	Reversals unused	Other changes[(1)]	12/31/2019
Provisions for employee benefit commitments[(2)]	2,090	204	(198)	(166)	255	2,184
Provisions for restructuring costs[(3)]	409	115	(213)	(38)	(13)	261
Legal and tax risks[(4)]	1,702	139	(26)	(131)	(381)	1,302
Loan and guarantee commitments[(5)]	654	573	(18)	(495)	(4)	710
Provisions for regulated home savings products	661	19	(3)	(99)		579
Other operating provisions	1,059	245	34	(171)	(47)	1,120
TOTAL PROVISIONS	**6,575**	**1,295**	**(425)**	**(1,100)**	**(190)**	**6,156**

(1) Other changes include, in particular, the revaluation differences in respect of post-employment defined-benefit (+€224 million before tax) and the reclassification of provisions for legal and tax risks to Tax Liabilities pursuant to the application at January 1, 2019 of IFRIC 23 (-€418 million) and foreign exchange rate adjustments (+€24 million).

(2) o/w €2,028 million for post-employment defined-benefit plans and other long-term employee benefits (see Note 8.2.1).

(3) At December 31, 2019, provisions for restructuring costs notably included:

- €191 million for the voluntary redundancy plan initiated at Crédit Foncier group;
- €20 million for the employment protection plan for BPCE International;
- €11 million for the COFACE plan.

(4) Provisions for legal and tax risks included €551 million for the exposure on the Madoff fraud.

(5) Provisions for credit losses on loan and guarantee commitments given are detailed in Note 7.1.3.

5.13.1 DEPOSITS COLLECTED FOR REGULATED HOME SAVINGS PRODUCTS

in millions of euros	12/31/2019	12/31/2018
Deposits collected for PEL home savings plans		
• plans less than 4 years old	4,480	10,020
• plans more than 4 years but less than 10 years old	44,399	52,063
• plans more than 10 years old	24,197	11,085
Deposits collected for regulated home savings plans (PEL)	**73,076**	**73,168**
Deposits collected for regulated home savings accounts (CEL)	**5,676**	**5,588**
TOTAL DEPOSITS COLLECTED FOR REGULATED HOME SAVINGS PRODUCTS	**78,752**	**78,756**

5.13.2 LOANS GRANTED ON REGULATED HOME SAVINGS PRODUCTS

in millions of euros	12/31/2019	12/31/2018
Loans granted on regulated home savings plans (PEL)	33	45
Loans granted on regulated home savings accounts (CEL)	120	175
TOTAL LOANS GRANTED ON REGULATED HOME SAVINGS PRODUCTS	**153**	**220**

5.13.3 PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS

in millions of euros	12/31/2019	12/31/2018
Provisions for home savings plans (PEL)		
• plans less than 4 years old	72	157
• plans more than 4 years but less than 10 years old	203	257
• plans more than 10 years old	282	192
Provisions for home savings plans (PEL)	**557**	**606**
Provisions for regulated home savings accounts (CEL)	**24**	**58**
Provisions for home savings plan (PEL) loans	(1)	(1)
Provisions for home savings account (CEL) loans	(1)	(2)
Provisions for home savings loans	**(2)**	**(3)**
TOTAL PROVISIONS FOR REGULATED HOME SAVINGS PRODUCTS	**579**	**661**

5.14 SUBORDINATED DEBT

Accounting principles

Subordinated debt differs from other debt and bonds in that it will be repaid only after all the senior and unsecured creditors, but before the repayment of participating loans and securities and deeply subordinated notes.

Subordinated debt which the issuer is obliged to repay is classified as debt and initially recognized at fair value less any transaction costs. It is subsequently measured at amortized cost at each balance sheet date using the effective interest method.

in millions of euros	12/31/2019	12/31/2018
Subordinated debt designated at fair value through profit or loss	100	100
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**100**	**100**
Term subordinated debt	15,859	16,209
Perpetual subordinated debt	303	334
Mutual guarantee deposits	130	192
Subordinated debt and similar	**16,292**	**16,734**
Accrued interest	396	360
Revaluation of the hedged component	799	504
SUBORDINATED DEBT AT AMORTIZED COST	**17,487**	**17,598**
TOTAL SUBORDINATED DEBT[1]	**17,587**	**17,698**

(1) Including €672 million for the insurance entities at December 31, 2019, versus €672 million at December 31, 2018.

The fair value of subordinated debt is presented in Note 10.

CHANGES IN SUBORDINATED DEBT AND SIMILAR DURING THE YEAR

in millions of euros	12/31/2018	Issuance[1]	Redemption[2]	Other changes[3]	12/31/2019
Subordinated debt designated at fair value through profit or loss	100				100
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**100**				**100**
Term subordinated debt	16,244		(546)	161	15,859
Perpetual subordinated debt	298		(30)	35	303
Mutual guarantee deposits	192			(62)	130
SUBORDINATED DEBT AT AMORTIZED COST[4]	**16,734**		**(576)**	**135**	**16,292**
SUBORDINATED DEBT AND SIMILAR	**16,834**		**(576)**	**135**	**16,392**

(1) No issues were carried out in fiscal year 2019.
(2) Redemptions of subordinated loans and notes were due to the maturing of such borrowings.
(3) Other changes mainly included the revaluation of debts subject to hedging, foreign exchange fluctuations and variations in intra-group securities held by Natixis Funding for the purposes of debt market-making on the secondary market.
(4) Excluding accrued interest and revaluation of the hedged component.

Deeply subordinated notes qualifying as equity instruments are presented in Note 5.15.2.

5.15 ORDINARY SHARES AND EQUITY INSTRUMENTS ISSUED

Accounting principles

Financial instruments issued by the Group qualify as debt or equity instruments depending on whether or not the issuer has a contractual obligation to deliver cash or another financial asset to the holder of the instrument, or to exchange the instrument under conditions that are potentially unfavorable to the Group. This obligation must arise from specific contractual terms and conditions, not merely economic constraints.

In addition, when an instrument qualifies as equity:

- its remuneration impacts equity. However, in accordance with the amendment to IAS 12 of December 2017, which applies from January 1, 2019, the tax consequences of dividend payments can be recognized in retained earnings, gains and losses recognized directly in other comprehensive income, or in income, depending on the source of the amounts paid. Accordingly, when the payment corresponds to the notion of a dividend within the meaning of IFRS 9, the tax consequence is taken to income. This rule applies to interest on perpetual deeply subordinated notes, which is treated as a dividend for accounting purposes;
- it cannot be an underlying instrument eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is fixed at its historical value resulting from its conversion to euros at its initial date of transfer to equity.

Finally, when these instruments are issued by a subsidiary, they are included in “Non-controlling interests”. When their remuneration is of a cumulative nature, it is charged to “Income attributable to equity holders of the parent” and increases the income of “Non-controlling interests”. However, when their remuneration is not of a cumulative nature, it is drawn from retained earnings attributable to equity holders of the parent.

5.15.1 COOPERATIVE SHARES

Accounting principles

IFRIC 2 “Members’ Shares in Co-operative Entities and Similar Instruments” clarifies the provisions of IAS 32. In particular, it stipulates that the contractual right of the holder of 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 articles of association unconditionally prohibit or curtail the redemption of cooperative shares.

Based on the existing provisions of the Group’s articles of association relating to minimum capital requirements, cooperative shares issued by the Group are classified as equity.

As the local savings companies (LSCs) are considered to be fully consolidated structured entities, their consolidation impacts retained earnings.

At December 31, 2019, share capital is broken down as follows:

- €10,502 million in cooperative shares fully subscribed for by the cooperative shareholders of the Banques Populaires (compared to €9,763 million at January 1, 2019);
- €12,404 million in cooperative shares fully subscribed for by the cooperative shareholders of the Caisses d’Epargne (compared to €9,916 million at January 1, 2010).

Since January 1, 2019, the Banques Populaires and the Caisses d'Epargne have carried out capital increases of €3,227 million (€791 million in 2018), resulting in an increase in "Share capital" and "Additional paid-in capital." The shareholders' equity of the local savings companies is also included in "Retained earnings" after the elimination of the Caisses d'Epargne cooperative shares held. The redemption of cooperative shares by the local savings companies since January 1, 2019 resulted in a decrease in retained earnings of -€1,594 million.

At December 31, 2019, additional paid-in capital is broken down as follows:

- €949 million linked to cooperative shares subscribed for by the cooperative shareholders of the Banques Populaires;
- €2,885 million linked to cooperative shares subscribed for by the cooperative shareholders of the Caisses d'Epargne.

5.15.2 PERPETUAL DEEPLY SUBORDINATED NOTES CLASSIFIED AS EQUITY

Issuing entity	Issue date	Currency	Amount (in original currency)	Call date	Interest step-up date[2]	Rate	Nominal (in millions of euros[1]) 12/31/2019	12/31/2018
BPCE	August 6, 2009	EUR	374 million	September 30, 2019	September 30, 2019	12.5%		374
BPCE	August 6, 2009	USD	444 million	September 30, 2019	September 30, 2019	12.5%		309
TOTAL								**683**

(1) Nominal amount translated into euros at the exchange rate in force at the date of classification as equity.
(2) Interest step-up date or date of transition from fixed to variable rate.

At December 31, 2019, Groupe BPCE had no more deeply subordinated notes classified in other comprehensive income. On September 30, 2019, BPCE SA redeemed the notes at maturity.

5.16 NON-CONTROLLING INTERESTS

5.16.1 MATERIAL 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 2019						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage ownership of non-controlling interests	Income attributed to holders of non-controlling interests during the period	Amount of non-controlling interests in the subsidiary	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Comprehensive income attributable to equity holders of the parent
Natixis group	**29.32%**	**693**	**7,023**	**1,011**	**513,169**	**492,343**	**1,897**	**2,127**
o/w Coface[1]	57.52%	118	1,174	68	7,387	5,462	147	241
o/w H2O[1]	49.99%	211	229	186	675	225	423	454
Oney Bank[2]	**49.90%**	**(8)**	**225**		**3,713**	**3,261**	**12**	**13**
Other entities		**22**	**183**	**20**				
TOTAL AT DECEMBER 31, 2019		**707**	**7,431**	**1,031**				

(1) Non-controlling interests in Natixis.
(2) Income since the takeover in October 2019.

in millions of euros	Fiscal year 2018							
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage ownership of non-controlling interests	Income attributed to holders of non-controlling interests during the period	Amount of non-controlling interests in the subsidiary	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Comprehensive income attributable to equity holders of the parent
Natixis group	**29.22%**	**770**	**6,955**	**502**	**495,495**	**474,300**	**1,577**	**1,870**
o/w Coface[(1)]	57.14%	71	1,067	31	7,219	5,413	124	101
o/w H2O[(1)]	49.99%	180	187	81	545	171	360	357
Locindus	**25.18%**	**2**	**65**	**2**	**695**	**437**	**10**	**10**
Other entities		**21**	**192**	**16**				
TOTAL		**793**	**7,212**	**520**				

(1) Non-controlling interests in Natixis.

5.16.2 TRANSACTIONS MODIFYING THE SHARE OF NON-CONTROLLING INTERESTS IN RETAINED EARNINGS

in millions of euros	Fiscal year 2019		Fiscal year 2018	
	Attributable to equity holders of the parent	Attributable to non-controlling interests	Attributable to equity holders of the parent	Attributable to non-controlling interests
Put options on non-controlling interests				
Acquisitions[(1)]	(31)	(13)	(35)	(14)
Revaluations and others	9	4	(60)	(19)
Change in ownership interests with no change of control	**(273)**	**189**	**(4)**	**(2)**
Acquisition of Oney Bank		**233**		
Other	**(98)**	**(7)**	**(8)**	**85**
TOTAL IMPACT OF ACQUISITIONS AND DISPOSALS ON NON-CONTROLLING INTERESTS	**(393)**	**406**	**(107)**	**50**

(1) Acquisition of Vermilion, Fenchurch and Alter CE in 2018 and of Thematics Asset Management, Azure Capital and Flextone Partners in 2019.

5.17 CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

Accounting principles

In the event of disposal of equity financial assets recognized in other comprehensive income, changes in fair value are not transferred to profit or loss. These items are described as being not recyclable to profit or loss.

	12/31/2019			12/31/2018		
in millions of euros	Gross	Tax	Net	Gross	Tax	Net
Foreign exchange rate adjustments	175		175	165		165
Revaluation of financial assets at fair value through other comprehensive income recyclable to profit or loss	237	(64)	174	(284)	86	(197)
Revaluation of available-for-sale financial assets of insurance businesses	476	(123)	353	(301)	110	(191)
Revaluation of derivative hedging items that can be recycled to profit or loss	100	(30)	70	85	(37)	47
Items of the share of gains and losses of associates recognized directly in other comprehensive income	184	(44)	140	(275)	70	(205)
Items recyclable to profit or loss	**1,173**	**(261)**	**912**	**(610)**	**229**	**(380)**
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	(240)	57	(183)	126	(34)	93
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	(235)	63	(172)	412	(118)	294
Revaluation of equity financial assets recognized at fair value through other comprehensive income	282	(21)	261	(60)	9	(51)
Items of the share of gains and losses of associates recognized directly in other comprehensive income	(9)	2	(7)	(1)	1	
Other items recognized through other comprehensive income not recyclable to profit or loss	1	(3)	(2)	(1)		(1)
Items not recyclable to profit or loss	**(201)**	**97**	**(103)**	**(477)**	**(141)**	**335**
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME (AFTER TAX)	**972**	**(163)**	**810**	**(133)**	**88**	**(45)**
Attributable to equity holders of the parent			676			(115)
Non-controlling interests			133			68

5.18 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting principles

Financial assets and liabilities were offset on the balance sheet in accordance with IAS 32. Under this standard, a financial asset and financial liability are offset and a net balance is recorded in the balance sheet if and only if:

- the Group has the legally enforceable right to offset the recorded amounts; and
- it has the intention either to settle the net amount or to simultaneously realize the asset and settle the liability.

Within Groupe BPCE, most offset amounts are the result of repurchase agreements and derivatives transactions largely carried out by Natixis with clearing houses, which meet the requirements of IAS 32:

- for OTC derivatives, this comprises the netting, by currency, of the asset valuations and liability valuations of the derivatives and margin calls (variation margin);
- 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,
  - the same depositary (unless the depositary uses the T2S platform),
  - are denominated in the same currency.

Financial assets and liabilities under netting agreements may only be offset if they meet the restrictive netting criteria set by IAS 32.

Offsetting may not be performed for derivatives or OTC repurchase agreements subject to master agreements that do not meet the net settlement criteria or where the 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. However, the impact of such agreements in terms of reducing the exposure is presented in the second table.

For these instruments, the "Related financial assets and financial instruments received as collateral" and "Related financial liabilities and financial instruments pledged as collateral" columns include in particular:

- for repurchase agreements:
  - loans or borrowings resulting from reverse repurchase agreements with the same counterparty, and securities pledged or received as collateral (for the fair value of said securities),
  - margin calls in the form of securities (for the fair value of said securities);
- for derivatives, the fair values of reverse transactions with the same counterparty, as well as 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

5.18.1 FINANCIAL ASSETS

Impact of offsetting on financial assets under netting agreements in the balance sheet

	12/31/2019			12/31/2018		
In millions of euros	Gross amount of financial assets[(1)]	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)	88,653	31,815	56,838	75,007	20,981	54,026
Repurchase agreements	101,531	20,610	80,921	93,069	9,954	83,115
Financial assets at fair value	**190,184**	**52,425**	**137,759**	**168,076**	**30,935**	**137,141**
Repurchase agreements (portfolio of loans and receivables)	**12,698**	**1,100**	**11,598**	**15,677**	**700**	**14,977**
TOTAL	**202,882**	**53,525**	**149,357**	**183,753**	**31,635**	**152,118**

(1) Includes the gross amount of financial assets subject to netting or an enforceable master netting agreement or similar and financial assets not subject to any agreement.

Impact of netting agreements on financial assets not recognized in the financial statements

in millions of euros	12/31/2019 Net amount of financial assets recognized in the balance sheet	12/31/2019 Related financial liabilities and financial instruments received as collateral	12/31/2019 Margin calls received (cash collateral)	12/31/2019 Net exposure	12/31/2018 Net amount of financial assets recognized in the balance sheet	12/31/2018 Related financial liabilities and financial instruments received as collateral	12/31/2018 Margin calls received (cash collateral)	12/31/2018 Net exposure
Derivatives (trading and hedging)	56,838	39,195	5,757	11,886	54,026	35,384	9,406	9,236
Repurchase agreements	92,519	88,309	90	4,120	98,092	95,164		2,928
TOTAL	**149,357**	**127,504**	**5,847**	**16,006**	**152,118**	**130,548**	**9,406**	**12,164**

The net exposure does not reflect the accounting position, because it takes into account the reduced exposure arising from agreements that do not meet the restrictive netting criteria set by IAS 32.

5.18.2 FINANCIAL LIABILITIES

Impact of offsetting on financial liabilities under netting agreements in the balance sheet

in millions of euros	12/31/2019 Gross amount of financial liabilities[(1)]	12/31/2019 Gross amount of financial assets offset in the balance sheet	12/31/2019 Net amount of financial liabilities recognized in the balance sheet	12/31/2018 Gross amount of financial liabilities	12/31/2018 Gross amount of financial assets offset in the balance sheet	12/31/2018 Net amount of financial liabilities recognized in the balance sheet
Derivatives (trading and hedging)	93,429	31,815	61,614	81,185	20,981	60,204
Repurchase agreements	116,146	20,610	95,536	100,124	9,954	90,170
Financial liabilities at fair value	**209,575**	**52,425**	**157,150**	**181,308**	**30,935**	**150,373**
Repurchase agreements (debt portfolio)	**12,662**	**1,100**	**11,562**	**16,712**	**700**	**16,012**
TOTAL	**222,237**	**53,525**	**168,712**	**198,020**	**31,635**	**166,385**

(1) Includes the gross amount of financial assets subject to netting or an enforceable master netting agreement or similar and financial assets not subject to any agreement.

Impact of netting agreements on financial liabilities not recognized in the financial statements

in millions of euros	12/31/2019 Net amount of financial liabilities recognized in the balance sheet	12/31/2019 Related financial assets and financial instruments pledged as collateral	12/31/2019 Margin calls paid (cash collateral)	12/31/2019 Net exposure	12/31/2018 Net amount of financial liabilities recognized in the balance sheet	12/31/2018 Related financial assets and financial instruments pledged as collateral	12/31/2018 Margin calls paid (cash collateral)	12/31/2018 Net exposure
Derivatives (trading and hedging)	61,614	39,705	11,847	10,062	60,204	35,708	12,198	12,298
Repurchase agreements	107,098	101,652	74	5,372	106,182	99,417		6,765
TOTAL	**168,712**	**141,357**	**11,921**	**15,434**	**166,385**	**135,125**	**12,198**	**19,062**

The net exposure does not reflect the accounting position, because it takes into account the reduced exposure arising from agreements that do not meet the restrictive netting criteria set by IAS 32.

5.19 TRANSFERRED FINANCIAL ASSETS, OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL AND ASSETS RECEIVED AS COLLATERAL THAT CAN BE SOLD OR REPLEDGED

Accounting principles

A financial asset (or group of similar financial assets) is derecognized when the contractual rights to the asset's future cash flows have expired or when such rights are transferred to a third party, together with virtually all of the risks and rewards associated with ownership of the asset. In such case, rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

When a financial asset is derecognized, a gain or loss on disposal is recorded in the income statement reflecting the difference between the carrying amount of the asset and the consideration received.

In the event that the Group has neither transferred nor retained virtually all of the risks and rewards, but has retained control of the asset, the asset continues to be recognized on the balance sheet to the extent of the Group's continuing involvement.

In the event that the Group has neither transferred nor retained virtually all of the risks and rewards and has not retained control of the asset, the asset is derecognized and all of the rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

If all the conditions for derecognizing a financial asset are not met, the Group keeps the asset in the balance sheet and records a liability representing the obligations arising when the asset is transferred.

The Group derecognizes a financial liability (or a part of a financial liability) only when it is extinguished, i.e. when the obligation specified in the contract is discharged, terminated or expires.

Repurchase agreements

Securities sold under repurchase agreements are not derecognized in the vendor's accounts. A liability representing the commitment to return the funds received is identified and recognized under "Securities sold under repurchase agreements". This debt is a financial liability recorded at amortized cost or at fair value through profit or loss when this liability is considered part of a trading business model.

The assets received are not recognized in the purchaser's books, but a receivable is recorded with respect to the vendor representing the funds loaned. The amount disbursed in respect of the asset is recognized under "Securities bought under reverse repurchase agreements". On subsequent balance sheet dates, the securities continue to be accounted for by the vendor in accordance with the rules applicable to the category in which they were initially classified. The receivable is valued according to methods specific to its category: at amortized cost when classified in "Loans and receivables", or at fair value through profit or loss when it is considered part of a trading business model.

Outright securities lending

Securities loaned under outright securities lending transactions are not derecognized in the vendor's accounts. They continue to be recognized in their original accounting category and are valued accordingly. For the borrower, the securities borrowed are not recognized.

Transactions leading to substantial changes in financial assets

When an asset is subject to substantial changes (in particular following renegotiation or remodeling due to financial hardship) there is derecognition, since the rights to the initial cash flows have essentially expired. The Group considers that this is the case for:

- changes leading to a change of counterparty, especially if the new counterparty has a very different credit quality than the previous counterparty;
- changes intended to move from a very structured to basic 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 the existing debt and its replacement with a new debt. The amendment to IFRS 9 of October 12, 2017 clarified the treatment under IFRS 9 of modifications of liabilities recognized at amortized cost if the modification does not result in derecognition: the profit or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate must be recognized in profit or loss. To assess the substantial nature of the change, IFRS 9 includes a threshold of 10% based on discounted cash flows, integrating potential costs and fees: when the difference is greater than or equal to 10%, all of the costs or fees incurred are recognized as profit or loss on debt extinguishment.

The Group may consider other changes to be substantial, such as a change of issuer (even within the same group) or a change in currency.

5.19.1 TRANSFERRED FINANCIAL ASSETS NOT FULLY DERECOGNIZED AND OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2019
Financial assets at fair value through profit or loss – Held for trading	4,537	9,238	3,893	448	18,117
Financial assets at fair value through profit or loss – Non SPPI		105	10		115
Financial assets at fair value through other comprehensive income	6,077	265	1,607		7,949
Financial assets at amortized cost	947	238	94,925	40,125	136,235
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**11,562**	**9,846**	**100,435**	**40,573**	**162,416**
o/w transferred financial assets not fully derecognized	*11,562*	*9,846*	*88,099*	*40,573*	*150,080*

The amount of liabilities associated with financial assets pledged as collateral for repurchase agreements came to €9,555 million at December 31, 2019 (€6,787 million at December 31, 2018).

The fair value of assets pledged as collateral for non-deconsolidating securitization transactions was €40,678 million at December 31, 2019 (€39,213 million at December 31, 2018) and the amount of related liabilities came to €12,470 million at December 31, 2019 (€15,406 million at December 31, 2018).

Transferred financial assets not fully derecognized and other financial assets pledged as collateral as of December 31, 2018

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2018
Financial assets at fair value through profit or loss – Held for trading	2,699	7,456	2,934	782	13,871
Financial assets at fair value through profit or loss – Non SPPI			11		11
Financial assets at fair value through other comprehensive income	4,317	111	2,483		6,910
Financial assets at amortized cost	1,821		91,654	38,400	131,875
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**8,837**	**7,566**	**97,082**	**39,182**	**152,667**
o/w transferred financial assets not fully derecognized	*8,837*	*7,566*	*81,787*	*39,182*	*137,373*

5.19.1.1 Comments on transferred financial assets

SECURITIES REPURCHASING AND LENDING

Groupe BPCE repurchases and loans securities.

Under the terms of the agreements, the securities may be sold on by the purchaser throughout the duration of the repurchase or lending agreement. The purchaser must nevertheless return them to the vendor at the end of the agreement Cash flows generated by the securities are also transferred to the vendor.

The Group believes that it retains almost all of the risks and benefits of securities under repurchase or loan agreements. They are therefore not 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 a "transfer of assets" as per the amendment to IFRS 7. The Group nevertheless remains exposed to virtually all the risks and benefits, and as such the receivables are maintained on the balance sheet.

SECURITIZATIONS CONSOLIDATED WITH OUTSIDE INVESTORS

Securitizations consolidated with outside investors constitute an asset transfer according to the amendment to IFRS 7.

The Group has an indirect contractual obligation to transfer to outside investors the cash flow from assets transferred to the securitization fund (although these assets are included in the Group's balance sheet through the consolidation of the fund).

In the interest of transparency, for consolidated securitization transactions:

- the share of receivables sold attributable to external investors is considered to be pledged as collateral to third parties;
- the share of receivables sold attributable to units and bonds subscribed for by the Group, and eliminated on consolidation, is not considered to be pledged as collateral unless these securities were brought to Groupe BPCE's single treasury and central bank collateral management pool and used as part of a refinancing mechanism.

The securitization transactions performed by BPCE in 2014 (BPCE Master Home Loans), 2016 (BPCE Consumer Loans 2016_5) and 2017 (BPCE Home Loans 2017_5) were fully subscribed for by the Group, while the senior tranches of the BPCE Home Loans FCT 2018 and BPCE Home Loans FCT 2019 securitizations were subscribed for by external investors (Note 13.1).

5.19.1.2 Comments on financial assets pledged as collateral but not transferred

Financial assets provided as collateral but not transferred are generally pledged. The main mechanisms involved are the CRH (Caisse de Refinancement de l'Habitat), the ESNI industry-wide funding mechanism and securities pledged as collateral for ECB refinancing operations.

Moreover, in accordance with French law, the intrinsic guarantees attached to issues of covered bonds are not recognized under guarantee commitments given. The covered bonds issued by BPCE SFH and Compagnie de Financement Foncier benefit from a legal privilege comprised of eligible assets.

5.19.1.3 Financial assets received as collateral that can be sold or repledged

This heading covers financial assets received as security under financial guarantee agreements with the right to reuse the assets in the absence of any default on the part of the owner of the guarantee.

The fair value of the financial assets received as collateral that Groupe BPCE may sell or repledge amounted to €233 billion at December 31, 2019, compared to €232 billion at December 31, 2018.

The fair value of the financial assets received as collateral that were actually sold or repledged amounted to €167 billion at December 31, 2019, compared with €146 billion at December 31, 2018.

5.19.2 FULLY DERECOGNIZED FINANCIAL ASSETS FOR WHICH THE GROUP RETAINS AN ONGOING COMMITMENT

Fully derecognized transferred financial assets for which the Group retains an ongoing commitment consist of asset transfers to a deconsolidated securitization vehicle in which Groupe BPCE has an interest or an obligation, although this does not call into question the transfer of almost all of the benefits and risks relating to the assets transferred.

Ongoing commitments retained by the Group in relation to securitization vehicles were not significant on December 31, 2019.

Note 6 Commitments

Accounting principles

Commitments are materialized by the existence of a contractual obligation and are binding.

It must not be possible for commitments included in this item to be deemed financial instruments falling within the scope of IFRS 9 for classification and measurement purposes. However, loan commitments and guarantees given are covered by IFRS 9 provisioning rules, as set out in Note 7.

The effects of the rights and obligations covered by such commitments must be subject to the occurrence of conditions or subsequent transactions. Commitments are broken down into:

- loan commitments (confirmed credit facilities or refinancing agreements);
- guarantee commitments (off-balance sheet commitments or assets received as collateral)

The amounts shown correspond to the nominal value of commitments given.

6.1 LOAN COMMITMENTS

in millions of euros	12/31/2019	12/31/2018
Loan commitments given to:		
• banks	1,328	1,365
• customers	135,184	118,343
Credit facilities granted	*125,649*	*115,470*
Other commitments	*9,535*	*2,873*
TOTAL LOAN COMMITMENTS GIVEN	**136,512**	**119,708**
Loan commitments received from:		
• banks	56,020	44,681
• customers	1,989	1,896
TOTAL LOAN COMMITMENTS RECEIVED	**58,009**	**46,577**

6.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2019	12/31/2018
Guarantee commitments given to:		
• banks	6,724	6,113
• customers[1]	35,607	39,682
TOTAL GUARANTEE COMMITMENTS GIVEN	**42,331**	**45,794**
Guarantee commitments received from:		
• banks	23,538	24,045
• customers	147,038	142,893
TOTAL GUARANTEE COMMITMENTS RECEIVED	**170,576**	**166,938**

(1) Guarantees given by CEGC in connection with its activity are treated as insurance policies for accounting purposes, in accordance with IFRS 4 "Insurance contracts". They are recorded on the liabilities side of the balance sheet and are not included in guarantees given to customers shown in the table above.

Guarantee commitments are off-balance sheet commitments.

PARTICULAR CASE OF GUARANTEES ISSUED TO UCITS BY NATIXIS

Natixis guarantees the capital and/or returns on units in certain UCITS. The guarantees are only enforced if, on the maturity date, the net asset value of each unit is below the guaranteed net asset value. Special research on the determination of fair value was conducted in the first half of 2018, resulting in the accounting recognition of these guarantees as derivatives subject to measurement at fair value in accordance with the provisions of IFRS 13. Note: at December 31, 2018, these guarantees were recorded as financial guarantees and subject to provisions for counterparty risk in accordance with IFRS 9. They are recorded under guarantee commitments given in the amount of €5,383 million.

Note 7 Exposure to risks

The risk exposures reported below include credit risk, market risk, overall interest rate risk, foreign exchange risk and liquidity risk.

Information relating to capital management and regulatory ratios is presented in the Risk Management section.

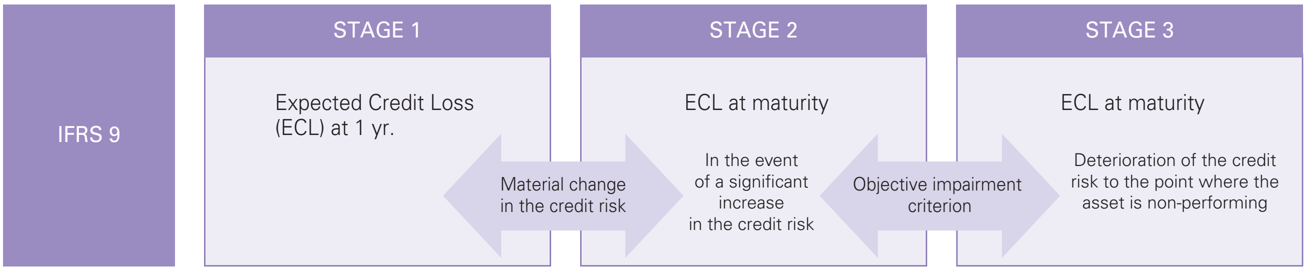
Information on financial assets with past due payments and remodeling due to financial difficulties is provided in the section on "Credit Risk" in Chapter 6 "Risk Management".

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 6 "Risk Management".

7.1 CREDIT RISK AND COUNTERPARTY RISK

Key points

Credit risk is the risk that one party to a financial transaction fails to fulfill his obligations, causing the other party to incur a financial loss.



Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. They include:

- the breakdown of gross exposures by category and approach (separation of credit and counterparty risk);
- the breakdown of gross exposure by geographic region;
- concentration of credit risk by borrower;
- the breakdown of exposure by credit rating.

This information forms an integral part of the financial statements certified by the Statutory Auditors.

7.1.1 COST OF CREDIT RISK

Accounting principles

Cost of risk applies to debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income recyclable to profit or loss, as well as to loan commitments and financial guarantees given that are not recognized at fair value through profit or loss. It also applies to receivables relating to leasing contracts, business loans and contract assets.

This item therefore covers net impairment and provision charges for credit risk.

Credit losses related to other types of instruments (derivatives or securities designated at fair value through profit or loss) recorded as a result of default by banks are also included under this item.

Irrecoverable loans not covered by provisions for impairment are loans that are permanently lost before being provisioned in Stage 3.

Cost of credit risk for the period

in millions of euros	12/31/2019	12/31/2018
Net charge to provisions and provisions for impairment	(1,280)	(1,124)
Recoveries of bad debts written off	69	71
Irrecoverable loans not covered by provisions for impairment	(156)	(246)
TOTAL COST OF CREDIT RISK	**(1,367)**	**(1,299)**

Cost of credit risk for the period by type of asset

in millions of euros	12/31/2019	12/31/2018
Interbank transactions	8	47
Customer transactions	(1,320)	(1,217)
Other financial assets	(54)	(129)
TOTAL COST OF CREDIT RISK	**(1,367)**	**(1,299)**

7.1.2 CHANGE IN GROSS CARRYING AMOUNTS AND EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS AND COMMITMENTS

Accounting principles

Expected credit losses are represented by impairment of assets classified at amortized cost and at fair value through other comprehensive income recyclable to profit or loss, and by provisions for financing and guarantee commitments.

The financial instruments concerned (see Note 7.1.1) are impaired or covered by a provision for expected credit losses (ECL) as of the date of initial recognition.

When the financial instruments do not individually show objective evidence of loss, impairment or provisions for expected credit losses are measured based on past losses and reasonable and justifiable discounted future cash flow forecasts.

Financial instruments are divided into three categories (Stages) depending on the increase in credit risk observed since initial recognition. A specific credit risk measurement method applies to each category of instrument:

Stage 1 (S1)

- these are performing loans for which credit risk has not increased materially since the initial recognition of the financial instrument;
- the impairment or the provision for credit risk corresponds to 12-month expected credit losses;
- interest income is recognized in income using the effective interest method applied to the gross carrying amount of the instrument before impairment.

Stage 2 (S2)

- performing loans for which credit risk has increased materially since the initial recognition of the financial instrument are transferred to this category;
- the impairment or the provision for credit risk is determined on the basis of the financial instrument's lifetime expected credit losses;
- interest income is recognized in income, as for Stage 1 assets, using the effective interest method applied to the gross carrying amount of the instrument before impairment.

Stage 3 (S3)

- these are loans for which there is objective evidence of impairment loss due to an event which represents a known credit risk occurring after the initial recognition of the instrument in question. As was the case under IAS 39, this category covers receivables for which a default event has been identified, as defined in Article 178 of the EU Regulation of June 26, 2013 on prudential requirements for banks;

- the impairment or the provision for credit risk is calculated based on the financial instrument's lifetime expected credit losses (expected credit losses at maturity) on the basis of the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows;
- interest income is recognized through profit or loss using the effective interest method applied to the net carrying amount of the instrument after impairment;
- Stage 3 also includes financial assets purchased or originated and impaired for credit risk on their initial recognition because the entity does not expect to recover all the contractual cash flows (purchased or originated credit-impaired (POCI) financial instruments). These assets may be transferred to Stage 2 if their credit risk improves.

For operating or finance lease receivables (which fall within the scope of IFRS 16) the Group has elected not to make use of the option of applying the simplified approach as set out in IFRS 9 §5.5.15.

Method for measuring the increase in credit risk and expected credit losses

The principles for measuring the increase in credit risk and expected credit losses applicable to most of the Group's exposures are described below. Only a few portfolios held by Group entities – representing a limited volume of exposures – cannot be treated according to the methods described below and are subject to appropriate valuation techniques.

A significant increase in credit risk is measured on an individual basis for each instrument by taking into account all reasonable and supportable information and by comparing the default risk on the financial instrument at the reporting date with the default risk on the financial instrument at the date of initial recognition. A counterparty-based approach (applying the contagion principle to all loans to the counterparty in question) is also possible, in particular with regard to the watch list criterion. A recently-originated exposure will not be subject to the contagion principle and will remain classified as a Stage 1 exposure.

Assessment of increases in credit risk involves comparing the probability of default or ratings on the initial recognition date with those applicable at the reporting date. The same principles are applied for significant improvements in credit risk.

The standard also includes a rebuttable presumption that credit risk has significantly increased since initial recognition if contractual payments are more than 30 days past due.

Material increase in credit risk

Assessment of a significant increase in credit risk is made at the level of each instrument, based on indicators and thresholds that vary according to the type of exposure and counterparty.

More specifically, the change in credit risk is measured on the basis of the following criteria:

- on the Individual Customer, Professional Customer, SME, Public Sector and Social Housing loan books, measurement of the increase in credit risk relies on a combination of quantitative and qualitative criteria. The quantitative criterion is based on a measurement of the change in the probability of default over one year (mid-cycle average) from initial recognition. Additional qualitative criteria are used to classify as Stage 2 all contracts with payments more than 30 days past due (the presumption that amounts are past-due after 30 days is therefore not rebutted), rated at-risk or undergoing adjustments due to financial hardship (forbearance);
- for the Large Corporates, Banks and Sovereigns loan books, the quantitative criterion is based on changes in the credit rating since initial recognition. The same qualitative criteria apply as for Individual Customers, Professional Customers and SMEs, as well as contracts placed on the Watchlist, along with additional criteria based on changes in the sector credit rating and the level of country risk;
- for Specialized Financing, the criteria applied vary according to the characteristics of the exposures and the related ratings system: exposures rated by the tool dedicated to large exposures will be treated in the same way as Large Corporates; other exposures will be treated in the same way as SMEs.

For all these loan books, the ratings used to measure the increase in risk correspond to the ratings produced by internal systems when they are available, as well as on external ratings, particularly when an internal rating is not available.

The standard provides that the credit risk of a financial instrument has not increased materially since its initial recognition if this risk is considered to be low at the end of the fiscal year. This provision is applied to certain investment-grade debt securities held by Corporate & Investment Banking.

Measurement of expected credit losses

Expected credit losses are defined as being an estimate of credit losses (*i.e.* the present value of cash flow shortfalls) weighted by the probability of occurrence of these losses over the expected lifetime of the financial instrument in question. They are calculated individually for each exposure.

In practice, for Stage 1 and Stage 2 financial instruments, expected credit losses are calculated as the product of a number of inputs:

- cash flows expected over the lifetime of the financial instrument, discounted at the valuation date – these flows are determined according to the characteristics of the contract, its effective interest rate and, for home loans, the level of prepayment expected on the contract;
- loss given default (LGD);
- the probability of default (PD) over the coming year for Stage 1 financial instruments and to maturity for Stage 2 financial instruments.

The Group's methodology draws on existing concepts and mechanisms to define these inputs, and in particular on internal models developed to calculate regulatory capital requirements (Basel framework) and projection models used in the stress test system. Certain adjustments are made to comply with the specifics of IFRS 9:

- IFRS 9 inputs aim to provide an accurate estimate of expected credit losses for accounting provision purposes, whereas prudential inputs are more cautious for regulatory framework purposes. Several of the safety buffers applied to prudential inputs are therefore restated;
- IFRS 9 inputs must allow expected credit losses to be estimated until the contract's maturity, whereas prudential inputs are defined to estimate 12-month expected losses. 12-month inputs are thus projected over long periods;
- IFRS 9 parameters must be forward-looking and take into account the expected economic environment over the projection period, whereas prudential parameters correspond to mid-cycle estimates (for PD) or bottom-of-the-cycle estimates (for LGD and the cash flows expected over the lifetime of the financial instrument). Prudential PD and LGD inputs are therefore also adjusted to reflect forecasts of future economic conditions.

Recognition of forward-looking data

Groupe BPCE uses forward-looking data to estimate any material increase in credit risk and to measure expected credit losses.

The amount of expected credit losses is calculated using a weighted average of ECLs by scenario, weighted by probability of occurrence, taking into consideration past events, current circumstances and reasonable and justifiable forecasts of the economic environment.

To determine a material increase in credit risk, as well as applying rules based on the comparison of risk parameters between the initial recognition date and the reporting date, the calculation is supplemented by forward-looking information such as sector or geographical macro-economic scenarios, which may increase the amount of expected credit losses on certain exposures. Group entities therefore assess the exposures in question in terms of the local and sector characteristics of their portfolio. The few portfolios not covered by the methodologies described above (which are not material at the Group level) may also be subject to assessments made on the basis of forward-looking information.

To measure expected credit losses, inputs are adjusted to economic conditions by defining three economic scenarios over a three-year period:

- the core scenario, aligned with the scenario used for the budget process;
- a pessimistic scenario, corresponding to a deterioration in macro-economic variables in relation to the core scenario;
- an optimistic scenario, corresponding to an improvement in macro-economic variables in relation to the core scenario;

The variables defined in each of these scenarios allow for the distortion of the PD and LGD inputs and the calculation of an expected credit loss for each economic scenario. Inputs for periods longer than three years are projected using the mean reversion principle. For consistency purposes, the models used to distort PD and LGD inputs are based on those developed for the stress test system. The economic scenarios are associated with probabilities of occurrence, making it possible to calculate the average probable loss, which is used as the amount of the IFRS 9 expected credit loss.

Each scenario is weighted according to how close it is to the marketplace consensus on the main variables in each scope (BPCE is more focused on the economic environment in France while Natixis is relatively more affected by international conditions). The projections are deployed, for each of the Group's significant markets, using the main macroeconomic variables such as GDP, unemployment rate and interest rate.

These scenarios and their review are defined using the same organization and governance as those used for the budget process, requiring an annual review based on proposals from the Economic Research department and approval by the Executive Management Committee. The probability of occurrence of each scenario is reviewed on a quarterly basis by the Group's Watch List and Provisions Committee. The inputs thus defined allow expected credit losses for all rated exposures to be valued, regardless of whether they belong to a scope approved using an internal method or are processed using the standardized method for the calculation of risk-weighted assets.

The IFRS 9 model validation process is fully aligned with the Group's existing model validation process. Models are reviewed by an independent unit responsible for internal validation and the unit's conclusions are then examined by the Group Models Committee. Subsequent recommendations are monitored up by the validation unit.

Method for measuring assets classified as Stage 3

Loans and receivables are considered as impaired and are classified as Stage 3 if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis: there are "triggering events" or "loss events" identifying counterparty risk occurring after the initial recognition of the loans in question. Objective evidence of impairment includes any payments that are past due by at least three months, or regardless of whether any payment has been missed, the observation of financial hardship experienced by the counterparty leading to the expectation that some or all of the amounts owed may not be recovered or to the initiation of legal proceedings;
- these events are liable to lead to the recognition of incurred credit losses, that is, expected credit losses for which the probability of occurrence has become certain.

Debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) are considered impaired and are classified as Stage 3 when there is a known counterparty risk.

The Group uses the same impairment indicators for Stage 3 debt securities as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio to which the debt securities are ultimately designated. For perpetual deeply subordinated notes that meet the definition of financial liabilities as per IAS 32, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

Impairment for expected credit losses on Stage 3 financial assets is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows, whether these cash flows come from the counterparty's activity or from the potential activation of guarantees. For short-term assets (maturity of less than one year), there is no discounting of future cash flows. Impairment is determined globally, without distinguishing between interest and principal. Expected credit losses arising from Stage 3 off-balance sheet commitments are taken into account through provisions recognized on the liability side of the balance sheet. Specific impairment is calculated for each receivable on the basis of the maturity schedules determined based on historic recoveries for each category of receivable.

For the purposes of measuring expected credit losses, pledged assets and other credit enhancements that form an integral part of the contractual conditions of the instrument and that the entity does not recognize separately are taken into account in the estimate of expected cash flow shortfalls.

Recognition of impairment of assets classified at amortized cost and at fair value through other comprehensive income, and of provisions for financing and guarantee commitments.

For debt instruments recognized on the balance sheet in the financial assets at amortized cost category, impairment is recorded against the line on which the asset was initially shown for its net amount (regardless of whether the asset is S1, S2, or S3). Impairment charges and reversals are recognized in the income statement under "Cost of credit risk".

For debt instruments recognized as financial assets at fair value through other comprehensive income on the balance sheet, impairment is carried on the liabilities side of the balance sheet at the level of other comprehensive income recyclable to profit or loss, with a corresponding entry on the income statement under "Cost of credit risk" (regardless of whether the asset is classified S1, S2, or S3).

For loan and financial guarantee commitments given, provisions are recorded on the liabilities side of the balance sheet under "Provisions" (irrespective of whether the commitment given is classified S1, S2, or S3). Additions to/reversals from provisions are recognized in the income statement under "Cost of credit risk".

7.1.3 CHANGE IN EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS AND COMMITMENTS

In the tables presented in this Note, the line "Other changes" includes amortization, consolidations and changes relating to the implementation of IFRS 5 (see Note 1.3).

7.1.3.1 Change in impairment for credit losses on financial assets through other comprehensive income

	Stage 1		Stage 2		Stage 3		TOTAL	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**37,366**	**(5)**	**30**	**(2)**	**79**	**(60)**	**37,475**	**(67)**
Origination and acquisitions	4,558	(2)			///	///	4,558	(2)
Derecognition (redemptions, disposals and debt forgiveness)	(2,042)						(2,042)	
Impairment (write-off)	///	///	///	///	(3)	1	(3)	1
Transfers of financial assets	(97)	1	96	(1)	1	(1)		(1)
Transfers to S1	*5*		*(5)*					
Transfers to S2	*(101)*	*1*	*101*	*(1)*				
Transfers to S3	*(1)*				*1*	*(1)*		*(1)*
Other changes[1]	1,635	2	(13)		11	(16)	1,634	(13)
BALANCE AT 12/31/2019	**41,420**	**(4)**	**114**	**(1)**	**88**	**(76)**	**41,623**	**(81)**

(1) O/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and changes variations related to scope changes (including IFRS 5).

7.1.3.2 Change in impairment for credit losses on debt securities at amortized cost

	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired (POCI) assets		TOTAL	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**31,181**	**(7)**	**463**	**(12)**	**126**	**(96)**	**168**	**(47)**	**31,939**	**(163)**
Origination and acquisitions	2,689		57		///	///			2,745	
Derecognition (redemptions, disposals and debt forgiveness)	(2,058)		(103)		(33)	5	(111)	13	(2,304)	18
Impairment (write-off)	///	///	///	///	(3)	3			(3)	3
Transfers of financial assets	(301)	1	290	3	9	(7)			(2)	(3)
Transfers to S1	*24*		*(22)*						*2*	
Transfers to S2	*(325)*	*1*	*321*	*(2)*					*(4)*	*(2)*
Transfers to S3			*(9)*	*6*	*9*	*(7)*				*(1)*
Other changes[(1)]	(4,715)		1,404	2	40	(22)	5	(20)	(3,267)	(40)
BALANCE AT 12/31/2019	**26,795**	**(7)**	**2,111**	**(7)**	**139**	**(117)**	**63**	**(54)**	**29,107**	**(185)**

(1) O/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and changes variations related to scope changes (including IFRS 5).

7.1.3.3 Change in impairment for credit losses on loans and receivables due from banks at amortized cost

	Stage 1		Stage 2		Stage 3		TOTAL	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**90,215**	**(3)**	**933**	**(4)**	**54**	**(53)**	**91,202**	**(60)**
Origination and acquisitions	3,051	(1)	71		///	///	3,123	(1)
Derecognition (redemptions, disposals and debt forgiveness)	(5,261)	1	(58)		(6)		(5,326)	1
Impairment (write-off)	///	///	///	///	(3)	2	(3)	2
Transfers of financial assets	121		(127)				(7)	
Transfers to S1	*134*		*(138)*				*(4)*	
Transfers to S2	*(10)*		*11*		*(2)*			
Transfers to S3	*(4)*				*1*		*(2)*	
Other changes[(1)]	685		35	(1)	8	(2)	728	(3)
BALANCE AT 12/31/2019	**88,811**	**(3)**	**853**	**(5)**	**53**	**(53)**	**89,717**	**(61)**

(1) O/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and changes variations related to scope changes (including IFRS 5).

7.1.3.4 Change in impairment for credit losses on loans and receivables due from customers at amortized cost

	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired (POCI) assets[1]		TOTAL	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**581,192**	**(977)**	**69,142**	**(1,920)**	**21,188**	**(9,622)**	**376**	**(97)**	**671,898**	**(12,617)**
Origination and acquisitions	96,653	(364)	2,698	(54)	///	///			99,351	(418)
Derecognition (redemptions, disposals and debt forgiveness)	(54,276)	35	(8,078)	68	(3,837)	1,575	(126)	12	(66,317)	1,690
Impairment (write-off)	///	///	///	///	(1,353)	1,224	(28)	26	(1,381)	1,250
Transfers of financial assets	(9,543)	749	6,042	(371)	3,056	(767)			(444)	(388)
Transfers to S1	*15,289*	*(84)*	*(15,147)*	*182*	*(420)*	*15*			*(278)*	*113*
Transfers to S2	*(22,470)*	*558*	*23,596*	*(917)*	*(1,040)*	*98*			*86*	*(260)*
Transfers to S3	*(2,363)*	*275*	*(2,407)*	*364*	*4,517*	*(880)*			*(252)*	*(241)*
Other changes[1]	4,096	(501)	(3,498)	365	1,872	(1,891)	489	(298)	2,959	(2,326)
BALANCE AT 12/31/2019	**618,123**	**(1,058)**	**66,306**	**(1,913)**	**20,926**	**(9,482)**	**711**	**(357)**	**706,067**	**(12,810)**

(1) O/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and changes variations related to scope changes (including IFRS 5 and Oney Bank originated credit-impaired assets).

7.1.3.5 Change in provisions for credit losses on loan commitments given

	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired (POCI) assets		TOTAL	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**109,096**	**(119)**	**10,192**	**(111)**	**333**	**(143)**	**87**	**(4)**	**119,708**	**(377)**
Origination and acquisitions	42,589	(71)	1,113	(5)	///	///			43,702	(76)
Derecognition (redemptions, disposals and debt forgiveness)	(13,548)	12	(1,632)	4	(204)	10			(15,384)	26
Transfers of financial assets	(1,903)	13	1,761	(21)	9	(1)			(133)	(9)
Transfers to S1	*1,224*	*(7)*	*(1,140)*	*10*	*(96)*				*(12)*	*3*
Transfers to S2	*(3,013)*	*19*	*2,961*	*(31)*	*(19)*				*(71)*	*(12)*
Transfers to S3	*(114)*		*(60)*	*1*	*124*	*(2)*			*(51)*	*(1)*
Other changes[1]	(9,557)	38	(1,952)	(1)	206	15	(78)	4	(11,380)	57
BALANCE AT 12/31/2019	**126,676**	**(127)**	**9,483**	**(134)**	**344**	**(119)**	**9**		**136,512**	**(380)**

(1) O/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and changes variations related to scope changes (including IFRS 5).

5

7.1.3.6 Change in provisions for credit losses on guarantee commitments given

	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired (POCI) assets		TOTAL	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**33,425**	**(37)**	**7,006**	**(62)**	**918**	**(178)**	**4**		**41,353**	**(277)**
Origination and acquisitions	13,882	(18)	541	(10)	///	///			14,423	(28)
Derecognition (redemptions, disposals and debt forgiveness)	(8,082)	4	(1,640)	5	(391)	18			(10,113)	26
Impairment (write-off)	///	///	///	///	(5)	5			(5)	5
Transfers of financial assets	(955)	27	767	(38)	167	(9)			(21)	(21)
Transfers to S1	*644*	*(3)*	*(639)*	*10*	*(11)*	*1*			*(6)*	*7*
Transfers to S2	*(1,469)*	*27*	*1,483*	*(51)*	*(29)*	*1*			*(15)*	*(24)*
Transfers to S3	*(130)*	*3*	*(77)*	*4*	*207*	*(11)*				*(4)*
Other changes[1]	(5,829)	(18)	(1,880)	47	293	(64)	(1)		(7,418)	(36)
BALANCE AT 12/31/2019	**32,441**	**(42)**	**4,793**	**(59)**	**982**	**(229)**	**3**		**38,220**	**(331)**

(1) O/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and changes variations related to scope changes (including IFRS 5).

7.1.4 MEASUREMENT AND MANAGEMENT OF CREDIT RISK

Credit risk arises whenever a counterparty is unable to meet its payment obligations and may result from a reduction in credit quality or default by the counterparty.

Commitments exposed to credit risk consist of existing or potential receivables and particularly loans, debt securities, equities, performance swaps, performance bonds, or confirmed or undrawn facilities.

Credit risk management procedures and assessment methods, risk concentration, the quality of performing financial assets, and the analysis and breakdown of outstandings are described in the risk management report.

7.1.5 GUARANTEES RECEIVED ON IFRS 9 IMPAIRED INSTRUMENTS

The statement below shows the credit and counterparty risk exposure for all Groupe BPCE's financial assets. This exposure to credit risk (determined without taking into account the impact of any unrecognized netting or collateral agreements) and to counterparty risk, is based on the carrying amount of the financial assets.

in millions of euros	Maximum risk exposure	Impairment	Maximum exposure net of impairment	Guarantees
Debt securities at amortized cost	202	(171)	31	
Loans and receivables due from banks at amortized cost	53	(53)		
Loans and receivables due from customers at amortized cost	21,552	(9,838)	11,714	9,567
Debt securities – Fair value through OCI recyclable to profit or loss	88	(76)	12	
Loan commitments	344	(119)	225	26
Guarantee commitments	983	(229)	753	52
TOTAL IMPAIRED FINANCIAL INSTRUMENTS (S3)	**23,223**	**(10,486)**	**12,736**	**9,645**

7.1.6 CREDIT RISK MITIGATION MECHANISMS: ASSETS OBTAINED BY TAKING POSSESSION OF COLLATERAL

The policy followed by Groupe BPCE entities is to sell assets obtained by taking possession of collateral as soon as possible. The amount of these assets was non-material at December 31, 2019.

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 6 "Risk Management – Liquidity, Interest Rate and Exchange Rate risks".

7.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to honor its payment commitments as they fall due and replace funds when they are withdrawn.

The funding procedures and liquidity risk management arrangements are disclosed in the risk management report.

Disclosures relating to the management of liquidity risk required by IFRS 7 are provided in Chapter 6 "Risk management report – Liquidity, interest rate and foreign exchange risk".

Note 8 Employee benefits and similar

Accounting principles

There are four categories of employee benefits:

- short-term employee benefits such as wages, salaries, paid annual leave, bonuses, and profit sharing and incentive schemes which are expected to be paid within 12 months of the end of the period in which the employee renders the service are recognized in expenses;
- post-employment benefits paid to retired staff break down into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans such as French national plans are those for which Groupe BPCE's obligation is limited to payment of a contribution; there is no obligation for the employer regarding a certain level of benefits. Contributions paid into these plans are recognized as an expense for the period.

Defined-benefit plans are those for which Groupe BPCE has undertaken to provide a given amount or level of benefits.

Defined-benefit plans are subject to provisions calculated based on an actuarial assessment of the amount of the obligation, taking into account demographic and financial assumptions. When these plans are funded by external funds meeting the definition of plan assets, the amount of the provision is reduced by the fair value of these assets.

The cost of defined-benefit plans recorded in expenses for the period includes: the service cost (representing the rights acquired by beneficiaries over the period), the past service cost (revaluation differences on actuarial liabilities following an amendment or reduction in the plan), the net financial cost (effect of unwinding the discount on the net obligation for interest income generated by plan assets) and the effect of pension drawdowns.

Revaluation differences on actuarial liabilities caused by changes in demographic and financial assumptions and past-experience effects are recorded in gains and losses recognized directly in other comprehensive income not recyclable to profit or loss.

- Other long-term employee benefits include awards accruing to current employees and payable 12 months or more after the end of the period in which the employee renders the related service. They mainly include long-service awards and deferred variable remuneration payable in cash and not indexed to the share price.

These benefits are calculated using the same actuarial method as that applied for defined-benefit pension plans. The accounting method differs in terms of revaluation differences on actuarial liabilities, which are recorded under expenses.

- Termination benefits are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the Group to terminate a contract or a decision by an employee to terminate a contract in exchange for a severance package. They are covered by a provision. Termination benefits that are not expected to be paid within the 12 months following the balance sheet date are discounted to present value.

Share-based payments include payments in equity instruments or cash where the amount of the cash payment is indexed to the share price.

A personnel expense is recorded for an amount equal to the fair value of the benefit awarded, spread over the vesting period.

8.1 PAYROLL COSTS

Payroll costs include all personnel expenses and the associated social security contributions and taxes.

They include expenses for employee benefits and share-based payments.

Information on employees by category is presented in Chapter 2, "Non-financial performance disclosures."

in millions of euros	Fiscal year 2019	Fiscal year 2018
Wages and salaries	(6,692)	(6,557)
Expenses for defined-benefit and defined-contribution pension plans and other long-term employee benefits	(681)	(710)
Other social security costs and payroll-based taxes[1]	(2,585)	(2,783)
Profit sharing and incentive schemes	(597)	(579)
TOTAL PAYROLL COSTS	**(10,555)**	**(10,629)**

(1) The CICE (tax credit for competitiveness and employment) deducted from payroll costs amounted to €102 million in respect of fiscal year 2018. It was eliminated and converted into a reduction in social security charges at January 1, 2019.

8.2 EMPLOYEE BENEFITS

Groupe BPCE grants its staff a variety of employee benefits.

The Banques Populaires 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 Banques Populaires banking pension scheme at December 31, 1993.

The pension plans managed by CAR-BP are partially covered by insurance for annuities paid to beneficiaries over a certain age, and for obligations in respect of beneficiaries below this age.

The annuities paid to beneficiaries over the reference age are managed under the insurer's (CNP) general pension plan. The assets in this general plan are reserved for the insurer's pension obligations and their composition is adjusted in line with foreseeable payment trends. They mostly comprise fixed income instruments so as to enable the insurer to apply the capital guarantee that it is obliged to provide for this type of assets. The insurer is responsible for the fund's Asset/Liability management.

Other obligations are managed in a balanced fund managed as a unit-linked policy and are not covered by any particular guarantee from the insurer. The management of these obligations is based on a target strategic allocation that mostly invests in debt instruments (60%, over 95% of which are government bonds), but which also includes equity investments (40%, with 20% invested in the euro zone). The allocation is adjusted to optimize the portfolio's expected performance, subject to a risk constraint comprising many criteria. The corresponding asset/liability reviews are performed each year and are presented to the CAR-BP Technical, Financial and Risk Committee and to the Groupe BPCE Employee Benefits Monitoring Committee for information. The relatively aggressive asset allocation is made possible by the long-term investment horizon and by the regulation mechanisms integrated in the plan's financial management system.

The Caisses d'Epargne's former private supplementary pension plan (a retained-benefit plan), previously managed by Caisse Générale de Retraite des Caisses d'Epargne (CGRCE), is now incorporated within Caisse Générale de Prévoyance des Caisses d'Epargne (CGP). Beneficiaries' rights were maintained on the date of the plan's closure, on December 31, 1999. The strategic guidelines for the management of the Caisses d'Epargne retained-benefit plan are set by the CGP Board of Directors based on asset/liability reviews submitted first to a Joint Investment Committee. The Groupe BPCE Employee Benefits Monitoring Committee also receives the reviews for information purposes.

The bond allocation is a decisive component of the plan's assets. To manage interest rate risk, the CGP is obliged to replicate expected payouts with equivalent assets *via* a matching process. Liability constraints require the holding of long-term assets to ensure the duration is as close as possible to the duration of liabilities. The wish to be able to review annuities on an annual basis, which is decided by the CGP Board of Directors, means the portfolio holds a large portion of inflation-indexed bonds.

The CAR-BP and CGP plans are presented under "Supplementary pension benefits and other".

Other employee benefits include:

- pensions and other post-employment benefits such as retirement indemnities and other benefits granted to retirees;
- other benefits such as long-service awards and other long-term employee benefits.

8.2.1 ANALYSIS OF EMPLOYEE-RELATED ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

	Post-employment defined-benefit plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	12/31/2019	12/31/2018
Actuarial liabilities	8,164	1,000	281	178	9,623	8,520
Fair value of plan assets	(7,976)	(573)	(10)		(8,559)	(7,723)
Fair value of reimbursement rights	(467)	(28)			(495)	(593)
Effect of ceiling on plan assets	964				964	1,147
Net amount reported on the balance sheet	**685**	**399**	**271**	**178**	**1,533**	**1,351**
Employee benefit commitments recorded in the balance sheet	1,152	427	271	178	2,028	1,944
Plan assets recorded in the balance sheet(1)	467	28			495	593

(1) Mostly recorded on the assets side of the balance sheet under "Accrued income and other assets".

Actuarial liabilities represent the Group's obligation in respect of beneficiaries. They are calculated by independent actuaries using the projected unit credit method based on demographic and financial assumptions that are reviewed on a regular basis and at least once a year.

When these plans are funded by assets meeting the definition of plan assets, the amount of the provision corresponds to actuarial liabilities less the fair value of these assets.

Plan assets no longer meeting the definition of plan assets are recorded under assets.

8.2.2 CHANGE IN AMOUNTS RECOGNIZED ON THE BALANCE SHEET

Changes in actuarial liabilities

	Post-employment defined-benefit plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	Fiscal year 2019	Fiscal year 2018
ACTUARIAL LIABILITIES AT START OF YEAR	**7,153**	**896**	**266**	**205**	**8,520**	**9,057**
Service cost	17	49	17	29	112	152
Past service cost	(6)	(15)	(2)	(5)	(28)	(9)
Interest cost	132	13	4		149	138
Benefits paid	(203)	(49)	(15)	(47)	(314)	(310)
Other items recorded in income	2	3	13	1	19	(11)
Changes recorded in income	**(58)**	**1**	**17**	**(22)**	**(62)**	**(40)**
Revaluation adjustments – demographic assumptions	(3)	2			(1)	(6)
Revaluation adjustments – financial assumptions	1,098	116			1,214	(379)
Revaluation adjustments – past-experience effect	(41)	(20)			(61)	(136)
Changes recognized directly in other comprehensive income not recyclable to profit or loss	**1,054**	**98**			**1,152**	**(521)**
Foreign exchange rate adjustments	**4**				**4**	**12**
Other changes	**11**	**5**	**(2)**	**(5)**	**9**	**12**
ACTUARIAL LIABILITIES AT END OF YEAR	**8,164**	**1,000**	**281**	**178**	**9,623**	**8,520**

Change in plan assets

	Post-employment defined-benefit plans		Other long-term employee benefits		
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Fiscal year 2019	Fiscal year 2018
Fair value of plan assets at start of year	**7,759**	**547**	**10**	**8,316**	**8,398**
Interest income	143	8		151	131
Plan participant contributions	13	42		55	16
Benefits paid	(170)	(12)		(182)	(174)
Other items recorded in income	(1)			(1)	(1)
Changes recorded in income	**(15)**	**38**		**23**	**(28)**
Revaluation adjustments – return on plan assets	698	7		705	(66)
Changes recognized directly in other comprehensive income not recyclable to profit or loss	**698**	**7**		**705**	**(66)**
Foreign exchange rate adjustments	**4**			**4**	**10**
Other changes	**(3)**	**9**		**6**	**2**
FAIR VALUE OF PLAN ASSETS AT END OF YEAR[1]	**8,443**	**601**	**10**	**9,054**	**8,316**

(1) O/w €467 million in reimbursement rights included in supplementary retirement benefits and €28 million included in end-of-career benefits.

Amounts paid in cash to beneficiaries reduce the amount of provisions recorded to this end by an equivalent amount. A total of €182 million was charged against pension plan assets.

Interest income on plan assets is calculated by applying the same discount rate as that used to discount commitments. The difference between the actual return at the balance sheet date and this interest income is a revaluation difference recorded in equity not recyclable to profit or loss for post-employment benefits.

8.2.3 COST OF DEFINED-BENEFIT PENSION PLANS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Expenses for defined-benefit pension plans and other long-term employee benefits

The various components of the expense recognized for defined-benefit plans are included under "Payroll costs".

in millions of euros	Post-employment defined-benefit plans	Other long-term employee benefits	Fiscal year 2019	Fiscal year 2018
Service cost	(45)	(39)	(84)	(143)
Net interest cost	6	(4)	2	(7)
Other (o/w asset ceiling)	(27)	(14)	(41)	(3)
Expense for the period	**(66)**	**(57)**	**(123)**	**(153)**
Benefits paid	70	62	132	136
Plan participant contributions	55		55	16
Change in provisions due to contributions	**125**	**62**	**187**	**152**
TOTAL	**59**	**5**	**64**	**(1)**

Gains and losses on defined-benefit plans recorded directly in other comprehensive income

in millions of euros	Supplementary pension benefits and other	End-of-career awards	Fiscal year 2019	Fiscal year 2018
Revaluation adjustments at start of period	**309**	**(28)**	**281**	**405**
Revaluation adjustments over the period	355	90	445	(457)
Adjustments to asset ceiling	(203)		(203)	333
REVALUATION ADJUSTMENTS AT END OF PERIOD	**461**	**62**	**523**	**281**

8.2.4 OTHER INFORMATION

Main actuarial assumptions

	Fiscal year 2019		Fiscal year 2018	
	CAR-BP	CGP-CE	CAR-BP	CGP-CE
Discount rate	0.62%	0.86%	1.56%	1.82%
Inflation rate	1.60%	1.60%	1.70%	1.70%
Life tables used	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05	TGH05-TGF05
Duration	14 years	18 years	14 years	18 years

Sensitivity of actuarial liabilities to changes in the principal assumptions

At December 31, 2019, a 0.5% change in the discount rate and the inflation rate would have the following impact on actuarial liabilities:

	12/31/2019				12/31/2018			
	CAR-BP		CGP-CE		CAR-BP		CGP-CE	
as a% and in millions of euros	%	Amount	%	Amount	%	Amount	%	Amount
+0.5% increase in the discount rate	(6.73%)	(57)	(8.48%)	(538)	(6.44%)	(50)	(8.07%)	(448)
-0.5% decrease in the discount rate	7.54%	64	9.68%	614	7.19%	56	9.17%	509
+0.5% increase in the inflation rate	6.88%	59	7.77%	493	6.65%	52	7.62%	423
-0.5% decrease in the inflation rate	(5.71%)	(49)	(7.03%)	(446)	(5.60%)	(44)	(6.90%)	(383)

Payment schedule – (non-discounted) amounts paid to beneficiaries

	12/31/2019		12/31/2018	
	CAR-BP	CGP-CE	CAR-BP	CGP-CE
Year N+1 to N+5	183	785	184	753
Year N+6 to N+10	175	900	178	882
Year N+11 to N+15	159	932	164	933
Year N+16 to N+20	137	870	143	886
Year > N+20	283	2,368	316	2,528

Breakdown of fair value of CAR-BP plan assets (including reimbursement rights) and CGP-CE plan assets

	12/31/2019				12/31/2018			
	CAR-BP		CGP-CE		CAR-BP		CGP-CE	
as a% and in millions of euros	Weighting by category	Fair value of plan assets	Weighting by category	Fair value of plan assets	Weighting by category	Fair value of plan assets	Weighting by category	Fair value of plan assets
Cash	2.70%	13	1.10%	80	5.45%	24	0.40%	27
Equities	42.20%	197	9.00%	658	39.26%	173	9.31%	624
Bonds	55.10%	258	87.90%	6,425	46.07%	203	88.29%	5,916
Real estate			2.00%	146			2.00%	134
Investment funds					9.23%	41		
TOTAL	**100.00%**	**468**	**100.00%**	**7,310**	**100.00%**	**441**	**100.00%**	**6,701**

8.3 SHARE-BASED PAYMENTS

Accounting principles

Share-based payments are those based on shares issued by the Group, regardless of whether the transactions are settled in the form of equity or cash, indexed to the share price.

The cost to the Group is calculated on the basis of the fair value at the grant date of the share purchase or subscription options granted by certain subsidiaries. The total cost of the plan is determined by multiplying the unit value of the option by the estimated number of options that will have been vested at the end of the vesting period, taking account of the likelihood that the beneficiaries will still be employed by the Group, and of any non-market performance conditions that may affect the plan.

The cost to the Group is recognized in income from the date the employees are notified of the plan, without waiting for the vesting conditions, if any, to be satisfied (for example, in the case of a subsequent approval process), or for the beneficiaries to exercise their options.

The corresponding adjustment for the expense recorded under equity-settled plans is an increase in equity.

The Group recognizes a liability for cash-settled plans. The related cost is taken to income over the vesting period and a corresponding fair value adjustment is booked to a liability account.

The main plans settled in the form of shares are presented below.

SHARE-BASED EMPLOYEE RETENTION AND PERFORMANCE RECOGNITION PLANS

Each year since 2010, a share-based payment plan has been awarded to certain categories of Natixis group staff, in compliance with regulations.

Regarding the plans approved at February 6, 2019, 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.

Natixis subsidiaries may also establish their own share-based payment plans. The impacts of these plans, taken individually, are not material at the Natixis consolidated level. The features of these plans are thus not detailed in the section below.

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[(1)]	Vesting date	Number of units vested by beneficiaries	Fair value of indexed cash unit at valuation date *(in euros)*
2014 plan	2/18/2015	4,493,016	October 2016 October 2017 October 2018	1,576,403 1,449,399 1,298,335	6.37
2015 plan	2/10/2016	6,084,435	March 2018 March 2019	1,081,907 1,787,527	6.11
2016 plan	4/10/2017	2,835,311	March 2019 March 2020	868,417	5.47
2017 plan	2/23/2018	2,660,487	March 2020 March 2021		5.34
2018 plan	2/26/2019	3,260,945	March 2021 March 2022		2.72
2019 plan	1/22/2020	3,576,462	March 2022 March 2023		2.22

(1) The expected number of units at the vesting date is funded by equity swaps. Payments under these plans are subject to presence and performance criteria.

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)*
2019 plan	1/22/2020	1/22/2020	3.88	5,815,898	5,815,898	3.88

The expense associated with the short-term plan is fully recognized in the 2019 financial statements in the amount of €28 million, *versus* €36 million at December 31, 2018.

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	7/31/2014	31,955	July 2018		4.83	4.02
2014 plan	2/18/2015	95,144	February 2019		6.18	3.45
2015 plan	7/28/2016	3,081,642	March 2018 March 2019		3.43	2.80
2016 plan	7/28/2016	151,283	July 2020		3.43	1.62
2016 plan	4/10/2017	3,012,307	March 2019 March 2020		4.28	4.43
2017 plan	5/23/2017	79,369	May 2021		6.44	3.32
2017 plan	2/23/2018	2,765,576	March 2020 March 2021		7.06	5.34
2018 plan	2/26/2019	2,987,841	March 2021 March 2022		4.44	2.73
2019 plan	1/22/2020	2,104,431	March 2022 March 2023		3.96	2.22

EXPENSE FOR THE PERIOD FOR LOYALTY AND PERFORMANCE PLANS

	Fiscal year 2019			
in millions of euros	Plans settled in shares	Plans settled in cash indexed to Natixis shares	Total	Fiscal year 2018
Previous loyalty plans	(8)	(17)	(24)	(14)
Loyalty plans from the fiscal year		(3)	(3)	(2)
TOTAL	**(8)**	**(20)**	**(27)**	**(16)**

VALUATION INPUTS USED TO ASSESS THE EXPENSE RELATIVE TO THESE PLANS

	12/31/2019	12/31/2018
Share price	3.96	4.12
Risk-free interest rate	(0.66%)	(0.64%)
Dividend payout ratio	12.83%	11.35%
Loss of rights rate	4.72%	4.61%

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 2019 was:

Year of plan	Grant date	Vesting date	Fiscal year 2019 (in millions of euros)	Fiscal year 2018 (in millions of euros)
2015 plan	2/10/2016	March 2017 March 2018		(1)
2016 plan	4/10/2017	March 2018 March 2019	(1)	(7)
2017 plan	2/23/2018	March 2019 March 2020	(9)	(19)
2018 plan	2/26/2019	March 2020 March 2021	1	(29)
2019 plan	1/22/2020	March 2021 March 2022	(12)	
TOTAL			**(21)**	**(56)**

Note 9 Insurance businesses

Key points

Insurance businesses cover life insurance and non-life insurance activities. In Groupe BPCE these activities are performed by dedicated subsidiaries subject to the specific regulations applicable to the insurance sector.

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable as of January 1, 2018. On November 14, 2018, the IASB decided to delay the implementation of IFRS 17 "Insurance Contracts" by one year to January 1, 2022. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17. A draft amendment, "Exposure Draft ED/2019/4 Amendments to IFRS 17", was published on June 26, 2019.

As Groupe BPCE is a financial conglomerate, it elected to apply this provision to its insurance businesses, which continue to be covered by IAS 39. The entities concerned are listed in Note 13.4 on the scope of consolidation.

Financial assets and liabilities of insurance businesses are therefore recognized in accordance with the provisions of IAS 39. They are classified into categories defined by this standard, which calls for specific approaches to measurement and accounting treatment.

Pending amendments to IFRS 4, insurance liabilities continue to be measured broadly in line with French GAAP.

In accordance with Phase I of IFRS 4, insurance contracts are classified into three categories:

- policies that expose the insurer to a significant insurance risk under IFRS 4: this category comprises policies covering provident insurance, pensions, property and casualty and unit-linked savings carrying a minimum guarantee. These policies continue to be measured under the rules provided under local GAAP for measuring technical reserves;
- financial contracts such as savings contracts that do not expose the insurer to a significant insurance risk are recognized in accordance with IFRS 4 if they contain a discretionary profit sharing feature, and continue to be measured in accordance with the rules for measuring technical reserves provided under local GAAP;
- financial contracts without a discretionary profit sharing feature, such as unit-linked policies without a non-unit-linked component and without a minimum guarantee, are accounted for in accordance with IAS 39.
- Most financial contracts issued by Group entities contain discretionary profit sharing features.

The discretionary profit sharing feature grants life insurance policyholders the right to receive a share of the financial income generated, in addition to guaranteed benefits. For these contracts, in accordance with shadow accounting principles defined by IFRS 4, the provision for deferred profit sharing is adjusted to include the policyholders' share in the unrealized capital gains or losses on financial instruments measured at fair value in application of IAS 39. The share of the gains or losses attributable to policyholders is determined on the basis of the characteristics of contracts likely to generate such gains or losses.

Any change in deferred profit sharing is taken to other comprehensive income where it results from changes in the value of available-for-sale financial assets and to profit or loss 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 tests the adequacy of its recognized insurance liabilities based on the estimated present value of future cash flows from its insurance policies and investment contracts containing a discretionary profit sharing feature. The liability adequacy test shows the economic value of the liabilities corresponding to the average derived from stochastic analyses. If the sum of the surrender value and deferred profit sharing is lower than the fair value of the technical reserves, the shortfall is recognized in income.

Groupe BPCE has decided to apply the option available under ANC recommendation No. 2017-02 of presenting the insurance businesses separately on the balance sheet and income statement.

9.1 NOTES TO THE BALANCE SHEET

Accounting principles

The "Insurance business investments" line on the assets side of the balance sheet includes insurance business assets representative of:

- financial investments (*i.e.* in financial instruments) including advances to policyholders;
- financial investments in unit-linked products;
- derivatives;
- revaluation differences on interest rate risk-hedged portfolios.

Other balances related to the insurance business are aggregated with the balances related to the other balance sheet items by type.

On the liabilities side of the balance sheet, the "Liabilities related to insurance policies" line consists of:

- the technical reserves of insurance companies (as defined in Appendix A to IFRS 4);
- insurance and reinsurance liabilities, including amounts due to policyholders;
- insurance-related derivatives;
- shares of the revaluation of interest rate risk-hedged portfolios;
- the deferred profit sharing liability.

9.1.1 INSURANCE BUSINESS INVESTMENTS

Accounting principles

Loans and receivables due from banks and customers and certain securities not listed in an active market are recorded in "Insurance business investments".

Loans and receivables are initially recorded at fair value plus any costs directly related to their issuance, less any proceeds directly attributable to issuance. On subsequent balance sheet dates, they are measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the value of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield on the loan. No internal cost is included in the calculation of amortized cost.

When loans are extended under conditions that are less favorable than market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the nominal value of the loan. The market interest rate is the rate applied by the vast majority of local financial institutions at a given time for instruments and counterparties with similar characteristics.

A discount is applied to loans restructured following a loss event as defined by IAS 39, to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of credit risk" (for the insurer's net share) in the income statement and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. The restructured loan is reclassified as performing based on expert opinion when no uncertainty remains as to the borrower's capacity to honor the commitment.

External costs consist primarily of commissions paid to third parties in connection with the arrangement of loans. They essentially comprise commissions paid to business providers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more probable than improbable that the loan will be drawn down). Commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

Securities recorded as assets are classified into four categories as defined by IAS 39:

- financial assets at fair value through profit or loss;
- held-to-maturity financial assets;
- loans and receivables;
- available-for-sale financial assets.

Impairment of securities

An impairment loss is recognized on an individual basis against securities, with the exception of securities classified as financial assets at fair value through profit or loss, when there is objective evidence of impairment resulting from one or more loss events having occurred since the initial recognition

5

of the asset and where the impact of these events on estimated future cash flows can be reliably measured.

Different rules are used for the impairment of equity instruments and debt instruments.

For equity instruments, a lasting decline or a significant decrease in value are objective indicators of impairment.

A decline of over 50% or lasting for over 36 months in the value of a security by comparison with its historic 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 historic cost or if events occur that are liable to represent a material or prolonged decline. An impairment charge is recorded in the income statement if the Group determines that the value of the asset will not be recovered in its entirety.

For unlisted equity instruments, a qualitative analysis of their situation is carried out.

Impairment losses recognized on equity instruments may not be reversed and nor may they be written back to income. Losses are recorded under "Net income from insurance businesses". A subsequent increase in value is taken to "Gains and losses recognized directly in other comprehensive income" until disposal of the securities.

Impairment losses are recognized on debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) when there is a known counterparty risk.

The Group uses the same impairment indicators for debt securities as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio to which the debt securities are ultimately designated. For perpetual deeply subordinated notes, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

In the event of an improvement in the issuer's financial position, impairment losses taken on debt instruments must be written back to the income statement. Impairment losses and write-backs are recorded in "Cost of credit risk" (for the insurer's net share).

Impairment of loans and receivables

IAS 39 defines the methods for calculating and recognizing the impairment of loans.

A loan or receivable is deemed to be impaired if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis: there are "triggering events" or "loss events" identifying counterparty risk occurring after the initial recognition of the loans in question. On an individual level, the criteria for deciding whether or not a credit risk has been incurred include the existence of past due payments;
- these events are likely to lead to the recognition of incurred losses.

Impairment is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows taking into account the impact of any collateral.

in millions of euros	12/31/2019	12/31/2018
Investment property	1,887	1,664
Financial assets at fair value through profit or loss	25,217	23,598
Available-for-sale financial assets	58,546	54,126
Loans and receivables due from banks	747	383
Loans and receivables due from customers	13,017	12,735
Held-to-maturity financial assets	1,622	2,060
Share held by cedents and retrocessionaires in liabilities relating to insurance policies and financial contracts	15,269	13,063
Receivables arising from insurance and assumed reinsurance activities	2,243	2,139
Receivables arising from ceded reinsurance activities	93	96
Deferred acquisition costs	405	431
TOTAL INSURANCE BUSINESS INVESTMENTS	**119,046**	**110,295**

9.1.1.1 Investment property

	12/31/2019			12/31/2018		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Investment property recognized at historic cost	44	(14)	30	44	(14)	30
Investment property recognized at fair value[(1)]	1,455		1,455	1,259		1,259
Investment property (unit-linked vehicles)	402		402	374		374
TOTAL INVESTMENT PROPERTY	**1,901**	**(14)**	**1,887**	**1,678**	**(14)**	**1,664**

(1) Changes in fair value give rise to symmetrical recognition of a provision for deferred profit-sharing averaging, at December 31, 2019, 89% of the calculation base in question versus 88% at December 31, 2018.

The fair value of investment property came to €1,915 million at December 31, 2019 *versus* €1,689 million at December 31, 2018.

The fair value of investment property is classified in Level 3 of the fair value hierarchy in accordance with IFRS 13.

9.1.1.2 Financial assets at fair value through profit or loss

Accounting principles

This asset category includes:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the near term; and
- financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IAS 39.

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, gains or losses on disposals on these instruments are recognized in “Net income from insurance businesses”.

Financial assets and liabilities designated at fair value through profit or loss

The amendment to IAS 39 adopted by the European Union on November 15, 2005 allows entities to designate financial assets and liabilities at fair value through profit or loss on initial recognition. However, an entity’s decision to designate a financial asset or liability at fair value through profit or loss may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

In practice, this option may be applied only under the specific circumstances described below:

Elimination of or significant reduction in an accounting mismatch

Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy. This treatment applies in particular to unit-linked policy assets and liabilities.

Harmonization of accounting treatment for management and performance measurement

The option applies for a group of assets and/or liabilities managed and measured at fair value, provided that it is based on a formally documented risk management or investment strategy, and information about the Group is also reported internally on a fair value basis.

Hybrid financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid (combined) instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied when the embedded derivative(s) substantially modify the cash flows of the host contract and when the separate recognition of the embedded derivative(s) is not specifically prohibited by IAS 39 (*e.g.* an early redemption option at cost embedded in a debt instrument). The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

This treatment applies in particular to certain financial instruments containing material embedded derivatives (convertible bonds, indexed bonds and structured securities).

in millions of euros	12/31/2019	12/31/2018
UCITS	2,285	4,810
Financial assets held for trading	**2,285**	**4,810**
Trading derivatives	**19**	**18**
Bonds	2,054	1,528
Equities	1,092	602
UCITS	277	171
Investments backed by unit-linked policies	19,490	16,469
Financial assets designated at fair value	**22,913**	**18,770**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**25,217**	**23,598**

CONDITIONS FOR DESIGNATING INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2019				12/31/2018			
in millions of euros	Accounting mismatches	Fair value measur-ement	Embedded derivatives	Financial assets designated at fair value	Accounting mismatches	Fair value measur-ement	Embedded derivatives	Financial assets designated at fair value
Bonds	645	27	1,381	2,053	762	27	739	1,528
Equities	507	585		1,092	195	408		602
UCITS			277	277			171	171
Investments backed by unit-linked policies	17,762	1,338	390	19,490	14,720	1,149	600	16,469
TOTAL	**18,915**	**1,950**	**2,048**	**22,913**	**15,677**	**1,584**	**1,510**	**18,770**

9.1.1.3 Available-for-sale financial assets

Accounting principles

Available-for-sale financial assets are all securities not classified in the previous three categories.

Available-for-sale financial assets are initially recognized at fair value, plus any transaction costs.

On the balance sheet date, they are carried at their fair value and changes in fair value are recorded under "Gains and losses recognized directly in other comprehensive income" (except for foreign currency monetary assets, for which changes in the fair value of the foreign currency component affect income).

If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on fixed income securities is recorded under "Net income from insurance businesses". Income from variable-income securities is recorded under "Net income from insurance businesses".

in millions of euros	12/31/2019	12/31/2018
Bonds	47,735	45,112
Equities	4,588	3,882
UCITS	6,480	5,426
Available-for-sale financial assets, gross	**58,803**	**54,420**
Impairment of debt instruments	(50)	(38)
Impairment of equity instruments[1]	(208)	(256)
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**58,546**	**54,126**

(1) In 2019, permanent impairment of variable-income securities came to €63 million. This expense was 89% offset by the profit sharing mechanism. The 2019 expense can be broken down into an additional impairment loss on previously impaired securities for €16 million and an allowance for newly impaired securities for €47 million.

9.1.1.4 Loans and receivables

Accounting principles

The portfolio of loans and receivables included in "Insurance business investments" comprises non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. In addition, these assets must not be exposed to a risk of material losses unrelated to a deterioration in their credit quality.

Some securities not quoted in an active market may be classified in this portfolio. These are initially recognized at fair value, plus any transaction costs and less any transaction income. Securities classified in this category comply with the rules for recognition, measurement and impairment applicable to loans and receivables.

When a financial asset recorded under loans and receivables is sold before its maturity, the income from the disposal is recorded under "Net income from insurance businesses".

in millions of euros	12/31/2019	12/31/2018
Loans and receivables due from banks	747	383
Investments of loans and receivables due from customers[1]	13,017	12,735
TOTAL LOANS AND RECEIVABLES	**13,764**	**13,118**

(1) Including €11,602 million for guarantee deposits made for the acceptance of reinsurance treaties versus €11,598 million at December 31, 2018.

9.1.1.5 Held-to-maturity financial assets

Accounting principles

Held-to-maturity (HTM) financial assets are securities with fixed or determinable payments and fixed maturity dates that the Group has the intention and ability to hold until maturity.

IAS 39 does not permit the sale or transfer of these securities before maturity except in certain specific circumstances. In the event that the securities are sold before maturity, all held-to-maturity assets must be reclassified and the held-to-maturity category cannot be used during the current year or the following two years. Exceptions to the rule apply in the following cases:

- a material deterioration in the issuer's credit quality;
- a change in tax regulations canceling or significantly reducing the tax exemption on interest earned on investments held-to-maturity;
- a major business combination or significant withdrawal of activity (sale of a sector, for example) requiring the sale or transfer of held-to-maturity investments in order to maintain the entity's existing situation in terms of interest rate risk or its credit risk policy;
- a change in legal or regulatory provisions significantly modifying either the definition of an eligible investment or the maximum amount of certain types of investment, requiring that the entity dispose of a held-to-maturity asset;
- a significant increase in capital requirements forcing the entity to restructure by selling held-to-maturity assets;
- a significant increase in the risk weighting of held-to-maturity assets in terms of prudential capital regulations.

In the exceptional cases described above, the income from the disposal is recorded under "Net income from insurance businesses".

The hedging of these securities against interest rate risk is not permitted. However, hedges against exchange rate risk or the inflation component of certain held-to-maturity financial assets are allowed.

Held-to-maturity financial assets are recognized at fair value at inception, plus any transaction costs directly attributable to their acquisition. They are subsequently measured at amortized cost using the effective interest method, including any premiums, discounts and acquisition fees, where material.

in millions of euros	12/31/2019	12/31/2018
Treasury bills and equivalent	636	1,002
Bonds and other fixed income securities	987	1,059
Gross amount of held-to-maturity investments	**1,623**	**2,061**
Impairment	(1)	(1)
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	**1,622**	**2,060**

5

9.1.1.6 Fair value hierarchy of financial assets at fair value

The principles used to assess fair value are described in Note 10.

	12/31/2019				12/31/2018			
in millions of euros	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Assets held for trading (equities and UCITS)	2,202	84		2,286	4,726	84		4,810
Financial assets held for trading	**2,202**	**84**		**2,286**	**4,726**	**84**		**4,810**
Interest rate derivatives						3		3
Currency derivatives	5	4		9	3	10		13
Equity derivatives	8			8	1			1
Derivatives excl. hedging derivatives (positive fair value)	**14**	**5**		**19**	**4**	**13**		**17**
Securities designated at fair value through profit or loss	695	1,442	1,286	3,422	470	593	1,239	2,303
Bonds	125	642	1,286	2,053	117	174	1,239	1,529
Equities and UCITS	569	800		1,370	354	419		773
Investments backed by unit-linked policies	16,198	3,292		19,490	15,649	820		16,469
Financial assets designated at fair value through profit or loss	**16,893**	**4,734**	**1,286**	**22,913**	**16,120**	**1,413**	**1,239**	**18,771**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**19,109**	**4,822**	**1,286**	**25,217**	**20,849**	**1,510**	**1,239**	**23,598**
Investments in associates			263	263			229	229
Other available-for-sale securities	49,054	5,835	3,194	58,083	44,837	6,417	2,644	53,896
Bonds	41,525	3,136	2,824	47,485	38,353	4,391	2,330	45,073
Equities and UCITS	7,529	2,699	370	10,598	6,484	2,025	314	8,823
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**49,054**	**5,835**	**3,457**	**58,345**	**44,837**	**6,417**	**2,873**	**54,126**

ANALYSIS OF FINANCIAL ASSETS AT FAIR VALUE CLASSIFIED IN LEVEL 3 OF THE FAIR VALUE HIERARCHY

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement								
in millions of euros	01/01/2019	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level	Other changes	12/31/2019
ASSETS										
Securities designated at fair value through profit or loss	1,239	87	(3)		201	(208)		(31)	1	1,286
Bonds	1,239	87	(3)		201	(208)		(31)	1	1,286
Financial assets designated at fair value through profit or loss	**1,239**	**87**	**(3)**		**201**	**(208)**		**(31)**	**1**	**1,286**
FNANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,239**	**87**	**(3)**		**201**	**(208)**		**(31)**	**1**	**1,286**
Investments in associates	229			14	18	(1)	36		(33)	263
Other available-for-sale securities	2,644	(11)	51	22	952	(616)		143	10	3,194
Bonds	2,330	(11)	(4)	11	864	(508)		143		2,824
Equities and UCITS	314		55	11	88	(108)			10	370
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**2,873**	**(11)**	**51**	**36**	**969**	**(617)**	**36**	**143**	**(23)**	**3,457**

ANALYSIS OF FAIR VALUE HIERARCHY TRANSFERS

		Fiscal year 2019					
	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
ASSETS							
Securities designated at fair value through profit or loss							31
Bonds							31
Financial assets designated at fair value through profit or loss							**31**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS							**31**
Other available-for-sale securities		401	15	844	700		572
Bonds		99	15	564	700		572
Equities and UCITS		302		280			
AVAILABLE-FOR-SALE FNANCIAL ASSETS		**401**	**15**	**844**	**700**		**572**

		Fiscal year 2018					
	From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros	To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS							
Securities designated at fair value through profit or loss		215		3			1
Bonds							1
Equities and UCITS		215		3			
Investments backed by unit-linked policies		70					
Financial assets designated at fair value through profit or loss		**285**		**3**			**1**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**285**		**3**			**1**
Other available-for-sale securities		924	84	126	603		1,591
Bonds		766	77	9	603		1,506
Equities and UCITS		158	7	117			85
AVAILABLE-FOR-SALE FNANCIAL ASSETS		**924**	**84**	**126**	**603**		**1,591**

9.1.1.7 Fair value of financial assets carried in the balance sheet at amortized cost

The principles used to assess fair value are described in Note 10.

	12/31/2019				12/31/2018			
in millions of euros	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Investments of loans and receivables due from banks	747	68	679		383	4	379	
Investments of loans and receivables due from customers	13,017	51	12,964	2	12,760	47	12,713	
Held-to-maturity investments	2,050	1,822	226	2	2,426	2,086	337	3
INSURANCE BUSINESS INVESTMENTS AT AMORTIZED COST	**15,814**	**1,942**	**13,869**	**4**	**15,569**	**2,137**	**13,429**	**3**

9.1.2 LIABILITIES RELATED TO INSURANCE POLICIES

in millions of euros	12/31/2019	12/31/2018
Technical reserves relating to insurance policies	57,241	51,694
Technical reserves relating to unit-linked policies	13,172	10,711
TECHNICAL RESERVES RELATING TO INSURANCE POLICIES	**70,413**	**62,406**
Technical reserves relating to financial contracts with a discretionary profit sharing feature	20,161	20,118
Technical reserves relating to unit-linked financial contracts	5,094	4,145
TECHNICAL RESERVES RELATING TO FINANCIAL CONTRACTS	**25,255**	**24,263**
Deferred profit sharing liabilities[1]	4,499	2,401
Liabilities arising from insurance and assumed reinsurance activities, and liabilities arising from ceded reinsurance activities	10,438	9,765
Trading derivatives	81	7
Other liabilities	11	17
TOTAL LIABILITIES RELATED TO INSURANCE POLICIES	**110,697**	**98,855**

(1) O/w €4,396 million in deferred profit sharing recognized in other comprehensive income (including attributable to non-controlling interests).

The information required by IFRS 7 is presented for:

- financial assets at fair value through profit or loss in Note 5.2.2;
- amounts due to banks and customers in Note 5.11;
- debt securities in Note 5.12;
- subordinated debt in Note 5.15.

9.2 NOTES TO THE INCOME STATEMENT

9.2.1 NET INCOME FROM INSURANCE BUSINESSES

Accounting principles

Net income from insurance businesses includes:

- revenues from the insurance businesses, which consist of premiums written and the change in unearned premium reserves for insurance policies and investment contracts containing a discretionary profit sharing feature within the meaning of IFRS 4;
- investment income net of expenses:
  - investment income including income from investment property,
  - investment expenses and other financial expenses excluding financing expenses,
  - gains and losses on the sale of investments including on investment property,
  - depreciation, amortization and impairment reversals on investments (including investment properties) and other assets (including assets provided under operating leases), recognized at amortized cost,
  - the change in fair value of investments (including investment property) recognized at fair value through profit or loss;
- amortization of acquisition costs;
- the external costs of benefits and claims paid on policies which include paid benefits and claims on insurance policies and on investment contracts containing a discretionary profit sharing feature (paid benefits and claims, changes in technical reserves), including policyholder compensation (deferred profit sharing), as well as changes in the value of investment contracts, particularly for unit-linked policies;
- income from reinsurance cessions, defined as the sum of ceded premiums, net of ceded claims and benefits paid and commissions;
- where applicable:
  - net gains or losses resulting from the derecognition of financial assets at amortized cost,
  - net gains or losses resulting from the reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Premiums written	15,291	14,617
Change in unearned premiums	(214)	(158)
Earned premiums	**15,077**	**14,459**
Revenues and other income from insurance businesses	**187**	**284**
Income from investments	2,005	1,787
Expenses on investments	(282)	(100)
Gains or losses on disposals of investments less reversals of impairment and amortization	225	83
Change in fair value of investments recognized at fair value through profit or loss	1,931	(1,103)
Change in impairment for investments	(77)	(95)
Income from investments net of expenses	**3,803**	**572**
Amortization of acquisition costs	**(3)**	**24**
Claims and benefits expenses	**(15,684)**	**(12,217)**
Income from reinsurance cessions	3,531	3,205
Expenses on reinsurance cessions	(3,605)	(3,233)
Net income or expenses on reinsurance cessions	**(74)**	**(28)**
NET INCOME FROM INSURANCE BUSINESSES	**3,306**	**3,094**

9.2.2 TRANSITION BETWEEN THE PRESENTATION APPLICABLE TO INSURANCE COMPANIES AND TO BANKS

The statement shown below provides a transition between the financial statements of insurance companies included in the scope of consolidation and their translation into the financial statements of Groupe BPCE in accordance with the presentation applicable to banks.

	2019 Banking Format						
	Net banking income						
in millions of euros	Net income from insurance businesses[1]	Other items of net banking income (excluding net income from insurance businesses)	Operating expenses	Gross operating income	Other items	2019 Insurance Format	2018 Insurance Format
Earned premiums	15,020	42		15,062	(112)	14,950	14,333
Revenues or income from other activities	171	8		179	(9)	170	218
Other operating income		58	11	69	9	78	47
Net financial income before finance costs	3,803	11	(17)	3,797	125	3,922	589
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**18,994**	**119**	**(6)**	**19,107**	**13**	**19,120**	**15,187**
Claims and benefits expenses	(15,650)	(142)	(127)	(15,919)	87	(15,832)	(12,148)
Expenses from other activities			(13)	(13)	(2)	(15)	(13)
Net income from reinsurance cessions	(74)	24		(50)	(10)	(60)	(33)
Policy acquisition costs	(2)	(805)	(225)	(1,032)	(30)	(1,062)	(999)
Administrative expenses		(520)	(383)	(903)		(903)	(830)
Other recurring operating income and expenses		(63)	(312)	(375)	3	(372)	(366)
TOTAL OTHER RECURRING INCOME AND EXPENSES	**(15,726)**	**(1,506)**	**(1,061)**	**(18,293)**	**48**	**(18,245)**	**(14,389)**
OPERATING INCOME	**3,268**	**(1,387)**	**(1,066)**	**815**	**61**	**876**	**798**

(1) Net income from insurance businesses does not include income from the Prêt Viager Hypothécaire, a reverse mortgage for seniors offered by Crédit Foncier.

9.3 INFORMATION TO BE PROVIDED ON THE TEMPORARY EXEMPTION OF INSURANCE BUSINESSES FROM IFRS 9

	12/31/2019		12/31/2018	
in millions of euros	Fair value	Change in fair value over the period	Fair value	Change in fair value over the period
SPPI financial assets	49,129	2,408	44,997	(1,317)
Other financial assets	5,689	166	5,927	(218)
TOTAL INSURANCE BUSINESS INVESTMENTS(1)	**54,818**	**2,574**	**50,925**	**(1,535)**

(1) Excluding UCITS classified as available-for-sale assets for €5,994 million at December 31, 2019 versus €5,067 million at December 31, 2018.

Credit risk associated with insurance businesses is presented in Chapter 6, Risk Management – Insurance Risks – Asset Management and Financial Conglomerate.

This table does not include financial assets recognized at fair value through profit of loss or reinsurance activities.

Note 10 Fair value of financial assets and liabilities

Key points

This section sets out the principles for measuring the fair value of financial instruments as defined in IFRS 13 "Fair Value Measurement" and the methods used by Groupe BPCE entities to measure the value of their financial instruments."

Financial assets and liabilities are recorded in the balance sheet either at fair value or at amortized cost. An indication of the fair value of items measured at amortized cost is provided in the notes.

For instruments traded on an active market with a quoted price, the fair value is equal to the quoted price, corresponding to Level 1 in the fair value hierarchy.

The fair value of other financial instruments not traded on an active market, including in particular loans, borrowings and derivatives traded over the counter, is calculated using valuation techniques that rely on widely used models and observable data, corresponding to Level 2 in the fair value hierarchy. When internal data or proprietary models are used (Level 3 in the fair value hierarchy), independent controls are used to validate the value obtained.

DETERMINATION OF FAIR VALUE

General principles

The fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability in a standard arm's length transaction between market participants at the measurement date.

Fair value is therefore determined using the exit price.

On first recognition, fair value is usually the transaction price and is thus the price paid to purchase the asset or the price received to assume the liability.

In subsequent measurements, the estimated fair value of assets and liabilities must be based primarily on observable market data, while ensuring that all inputs used in the fair value calculation are consistent with the price that market participants would use in a transaction.

In this case, fair value consists of a mid-market price and additional valuation adjustments determined according to the instruments in question and the associated risks.

The mid-market price is obtained based on:

- the instrument's quoted price, if the instrument is quoted on an active market. A financial instrument is regarded as quoted on an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regularly occurring transactions on the principal market or, failing that, on the most favorable market, on an arm's length basis;
- if the market for a financial instrument is not active, fair value is established using valuation techniques. The techniques used must maximize the use of relevant observable entry data and minimize the use of non-observable entry data. They may refer to observable data from recent transactions, the fair value of similar instruments, discounted cash flow analysis and option pricing models, proprietary models in the case of hybrid instruments or non-observable data when no pricing or market data are available.

Additional valuation adjustments include factors related to valuation uncertainties, such as market and credit risk premiums, in order to recognize the costs incurred by a divestment transaction on the primary market. Likewise, an adjustment (Funding Valuation Adjustment – FVA) for using assumptions to recognize costs related to the financing costs of future cash flows on uncollateralized or partially collateralized derivatives is also recognized.

The main additional adjustments are as follows:

BID/ASK ADJUSTMENT – LIQUIDITY RISK

This adjustment is the difference between the bid price and the ask price corresponding to the selling costs. It reflects the cost requested by a market player in respect of the risk of acquiring a position or of selling at a price proposed by another market player.

MODEL UNCERTAINTY ADJUSTMENT

This adjustment takes into account imperfections in the valuation techniques used, and in particular risk factors not considered even though observable market inputs are available. This is the case when the risks inherent in the instruments differ from those incurred by the observable market data used to determine their valuation.

INPUT UNCERTAINTY ADJUSTMENT

Observing certain prices or inputs used in valuation techniques may be difficult, or the price or input may be too regularly unavailable to determine the selling price. Under these circumstances, an adjustment may be necessary to reflect the probability of different values being used by market participants for the same inputs when measuring the fair value of the financial instrument in question.

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)

The DVA is symmetrical to the CVA and represents the risk of loss, from the counterparty's perspective, on liability valuations of derivatives. It reflects the impact of the Group's credit quality on the valuation of these instruments. The DVA is assessed by observing the Group's "credit" market input. At Natixis, the main contributor for the Group, this involves observing 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).

DETERMINATION OF AN ACTIVE MARKET

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). Level 2 controls are carried out by the Risk division.

On less liquid markets, other market information, primarily observable data, is used to validate the fair value of instruments.

The factors taken into account include the following:

- the origin of the external source (stock market pages, content contribution services, etc.);
- the consistency of the various sources;
- the frequency of data feeds;
- the representative nature of inputs based on recent market transactions.

For fair values determined using valuation models, the control system consists of the independent validation of model construction and of the inputs included in these models.

This is carried out under the responsibility of the Risk division.

It involves verifying that the model is consistent with and relevant to its intended function (price setting, valuation, coverage, measurement and control of risk) and the product to which it applies, based on:

- a theoretical approach: the financial and mathematical foundations of the model;
- the application of the model: the pricing models used to generate risk and earnings data;
- the stability of the model under parametric stress;
- an assessment of the stability and consistency of the numerical methods used;
- the independent re-implementation of the model as part of algorithm validation;
- the comparative analysis of the calibration of model inputs;
- an assessment of the modeling risk, particularly the comparative analysis of the model with other valuation models, in order to ensure the adequacy of the model and the payoff (the formula of positive or negative flows attached to the product at maturity);
- the implementation of an adjustment in respect of modeling risk to account for potential deficiencies in the model or its calibration;
- the incorporation of the model into information systems.

The methods for determining fair value are monitored by a number of bodies including the Inputs and Observability Committee, the Valuation Committee, the Impairment Committee and the Model Validation Committee, which comprise representatives of the Risk department, the Finance department and the Market Data Monitoring and Valuation department.

The methodological principles in respect of fair value applied by Natixis were examined in the second quarter of 2019, leading to the further refining of the observability criteria and a review of the classification of financial assets and liabilities by fair value hierarchy (see below).

Fair value hierarchy

For financial reporting purposes, IFRS 13 requires fair value measurements applied to financial and non-financial instruments to be allocated to one of three fair value levels:

LEVEL 1: VALUATION USING PRICES QUOTED ON A LIQUID MARKET

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets.

This mainly includes securities listed on a stock exchange or traded continuously on other active markets, derivatives traded on organized markets (futures, options, etc.) whose liquidity can be demonstrated, and units of UCITS that calculate and report their net asset value on a daily basis.

LEVEL 2: VALUATION USING OBSERVABLE MARKET INPUTS

Level 2 fair value comprises instruments other than those mentioned in Level 1 fair value and instruments measured using a valuation technique incorporating inputs that are either directly observable (prices) or indirectly observable (derived from prices) through to maturity. This mainly includes:

Simple instruments

Most over-the-counter derivatives, swaps, credit derivatives, forward rate agreements, caps, floors and plain vanilla options are traded in active markets, *i.e.* liquid markets in which trades occur regularly.

These instruments are valued using generally accepted models (discounted future 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 suggested by a reasonable number of active market makers and which are regularly observable without necessarily being directly executable (prices mainly taken from contribution and consensus databases); where these criteria are not met, the securities are classified as Level 3 fair value;
- securities not quoted on an active market whose fair value is determined based on observable market data (for example, using market data for listed peers or the earnings multiple method based on techniques widely used in the market);
- Greek sovereign securities, whose fair value is recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS that do not calculate and report their net asset value on a daily basis but which are subject to regular reporting or which offer observable data from recent transactions;
- issued debt instruments designated at fair value are classified as Level 2 when the underlying derivatives are classified as Level 2;
- issuer credit risk is also considered to be observable. It is measured using the discounted future cash flows method, with inputs such as the yield curve and revaluation spreads. For each issue, this valuation represents the sum 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, 2019 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 determine 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 determine the choice of model.
- The main models used to value and manage foreign-exchange products are local and stochastic volatility models, as well as hybrid models, which combine modeling of the underlying foreign exchange with two Hull & White 1 factor models, to ascertain the fixed income factors.

Inputs relating to all such Level 2 instruments were demonstrated to be observable and documented. From a methodology perspective, observability is based on four inseparable criteria:

- inputs are derived from external sources (primarily a recognized contributor, for example);
- they are updated periodically;
- they are representative of recent transactions;
- their characteristics are identical to the characteristics of the transaction. If necessary, a proxy may be used, provided that the relevance of such an arrangement is demonstrated and documented.

The fair value of instruments obtained using valuation models is adjusted to take account of liquidity risk (bid-ask), counterparty risk, the risk relating to the cost of financing uncollateralized or partially collateralized derivatives, own credit risk (measurement of liability derivative positions), and modeling and input risk.

The margin generated when these instruments begin trading is immediately taken to profit or loss.

LEVEL 3: VALUATION USING UNOBSERVABLE MARKET INPUTS

Level 3 comprises instruments measured using unrecognized models and/or models based on unobservable market data, where they are liable to materially impact the valuation. This mainly includes:

- unlisted shares whose fair value could not be determined using observable inputs;
- private equity securities not listed on an active market, measured at fair value with models commonly used by market participants, in accordance with International Private Equity Valuation (IPEV) standards, but which are sensitive to market fluctuations and whose fair value determination requires a judgment call;
- structured securities or securities representative of private placements, held by the Insurance business line;
- hybrid interest rate and currency derivatives and credit derivatives that are not classified in Level 2;
- loans in the syndication process for which there is no secondary market price;
- loans in the securitization process for which fair value is determined based on an expert appraisal;
- investment property whose fair value is calculated using a multi-criteria approach, by capitalizing rent at market rates and through comparisons with market transactions;
- instruments with a deferred day one margin;
- units of UCITS for which the fund has not published a recent NAV at the valuation date, or for which there is a lock-up period or any other constraint calling for a significant adjustment to available market prices (NAV, etc.) in respect of the low liquidity observed for such shares;
- issued debt instruments designated at fair value are classified as Level 3 when the underlying derivatives are classified as Level 3; The associated "issuer credit risk" is regarded as observable and it is therefore classified as Level 2;
- instruments carried at fair value on the balance sheet and for which data are no longer available due to a freeze in trading in the wake of the financial crisis. When there is a significant drop in trading in a given market, a valuation model is used based on the only available relevant data.

Plain vanilla derivatives are also classified as Level 3 fair value when exposure is beyond the liquidity horizon determined by underlying currencies or by volatility surface (*e.g.* certain foreign currency options and volatility caps/floors).

In accordance with the Ministerial Order of February 20, 2007, as amended by the Order of November 23, 2011 on capital requirements for credit institutions and investment companies and pursuant to the European Regulation of June 26, 2013 (CRR) on the Basel III requirements, for each of the models used, a description of crisis simulations applied is provided in Chapter 3 "Risk Management".

Under IFRS 9, day one profit should be recognized only if it is generated by a change in the factors that market participants would consider in setting a price, *i.e.* only if the model and parameters input into the valuation are observable.

If the selected valuation model is not recognized by current market practices, or if one of the inputs significantly affecting the instrument's valuation is not observable, the trading profit on the trade date cannot be recognized immediately in the income statement. It is taken to income on a straight-line basis over the life of the transaction or until the date the inputs become observable. Any losses incurred at the trade date are immediately recognized in income.

At December 31, 2019, instruments for which the recognition of day one profit/loss has been deferred mainly included:

- multi-underlying structured equity and index products;
- mono-underlying structured products indexed to sponsored indices;
- synthetic loans;
- options on funds (multi-assets and mutual funds);
- structured fixed income products;
- securitization swaps.

These instruments are almost all located at Natixis.

The table below provides the main unobservable inputs and the value ranges for these instruments:

Instrument class	Main types of products	Valuation techniques used	Main unobservable data	Unobservable data ranges min-max
Interest rate derivatives	Sticky CMS/Volatility Bonds	Interest rate options valuation models	Mean reversion inputs	[2.5%; 5%]
Interest rate derivatives	Callable Spread Options and Corridor Callable Spread Options	Model representing several yield curve factors	Mean reversion spread	[0%; 30%] EUR = 30%, USD 25%
Interest rate derivatives	Bermuda Accreting	Adjusted Hull & White one-factor model	Accreting Factor	[75%; 95%]
Interest rate derivatives	Volatility caps/floors	Interest rate options valuation models	Interest rate vol	[5%; 80%]
Equity	Simple and complex equity, equity basket or fund derivatives	Different valuation models for equity, equity basket or fund options	Equity vol	[0.392%; 117.23879%]
			Fund vol	[20%; 25%]
			Stock/stock correlation	[0.3%; 94.1%]
			Repo of general baskets	[-0.67%; 0.90%]
Forex	Exchange rate derivatives	Exchange rate option valuation models	Currency vol	[2.12%; 13.27%]
Forex	Long-term PRDC/PRDKO/TARN	Hybrid currency/interest rate options valuation model	Correlation between foreign exchange rates and interest rates as well as long-term volatility levels	Exchange rate and interest rate correl: [15%; 50%] Long-term volatility: [3.15%; 13.27%]
Credit	CDOs	The default rates are based on the market prices of the underlying PFI bonds and the recovery rates are based on historical ratings agency data	Correlation between the assets, base spread between the cash asset and derivative asset, recovery rate	80%
Credit	Securitization swaps	Discounted expected cash flows based on early redemption assumptions on the underlying portfolio	Prepayment rate	5.1% to 24%
Hybrids	Hybrid equity/fixed income/forex (FX) derivatives	Hybrid models coupled with equity, forex and interest rate diffusion	Equity-FX correlations	[-55.5%; 71%]
			Equity/FI correlations	[-45%; 40%]
			FI-FX correlations	[-40.2%; 26.55%]
Forex	Helvetix: Strip of long-term options, Strip of quanto options, Strip of digital options	Black & Scholes model	EURCHF/EURUSD correlations	[26%: 40%]
	Helvetix: Options spread and digital options spread	Gaussian copula	Long-term USD/CHF & EUR/CHF volatility	USDCHF vol: [2.54%; 11.07%] EURCHF vol: [3.1%; 8.69%]

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 committees consider 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 must be approved in advance.

In fiscal year 2019, the main reclassifications involved accreting Bermudan swaptions (in euros and in Australian dollars), specific complex derivatives with single or multiple underlyings structured on indexes and the associated liabilities designated at fair value. These instruments are reclassified from Level 2 to Level 3 of the fair value hierarchy due to an examination of observability during the period which prompted us to note the absence of observable prices for the corresponding inputs and products, leading to their reclassification to Level 3 of the fair value hierarchy.

Note: at December 31, 2018, a portfolio of derivatives in Asia was transferred to Level 3 in the fair value hierarchy. These were products indexed to the worst performance of an underlying basket of shares (indices and shares) that allow investors to receive enhanced periodic coupons in return for a risk of loss of capital at maturity, with the possibility that the product may expire early. The outstandings in question had a fair value of €130 million recorded on the asset side of the balance sheet at December 31, 2018. The bearish market in Asia revealed the limitations of the business model associated with these products and led to the supplementing of the reserve mechanism by introducing an additional reserve to allow for the model's shortcomings. As this reserve requires a judgment call (specifically the anticipation of changes in market conditions, portfolio behavior, etc.), the valuation of the products to which it relates was no longer directly observable, and so they have been transferred to fair value Level 3 from Level 2, where they were classified previously, due to the observable nature of the inputs, the model used and the liquidity observed.

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 CDSs contracted with monoline insurers has been similar to the Credit Valuation Adjustment (CVA) used for counterparty risk. The model also takes into account the expected amortization of exposures and the counterparty spread implicit in market data.

TRUST PREFERRED SECURITIES (TRUPS) CDOS

In 2018, TruPS CDOs were measured using a valuation model 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 were estimated considering the current ratings of assets.

As the number of contributions was sufficient, TruPS CDOs were marked-to-market at December 31, 2019.

INSTRUMENTS NOT CARRIED AT FAIR VALUE ON THE BALANCE SHEET

IFRS 13 requires disclosure in the notes to the financial statements of the fair value, and the associated fair value levels, of all financial instruments carried at amortized cost, including loans. The valuation methods used to determine the fair value disclosed in the notes to the financial statements are described below.

ASSETS AND LIABILITIES OF NATIXIS BUSINESS LINES, THE CASH MANAGEMENT POOL, BPCE, AND THE CAISSES D'EPARGNE FINANCIAL PORTFOLIOS

Credit and loans recognized at amortized cost and amounts payable under finance leases

The fair value of these instruments is determined by discounting future cash flows. The discount rate applied for a given loan is the rate at which the Group would grant a loan with similar characteristics to a similar counterparty at the reporting date. The interest rate and counterparty risk components are re-assessed.

The fair value of repurchase agreements is calculated by discounting expected cash flows at the market rate on the closing date and adding a liquidity spread.

If there is a quoted price that meets the criteria of IFRS 13, the quoted price is used.

The fair value of loans with an initial term of less than one year is considered to be their carrying amount. This is generally the case for financial assets with a term of one year or less and current accounts. The corresponding receivables are classified in Level 2 of the fair value hierarchy. Loans and receivables granted to affiliates are also classified in Level 2.

BORROWINGS AND SAVINGS

At Natixis, the assessment of the fair value of securities borrowings and debts is based on the method of discounting future cash flows using inputs on the reporting date such as the interest rate curve of the underlyings and the spread at which Natixis lends or borrows.

The fair value of debts maturing in less than one year is considered to be the carrying amount. In this situation, they are classified in Level 2 of the fair value hierarchy, as are debts payable to affiliates.

The fair value of other amounts due to banks 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 using the rent capitalization method, which is 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 likely to be realized and generally may not be realized in practice.

These fair values are thus only provided 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 business model is mainly based on the 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;
- floating rate loans and borrowings;
- transactions in a regulated market (particularly regulated savings products), whose prices are set by the public authorities.

FAIR VALUE OF LOANS TO RETAIL CUSTOMERS

The fair value of loans is measured using internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. Except in special cases, only the interest rate component is remeasured, as the credit margin is established at the outset and not subsequently remeasured. Prepayment options are factored into the model *via* an adjustment to loan repayment schedules.

FAIR VALUE OF LOANS TO LARGE CORPORATES, LOCAL AUTHORITIES AND BANKS

The fair value of loans is measured using internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. The interest rate component is remeasured, as is the credit risk component (where it is an observable piece of data used by 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 banks and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the balance sheet date. Own credit risk is not generally taken into account.

10.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

10.1.1 FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The following statement provides a breakdown of financial instruments by type of price and valuation model:

	12/31/2019			
in millions of euros	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Debt instruments	**13,419**	**101,173**	**3,706**	**118,297**
Loans due from banks and customers		97,500	2,823	100,323
Debt securities	13,419	3,673	883	17,975
Equity instruments	**40,683**	**185**	**60**	**40,928**
Shares and other equity securities	40,683	185	60	40,928
Derivatives	**1,080**	**43,479**	**2,066**	**46,624**
Interest rate derivatives	2	29,434	860	30,296
Equity derivatives	834	2,452	265	3,551
Currency derivatives		10,968	712	11,680
Credit derivatives		374	229	603
Other derivatives	243	252		495
Financial assets at fair value through profit or loss – Held for trading[(1)]	**55,181**	**144,837**	**5,831**	**205,849**
Derivatives		**916**	**12**	**928**
Interest rate derivatives		702	12	714
Currency derivatives		214		214
Financial assets at fair value through profit or loss – Economic hedges		**916**	**12**	**928**
Debt instruments		**45**		**45**
Loans due from banks and customers		2		2
Debt securities		43		43
Financial assets designated at fair value through profit or loss		**45**		**45**
Debt instruments	**2,662**	**1,015**	**6,205**	**9,881**
Loans due from banks and customers		687	2,545	3,232
Debt securities	2,662	327	3,660	6,649
Financial assets at fair value through profit or loss – Non standard	**2,662**	**1,015**	**6,205**	**9,881**
Equity instruments	**259**	**52**	**1,752**	**2,063**
Shares and other equity securities	259	52	1,752	2,063
Financial assets at fair value through profit or loss – Excluding assets held for trading	**259**	**52**	**1,752**	**2,063**
Debt instruments	**38,895**	**2,123**	**524**	**41,541**
Loans due from banks and customers		5	39	45
Debt securities	38,895	2,117	484	41,497
Equity instruments	**347**	**522**	**2,220**	**3,089**
Shares and other equity securities	347	522	2,220	3,089
Financial assets at fair value through other comprehensive income	**39,242**	**2,645**	**2,743**	**44,630**
Interest rate derivatives		7,913		7,913
Currency derivatives		1,370		1,370
Hedging derivatives		**9,283**		**9,283**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**97,345**	**158,793**	**16,544**	**272,681**

(1) Excluding economic hedging.

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	12/31/2019			
in millions of euros	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES				
Debt securities	19,963	95,045	809	115,817
Derivatives	**736**	**42,810**	**1,685**	**45,232**
• Interest rate derivatives		27,036	593	27,629
• Equity derivatives	498	4,108	315	4,922
• Currency derivatives		10,796	460	11,256
• Credit derivatives		508	316	824
• Other derivatives	238	361	1	600
Other financial liabilities		9,090		9,090
Financial liabilities at fair value through profit or loss – Held for trading(1)	**20,699**	**146,945**	**2,494**	**170,138**
Derivatives		**881**	**433**	**1,314**
Interest rate derivatives		721	434	1,154
Currency derivatives		160		160
Financial liabilities at fair value through profit or loss – Economic hedges		**881**	**433**	**1,314**
Debt securities		17,231	9,366	26,597
Other financial liabilities	3,696	29	2	3,727
Financial liabilities designated at fair value through profit or loss	**3,696**	**17,260**	**9,368**	**30,324**
Interest rate derivatives		12,505		12,505
Currency derivatives		2,563		2,563
Hedging derivatives		**15,068**		**15,068**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**24,395**	**180,153**	**12,296**	**216,844**

(1) Excluding economic hedging.

	12/31/2018			
in millions of euros	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS				
Debt instruments	**10,418**	**104,514**	**3,630**	**118,562**
Loans due from banks and customers	485	99,609	2,936	103,030
Debt securities	9,934	4,904	694	15,532
Equity instruments	**23,788**	**80**	**9**	**23,877**
Shares and other equity securities	23,788	80	9	23,877
Derivatives	**1,903**	**41,237**	**1,729**	**44,869**
Interest rate derivatives	2	24,960	236	25,198
Equity derivatives	1,646	4,657	406	6,709
Currency derivatives		11,122	943	12,065
Credit derivatives		266	144	410
Other derivatives	254	233		487
Financial assets at fair value through profit or loss – Held for trading[(1)]	**36,109**	**145,831**	**5,368**	**187,308**
Derivatives		**918**	**80**	**998**
Interest rate derivatives		724	71	795
Currency derivatives		194	9	203
Financial assets at fair value through profit or loss – Economic hedges		**918**	**80**	**998**
Debt instruments		**1**		**1**
Loans due from banks and customers		1		1
Financial assets designated at fair value through profit or loss		**1**		**1**
Debt instruments	**2,732**	**2,156**	**5,485**	**10,373**
Loans due from banks and customers		979	2,604	3,583
Debt securities	2,732	1,177	2,881	6,790
Financial assets at fair value through profit or loss – Non standard	**2,732**	**2,156**	**5,485**	**10,373**
Equity instruments	**204**	**881**	**751**	**1,836**
Shares and other equity securities	204	881	751	1,836
Financial assets at fair value through profit or loss – Excluding assets held for trading	**204**	**881**	**751**	**1,836**
Debt instruments	**33,334**	**3,885**	**189**	**37,408**
Loans due from banks and customers		5	21	26
Debt securities	33,334	3,879	169	37,382
Equity instruments	**373**	**315**	**1,992**	**2,680**
Shares and other equity securities	373	315	1,992	2,680
Financial assets at fair value through other comprehensive income	**33,707**	**4,200**	**2,181**	**40,088**
Interest rate derivatives		6,972		6,972
Currency derivatives		1,188		1,188
Hedging derivatives		**8,160**		**8,160**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**72,752**	**162,147**	**13,865**	**248,764**

(1) Excluding economic hedging.

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	12/31/2018			
in millions of euros	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL LIABILITIES				
Debt securities	21,062	89,401	1,177	111,640
Derivatives	**1,035**	**42,442**	**1,757**	**45,234**
• Interest rate derivatives		25,019	262	25,281
• Equity derivatives	813	5,751	569	7,133
• Currency derivatives		10,822	686	11,508
• Credit derivatives		315	239	554
• Other derivatives	222	536		758
Other financial liabilities		**7,717**		**7,717**
Financial liabilities at fair value through profit or loss – Held for trading(1)	**22,098**	**139,559**	**2,933**	**164,590**
Derivatives		**804**	**576**	**1,380**
Interest rate derivatives		706	553	1,259
Equity derivatives			23	23
Currency derivatives		98		98
Financial liabilities at fair value through profit or loss – Economic hedges		**804**	**576**	**1,380**
Debt securities		24,286	188	24,474
Other financial liabilities	3,726	694	3	4,423
Financial liabilities designated at fair value through profit or loss	**3,726**	**24,979**	**191**	**28,897**
Interest rate derivatives	12	10,805		10,817
Currency derivatives		2,773		2,773
Hedging derivatives	**12**	**13,577**		**13,589**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**25,836**	**178,920**	**3,700**	**208,456**

(1) Excluding economic hedging.

10.1.2 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES CLASSIFIED IN LEVEL 3 OF THE FAIR VALUE HIERARCHY

		Gains and losses recognized in the income statement during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[(1)]								
in millions of euros	12/31/2018	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[(2)]	Other changes[(3)]	12/31/2019
FINANCIAL ASSETS										
Debt instruments	**3,630**	**66**	**149**		**9,099**	**(8,824)**	**(130)**	**(97)**	**(188)**	**3,706**
Loans due from banks and customers	2,936	92	169		7,225	(7,386)	(122)	(116)	25	2,823
Debt securities	694	(26)	(20)		1,874	(1,438)	(8)	19	(213)	883
Equity instruments	**9**				**60**				**(8)**	**60**
Shares and other equity securities	9				60				(8)	60
Derivatives	1,729	951	(334)		401	(903)	1	140	81	2,066
Interest rate derivatives	236	330	(5)		10	(80)		368	1	860
Equity derivatives	406	643	(251)		155	(768)		85	(5)	265
Currency derivatives	943	(66)	(86)		214	(54)		(315)	76	712
Credit derivatives	144	44	8		22		1	1	9	229
Financial assets at fair value through profit or loss – Held for trading[(4)]	**5,368**	**1,017**	**(185)**		**9,559**	**(9,727)**	**(128)**	**43**	**(115)**	**5,831**
Derivatives	**80**	**(1)**	**(17)**			**(23)**			**(26)**	**12**
Interest rate derivatives	71	(1)	(17)			(23)			(17)	12
Currency derivatives	9								(9)	
Financial assets at fair value through profit or loss – Economic hedges	**80**	**(1)**	**(17)**			**(23)**			**(26)**	**12**
Debt instruments		**(4)**			**4**					
Debt securities		(4)			3					
Financial assets designated at fair value through profit or loss		**(4)**			**4**					
Debt instruments	**5,485**	**341**	**49**		**473**	**(819)**	**29**	**(111)**	**756**	**6,205**
Loans due from banks and customers	2,604	82	3		30	(206)	(85)	(57)	174	2,545
Debt securities	2,881	260	46		443	(613)	114	(54)	582	3,660
Financial assets at fair value through profit or loss – Non standard	**5,485**	**341**	**49**		**473**	**(819)**	**29**	**(111)**	**756**	**6,205**
Equity instruments	**751**	**6**	**83**		**356**	**(199)**	**146**		**608**	**1,752**
Shares and other equity securities	751	6	83		356	(199)	146		608	1,752
Financial assets at fair value through profit or loss – Excluding assets held for trading	**751**	**6**	**83**		**356**	**(199)**	**146**		**608**	**1,752**
Debt instruments	**189**	**(2)**		**(2)**	**253**	**(209)**	**2**	**86**	**206**	**524**
Loans due from banks and customers	21	1			28	(12)	2			39
Debt securities	169	(2)		(2)	224	(197)		86	207	484
Equity instruments	**1,992**	**181**	**34**	**80**	**651**	**(579)**	**(12)**	**(188)**	**61**	**2,220**
Shares and other equity securities	1,992	181	34	80	651	(579)	(12)	(188)	61	2,220
Financial assets at fair value through other comprehensive income	**2,181**	**179**	**34**	**78**	**904**	**(789)**	**(10)**	**(102)**	**268**	**2,743**

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		Gains and losses recognized during the period		Transactions carried out during the period		Transfers during the period			
		In the income statement[1]							
in millions of euros	**12/31/2018**	**On transactions in progress at the reporting date**	**On transactions removed from the balance sheet at the reporting date**	**Purchases/ Issues**	**Sales/ Redemptions**	**To another reporting category**	**From and to another level[2]**	**Other changes[3]**	**12/31/2019**
FINANCIAL LIABILITIES									
Debt securities	**1,176**	**37**	**(37)**	**1,161**	**(1,526)**		**(2)**		**809**
Derivatives	**1,757**	**(75)**	**(219)**	**185**	**(290)**	**72**	**192**	**65**	**1,685**
• - Interest rate derivatives	262	64	(20)	45	(41)		281	2	593
• - Equity derivatives	569	(249)	(218)	114	(188)		277	9	315
• - Currency derivatives	686	73	10	24	(9)		(368)	44	460
• - Credit derivatives	239	36	8	2	(52)	72	1	11	316
• - Other derivatives		1							1
Financial liabilities at fair value through profit or loss – Held for trading[4]	**2,932**	**(38)**	**(256)**	**1,346**	**(1,816)**	**72**	**190**	**65**	**2,494**
Derivatives	**576**	**120**	**(27)**		**(214)**			**(22)**	**433**
Interest rate derivatives	553	(28)	(27)		(43)			(22)	433
Equity derivatives	23	148			(171)				
Financial liabilities at fair value through profit or loss – Economic hedges	**576**	**120**	**(27)**		**(214)**			**(22)**	**433**
Debt securities[5]	188	473	(2)	3,339	(1,905)	2	4,975	2,296	9,366
Other financial liabilities	3	(1)							2
Financial liabilities designated at fair value through profit or loss	**191**	**473**	**(2)**	**3,339**	**(1,905)**	**2**	**4,975**	**2,296**	**9,368**

(1) The main impacts recognized in the income statement are mentioned in Note 4.3.
(2) The main transfers to and from Level 3 are described in Note 10.1.3.
(3) Other changes mainly include the impact of changes in the consolidation scope and foreign exchange gains and losses.
(4) Excluding economic hedging.
(5) Issues of debt securities were symmetrically reclassified to Level 3 of the fair value hierarchy of underlying derivatives both for instruments declared unobservable during the period and for issues relating to instruments already classified as Level 3 at December 31, 2018 (recorded in the Other changes column).

		Gains and losses recognized in the income statement during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[1]								
in millions of euros	**01/01/2018**	**On transactions in progress at the reporting date**	**On transactions removed from the balance sheet at the reporting date**	**In other comprehensive income**	**Purchases/ Issues**	**Sales/ Redemptions**	**To another reporting category**	**From and to another level[2]**	**Other changes[3]**	**12/31/2018**
FINANCIAL ASSETS										
Debt instruments	**2,836**	**59**	**88**		**8,117**	**(7,620)**	**(3)**	**96**	**57**	**3,630**
Loans due from banks and customers	2,582	128	87		7,493	(7,413)			59	2,936
Debt securities	255	(69)	1		624	(207)	(3)	96	(2)	694
Equity instruments					**7**			**1**	**1**	**9**
Shares and other equity securities					7			1	1	9
Derivatives	**2,196**	**175**	**(137)**		**169**	**(356)**	**(72)**	**(59)**	**(187)**	**1,729**
• Interest rate derivatives	355	27	(5)		1	(64)	(72)	17	(22)	236
• Equity derivatives	564	121	(21)		91	(267)		103	(185)	406
• Currency derivatives	1,077	(2)	(40)		77	(22)		(178)	32	943
• Credit derivatives	200	29	(71)			(2)			(12)	144
Financial assets at fair value through profit or loss – Held for trading[4]	**5,032**	**234**	**(49)**		**8,292**	**(7,976)**	**(75)**	**38**	**(129)**	**5,368**
Derivatives	**70**	**(16)**	**(1)**			**(7)**	**72**	**(10)**	**(28)**	**80**
Interest rate derivatives	63	(19)	(1)			(7)	72	(10)	(28)	71
Currency derivatives	6	3								9
Financial assets at fair value through profit or loss – Economic hedges	**70**	**(16)**	**(1)**			**(7)**	**72**	**(10)**	**(28)**	**80**
Debt instruments	**16**	**3**				**(25)**	**(12)**		**18**	
Loans due from banks and customers	16						(12)		(4)	
Debt securities		3				(25)			21	
Financial assets designated at fair value through profit or loss	**16**	**3**				**(25)**	**(12)**		**18**	
Debt instruments	**4,443**	**212**	**27**		**393**	**(849)**	**64**	**210**	**985**	**5,485**
Loans due from banks and customers	2,905	35	(1)		24	(373)	18		(4)	2,604
Debt securities	1,538	177	28		369	(476)	46	210	989	2,881
Financial assets at fair value through profit or loss – Non standard	**4,443**	**212**	**27**		**393**	**(849)**	**64**	**210**	**985**	**5,485**
Equity instruments	**1,177**	**31**	**3**		**96**	**(159)**		**2**	**(399)**	**751**
Shares and other equity securities	1,177	31	3		96	(159)		2	(399)	751
Financial assets at fair value through profit or loss – Excluding assets held for trading	**1,177**	**31**	**3**		**96**	**(159)**		**2**	**(399)**	**751**
Debt instruments	**560**	**(8)**	**9**	**(12)**	**32**	**(368)**	**(9)**	**30**	**(43)**	**189**
Loans due from banks and customers	25	1			3	(7)	(1)			21
Debt securities	534	(9)	9	(12)	29	(361)	(8)	30	(43)	169
Equity instruments	**2,132**	**269**	**11**	**(69)**	**168**	**(423)**	**4**	**(30)**	**(71)**	**1,992**
Shares and other equity securities	2,132	269	11	(69)	168	(423)	4	(30)	(71)	1,992
Financial assets at fair value through other comprehensive income	**2,692**	**261**	**20**	**(82)**	**200**	**(790)**	**(5)**		**(115)**	**2,181**
Currency derivatives			(5)					5		
Hedging derivatives			**(5)**					**5**		

		Gains and losses recognized in the income statement during the period		Transactions carried out during the period		Transfers during the period			
		In the income statement[1]							
in millions of euros	01/01/2018	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[2]	Other changes[3]	12/31/2018
FINANCIAL LIABILITIES									
Debt securities	**1,097**	**38**	**(78)**	**1,138**	**(1,019)**				**1,177**
Derivatives	**2,135**	**481**	**(382)**	**453**	**(272)**	**(78)**	**(163)**	**(416)**	**1,757**
• - Interest rate derivatives	395	(75)	106	50	(140)	(78)	8	(4)	262
• - Equity derivatives	253	491	(322)	308	(147)		(15)	2	569
• - Currency derivatives	1,166	54	(24)	46	10		(154)	(412)	686
• - Credit derivatives	321	10	(142)	49	4		(2)	(2)	239
Financial liabilities at fair value through profit or loss – Held for trading[4]	**3,232**	**519**	**(460)**	**1,591**	**(1,292)**	**(78)**	**(163)**	**(416)**	**2,933**
Derivatives	504	(6)	(7)	1	(15)	78	(10)	32	576
Interest rate derivatives	500	(29)	(4)	1	(15)	78	(10)	32	553
Equity derivatives	3	23	(3)						23
Financial liabilities at fair value through profit or loss – Economic hedges	**504**	**(6)**	**(7)**	**1**	**(15)**	**78**	**(10)**	**32**	**576**
Debt securities	384	(17)		11	(190)	(2)	1	1	188
Other financial liabilities		(1)						4	3
Financial liabilities designated at fair value through profit or loss	**384**	**(18)**		**11**	**(190)**	**(2)**	**1**	**4**	**191**

(1) The main impacts recognized in the income statement are mentioned in Note 4.3.

(2) The main transfers to and from Level 3 are described in Note 10.1.3. At December 31, 2018, the net impact on the balance sheet of equity derivatives transferred to Level 3 was €118 million.

(3) Including -€15 million in reclassifications of financial assets at fair value through other comprehensive income to the “Financial assets held for Sale” aggregate under IFRS 5. Other changes mainly include the impact of changes in the consolidation scope and foreign exchange.

(4) Excluding economic hedging.

10.1.3 ANALYSIS OF FAIR VALUE HIERARCHY TRANSFERS

The amounts of transfers indicated in this statement are those of the last valuation preceding the transfer.

	Fiscal year 2019					
From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros — To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL ASSETS						
Debt instruments	**290**		**146**	**19**		**116**
Loans due from banks and customers	54					116
Debt securities	236		146	19		
Equity instruments	**2**					
Shares and other equity securities	2					
Derivatives	**16**		**111**	**486**		**346**
• Interest rate derivatives				381		13
• Equity derivatives	16		109	90		5
• Currency derivatives				13		328
• Credit derivatives				1		
• Other derivatives			2			
Financial assets at fair value through profit or loss – Held for trading[(1)]	**308**		**256**	**505**		**462**
Debt instruments			**17**	**98**	**67**	**142**
Loans due from banks and customers				60		117
Debt securities			17	38	67	25
Financial assets at fair value through profit or loss – Non standard			**17**	**98**	**67**	**142**
Debt instruments	**354**	**122**	**966**	**15**	**10**	**41**
Loans due from banks and customers						
Debt securities	354	122	966	15	10	41
Equity instruments				**(20)**		**168**
Shares and other equity securities				(20)		168
Financial assets at fair value through other comprehensive income	**354**	**122**	**966**	**(5)**	**10**	**209**
FINANCIAL LIABILITIES						
Debt securities			**83**			**2**
Derivatives	**12**		**116**	**598**		**406**
• Interest rate derivatives				302		20
• Equity derivatives	12		115	287		10
• Currency derivatives				8		376
• Credit derivatives				1		
• Other derivatives			1			
Financial liabilities at fair value through profit or loss – Held for trading[(1)]	**12**		**199**	**598**		**408**
Derivatives				**(1)**		
Interest rate derivatives				(1)		
Financial liabilities at fair value through profit or loss – Economic hedges				**(1)**		
Debt securities				4,975		
Financial liabilities designated at fair value through profit or loss				**4,975**		

(1) Excluding economic hedging.

5

	Fiscal year 2018					
From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL ASSETS						
Debt instruments	**196**	**7**	**168**	**89**		
Debt securities	196	7	168	89		
Equity instruments		**1**				
Shares and other equity securities		1				
Derivatives	**23**		**85**	**148**		**206**
• Interest rate derivatives				17		
• Equity derivatives(1)	17		85	131		28
• Currency derivatives						178
• Other derivatives	6					
Financial assets at fair value through profit or loss – Held for trading(2)	**218**	**8**	**253**	**237**		**206**
Derivatives				**(10)**		
Interest rate derivatives				(10)		
Financial assets at fair value through profit or loss – Economic hedges				**(10)**		
Debt instruments	**61**	**46**		**179**		**15**
Debt securities	61	46		179		15
Financial assets at fair value through profit or loss – Non standard	**61**	**46**		**179**		**15**
Equity instruments		**2**				
Shares and other equity securities		2				
Financial assets at fair value through profit or loss – Excluding assets held for trading		**2**				
Debt instruments	**1,432**	**26**	**816**	**33**		**29**
Loans due from banks and customers						
Debt securities	1,432	26	816	33		29
Equity instruments					**31**	
Shares and other equity securities					31	
Financial assets at fair value through other comprehensive income	**1,432**	**26**	**816**	**33**	**31**	**29**
FINANCIAL LIABILITIES						
Derivatives	**41**		**56**	**13**		**176**
• Interest rate derivatives				9		1
• Equity derivatives	34		55	3		18
• Currency derivatives						154
• Credit derivatives						2
• Other derivatives	7		1			
Financial liabilities at fair value through profit or loss – Held for trading(2)	**41**		**56**	**13**		**176**
Derivatives				**(10)**		
Interest rate derivatives				(10)		
Financial liabilities at fair value through profit or loss – Economic hedges				**(10)**		
Debt securities				1		
Financial liabilities designated at fair value through profit or loss				**1**		

(1) Of which €130 million relating to structured derivatives indexed to shares traded in Asia transferred to Level 3 of the fair value hierarchy (see general principles in Note 10 and Note 1.3.).
(2) Excluding economic hedging.

10.1.4 SENSITIVITY OF LEVEL 3 ASSETS AND LIABILITIES TO CHANGES IN THE PRINCIPAL ASSUMPTIONS

At December 31, 2019, 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 made using assumptions of additional valuation adjustments for fixed-income, currency and equity instruments; *i.e.* a potential impact of €35 million on the income statement, o/w €9 million in equity instruments and derivatives.

10.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not likely to be realized and generally may not be realized in practice.

These fair values are thus only provided for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is based on the collection of expected cash flows.

The simplified assumptions used to measure the fair value of instruments at amortized costs are presented in Note 10.1.

	12/31/2019			
in millions of euros	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTIZED COST				
Loans and receivables due from banks	90,504	139	30,930	59,434
Loans and receivables due from customers	708,873	298	131,618	576,958
Debt securities	28,246	15,246	9,331	3,670
FINANCIAL LIABILITIES AT AMORTIZED COST				
Amounts due to banks	77,900		64,072	13,828
Amounts due to customers	560,680		309,543	251,137
Debt securities	239,983	71,800	161,305	6,877
Subordinated debt	18,597	10,765	7,131	701

	12/31/2018			
in millions of euros	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTIZED COST				
Loans and receivables due from banks	91,652	2	29,508	62,143
Loans and receivables due from customers	675,364	109	139,212	536,043
Debt securities	31,295	16,248	8,841	6,206
FINANCIAL LIABILITIES AT AMORTIZED COST				
Amounts due to banks	91,299		82,982	8,317
Amounts due to customers	530,554		292,338	238,216
Debt securities	217,981	12,373	198,194	7,414
Subordinated debt	18,345	9,692	8,189	464

Note 11 Income taxes

11.1 INCOME TAX

Accounting principles

Income tax includes all domestic and foreign taxes payable on the basis of taxable profits. Income tax also includes taxes, such as withholding taxes, which are payable by a subsidiary, an associate or a joint arrangement on distributions of dividends to the entity that draws up financial statements. The CVAE (Business Added Value Tax) is not considered an income tax.

Income tax includes:

- current taxes, which are the amount of income taxes payable on taxable profit or recoverable on a tax loss over a given period. They are calculated on the taxable income for the period for each fiscal entity in the tax consolidation scope by applying the applicable tax rates and rules set by the tax authorities and on the basis of which tax shall be paid (recovered);
- deferred taxes (see 11.2).

Where it is probable that one of the Group's tax positions will not be accepted by the tax authorities, this situation is reflected in the financial statements when calculating current tax (due or recoverable) and deferred tax (asset or liability).

in millions of euros	Fiscal year 2019	Fiscal year 2018
Current income tax expense	(1,727)	(870)
Deferred tax assets and liabilities	(75)	(607)
INCOME TAX	**(1,801)**	**(1,477)**

RECONCILIATION BETWEEN THE TAX CHARGE IN THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX CHARGE

	Fiscal year 2019		Fiscal year 2018	
	in millions of euros	Tax rate	*in millions of euros*	Tax rate
Net income attributable to equity holders of the parent	3,030		3,026	
Change in the value of goodwill	84		16	
Non-controlling interests	707		793	
Share in net income of associates	(265)		(284)	
Income taxes	1,801		1,477	
INCOME BEFORE TAX AND CHANGES IN THE VALUE OF GOODWILL (A)	**5,356**		**5,029**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical income tax expense (income) at the tax rate applicable in France (AxB)	**(1,844)**		**(1,732)**	
Impact of the change in unrecognized deferred tax assets and liabilities	(81)		(59)	1.2%
Effects of permanent differences[(1)]	(304)		(249)	5.0%
Reduced rate of tax and tax-exempt activities	36		97	(1.9%)
Difference in tax rates on income taxed outside France	212		131	(2.6%)
Tax on prior periods, tax credits and other tax[(2)]	97		175	(3.5%)
Other items[(3)]	84		159	(3.2%)
INCOME TAX EXPENSE (INCOME) RECOGNIZED	**(1,801)**		**(1,477)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**33.63%**		**29.40%**

(1) Permanent differences primarily comprise the share of costs and expenses on dividends received and the impacts of the systemic bank tax and the SRF (Single Resolution Fund) contribution, which are non-deductible expenses (see Note 4.7).
(2) Tax on prior periods, tax credits and other tax mainly included tax credits and the impact of tax audits and the resolution of ongoing disputes.
(3) Other items mainly include the impacts of the tax consolidation of Groupe BPCE and the impact of the decrease in tax rates consecutive to the recent Finance Acts (revaluation of existing items at December 31, 2018).

11.2 DEFERRED TAX ASSETS AND LIABILITIES

Accounting principles

Deferred tax assets and liabilities are recognized when temporary differences arise between the carrying amount of assets and liabilities on the balance sheet and their tax base, irrespective of when the tax is expected to be recovered or settled.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities and assets are offset at the level of each tax entity. The tax entity may either be a single entity or a tax consolidation group. Deferred tax assets are recognized only to the extent that it is probable that the entity will be able to recover them in the foreseeable future.

Deferred tax assets and liabilities are recognized as tax income or expense in the income statement, except for those related to:

- revaluation differences on post-employment benefits;
- unrealized gains and losses on financial assets at fair value through other comprehensive income;
- changes in the fair value of derivatives used as cash flow hedges;

for which the corresponding deferred tax assets and liabilities are recognized as unrealized gains and losses directly in other comprehensive income.

Deferred tax assets and liabilities are not discounted to their present value.

Deferred tax assets and liabilities on temporary differences arise from the recognition of the items listed in the statement below (positive figures indicate deferred tax assets, while negative figures in brackets represent deferred tax liabilities):

in millions of euros	12/31/2019	12/31/2018
Unrealized capital gains on UCITS	34	33
Fiscal EIGs	(75)	(78)
Provisions for employee-related liabilities	232	276
Provisions for regulated home savings products	159	182
Provisions on a portfolio basis	395	368
Other non-deductible provisions	381	682
Changes in fair value of financial instruments recorded in equity	(98)	(64)
Other sources of temporary differences(1)	294	(155)
Deferred tax related to timing differences	**1,322**	**1,244**
Deferred tax arising on the capitalization of tax loss carryforwards	**1,719**	**2,258**
Unrecognized deferred tax assets and liabilities	**(844)**	**(1,212)**
NET DEFERRED TAX ASSETS AND LIABILITIES	**2,196**	**2,290**
Recognized		
As assets in the balance sheet	3,597	3,174
As liabilities in the balance sheet	(1,400)	(884)

(1) A deferred tax liability of €347 million was recognized at December 31, 2019 (€336 million at December 31, 2018) on certain goodwill items recorded in the United States giving rise to tax amortization over 15 years.

Deferred tax assets and liabilities of French companies are calculated by applying the tax rate that will be in force when the temporary difference is reversed. Tax rates will be gradually lowered through to 2022 (including the social security contribution on profits), from 32.02% in 2020 to 28.41% in 2021 to 25.83% in 2022 and thereafter for taxable profit taxed at the normal rate.

At December 31, 2019, deductible temporary differences, tax losses and unused tax credits for which no deferred tax asset has been recorded in the balance sheet amounted to €844 million.

Deferred tax assets on tax losses amounted to €831 million at December 31, 2019, including €641 million in tax losses recognized on the Natixis France tax consolidation group. The tax loss base recognized on this tax consolidation group is €2,455 million, out of total tax-loss carryforwards of €4,350 million. Natixis conducted tests measuring the impact of a +/-10% variation in NBI growth forecasts included in its tax business plans. These tests confirmed that Natixis is able to deduct future tax gains from tax losses subject to deferred tax assets.

The balance of deferred tax assets on tax losses recognized at December 31, 2019 stood at €190 million, including €47 million in the United States.

Note 12 Other information

12.1 SEGMENT REPORTING

The Group has three core businesses:

Retail Banking and Insurance, which is central to the transformation, includes:

- the Banque Populaire network, comprising the fourteen Banques Populaires and their subsidiaries, Crédit Maritime Mutuel, and the Mutual Guarantee Companies;
- the Caisse d'Epargne network, consisting of the fifteen Caisses d'Epargne;
- Financial Solutions and Expertise, a sub-division encompassing specialized financing activities: Factoring, Leasing, Consumer Finance, Sureties & Financial Guarantees, and Retail Securities Services (formerly housed in the Specialized Financial Services (SFS) sub-division in addition to Socfim, CFI and Pramex (formerly in Other Networks);
- Insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- Payments, which offers a full range of payment and prepaid solutions to local businesses, online and *via* mobile devices. The Payments activity is becoming a business line in its own right;
- Other Networks, which include Oney Bank 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;
- employee savings, "Natixis Interépargne" is a top-tier player in employee savings plan management in France which joined the Asset & Wealth Management division.

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public sector entities. Film and Audiovisual Financing joined the Corporate & Investment Banking division in 2019.

The Corporate center, which primarily includes:

- the Group's central institution and holding companies;
- Natixis' equity interests in Coface, Natixis Algérie and Natixis Private Equity;
- run-off activities of Crédit Foncier and BPCE International;
- unlisted investments and cross-business activities;
- items related to goodwill impairment and the amortization of valuation differences, as these items form part of the Group's acquisition and investment strategy;
- the contribution to the Single Resolution Fund.

Groupe BPCE's segment reporting information has been restated accordingly for previous reporting periods and also incorporates the transfer of subsidiaries Banque de Tahiti, Banque de Nouvelle Calédonie, Société Havraise de Calédonie from BPCE International to the Caisse d'Epargne network, and of INGEPAR from BPCE International to the Banque Populaire network.

12.1.1 SEGMENT ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

Results by division [(1)]

	Retail Banking and Insurance		Asset Management		Corporate & Investment Banking		Corporate center		Groupe BPCE	
in millions of euros	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf
Net banking income	16,317	16,056	3,760	3,513	3,337	3,266	891	1,166	24,305	24,001
Operating expenses	(10,844)	(10,803)	(2,492)	(2,343)	(2,235)	(2,202)	(2,011)	(2,339)	(17,582)	(17,687)
Gross operating income	**5,473**	**5,253**	**1,268**	**1,170**	**1,102**	**1,064**	**(1,121)**	**(1,173)**	**6,722**	**6,314**
Cost/income ratio	66.5%	67.3%	66.3%	66.7%	67.0%	67.4%	ns	ns	72.3%	73.7%
Cost of risk	(1,028)	(999)	(8)	(2)	(312)	(174)	(20)	(125)	(1,367)	(1,299)
Share in income of equity-accounted associates	45	44	1	3	10	12	209	226	265	284
Gains or losses on other assets	8	2	13	43	(15)	3	(4)	(32)	1	15
Change in the value of goodwill							(84)	(16)	(84)	(16)
Income before tax	**4,499**	**4,300**	**1,273**	**1,214**	**786**	**904**	**(1,020)**	**(1,121)**	**5,538**	**5,297**
Income tax	(1,476)	(1,367)	(353)	(328)	(212)	(241)	241	460	(1,801)	(1,477)
Non-controlling interests (minority interests)	(87)	(90)	(447)	(418)	(176)	(199)	3	(7)	(707)	(714)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,936**	**2,842**	**473**	**468**	**397**	**464**	**(776)**	**(669)**	**3,030**	**3,105**
Transition from pro forma to reportable net income attributable to equity holders of the parent[(1)]		(346)		(8)		(9)		284		(79)
REPORTABLE NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,936**	**2,496**	**473**	**460**	**397**	**455**	**(776)**	**(386)**	**3,030**	**3,026**

(1) 2018 segment reporting information is stated pro forma of the transfer of Specialized Financing to BPCE SA, with an impact on non-controlling interests and net income attributable to the equity holders of the parent of €79 million.

Results of the Retail Banking and Insurance sub-divisions

in millions of euros	Banques Populaires 2019	Banques Populaires 2018 pf	Caisses d'Epargne 2019	Caisses d'Epargne 2018 pf	Financial Solutions and Expertise 2019	Financial Solutions and Expertise 2018 pf	Insurance 2019	Insurance 2018 pf	Payments 2019	Payments 2018 pf	Other Networks 2019	Other Networks 2018 pf	Retail Banking and Insurance 2019	Retail Banking and Insurance 2018 pf
Net banking income	6,434	6,377	7,048	7,080	1,117	1,089	846	790	423	389	450	332	16,317	16,056
Operating expenses	(4,356)	(4,355)	(4,677)	(4,791)	(634)	(618)	(478)	(448)	(370)	(341)	(329)	(250)	(10,844)	(10,803)
Gross operating income	**2,079**	**2,022**	**2,370**	**2,288**	**483**	**471**	**368**	**342**	**52**	**48**	**121**	**83**	**5,473**	**5,253**
Cost/income ratio	67.7%	68.3%	66.4%	67.7%	56.7%	56.8%	56.5%	56.7%	87.6%	87.6%	73.1%	75.1%	66.5%	67.3%
Cost of risk	(417)	(479)	(419)	(412)	(79)	(63)			(2)	(2)	(111)	(42)	(1,028)	(999)
Share in income of equity-accounted associates	34	29					10	15			1	1	45	44
Gains or losses on other assets	3		(3)	1						1	7		8	2
INCOME BEFORE TAX	**1,699**	**1,571**	**1,949**	**1,878**	**404**	**407**	**378**	**356**	**50**	**47**	**18**	**41**	**4,499**	**4,300**

12.1.2 SEGMENT ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

in millions of euros	Retail Banking 12/31/2019	Retail Banking 12/31/2018	Asset & Wealth Management 12/31/2019	Asset & Wealth Management 12/31/2018	Corporate & Investment Banking 12/31/2019	Corporate & Investment Banking 12/31/2018	Corporate center 12/31/2019	Corporate center 12/31/2018	Groupe BPCE 12/31/2019	Groupe BPCE 12/31/2018
Segment assets	894,272	840,478	2,940	2,476	338,679	301,711	102,173	129,262	1,338,064	1,273,926
Segment liabilities	894,272	840,478	2,940	2,476	338,679	301,711	102,173	129,262	1,338,064	1,273,926

in millions of euros	Banques Populaires 12/31/2019	Banques Populaires 12/31/2018	Caisses d'Epargne 12/31/2019	Caisses d'Epargne 12/31/2018	Financial Solutions and Expertise 12/31/2019	Financial Solutions and Expertise 12/31/2018	Payments 12/31/2019	Payments 12/31/2018	Insurance 12/31/2019	Insurance 12/31/2018	Other Networks 12/31/2019	Other Networks 12/31/2018	Retail Banking 12/31/2019	Retail Banking 12/31/2018
Segment assets	327,917	309,202	412,669	392,935	30,990	25,839	363	356	103,920	96,975	18,413	15,171	894,272	840,478
Segment liabilities	327,917	309,202	412,669	392,935	30,990	25,839	363	356	103,920	96,975	18,413	15,171	894,272	840,478

Note: Change in segment information for the consolidated balance sheet. Presentation of the economic contribution by sub-division representing the performance of each sub-division as an independent source of value in Groupe BPCE. For comparison purposes, fiscal year 2018 is pro forma of the new segment reporting presentation.

12.1.3 SEGMENT REPORTING BY GEOGRAPHIC REGION

The geographic analysis of segment assets and results is based on the location where business activities are recognized.

Net banking income

in millions of euros	Fiscal year 2019	Fiscal year 2018
France	18,492	19,035
Rest of Europe	1,876	1,499
North America	2,678	2,632
Rest of world	1,259	835
TOTAL	**24,305**	**24,001**

Total segment assets

in millions of euros	12/31/2019	12/31/2018
France	1,213,704	1,152,268
Rest of Europe	30,759	27,753
North America	60,060	57,511
Rest of world	33,541	36,394
TOTAL	**1,338,064**	**1,273,926**

5

12.2 INFORMATION ON LEASES

12.2.1 LEASES AS LESSOR

Accounting principles

Leases are analyzed to determine whether in substance and economic reality they are operating leases or finance leases.

Finance leases

A finance lease is a lease that transfers to the lessee most of the risks and rewards incidental to ownership of an asset.

IFRS 16 gives five examples of situations that (individually or collectively) 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 covers most 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 lease payments amounts to at least virtually 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.

IFRS 16 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 extend the lease at a rent that is substantially lower than the market rent.

At the start of the contract, assets under finance leases are recorded in the lessor's balance sheet in the form of a receivable equal to the net investment in the lease contract. The net investment corresponds to the amount of lease payments receivable from the lessee, discounted at the interest rate implicit in the lease plus any unguaranteed residual value of the asset accruing to the lessor. More specifically, the lease payments used to calculate the net investment include fixed payments less any lease incentives payable and variable payments that depend on an index or rate.

IFRS 16 requires unguaranteed residual values to be reviewed on a regular basis. A reduction in the estimated unguaranteed residual value modifies the income allocation over the lease term. In this case, a new payment schedule is drawn up and a charge is recorded to adjust the amount of financial income already recorded.

Any impairment recorded for counterparty risk on receivables in respect of finance leases is calculated in accordance with IFRS 9 using the same method as for financial assets at amortized cost (Note 4.1.10). This impairment is recorded on the income statement under "Cost of credit risk".

Finance lease income is considered to be interest and is recognized in the income statement under "Interest and similar income". This income is recognized using the interest rate implicit in the lease, which reflects a constant periodic rate of return on the lessor's net investment. The rate of return implicit in the lease is the discount rate that makes the following two items equal:

- the net investment;
- and the initial value of the asset (the 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).

Operating leases

A lease which is not considered to be a finance lease is classified as an operating lease.

Assets provided under operating leases are shown in the balance sheet under property, plant and equipment or intangible assets in the case of equipment leases, and investment property in the case of property leases. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term, under "Income or expenses from other activities".

Schedule of finance lease receivables

in millions of euros	12/31/2019	12/31/2018
Finance leases		
Non-discounted lease payments (amount of gross investments)	**19,648**	**19,884**
< 1 year	4,353	4,122
1-5 years	10,266	10,339
> 5 years	5,029	5,423
Discounted lease payments (amount of net investments)	**17,610**	**17,962**
< 1 year	4,128	3,820
1-5 years	9,429	9,445
> 5 years	4,053	4,698
Financial income not received	**2,039**	**1,906**
Operating leases	**449**	**573**
< 1 year	91	84
1-5 years	227	287
> 5 years	131	200

12.2.2 LEASES AS LESSEE

Accounting principles

IFRS 16 applies to contracts that, irrespective of their legal form, meet the definition of a lease as laid down by the standard. The standard requires the identification of an asset and that the lessee controls the right to use this asset for a period of time. Control is established if the lessee holds the following two rights throughout the period of use:

- the right to obtain almost all of the economic benefits arising from use of the asset;
- the right to decide how the asset is used.

The existence of an identified asset requires that the lessor has no substantive rights to substitute alternative assets, with this requirement being assessed according to facts and circumstances in place at the start of the contract. If the lessor can freely substitute the leased asset, the contract becomes a non-lease contract whose purpose is to provide capacity rather than an asset.

The asset can be comprised of a portion of a larger asset, such as a floor within a building. However, a portion of an asset that is not physically distinct within a grouping without a pre-determined location is not an identified asset.

For lessees, with certain exceptions, IFRS 16 requires that leases be recorded in the balance sheet to reflect the lessee's right to use the asset, presented among property, plant and equipment or investment property, and the associated lease liability for payments.

On the date of initial recognition, no deferred tax is reported if the value of the asset is equal to the value of the liability. Deferred tax is recorded for subsequent net temporary differences arising from changes in amounts recognized as right-of-use assets and lease liabilities.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date.

These payments include fixed lease payments and in-substance fixed lease payments, variable lease payments based on an index or a rate calculated using the latest index or rate in force, any residual value guarantees and, where appropriate, any amount to be paid to the lessor under options that are reasonably certain to be exercised.

Lease payments used to determine the lease liability exclude variable payments that are not based on an index or a rate, taxes such as VAT, whether recoverable or not, and the housing tax.

Right-of-use is recognized as an asset on the commencement date of the lease for an amount equal to the lease liability on that date, adjusted for any payments made to the lessor at or before that date and not taken into account for the measurement of the lease liability, less any lease incentives received. If appropriate, this amount is adjusted for initial direct costs incurred by the lessee and an estimate of costs to be incurred in dismantling or restoring the asset if required by the terms and conditions of the lease, as long as the outflow of cash is probable and can be determined in a reliable manner.

The right-of-use asset is amortized on a straight-line basis and the lease liability is calculated on an actuarial basis over the term of the lease using the lessees' incremental borrowing rate mid-way through the contract.

The amount of lease liabilities is subsequently readjusted to take into account variations in the indices or rates to which the leases are indexed. As this adjustment reflects the right of use, it has no impact on the income statement.

For entities that are part of the financial solidarity mechanism that centralize their funding with the Group Treasury, the rate is calculated at Group level and adjusted, as applicable, to the currency applicable to the lessee.

The lease term is the non-cancellable period for which a lessee has the right to use an underlying asset, together with the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

For French "3/6/9" commercial leases, the term used is usually 9 years. The reasonable certainty of whether the options relating to the lease term will be exercised is assessed by considering Group entities' real estate management strategy.

At the end of the lease, the contract is no longer enforceable and the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

Leases that are not extended or canceled at the end of the term (leases with automatic renewal) are considered as having a remaining lease term of nine months, corresponding to the current period plus the period of notice for lease termination.

For leases recognized on the balance sheet, the expense relating to the lease liability is reported as an interest expense under net banking income while the amortization expense of the right-of-use is recognized as a depreciation and amortization expense in gross operating income.

Lease contracts not recognized in the balance sheet and variable payments that are excluded from lease liabilities are recorded as an expense for the period under operating expenses.

Impact of lease contracts on the income statement – lessee

in millions of euros	12/31/2019
Expenses from leases	**(524)**
Interest expenses on lease liabilities	(25)
Amortization of right-of-use assets	(395)
Variable lease expenses not included in measurement of lease liabilities	(35)
Expenses on short-term leases[(1)]	(62)
Expenses on underlying assets of low value[(1)]	(6)
Income from sub-leasing/operating leases	**14**

(1) Related to leases not recognized in the balance sheet.

When the Group sub-lets all or part of an asset it leases, the sub-letting contract is analyzed, in substance, using the same approach as that applied by lessors, separating operating leases from finance leases.

Income on these contracts is presented using the same approach as lessors: as income from other activities for operating leases, and as interest income for finance leases.

Schedule of lease liabilities

in millions of euros	12/31/2019
Amounts of non-discounted future payments	**1,845**
< 1 year	396
1-5 years	997
> 5 years	452

Commitments on leases not yet recognized in the balance sheet

In accordance with IFRS 16, future minimum payments relating to leases to which the Group is committed but whose underlying assets have not yet been made available are not recognized on the balance sheet prior to their commencement date. The following table shows the minimum payments expected on these contracts.

in millions of euros	12/31/2019
Amounts of non-discounted future payments	**382**
< 1 year	3
1-5 years	65
> 5 years	314

12.3 RELATED PARTY TRANSACTIONS

For Groupe BPCE, related parties are considered to be all consolidated companies, including companies carried under the equity method, and the Group's key management personnel.

The Social Housing Companies in which the Group is the sole major shareholder are also covered.

12.3.1 TRANSACTIONS WITH CONSOLIDATED COMPANIES

All intercompany transactions carried out during the period and balances outstanding at the end of the period with fully consolidated companies are eliminated in full on consolidation.

The statement below only provides data on intercompany transactions concerning:

- companies over which the Group exercises joint control (joint operations) in respect of the non-eliminated portion: no significant transactions were identified in this category;
- entities over which the Group exercises significant influence and which are equity-accounted (associates). The significant transactions that have been identified were carried out with CNP Assurances group:
  - under a sales agreement, the Group received commission income amounting to €1,100 million in 2019 (€1,033 million in 2018),
  - for the management of the Group's pension plans, reimbursement rights of €437 million were recorded to cover post-employment benefits (see Note 8.2.2),
  - under a partnership agreement that took effect on January 1, 2016, a cash deposit of €11.4 billion was recorded under "Loans and receivables due from customers" (see Note 9.1.1.4). This cash deposit is backed by technical reserves recognized for an identical amount under liabilities in the balance sheet representing commitments to insured parties. Insurance expenses and income relating to reinsured policies are recorded as "Income and expenses from other activities" (see Note 4.6),
  - a list of fully consolidated subsidiaries is presented in Note 18, "Scope of consolidation".

12.3.2 TRANSACTIONS WITH COMPANY DIRECTORS

The Group's company directors are the members of the Management Board and Supervisory Board of BPCE. The short-term benefits, post-employment benefits, long-term benefits and termination benefits of BPCE's company directors are described in the "Pay, benefits in kind, loans, guarantees and attendance fees received by BPCE company directors" section of Chapter 3 of the registration document, on Corporate Governance.

Short-term employee benefits

Short-term benefits paid out to the Group's company directors amounted to €7 million in 2019 (*vs.* €9 million in 2018).

These include remuneration, directors' attendance fees and benefits paid to members of the Management Board and Supervisory Board.

Post-employment benefit commitments, long-term benefits and termination benefits

Post-employment benefit commitments, long-term benefits and termination benefits of BPCE's company directors are described in the "Rules and principles governing the determination of pay and benefits" section in Chapter 3 of the registration document on Corporate Governance. The amount provisioned by BPCE SA group in respect of retirement bonuses came to €3 million at December 31, 2019 (€2 million at December 31, 2018).

12.3.3 RELATIONS WITH SOCIAL HOUSING COMPANIES

Groupe BPCE is a longstanding partner in the HLM social housing movement in France and a key player in the social housing production process. The Group acts as an operator (the leading privately-owned bank involved in the construction of social housing which it finances in particular through Livret A passbook savings account deposits) and is one of the main distributors of subsidized loans and intermediary rental loans for the construction of rental housing for low-income families. The Group is also the sole major shareholder in certain social housing companies.

In view of the economic substance of the Group's dealings with the social housing sector, where organizations are subject to specific regulations, some social housing companies have been classified as related parties.

Banking transactions with social housing companies

in millions of euros	12/31/2019	12/31/2018
Loans outstanding	1,860	1,701
Commitments given	377	127
Deposit account balances	774	722
Outstanding financial investments (UCITS and securities)	42	40

in millions of euros	Fiscal year 2019	Fiscal year 2018
Interest income from loans	49	46
Interest expense on bank deposits	9	6

5

12.4 PARTNERSHIPS AND ASSOCIATES

Accounting principles: See Note 3

12.4.1 INVESTMENTS IN ASSOCIATES

Partnerships and other associates

The Group's main investments in joint ventures and associates are as follows:

in millions of euros	12/31/2019	12/31/2018
CNP Assurances (group)[1]	2,731	2,471
Socram Banque	49	75
EDF Investments Group (EIG)	520	521
Banque Calédonienne d'Investissement	163	153
Other	639	599
Financial sector companies	**4,102**	**3,819**
Other	145	214
Non-financial companies	**145**	**214**
SHARE IN NET INCOME OF ASSOCIATES	**4,247**	**4,033**

(1) Application of IFRS 9 (with IFRS 4 amendment) postponed to January 1, 2022. IFRS 9 Financial Instruments was published on July 24, 2014 and approved by the European Union on November 22, 2016. Application of this standard became mandatory on January 1, 2018. However, the Group opted to postpone application of the standard to January 1, 2022. The standard, which replaces IAS 39 Financial Instruments: Recognition and Measurement, sets out the accounting and disclosure principles applicable to financial assets and financial liabilities. The complete version of IFRS 9 includes the three phases that comprised the draft version, namely classification and measurement, impairment, and hedge accounting. Macro-hedge accounting, which is being covered separately by the IASB, has not been finalized. A discussion paper was published on this topic on April 17, 2014.

12.4.1.1 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 Investments Group (EIG)	Banque Calédonienne d'Investissement
DIVIDENDS RECEIVED	**(98)**	**1**	**10**	**4**
MAIN AGGREGATES				
Total assets	**440,366**	**1,753**	**8,577**	**3,078**
Total liabilities	**420,973**	**1,532**	**49**	**2,751**
Income statement				
Operating income or net banking income	2,520	25	231	95
Income tax	(784)	(1)	(68)	(22)
Net income	1,736	1	162	30
CARRYING VALUE OF INVESTMENTS IN ASSOCIATES				
Equity of associates[1]	19,393	221	8,528	326
Percentage of ownership	16.11%	33.42%	6.11%	49.90%
VALUE OF INVESTMENTS IN ASSOCIATES	**2,731**	**49**	**520**	**163**
O/w goodwill				2
MARKET VALUE OF INVESTMENTS IN ASSOCIATES	**1,961**	**///**	**///**	**///**

(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, 2019 is as follows:

in millions of euros	Fiscal year 2019	Fiscal year 2018
Value of investments in associates	**784**	**813**
Total amount of share in:		
Net income	37	37
Gains and losses recognized directly in other comprehensive income	(9)	(1)
COMPREHENSIVE INCOME	**28**	**36**

12.4.1.2 Nature and scope of major restrictions

Groupe BPCE has not been faced with any major restrictions relating to interests held in associates and joint ventures.

12.4.2 SHARE IN NET INCOME OF ASSOCIATES

in millions of euros	Fiscal year 2019	Fiscal year 2018
CNP Assurances (group)	227	220
EDF Investment Group (EIG)	10	12
Socram Banque	(25)	2
Banque Calédonienne d'Investissement	15	13
Other	33	33
Financial sector companies	**260**	**280**
Other	5	4
Non-financial companies	**5**	**4**
TOTAL INVESTMENTS IN OF ASSOCIATES	**265**	**284**

12.5 INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

12.5.1 NATURE OF INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

A non-consolidated structured entity is a structured entity that is not controlled and is therefore not accounted for using the full consolidation method. As a result, the interests held in a joint venture or associate which is classed as a structured entity falls within the scope of this note.

The same is true of controlled structured entities that are not consolidated due to holding 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 relationships, contractual or not, that expose 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 relationships, such as financing, short-term credit facilities, credit enhancement, the 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 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 6 "Risk Management – Securitizations");
- interests held in external real estate funds or private equity funds in which Groupe BPCE acts as a simple minority investor.

The structured entities with which the Group has a relationship can be divided into four categories: entities involved in asset management, securitization vehicles, entities created for structured financing purposes, and entities created for other types of transactions.

Asset Management

Financial asset management (also known as portfolio management) consists of managing equity or funds entrusted by investors by investing in equities, bonds, cash SICAV or hedge funds, etc.

The asset management line of business which uses structured entities is represented by collective investment 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 the 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 comprises all remaining activities.

12.5.2 NATURE OF RISKS RELATING TO INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

Assets and liabilities recognized in the Group's various balance sheet accounts relating to interests in non-consolidated structured entities contribute to determining the risks associated with these entities.

The values recorded under the balance sheet assets, along with financing and guarantee commitments given less guarantee commitments received and provisions recorded in liabilities, are used to assess the maximum exposure to risk of losses.

The "notional amounts" line corresponds to the notional amount of options sold to structured entities.

The data are presented below, aggregated based on their activity classification.

At December 31, 2019

Excluding insurance business investments *in millions of euros*	Securitization	Asset Management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**714**	**2,784**	**1,292**	**696**
Trading derivatives	131	109	370	456
Trading financial instruments (excluding derivatives)	497	445	689	128
Financial assets at fair value through profit or loss – Non SPPI	80	1,963	216	13
Financial instruments designated at fair value through profit or loss		93		
Equity instruments not held for trading	6	175	17	100
Financial assets at fair value through other comprehensive income	**10**	**156**	**20**	**223**
Financial assets at amortized cost	**6,384**	**1,389**	**13,195**	**1,105**
Other assets	**18**	**43**	**7**	**8**
TOTAL ASSETS	**7,126**	**4,373**	**14,514**	**2,032**
Financial liabilities at fair value through profit or loss	**54**	**90**	**903**	**182**
Provisions	**2**	**2**	**43**	**6**
TOTAL LIABILITIES	**56**	**92**	**946**	**189**
Loan commitments given	**5,554**	**247**	**3,304**	**526**
Guarantee commitments given[1]	**225**	**255**	**3,814**	**54**
Guarantees received	**243**	**14**	**4,232**	**86**
Notional amount of derivatives	**1,190**		**5,226**	**377**
MAXIMUM LOSS EXPOSURE	**13,849**	**4,860**	**22,583**	**2,897**

(1) For the Asset Management activity, Natixis guarantees the capital and/or returns on units in certain UCITS. These guarantees were recognized as derivatives at 12/31/2019. (see Note 6.2, Guarantee commitments).

At December 31, 2018

Excluding insurance business investments *in millions of euros*	Securitization	Asset Management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**551**	**2,111**	**1,064**	**476**
Trading derivatives	95	70	165	334
Trading financial instruments (excluding derivatives)	371	153	702	51
Financial assets at fair value through profit or loss – Non SPPI	81	1,719	181	13
Financial instruments designated at fair value through profit or loss		25		
Equity instruments not held for trading	4	144	17	79
Financial assets at fair value through other comprehensive income	**10**	**136**	**40**	**141**
Financial assets at amortized cost	**5,998**	**1,748**	**13,986**	**1,157**
Other assets	**22**	**40**	**19**	**20**
TOTAL ASSETS	**6,581**	**4,035**	**15,109**	**1,793**
Financial liabilities at fair value through profit or loss	**45**	**204**	**585**	**192**
Provisions	**6**	**1**	**52**	**7**
TOTAL LIABILITIES	**51**	**205**	**636**	**198**
Loan commitments given	**3,918**	**249**	**2,849**	**533**
Guarantee commitments given	**279**	**5,180**	**2,835**	**36**
Guarantees received	**1**	**14**	**3,606**	**330**
Notional amount of derivatives	**1,030**	**155**	**2,973**	**262**
MAXIMUM LOSS EXPOSURE	**11,801**	**9,606**	**20,109**	**2,288**

At December 31, 2019

Insurance business investments *in millions of euros*	Securitization	Asset Management	Other activities
Financial assets at fair value through profit or loss		**9,820**	
Trading financial instruments (excluding derivatives)		3,428	
Financial instruments designated at fair value through profit or loss		6,392	
Available-for-sale financial assets	**557**	**3,809**	
TOTAL ASSETS	557	13,630	
TOTAL LIABILITIES			
Loan commitments given	**53**	**297**	
MAXIMUM LOSS EXPOSURE	611	13,926	

At December 31, 2018

Insurance business investments *in millions of euros*	Securitization	Asset Management	Other activities
Financial assets at fair value through profit or loss		**10,528**	
Trading financial instruments (excluding derivatives)		6,034	
Financial instruments designated at fair value through profit or loss		4,494	
Available-for-sale financial assets	**908**	**3,235**	**26**
TOTAL ASSETS	908	13,763	26
TOTAL LIABILITIES			
Loan commitments given	**344**	**189**	
MAXIMUM LOSS EXPOSURE	1,252	13,952	26

At December 31, 2019

in millions of euros	Securitization	Asset Management	Structured Financing	Other activities
SIZE OF STRUCTURED ENTITIES	66,998	394,309	90,392	6,701

At December 31, 2018

in millions of euros	Securitization	Asset Management	Structured Financing	Other activities
SIZE OF STRUCTURED ENTITIES	62,613	374,675	81,306	4,047

Securitization transactions in which Groupe BPCE is simply an investor are listed in Chapter 6 "Risk Management – Securitizations".

The size criterion used varies according to the types of structured entities:

- securitization, the total amount of issues recorded in the entities' liabilities;
- asset management: the net assets of collective investment vehicles (other than securitization);
- structured financing: the total amount of financing outstandings remaining due by the entities;
- other activities, total assets.

12.5.3 INCOME AND CARRYING AMOUNT FROM ASSETS TRANSFERRED TO SPONSORED NON-CONSOLIDATED STRUCTURED ENTITIES

A structured entity is sponsored by a Group entity when the two following indicators are both satisfied:

- it is involved in the creation and structuring of the structured entity;
- it contributes to the success of the entity by transferring assets to it or by managing relevant activities.

When the Group entity's role is limited to one of advisor, arranger, custodian or placement agent, the structured entity is not considered to be sponsored.

Groupe BPCE plays the role of sponsor for:

- UCITS initiated by an investment management company belonging to Groupe BPCE and in which Groupe BPCE holds no investment or any other interest. Reported income includes management and incentive fees charged by Groupe BPCE entities, as well as profit or loss from ordinary business with these funds;
- a US activity involving the 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 sponsors without holding any interests, the impact on the financial statements is presented below:

Fiscal year 2019

in millions of euros	Securitization	Asset Management
Income from entities	**32**	**185**
Income from entities	1	
Net fee and commission income	(1)	142
Net gains or losses on financial instruments at fair value through profit or loss	31	43
Carrying amount of assets transferred to the entity during the fiscal year	**948**	

Fiscal year 2018

in millions of euros	Securitization	Asset Management
Income from entities	**1**	**175**
Net fee and commission income	(1)	169
Net gains or losses on financial instruments at fair value through profit or loss	3	5
Carrying amount of assets transferred to the entity during the fiscal year	**1,181**	

12.6 LOCATIONS BY COUNTRY

12.6.1 NET BANKING INCOME AND HEADCOUNT BY COUNTRY

Information on employees by category is presented in Chapter 2, "Non-financial performance disclosures."

	Fiscal year 2019			
	Net banking income *(in millions of euros)*	Profit or loss before tax *(in millions of euros)* (1)	Income tax *(in millions of euros)* (2)	FTE headcount (3) 12/31/2019
European Union Member States				
Germany	231	(44)	(38)	614
Austria	25	7	(1)	86
Belgium	42	24	(7)	47
Bulgaria	1	(0)	0	11
Denmark	16	5	(1)	71
Spain	133	75	(17)	598
France	18,492	3,733	(1,307)	88,317
United Kingdom	916	607	(108)	706
Hungary	4	1	0	126
Ireland	2	(6)	(0)	5
Italy	194	103	(29)	311
Lithuania	4	2	(0)	18
Luxembourg	181	99	(15)	225
Malta	8	6	0	31
Netherlands	24	8	(2)	95
Poland	33	9	(3)	618
Portugal	41	47	(3)	951
Czech Republic	3	1	(0)	8
Romania	8	3	(0)	306
Slovakia	(1)	(2)	0	8
Sweden	4	2	1	11
Other European Countries				
Monaco	97	5	(2)	26
Russia	16	3	(2)	155
Slovenia	5	5	0	67
Switzerland	71	28	(6)	139

	Fiscal year 2019			
	Net banking income *(in millions of euros)*	Profit or loss before tax *(in millions of euros)* (1)	Income tax *(in millions of euros)* (2)	FTE headcount(3) 12/31/2019
Ukraine	0	(0)		10
Africa and Mediterranean Basin				
South Africa	3	(1)	0	44
Algeria	71	27	(6)	769
Cameroon	51	7	(9)	
Congo	13	(2)	0	
Djibouti	26	2	(0)	252
United Arab Emirates	57	36		55
Israel	18	2	(0)	106
Madagascar	31	22	(4)	
Morocco	6	5	(0)	5
Tunisia	29	10	0	430
Turkey	9	4	(1)	47
North & South America				
Argentina	4	(0)	1	46
Brazil	13	1	(0)	78
Canada	20	7	(2)	26
Chile	9	3	(0)	54
Ecuador	3	1	(0)	28
United States	2,655	679	(170)	2,895
Cayman Islands	3	3		
Mexico	3	(2)	(0)	27
Uruguay	1	0		2
Asia and Oceania				
Australia	57	26	(9)	73
Cambodia	8	(3)	1	192
China	20	2	(0)	70
South Korea	1	0	(0)	3
Fiji	8	1	(0)	131
Hong Kong	272	89	(12)	472
Solomon Islands	3	(1)	(0)	58
India	0			4
Japan	47	(6)	(8)	134
Laos	7	1	0	151
Malaysia	5	4	(0)	4
New Caledonia	68	12	(13)	276
French Polynesia	86	43	(20)	288
Singapore	117	44	(8)	194
Taiwan	12	5	(1)	17
Thailand	(0)	0	(0)	164
Vanuatu	14	4		139
Vietnam	4	(2)		54
GROUP TOTAL	**24,305**	**5,743**	**(1,801)**	**100,849**

(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, Reunion and Saint-Pierre-et-Miquelon.

12.6.2 ENTITY LOCATIONS BY COUNTRY

Country of operation	Business
SOUTH AFRICA	
COFACE SOUTH AFRICA	Insurance
COFACE SOUTH AFRICA SERVICES	Insurance
ALGERIA	
NATIXIS ALGÉRIE	Credit institution
ALLEMAGNE	
AEW INVEST GmbH	Distribution
COFACE DEBITOREN	Credit information and debt recovery
COFACE DEUTSCHLAND	Credit insurance and related services
COFACE FINANZ	Factoring
COFACERATING HOLDING	Credit information and debt recovery
COFACERATING.DE	Credit information and debt recovery
FIDOR BANK AG	Digital loan institution
FIDOR SOLUTION AG	IT services
KISSELBERG	Insurance
NATIXIS INVESTMENT MANAGERS S.A, ZWEIGNIERDERLAASUNG DEUTSCHLAND	Distribution
NATIXIS PFANDBRIEFBANK AG	Credit institution
NATIXIS ZWEIGNIEDERLASSUNG DEUTSCHLAND	Financial institution
PRAMEX INTERNATIONAL GmbH – FRANKFURT	International development and consulting services
SAUDI ARABIA	
SAUDI ARABIA INVESTMENT COMPANY	Financial institution
ARGENTINA	
COFACE ARGENTINA – BRANCH (COFACE EUROPE)	Credit insurance and related services
AUSTRALIE	
AEW ASIA LIMITED AUSTRALIAN BRANCH	Asset Management
AZURE CAPITAL HOLDINGS PTY LTD	M&A advisory services
AZURE CAPITAL LIMITED	Holding company
AZURE CAPITAL SECURITIES PTY LTD	Fund management and equity capital markets
COFACE AUSTRALIA – BRANCH (COFACE EUROPE)	Credit insurance and related services
INVESTORS MUTUAL LIMITED	Asset Management
NATIXIS AUSTRALIA PTY LTD	Financial institution
NATIXIS INVESTMENT MANAGERS AUSTRALIA PTY LIMITED	Distribution
THE AZURE CAPITAL TRUST	Holding company
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 – BRANCH (BELGIUM)	Credit institution
COFACE BELGIUM – BRANCH (COFACE EUROPE)	Credit insurance and related services
COFACE BELGIUM SERVICES	Business and solvency data
CRÉDIT FONCIER DE FRANCE – BRANCH (BELGIUM)	Credit institution
DALENYS SA	Holding company
EPBF	Payment institution
IRR INVEST	Private equity
NATIXIS BELGIQUE INVESTISSEMENTS	Investment company
NJR INVEST	Private equity
BRAZIL	
COFACE DO BRASIL SEGUROS DE CREDITO	Credit insurance and related services
PRAMEX INTERNATIONAL DO BRAZIL CONSULTARIA LTDA – SAO PAULO	International development and consulting services
SEGURO BRASILEIRA E	Credit insurance and related services
BULGARIA	
COFACE BULGARIA (BRANCH)	Insurance
CAMBODIA	
BRED BANK CAMBODIA PLC	Financial company
CANADA	
COFACE CANADA – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS CANADA	Financial institution
NATIXIS IM CANADA HOLDINGS LTD	Holding company
TREZ COMMERCIAL FINANCES LP	Real estate finance
CHILE	
COFACE CHILE SA	Insurance
COFACE CHILE – BRANCH (COFACE EUROPE)	Credit insurance and related services
CHINA	
BRD CHINA LTD	Private equity
REP OFFICE CHINA	Brokerage
NATIXIS BEIJING	Financial institution
NATIXIS SHANGHAI	Financial institution
PRAMEX INTERNATIONAL CO LTD – SHANGHAI	International development and consulting services
VERMILION (BEIJING) ADVISORY COMPANY LIMITED	M&A advisory services
SOUTH KOREA	
NATIXIS INVESTMENT MANAGERS KOREA LIMITED	Distribution
DENMARK	
COFACE DANMARK – BRANCH (COFACE KREDIT)	Insurance
MIDT FACTORING A/S	Factoring
DJIBOUTI	
BCI MER ROUGE	Credit institution
UNITED ARAB EMIRATES	
NATIXIS DUBAI	Financial institution
NATIXIS INVESTMENT MANAGERS MIDDLE EAST	Distribution
ECUADOR	
COFACE ECUADOR – BRANCH (COFACE EUROPE)	Credit insurance and related services
SPAIN	
AEW EUROPE LLP – BRANCH (SPAIN)	Distribution
BANCO PRIMUS SPAIN	Credit institution
BPCE LEASE – BRANCH (MADRID)	Non-real estate and real estate leasing
COFACE IBERICA – BRANCH (COFACE EUROPE)	Credit insurance and related services

5

Country of operation	Business
COFACE SERVICIOS ESPANA S.L.	Credit information and debt recovery
NATIXIS CAPITAL PARTNERS SPAIN	M&A advisory services
NATIXIS INVESTMENT MANAGERS, SUCURSAL EN ESPANA	Distribution
NATIXIS MADRID	Financial institution
ONEY SERVICIOS FINANCIEROS EFC SAU (SPAIN)	Brokerage
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 REAL ESTATE FUND VIII LLC	Asset Management
AEW PARTNERS REAL ESTATE FUND IX, LLC	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 II INC	Asset Management
AEW SENIOR HOUSING INVESTORS III LLC	Asset Management
AEW SENIOR HOUSING INVESTORS INC.	Asset Management
AEW SENIOR HOUSING INVESTORS IV LLC	Asset Management
AEW VALUE INVESTORS ASIA II GP LIMITED	Asset Management
AEW VIA INVESTORS, LTD	Asset Management
ALPHASIMPLEX GROUP LLC	Asset Management
ALTERNATIVE STRATEGIES GROUP LLC	Asset Management
AURORA INVESTMENT MANAGEMENT LLC	Asset Management
BLEACHERS FINANCE	Securitization vehicle
CASPIAN CAPITAL MANAGEMENT, LLC	Asset Management
CM REO HOLDINGS TRUST	Secondary markets finance
CM REO TRUST	Secondary markets finance
COFACE NORTH AMERICA	Credit insurance and related services
COFACE NORTH AMERICA HOLDING COMPANY	Holding company
COFACE NORTH AMERICA INSURANCE COMPANY	Credit insurance and related services
COFACE SERVICES NORTH AMERICA GROUP	Holding company
CREA WESTERN INVESTORS I, INC.	Asset Management
EPI SLP LLC.	Asset Management
EPI SO SLP LLC	Asset Management
FLEXSTONE PARTNERS LLC (FORMERLY-CASPIAN PRIVATE EQUITY, LLC)	Asset Management
GATEWAY INVESTMENT ADVISERS, LLC	Asset Management
HARRIS ALTERNATIVES HOLDING INC.	Holding company
HARRIS ASSOCIATES LP	Asset Management
HARRIS ASSOCIATES SECURITIES, LP	Distribution
HARRIS ASSOCIATES, INC.	Asset Management
LOOMIS SAYLES & COMPANY, INC.	Asset Management

Country of operation	Business
LOOMIS SAYLES & COMPANY, LP	Asset Management
LOOMIS SAYLES ALPHA, LLC	Asset Management
LOOMIS SAYLES DISTRIBUTORS, INC.	Distribution
LOOMIS SAYLES DISTRIBUTORS, LP	Distribution
LOOMIS SAYLES SOLUTIONS, LLC	Asset Management
LOOMIS SAYLES TRUST COMPANY, LLC	Asset Management
MIROVA US LLC	Asset Management
MSR TRUST	Real estate finance
NATIXIS ADVISORS, LP	Distribution
NATIXIS ASG HOLDINGS, INC.	Distribution
NATIXIS DISTRIBUTION CORPORATION	Distribution
NATIXIS DISTRIBUTION, LP	Distribution
NATIXIS FINANCIAL PRODUCTS LLC	Derivatives transactions
NATIXIS FUNDING CORP	Other financial company
NATIXIS INVESTMENT MANAGERS HOLDINGS, LLC	Holding company
NATIXIS INVESTMENT MANAGERS INTERNATIONAL, LLC	Distribution
NATIXIS INVESTMENT MANAGERS, LLC	Holding company
NATIXIS INVESTMENT MANAGERS, LP	Holding company
NATIXIS NEW YORK	Financial institution
NATIXIS NORTH AMERICA LLC	Holding company
NATIXIS REAL ESTATE CAPITAL LLC	Real estate finance
NATIXIS REAL ESTATE HOLDINGS LLC	Real estate finance
NATIXIS SECURITIES AMERICAS LLC	Brokerage
NATIXIS US HOLDINGS INC.	Holding company
NATIXIS US MTN PROGRAM LLC	Issuing vehicle
OSTRUM AM US LLC (FORMERLY NAM US)	Asset Management
PETER J. SOLOMON COMPANY LP	M&A advisory services
PETER J. SOLOMON SECURITIES COMPANY LLC	Brokerage
PRAMEX INTERNATIONAL CORP – NEW YORK	International development and consulting services
VAUGHAN NELSON INVESTMENT MANAGEMENT, INC.	Asset Management
VAUGHAN NELSON INVESTMENT MANAGEMENT, LP	Asset Management
VERSAILLES	Securitization vehicle
FIJI	
BRED BANK FIJI LTD	Credit institution
FRANCE	
1818 IMMOBILIER	Real estate operations
208 LOCAL SAVINGS COMPANIES (LSCs)	Cooperative shareholder
33 MUTUAL GUARANTEE COMPANIES	Guarantee companies
339 ÉTAT-UNIS	Real estate operations
AAA ACTIONS AGRO ALIMENTAIRE	Insurance investment mutual fund
ADOUR SERVICES COMMUNS	Real estate operations
ADRAXTRA CAPITAL	Private equity
AEW CILOGER	Real estate management
AEW SA	Asset Management
AFOPEA	Real estate operations
ALBIANT-IT	IT systems and software consulting
ALLIANCE ENTREPRENDRE	Asset Management
ALLOCATION PILOTÉE ÉQUILIBRE C	Insurance investment mutual fund
ALTER CE (COMITEO)	Online service for central works councils

Country of operation	Business
APOUTICAYRE LOGEMENTS	Real estate operations
ARIES ASSURANCES	Insurance brokerage
BALTIQ	Commercial company
BANQUE BCP SAS	Credit institution
BANQUE DE SAVOIE	Credit institution
BANQUE PALATINE	Credit institution
BANQUE POPULAIRE ALSACE LORRAINE CHAMPAGNE	Credit institution
BANQUE POPULAIRE AQUITAINE CENTRE ATLANTIQUE	Credit institution
BANQUE POPULAIRE AUVERGNE RHÔNE ALPES	Credit institution
BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ	Credit institution
BANQUE POPULAIRE DU NORD	Credit institution
BANQUE POPULAIRE DU SUD	Credit institution
BANQUE POPULAIRE GRAND OUEST	Credit institution
BANQUE POPULAIRE MÉDITERRANÉE	Credit institution
BANQUE POPULAIRE OCCITANE	Credit institution
BANQUE POPULAIRE RIVES DE PARIS	Credit institution
BANQUE POPULAIRE VAL DE FRANCE	Credit institution
BATILEASE	Real estate leasing
BATIMAP	Non-real estate leasing
BATIMUR	Non-real estate leasing
BATIROC BRETAGNE PAYS DE LOIRE	Non-real estate and real estate leasing
BCEF 64	Real estate operations
BDR IMMO 1	Real estate operations
BEAULIEU IMMO	Real estate operations
BIC BRED	Credit institution
BLEU RÉSIDENCE LORMONT	Real estate operations
BORDELONGUE GODEAS	Real estate operations
BP DÉVELOPPEMENT	Private equity
BPA ATOUTS PARTICIPATIONS	Private equity
BPCE ACHATS	Services company
BPCE APS	Service providers
BPCE ASSURANCES	Insurance company
BPCE BAIL	Real estate leasing
BPCE CAR LEASE	Long-term vehicle leasing
BPCE ENERGECO	Non-real estate leasing
BPCE FACTOR	Factoring
BPCE FINANCEMENT	Consumer finance
BPCE INFOGÉRANCE & TECHNOLOGIES	IT services
BPCE INTERNATIONAL	Specialized credit institution
BPCE LEASE	Non-real estate leasing
BPCE LEASE IMMO	Real estate leasing
BPCE LEASE RÉUNION	Non-real estate leasing
BPCE MASTER HOME LOANS FCT/BPCE CONSUMER LOANS FCT	French securitization fund (FCT)
BPCE MASTER HOME LOANS DEMUT/BPCE CONSUMER LOANS DEMUT	French securitization fund (FCT)
BPCE PERSONAL CAR LEASE	Long-term vehicle leasing
BPCE PRÉVOYANCE (formerly ABP PREVOYANCE)	Personal protection insurance
BPCE RELATION ASSURANCES	Services company
BPCE SA	Credit institution

Country of operation	Business
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company
BPCE SFH	Funding
BPCE SOLUTIONS CRÉDIT (FORMERLY GIE ECUREUIL CRÉDIT)	Services company
BPCE VIE (formerly ABP VIE)	Insurance
BRED BANQUE POPULAIRE	Credit institution
BRED COFILEASE	Non-real estate leasing
BRED GESTION	Credit institution
BRETAGNE PARTICIPATIONS	Private equity
BTP BANQUE	Credit institution
BTP CAPITAL CONSEIL	Financial investment advisory services
BTP CAPITAL INVESTISSEMENT	Private equity
BURODIN	Real estate operations
CAISSE D'EPARGNE AQUITAINE POITOU-CHARENTES	Credit institution
CAISSE D'EPARGNE BRETAGNE PAYS DE LOIRE	Credit institution
CAISSE D'EPARGNE CÔTE D'AZUR	Credit institution
CAISSE D'EPARGNE D'AUVERGNE ET DU LIMOUSIN	Credit institution
CAISSE D'EPARGNE DE BOURGOGNE FRANCHE-COMTÉ	Credit institution
CAISSE D'EPARGNE DE MIDI-PYRÉNÉES	Credit institution
CAISSE D'EPARGNE GRAND EST EUROPE	Credit institution
CAISSE D'EPARGNE HAUTS DE FRANCE	Credit institution
CAISSE D'EPARGNE ILE-DE-FRANCE	Credit institution
CAISSE D'EPARGNE LANGUEDOC-ROUSSILLON	Credit institution
CAISSE D'EPARGNE LOIRE-CENTRE	Credit institution
CAISSE D'EPARGNE LOIRE DRÔME ARDÈCHE	Credit institution
CAISSE D'EPARGNE NORMANDIE	Credit institution
CAISSE D'EPARGNE PROVENCE-ALPES-CORSE	Credit institution
CAISSE D'EPARGNE RHÔNE ALPES	Credit institution
CAISSE SOLIDAIRE	Financial company
CAPITOLE FINANCE	Non-real estate leasing
CASDEN BANQUE POPULAIRE	Credit institution
CE CAPITAL	Holding company
CE DÉVELOPPEMENT	Private equity
CE HOLDING PARTICIPATIONS	Holding company
CEBIM	Holding company
CEPAC FONCIÉRE	Real estate operations
CEPAC INVESTISSEMENT ET DÉVELOPPEMENT	Private equity
CEPAIM SA	Real estate operations
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company
CICOBAIL SA	Real estate leasing
CLICK AND TRUST	Data processing
CO ASSUR CONSEIL ASSURANCE SA (BROKERAGE)	Insurance brokerage advisory
COFACE EUROPE	Credit insurance and related services
COFACE SA	Holding company
COFEG	Consulting
COFIBRED	Holding company

Country of operation	Business
COFIMAB	Real estate agent
COFINPAR	Credit insurance and related services
COGERI	Credit information and debt recovery
COMPAGNIE DE FINANCEMENT FONCIER	Financial company
COMPAGNIE EUROPÉENNE DE GARANTIES ET DE CAUTIONS	Insurance
CONTANGO TRADING SA	Brokerage company
CRÉDIT COOPÉRATIF	Credit institution
CRÉDIT FONCIER DE FRANCE	Credit institution
CRÉDIT FONCIER EXPERTISE	Real estate valuation
CRÉDIT FONCIER IMMOBILIER	Real estate operations
CREPONORD	Non-real estate and real estate leasing
CRISTAL IMMO	Real estate operations
DALENYS PAYMENT	Payment services
DARIUS CAPITAL PARTNERS SAS	Financial investment advisory services
DNCA COURTAGE	Asset Management
DNCA FINANCE	Asset Management
DNCA MANAGEMENT	Asset Management
DORVAL FINANCE	Asset Management
ECOFI INVESTISSEMENT	Portfolio management
EOLE COLLATERAL	Securitization vehicle
ESFIN GESTION	Portfolio management
ESNI	Securitization company
EURO CAPITAL	Private equity
EUROTERTIA	Real estate operations
EXPANSINVEST	Private equity
FCC ELIDE	French securitization fund (FCT)
FCPR FIDEPPP	Public-private partnership financing
FCT LIQUIDITÉ SHORT 1	Securitization vehicle
FCT NA FINANCEMENT DE L'ÉCONOMIE – IMMOCORP II SUB-FUND	Insurance investments (Securitization funds)
FCT PUMACC	Consumer credit securitization vehicle
FCT VEGA	Securitization fund
FERIA PAULMY	Real estate operations
FIMIPAR	Buyback of receivables
FINANCIÈRE DE LA BP OCCITANE	Holding company
FINANCIÈRE IMMOBILIÉRE DERUELLE	Real estate investment
FINANCIÈRE PARTICIPATION BPS	Holding company
FIPROMER	Brokerage and investment services
FLANDRE INVESTMENT SAS	Credit institution, electronic payment systems, new technologies and holding company
FLEXSTONE PARTNERS SAS	Asset Management
FONCIER PARTICIPATIONS	Holding company
FONCIÈRE D'ÉVREUX	Real estate operations
FONCIÈRE INVEST	Real estate operations
FONCIÈRE KUPKA	Real estate operations
FONCIÈRE VICTOR HUGO	Holding company
FONDS COLOMBES	UCITS
FONDS TULIP	Insurance investments (Securitization funds)
FRUCTIFONCIER	Insurance real estate investments
G IMMO	Real estate operations
G102	Real estate operations

Country of operation	Business
GARIBALDI CAPITAL DÉVELOPPEMENT	Private equity
GARIBALDI PIERRE	Real estate operations
GCE PARTICIPATIONS	Holding company
GEFIRUS SAS	Credit institution, electronic payment systems, new technologies and holding company
GESSINORD	Real estate operations
GIE CE SYNDICATION RISQUES	Guarantee company
GRAMAT BALARD	Real estate operations
GROUPEMENT DE FAIT	Services company
H2O AM EUROPE	Asset Management
HABITAT EN RÉGION SERVICES	Holding company
HIGHLIGHT 92	Real estate operations
HOLASSURE	Holding company
I-BP INVESTISSEMENT	Real estate operations
ID EXPERT SARL	Credit institution, electronic payment systems, new technologies and holding company
IMMOCARSO SNC	Investment property
IMMOCEAL	Investment property
IN CONFIDENCE INSURANCE SAS	Credit institution, electronic payment systems, new technologies and holding company
INCITY	Real estate operations
INFORMATIQUE BANQUES POPULAIRES	IT services
INGEPAR	Financial investment advisory services
INTER-COOP SA	Real estate leasing
INVESTIMA 77	Holding company
IT-CE	IT services
LABEGE LAKE H1	Real estate operations
LAKOOZ	Payment services
LANGLADE SERVICES	Real estate operations
LANTA PRODUCTION	Real estate operations
L'AUSSONNELLE DE C	Real estate operations
LEASE EXPANSION SA	IT operational leasing
LEVISEO	Real estate operations
MASSENA PARTNERS – BRANCH	Asset manager and investment advisory firm
MIDI COMMERCES	Real estate operations
MIDI FONCIÈRE	Real estate operations
MIDI MIXT	Real estate operations
MIFCOS	Investment property
MIROVA	Management of venture capital mutual funds
MIROVA EUROPE ENVIRONNEMENT C	Insurance investment mutual fund
MIROVA NATURAL CAPITAL LIMITED, – BRANCH (FRANCE) (FORMERLY MIROVA-ALTHELIA LIMITED)	Asset Management
MONTAUDRAN PLS	Real estate operations
MULTICROISSANCE SAS	Portfolio management
MURACEF	Mutual insurance
MURET ACTIVITÉS	Real estate operations
MV CRÉDIT FRANCE	Holding company
NALÉA	Securitization vehicle
NAMI INVESTMENT	Insurance real estate investments
NATIXIS Asset MANAGEMENT FINANCE	Holding company

Country of operation	Business
NATIXIS ASSURANCES	Insurance company holding company
NATIXIS COFICINÉ	Finance company (audiovisual)
NATIXIS FONCIÈRE SA (FORMERLY SPAFICA)	Real estate investment
NATIXIS FORMATION EPARGNE FINANCIÈRE	Holding company
NATIXIS FUNDING	Market making on secondary debt market
NATIXIS IM INNOVATION (FORMERLY AEW CO-INVEST)	Asset Management
NATIXIS IMMO DEVELOPPEMENT	Housing real estate development
NATIXIS IMMO EXPLOITATION	Real estate operations
NATIXIS INNOV	Holding company
NATIXIS INTERÉPARGNE	Employee savings plan management
NATIXIS INTERTITRES	Service vouchers
NATIXIS INVESTMENT MANAGERS	Holding company
NATIXIS INVESTMENT MANAGERS INTERNATIONAL	Distribution
NATIXIS INVESTMENT MANAGERS PARTICIPATIONS 1	Holding company
NATIXIS INVESTMENT MANAGERS PARTICIPATIONS 3	Holding company
NATIXIS LIFE	Life insurance
NATIXIS MARCO	Investment company (extension of activity)
NATIXIS PAIEMENT HOLDING	Holding company
NATIXIS PARTNERS	M&A advisory services
NATIXIS PAYMENT SOLUTIONS	Banking services
NATIXIS PRIVATE EQUITY	Private equity
NATIXIS SA	Credit institution
NATIXIS WEALTH MANAGEMENT	Credit institution
NATURAL SECURITY SAS	Credit institution, electronic payment systems, new technologies and holding company
NAXICAP PARTNERS	Management of venture capital mutual funds
NAXICAP RENDEMENT 2018	Private equity
NAXICAP RENDEMENT 2022	Private equity
NAXICAP RENDEMENT 2024	Private equity
NOVA IMMO	Real estate operations
OCÉORANE	Financial investment advisory services
ONEY BANK SA	Holding company
ONEY F'N'P SAS	Credit institution, electronic payment systems, new technologies and holding company
ONEY INVESTMENT SAS	Credit institution, electronic payment systems, new technologies and holding company
ONEY SERVICES SAS	Credit institution, electronic payment systems, new technologies and holding company
ONEYTRUST SAS	Credit institution, electronic payment systems, new technologies and holding company
OPCI FRANCEUROPE IMMO	Insurance investment mutual fund
OSSIAM	Asset Management
OSTRUM AM (FORMERLY NATIXIS ASSET MANAGEMENT)	Asset Management

Country of operation	Business
OSTRUM ULTRA SHORT TERM BONDS PLUS SI (C) EUR	Insurance investment mutual fund
OUEST CROISSANCE SCR	Private equity
PALATINE ASSET MANAGEMENT	Asset Management
PARTICIPATIONS BP ACA	Holding company
PAYPLUG	Payment services
PERSPECTIVES ENTREPRISES	Holding company
PHILAE SAS	Real estate operations
PLUSEXPANSION	Holding company
PRAMEX INTERNATIONAL	International development and consulting services
PRÉPAR COURTAGE	Insurance brokerage
PREPAR-IARD	Non-life insurance
PREPAR-VIE	Life insurance and endowment
PROMÉPAR GESTION	Portfolio management
REAUMUR ACTIONS (FORMERLY – ABP DIVERSIFIE)	Insurance investment mutual fund
RECOMMERCE	Online service
RENTABILIWEB MARKETING	Online service
RENTABILIWEB SERVICES	Internal services provider
RENTABILIWEB TECHNOLOGIES	Online service
RIOU	Real estate operations
RIVES CROISSANCE	Holding company
ROISSY COLONNADIA	Real estate operations
SCI ALTAIR 1	Real estate operations
SCI ALTAIR 2	Real estate operations
SAS ALPES DÉVELOPPEMENT DURABLE INVESTISSEMENT	Private equity
SAS FINANCIÈRE IMMOBILIÈRE 15	Housing real estate development
SAS FONCIÈRE DES CAISSES D'EPARGNE	Investment property
SAS FONCIÈRE ECUREUIL II	Investment property
SAS GARIBALDI PARTICIPATIONS	Real estate operations
SAS NSAVADE	Investment property
SAS SOCIÉTÉ IMMOBILIÈRE DE LA RÉGION RHÔNE ALPES	Real estate operations
SAS TASTA	Services company
SASU BFC CROISSANCE	Private equity
SAVOISIENNE	Holding company
SBE	Credit institution
SCI AVENUE WILLY BRANDT	Real estate operations
SCI BPSO	Real estate operations
SCI BPSO BASTIDE	Real estate operations
SCI BPSO MÉRIGNAC 4 CHEMINS	Real estate operations
SCI BPSO TALENCE	Real estate operations
SCI DANS LA VILLE	Real estate operations
SCI DU CRÉDIT COOPÉRATIF DE SAINT-DENIS	Real estate operations
SCI ECUREUIL DU PLAN SARRAIN	Real estate operations
SCI FAIDHERBE	Real estate operations
SCI FONCIÈRE 1	Investment property
SCI GARIBALDI OFFICE	Real estate operations
SCI LAFAYETTE BUREAUX	Investment property
SCI LAVOISIER ECUREUIL	Real estate operations
SCI LE CIEL	Real estate operations
SCI LE RELAIS	Real estate operations

5

Country of operation	Business
SCI LOIRE CENTRE MONTESPAN	Real estate operations
SCI MARCEL PAUL ECUREUIL	Real estate operations
SCI NOYELLES	Real estate operations
SCI POLARIS	Real estate operations
SCI PYTHÉAS PRADO 1	Real estate operations
SCI PYTHÉAS PRADO 2	Real estate operations
SCI SAINT-DENIS	Real estate operations
SCI SHAKE HDF	Real estate operations
SCI TOURNON	Real estate operations
SCPI IMMOB EVOLUTIF (FORMERLY FRUCTIFONDS IMMOBILIER)	Insurance real estate investments
SEEYOND	Asset Management
SEGIMLOR	Real estate operations
SELECTION PROTECTION 85	Insurance investment mutual fund
SELECTIZ	Insurance investment mutual fund
SELECTIZ PLUS FCP 4DEC	Insurance investment mutual fund
SEREXIM	Real estate valuation
SEVENTURE PARTNERS	Asset Management
SI ÉQUINOXE	Holding company
SIPMÉA	Real estate development/management, real estate investment
S-MONEY	Payment services
SNC ECUREUIL 5 RUE MASSERAN	Investment property
SOCFIM	Credit institution
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company
SOCIÉTÉ CENTRALE DU CRÉDIT MARITIME MUTUEL	Services company
SOCIÉTÉ D'EXPLOITATION MAB (SEMAB)	Services company
SOCIÉTÉ D'EXPANSION BOURGOGNE FRANCHE-COMTÉ	Holding company
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company
SOCIÉTÉ IMMOBILIÈRE PROVENÇALE ET CORSE	Holding company
SODERO PARTICIPATIONS	Private equity
SOFIAG	Financial company
SOFIDER	Financial company
SOPASSURE	Holding company
SPG	Mutual fund
SPIG	Property leasing
SPORTS IMAGINE	Services company
SPPICAV AEW FONCIÈRE ECUREUIL	Real estate operations
SUD OUEST BAIL SA	Real estate leasing
TECHNOCITÉ TERTIA	Real estate operations
TÉTRIS	Real estate operations
THEMATICS ASSET MANAGEMENT	Asset Management
TITRES CADEAUX	Service vouchers
TRANSIMMO	Real estate agent
UNION DES SOCIÉTÉS DU CRÉDIT COOPÉRATIF (GIE)	Services company
VAUBAN INFRASTRUCTURE PARTNERS	Asset Management
VEGA INVESTMENT MANAGERS	Mutual fund holding company
VIALINK	Data processing
VIVALIS INVESTISSEMENTS	Real estate operations

Country of operation	Business
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
AEW PROMOTE LP LTD	Asset Management
ARTIC BLUE CAPITAL LTD	Asset Management
COFACE UK – BRANCH (COFACE EUROPE)	Credit insurance and related services
COFACE UK HOLDING	Holding company
COFACE UK SERVICES LTD	Credit information and debt recovery
FENCHURCH PARTNERS LLP	M&A advisory services
H2O ASSET MANAGEMENT CORPORATE MEMBER	Asset Management
H2O ASSET MANAGEMENT LLP	Asset Management
LOOMIS SAYLES INVESTMENTS LTD (UK)	Asset Management
MIROVA NATURAL CAPITAL LIMITED (FORMERLY MIROVA-ALTHELIA LIMITED)	Asset Management
MV CREDIT LIMITED	Asset Management
MV CREDIT LLP	Asset Management
NATIXIS ALTERNATIVE HOLDING LIMITED	Holding company
NATIXIS INVESTMENT MANAGERS UK LTD	Distribution
NATIXIS LONDON	Financial institution
PRAMEX INTERNATIONAL LTD – LONDON	International development and consulting services
VERMILION PARTNERS (UK) LIMITED	Holding company
VERMILION PARTNERS LLP	M&A advisory services
GREECE	
COFACE GRECE – BRANCH (COFACE EUROPE)	Credit insurance and related services
HONG KONG	
AEW ASIA LIMITED	Asset Management
COFACE HONG KONG – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS ASIA LTD	Other financial company
NATIXIS HOLDINGS (HONG KONG) LIMITED	Holding company
NATIXIS HONG KONG	Financial institution
NATIXIS INVESTMENT MANAGERS HONG KONG LIMITED	Asset Management
OSTRUM AM HONG KONG LTD	Asset Management
POINCARÉ CAPITAL MANAGEMENT LTD	Asset Management
POINCARÉ HOLDINGS LTD	Asset Management
PRAMEX INTERNATIONAL AP LTD – HONG KONG	International development and consulting services
VERMILION PARTNERS (HOLDINGS) LIMITED	Holding company
VERMILION PARTNERS LIMITED	Holding company
HUNGARY	

Country of operation	Business
COFACE HUNGARY – BRANCH (COFACE AUSTRIA)	Insurance
ONEY MAGYARORSZAG ZRT	Financial institution
ONEY PENZFORGALMI SZOLGALTATO KFT.	Financial institution
CAYMAN ISLANDS	
ARTIC BLUE CAPITAL MANAGEMENT LTD	Asset Management
DF EFG3 LIMITED	Holding company
NATIXIS GRAND CAYMAN	Financial institution
INDIA	
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD – MUMBAI	International development and consulting services
IRELAND	
COFACE IRELAND – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATINIUM FINANCIAL PRODUCTS	Securitization vehicle
PURPLE FINANCE CLO 1	Securitization vehicle
PURPLE FINANCE CLO 2	Securitization vehicle
ISRAEL	
BUSINESS DATA INFORMATION	Marketing and other services
COFACE HOLDING ISRAEL	Holding company
COFACE ISRAEL	Credit insurance
ITALY	
AEW CILOGER ITALIAN BRANCH	Distribution
BANQUE POPULAIRE MÉDITERRANÉE – BRANCH (ITALY)	Credit institution
BPCE LEASE – BRANCH (MILAN)	Non-real estate and real estate leasing
COFACE ASSICURAZIONI SPA	Credit insurance and related services
COFACE ITALIA	Holding company
DNCA FINANCE – BRANCH (MILAN)	Asset Management
NATIXIS INVESTMENT MANAGERS S.A, BRANCH (ITALY)	Distribution
NATIXIS MILAN	Financial institution
ONEY SPA (ITALY)	Brokerage
PRAMEX INTERNATIONAL SRL – MILAN	International development and consulting services
JAPAN	
AEW JAPAN CORPORATION	Asset Management
COFACE JAPAN – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS INVESTMENT MANAGERS JAPAN CO, LTD	Asset Management
NATIXIS JAPAN SECURITIES CO, LTD	Financial institution
NATIXIS TOKYO	Financial institution
JERSEY	
AEW VALUE INVESTORS ASIA III GP LIMITED	Asset Management
NATIXIS STRUCTURED PRODUCTS LTD	Issuing vehicle
LAOS	
BANQUE FRANCO LAO	Credit institution
LITHUANIA	
LEID – BRANCH (COFACE AUSTRIA)	Insurance
LUXEMBOURG	
AEW EUROPE GLOBAL LUX	Asset Management

Country of operation	Business
AEW EUROPE SARL (FORMERLY AEW LUXEMBOURG)	Asset Management
BCP LUXEMBOURG	Credit institution
DAHLIA A SICAR SCA	Private equity
DNCA LUXEMBOURG	Asset Management
H2O ASSET MANAGEMENT HOLDING	Asset Management
KENNEDY FINANCEMENT LUXEMBOURG	Investment company – Asset management
KENNEDY FINANCEMENT LUXEMBOURG 2	Central corporate treasury – Asset management
LUX EQUIP BAIL	Non-real estate and real estate leasing
MASSENA PARTNERS SA	Asset manager and investment advisory firm
MASSENA WEALTH MANAGEMENT SARL	Asset manager and investment advisory firm
MV CREDIT SARL	Asset Management
NATIXIS ALTERNATIVE ASSETS	Holding company
NATIXIS INVESTMENT MANAGERS SA	Distribution
NATIXIS LIFE	Life insurance
NATIXIS REAL ESTATE FEEDER SARL	Investment company
NATIXIS STRUCTURED ISSUANCE	Issuing vehicle
NATIXIS TRUST	Holding company
NATIXIS WEALTH MANAGEMENT LUXEMBOURG	Credit institution
SURASSUR	Reinsurance
THEMATICS AI & ROBOTICS FUND	Asset Management
THEMATICS META FUND I/A(USD)	Asset Management
MALAYSIA	
NATIXIS LABUAN	Financial institution
MALTA	
ONEY HOLDING LIMITED (MALTA)	Holding company
ONEY INSURANCE (PCC) LIMITED (MALTA)	Insurance
ONEY LIFE (PCC) LIMITED (MALTA)	Insurance
MOROCCO	
BPCE MAROC	Real estate development
PRAMEX INTERNATIONAL AU CASABLANCA	International development and consulting services
MEXICO	
COFACE HOLDING AMERICA LATINA	Financial data
COFACE SEGURO DE CREDITO MEXICO	Insurance
NATIXIS IM MEXICO, S. DE R.L DE C.V.	Asset Management
MONACO	
BANQUE POPULAIRE MÉDITERRANÉE – BRANCH (MONACO)	Credit institution
CAISSE D'EPARGNE CÔTE D'AZUR – BRANCH (MONACO)	Credit institution
H2O AM MONACO SAM	Asset Management
PROMETHEUS WEALTH MANAGEMENT SAM	Asset Management
NEW CALEDONIA	
BANQUE DE NOUVELLE-CALÉDONIE	Credit institution
BPCE LEASE NOUMÉA	Non-real estate leasing
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Real estate operations
NETHERLANDS	

Country of operation	Business
COFACE NEDERLAND – BRANCH (COFACE KREDIT)	Insurance
COFACE NEDERLAND SERVICES	Credit information and debt recovery
NATIXIS INVESTMENT MANAGERS, NEDERLANDS	Distribution
RENTABILIWEB FINANCE	Holding company
RENTABILIWEB INTERNATIONAL	Holding company
POLAND	
AEW CENTRAL EUROPE	Asset Management
COFACE POLAND CMS	Financial data
COFACE POLAND – BRANCH (COFACE AUSTRIA)	Insurance
COFACE POLAND FACTORING	Factoring
ONEY POLSKA	Brokerage, financial institution
ONEY SERVICES SP ZOO	Brokerage, financial institution
PRAMEX INTERNATIONAL SP. ZOO – WARSAW	International development and consulting services
SMARTNEY	Brokerage, financial institution
TISE	Private equity
FRENCH POLYNESIA	
BANQUE DE TAHITI	Credit institution
BPCE LEASE TAHITI	Non-real estate leasing
PORTUGAL	
BANCO PRIMUS	Credit institution
COFACE PORTUGAL – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS PORTO	Financial institution
ONEY – BRANCH (PORTUGAL)	Brokerage
CZECH REPUBLIC	
AEW CENTRAL EUROPE CZECH	Distribution
COFACE CZECH INSURANCE – BRANCH (COFACE AUSTRIA)	Insurance
ROMANIA	
AEW CENTRAL EUROPE ROMANIA	Distribution
COFACE ROMANIA CMS	Insurance
COFACE ROMANIA INSURANCE -BRANCH (COFACE AUSTRIA)	Insurance
COFACE TECHNOLOGIE – ROMANIA	IT services
ONEY FINANCES (ROMANIA)	Brokerage
RENTABILIWEB	Online service
RUSSIA	
BA FINANS (RUSSIA)	Brokerage and banking
COFACE RUS INSURANCE COMPANY	Credit insurance
NATIXIS BANK JSC, MOSCOW	Credit institution
ONEY BANK (RUSSIA)	Brokerage and banking
SALOMOM	
BRED SALOMON ISLAND	Credit institution
SINGAPORE	
AEW ASIA PTE LTD	Asset Management
COFACE SINGAPORE – BRANCH (COFACE EUROPE)	Credit insurance and related services
H2O AM ASIA PTE LTD	Asset Management
LOOMIS SAYLES INVESTMENTS ASIA PTE LTD	Asset Management
NATIXIS SINGAPORE	Financial institution
OSTRUM AM ASIA LTD	Asset Management
PRAMEX INTERNATIONAL PTE LTD – SINGAPORE	International development and consulting services
SLOVAKIA	
COFACE SLOVAKIA INSURANCE – BRANCH (COFACE AUSTRIA)	Insurance
SLOVENIA	
COFACE PKZ	Credit insurance
SWEDEN	
COFACE SVERIGE – BRANCH (COFACE KREDIT)	Insurance
NATIXIS INVESTMENT MANAGERS, NORDICS FILIAL	Distribution
SWITZERLAND	
BANQUE DU LÉMAN	Credit institution
BIC BRED (SUISSE) SA	Credit institution
COFACE RE	Reinsurance
COFACE SWITZERLAND – BRANCH (COFACE SA)	Insurance
FLEXSTONE PARTNERS SARL (FORMERLY EURO PRIVATE EQUITY)	Asset Management
FONDS LAUSANNE	UCITS
NATIXIS INVESTMENT MANAGERS SWITZERLAND SARL	Asset Management
TAIWAN	
COFACE TAIWAN – BRANCH (COFACE EUROPE)	Credit insurance and related services
NATIXIS INVESTMENT MANAGERS SECURITIES INVESTMENT CONSULTING CO. LTD	Asset Management
NATIXIS TAIWAN	Financial institution
THAILAND	
BRED IT	IT services
TUNISIA	
ARAB INTERNATIONAL LEASE	Non-real estate and real estate leasing
BANQUE TUNISO KOWEITIENNE	Credit institution
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
UKRAINE	
ONEY UKRAINE (UKRAINE)	Brokerage
URUGUAY	
NATIXIS INVESTMENT MANAGERS URUGUAY SA	Distribution
VANUATU	
BRED VANUATU	Credit institution

Country of operation	Business
FONCIÈRE DU VANUATU	Real estate investment
VIETNAM	

Country of operation	Business
BPCE INTERNATIONAL HO CHI MINH CITY – BRANCH (Vietnam)	Specialized credit institution

12.7 STATUTORY AUDITORS' FEES

Fees in respect of duties carried out by the Statutory Auditors for the whole of Groupe BPCE (including Statutory Auditors not belonging to the same network as those responsible for auditing BPCE's financial statements) in respect of the 2018 and 2019 fiscal years were as follows:

	Statutory Auditors responsible for auditing BPCE's financial statements												Other Statutory Auditors					
	PwC				Mazars				Deloitte				KPMG Audit[2]		Other			
	Amount		%		Amount		%		Amount		%							
in thousands of euros[1]	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Certification of financial statements	13,108	12,902	77%	69%	5,296	5,378	67%	72%	10,152	11,023	67%	70%	5,200	5,701	1,650	2,120	35,406	37,124
Services other than certification of financial statements[3]	3,819	5,713	23%	31%	2,605	2,072	33%	28%	4,892	4,816	33%	30%	940	676	366	50	12,622	13,328
TOTAL	**16,927**	**18,615**	**100%**	**100%**	**7,901**	**7,450**	**100%**	**100%**	**15,044**	**15,839**	**100%**	**100%**	**6,140**	**6,377**	**2,016**	**2,170**	**48,028**	**50,452**
o/w fees paid to commissioned Statutory Auditor/consolidating entities for certification of financial statements	*12,112*				*4,748*				*4,868*				*5,200*		*1,650*		*28,578*	
o/w fees paid to commissioned Statutory Auditor/consolidating entities for services other than certification of financial statements	*827*				*1,994*				*1,952*				*935*		*366*		*6,075*	
Change (%)	(9%)				6%				(5%)				(4%)		(7%)		(5%)	

(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. As a result, these amounts essentially exclude the fees paid by Natixis subsidiaries (€1.6 million for the certification of financial statements and €3.1 million for services other than the certification of financial statements for Natixis group) and €0.1 million for BPCE SA group.

(3) In 2019, "Services other than certification of financial statements" mainly included assignments requested by BPCE (€1.3 million) including in particular verification of the Group's compliance with BCBS 239 performed by Deloitte (€0.7 million) and for comfort letters relating to issues (€0.3 million) and assignments requested by Natixis SA and its subsidiaries (€6.5 million) in particular technical assistance assignments (€1.1 million), compliance support assignments related to systems in place (€1.5 million), tax audits mainly outside the European Union (€0.7 million), assignments relating to services rendered in respect of acquisitions (€0.6 million), support for regulatory and normative developments (€0.5 million), and other assignments including a benchmarking assignment on the multi-affiliate Asset Management model (€0.7 million).

Note 13 Details of the scope of consolidation

13.1 SECURITIZATION TRANSACTIONS

Accounting principles

Securitization is a financial engineering technique that aims to enhance balance sheet liquidity. From a technical perspective, assets to be securitized are grouped according to the quality of the associated collateral or guarantees, and sold to special purpose entities that finance their acquisition by issuing securities underwritten by investors.

Entities created specifically for this purpose are consolidated if the Group exercises control over them. Control is assessed according to the criteria provided in IFRS 10.

The following statement lists the securitization transactions carried out by the Retail Banking and Insurance entities without (full or partial) derecognition:

in millions of euros	Type of assets	Inception date	Expected maturity	Nominal at inception	12/31/2019
Elide 2011	Residential home loans	04/06/2011	January 2036	1,089	154
Elide 2012	Residential home loans	06/26/2012	April 2037	1,190	214
Elide 2014	Residential home loans	11/18/2014	October 2039	915	301
Elide 2017-1	Residential home loans	02/02/2017	December 2037	1,842	940
Elide 2017-2	Residential home loans	04/27/2017	October 2041	1,051	632
Elide 2018	Residential home loans	05/29/2018	September 2046	1,390	1,135
Elide sub-total				**7,477**	**3,376**
BPCE Master Home Loans/BPCE Master Home Demut	Residential home loans	05/26/2014	April 2032	44,068	39,824
BPCE Consumer Loans	Personal loans	05/27/2016	May 2032	5,000	4,663
BPCE Home Loans FCT 2017_5	Residential home loans	05/29/2017	May 2054	10,500	7,250
BPCE Home Loans 2018	Residential home loans	10/29/2018	October 2053 (call 2023)	1,125	818
BPCE Home Loans 2019	Residential home loans	10/29/2019	October 2054	1,100	77
Other sub-total				**60,693**	**53,626**
TOTAL				**68,170**	**57,002**

SECURITIZATION TRANSACTIONS WITHIN GROUPE BPCE

In 2019, Groupe BPCE consolidated two new special purpose entities (two securitization funds): BPCE Home Loans FCT 2019 and BPCE Home Loans FCT 2019 Demut, both of which were created for an intra-group securitization transaction by the Banque Populaire banks and the Caisses d'Epargne on October 29, 2019.

Under this transaction, €1.1 billion in home loans were transferred to BPCE Home Loans FCT 2019, and external investors subscribed for senior securities issued by the FCT (€1 billion). Despite the placement in the market, this transaction does not allow deconsolidation since the entities that transferred the loans subscribed for subordinated securities and residual shares. They therefore retain control within the meaning of IFRS 10.

These transactions follow on from previous transactions named BPCE Master Home Loans, BPCE Consumer Loans 2016 (personal loan securitization), BPCE Home Loans FCT 2017_5 (real estate loan securitization) and BPCE Home Loans FCT 2018 (real estate loan securitization). It was the second transaction with a placement of senior securities on the markets.

DECONSOLIDATING SECURITIZATION TRANSACTIONS CARRIED OUT WITH FULL OR PARTIAL DERECOGNITION

Note: Crédit Foncier has entered into two public securitizations backed by home loans (Crédit Foncier Home Loans No. 1 in May 2014 and Crédit Foncier Home Loans No. 2 in August 2015).

As a receivables manager, Crédit Foncier does not have the ability to use its power to influence the variability of returns. Therefore, it does not control the securitization funds within the meaning of IFRS 10, and the funds are not consolidated.

However, given its ongoing ties with CFHL-2, the criteria needed to establish full derecognition of assets under IFRS 9 are not entirely met. As a result, the transaction is deconsolidating in accordance with IFRS 10, and partially derecognized in accordance with IFRS 9.

The transferred assets are recognized in proportion to Crédit Foncier's continued involvement. As a result, the Group continues to recognize the maximum loss associated with each of the residual ties to the fund (swaps, clean-up calls, management fees) in balance sheet assets.

These adjustments led to the recognition of total assets of €92 million and total liabilities of €9 million at December 31, 2019.

The fair value of these residual ties is remeasured at each reporting date.

At December 31, 2019, the net impact of the CFHL-2 transactions was +€17 million.

13.2 GUARANTEED UCITS

Guaranteed UCITS are funds designed to reach a specific amount at the end of a given period, determined by applying a predefined calculation formula based on financial market indicators and, where appropriate, to distribute revenues derived from the investments as determined using the same methods. The portfolio management targets of these funds are guaranteed by a credit institution.

Based on an analysis of the substance of these funds in accordance with IFRS 10, the Group does not control relevant activities (as management flexibility is limited) and is not exposed to variable returns (as a solid risk monitoring system has been implemented) and therefore does not consolidate these structures.

13.3 OTHER INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STRUCTURED ENTITIES

MAJOR RESTRICTIONS

The Group has not been faced with any major restrictions relating to stakes held in its structured or non-structured subsidiaries.

SUPPORT OF CONSOLIDATED STRUCTURED ENTITIES

The Group did not grant any financial support to consolidated structured entities.

13.4 SCOPE OF CONSOLIDATION AT DECEMBER 31, 2019

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.

5

Company	Activity	Location[1]	Ownership interest	Statutory method of consolidation[2]
I) CONSOLIDATING ENTITY				
I-1 Banque Populaire banks				
BANQUE POPULAIRE ALSACE LORRAINE CHAMPAGNE	Credit institution	FR	100%	FC
BANQUE POPULAIRE AQUITAINE CENTRE ATLANTIQUE	Credit institution	FR	100%	FC
BANQUE POPULAIRE AUVERGNE RHÔNE ALPES	Credit institution	FR	100%	FC
BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ	Credit institution	FR	100%	FC
BANQUE POPULAIRE DU NORD	Credit institution	FR	100%	FC
BANQUE POPULAIRE DU SUD	Credit institution	FR	100%	FC
BANQUE POPULAIRE GRAND OUEST	Credit institution	FR	100%	FC
BANQUE POPULAIRE MÉDITERRANÉE	Credit institution	FR	100%	FC
Banque Populaire Méditerranée Monaco branch	Credit institution	MC	100%	FC
Banque Populaire Méditerranée, Italy branch	Credit institution	IT	100%	FC
BANQUE POPULAIRE OCCITANE	Credit institution	FR	100%	FC
BANQUE POPULAIRE RIVES DE PARIS	Credit institution	FR	100%	FC
BANQUE POPULAIRE VAL DE FRANCE	Credit institution	FR	100%	FC
BRED BANQUE POPULAIRE	Credit institution	FR	100%	FC
CASDEN BANQUE POPULAIRE	Credit institution	FR	100%	FC
CRÉDIT COOPÉRATIF	Credit institution	FR	100%	FC
I-2 Caisses d'Epargne				
CAISSE D'EPARGNE AQUITAINE POITOU-CHARENTES	Credit institution	FR	100%	FC
CAISSE D'EPARGNE BRETAGNE PAYS DE LOIRE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE CÔTE D'AZUR	Credit institution	FR	100%	FC
Caisse d'Epargne Côte d'Azur Monaco branch	Credit institution	MC	100%	FC
CAISSE D'EPARGNE D'AUVERGNE ET DU LIMOUSIN	Credit institution	FR	100%	FC
CAISSE D'EPARGNE DE BOURGOGNE FRANCHE-COMTÉ	Credit institution	FR	100%	FC
CAISSE D'EPARGNE DE MIDI-PYRÉNÉES	Credit institution	FR	100%	FC
CAISSE D'EPARGNE HAUTS DE FRANCE	Credit institution	FR	100%	FC
Caisse d'Epargne Hauts de France Belgium branch	Credit institution	BE	100%	FC
CAISSE D'EPARGNE ILE-DE-FRANCE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE LANGUEDOC-ROUSSILLON	Credit institution	FR	100%	FC
CAISSE D'EPARGNE LOIRE-CENTRE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE LOIRE DRÔME ARDÈCHE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE GRAND EST EUROPE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE NORMANDIE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE PROVENCE-ALPES-CORSE	Credit institution	FR	100%	FC
CAISSE D'EPARGNE RHÔNE ALPES	Credit institution	FR	100%	FC
I-3 BPCE SA				
BPCE SA	Credit institution	FR	100%	FC
I-4 Mutual Guarantee Companies				
33 MUTUAL GUARANTEE COMPANIES	Guarantee companies	FR	100%	FC
II) "ASSOCIATE" INSTITUTIONS				
EDEL	Credit institution	FR	34%	EQ
III) SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES				
III-1 – Banque Populaire subsidiaries				
ACLEDA	Credit institution	KH	12%	EQ
ADRAXTRA CAPITAL	Private equity	FR	100%	FC
AURORA	Holding company	BE	100%	EQ
BALTIQ	Commercial company	FR	100%	FC
BANQUE CALÉDONIENNE D'INVESTISSEMENT	Credit institution	NC	50%	EQ
BANQUE DE SAVOIE	Credit institution	FR	100%	FC
BANQUE FRANCO LAO	Credit institution	LA	70%	FC
BCEL	Credit institution	LA	10%	EQ
BCI MER ROUGE	Credit institution	DJ	51%	FC

Company	Activity	Location[1]	Ownership interest	Statutory method of consolidation[2]
BCP LUXEMBOURG	Credit institution	LU	100%	FC
BIC BRED	Credit institution	FR	100%	FC
BIC BRED (Suisse) SA	Credit institution	CH	100%	FC
BP DÉVELOPPEMENT	Private equity	FR	90%	FC
BPA ATOUTS PARTICIPATIONS	Private equity	FR	100%	FC
BRD CHINA LTD	Private equity	CN	100%	FC
BRED BANK CAMBODIA PLC	Financial company	KH	100%	FC
BRED BANK FIJI LTD	Credit institution	FJ	100%	FC
BRED COFILEASE	Non-real estate leasing	FR	100%	FC
BRED GESTION	Credit institution	FR	100%	FC
BRED IT	IT services	TH	100%	FC
BRED SALOMON ISLAND	Credit institution	SB	85%	FC
BRED VANUATU	Credit institution	VU	85%	FC
BTP BANQUE	Credit institution	FR	90%	FC
BTP CAPITAL CONSEIL	Financial investment advisory services	FR	90%	FC
BTP CAPITAL INVESTISSEMENT	Private equity	FR	53%	FC
CADEC	Private equity	FR	40%	EQ
CAISSE DE GARANTIE IMMOBILIÈRE DU BÂTIMENT	Insurance	FR	30%	EQ
CAISSE SOLIDAIRE	Financial company	FR	80%	FC
CLICK AND TRUST	Data processing	FR	100%	FC
COFEG	Consulting	FR	100%	FC
COFIBRED	Holding company	FR	100%	FC
COOPEST	Private equity	BE	32%	EQ
CREPONORD	Non-real estate 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 IMMOBILIÈRE DERUELLE	Real estate investment	FR	100%	FC
FINANCIÈRE PARTICIPATION BPS	Holding company	FR	100%	FC
FIPROMER	Brokerage and investment services	FR	100%	FC
FONCIÈRE DU VANUATU	Real estate investment	VU	100%	FC
FONCIÈRE VICTOR HUGO	Holding company	FR	100%	FC
GARIBALDI CAPITAL DÉVELOPPEMENT	Private equity	FR	100%	FC
GARIBALDI PIERRE	Real estate operations	FR	100%	FC
GESSINORD	Real estate operations	FR	100%	FC
GROUPEMENT DE FAIT	Services company	FR	100%	FC
I-BP INVESTISSEMENT	Real estate operations	FR	100%	FC
IMMOCARSO SNC	Investment property	FR	100%	FC
INGEPAR	Financial investment advisory services	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	Non-real estate and real estate leasing	LU	100%	FC
MULTICROISSANCE SAS	Portfolio management	FR	100%	FC
NAXICAP RENDEMENT 2018	Private equity	FR	90%	FC
NAXICAP RENDEMENT 2022	Private equity	FR	90%	FC
NAXICAP RENDEMENT 2024	Private equity	FR	90%	FC
NJR INVEST	Private equity	BE	100%	FC

5

Company	Activity	Location[1]	Ownership interest	Statutory method of consolidation[2]
OUEST CROISSANCE SCR	Private equity	FR	100%	FC
PARNASSE GARANTIES	Insurance	FR	80%	EQ
PARTICIPATIONS BP ACA	Holding company	FR	100%	FC
PERSPECTIVES ENTREPRISES	Holding company	FR	100%	FC
PLUSEXPANSION	Holding company	FR	100%	FC
PRÉPAR COURTAGE	Insurance brokerage	FR	100%	FC
PREPAR-IARD	Non-life insurance	FR	100%	FC
PREPAR-VIE	Life insurance and endowment	FR	100%	FC
PROMÉPAR GESTION	Portfolio management	FR	100%	FC
RIVES CROISSANCE	Holding company	FR	100%	FC
SAS ALPES DÉVELOPPEMENT DURABLE INVESTISSEMENT	Private equity	FR	100%	FC
SAS FINANCIÈRE IMMOBILIÈRE 15	Housing real estate development	FR	100%	FC
SAS GARIBALDI PARTICIPATIONS	Real estate operations	FR	100%	FC
SAS SOCIÉTÉ IMMOBILIÈRE DE LA RÉGION RHÔNE ALPES	Real estate operations	FR	100%	FC
SAS TASTA	Services company	FR	63%	FC
SASU BFC CROISSANCE	Private equity	FR	100%	FC
SAVOISIENNE	Holding company	FR	100%	FC
SBE	Credit institution	FR	100%	FC
SCI BPSO	Real estate operations	FR	100%	FC
SCI BPSO BASTIDE	Real estate operations	FR	100%	FC
SCI BPSO MÉRIGNAC 4 CHEMINS	Real estate operations	FR	100%	FC
SCI BPSO TALENCE	Real estate operations	FR	100%	FC
SCI DU CRÉDIT COOPÉRATIF DE SAINT-DENIS	Real estate operations	FR	100%	FC
SCI FAIDHERBE	Real estate operations	FR	100%	FC
SCI POLARIS	Real estate operations	FR	100%	FC
SCI PYTHÉAS PRADO 1	Real estate operations	FR	100%	FC
SCI PYTHÉAS PRADO 2	Real estate operations	FR	100%	FC
SCI SAINT-DENIS	Real estate operations	FR	99%	FC
SEGIMLOR	Real estate operations	FR	100%	FC
SI ÉQUINOXE	Holding company	FR	100%	FC
SIPMÉA	Real estate development/management, real estate investment	FR	100%	FC
SOCIÉTÉ CENTRALE DU CRÉDIT MARITIME MUTUEL	Services company	FR	100%	FC
SOCIÉTÉ D'EXPANSION BOURGOGNE FRANCHE-COMTÉ	Holding company	FR	100%	FC
SOCIÉTÉ IMMOBILIÈRE PROVENÇALE ET CORSE	Holding company	FR	100%	FC
SOCREDO	Credit institution	PF	15%	EQ
SOFIAG	Financial company	FR	100%	FC
SOFIDER	Financial company	RE	100%	FC
SPIG	Property leasing	FR	100%	FC
TISE	Private equity	PL	100%	FC
TRANSIMMO	Real estate agent	FR	100%	FC
UNION DES SOCIÉTÉS DU CRÉDIT COOPÉRATIF (GIE)	Services company	FR	98%	FC
VIALINK	Data processing	FR	100%	FC
III-2 – Caisse d'Epargne subsidiaries				
339 ÉTAT-UNIS	Real estate operations	FR	100%	FC
ADOUR SERVICES COMMUNS	Real estate operations	FR	100%	FC
AFOPEA	Real estate operations	FR	100%	FC
APOUTICAYRE LOGEMENTS	Real estate operations	FR	100%	FC
BANQUE BCP SAS	Credit institution	FR	80%	FC
BANQUE DE NOUVELLE-CALÉDONIE	Credit institution	NC	97%	FC
BANQUE DE TAHITI	Credit institution	PF	97%	FC
BANQUE DU LÉMAN	Credit institution	CH	100%	FC
BATIMAP	Non-real estate leasing	FR	95%	FC

Company	Activity	Location[1]	Ownership interest	Statutory method of consolidation[2]
BATIMUR	Non-real estate leasing	FR	100%	FC
BATIROC BRETAGNE PAYS DE LOIRE	Non-real estate and real estate leasing	FR	100%	FC
BCEF 64	Real estate operations	FR	100%	FC
BDR IMMO 1	Real estate operations	FR	100%	FC
BEAULIEU IMMO	Real estate operations	FR	100%	FC
BLEU RÉSIDENCE LORMONT	Real estate operations	FR	66%	FC
BORDELONGUE GODEAS	Real estate operations	FR	100%	FC
BRETAGNE PARTICIPATIONS	Private equity	FR	50%	FC
BURODIN	Real estate operations	FR	100%	FC
CAPITOLE FINANCE	Non-real estate leasing	FR	100%	FC
CE DÉVELOPPEMENT	Private equity	FR	96%	FC
CEBIM	Holding company	FR	100%	FC
CEPAC FONCIÈRE	Real estate operations	FR	100%	FC
CEPAC INVESTISSEMENT ET DÉVELOPPEMENT	Private equity	FR	100%	FC
CEPAIM SA	Real estate operations	FR	100%	FC
CRISTAL IMMO	Real estate operations	FR	100%	FC
EUROTERTIA	Real estate operations	FR	100%	FC
FCPR FIDEPPP	Public-private partnership financing	FR	91%	FC
FERIA PAULMY	Real estate operations	FR	100%	FC
FONCIÈRE INVEST	Real estate operations	FR	50%	FC
G IMMO	Real estate operations	FR	100%	FC
G102	Real estate operations	FR	100%	FC
GIE CE SYNDICATION RISQUES	Guarantee company	FR	100%	FC
HIGHLIGHT 92	Real estate operations	FR	100%	FC
IMMOCEAL	Investment property	FR	100%	FC
INCITY	Real estate operations	FR	100%	FC
IT-CE	IT services	FR	100%	FC
LABEGE LAKE H1	Real estate operations	FR	50%	FC
LANGLADE SERVICES	Real estate operations	FR	51%	FC
LANTA PRODUCTION	Real estate operations	FR	100%	FC
L'AUSSONNELLE DE C	Real estate operations	FR	100%	FC
LEVISEO	Real estate operations	FR	50%	FC
MIDI COMMERCES	Real estate operations	FR	100%	FC
MIDI FONCIÈRE	Real estate operations	FR	100%	FC
MIDI MIXT	Real estate operations	FR	100%	FC
MONTAUDRAN PLS	Real estate operations	FR	100%	FC
MURACEF	Mutual insurance	FR	100%	FC
MURET ACTIVITÉS	Real estate operations	FR	100%	FC
NOVA IMMO	Real estate operations	FR	100%	FC
PHILAE SAS	Real estate operations	FR	100%	FC
RIOU	Real estate operations	FR	100%	FC
ROISSY COLONNADIA	Real estate operations	FR	50%	FC
SAS FONCIÈRE DES CAISSES D'EPARGNE	Investment property	FR	100%	FC
SAS FONCIÈRE ECUREUIL II	Investment property	FR	78%	FC
SAS NSAVADE	Investment property	FR	100%	FC
SC RÉS. AILES D'ICARE	Real estate operations	FR	50%	EQ
SC RÉS. CARRÉ DES PIONNIERS	Real estate operations	FR	50%	EQ
SC RÉS. ILOT J	Real estate operations	FR	50%	EQ
SC RÉS. LATECOERE	Real estate operations	FR	50%	EQ
SC RÉS. MERMOZ	Real estate operations	FR	50%	EQ
SC RÉS. SAINT EXUPÉRY	Real estate operations	FR	50%	EQ
SCI AVENUE WILLY BRANDT	Real estate operations	FR	100%	FC
SCI DANS LA VILLE	Real estate operations	FR	100%	FC

Company	Activity	Location[(1)]	Ownership interest	Statutory method of consolidation[(2)]
SCI ECUREUIL DU PLAN SARRAIN	Real estate operations	FR	100%	FC
SCI FONCIÈRE 1	Investment property	FR	100%	FC
SCI GARIBALDI OFFICE	Real estate operations	FR	100%	FC
SCI LAFAYETTE BUREAUX	Investment property	FR	100%	FC
SCI LAVOISIER ECUREUIL	Real estate operations	FR	100%	FC
SCI LE CIEL	Real estate operations	FR	100%	FC
SCI LE RELAIS	Real estate operations	FR	100%	FC
SCI LOIRE CENTRE MONTESPAN	Real estate operations	FR	100%	FC
SCI MARCEL PAUL ECUREUIL	Real estate operations	FR	100%	FC
SCI NOYELLES	Real estate operations	FR	100%	FC
SCI SHAKE HDF	Real estate operations	FR	100%	FC
SCI TOURNON	Real estate operations	FR	100%	FC
SNC ECUREUIL 5 RUE MASSERAN	Investment property	FR	100%	FC
SOCIÉTÉ HAVRAISE CALÉDONIENNE	Real estate operations	NC	90%	FC
SODERO PARTICIPATIONS	Private equity	FR	67%	FC
SPPICAV AEW FONCIÈRE ECUREUIL	Real estate operations	FR	100%	FC
TECHNOCITÉ TERTIA	Real estate operations	FR	100%	FC
TÉTRIS	Real estate operations	FR	50%	FC
VIVALIS INVESTISSEMENTS	Real estate operations	FR	100%	FC
III-3 – BPCE subsidiaries				
ALBIANT-IT	IT systems and software consulting	FR	100%	FC
BATILEASE	Real estate leasing	FR	100%	FC
BPCE ACHATS	Services company	FR	98%	FC
BPCE BAIL	Real estate leasing	FR	100%	FC
BPCE CAR LEASE	Operational vehicle leasing	FR	100%	FC
BPCE ENERGECO	Non-real estate leasing	FR	100%	FC
BPCE FACTOR	Factoring	FR	100%	FC
BPCE FINANCEMENT	Consumer finance	FR	100%	FC
BPCE INFOGÉRANCE & TECHNOLOGIES	IT services	FR	100%	FC
BPCE LEASE	Non-real estate leasing	FR	100%	FC
BPCE LEASE IMMO	Real estate leasing	FR	100%	FC
BPCE LEASE MADRID – Branch	Non-real estate and real estate leasing	ES	100%	FC
BPCE LEASE MILAN – Branch	Non-real estate and real estate leasing	IT	100%	FC
BPCE LEASE NOUMÉA	Non-real estate leasing	NC	99%	FC
BPCE LEASE RÉUNION	Non-real estate leasing	RE	100%	FC
BPCE LEASE TAHITI	Non-real estate leasing	PF	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 PERSONAL CAR LEASE	Operational vehicle leasing	FR	100%	FC
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company	FR	98%	FC
BPCE SFH	Funding	FR	100%	FC
BPCE SOLUTIONS CRÉDIT (FORMERLY GIE ECUREUIL CRÉDIT)	Services company	FR	100%	FC
CICOBAIL SA	Real estate leasing	FR	100%	FC
CO ASSUR CONSEIL ASSURANCE SA (BROKERAGE)	Insurance brokerage advisory	FR	100%	FC
COMPAGNIE EUROPÉENNE DE GARANTIES ET DE CAUTIONS	Insurance	FR	100%	FC
ESNI	Securitization company	FR	100%	FC
FCT PUMACC	Consumer credit securitization vehicle	FR	100%	FC
FIDOR BANK AG	Digital loan institution	DE	100%	FC
FIDOR Solution AG	Digital technology R&D	DE	100%	FC
GCE PARTICIPATIONS	Holding company	FR	100%	FC
NATIXIS GROUP[(3)]		FR	71%	FC
ONEY GROUP[(5)]		FR	50%	FC

Company	Activity	Location[1]	Ownership interest	Statutory method of consolidation[2]
INTER-COOP SA	Real estate leasing	FR	100%	FC
LEASE EXPANSION SA	IT operational leasing	FR	100%	FC
MIDT FACTORING	Factoring	DK	100%	FC
MIFCOS	Investment property	FR	100%	FC
SOCIÉTÉ D'EXPLOITATION MAB (SEMAB)	Services company	FR	100%	FC
SOCFIM	Credit institution	FR	100%	FC
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company	FR	100%	FC
SOCRAM BANQUE	Credit institution	FR	33%	EQ
SPORTS IMAGINE	Services company	FR	100%	FC
SUD OUEST BAIL SA	Real estate leasing	FR	100%	FC
SURASSUR	Reinsurance	LU	99%	FC
Holassure Group				
CNP ASSURANCES (GROUP)	Insurance	FR	16%	EQ
HOLASSURE	Holding company	FR	100%	FC
SOPASSURE	Holding company	FR	50%	JO
BPCE International				
ARAB INTERNATIONAL LEASE[4]	Non-real estate and real estate leasing	TN	57%	FC
BANQUE TUNISO KOWEITIENNE[4]	Credit institution	TN	60%	FC
BPCE INTERNATIONAL	Specialized credit institution	FR	100%	FC
BPCE INTERNATIONAL HO CHI MINH CITY Vietnam branch	Specialized credit institution	VN	100%	FC
BPCE MAROC	Real estate development	MA	100%	FC
EL ISTIFA[4]	Debt collection	TN	60%	FC
FRANSA BANK	Credit institution	FR	21%	EQ
MEDAI SA[4]	Real estate development	TN	67%	FC
OCÉORANE	Financial investment advisory services	MQ	100%	FC
PRAMEX INTERNATIONAL	International development and consulting services	FR	100%	FC
PRAMEX INTERNATIONAL AP LTD – HONG KONG	International development and consulting services	HK	100%	FC
PRAMEX INTERNATIONAL AU CASABLANCA	International development and consulting services	MA	100%	FC
PRAMEX INTERNATIONAL CO LTD – SHANGHAI	International development and consulting services	CN	100%	FC
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD – MUMBAI	International development and consulting services	IN	100%	FC
PRAMEX INTERNATIONAL CORP – NEW YORK	International development and consulting services	US	100%	FC
PRAMEX INTERNATIONAL DO BRAZIL CONSULTARIA LTDA – SAO PAULO	International development and consulting services	BR	100%	FC
PRAMEX INTERNATIONAL GmbH – FRANKFURT	International development and consulting services	DE	100%	FC
PRAMEX INTERNATIONAL LTD – LONDON	International development and consulting services	GB	100%	FC
PRAMEX INTERNATIONAL PTE LTD – SINGAPORE	International development and consulting services	SG	100%	FC
PRAMEX INTERNATIONAL SRL – MILAN	International development and consulting services	IT	100%	FC
PRAMEX INTERNATIONAL SA – MADRID	International development and consulting services	ES	100%	FC
PRAMEX INTERNATIONAL SARL – TUNIS	International development and consulting services	TN	100%	FC
PRAMEX INTERNATIONAL SP. ZOO – WARSAW	International development and consulting services	PL	100%	FC
SOCIÉTÉ DU CONSEIL ET DE L'INTERMÉDIATION FINANCIÈRE[4]	Financial investment advisory services	TN	48%	FC
SOCIÉTÉ TUNISIENNE DE PROMOTION DES PÔLES IMMOBILIERS ET INDUSTRIELS[4]	Real estate development	TN	18%	EQ
TUNIS CENTER[4]	Real estate development	TN	14%	FC

Company	Activity	Location[(1)]	Ownership interest	Statutory method of consolidation[(2)]
UNIVERS INVEST (SICAR)[(4)]	Private equity	TN	52%	FC
UNIVERS PARTICIPATIONS (SICAF)[(4)]	Private equity	TN	60%	FC
Crédit Foncier group				
BANCO PRIMUS	Credit institution	PT	100%	FC
BANCO PRIMUS Spain	Credit institution	ES	100%	FC
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company	FR	100%	FC
COFIMAB	Real estate agent	FR	100%	FC
COMPAGNIE DE FINANCEMENT FONCIER	Financial company	FR	100%	FC
CRÉDIT FONCIER DE FRANCE	Credit institution	FR	100%	FC
Crédit Foncier de France – Belgium branch	Credit institution	BE	100%	FC
CRÉDIT FONCIER EXPERTISE	Real estate valuation	FR	100%	FC
CRÉDIT FONCIER IMMOBILIER	Real estate operations	FR	100%	FC
FONCIER PARTICIPATIONS	Holding company	FR	100%	FC
FONCIÈRE D'ÉVREUX	Real estate operations	FR	100%	FC
GRAMAT BALARD	Real estate operations	FR	100%	FC
MAISON FRANCE CONFORT PROU INVESTISSEMENTS	Real estate development	FR	49%	EQ
SEREXIM	Real estate valuation	FR	100%	FC
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company	FR	100%	FC
Banque Palatine group				
ARIES ASSURANCES	Insurance brokerage	FR	100%	FC
BANQUE PALATINE	Credit institution	FR	100%	FC
CONSERVATEUR FINANCE	Fund management	FR	20%	EQ
PALATINE ASSET MANAGEMENT	Asset Management	FR	100%	FC
III-4 – CE Holding Participations subsidiaries				
CE HOLDING PARTICIPATIONS	Holding company	FR	100%	FC
CE CAPITAL	Holding company	FR	100%	FC
HABITAT EN RÉGION SERVICES	Holding company	FR	100%	FC
III-5 Local savings companies				
208 local savings companies (LSCs)	Cooperative shareholders	FR	100%	FC

(1) Country of location: BE: Belgium – BR: Brazil – CH: Switzerland – CN: China – DE: Germany – DJ: Djibouti – DK: Denmark – ES: Spain – FJ: Fiji – FR: France – GB: United Kingdom of Great Britain and Northern Ireland – HK: Hong Kong – IN: India – IT: Italy – KH: Cambodia – LA: Laos -LU: Luxembourg – MA: Morocco – MC: Principality of Monaco – MQ: Martinique – NC: New Caledonia – PF: French Polynesia – PL: Poland – PT: Portugal – RE: Reunion – SB: Solomon Islands – SG: Singapore – TH: Thailand – TN: Tunisia – UA: Ukraine – US: United States – VN: Vietnam – VU: Vanuatu.
(2) Consolidation method: FC EQ: Equity method, JO: Joint operations.
(3) Natixis group comprises 347 fully-consolidated entities and 7 entities consolidated using the equity method. Its main subsidiaries are: Coface, Natixis Global Asset Management, Natixis North America LLC, Natixis Private Equity.
(4) Entities treated under IFRS 5 at December 31, 2019.
(5) Oney group comprises 26 fully-consolidated entities and 1 entity consolidated using the equity method.

13.5 NON-CONSOLIDATED COMPANIES AT DECEMBER 31, 2019

ANC Regulation No. 2016-09 of December 2, 2016 requires companies that prepare their consolidated financial statements in accordance with international standards as adopted by the European Union to publish additional information relating to companies not included in their scope of consolidation as well as significant equity interests.

Non-consolidated companies include:

- significant interests that do not fall within the scope of consolidation; and
- companies excluded from the scope of consolidation owing to their non-material nature.

Company	Location	Share of equity held	Reason for non-consolidation	Amount of shareholders' equity[(1)] *(in millions of euros)*	Amount of income *(in millions of euros)*
BATIGÈRE	France	16.01%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	658	12
CILOGER 2 OPCI	France	10.21%	Holding not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	73	1
COOPÉRATIVE IMMOBILIÈRE DE L'ORNE (SACI ORNE)	France	18.48%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	11	-
ERILIA	France	11.53%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	1,062	42
FDI HABITAT	France	10.00%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	5	4
FONCIÈRE VALMI 2	France	13.95%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	4	-
HABITAT COOPÉRATIF DE NORMANDIE	France	11.13%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	1	-
HABITAT DU NORD SA	France	15.00%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	181	9
HABITATION MODERNE	France	14.85%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	106	4
HLM COUTANCES GRANVILLE	France	16.16%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	76	3
HLM GOURNAISIENNE	France	12.08%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	15	-
HLM HABITAT DE LILLE	France	10.29%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	74	26
HLM MANCHE CALVADOS HABITATION	France	15.84%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	10	-
IRDI/SORIDEC	France	16.97%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	117	21
LE COTTAGE SOCIAL DES FLANDRES	France	10.00%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	106	7
LE TOIT FOREZIEN	France	19.59%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	34	16
MEDUANE HABITAT (formerly: SA HLM Laval)	France	11.45%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	48	(2)
MIDI FONCIÈRE 2	France	13.33%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	-	-
MIDI FONCIÈRE 3	France	14.29%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	4	1
NORMANDIE CAPITAL	France	16.14%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	17	-
ROUEN PARK	France	12.14%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	4	1

Company	Location	Share of equity held	Reason for non-consolidation	Amount of shareholders' equity(1) *(in millions of euros)*	Amount of income *(in millions of euros)*
SOCIÉTÉ DES TROIS VALLEES	France	12.07%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	130	6
SA HLM HARMONIE HABITAT (formerly CIF HABITAT)	France	12.22%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	144	4
SA HLM VENDEE LOGEMENT ESH (ex Le Foyer Vendéen)	France	12.50%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	81	6
SAIEM GRENOBLE HABITAT	France	10.76%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	127	3
SAVOISIENNE HABITAT	France	14.16%	Holding of an entity not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	51	29
SIP	France	16.56%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	172	7
SOLIHA "BATISSEUR DE LOGEMENT D'INSERTION" HAUTS DE FRANCE	France	19.36%	Holding qualifying as a related party (social housing companies, modest income housing public limited companies, etc.)	59	0
SYSTEME TECHNOLOGIQUE ECHGE ET TRAIT	France	15.04%	Holding not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	104	8

(1) Amount of shareholders' equity and income for the last fiscal year known at the balance sheet date and based on applicable accounting standards according to the country of location.

Information relating to companies excluded from the scope of consolidation owing to their non-material nature is available on the website of Groupe BPCE at the following address: https://groupebpce.com/en/investors/regulated-information.

5.2 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(For the year ended December 31, 2019)

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, 2019.

In the evolving context of health crisis linked to Covid-19, the Management Board approved these consolidated financial statements on February 4, 2020 considering the information available at that time.

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, 2019 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, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*code de déontologie*) for Statutory Auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- Deloitte & Associés: the main engagements conducted in fiscal year 2019 concerned certification, comfort letters issued in connection with issuance programs, reviews of compliance procedures and services provided as part of restructuring measures for Natixis perimeter and the achievement of attestations and missions of independent third party on the CSR information of the management report for BPCE S.A. and Natixis;
- Mazars: the main assignments carried out in the 2019 financial year concerned methodological review missions in support of the Risk Department and the Natixis MRM department, on the other hand and comfort letters issued in connection with issuance programs on the other hand;
- PricewaterhouseCoopers Audit: the main engagements conducted in fiscal year 2019 concerned certification, reviews of compliance procedures, services provided as part of restructuring measures, comfort letters issued in connection with issuance programs on the other hand, tax consultations and CSR missions.

EMPHASIS OF MATTER

Without qualifying the opinion expressed above, we draw your attention to the accounting changes related to first-time application of IFRS 16 (Leases) and interpretation IFRIC 23 (Uncertainty over income tax treatments) as described in Note 2.2 to the consolidated financial statements.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved under the circumstances described above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment of loans and receivables (stages 1, 2 and 3)

Risk identified and main judgments

The Groupe BPCE is exposed to credit and counterparty risks. These risks result from the inability of one of its clients or counterparties to honor their financial commitments, in particular, covering their loan activities.

In accordance with the "impairment" aspect of IFRS 9, your Group records impairments and provisions intended to cover expected (Stages 1 and 2 loans) or proven (Stage 3 loan) losses.

Impairment for expected losses (Stages 1 and 2) is mainly determined based on models developed by BPCE integrating different inputs (probability of default, loss rate in the event of default, PD, LGD forward-looking information…), in addition to, if necessary, sectoral-based charges based on local specificities.

Loan outstandings having a proven counterparty risk (Stage 3) are mainly impaired on an individual basis. These impairments are assessed by Management depending on estimated future recoverable cash flows for each loan concerned.

We considered the identification and assessment of credit risk to be a key audit matter given that the provisions resulting therefrom represent significant estimates for the preparation of the accounts and requires Management to exercise judgment with respect to classifying the loan outstandings in the different stages, determining the Stage 1 and 2 impairment calculation inputs and methods and the assessment of the amount of provisioning for Stage 3 loan outstandings on an individual basis.

In particular, in the context of the low cost of risk maintained by the Group on its main market, we considered the assessment of the appropriateness of the level of credit risk hedging by provisions and the amount of related cost of risk to be a key audit matter for fiscal year *2019*.

Exposures to credit and counterparty risk on which IFRS 9 impairments are calculated represent approximately 65% of total assets of Groupe BPCE at December 31, 2019 (59% and €795.8 billion of gross outstandings only for loans and receivables).

The impairment on outstanding and related loans amounts to €12.9 billion of which €1.1 billion for Stage 1, €1.9 billion for Stage 2, €9.5 billion for Stage 3 and €0.4 billion for POCI. The cost of risk for fiscal year 2019 amounts to €1.4 billion.

For more information on accounting principles and exposures, please see Notes 5.5 and 7.1 to the consolidated financial statements.

Our response

Impairment of Stage 1 and Stage 2 outstanding loans

Our work mainly consisted in:

- - verifying the existence, at the main Group establishments, of internal control which enables the ratings of different loan outstandings to be updated at appropriate intervals;
- - evaluate the internal control system governing the validation of internal models and the definition of the inputs used in the calculation of impairment;
- - assessing the relevance of the inputs used for the impairment calculations at December 31;
- - redoing the calculations on the main loan portfolios;
- - reviewing the updating measures for local sectoral provisions, when necessary

Impairment of Stage 3 loans outstanding

As part of our audit procedures, we generally reviewed the internal controls related to identifying exposures, monitoring credit and counterparty risk, assessing non-recovery risk and determining related impairment and provisions on an individual basis.

Our procedures consisted in assessing the quality of the measures for monitoring sensitive, doubtful and litigious counterparties; the loan review process. Furthermore, based on a sampling of files selected using materiality and risk criteria, we redid the calculations for the provision amounts.

We have also assessed the relevance of the disclosures set forth in the notes required by the IFRS 9 standard with respect to "impairment" at December 31, 2019.

Recognition and measurement of performance fees

Risk identified and main judgments

For certain funds managed by affiliates of Natixis Investment Managers, the contractual provisions of the prospectus stipulate the payment of a "performance fee" for any fund outperformance.

The existence of multiple end dates and trigger criteria creates complexity not only for the calculation of these fees, but also in determining the various recognition dates for the corresponding income. Furthermore, if uncertainty exists regarding the measurement of a performance fee amount, only the amount for which the Group's entitlement is assured given the information available on the reporting date is recognized (the principles applicable to performance fees are set out in Note 6.19 to the consolidated financial statements).

We therefore considered the recognition and measurement of performance fees to be a key audit matter.

As mentioned in Note 4.2 to the consolidated financial statements, performance fees recorded in the income statement totaled €627 million.

Our response

We examined the calculation and control process for performance fees implemented by affiliates of Natixis Investment Managers. In particular, we tested the periodic reconciliations performed between the performance fees calculated by the management of the affiliates and the recognized amounts and, in the case of funds, the amounts provided by "valuation agents".

Based on a sample of selected funds, we also:

- checked that the benchmark used matches the benchmark referred to in the contractual provisions;
- reconciled the fee amounts determined by management and the recognized amounts;
- in the case of funds, reconciled the recognized performance fees and the fees calculated by the funds' "valuation agents";
- checked that the asset management company recorded the fees at the end of the calculation period specified in the contractual provisions;
- verified the manner in which the Group estimates and integrates any uncertainties into the recognized fee amount.

Level 2 and 3 financial instruments under IFRS 13

Risk identified and main judgments

The Groupe BPCE holds a substantive part of financial instruments which are recognized in the balance sheet at fair value. They are allocated to three levels defined by IFRS 13 depending on the fair value measurement method used.

Market value is determined according to different approaches depending on the nature and complexity of the instruments: use of listed prices observable on the market (level 1 financial instruments in the fair value hierarchy), use of valuation models based on significant inputs observable on the market (level 2 financial instruments) and use of valuation models based on significant inputs unobservable in the market (level 3 financial instruments).

The valuation of levels 2 and 3 financial instruments at fair value relies on valuation techniques that use significant judgment regarding the choice of methodologies used:

- determination of valuation inputs unobservable on the market;
- use of internal valuation models;
- Additional valuation adjustments made, to reflect certain market, counterparty or liquidity risks.

We deemed the valuation of complex financial instruments, especially financial instruments classified in levels 2 and 3 to be a key audit matter due to significant expositions and judgment in the determination of fair value.

For more details on accounting principles and fair value hierarchy of financial instruments, see note 10 to the consolidated financial statements.

Our response

We reviewed the internal control procedures relating to the determination, valuation and recording of complex financial instruments classified at fair value in levels 2 and 3.

We interviewed the Risk, Compliance and Permanent Control division and we acknowledge reporting and memos of Committees from this department (in conjunction with our Audit team at Natixis which is the main contributor to this topic).

We tested the controls that we deemed relevant to our audit, including those relating to:

- the approval and regular review by Management of the risks of the valuation models;
- the independent verification of the valuation inputs;
- the determination of value adjustments as well as corrections added in the value;
- the approval and regular review of observability criteria used in the classification of each operation as observable/unobservable;
- the classification of financial instruments according to the fair value hierarchy.

We performed these procedures with the assistance of our valuation experts, with whom we also made counter valuation work. Based on sampling, our experts analyzed the relevance of the assumptions; inputs and models used to determine the main adjustments to valuation.

We also analyzed the differences on existing collateral calls and gain or losses in case of sale of instruments allowing to contribute to the review of appropriateness of valuations.

Finally, we examined the disclosures relating to the valuation of financial instruments published in the notes to the consolidated financial statements.

Business combinations, and impairment tests of goodwill and intangible assets with finite lives

Risk identified and main judgments

External growth operations made by Groupe BPCE (including operations launched in 2019 mentioned in significant events in the financial statements) drive it to (i) appreciate the modalities of the exercise of control over the acquired entity in accordance with IFRS 10 *"Consolidated Financial Statements"* and (ii) allocate the purchase price in accordance with IFRS 3 *"Business Combinations"*. Following this purchase price allocation, the "surplus" remaining unallocated, corresponding to the residual identifiable net asset, accounted for in "goodwill".

These goodwills and the intangible assets acquired for which useful life is indefinite are subject to impairment tests at least each year, based on the appreciation of recoverable value of cash generating units (CGU) to which they are related, or as soon as an indication of an impairment loss appears. The determination of recoverable value relies on the discount of future cash flows of the CGU resulting from medium term plans established by entities and challenged by Groupe BPCE.

We deemed that the treatment of business combinations and, goodwill and limited-life intangible assets impairment tests to be a key audit matter by their very nature as they require the exercise of judgment regarding the structuring assumptions used especially for the determination of economic scenarios, financial trajectories or discount levels.

At December 31, 2019, the gross value of goodwill amounted to €5,290 million and accumulated impairment losses stood at €625 million.

The terms of the impairment test implemented by BPCE as well as the key assumptions used to determine the recoverable value and sensitivities of the recoverable amounts are described in Note 3.5.2 to the consolidated financial statements.

Our response

With the help of our experts, we evaluated the procedure implemented by the Group to identify signs of potential impairment loss and carried out a critical review of the method used for implementing impairment tests. In particular, our work includes:

- comparison of assumptions and inputs with external sources;
- review of the reasonableness of the medium-term plans retained for each concerned entity involving:
  - the confrontation with the strategic plan of the Group approved by the governing bodies (supervisory or administrative) of the entities,
  - the assessment of the consistency and reliability of the main assumptions used to prepare the plans, particularly regarding the financial trajectories developed during past financial years and actually carried out,
  - the analysis of the sensitivity to different valuation inputs (equity, discount rate…);
- verification of the consistency of the disclosures published on the results of these impairment tests;
- review of the assumptions underlying the purchase price allocation of external growth operations of the period and review of related accounted schemes.

Regarding the purchase price allocation of external growth operations made in 2019, we reviewed the related underlying assumptions

Insurance Technical Reserves

Risk identified and main judgments

Within the scope of its insurance activities, Groupe BPCE records technical reserves related to the commitments toward insured persons.

We deemed that the valuation of reserves to be a key audit matter as it represents a significant amount in the consolidated financial statements and that some of these reserves requires the exercise of judgment in the determination of underlying assumptions (actual mortality rates and behavior) or the use of calculation models.

The technical reserves of the insurance contracts amount to €100.2 billion at December 31, 2019.

Please see Note 9.1.2 to the consolidated financial statements for further details.

Our response

We used our experts, the actuaries, to assist us in performing our audit procedures on these items.

The main audit procedures implemented include, depending on the nature of the risks provisioned to:

- obtain an understanding of the general conditions relating to insurance contracts marketed by the Group;
- evaluate the methods and assumptions used to calculate the reserves, specifically their compliance with applicable regulations, market practices and the economic and financial context;
- test, on the basis of accounting reconciliations, recurrence tests, or surveys, the reliability of information relating to insurance contracts recorded in the management systems and used for the valuation of technical reserves;
- carry out an independent recalculation of specific reserves, when necessary on the basis of a sampling of contracts;
- assess the methods of calculation and the result of the adequacy of liabilities test, as required by IFRS 4.

We also examined the disclosures published in the notes to Groupe BPCE's consolidated financial statements relating to insurance liabilities and took note of the conclusions of CNP Assurances' Statutory Auditors, consolidated by Groupe BPCE using the equity method.

III. Specific Verifications

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

With regard to events that occurred and elements known after the closing date of the financial statements and the date management report was available, relating to the effects of the Covid-19 crisis, Management Board informed us that they would communicate directly to the General Meeting called to approve the financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in Group management report, being specified that, in accordance with the provisions of Article L. 823-10 of the code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information contained and should be reported on by an independent assurance services provider.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as Statutory Auditors of BPCE by the annual general meeting of BPCE held on May 22, 2015 for Deloitte & Associés and on July 2, 2009 for PricewaterhouseCoopers Audit.

As at December 31, 2019, Deloitte & Associés was in the fifth year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the eleventh. 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, 2019, Mazars was in the thirteenth year of total uninterrupted engagement, including 10 years since the company became a public-interest entity.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statement;

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (code de déontologie) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, March 25, 2020

The Statutory Auditors

Deloitte & Associés	**Mazars**	**PricewaterhouseCoopers Audit**
Sylvie Bourguignon	Charles de Boisriou	Nicolas Montillot
Marjorie Blanc Lourme		Emmanuel Benoist

5.3 IFRS Consolidated Financial Statements of BPCE SA group as at December 31, 2019

5.3.1 Consolidated income statement

in millions of euros	***Notes***	Fiscal year 2019	Fiscal year 2018[1]
Interest and similar income	*4.1*	11,647	11,078
Interest and similar expenses[1]	*4.1*	(10,230)	(9,592)
Commission income	*4.2*	6,342	6,377
Commission expenses	*4.2*	(2,305)	(2,364)
Net gains or losses on financial instruments at fair value through profit or loss	*4.3*	1,854	1,712
Net gains or losses on financial instruments at fair value through other comprehensive income	*4.4*	103	72
Net gains or losses arising from the derecognition of financial assets at amortized cost	*4.5*	9	24
Net income from insurance activities	*9.2.1*	3,132	2,934
Income from other activities	*4.6*	1,308	1,280
Expenses from other activities	*4.6*	(714)	(721)
Net banking income		**11,145**	**10,800**
Operating expenses	*4.7*	(8,181)	(8,410)
Depreciation, amortization and impairment for property, plant and equipment and intangible assets		(678)	(385)
Gross operating income		**2,286**	**2,005**
Cost of credit risk	*7.1.1*	(503)	(385)
Operating income		**1,782**	**1,620**
Share in net income of associates and joint ventures	*12.4.2*	231	248
Gains or losses on other assets	*4.8*	(7)	4
Change in the value of goodwill		(84)	(16)
Income before tax		**1,923**	**1,856**
Income tax	*11.1*	(594)	(389)
Net income		**1,329**	**1,467**
Non-controlling interests	*5.16.1*	(698)	(782)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**631**	**685**

(1) Information in respect of fiscal year 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 "Leases" in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 are presented in Note 2.2.

5.3.2 Comprehensive income

in millions of euros	Fiscal year 2019	Fiscal year 2018[1]
Net income	**1,329**	**1,467**
Items recyclable to net income	**760**	**(251)**
Foreign exchange rate adjustments	177	165
Revaluation of financial assets at fair value through other comprehensive income recyclable to profit or loss	38	(87)
Revaluation of available-for-sale financial assets of insurance businesses	472	(289)
Revaluation of derivative hedging items that can be recycled to profit or loss	63	60
Share of gains and losses of associates recognized directly in other comprehensive income	177	(274)
Related taxes	(167)	174
Items not recyclable to net income	**(190)**	**276**
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	(107)	52
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	(235)	412
Revaluation of equity financial assets recognized at fair value through other comprehensive income	90	(46)
Share of gains and losses of associates recognized directly in other comprehensive income	(5)	(2)
Other items recognized through other comprehensive income on items not recyclable to profit or loss	(1)	(5)
Related taxes	68	(135)
Total gains and losses recognized directly in other comprehensive income (after tax)	**570**	**25**
COMPREHENSIVE INCOME	**1,898**	**1,492**
Attributable to equity holders of the parent	1,069	642
Non-controlling interests	830	850
For information: Items not recyclable to profit or loss transferred to retained earnings	7	5

(1) Information in respect of fiscal year 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 "Leases" in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 are presented in Note 2.2.

5.3.3 Consolidated balance sheet

ASSETS

in millions of euros	Notes	12/31/2019	12/31/2018[1]
Cash and amounts due from central banks	*5.1*	72,602	66,656
Financial assets at fair value through profit or loss	*5.2.1*	212,847	196,311
Hedging derivatives	*5.3*	7,873	7,153
Financial assets at fair value through other comprehensive income	*5.4*	17,116	15,733
Securities at amortized cost	*5.5.1*	15,045	15,499
Loans and receivables due from banks and similar at amortized cost	*5.5.2*	129,373	129,262
Loans and receivables due from customers at amortized cost	*5.5.3*	177,277	177,155
Revaluation differences on interest rate risk-hedged portfolios		6,020	4,712
Insurance business investments	*9.1.1*	111,787	103,281
Current tax assets		761	785
Deferred tax assets	*11.2*	1,971	1,578
Accrued income and other assets	*5.6*	16,876	17,707
Non-current assets held for sale	*5.7*	578	6,167
Investments in associates	*12.4.1*	3,769	3,523
Investment property	*5.8*	73	96
Property, plant and equipment[1]	*5.9*	2,294	1,089
Intangible assets	*5.9*	958	951
Goodwill	*3.4.1*	4,088	3,906
TOTAL ASSETS		**781,308**	**751,562**

(1) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 "Leases" in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 (right-of-use assets in lessee's leasing arrangements) are described in Note 2.2.

LIABILITIES

in millions of euros	Notes	12/31/2019	12/31/2018[1]
Amounts due to central banks			9
Financial liabilities at fair value through profit or loss	*5.2.2*	208,379	201,214
Hedging derivatives	*5.3*	10,113	9,358
Debt securities	*5.10*	224,611	204,681
Amounts due to banks and similar	*5.11.1*	113,073	113,803
Amounts due to customers	*5.11.2*	50,156	56,750
Revaluation differences on interest rate risk-hedged portfolios		184	177
Current tax liabilities		904	547
Deferred tax liabilities[2]	*11.2*	1,339	941
Accrued expenses and other liabilities[1]	*5.12*	21,343	20,323
Liabilities associated with non-current assets held for sale	*5.7*	528	4,975
Liabilities related to insurance policies	*9.1.2*	102,982	91,690
Provisions[2]	*5.13*	2,659	3,047
Subordinated debt	*5.14*	17,346	17,395
Shareholders' equity		**27,692**	**26,652**
Equity attributable to equity holders of the parent		**20,420**	**19,604**
Share capital and additional paid-in capital	*5.15.1*	*14,185*	*12,783*
Retained earnings		*4,731*	*5,697*
Gains and losses recognized directly in other comprehensive income		*873*	*438*
Net income for the period		*631*	*685*
Non-controlling interests	*5.16*	7,272	7,048
TOTAL LIABILITIES AND EQUITY		**781,308**	**751,562**

(1) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 "Leases" in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 (lease liabilities recorded under lessee's leasing arrangements) are described in Note 2.2.

(2) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRIC 23. These impacts are presented in Note 2.2.

5.3.4 Statement of changes in equity

in millions of euros	Share capital and additional paid-in capital		Perpetual deeply subordinated notes	Retained earnings
	Share capital	Additional paid-in capital		
SHAREHOLDERS' EQUITY AT JANUARY 1, 2018	**156**	**12,426**	**683**	**4,948**
Dividend payments				(402)
Capital increase (Note 5.15.1)	2	199		
Issuance & redemption of deeply subordinated notes (Note 5.15.2)			700	(35)
Interest on deeply subordinated notes				(64)
Impact of acquisitions and disposals on non-controlling interests (Note 5.16.2)				(114)
Total activity arising from relations with shareholders	**2**	**199**	**700**	**(615)**
Gains and losses recognized directly in other comprehensive income (Note 5.17)				
Net income for the period				
Comprehensive income				
FTA adjustments				(2)
Other changes[1]				(17)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	**158**	**12,625**	**1,383**	**4,314**
Allocation of net income for 2018				685
SHAREHOLDERS' EQUITY AT JANUARY 1, 2019	**158**	**12,625**	**1,383**	**5,000**
Dividend payments				(407)
Capital increase (Note 5.15.1)	12	1,390		
Issuance & redemption of deeply subordinated notes (Note 5.15.2)			(683)	(65)
Interest on deeply subordinated notes				(110)
Impact of acquisitions and disposals on non-controlling interests (Note 5.16.2)				(355)
Total activity arising from relations with shareholders	**12**	**1,390**	**(683)**	**(937)**
Gains and losses recognized directly in other comprehensive income (Note 5.17)				
Capital gains or losses reclassified to retained earnings				(7)
Net income for the period				
Comprehensive income				**(7)**
Other changes[1]				(26)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2019	**170**	**14,015**	**700**	**4,030**

(1) Other changes include interest on perpetual deeply subordinated notes for the portion subscribed for by non-controlling interests.

Gains and losses recognized directly in other comprehensive income										
Recyclable				Non-recyclable						
Foreign exchange rate adjust-ments	Debt financial assets recognized at fair value through other compre-hensive income	Available -for-sale financial assets of insurance businesses	Change in fair value of hedging derivatives	Equity financial assets recognized at fair value through other compre-hensive income	Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	Revaluation differences on employee benefits	Net income attributable to equity holders of the parent	Total Equity attributable to equity holders of the parent	Non-controlling interests	Total conso-lidated equity
106	**45**	**1,016**	**(288)**	**(109)**	**(167)**	**(122)**		**18,694**	**6,959**	**25,653**
								(402)	(512)	(914)
								201		201
								665	(266)	399
								(64)		(64)
								(114)	46	(68)
								286	**(732)**	**(446)**
92	(48)	(300)	22	(46)	213	25		(42)	68	26
							685	685	782	1,467
92	**(48)**	**(300)**	**22**	**(46)**	**213**	**25**	**685**	**643**	**850**	**1,492**
								(2)		(2)
								(17)	(28)	(45)
198	**(3)**	**716**	**(266)**	**(155)**	**46**	**(97)**	**685**	**19,604**	**7,048**	**26,652**
							(685)			
198	**(3)**	**716**	**(266)**	**(155)**	**46**	**(97)**		**19,604**	**7,048**	**26,652**
								(407)	(1,023)	(1,430)
								1,402		1,402
								(748)		(748)
								(110)		(110)
		20	(31)					(366)	413	48
		20	**(31)**					**(229)**	**(610)**	**(838)**
101	23	405	46	57	(122)	(71)		439	131	570
				7						
							631	631	698	1,329
101	**23**	**405**	**46**	**64**	**(122)**	**(71)**	**631**	**1,070**	**829**	**1,899**
								(26)	5	(21)
299	**20**	**1,141**	**(251)**	**(91)**	**(76)**	**(169)**	**631**	**20,419**	**7,272**	**27,692**

5.3.5 Consolidated cash flow statement

in millions of euros	Fiscal year 2019	Fiscal year 2018
Income before tax	**1,923**	**1,856**
Net depreciation and amortization of property, plant and equipment, and intangible assets	781	456
Goodwill impairment	84	10
Net charge to provisions and provisions for impairment (including insurance companies' technical reserves)	8,858	6,029
Share in net income of associates	(122)	(151)
Net cash flows generated by investing activities	(1,237)	(754)
Other changes	611	861
Total non-monetary items included in net income before tax	***8,974***	***6,451***
Net increase (decrease) arising from transactions with banks	(10,716)	(7,688)
Net increase (decrease) arising from transactions with customers	(4,191)	(8,013)
Net increase (decrease) arising from transactions involving financial assets and liabilities	(2,104)	(5,796)
Net increase (decrease) arising from transactions involving non-financial assets and liabilities(1)	630	(2,104)
Income taxes paid	(626)	396
Net increase (decrease) in assets and liabilities resulting from operating activities	***(17,007)***	***(23,205)***
Net cash flows generated by operating activities (A) – Ongoing operations	**(6,128)**	**(14,876)**
Net cash flows generated by operating activities (A) – Discontinued operations	**16**	**(23)**
Net increase (decrease) related to financial assets and equity investments	4,157	2,344
Net increase (decrease) related to investment property	(160)	143
Net increase (decrease) related to property, plant and equipment, and intangible assets	(496)	(457)
Net cash flows generated by investing activities (B) – Ongoing operations	**3,517**	**2,069**
Net cash flows generated by investing activities (B) – Discontinued operations	**16**	**(39)**
Net increase (decrease) arising from transactions with shareholders(2)	(138)	(376)
Other increases (decreases) generated by financing activities(3)	(576)	(100)
Net cash flows generated by financing activities (C) – Ongoing operations	**(715)**	**(454)**
Net cash flows generated by financing activities (C) – Discontinued operations	**1**	**(22)**
Impact of changes in exchange rates (D) – Ongoing operations	**281**	**578**
Impact of changes in exchange rates (D) – Discontinued operations	**(1)**	**2**
Cash flow on assets and liabilities held for sale (E)		**(512)**
TOTAL NET CASH FLOWS (A+B+C+D+E)	**(3,045)**	**(13,276)**
Cash and net balance of accounts with central banks	**66,647**	**82,721**
Cash and net balance of accounts with central banks (assets)	66,656	82,721
Net balance of demand transactions with banks	**(17,391)**	**(20,189)**
Current accounts with overdrafts(4)	7,278	6,441
Demand accounts and loans	170	372
Demand accounts in credit	(22,650)	(22,244)
Demand repurchase agreements	(2,188)	(4,758)
Opening cash and cash equivalents	**49,256**	**62,532**
Cash and net balance of accounts with central banks	**72,602**	**66,647**
Cash and net balance of accounts with central banks (assets)	72,602	66,656
Net balance of demand transactions with banks	**(26,392)**	**(17,391)**
Current accounts with overdrafts(4)	6,185	7,278
Demand accounts and loans	56	170
Demand accounts in credit	(30,187)	(22,650)
Demand repurchase agreements	(2,446)	(2,189)
Closing cash and cash equivalents	**46,211**	**49,256**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(3,045)**	**(13,276)**

(1) Including cash flows relating to lease liabilities for -€407 million at December 31, 2019.
(2) Cash flows from or to the shareholders mainly include:

- the redemption of deeply subordinated notes recorded as equity for -€748 million (-€298 million in 2018);
- interest paid on deeply subordinated notes recorded as equity for -€110 million (-€64 million in 2018);
- BPCE SA's capital increase and additional paid-in capital totaling +€1,402 million;
- dividend payouts amounting to -€1,430 million (-€713 million in 2018).

(3) Cash flows from financing activities mainly include the impact of redemptions of subordinated notes and loans for -€576 million (-€100 million in 2018).
(4) 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 framework 375
- 1.1 Groupe BPCE 375
- 1.2 Guarantee mechanism 375
- 1.3 Significant events 376
- 1.4 Post-balance sheet events 377

Note 2 Applicable accounting standards and comparability 377
- 2.1 Regulatory framework 377
- 2.2 Accounting standards 377
- 2.3 Use of estimates and judgments 380
- 2.4 Presentation of the consolidated financial statements and balance sheet date 381
- 2.5 General accounting principles and measurement methods 381

Note 3 Consolidation 384
- 3.1 Scope of consolidation– consolidation and valuation methods 384
- 3.2 Consolidation rules 385
- 3.3 Changes in scope of consolidation during fiscal year 2019 387
- 3.4 Goodwill 388

Note 4 Notes to the income statement 390
- 4.1 Interest and similar income and expenses 390
- 4.2 Fee and commission income and expenses 391
- 4.3 Net gains or losses on financial instruments at fair value through profit or loss 393
- 4.4 Net gains or losses on financial instruments at fair value through other comprehensive income 394
- 4.5 Net gains or losses on financial instruments at amortized cost 394
- 4.6 Income and expenses from other activities 395
- 4.7 Operating expenses 395
- 4.8 Gains or losses on other assets 396

Note 5 Notes to the balance sheet 396
- 5.1 Cash and amounts due from central banks 396
- 5.2 Financial assets and liabilities at fair value through profit or loss 397
- 5.3 Hedging derivatives 402
- 5.4 Financial assets at fair value through other comprehensive income 407
- 5.5 Assets at amortized cost 409
- 5.6 Accrued income and other assets 411
- 5.7 Non-current assets held for sale and associated liabilities 411
- 5.8 Investment property 412
- 5.9 Property, plant and equipment and intangible assets 413
- 5.10 Debt securities 414
- 5.11 Amounts due to banks and similar and customers 414
- 5.12 Accrued expenses and other liabilities 415
- 5.13 Provisions 416
- 5.14 Subordinated debt 417
- 5.15 Ordinary shares and equity instruments issued 418
- 5.16 Non-controlling interests 419
- 5.17 Changes in gains and losses recognized directly in other comprehensive income 420
- 5.18 Offsetting of financial assets and financial liabilities 421
- 5.19 Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that can be sold or repledged 423

Note 6 Commitments 425
- 6.1 Loan commitments 425
- 6.2 Guarantee commitments 426

Note 7 Exposure to risks 427
- 7.1 Credit risk and counterparty risk 427
- 7.2 Market risk 435
- 7.3 Interest rate risk and exchange rate risk 435
- 7.4 Liquidity risk 435

Note 8 Employee benefits and similar 435
- 8.1 Payroll costs 436
- 8.2 Employee benefits 436
- 8.3 Share-based payments 438

Note 9 Insurance businesses 440
- 9.1 Notes to the balance sheet 441
- 9.2 Notes to the income statement 449
- 9.3 Information to be provided on the temporary exemption of insurance businesses from IFRS 9 451

Note 10 Fair value of financial assets and liabilities 451
- 10.1 Fair value of financial assets and liabilities 458
- 10.2 Fair value of financial assets and liabilities at amortized cost 468
- 11.1 Income tax 469
- 11.2 Deferred tax assets and liabilities 470

Note 12 Other information 471

12.1 Segment reporting 471
12.2 Information on leasing transactions 473
12.3 Related party transactions 476
12.4 Partnerships and associates 476
12.5 Interests in non-consolidated structured entities 478
12.6 Statutory Auditors' fees 481

Note 13 Details of the scope of consolidation 482

13.1 Securitization transactions 482
13.2 Guaranteed UCITS 482
13.3 Other interests in consolidated subsidiaries and structured entities 482
13.4 Scope of consolidation at December 31, 2019 482
13.5 Non-consolidated companies at December 31, 2019 485

Note 1 General framework

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: BANQUES POPULAIRES AND THE CAISSES D'EPARGNE

Groupe BPCE is a cooperative group whose shareholders own the two retail banking networks: the 14 Banques Populaires and the 15 Caisses d'Epargne. Each of the two networks owns an equal share in BPCE, the Group's central institution.

The Banque Populaire network consists of the Banques Populaires and the Mutual Guarantee Companies which grant 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 Banques Populaires are wholly-owned by their cooperative shareholders.

The capital of the Caisses d'Epargne is wholly-owned by the LSCs. Local savings companies are cooperative structures with open-ended share capital owned by cooperative shareholders. The LSCs are tasked with coordinating the cooperative shareholder base, in line with the general objectives defined by the individual Caisse d'Epargne with which they are affiliated, and cannot perform banking transactions.

BPCE

BPCE, a central institution as defined by the French Banking Law and a credit institution licensed to operate as a bank, was created pursuant to law No. 2009-715 of June 18, 2009. BPCE was incorporated as a French limited liability company governed by a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the 14 Banques Populaires and the 15 Caisses d'Epargne.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banques Populaires 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 operation of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures between the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It defines the Group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries, including Natixis, a 70.68%-owned listed company, are organized around three core business lines:

- Retail Banking and Insurance, which includes the Banque Populaire network, the Caisse d'Epargne network, the Financial Solutions & Expertise business line (including Factoring, Consumer Finance, Leasing, Sureties & Financial Guarantees, Retail Securities Services, Natixis' Payments and Insurance business lines and Other Networks (primarily Banque Palatine);
- Asset & Wealth Management;
- Corporate & Investment Banking.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to Articles L. 511-31 and L. 512-107-6 of the French Monetary and Financial Code, the guarantee and solidarity mechanism was set up to ensure the liquidity and capital adequacy of the Group and its associates, and to organize financial support within the Group.

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 established the Mutual Guarantee Fund.

The **Banque Populaire Network Fund** was formed by a deposit made by the Banques Populaires of €450 million that was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The deposit made to the **Caisse d'Epargne Network Fund** by the Caisses d'Epargne of €450 million was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The **Mutual Guarantee Fund** was formed by deposits made by the Banques Populaires 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 €179 million at December 31, 2019.

The total amount of deposits made to BPCE in respect of the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may not be less than 0.15% and may not exceed 0.3% of the Group's total risk-weighted assets.

The booking of deposits in the institutions' individual accounts under the guarantee and solidarity system results in the recording of an item of an equivalent amount under a dedicated capital heading.

The Mutual Guarantee Companies *(sociétés de caution mutuelle)*, whose sole corporate purpose is to guarantee loans issued by Banques Populaires, are covered by the liquidity and capital adequacy guarantee of the Banques Populaires 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 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

CONSOLIDATION OF CRÉDIT FONCIER'S OPERATIONS AND EXPERTISE IN GROUPE BPCE

The business components of the plan to consolidate Crédit Foncier's operations in Groupe BPCE, initiated in June 2018, was implemented in 2019.

Subsidiary Socfim was sold to BPCE in December 2019, becoming a global Corporate refinancing player, now comprising long and short-term financing for real estate professionals. Furthermore, after filing a public delisting offer for the shares of its subsidiary Locindus, Crédit Foncier bought back all non-controlling interests in Q1 2019. Locindus was then merged with its parent company, Crédit Foncier de France. This merger had no material impact on the Group's consolidated financial statements at December 31, 2019.

As planned in February 2019, Crédit Foncier ceased its loan origination activity at December 31, 2019, which was then redeployed across the Group networks in April after a transition phase. A new real estate partnership management organization at the Group level was set up. Crédit Foncier has refocused on managing its outstanding loans and on the funding of public sector assets originated by the Group, through Compagnie de Financement Foncier.

The labor components, including the GPEC (strategic workforce planning) and PSE (employment protection plan) agreements, were implemented. Employees whose jobs were slated to be cut were offered jobs at other Group companies in January 2019. These employees, who also had the option of transferring outside the Group under a voluntary resignation plan, joined their new companies in early April 2019. As a result of the labor components of the plan, the Group recognized an additional net expense of €27 million before tax in 2019 in respect of 1) a higher percentage of employees opting for the voluntary resignation plan than initially estimated at December 31, 2018 and 2) the reversal of provisions for employee benefits subsequent to the permanent departure of said employees.

SALE BY NATIXIS AND ACQUISITION BY BPCE SA OF THE FACTORING, SURETIES & FINANCIAL GUARANTEES, LEASING, CONSUMER FINANCE AND SECURITIES SERVICES BUSINESS LINES

On September 12, 2018, Natixis and BPCE announced Natixis' plan to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE SA for €2.7 billion. The deal was signed on March 29, 2019, with a legal effective date of March 31, 2019.

In line with the established timetable, the shares of the subsidiaries, and the assets and liabilities of the EuroTitres business line, were transferred on March 31, 2019 after the conditions precedent were met.

Control of the subsidiaries sold by Natixis was gradually transferred to BPCE over the period. This, combined with the other characteristics of the deal, led Natixis to recognize the loss of control at January 1, 2019.

As a result, BPCE SA group consolidated all of the income reported by the transferred subsidiaries since January 1, 2019 into its consolidated income statements for fiscal year 2019.

Given that the disposal was an internal BPCE SA group transaction, it had no material impact on consolidated income for fiscal year 2019. The impact on shareholders' equity was -€6 million; this corresponds to the costs of the transaction plus the transfer of reserves attributable to equity holders of the parent (-€241 million) to reserves attributable to non-controlling interests (+€241 million).

ACQUISITION OF A 50.1% STAKE IN ONEY BANK BY BPCE

Following exclusive talks entered into on February 12, 2019, Auchan Holding and BPCE signed a long-term partnership agreement on April 4, 2019, which resulted in BPCE acquiring a 50.1% stake in Oney Bank.

Present in 10 countries, with 2,600 employees, 7.7 million customers and 400 brick-and-mortar and online retail partners, Oney Bank will benefit from the joint expertise of BPCE and Auchan Holding with a view to accelerating its growth and expanding its presence in Europe in payment, financing and digital identification solutions. Local digital banking will also enhance the customer offering.

The deal was finalized on October 22, 2019 and generated goodwill of €138 million, which was temporary given the completion date of the transaction. The Group has a period of twelve months from the acquisition date to finalize the allocation of goodwill from first consolidation.

GROUPE BPCE AND LA BANQUE POSTALE BROADENED AND EXPANDED THEIR BUSINESS PARTNERSHIP

On December 19, 2019, Groupe BPCE, Natixis and La Banque Postale announced the principles of an extended business partnership with the creation of a major Retail Banking and Insurance division.

There are several parts to the project, including the integration of certain asset management activities in France. Under the project, Ostrum Asset Management will develop euro fixed income and credit strategies and insurance for Ostrum Asset Management and LBP Asset Management, with the goal of establishing an asset manager fully in line with the principles of socially responsible investment.

The future entity will be 55% owned by Natixis (through its subsidiary Natixis Investment Managers) and 45% by LBP (through its subsidiary LBP Asset Management), with a balanced governance structure.

In addition, in a bid to bolster the multi-partnership model in force at CNP, to which BPCE and LBP are deeply committed, from January 1, 2020 Groupe BPCE and CNP Assurances extended the term of the agreements signed between BPCE/Natixis and CNP Assurances in 2015 (covering payment protection insurance, provident insurance and collective health insurance in particular) from December 31, 2022 to December 31, 2030. These agreements also provide for the transition to a 50-50 coinsurance split between Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances for collective payment protection insurance and for CNP Assurances to underwrite 34% of individual PPI subscribed for by BPCE Vie.

Alongside the CNP Assurances/La Banque Postale merger scheduled for early January 2020, and following the termination at the end of June 2018 by La Banque Postale of the current CNP Assurances shareholders' agreement set to expire on December 31, 2019, BPCE and La Banque Postale entered into a new agreement in their capacity as shareholders of CNP Assurances (holding respective stakes of 16.11% and 62.13%) effective until the end of 2030. Groupe BPCE will still be represented on the CNP Assurances Board of Directors, with two members, and on its specialized committees.

These agreements had no material impact on the BPCE SA group's consolidated financial statements at December 31, 2019.

SALE OF BPCE INTERNATIONAL'S AFRICAN SUBSIDIARIES

Pursuant to the agreement entered into in September 2018 with BCP Maroc, the African subsidiaries of BPCE International (Banque International du Cameroun pour l'Epargne et le Crédit (BICEC), Banque Commerciale Internationale (BCI) and Banque Malgache de l'Océan Indien (BMOI)), were sold in Q3 2019.

These disposals had no material impact on the BPCE SA group's consolidated financial statements at December 31, 2019.

In December 2019, an agreement for the sale of Banque Tuniso-Kowetienne (BTK) and its subsidiaries was entered into with the Tunisian government. The deal, subject to the approval of the supervisory authorities, should be finalized in the first half of 2020.

Consequently, their assets and liabilities are presented in accordance with IFRS 5 "Non-Current Assets Held for sale and Discontinued Operations".

SALE OF BPCE INTERNATIONAL'S OVERSEAS BANKS

On June 11, 2019, subsidiaries Banque de Tahiti and Banque de Nouvelle Calédonie were sold to Caisse d'Epargne Ile-de-France. These disposals had no material impact on the BPCE SA group's consolidated financial statements.

NATIXIS INTERTITRES AND NATIXIS DISPUTE

On December 18, 2019, the competition authority published a press release on its website in which it announced it was imposing penalties totaling nearly €415 million on four historic meal voucher issuers for collusion.

Natixis Intertitres alone was fined €4.4 million and was subject to two other fines totaling €79 million jointly and severally with Natixis.

As soon as the penalty was announced, Natixis acknowledged the Authority's ruling while refuting any accusation of collusion with its competitors. It stated that it was extremely surprised by this ruling, which it found both groundless and completely out of proportion. It plans to appeal the ruling and believes it holds multiple arguments to dispute it.

In these conditions, no provision was recorded in the financial statements at December 31, 2019, as BPCE SA group does not consider that it has caused damages of any kind or breached any regulations, and considers that it has valid arguments to that effect.

1.4 POST-BALANCE SHEET EVENTS

The financial statements for fiscal year 2019 were approved by the Management Board on February 4, 2020. Since then, Natixis announced on February 25, 2020 that it had concluded a Memorandum of Understanding for the sale of 29.5% of its stake in Coface for a price per share of €10.70. As of the date of signing of the MoU, goodwill impairment will be recognized on this Coface equity interest, estimated at around €100 million based on data taken at December 31, 2019. After the disposal, which may take place several months after the announcement as the necessary regulatory authorizations are obtained, Natixis will no longer be represented on the Board of Directors of Coface.

Note 2 Applicable accounting standards and comparability

2.1 REGULATORY FRAMEWORK

The consolidated financial statements of Groupe BPCE were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable at the reporting date, excluding certain provisions of IAS 39 relating to hedge accounting.

2.2 ACCOUNTING STANDARDS

The standards and interpretations used and detailed in the annual financial statements as at December 31, 2018 were complemented by standards, amendments and interpretations whose application is mandatory for reporting periods starting from January 1, 2019.

Note: the new IFRS 9 "Financial Instruments" was adopted by the European Commission on November 22, 2016 and applies retrospectively from January 1, 2018.

IFRS 9 replaces IAS 39 and defines the new rules for classifying and measuring financial assets and liabilities, the new impairment methodology for the credit risk of financial assets, and hedge accounting, except for macro-hedging, which the International Accounting Standards Board (IASB) is currently studying in a separate draft standard.

BPCE SA group used the option available in IFRS 9 not to apply the provisions of the standard relative to hedge accounting, and to continue to apply IAS 39 as adopted by the European Union for the recognition of these transactions, *i.e.* excluding certain provisions relating to macro-hedging. In view of the limited volume of asset reclassifications, most transactions recognized using hedge accounting under IAS 39 continue to be disclosed in the same way from January 1, 2018. However, IFRS 7 amended by IFRS 9 requires additional information on hedge accounting to be provided in the Notes.

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable from January 1, 2018. European regulations therefore allow European financial conglomerates to opt to defer application of IFRS 9 for their insurance activities until January 1, 2021 (effective date of new IFRS 17, Insurance Contracts), provided they:

- do not transfer financial instruments between the insurance sector and other sectors of the conglomerate (with the exception of financial instruments designated at fair value through profit or loss for the two sectors affected by the transfer);

- indicate the insurance entities that apply IAS 39;
- disclose specific additional information in the notes to the financial statements.

On November 14, 2018, the IASB decided to delay the implementation of IFRS 17 "Insurance Contracts" by one year to January 1, 2022. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17.

As BPCE SA group is a financial conglomerate, it elected to apply this provision to its insurance businesses, which continue to be covered by IAS 39. The main entities affected by this measure are CEGC, the insurance subsidiaries of COFACE, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, BPCE Prévoyance, BPCE Assurances, BPCE IARD and Surassur.

In accordance with the Implementing Regulation of November 3, 2017, the Group took the necessary steps to prohibit any transfer of financial instruments between its insurance sector and the rest of the Group that would lead to derecognition for the transferring entity; this restriction is not, however, required for transfers of financial instruments measured at fair value through profit or loss by the two sectors involved.

Regulation (EU) 2017/2395 dated December 12, 2017 relating to transitional arrangements for mitigating the impact of the introduction of IFRS 9 on capital and for the large exposures treatment of certain public-sector exposures was published in the Official Journal on December 27, 2017. BPCE SA group has decided not to opt to neutralize IFRS 9 transitional impacts at the prudential level due to the limited impact when applying the standard.

IFRS 16

IFRS 16 "Leases" replaces IAS 17 "Leases" and the interpretations related to the accounting treatment of such contracts. Adopted by the European Commission on October 31, 2017, it been applied since January 1, 2019.

IFRS 16 applies to contracts that, irrespective of their legal form, meet the definition of a lease as laid down by the standard. The standard requires the identification of an asset and that the lessee controls the right to use this asset for a period of time. Control is established if the lessee holds the following two rights throughout the period of use:

- the right to obtain almost all of the economic benefits arising from use of the asset;
- the right to decide how the asset is used.

IFRS 16 affects how the lessee recognizes operating leases for which the associated lease payments were previously recognized in income. From the lessor's perspective, the accounting principles do not change substantially in relation to IAS 17.

With certain exceptions, lessees are required under IFRS 16 to record leases in the balance sheet as a right-of-use asset under "Property, plant and equipment" or "Investment property", and as lease liabilities under "Other liabilities".

The accounting principles applied by BPCE SA group are described in Note 12.2.2.

At its meeting of November 26, 2019, the IFRS Interpretation Committee (IFRS IC) issued clarifications on the application of IFRS 16 pertaining to the methods used to assess lease terms. The impacts of these methods are currently being analyzed. They may lead the Group to review its deployment of accounting principles as applied at December 31, 2019, particularly for the determination of the terms of leases represented by commercial leases under French law.

BPCE SA group has decided to use the exceptions laid down in the standard by not modifying the accounting treatment of short-term leases (less than 12 months) or that of low-value underlying assets, which will continue to be recognized in operating expenses as an expense for the period.

BPCE SA group has also opted, as lessee, not to apply IFRS 16 to leases involving intangible assets.

In view of the extremely limited impact of the recognition of leasing contracts for vehicles, the Group has decided not to change their accounting treatment.

For leases recognized in the balance sheet, the expense relating to the lease liability is reported as an interest expense under net banking income while the depreciation expense on the right-of-use asset is reported as a depreciation expense under gross operating income.

Regarding BPCE SA group's activities, the implementation of IFRS 16 mainly affects real estate assets leased for operational purposes as offices and sales branches.

For the first-time application of this standard, the Group has chosen the modified retrospective approach. This method involves assessing, at the date of application, the lease liability based on remaining lease payments using the lessee's incremental borrowing rate applicable over the remaining term of the contracts. In particular, the option not to recognize on the balance sheet leases for low-value assets and leases with a remaining lease term of 12 months or less (in particular for leases set to be automatically renewed at January 1, 2019) was applied.

The amount of lease liabilities so determined at January 1, 2019 totaled €1.5 billion, recorded under "Accrued expenses and other liabilities". This amount is the present value of lease payments remaining to be paid over the residual term of the lease (within the meaning of IFRS 16) at January 1, 2019. The average weighted discount rate used at that date was 1.7%.

This amount may be compared with the information presented in Note 12.2.2 of the 2018 Registration Document on future minimum payments under leasing transactions as lessee by taking into account the following differences:

- in accordance with IFRS 16, future minimum payments relating to leases to which the Group is committed but whose underlying assets have not yet been made available are not recognized on the balance sheet prior to their commencement date and are thus not included in the amount of lease liabilities.
- lease liabilities are determined without VAT (including non-recoverable VAT), whereas the information disclosed at December 31, 2018 included VAT;
- lease liabilities are initially determined by discounting lease payments over the lease terms, in accordance with IFRS 16. Lease payments recognized in off-balance sheet commitments at December 31, 2018, are not discounted. The discounting effect recognized at January 1, 2019 amounted to -€109 million;

- in addition to the non-cancellable period; term used to measure lease liabilities includes periods covered by options that the lessee is reasonably certain of exercising (or not exercising);
- leases for which the underlying asset is of low value and short-term leases (including short-term leases at the IFRS 16 transition date) are excluded from the calculation of lease liabilities, in accordance with the exemptions provided for by IFRS 16.

Right-of-use assets are measured using the amount of the lease liability determined on this date and adjusted for lease items already recognized on the balance sheet prior to the application of IFRS 16.

The corresponding amount, recorded under "Property, plant and equipment" at January 1, 2019, came to €1.5 billion.

The application of IFRS 16 had no effect on Groupe BPCE's opening shareholders' equity at January 1, 2019. Its application had no material impact on BPCE SA group's income.

IFRIC 23

IAS 12 "Income taxes" gave no particular details on how to account for uncertainties in income taxes, and was clarified by IFRIC 23 "Uncertainty over Income Tax Treatments", which was adopted by the European Commission on October 23, 2018 with effect from January 1, 2019.

The Interpretation clarifies how to apply the deferred income tax recognition and measurement requirements when there is uncertainty over income tax treatments. If there is doubt as to the acceptability of the income tax treatment by the tax authority under tax law, then this tax treatment is an uncertain tax treatment. Assuming it is likely that the tax authority will not accept the income tax treatment used, IFRIC 23 states that the amount of the uncertainty to be reflected in the financial statements shall be estimated using the method that will better predict the resolution of the uncertainty. To determine this amount, two approaches may be used: the most likely amount or the expected value of the tax treatment (that is, the weighted average of the different scenarios possible). Furthermore, IFRIC 23 requires the measurement of tax uncertainties to be reassessed if facts and circumstances change or new information arises.

Tax uncertainties are reported as assets or liabilities and according to whether they relate to a current or deferred tax under the balance sheet headings "Deferred tax assets", "Current tax assets", "Deferred tax liabilities" and "Current tax liabilities".

Application on January 1, 2019 of IFRIC 23 had no impact on BPCE SA group's shareholders' equity. The impact in terms of presentation in the financial statements relates only to the presentation in the financial statements of uncertainty over tax treatments, which are now classified under Tax Assets and Liabilities and no longer under Provisions for all Group entities, in accordance with the IFRIC Update of September 2019.

The process of collecting, analyzing and monitoring uncertainties has been revised in order to better document the compliance of the methods of recognition and measurement used by BPCE SA group with the requirements set out in the Interpretation.

AMENDMENT TO IAS 12 OF DECEMBER 2017, APPLICABLE AS OF JANUARY 1, 2019

In December 2017, the IASB published amended IAS 12, clarifying that the income tax consequences of payments on financial instruments classified as equity under IAS 32 should be recognized in income, other comprehensive income (OCI) or equity, depending on the source of the amounts paid. Accordingly, the tax consequences of payments considered as dividends (as per IFRS 9) must be recorded in the income statement when recognizing the liability for the obligation to pay the dividend. The tax consequences of payments not considered dividends are to be recorded in equity.

As the Group must exercise judgment in making this distinction, it applied the definition of dividends to interest payable from January 1, 2019 on its perpetual deeply subordinated notes. The tax saving arising from the payment of coupons to the holders of these instruments was previously allocated to retained earnings, and the impact on the income statement was +€38 million in 2019.

The retroactive restatement made at January 1, 2019 had no impact on equity as tax on these payments was already recognized in this item.

AMENDMENTS TO IAS 39 AND IFRS 9: INTEREST RATE BENCHMARK REFORM

In September 2019, the IASB published amendments to IFRS 9 and IAS 39 to provide relief for instruments eligible for hedge accounting in the lead up to the interest rate benchmark reform. The amendments were adopted by the European Commission on January 16, 2020. Their application date is January 1, 2020 and they may be applied early. BPCE SA group chose to apply the amendment early as of December 31, 2019.

The amendments allow for the following:

- transactions designated as cash flow hedges are considered "highly probable", as it is assumed that the cash flows will not change as a result of the reform;
- prospective assessments of fair value hedges and cash flow hedges are not affected by the reform, and in particular hedge accounting can continue if retrospective assessment results are outside the 80%-125% range during the transition period, while the ineffective portion of hedging relationships shall continue to be recognized in the income statement;
- hedged risk components determined using a benchmark rate are considered to be separately identifiable.

These amendments apply until the uncertainty arising from the reform is resolved or the hedging relationship is discontinued.

Groupe BPCE considers that all its hedging agreements with a BOR or EONIA component are concerned by the reform and therefore qualify for the amendments for as long as there is uncertainty as to the contractual changes required by regulations or regarding the replacement benchmark to be used or the application period of temporary rates. BPCE SA group's exposure primarily lies with its derivatives contracts and lending and borrowing contracts that use the EURIBOR, EONIA or US LIBOR interest rates. Hedging transactions are presented in Note 5.3.

Uncertainty arising from the benchmark rate reform and the organization set up at BPCE SA group to address this matter are described in Note 2.3. The degree of uncertainty regarding derivatives or hedged items indexed to the EURIBOR or EONIA rates, which account for most of Groupe BPCE's hedging activities, is less pronounced than the uncertainty surrounding those indexed to the LIBOR.

The other standards, amendments and interpretations adopted by the European Union did not have a material impact on the Group's financial statements.

IFRS 17

IFRS 17 "Insurance Contracts" was published by the IASB on May 18, 2017 and will replace IFRS 4 "Insurance Contracts". Initially applicable on January 1, 2021, with a comparison at January 1, 2020, this standard is only expected to come into force from January 1, 2022. At its meeting on November 14, 2018, the IASB decided to defer its application by a year as clarifications still need to be given regarding key aspects of the standard. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17. A draft amendment, "Exposure Draft ED/2019/4 Amendments to IFRS 17", was published on June 26, 2019.

IFRS 17 establishes the principles of recognition, measurement, presentation and disclosure for the insurance contracts and investment contracts with discretionary profit sharing provisions that fall within its scope.

Currently measured at historic cost, contract obligations shall be recognized at present value, in accordance with IFRS 17. To that end, insurance contracts will be measured based on their future cash flows, including a risk margin in order to factor in the uncertainty relating to these cash flows. IFRS 17 also introduces the concept of contractual service margin. This represents the insurer's unearned profit and will be released over time as the services are rendered to the policyholder. The standard demands a more detailed level of granularity in calculations as it requires estimates by group of contracts.

These accounting changes could modify the profile of insurance income (in particular for life insurance) and also introduce greater volatility in income.

Despite the many uncertainties that still remain with respect to the standard (application date, ongoing activities to adjust certain positions, the Exposure Draft published on June 26, 2019), BPCE SA group's insurance entities have set up project teams to address the changes brought about by the standard and are continuing their preparation work. This work includes decisions and documentation of the choices made pertaining to the standard, modeling, the adaptation of systems and organizations, the production of financial statements and the switchover strategy, financial disclosures and change management.

2.3 USE OF ESTIMATES AND JUDGMENTS

Preparation of the financial statements requires Management to make estimates and assumptions in certain areas with regard to uncertain future events.

These estimates are based on the judgment of the individuals preparing these financial statements and the information available at the balance sheet date.

Actual future results may differ from these estimates.

With respect to the financial statements for the period ended December 31, 2019 in particular, accounting estimates requiring assumptions were mainly used for the following measurements:

- the fair value of financial instruments determined on the basis of valuation models (Note 10);
- the amount of expected credit losses on financial instruments as well as on loan and guarantee commitments (Note 7.1);
- provisions recorded under liabilities in the balance sheet and more specifically the provision for regulated home savings products (Note 5.13) and provisions for insurance policies (Note 9);
- calculations related to the cost of pensions and future employee benefits (Note 8.2);
- deferred tax assets and liabilities (Note 11);
- goodwill impairment testing (Note 3.5).

Judgment must also be exercised to assess the business model and whether a financial instrument can be categorized as SPPI. The procedures are described in the relevant paragraphs (Note 2.5.1).

The adoption of IFRS 16 led BPCE SA group to extend its use of judgment to estimate the term of leases in order to recognize the right of use of lease assets and to record lease liabilities (Note 12.2.2).

BREXIT: EXIT DATE SET AT JANUARY 31, 2020 AND BEGINNING OF TRANSITION PERIOD

On June 23, 2016, the UK decided to leave the European Union (Brexit) following a referendum. After the triggering of Article 50 of the treaty on European Union on March 29, 2017, the United Kingdom and the 27 other member countries of the European Union gave themselves two years to prepare for the country's effective withdrawal. The Brexit date was postponed three times and finally set at January 31, 2020. The UK Parliament recently approved the Brexit deal negotiated with Brussels, which was ratified by the European Parliament on January 29, 2020. The transition period will run through December 31, 2020, during which future trade agreements for goods and services will be negotiated while current European rules continue to apply.

The political and economic consequences of Brexit are now dependent on the agreements that will be concluded in 2020, bearing in mind that the European MPs already consider the timeline excessively tight.

Against this backdrop, BPCE SA group has prepared for the various possible Brexit scenarios, and will keep a close eye on the outcome of the negotiations, in order to incorporate them, where necessary, in the assumptions and estimates used in preparing the consolidated financial statements. The risk of European regulations not recognizing UK clearing houses is no longer a short-term risk.

UNCERTAINTIES RELATED TO THE APPLICATION OF CERTAIN PROVISIONS OF THE BMR

European Regulation (EU) 2016/1011 of June 8, 2016 on the indices used as benchmarks (the Benchmark Regulation or BMR) introduces a common framework aimed at guaranteeing the accuracy and integrity of the indices used as benchmarks for financial instruments and contracts, or to measure the performance of investment funds within the European Union.

The purpose of the Benchmark Regulation is to regulate the provision of benchmarks, the provision of data underlying benchmarks, and the use of benchmarks within the European Union. It provides for a transition period for administrators, which have until January 1, 2022 to be approved or registered. After this date, the use by entities supervised by the EU of benchmarks whose administrators are not approved or registered (or, if they are not located in the EU, are not subject to equivalent or otherwise recognized or approved regulations) will be prohibited.

Under the BMR, the interest rate benchmarks EURIBOR, LIBOR and EONIA have been declared critical.

In the euro zone, uncertainties surrounding the definition of the new benchmark rates were partially lifted in H1 2019. The new index proposals were finalized for the EONIA, which will become an €ster tracker from October 1, 2019 to December 31, 2021. The €STR will replace the "recalibrated" EONIA beginning on January 1, 2022. A new calculation approach aimed at transitioning to a hybrid methodology for the EURIBOR, which has been recognized by the Belgian regulator as being consistent with the requirements laid down by the Benchmark regulation, was finalized in November 2019. The valuation of Euribor-indexed contracts may also be affected by changes in the remuneration of collateralization agreements (usually indexed to the EONIA).

In contrast, for the LIBOR, at this point alternative risk-free rates have been defined for the GBP, UK, CHF and Yen LIBOR. However, work is still underway to propose structures which will be based on these alternative rates. Greater uncertainties remain as regards transactions using the LIBOR index.

In the first half of 2018, BPCE SA group established a project team tasked with anticipating the impacts of the benchmark reform, from a legal, commercial, financial and accounting viewpoint. From an accounting standpoint, amendments to IFRS 9, IAS 39 and IFRS 7 were published by the IASB in September 2019 on hedge accounting. The amendments to IAS 39 and IFRS 9 have provided for exceptions applicable temporarily to the requirements set out in these standards in terms of hedge accounting, while the amendments to IFRS 7 require, for hedging relationships to which these exceptions are applied, disclosures on the reporting entity's exposure to the IBOR reform, on how it manages the transition to alternative benchmark rates and on the major assumptions or judgments that it used to apply these amendments. The IASB's objective is to make it possible for entities to avoid discontinuing hedging relationships as a result of the uncertainties associated with the IBOR reform. The IASB is currently holding discussions on post-IBOR reform matters. No draft regulations have been published at this stage. Special attention should be given to the potential effects of the reform in terms of the derecognition of IBOR-indexed financial assets and liabilities, issues of fair value, the application of the SPPI criterion and hedging relationships for the purposes of the transition.

UNCERTAINTIES OVER TAX TREATMENT FOR INCOME TAX

The Group reflects uncertainties regarding its tax treatment for income tax in its financial statements when it deems it probable that the tax authority will not accept its treatment. To ascertain whether a tax position is uncertain and to assess its effect on the amount of tax, the Group assumes that the tax authority will examine all amounts reported and have full knowledge of all related information. It bases its judgment on administrative policy, case-law and on the existence of any corrections made by the administration relating to similar tax uncertainties. The Group revises the estimate of the amount it expects to pay or recover from the tax authority due to tax uncertainties in the event of changes in the associated facts and circumstances, as these changes may result from (including, but not limited to) changes in tax law, the expiry of a statutory limitation period, or the outcome of audits and measures conducted by the tax authorities.

2.4 PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BALANCE SHEET DATE

As no specific format is required under IFRS, the presentation used by the Group for summarized statements follows Recommendation No. 2017-02 issued by the *Autorité des normes comptables* (ANC – French national accounting standards authority) on June 2, 2017.

The consolidated financial statements are based on the financial statements at December 31, 2019. The Group's consolidated financial statements for the period ended December 31, 2019 were approved by the Management Board on February 4, 2020. They will be presented to the Annual General Shareholders' Meeting on May 29, 2020.

The amounts presented in the financial statements and in the notes are shown in millions of euros, unless otherwise indicated. Rounding may lead to differences between the amounts shown in the financial statements and those referred to in the notes.

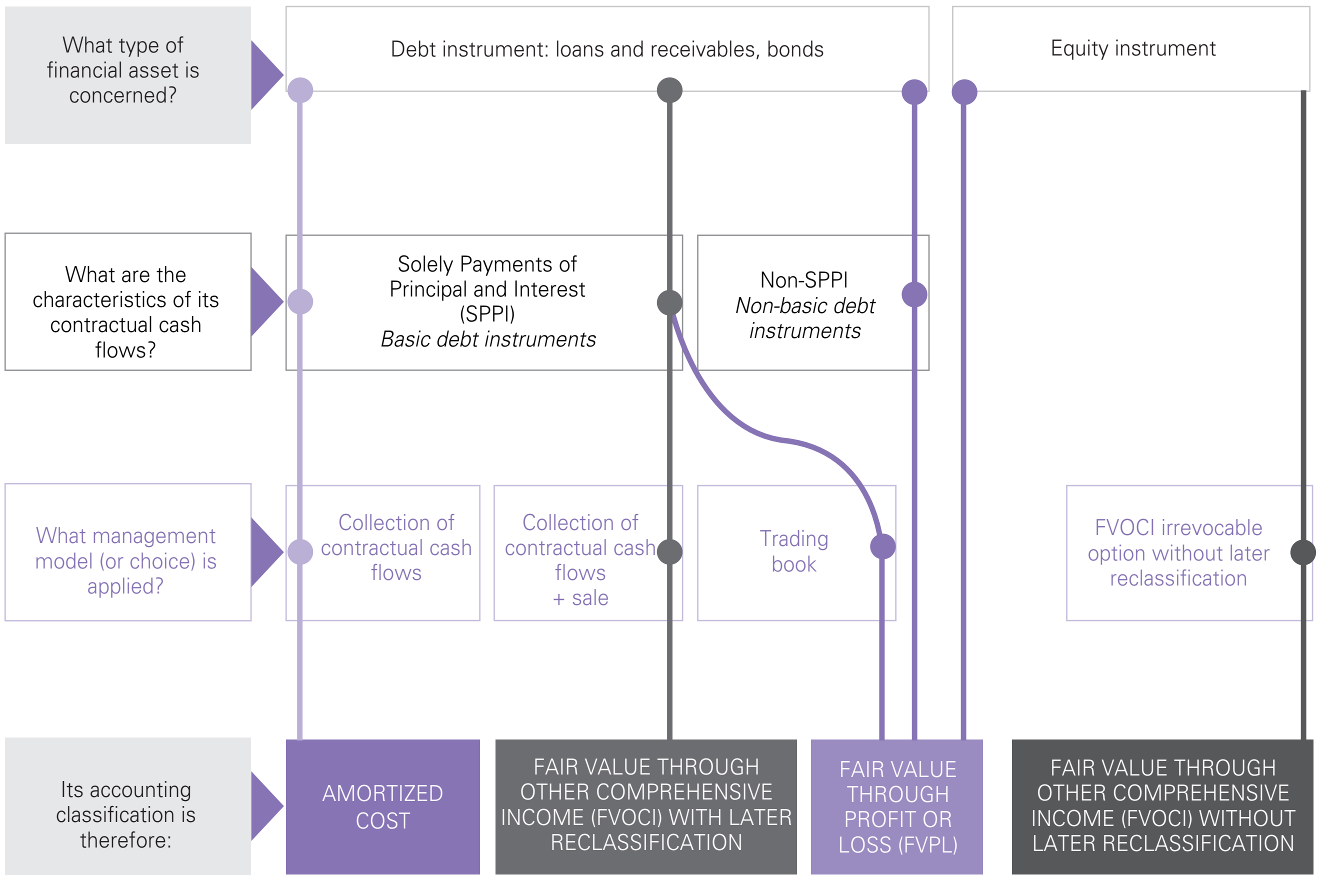
2.5 GENERAL ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

The general accounting principles set out below apply to the main items of the financial statements. Specific accounting principles are presented in the Notes to which they refer.

2.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

IFRS 9 is applicable to BPCE SA group excluding the insurance subsidiaries, which continue to apply IAS 39.

On initial recognition, financial assets are classified at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, according to the type of instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).



Business model

The entity's business model represents the way in which it manages its financial assets to produce cash flow. Judgment is exercised to ascertain the business model.

The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information.

For example:

- the way in which the performance of financial assets is assessed and presented to the main company directors;
- risks having an impact on the business model's performance, in particular the way in which these risks are managed;
- the way in which directors are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency of, volume of and reason for sales.

Moreover, the choice of business model must be made at a level which reflects the way in which groups of financial assets are managed collectively with a view to achieving a given economic objective. The business model is therefore not decided on an instrument by instrument basis, but rather at a higher level of aggregation, by portfolio.

The standard provides for three business models:

- a business model whose objective is to hold financial assets in order to receive contractual cash flows ("hold to collect model"). This model, under which the concept of "holding" is relatively similar to holding to maturity, remains valid if disposals occur under the following conditions:
  - the disposals are due to an increase in credit risk,
  - the disposals occur just before maturity and at a price that reflects the contractual cash flows that are still owed,
  - other disposals may also be compatible with the "hold to collect" model's objectives if they are infrequent (even if their value is significant) or if their value is insignificant when considered both individually and overall (even if they are frequent).

  For BPCE SA group, the "hold to collect" model applies to financing activities (excluding the loan syndication activity) carried out by Retail Banking, Corporate & Investment Banking and Specialized Financial Services;
- a mixed business model under which assets are managed with the objective of both receiving contractual cash flows and disposing of financial assets ("hold to collect and sell model").

BPCE SA group applies the hold to collect and sell model primarily to the portion of portfolio management activities for securities in the liquidity reserve that is not managed solely under a hold to collect.

- a model intended for other financial assets, especially those held for trading, for which the collection of contractual cash flows is incidental. This business model applies to the loan syndication activity (for the portion of outstandings to be sold that was identified at the outset) and to the capital market activities carried out primarily by Corporate & Investment Banking.

Types of contractual cash flows: the SPPI (Solely Payments of Principal and Interest) test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due. The SPPI test should be performed for each financial asset on initial recognition.

The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.

The instrument's contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubt as to whether only the time value of money and credit risk are represented must therefore be analyzed. For example:

- events that would change the amount and date of the cash;
- any contractual option that creates risk exposure or cash flow volatility that is not consistent with a basic lending arrangement, such as exposure to fluctuations in the price of stocks or of a market index, or the introduction of leverage, would make it impossible to categorize contractual cash flows as SPPI;
- the applicable interest rate features (for example, consistency between the rate refixing period and the interest calculation period;
- if a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset;
- early redemption and extension conditions.

For the borrower or lender, a contractual option permitting prepayment of financial instruments does not violate the SPPI test for contractual cash flows if the prepayment amount mainly represents the unpaid amounts of principal and interest and, if applicable, a reasonable additional compensation for the early termination of the contract.

If a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset.

Furthermore, although they do not strictly meet the criteria for compensation of the time value of money, certain assets with a regulated interest rate are classified SPPI if this regulated rate provides consideration that corresponds substantially to the passage of time and presents no exposure to a risk that would be inconsistent with a basic lending arrangement. This is the case in particular for financial assets representing the portion of Livret A passbook savings account inflows that is centralized with Caisse des Dépôts et Consignations.

Financial assets that generate SPPI are debt instruments such as fixed rate loans, floating rate loans without an interest rate tenor mismatch or that are not linked to a security or to a market index, and fixed rate or floating rate debt securities.

Non-SPPI financial assets include UCITS units, convertible bonds and mandatory convertible bonds with a fixed conversion ratio and structured loans to local authorities.

To qualify as SPPI assets, the securities held in a securitization vehicle must meet specific conditions. The contractual terms of the tranche must meet the SPPI criterion. The pool of underlying assets must meet the SPPI conditions. The risk inherent in the tranche must be lower than or equal to the exposure to the vehicle's underlying assets.

A non-recourse loan (*e.g.* infrastructure financing-type project financing) is a loan secured only by physical collateral. If there is no possible recourse to the borrower, the structure of other possible recourses or protection mechanisms for the lender in the event of default must be examined in order to categorize these loans as SPPI assets: acquisition of the underlying asset, collateral provided (security deposits, margin call, etc.), enhancements provided.

Accounting categories

Debt instruments (loans, receivables or debt securities) may be measured at amortized cost, at fair value through other comprehensive income recyclable to profit or loss or at fair value through profit and loss.

A debt instrument is valued at amortized cost if it meets the following two conditions:

- the asset is held under a hold to collect business model; and
- the contractual terms of the financial asset define it as generating SPPI within the meaning of the standard.

A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:

- the asset is held under a hold to collect and sell business model; and
- the contractual terms of the financial asset define it as generating SPPI within the meaning of the standard.

Equity instruments are, by default, recorded at fair value through profit or loss unless they qualify for an irrevocable option for valuation at fair value through other comprehensive income not recyclable to profit or loss (provided they are not held for trading purposes and accordingly classified as financial assets at fair value through profit or loss), without subsequently being reclassified through profit or loss. If opting for the latter category, dividends continue to be recognized in income.

All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading, financial assets at fair value through profit or loss and non-SPPI assets. Financial assets may only be designated at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch. This option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Embedded derivatives are no longer recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must now be recognized at fair value through profit or loss when it does not meet the SPPI criterion.

For financial liabilities, the classification and measurement rules set out in IAS 39 are carried forward to IFRS 9 unchanged, with the exception of those applicable to financial liabilities that the entity chooses to record at fair value through profit or loss (fair value option), for which revaluation adjustments related to changes in own credit risk are recorded under gains and losses recognized directly in other comprehensive income, without being subsequently reclassified through profit or loss.

The provisions of IAS 39 on the derecognition of financial assets and liabilities remain unchanged in IFRS 9. The amendment to IFRS 9 of October 12, 2017 clarified the treatment under IFRS 9 of modifications of liabilities recognized at amortized cost if the modification does not result in derecognition: the profit or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate shall be recognized in profit or loss.

2.5.2 FOREIGN CURRENCY TRANSACTIONS

The method used to account for assets and liabilities relating to foreign currency transactions entered into by the Group depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the Group entity on whose balance sheet they are recognized, at the exchange rate prevailing at the balance sheet date. All resulting foreign exchange gains and losses are recognized in income, except in two cases:

- only the portion of the foreign exchange gains and losses calculated based on the amortized cost of financial assets at fair value through other comprehensive income is recognized in income, with any additional gains and losses being recognized in "Gains and losses recognized directly in other comprehensive income";
- foreign exchange gains and losses arising on monetary items designated as cash flow hedges or as part of a net investment in a foreign operation are recognized in "Gains and losses recognized directly in other comprehensive income".

Non-monetary assets carried at historic 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 profit or loss if gains and losses relating to the items are recorded in profit or loss, and in "Gains and losses recognized directly in other comprehensive income" if gains and losses relating to the items are recorded in "Gains and losses recognized directly in other comprehensive income".

Note 3 Consolidation

3.1 SCOPE OF CONSOLIDATION– CONSOLIDATION AND VALUATION METHODS

The Group's financial statements include the financial statements of all the entities over which it exercises control or significant influence, whose consolidation had a material impact on the aforementioned financial statements.

The scope of entities consolidated by BPCE SA group is described in Note 13 – Scope of consolidation.

3.1.1 ENTITIES CONTROLLED BY THE GROUP

The subsidiaries controlled by BPCE SA group are fully consolidated.

Definition of control

Control exists when the Group has the power to govern an entity's relevant activities, when it is exposed to or is entitled to variable returns due to its links with the entity and has the ability to exercise its power over the entity to influence the amount of returns it obtains.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control exercised. These potential voting rights may result, for example, from share call options traded on the market, debt or equity instruments that are convertible into ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account to calculate the percentage of ownership.

Exclusive control is presumed to exist when the Group holds directly or indirectly either the majority of the subsidiary's voting rights, or at least half of an entity's voting rights and a majority within the management bodies, or is in a position to exercise significant influence.

Special case: structured entities

Entities described as structured entities are those organized in such a way that voting rights are not a key criterion when determining who has control. This is the case in particular when voting rights only apply to administrative duties and relevant activities are managed through contractual agreements.

A structured entity frequently exhibits some or all of the following characteristics:

(a) well-defined activities;

(b) a specific and well-defined aim, for example: implementing a lease eligible for favorable tax treatment, carrying out research and development, providing an entity with a source of capital or funding, or providing investors with investment options by transferring associated risk and advantages to the structured entity's assets;

(c) insufficient equity for the structured entity to finance its activities without subordinated financial support; and

(d) financing through the issue, to investors, of multiple instruments inter-related by contract and which create concentrations of credit risk or other risks ("tranches").

The Group therefore considers, among others, collective investment undertakings 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 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 13.4.

Employee pension funds and supplementary health insurance plans are excluded from the scope of consolidation insofar as IFRS 10 does not apply to either post-employment benefit funds or other long-term employee benefit plans, to which IAS 19, "Employee Benefits", applies.

Likewise, interests acquired with a view to their subsequent short-term disposal are recorded as available for sale and recognized in accordance with the provisions of IFRS 5 "Non-Current Assets Held for sale and Discontinued Operations".

3.1.2 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Definitions

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control or joint control over those policies. It is presumed to exist if the Group holds, directly or indirectly, 20% or more of the voting rights of an entity.

A joint venture is a partnership in which the parties which exercise joint control over the entity have rights over its net assets.

Joint control is the contractually agreed sharing of control over a company, which exists only when the strategic decisions require the unanimous consent of the parties sharing control.

Equity method

Income, assets and liabilities of investments in associates and joint ventures are accounted for in the Group's consolidated financial statements using the equity method.

An investment in an associate or a joint venture is initially recognized at its acquisition cost and subsequently adjusted for the Group share in the income and other comprehensive income of the associate or joint venture.

The equity method is applied from the date on which the entity becomes an associate or a joint venture. On the acquisition of an associate or a joint venture, the difference between the cost of investment and the Group's share in the net fair value of the entity's identifiable assets and liabilities is recognized in goodwill. When the net fair value of the entity's identifiable assets and liabilities is higher than the cost of investment, the difference is recognized in income.

The share of net income of entities accounted for under the equity method is included in the Group's consolidated income.

When a Group entity carries out a transaction with a Group joint venture or associate, the profit or loss resulting from this transaction is recognized in interests held by third parties in the associate or joint venture.

The net investment in an associate or joint venture is subject to impairment testing if there is objective evidence of impairment arising from one or more events occurring after the initial recognition of the net investment and if the events have an impact on estimated cash flows, provided this impact can be reliably calculated.

In such cases, the total carrying amount of the investment (including goodwill) is subject to impairment testing in accordance with the provisions of IAS 36 "Impairment of Assets".

Exception to the equity method

When the investment is held by a venture capital organization, an investment fund, an investment company with variable share capital or a similar entity such as an insurance asset investment fund, the investor may choose not to recognize the investment using the equity method. In this case, revised IAS 28 "Investments in Associates and Joint Ventures" authorizes the investor to recognize the investment at its fair value (with changes in fair value recognized in income) in accordance with IFRS 9.

These investments are therefore recognized as "Financial assets at fair value through profit or loss".

The Natixis group's private equity subsidiaries have chosen to measure their investments in this way, considering that this valuation method provides more relevant information.

3.1.3 INVESTMENTS IN JOINT ACTIVITIES

Definition

A joint activity is a partnership where parties that have joint control over an entity have direct rights over the entity's assets, and obligations for its liabilities.

Accounting treatment of joint activities

An investment in a joint enterprise is accounted for by integrating all interests held in the joint activity, *i.e.* the entitled share in each asset and liability and item of income. These interests are allocated by nature to the various lines of the consolidated balance sheet, consolidated income statement and the statement of net income and gains and losses recognized directly in other comprehensive income.

3.2 CONSOLIDATION RULES

The consolidated financial statements are prepared using uniform accounting policies for reporting similar transactions in comparable circumstances. Where material, consolidation adjustments are made to ensure the consistency of the measurement methods applied by consolidated entities.

3.2.1 FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are expressed in euros.

Balance sheet items of foreign subsidiaries and branches whose functional currency is not the euro are translated using the exchange rate in force at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, which is the approximate value of the transaction price if there are no significant fluctuations.

Foreign exchange rate adjustments arise from a difference in:

- net income for the period translated at the average rate and at the closing rate;
- equity (excluding net income for the period) translated at the historic exchange rate and at the year-end rate.

The portion attributable to equity holders of the parent is recorded in equity under "Foreign exchange rate adjustments" and the portion attributable to minority shareholders under "Non-controlling interests".

3.2.2 ELIMINATION OF 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 IFRS 9);
- on an entity's acquisition date, non-controlling interests may be valued:
  - either at fair value (method resulting in the allocation of a share of the goodwill to non-controlling interests),
  - or at the share in the fair value of the identifiable assets and liabilities of the entity acquired (method similar to that applicable to transactions prior to December 31, 2009).

The choice between these two methods must be made for each business combination.

Whatever method is chosen when the acquisition is made, increases in the percentage of interest in an entity already controlled are systematically recognized in capital:

- when an entity is acquired, any share previously held by the Group must be revalued at fair value through profit or loss. Consequently, in the event of a step acquisition, goodwill is determined by referring to the fair value at the acquisition date; and
- 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 defined upon the acquisition of the subsidiary's securities and 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, when the commitment expires, if the buyback does not take place, the liability is written off against non-controlling interests and "Retained earnings attributable to equity holders of the parent" according to their respective amounts;
- as long as the options have not been exercised, results from non-controlling interests subject to put options are included in the consolidated income statement as "Non-controlling interests".

3.2.5 BUYBACK COMMITMENTS WITH THE MINORITY SHAREHOLDERS OF FULLY-CONSOLIDATED SUBSIDIARIES

The entities included in the scope of consolidation close their accounts on December 31.

3.3 CHANGES IN SCOPE OF CONSOLIDATION DURING FISCAL YEAR 2019

The main changes in the scope of consolidation during 2019 are presented below:

CHANGES IN THE OWNERSHIP INTEREST IN SUBSIDIARIES AT DECEMBER 31, 2019 (WITH NO IMPACT ON CONTROL)

Change in the Group's ownership interest in Natixis

Following a number of transactions in its own shares, the Group's stake in Natixis stood at 70.68% at December 31, 2019 (*versus* 70.78% at December 31, 2018). The impact of this change on Equity attributable to equity holders of the parent was not material.

ACQUISITIONS OF A CONTROLLING INTEREST

Acquisition of Oney Bank SA group by BPCE

BPCE SA finalized the acquisition of a 50.1% stake in Oney Bank from Auchan group in the fourth quarter of 2019. The Group exercises control over the entity in accordance with IFRS 10. The deal generated goodwill of €138 million, as determined using the partial goodwill method.

Acquisition of Azure Capital

Natixis Holdings (Hong Kong) Limited bought M&A advisory firm Azure Capital in the second quarter of 2019. The following entities have been included in the scope of consolidation: Azure Capital Holdings Pty Ltd, Azure Capital Securities Pty Ltd, The Azure Capital Trust and Azure Capital Limited. BPCE SA group exercises control over these fully consolidated entities in accordance with IFRS 10. The deal generated goodwill of €11 million, as determined using the partial goodwill method. BPCE SA group also holds put options on the minority shares, valued at €9 million.

Acquisition of Massena Partners

Natixis bought asset management and investment advisory firm Massena Partners in the second quarter of 2019. The following entities have been included in the scope of consolidation: Massena Partners SA, Massena Wealth Management SARL and the French representative office of Massena Partners. BPCE SA group exercises control over these fully consolidated entities in accordance with IFRS 10. The deal generated goodwill of €42 million, as determined using the partial goodwill method. BPCE SA group also holds put options on the minority shares, valued at €1 million.

Acquisition of Titres Cadeaux

Natixis finalized the acquisition of a 50% stake in Titres Cadeaux from La Banque Postale in the first quarter of 2019, taking its ownership interest to 100%. The company creates and distributes multi-brand gift certificates and cards to individual customers or works councils. The Group exercises control over this fully consolidated entity in accordance with IFRS 10. The deal generated goodwill of €10 million.

Acquisition of Coface PKZ

Natixis finalized the acquisition of Coface PKZ, specializing in credit insurance in Slovenia, in the second quarter of 2019. The deal generated negative goodwill of €5 million, calculated using the partial goodwill method and recorded in the income statement.

Acquisition of Mirova US LLC

Mirova US LLC was consolidated in the second quarter of 2019 as part of the restructuring of operations at Seeyond and Mirova in the United States. Seeyond's US operations were consolidated by Natixis Advisors LP and Mirova's were transferred to a new entity, Mirova US, wholly-owned by Mirova.

OTHER CHANGES IN SCOPE

Newly consolidated entities

The following entities were newly consolidated during fiscal year 2019:

- Sports Imagine;
- Saudi Arabia Investment Company, under Natixis.

Deconsolidated entities

ENTITIES SOLD

- Banque internationale du Cameroun pour l'épargne et le crédit (BICEC), Banque de Madagascar et de l'Océan Indien (BMOI) and Banque commerciale Internationale du Congo (BCI) were sold in the third quarter of 2019;
- Sale of Banque de Tahiti and Banque de Nouvelle-Calédonie to Caisse d'Epargne Ile-de-France in June 2019;
- Natixis Brasil was sold on February 6, 2019;
- The following entities were sold to Fiera Capital in accordance with the Fiera investment protocol completed in the second quarter of 2019: Natixis Investment Managers Canada Corp, Natixis Investment Managers Canada LP, Natixis Investment Managers Capital Corporation and Natixis Investment Managers Canada Limited.

OTHER DECONSOLIDATIONS

- **Liquidation of Filiales LOCI,** Nexgen Reinsurance Designated Activity Company, Natixis Global Associates Germany, Natixis Global Associates Australia, AEW Partners IV Inc, Mc Donnell and Natixis Investment Corp;
- **Deconsolidation of BP Covered Bond,** securitization vehicle FCT Natixis Export Credit Agency and investment funds Mirova Global Sustainable Equity Fund, Ostrum Multi Asset Global Income, ASG Managed Futures, DNCA Archer Mid-Cap Europe, Ostrum Ultra Short Term Bonds Plus SI (C) EUR, Fructifonds Profil 6, Fructifonds Profil 9 and ABP Vie Mandat FCPI.

Mergers and full transfers of assets and liabilities

- In 2019, Vendôme Investissements was absorbed by Crédit Foncier *via* a total transfer of assets and liabilities, with retroactive effect at January 1, 2019;
- Locindus was merged with Crédit Foncier subsequent to a public delisting offer, with retroactive effect at January 1, 2019;
- 3F Holding was absorbed by BPCE SA, ***via* a total transfer of assets and liabilities, with retroactive effect at January 1, 2019.**

3.4 GOODWILL

3.4.1 VALUE OF GOODWILL

Goodwill related to operations completed during the financial year is described in respect of Note 3.3 on "Changes in scope of consolidation".

in millions of euros	Fiscal year 2019	Fiscal year 2018
Opening net value	**3,906**	**3,728**
Acquisitions[(1)]	233	190
Disposals	(2)	(27)
Impairment	(82)	(16)
Other changes		(35)
Foreign exchange rate adjustments	33	66
CLOSING NET VALUE	**4,088**	**3,906**

(1) The main acquisitions carried out over the period which led to the recognition of goodwill involved Oney Bank (€138 million recognized on the acquisition of Oney Bank by BPCE and €32 million in goodwill recorded on the books of Oney Bank) and the following acquisitions: Titres Cadeaux (€10 million recorded by the Payments division), Massena Partners (+€42 million recorded by the Asset & Wealth Management division) and Azure Capital (+€11 million recorded by the Corporate & Investment Banking division).

At December 31, 2019, gross goodwill stood at €4,557 million and total impairment came to -€469 million.

The valuation of FIDOR Bank in the BPCE SA group consolidated financial statements was revised in 2019 to reflect its potential disposal, which resulted in an impairment loss of -€82 million.

In the absence of other signs of impairment, no additional test was carried out at December 31, 2019.

Certain goodwill items recognized in the United States give rise to tax amortization over 15 years leading to a difference between the carrying amount of the goodwill and its tax base. This difference in accounting treatment generated a deferred tax liability of €347 million at December 31, 2019, compared with €336 million at December 31, 2018 (see Note 11.2).

Breakdown of goodwill

	Carrying amount	
in millions of euros	12/31/2019	12/31/2018
Oney Bank[(1)]	170	
Fidor Bank AG		82
Other Networks	**170**	**82**
Financial Solutions and Expertise[(2)]	**27**	
Insurance	**93**	**93**
Equity interests (Coface)	**282**	**281**
Specialized Financial Services[(2)]		**185**
Payments[(2)(3)]	**137**	
Retail Banking and Insurance	**709**	**641**
Asset & Wealth Management[(2)(4)]	**3,235**	**3,136**
Corporate & Investment Banking[(5)]	**144**	**129**
TOTAL GOODWILL	**4,088**	**3,906**

(1) o/w +€138 million recognized on the acquisition of Oney Bank by BPCE and +€32 million in goodwill recorded on the books of Oney Bank.
(2) The sale of entities previously belonging to the SFS division changed the presentation of Natixis' CGUs with the creation of the "SEF" CGU by BPCE. In the former SFS CGU, the entities related to the Payments business lines now belong to a dedicated CGU to which goodwill of €127 million (predominantly comprising the goodwill recognized on recent fintech acquisitions by the aforementioned business lines) was reallocated.
(3) o/w +€10 million in goodwill recognized on the acquisition of Titres Cadeaux.
(4) o/w +€40 million in goodwill recognized on the acquisition of Massena Partners. Furthermore, a goodwill adjustment of -€1 million was recorded on MV Crédit within the one-year allocation period.
(5) o/w +€11 million in goodwill recognized on the acquisition of Azure Capital Holding Pty Ltd.

3.4.2 IMPAIRMENT TESTS

All items of goodwill are impaired, based on an assessment of the value in use of the cash-generating units (CGUs) to which they have been allocated.

The following assumptions were used:

Key assumptions used to determine recoverable value

Value in use was primarily determined based on the estimated present value of the CGU's future cash flows under medium-term plans drawn up for the purposes of the Group's budget process.

	Discount rate	Long-term growth rate
Retail Banking and Insurance		
Insurance	10.6%	2.5%
Payments	6.9%	2.5%
Financial Solutions & Expertise	9.5%	2.0%
Equity interests (Coface)	**9.2%**	**2.5%**
Asset & Wealth Management	**9.1%**	**2.5%**
Corporate & Investment Banking	**11.4%**	**2.5%**

The discount rates were determined by factoring in the following:

- for the Insurance and Payments CGUs, the 10-year OAT risk-free rate averaged over a depth of 10 years and, for the Asset & Wealth Management and Corporate & Investment Banking CGUs, the 10-year OAT and US 10-year averaged over a depth of 10 years. A risk premium calculated from a sample of companies representative of the CGU is then added to these rates;
- 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 the insurance, services and factoring activities;
- for the SEF CGU, based on a weekly average of the 10-year OAT rate of return over a depth of 10 years, plus a national equity risk premium based on the projected rate of return on the French market and the French risk-free rate.

The impairment tests conducted at the limits of each CGU did not result in the recognition of impairment at December 31, 2019.

Sensitivity of recoverable values

A 30 bp increase in discount rates (assumption based on the historical annual variability observed over one year using 2012-2019 historical data) combined with a 50 bp reduction in perpetual growth rates would reduce the value in use of CGUs by:

- -9.7% for the Asset & Wealth Management CGU;
- -3.9% for the Corporate & Investment Banking CGU;
- -7.8% for the Insurance CGU;
- -12.9% for the Payments CGU;
- -4.3% for the Coface CGU;
- -5.4% for the Financial Solutions & Expertise CGU.

These variations would not lead to the recognition of any impairment losses for these CGUs.

Similarly, the sensitivity of these CGUs' future cash flows, as forecast in the business plan, to changes in the main assumptions would not significantly affect their recoverable value:

- for Asset & Wealth Management, a 10% decline in the equity markets (a uniform decline across all years) would have a -6% negative impact on the CGU's recoverable value and would not lead to the recognition of impairment;
- for Corporate & Investment Banking, sensitivity to the dollar or to higher liquidity costs 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 over all years would lead to a limited decline of 3% in the value of the CGU, with no impact on impairment;
- for Payments, in terms of business activity, the division's business model is diversified, with i) a historic payments business line for the Groupe BPCE networks, posting a highly recurring business volume over the years (and strong momentum in electronic payments) and ii) a portfolio of fintechs offering multiple products to Group and external customers (book entry securities, merchant solutions, e-commerce, solutions for Works Councils, etc.). This business model generates low volatility in earnings trends;
- for Coface, the primary sensitivity vector is "the loss ratio". The projected level of this ratio is around 45.6% (net of reinsurance) for 2019. A one-point increase in the loss ratio relative to the assumptions used for the DCF calculation over all years from 2020, would impact the average multi-criteria value by around 3% and would not lead to the recognition of impairment on the CGU. Furthermore, a valuation at the lowest price in 2019 would lead to a very limited impact on the weighted average valuation for the various methods (around -1%);
- for Financial Solutions & Expertise, the sensitivity of future cash flows, as forecast in the business plan, to a 5%-point fall in recurring net income combined with an increase in the target prudential ratio of 25 basis points would have a negative impact on the CGU's value of -5.8% and would have no impact in terms of impairment.

Note 4 Notes to the income statement

Key points

Net banking income (NBI) includes:

- interest income and expenses;
- fees and commissions;
- net gains or losses on financial instruments at fair value through profit or loss;
- net gains or losses on financial instruments at fair value through other comprehensive income;
- net gains or losses resulting from the derecognition of financial assets at amortized cost;
- net income from insurance businesses;
- income and expenses from other activities.

4.1 INTEREST AND SIMILAR INCOME AND EXPENSES

Accounting principles

Interest income and expenses are recognized in the income statement for all financial instruments measured at amortized cost using the Effective Interest Method, which include interbank and customer items, the portfolio of securities at amortized cost, subordinated debt and lease liabilities. This item also includes interest receivable on fixed income securities classified as financial assets at fair value through other comprehensive income and hedging derivatives, it being specified that accrued interest on cash flow hedging derivatives is taken to income in the same manner and period as the accrued interest on the hedged item.

Interest income also consists of interest on non-SPPI debt instruments not held under a trading model as well as interest on the related economic hedges (classified by default as instruments at fair value through profit or loss).

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The effective interest rate calculation takes account of all transaction fees paid or received as well as premiums and discounts. Transaction fees paid or received that are an integral part of the effective interest rate of the contract, such as loan set-up fees and commissions paid to financial partners, are treated as additional interest.

The Group has chosen the following option to account for negative interest:

- when income from a financial asset debt instrument is negative, it is deducted from interest income in the income statement;
- when income on a financial liability debt instrument is positive, it is deducted from interest expenses in the income statement.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Interest income	Interest expenses	Net	Interest income	Interest expenses	Net
Loans to/borrowings from banks	955	(558)	397	1,008	(730)	278
Loans to/borrowings from customers	5,292	(971)	4,321	4,930	(787)	4,143
Bonds and other debt securities held/issued	617	(4,210)	(3,593)	658	(3,971)	(3,313)
Subordinated debt		(663)	(663)		(672)	(672)
Lease liabilities[(1)]		(24)	(24)	///	///	///
Total financial assets and liabilities at amortized cost (excluding finance leases)	**6,864**	**(6,426)**	**438**	**6,596**	**(6,160)**	**436**
Finance leases	**343**	**///**	**343**	**364**	**(4)**	**360**
Debt securities	129		129	148		148
Financial assets at fair value through other comprehensive income	**129**		**129**	**148**		**148**
TOTAL FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST AND AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME[(2)]	**7,336**	**(6,426)**	**910**	**7,108**	**(6,164)**	**944**
Non-standard financial assets not held for trading	**91**		**91**	**123**		**123**
Hedging derivatives	**3,736**	**(3,626)**	**110**	**3,584**	**(3,328)**	**256**
Economic hedging derivatives	**484**	**(178)**	**306**	**263**	**(100)**	**163**
TOTAL INTEREST INCOME AND EXPENSES	**11,647**	**(10,230)**	**1,417**	**11,078**	**(9,592)**	**1,486**

(1) Information in respect of fiscal year 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 "Leases" in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 are presented in Note 2.2.

(2) Interest income from financial assets with a known credit risk (S3) amounted to €255 million in 2019 in financial assets at amortized cost.

4.2 FEE AND COMMISSION INCOME AND EXPENSES

Accounting principles

Under IFRS 15 "Revenue from Contracts with Customers", recognition of revenue from ordinary activities reflects the transfer of control of goods and services promised to customers in an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services. The recognition of this revenue calls for a five-step approach:

- identification of contracts with customers;
- identification of specific performance obligations (or items) to be recognized separately from one another;
- determination of the overall transaction price;
- allocation of the transaction price to the various specific performance obligations;
- recognition of revenue when performance obligations are met.

This approach applies to contracts entered into by an entity with its customers, with the exception of leases (covered by IFRS 16), 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.

This method primarily applies to the following Group activities:

- 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 (see Note 4.6), in particular for services included in leases.

As a result, fees and commissions are recorded based on the type of service rendered and on the method of accounting for the financial instruments to which the service relates.

This line includes mainly fees and commissions receivable or payable on recurring services (payment processing, custody fees, etc.) and occasional services (fund transfers, late payment penalties, etc.), fees and commissions receivable or payable on execution of significant transactions, and fees and commissions receivable or payable on trust assets held or managed on behalf of the Group's customers.

However, fees and commissions that form an integral part of the effective yield on a contract are recorded under "Net interest income".

Commissions on services

Commissions on services are analyzed to separately identify their different items (or performance obligations) and to assign the appropriate share of revenues to each item. Each item is then recorded in the income statement by type of service provided, and according to the method used to recognize the associated financial instrument:

- commissions payable or receivable on recurring services are deferred over the period in which the service is provided (payment processing, custody fees, etc.);
- commissions payable or receivable on occasional services are recognized in full in income when the service is provided (fund transfers, payment penalties, etc.);
- commissions payable or receivable on execution of a significant transaction are recognized in full in income on completion of the transaction.

When there is some uncertainty about the amount of a commission (incentive fee in asset management, variable financial engineering commission, etc.), only the amount that the Group is already certain to receive, given the information available at the end of the fiscal year, is recognized.

Fees and commissions that form an integral part of the effective yield on an instrument, such as fees on loan commitments given or loan set-up fees, are recognized and amortized as an adjustment to the effective interest rate over the estimated term of the applicable loan. These fees and commissions are recognized as "Interest income" rather than "Fee and commission income".

Fiduciary and similar fees and commissions are those that result in assets being held or invested on behalf of individual customers, pension schemes or other institutions. Trust-management services mainly cover asset management business and custody services on behalf of third parties.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	11	(63)	(52)	5	(50)	(45)
Customer transactions	902	(23)	879	945	(21)	924
Financial services	320	(619)	(299)	486	(747)	(261)
Sales of life insurance products	149	///	149	173	///	173
Payment services	485	(79)	406	443	(67)	376
Securities transactions	158	(133)	25	152	(173)	(22)
Trust management services[(1)]	4,038		4,038	3,868		3,868
Financial instruments and off-balance sheet transactions	148	(119)	29	193	(123)	70
Other fee and commission income/(expense)	131	(1,270)	(1,139)	113	(1,184)	(1,072)
TOTAL FEE AND COMMISSION INCOME AND EXPENSES	**6,342**	**(2,305)**	**4,036**	**6,377**	**(2,364)**	**4,013**

(1) O/w performance fees in the amount of €627 million (o/w €537 million for Europe) in 2019, versus €426 million (o/w €420 million for Europe) in 2018.

4.3 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

This item includes gains and losses (including the related interest) on financial assets and liabilities classified as held for trading or designated at fair value through profit or loss.

"Gains and losses on hedging transactions" include gains and losses arising from the revaluation of derivatives used as fair value hedges, as well as gains and losses from the revaluation of the hedged item in the same manner, the revaluation at fair value of the macro-hedged portfolio and the ineffective portion of cash flow hedges.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Gains and losses on financial instruments mandatorily recognized at fair value through profit or loss(1)	**5,701**	**300**
Gains and losses on financial instruments designated at fair value through profit or loss	**(3,743)**	**1,377**
• Gains and losses on financial assets designated at fair value through profit or loss	(10)	20
• Gains and losses on financial liabilities designated at fair value through profit or loss	(3,733)	1,357
Gains and losses on hedging transactions(2)	**(297)**	**(149)**
• Ineffective portion of cash flow hedges (CFH)	(2)	19
• Ineffective portion of fair value hedges (FVH)	(295)	(168)
Changes in fair value of fair value hedges	(205)	(12)
Changes in fair value of hedged items	(90)	(158)
Gains and losses on foreign exchange transactions	**192**	**184**
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,854**	**1,712**

(1) In 2019, "Gains and losses on financial instruments mandatorily recognized at fair value through profit or loss" included:

- impairments taken against the fair value of CDS entered into with monoline insurers: an increase of €2 million was recorded in 2019 versus a decrease of €40 million in 2018, taking cumulative impairment to €25 million at December 31, 2019 compared to €23 million at December 31, 2018;
- change in the fair value of derivatives, in the amount of -€132 million, arising from the difference in impairment for counterparty risk (Credit Valuation Adjustment – CVA), in the amount of +€50 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 +€137 million due to the inclusion of an adjustment for funding costs (Funding Valuation Adjustment – FVA);
- in 2019, market risks relating to certain transactions in the portfolio of derivatives in Asia were shifted to external counterparties. Simultaneously, reserves set aside on December 31, 2018 in the amount of €173 million were reversed in their entirety in 2019.

(2) "Gains and losses on hedging transactions" consist mainly of gains and losses recorded in the event of over-hedging in interest rate macro-hedging transactions, i.e. -€237 million in 2019 versus -€149 million in 2018 subsequent to the partial declassification of hedging relationships or due to the measured ineffectiveness. This over-hedging is caused mainly by the significant volume of loan renegotiations or prepayments observed in the current low interest rate environment.

DAY ONE PROFIT

in millions of euros	Fiscal year 2019	Fiscal year 2018
Day one profit at the start of the year	87	77
Deferred profit on new transactions	118	104
Profit recognized in income during the year	(84)	(94)
DAY ONE PROFIT AT YEAR-END	**122**	**87**

4.4 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Financial assets at fair value through other comprehensive income include:

- SPPI debt instruments managed under a hold to collect and sell business model at fair value through other comprehensive income recyclable to profit or loss. If they are sold, changes in fair value are taken to income;
- equity instruments at fair value through other comprehensive income not recyclable to profit or loss. In the event of disposal, changes in fair value are not transferred to profit or loss but are taken directly to retained earnings. Only dividends affect income when they correspond to a return on investment.

Gains and losses on SPPI debt instruments managed under a hold to collect and sell business model recognized at fair value through other comprehensive income recyclable to profit or loss include:

- income and expenses recognized in net interest income;
- net gains or losses on derecognized debt financial assets at fair value through other comprehensive income;
- impairment/reversals recognized in "Cost of credit risk";
- gains and losses recognized directly in other comprehensive income.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Net gains or losses on debt instruments	9	4
Net gains or losses on equity instruments (dividends)	94	67
TOTAL GAINS OR LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**103**	**72**

4.5 NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT AMORTIZED COST

Accounting principles

This item includes net gains or losses on financial assets at amortized cost arising from the derecognition of financial assets at amortized cost (loans and receivables, debt securities) and financial liabilities at amortized cost.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Gains	Losses	Net	Gains	Losses	Net
Loans or receivables due from banks	109	(60)	49	24		24
Loans or receivables due from customers		(8)	(8)		(2)	(2)
Debt securities	171	(161)	10	2		1
Gains and losses on financial assets at amortized cost	**280**	**(229)**	**51**	**25**	**(2)**	**23**
Amounts due to banks	66	(105)	(39)		(6)	(6)
Debt securities		(3)	(3)	9	(3)	7
Gains and losses on financial liabilities at amortized cost	**66**	**(108)**	**(42)**	**9**	**(8)**	**1**
TOTAL GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT AMORTIZED COST	**346**	**(337)**	**9**	**34**	**(10)**	**24**

4.6 INCOME AND EXPENSES FROM OTHER ACTIVITIES

Accounting principles

Income and expenses from other activities mainly include:

- income and expenses on investment property (rental income and expense, gains and losses on disposals, depreciation, amortization and impairment);
- income and expenses on operating leases;
- income and expenses on real estate development activities (revenues, purchases used).

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Income and expenses from real estate activities	3		3	3	(1)	2
Income and expenses from leasing transactions	343	(294)	49	30	(21)	9
Income and expenses from investment property	55	(6)	49	324	(293)	32
Share of joint ventures	*138*	*(92)*	*46*	*105*	*(87)*	*19*
Transfers of expenses and income	*1*	*(4)*	*(3)*	*5*	*(4)*	*1*
Other operating income and expenses	*766*	*(318)*	*447*	*718*	*(315)*	*403*
Net additions to/reversals from provisions to other operating income and expenses	*3*		*3*	*94*		*94*
Other banking income and expenses	908	(414)	493	923	(406)	516
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**1,308**	**(714)**	**594**	**1,280**	**(721)**	**559**

Income and expenses from insurance businesses are presented in Note 9.

4.7 OPERATING EXPENSES

Accounting principles

Operating expenses include mainly payroll costs (wages and salaries net of rebilled amounts), social security charges, and employee benefit expenses such as pension costs. Operating expenses also include the full amount of administrative expenses and external service costs.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Payroll costs	**(5,194)**	**(5,221)**
Taxes other than on income[1]	(475)	(469)
External services and other operating expenses	(2,512)	(2,720)
Other administrative costs	**(2,987)**	**(3,189)**
TOTAL OPERATING EXPENSES	**(8,181)**	**(8,140)**

(1) Taxes other than on income included, in particular, the contribution to the SRF (Single Resolution Fund) for an annual amount of €259 million (versus €238 million in 2018) and the systemic risk tax for an annual amount of €8 million (versus €25 million in 2018).

5

The breakdown of payroll costs is provided in Note 8.1.

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 €21 million. Contributions (which are non-refundable in the event of a voluntary withdrawal of approval to operate) represent €3 million.

Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets on the balance sheet total €18 million.

European directive 2014/59/EU (the Bank Recovery and Resolution Directive) which sets out a framework for the recovery and resolution of banks and investment firms, and European Regulation 806/2014 (the Single Resolution Mechanism (SRM) Regulation) set up a resolution fund from 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.

The Single Resolution Board set the level of contributions for 2019 in accordance with Delegated Regulation 2015/63 and Implementing Regulation 2015/81 supplementing the BRRD on *ex-ante* contributions to bank resolution financing mechanisms. The amount of contributions paid by the Group totaled €305 million, of which €259 million recognized as an expense and €46 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 €180 million at December 31, 2019.

4.8 GAINS OR LOSSES ON OTHER ASSETS

Accounting principles

This item includes gains and losses on disposals of property, plant and equipment and intangible assets, as well as gains and losses on disposals of consolidated investments in associates.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Gains or losses on disposals of property, plant and equipment and intangible assets used in operations	8	6
Gains or losses on disposals of consolidated investments	(15)	(2)
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**(7)**	**4**

In 2019, gains or losses on disposals of consolidated investments were predominantly related to the disposal of Natixis Brasil (-€15 million).

In 2018, gains or losses on disposals of consolidated investments were predominantly related to Axeltis and Selection 1818 (+€42 million). This capital gain was partially offset by the provision recorded for the disposal of BPCE International's African subsidiaries, carried out in 2019 (see Note 1.3).

Note 5 Notes to the balance sheet

5.1 CASH AND AMOUNTS DUE FROM CENTRAL BANKS

Accounting principles

This item mainly includes cash and assets held with central banks at amortized cost.

in millions of euros	12/31/2019	12/31/2018
Cash	51	39
Amount due from central banks	72,551	66,617
TOTAL CASH AND AMOUNTS DUE FROM CENTRAL BANKS	**72,602**	**66,656**

5.2 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

Financial assets and liabilities at fair value through profit or loss comprise instruments held for trading, including derivatives; certain assets and liabilities that the Group chose to recognize at fair value at their date of acquisition or issue using the fair value option available under IFRS 9; and non-SPPI assets.

Date of recognition

Securities are recorded in the balance sheet on the settlement-delivery date.

Temporary transfers of securities are also recorded on the settlement-delivery date.

When such transactions are recorded under "Assets and liabilities at fair value through profit or loss", the commitment is recorded as an interest rate derivative.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

5.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

Financial assets at fair value through profit or loss are:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the near term;
- financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IFRS 9. The qualifying criteria used when applying this option are described above;
- non-SPPI debt instruments;
- equity instruments measured by default at fair value through profit or loss (which are not held for trading purposes).

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, and gains or losses on disposals on these instruments are recognized in "Net gains or losses on financial instruments at fair value through profit or loss", with the exception of non-SPPI debt financial assets whose interest is recorded in "Interest income".

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments contracted by the Group to manage its risk exposure.

Assets designated at fair value through profit or loss

IFRS 9 allows entities to designate financial assets at fair value through profit or loss on initial recognition. However, an entity's decision to do so may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

This option may only be applied to eliminate or significantly reduce an accounting mismatch. Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments contracted by the Group to manage its risk exposure.

	12/31/2019				12/31/2018			
	Financial assets mandatorily recognized at fair value through profit or loss		Financial assets designated at fair value through profit or loss[1]		Financial assets mandatorily recognized at fair value through profit or loss		Financial assets designated at fair value through profit or loss[1]	
in millions of euros	Financial assets considered part of a trading activity	Other financial assets[2][3]		Total	Financial assets considered part of a trading activity	Other financial assets[2][3]		Total
Treasury bills and equivalent	6,451	2		6,452	5,015			5,016
Bonds and other debt securities	8,470	3,732	43	12,246	7,026	3,945		10,971
Debt securities	**14,921**	**3,734**	**43**	**18,698**	**12,041**	**3,945**		**15,986**
Loans to banks excluding repurchase agreements	13	1,003	2	1,019	10	1,079	2	1,090
Customer loans excluding repurchase agreements	4,599	1,853		6,452	3,874	2,107		5,981
Repurchase agreements[4]	83,002			83,002	84,638			84,638
Loans	**87,614**	**2,856**	**2**	**90,473**	**88,522**	**3,186**	**2**	**91,710**
Equity instruments	**36,160**	**880**	**///**	**37,040**	**22,761**	**792**	**///**	**23,553**
Trading derivatives[4]	**51,682**	**///**	**///**	**51,682**	**48,848**	**///**	**///**	**48,848**
Security deposits paid	14,953	///	///	14,953	16,214	///	///	16,214
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**205,331**	**7,470**	**45**	**212,847**	**188,386**	**7,923**	**2**	**196,311**

(1) Only in case of an accounting mismatch.
(2) Consisting of non-SPPI assets that fall outside the scope of a trading activity including units of UCITS and private equity investment funds presented in bonds and other debt securities (€3,031 million at December 31, 2019 vs. €2,972 million at December 31, 2018). Loans to customers include some structured loans to local authorities. This category also includes equity instruments the Group decided not to recognize through other comprehensive income for a total of €880 million at December 31, 2019.
(3) The criteria used by BPCE SA group to categorize financial assets at fair value through profit or loss if they do not meet the SPPI criterion are provided in Note 2.5.1.
(4) This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.18.1).

5.2.2 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting principles

These are financial liabilities held for trading or classified in this category on a voluntary basis at initial recognition using the fair value option available under IFRS 9. The trading book includes liabilities arising from short-selling transactions, repurchase agreements and derivative instruments. The qualifying criteria used when applying this option are described above.

These liabilities are measured at fair value at the date of initial recognition and at each balance sheet date.

Fair value fluctuations over the period, interest, and gains or losses related to these instruments are booked as "Net gains or losses on financial instruments at fair value through profit or loss", except for fair value fluctuations attributable to the change in own credit risk for financial liabilities at fair value through profit or loss, which have been booked, since January 1, 2016, in "Revaluation of own credit risk of financial liabilities designated at fair value through profit or loss" within "Gains and losses recognized directly in other comprehensive income". If the liability is derecognized before its maturity (early redemption, for example), fair value gains or losses attributable to own credit risk are directly transferred to retained earnings.

Financial liabilities designated at fair value through profit or loss

IFRS 9 allows entities to designate financial liabilities at fair value through profit or loss on initial recognition. However, an entity's decision to do so may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

In practice, this option may be applied only under the specific circumstances described below:

Elimination of or significant reduction in an accounting mismatch

Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy.

Harmonization of accounting treatment for management and performance measurement

The option applies for liabilities managed and measured at fair value, provided that such management is based on a formally documented risk management policy or investment strategy, and that internal monitoring also relies on a fair value measurement.

Hybrid financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid (combined) instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied to a financial liability when the embedded derivative substantially modifies the cash flows of the host contract and when the separate recognition of the embedded derivative is not specifically prohibited by IFRS 9 (*e.g.* an early redemption option embedded in a debt instrument). The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

This accounting treatment applies in particular to some structured debt issues containing material embedded derivatives.

Financial liabilities in the trading book include liabilities arising from short-selling transactions, repurchase agreements and derivative instruments.

in millions of euros	12/31/2019 Financial liabilities issued for trading	12/31/2019 Financial liabilities designated at fair value through profit or loss	12/31/2019 Total	12/31/2018 Financial liabilities issued for trading	12/31/2018 Financial liabilities designated at fair value through profit or loss	12/31/2018 Total
Short sales	18,555	///	18,555	20,774	///	20,774
Trading derivatives[(1)]	50,525	///	50,525	49,450	///	49,450
Interbank term accounts and loans		144	143		131	131
Customer term accounts and loans		139	139	2	123	125
Non-subordinated debt securities	297	26,254	26,550	301	24,176	24,476
Subordinated debt	///	100	100	///	100	100
Repurchase agreements[(1)]	95,548	///	95,548	90,582	///	90,582
Guarantee deposits received	13,119	///	13,119	11,187	///	11,187
Other	///	3,699	3,699	///	4,389	4,389
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**178,044**	**30,335**	**208,379**	**172,296**	**28,919**	**201,214**

(1) This information is presented in consideration of netting effects, in accordance with IAS 32 (see Note 5.18.2).

These liabilities are measured at fair value on the reporting date with changes in value, including coupon, recorded in the "Net gains or losses on financial instruments at fair value through profit or loss" line on the income statement, with the exception of changes in fair value attributable to own credit risk associated with financial liabilities designated at fair value through profit or loss, which are recognized in "Revaluation of own credit risk on financial liabilities recognized at fair value through profit or loss" in accordance with IFRS 9.

Conditions for designating financial liabilities at fair value through profit or loss

At Group level, financial liabilities designated at fair value through profit or loss are mostly held by Natixis. They mostly comprise issues originated and structured for customers and for which the risks and hedges are managed collectively. These issues include significant embedded derivatives for which changes in value are offset by those of the derivative instruments hedging them.

Financial liabilities accounted for under the fair value option, excluding Natixis, also include some structured debt issues and structured deposits containing embedded derivatives (*e.g.* structured medium-term notes and equities for personal savings plans).

in millions of euros	12/31/2019 Accounting mismatches	12/31/2019 Fair value measurement	12/31/2019 Embedded derivatives	12/31/2019 Financial liabilities designated at fair value through profit or loss
Interbank term accounts and loans	54		90	144
Customer term accounts and loans			139	139
Non-subordinated debt securities	20,570		5,684	26,254
Subordinated debt			100	100
Other	3,699			3,699
TOTAL	**24,322**		**6,013**	**30,335**

Financial liabilities designated at fair value through profit or loss and credit risk

	12/31/2019			12/31/2018		
in millions of euros	Carrying amount	Contractual amount due at maturity	Difference between the carrying amount and the contractual amount due at maturity	Carrying amount	Contractual amount due at maturity	Difference between the carrying amount and the contractual amount due at maturity
Interbank term accounts and loans	144	132	12	131	119	12
Customer term accounts and loans	139	140	(1)	123	126	(3)
Non-subordinated debt securities	26,254	25,327	927	24,176	26,480	(2,304)
Subordinated debt	100	100		100	101	(1)
Other	3,699	3,699		4,389	4,389	
TOTAL	**30,335**	**29,397**	**938**	**28,919**	**31,215**	**(2,296)**

The total amount of changes in fair value reclassified to "Retained earnings" during the period essentially concerns redemptions of debt securities classified as "Financial liabilities designated at fair value through profit or loss" and amounted to -€1 million at December 31, 2019.

The amount contractually due on loans at maturity comprises the outstanding principal amount at the balance sheet date plus accrued interest not yet due. In the case of securities, the redemption value is generally used.

Revaluations attributable to own credit risk (valuation of own credit risk) amounted to €136 million (o/w +€137 million for debt securities) at December 31, 2019. Changes in these amounts are recorded in non-recyclable gains and losses recognized directly in other comprehensive income.

5.2.3 TRADING DERIVATIVES

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognized on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Trading derivatives are recognized on the balance sheet under "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss". Realized and unrealized gains and losses are taken to income on the "Net gains or losses on financial instruments at fair value through profit or loss" line.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments. Positive or negative fair values represent the replacement value of these instruments. These values may vary significantly depending on changes in market parameters.

5

	12/31/2019			12/31/2018		
in millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate derivatives	3,197,581	25,591	21,632	3,123,909	20,835	18,948
Equity derivatives	131,223	1,701	3,078	116,631	3,526	3,634
Currency derivatives	663,250	7,584	7,105	729,349	8,194	7,385
Other instruments	46,970	193	227	46,815	177	408
Forward transactions	**4,039,024**	**35,069**	**32,042**	**4,016,704**	**32,732**	**30,376**
Interest rate derivatives	541,624	10,031	11,246	650,049	8,766	10,663
Equity derivatives	110,874	1,648	1,746	151,346	2,704	3,524
Currency derivatives	253,014	4,030	4,299	262,689	3,913	3,980
Other instruments	46,021	302	374	49,179	310	350
Options	**951,533**	**16,011**	**17,665**	**1,113,264**	**15,695**	**18,517**
Credit derivatives	**30,043**	**602**	**818**	**36,052**	**421**	**557**
TOTAL TRADING DERIVATIVES	**5,020,600**	**51,682**	**50,525**	**5,166,020**	**48,848**	**49,450**
o/w on organized markets	*447,359*	*1,458*	*917*	*756,400*	*1,712*	*2,714*
o/w over-the-counter transactions	*4,573,241*	*50,224*	*49,608*	*4,409,620*	*47,136*	*46,736*

5.3 HEDGING DERIVATIVES

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognized on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Changes in the fair value of derivatives are recognized in income for the period, except for derivatives qualifying as cash flow hedges or as hedges of net investments in foreign operations for accounting purposes.

Derivatives may only be designated as hedges if they meet the criteria set out in IAS 39 at inception and throughout the term of the hedge. These criteria include formal documentation that the hedging relationship between the derivatives and the hedged items is both prospectively and retrospectively effective.

Fair value hedges mainly consist of interest rate swaps that protect fixed rate financial instruments against changes in fair value attributable to changes in market rates of interest. They transform fixed rate assets or liabilities into floating rate instruments and include mostly hedges of fixed rate loans, securities, deposits and subordinated debt.

Fair value hedging is also used to manage the overall interest rate risk position.

Cash flow hedges fix or control the variability of cash flows arising from floating rate instruments. Cash flow hedging is also used to manage the overall interest rate risk position.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments.

The hedging relationship qualifies for hedge accounting if, at the inception of the hedge, there is formal documentation of the hedging relationship identifying the hedging strategy, the type of risk hedged, the designation and characteristics of the hedged item and the hedging instrument. In addition, the effectiveness of the hedge must be demonstrated at inception and subsequently verified.

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Groupe BPCE used the option available in IFRS 9 not to apply the provisions of the standard relative to hedge accounting, and to continue to apply IAS 39 as adopted by the European Union for the recognition of these transactions, *i.e.* excluding certain provisions relating to macro-hedging.

Fair value hedges

Fair value hedges are intended to reduce exposure to changes in the fair value of an asset or liability carried on the balance sheet, or of a firm commitment, in particular the interest rate risk on fixed rate assets and liabilities.

The gain or loss on the revaluation of hedging instruments attributable to the risk being hedged is recognized in income in the same manner as the gain or loss on the hedged item. The ineffective portion of the hedge, if any, is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging instrument is taken to income in the same manner as the accrued interest on the hedged item.

Where identified assets or liabilities are hedged, the revaluation of the hedged component is recognized on the same line of the balance sheet as the hedged item.

The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account when calculating the effectiveness of a hedge.

If a hedging relationship ceases (investment decision, failure to fulfill effectiveness criteria, or because the hedged item is sold before maturity), the hedging instrument is transferred to the trading book. The revaluation difference recorded in the balance sheet in respect of the hedged item is amortized over the residual life of the initial hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the revaluation gain or loss is recognized in income for the period.

Cash flow hedges

The purpose of cash flow hedges is to hedge the exposure to the variability of cash flow that is attributable to a particular risk associated with a recognized asset or liability or with a future transaction (hedge of interest rate risk on floating rate assets or liabilities, hedge of conditions relating to future transactions such as future fixed interest rates, future prices, exchange rates, etc.).

The portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized on a separate line of "Gains and losses recognized directly in other comprehensive income". The ineffective portion of the gain or loss on the hedging instrument is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging instrument is taken to income under interest income in the same manner as the accrued interest on the hedged item.

The hedged items are accounted for using the treatment applicable to their specific asset category.

If a hedging relationship ceases (because the hedge no longer meets the effectiveness criteria, the derivative is sold or the hedged item ceases to exist), the cumulative amounts recognized in other comprehensive income are transferred to the income statement as and when the hedged item impacts profit or loss, or immediately if the hedged item ceases to exist.

Special case: portfolio hedging (macro-hedging)

Documentation as cash flow hedges

Some Group institutions document their macro-hedging of interest rate risk as cash flow hedges (hedging of portfolios of loans or borrowings).

In this case, the portfolios of assets or liabilities that may be hedged are, for each maturity band:

- floating rate assets and liabilities; the entity incurs a risk of variability in future cash flows from floating rate assets or liabilities insofar as future interest rate levels are not known in advance;
- future transactions deemed to be highly probable (forecasts): assuming total outstandings remain constant, the entity is exposed to the risk of variability in future cash flows on future fixed rate loans insofar as the interest rate at which the loan will be granted is not yet known. Similarly, the Group may be exposed to the risk of variability in future cash flows on the funding that it will need to raise in the market.

Under IAS 39, hedges of an overall net position of fixed rate assets and fixed rate liabilities with similar maturities do not qualify for hedge accounting. The hedged item is therefore deemed to be equivalent to a share of one or more portfolios of identified floating rate instruments (portion of deposit outstandings or floating rate loans); the effectiveness of the hedges is measured by creating a hypothetical instrument for each maturity band and comparing its changes in fair value from inception to those for the documented hedging derivatives.

The characteristics of this instrument model those of the hedged item. Effectiveness is then assessed by comparing the changes in value of the hypothetical instrument with the actual hedging instrument. This method requires the preparation of a maturity schedule.

The effectiveness of the hedge must be shown prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test calculates the retrospective effectiveness of a hedge initiated at various balance sheet dates.

At each balance sheet date, changes in the fair value of hedging instruments, excluding accrued interest, are compared with those of hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealized gain or loss recognized in other comprehensive income is transferred immediately to profit or loss.

When the hedging relationship ceases, if the hedged item is still shown on the balance sheet, or if it is still highly probable, unrealized cumulative gains and losses are recognized in other comprehensive income on a straight-line basis. If the derivative has not been canceled, it is reclassified as a trading derivative, and subsequent changes in its fair value are recognized in income.

Documentation as fair value hedges

Some of the Group's institutions document their macro-hedging of interest rate risk as fair value hedges by applying the carve-out arrangements under IAS 39 as adopted by the European Union.

The version of IAS 39 adopted for use by the European Union does not include certain hedge accounting provisions that appear incompatible with the strategies implemented by European banks to reduce their overall exposure to interest rate risk. In particular, this carve-out allows the Group to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). The Group mainly uses plain vanilla interest rate swaps designated at inception as fair value hedges of fixed rate deposits or loans.

Macro-hedging derivatives are accounted for in the same manner as derivatives used to hedge the fair value of specific transactions (micro-hedging).

In a macro-hedging relationship, gains and losses on the revaluation of the hedged item are recorded in "Revaluation differences on interest rate risk-hedged portfolios", under balance sheet assets for hedges of a portfolio of financial assets and under balance sheet liabilities for hedges of a portfolio of financial liabilities.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed rate portfolio. The ineffective portion relating to the dual-curve valuation of collateralized derivatives is taken into account.

Effectiveness is tested in two ways:

- asset-based testing: for plain vanilla swaps designated as hedging instruments at inception, the Group verifies that no over-hedging exists both prospectively at the date the hedging relationship is designated and retrospectively at each balance sheet date;
- quantitative testing: for other swaps, the change in the fair value of the actual swap must offset the changes in the fair value of a hypothetical instrument that exactly reflects the underlying hedged item. These tests are conducted prospectively at the date the instrument is designated as a hedge and retrospectively at each balance sheet date.

If a hedging relationship ceases, the revaluation adjustment is amortized on a straight-line basis over the remaining term of the initial hedge, if the hedged item has not been derecognized. It is taken directly to income if the hedged item is no longer recorded in the balance sheet. In particular, derivatives used for macro-hedging may be disqualified for hedge accounting purposes when the nominal amount of the hedged items falls below the notional amount of the hedging instruments, for example in the case of the prepayment of loans or the withdrawal of deposits.

Hedges of net investments in foreign operations

A net investment in a foreign operation is the amount of the investment held by the consolidating entity in the net assets of the operation.

The purpose of a hedge of a net investment in a foreign operation is to minimize the foreign exchange effect for a consolidating entity of an investment in an entity whose functional currency is different from the presentation currency of the consolidating entity's financial statements. Net investment hedges are accounted for in the same manner as cash flow hedges.

Unrealized gains and losses initially recognized in other comprehensive income are taken to income when the net investment is sold in full or in part (or when partially sold with loss of control).

Fair value hedges mainly consist of interest rate swaps that protect fixed rate financial instruments against changes in fair value attributable to changes in market rates of interest. They transform fixed rate assets or liabilities into floating rate instruments

Fair value macro-hedges are used to manage the overall interest rate risk position, in particular to hedge:

- fixed rate loan portfolios;
- demand deposits;
- PEL home savings deposits;
- the inflation component of Livret A passbook savings accounts.

Fair value micro-hedges are notably used to hedge:

- fixed rate liabilities;
- fixed rate liquidity reserve securities and inflation-indexed securities.

Cash flow hedges fix or control the variability of cash flows arising from floating rate instruments. Cash flow hedging is also used to manage the overall interest rate risk position.

Cash flow hedges are mainly used to:

- hedge floating rate liabilities;
- hedge the risk of changes in value of future cash flows on liabilities;
- provide macro-hedging of floating rate assets.

The main causes of ineffective hedging are related to:

- ineffective dual-curve valuations: the value of collateralized derivatives (with margin calls yielding EONIA) is based on the EONIA discount curve, while the value of the hedged component of items covered by fair value hedges is calculated using a Euribor discount curve;
- the time value of options;
- over-hedging for asset-based testing of macro-hedges (notional amounts of hedging derivatives higher than the nominal amount of the hedged items, in particular where prepayments on the hedged items were higher than expected);
- credit value adjustments and debit value adjustments linked to credit risk and own credit risk on derivatives;
- differences in interest rate fixing dates between the hedged item and the hedge.

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in financial instruments and do not reflect the market risks associated with such instruments.

in millions of euros	12/31/2019 Notional amount	12/31/2019 Positive fair value	12/31/2019 Negative fair value	12/31/2018 Notional amount	12/31/2018 Positive fair value	12/31/2018 Negative fair value
Interest rate derivatives	361,134	6,450	7,246	361,086	5,906	6,373
Currency derivatives(1)	85	354	1,009	13,674	583	1,958
Forward transactions	**361,219**	**6,804**	**8,255**	**374,760**	**6,489**	**8,331**
Interest rate derivatives	2,896	2	1	3,108	7	1
Options	**2,896**	**2**	**1**	**3,108**	**7**	**1**
Fair value hedges	**364,115**	**6,806**	**8,257**	**377,868**	**6,496**	**8,333**
Interest rate derivatives	21,361	63	325	19,471	58	256
Currency derivatives(1)	20,539	1,004	1,531	15,137	599	769
Forward transactions	**41,900**	**1,067**	**1,856**	**34,608**	**657**	**1,025**
Cash flow hedges	**41,900**	**1,067**	**1,856**	**34,608**	**657**	**1,025**
TOTAL HEDGING INSTRUMENTS	**406,014**	**7,873**	**10,113**	**412,476**	**7,153**	**9,357**

(1) Currency swaps are documented both as interest rate fair value hedges and as currency cash flow hedges. Total fair value is nevertheless recorded under currency derivatives. In 2018, these derivatives were mainly recorded under currency fair value hedges and are now mainly recorded under currency cash flow hedges in order to better reflect the weight of the currency component (associated with the cash flow hedge) in total fair value.

All hedging derivatives are included in "Hedging derivatives" in balance sheet assets and liabilities.

MATURITY OF THE NOTIONAL AMOUNT OF HEDGING DERIVATIVES AT DECEMBER 31, 2019

in millions of euros	12/31/2019 < 1 year	12/31/2019 1 to 5 years	12/31/2019 6 to 10 years	12/31/2019 > 10 years	12/31/2018 < 1 year	12/31/2018 1 to 5 years	12/31/2018 6 to 10 years	12/31/2018 > 10 years
Interest rate risk hedging	**49,070**	**153,928**	**93,903**	**88,489**	**63,356**	**147,733**	**85,444**	**87,133**
Cash flow hedges	745	4,551	6,810	9,255	994	4,187	5,020	9,270
Fair value hedges	48,325	149,377	87,094	79,233	62,362	143,546	80,424	77,863
Currency risk hedging	**1,130**	**10,248**	**6,016**	**3,230**	**447**	**9,423**	**13,156**	**5,784**
Cash flow hedges(1)	1,118	10,248	6,016	3,157		3,144	9,541	2,451
Fair value hedges(1)	12			73	447	6,279	3,615	3,333
TOTAL	**50,200**	**164,177**	**99,920**	**91,718**	**63,803**	**157,156**	**98,600**	**92,917**

(1) Currency swaps are documented both as interest rate fair value hedges and as currency cash flow hedges. Total fair value is nevertheless recorded under currency derivatives. In 2018, these derivatives were mainly recorded under currency fair value hedges and are now mainly recorded under currency cash flow hedges in order to better reflect the weight of the currency component (associated with the cash flow hedge) in total fair value.

5

HEDGED ITEMS

Fair value hedges

	Fair value hedges				
	12/31/2019				
	Interest rate risk hedging			Currency risk hedging	
in millions of euros	Carrying amount	o/w revaluation of the hedged component[1]	Hedged component remaining to be recognized[2]	Carrying amount	o/w revaluation of the hedged component[1]
ASSETS					
Financial assets at fair value through other comprehensive income	**12,679**	**97**		**8**	
Debt securities	12,471	97			
Shares and other equity instruments	209			8	
Financial assets at amortized cost	**100,359**	**7,592**	**299**	**5,177**	**979**
Loans or receivables due from banks	27,768	462		552	
Loans or receivables due from customers	67,959	5,933		91	17
Debt securities	4,632	1,197	299	4,533	962
LIABILITIES					
Financial liabilities at amortized cost	**133,719**	**6,589**	**309**	**7,734**	**424**
Amounts due to banks	20,343	212			
Amounts due to customers	2,132	(1)			
Debt securities	96,448	5,584	309	6,710	424
Subordinated debt	14,796	794		1,024	6
TOTAL – FAIR VALUE HEDGES	**246,757**	**14,278**	**608**	**12,918**	**1,403**

(1) Excluding accrued interest.
(2) Declassification, end of hedging relationship.

The ineffective portion of hedging for the period is presented in Note 4.3 "Gains and losses on financial assets and liabilities at fair value through profit or loss" or in Note 4.4 "Gains and losses recognized directly in other comprehensive income".

	Fair value hedges				
	12/31/2018				
	Interest rate risk hedging			Currency risk hedging	
in millions of euros	Carrying amount	o/w revaluation of the hedged component[1]	Hedged component remaining to be recognized[2]	Carrying amount	o/w revaluation of the hedged component[1]
ASSETS					
Financial assets at fair value through other comprehensive income	**12,074**	**(89)**		**8**	
Debt securities	12,074	(89)			
Shares and other equity instruments				8	
Financial assets at amortized cost	**108,975**	**6,067**	**353**	**5,486**	**982**
Loans or receivables due from banks	22,112	386		533	
Loans or receivables due from customers	82,226	4,646	3	97	16
Debt securities	4,637	1,035	350	4,856	966
LIABILITIES					
Financial liabilities at amortized cost	**128,493**	**4,699**	**387**	**14,141**	**396**
Amounts due to banks	20,292	267		195	
Amounts due to customers	8,242	(1)			
Debt securities	88,371	3,929	387	9,813	396
Subordinated debt	11,589	504		4,133	
TOTAL – FAIR VALUE HEDGES	**249,542**	**10,677**	**740**	**19,635**	**1,379**

(1) Excluding accrued interest.
(2) Declassification, end of hedging relationship.

Cash flow hedges

	12/31/2019			
in millions of euros	Fair value of the hedging derivative	o/w effective portion of hedges not due[2]	o/w ineffective portion	Balance of hedges due and remaining to be recognized[1]
Interest rate risk hedging	(263)	(249)	(13)	0
Currency risk hedging	(526)	(538)	12	0
TOTAL – CASH FLOW HEDGES	**(789)**	**(786)**	**(1)**	**0**

(1) Declassification, end of hedging relationship.
(2) Booked to other items recognized in other comprehensive income or to profit or loss for the recycled portion with a corresponding entry to hedged items.

At December 31, 2018, the fair value of hedging derivatives was -€369 million, o/w an effective portion of -€385 million and an ineffective portion of €17 million. The balance of hedges due and remaining to be recognized stood at €57 million.

The ineffective portion of the hedge is recorded in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss", see Note 4.3.

The "Cash flow hedges" reserve corresponds to the effective portion of hedges not due and the balance of hedges that are due and remaining to be recognized, before tax, including the portion attributable to non-controlling interests.

Recycling from "Cash flow hedges" to profit or loss is included either in net interest income or in income on derecognition of the hedged item in the same way as the line impacted by the hedged item.

Cash flow hedges – Details of other items recognized in other comprehensive income

in millions of euros	01/01/2019	Change in the effective portion	Reclassification of the effective portion in income	Hedged item partially or fully extinguished	12/31/2019
Amount of equity for cash flow hedging	(414)	38	18	6	(352)
TOTAL	**(414)**	**38**	**18**	**6**	**(352)**

At December 31, 2018, the change in the effective portion amounted to +€6 million, the reclassification of the effective portion to profit or loss to +€51 million and the partially or totally hedged item to +€6 million.

5

5.4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Financial assets at fair value through other comprehensive income are initially recognized at fair value, plus any transaction costs.

Debt instruments measured at fair value through other comprehensive income recyclable to profit or loss

On the balance sheet date, these instruments are carried at their fair value and changes in fair value (excluding accrued interest) are recorded under "Gains and losses recognized directly in other comprehensive income recyclable to profit or loss" (as the foreign currency assets are monetary assets, changes in the fair value of the foreign currency component affect income). The principles used to determine fair value are described in Note 10.

These instruments are subject to IFRS 9 impairment requirements. Information about credit risk is provided in Note 7.1. If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on debt instruments is recorded under "Interest and similar income" based on the effective interest method. This method is described in Note 5.5 – Assets at amortized cost.

Equity instruments measured at fair value through other comprehensive income not recyclable to profit or loss

On the balance sheet date, these instruments are carried at their fair value and changes in fair value are recorded under "Gains and losses recognized directly in other comprehensive income not recyclable to profit or loss" (as the foreign currency assets are not monetary assets, changes in the fair value of the foreign currency component do not affect income). The principles used to determine fair value are described in Note 10.

The designation at fair value through other comprehensive income not recyclable to profit or loss is an irrevocable option that is applied on an instrument-by-instrument basis only to equity instruments not held for trading purposes. Realized and unrealized losses continue to be recorded in other comprehensive income with no impact on income. These financial assets are not impaired.

In the event of disposal, changes in fair value are not transferred to profit or loss but are taken directly to retained earnings.

Only dividends affect income when they correspond to a return on investment. They are recorded in "Net gains or losses on financial instruments at fair value through other comprehensive income" (Note 4.4).

in millions of euros	12/31/2019	12/31/2018
Loans and receivables	41	24
Debt securities	15,545	14,638
Shares and other equity securities[(1)(2)]	1,530	1,071
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**17,116**	**15,733**
o/w impairment for expected credit losses[(3)]		(1)
o/w gains and losses recognized directly in other comprehensive income (before tax)[(4)]	(33)	(167)
• *Debt instruments*	*29*	*(8)*
• *Equity instruments*	*(62)*	*(159)*

(1) Equities and other equity securities include strategic equity interests and certain long-term private equity securities. As these securities are not held for sale, their classification as equity instruments designated at fair value through other comprehensive income is appropriate.
(2) In fiscal year 2019, Natixis Investment Managers acquired stakes in asset management company Fiera Capital for €85 million and in US asset management company WCM Investment Management for €253 million.
(3) Details are provided in Note 7.1.1.
(4) Including the portion attributable to non-controlling interests (+€7 million at December 31, 2019, compared with -€10 million at December 31, 2018).

EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting principles

Equity instruments designated at fair value through other comprehensive income can include:

- investments in associates;
- shares and other equity securities.

On initial recognition, equity instruments designated at fair value through other comprehensive income are carried at fair value plus any transaction costs.

On following accounting dates, changes in the fair value of the instrument are recognized in other comprehensive income (OCI).

These changes in fair value that accrue to other comprehensive income will not be reclassified to profit or loss in subsequent years (other comprehensive income not recyclable to profit or loss).

Dividends are only taken to income when they meet the required conditions.

	12/31/2019				12/31/2018			
		Dividends recognized over the period	Derecognition over the period			Dividends recognized over the period	Derecognition over the period	
in millions of euros	Fair value	Equity instruments held at the end of the period	Fair value at the disposal date	Total profit or loss at the disposal date	Fair value	Equity instruments held at the end of the period	Fair value at the disposal date	Total profit or loss at the disposal date
Investments in associates	1,495	94	14	2	1,035	68	18	(4)
Shares and other equity securities	35			(9)	36		4	(1)
TOTAL	**1,529**	**94**	**14**	**(7)**	**1,071**	**68**	**22**	**(5)**

5.5 ASSETS AT AMORTIZED COST

Accounting principles

Assets at amortized cost are SPPI financial assets managed under a hold to collect business model. Most loans originated by the Group are classified in this category. Information about credit risk is provided in Note 7.1.

Financial assets at amortized cost include loans and receivables due from banks and customers as well as securities at amortized cost such as treasury bills and bonds.

Loans and receivables are initially recorded at fair value plus any costs and less any income directly related to the arrangement of the loan or to the issue.

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.

On subsequent balance sheet dates, these financial assets are measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the carrying amount of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to issue or implementation 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.

Loan renegotiations and restructuring

When contracts are modified, IFRS 9 requires the identification of financial assets that are renegotiated, restructured or otherwise modified (whether or not as a result of financial hardship), but not subsequently derecognized. Any profit or loss arising from the modification of a contract is recognized in income. The gross carrying amount of the financial asset must be recalculated so it is equal to the present value of the renegotiated or amended contractual cash flows at the initial effective interest rate. The materiality of the modifications is, however, analyzed on a case by case basis.

The treatment of loans restructured due to financial hardship is similar under IFRS 9 as under IAS 39: a discount is applied to loans restructured following a credit loss event (impaired, Stage 3) to reflect the difference between the present value of the contractual cash flows expected at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of credit risk" in the income statement and offset against the corresponding item on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. If the discount is immaterial, the effective interest rate on the restructured loan is adjusted and no discount is recognized.

The restructured loan is reclassified as performing (not impaired, Stage 1 or Stage 2) when no uncertainty remains as to the borrower's capacity to honor the commitment.

For substantially restructured loans (for example, the conversion of all or part of a loan into an equity instrument), the new instruments are booked at fair value and the difference between the carrying amount of the derecognized loan (or portion of the loan) and the fair value of the assets received in exchange is taken to income under "Cost of credit risk". Any impairment previously recorded on the loan is adjusted and fully reversed if the loan is fully converted into a new asset.

Fees and commissions

Costs directly attributable to the arrangement of loans are external costs which consist primarily of commissions paid to third parties such as business provider fees.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more probable than improbable that the loan will be drawn down). Commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

Date of recognition

Securities are recorded in the balance sheet on the settlement-delivery date.

Temporary transfers of securities are also recorded on the settlement-delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

For repurchase transactions, a loan commitment given is recorded between the transaction date and the settlement-delivery date.

5.5.1 SECURITIES AT AMORTIZED COST

in millions of euros	12/31/2019	12/31/2018
Treasury bills and equivalent	4,365	4,182
Bonds and other debt securities	10,862	11,471
Impairment for expected credit losses	(182)	(154)
TOTAL SECURITIES AT AMORTIZED COST	**15,045**	**15,499**

The fair value of securities at amortized cost is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.5.2 LOANS AND RECEIVABLES DUE FROM BANKS AND SIMILAR AT AMORTIZED COST

in millions of euros	12/31/2019	12/31/2018
Current accounts with overdrafts	6,185	7,278
Repurchase agreements	2,008	2,089
Accounts and loans[1]	116,599	115,817
Other loans or receivables due from banks	631	812
Security deposits paid	4,002	3,317
Impairment for expected credit losses	(52)	(51)
TOTAL LOANS AND RECEIVABLES DUE FROM BANKS	**129,373**	**129,262**

(1) Livret A, LDD and LEP savings accounts centralized with Caisse des Dépôts et Consignations and recorded under "Accounts and loans" amounted to €239 million at December 31, 2019 versus €247 million at December 31, 2018.

Receivables arising from transactions with the networks came in at €116,380 million at December 31, 2019 (compared to €119,632 million at December 31, 2018).

The fair value of loans and receivables due from banks and similar is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.5.3 LOANS AND RECEIVABLES DUE FROM CUSTOMERS AT AMORTIZED COST

in millions of euros	12/31/2019	12/31/2018
Current accounts with overdrafts	**3,630**	**4,318**
Other facilities granted to customers	**168,350**	**166,911**
Loans to financial sector customers	9,738	7,444
Short-term credit facilities	37,742	31,459
Equipment loans	25,034	25,238
Home loans	54,884	57,949
Export loans	3,523	3,562
Repurchase agreements	5,953	7,505
Finance leases	12,902	12,191
Subordinated loans	108	186
Other loans	18,466	21,377
Other loans or receivables due from customers	**8,476**	**8,778**
Security deposits paid	**165**	**172**
Gross loans and receivables due from customers	**180,620**	**180,180**
Impairment for expected credit losses	(3,343)	(3,025)
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**177,277**	**177,155**

The fair value of loans and receivables due from customers is presented in Note 10.

The classification of outstanding loans and impairment for credit losses by impairment Stage is detailed in Note 7.1.

5.6 ACCRUED INCOME AND OTHER ASSETS

in millions of euros	12/31/2019	12/31/2018
Collection accounts	482	481
Prepaid expenses	336	251
Accrued income	293	347
Other accruals	1,667	1,759
Accrued income and prepaid expenses	**2,778**	**2,838**
Settlement accounts in debit on securities transactions	132	319
Other obligors	13,966	14,550
Other assets	**14,098**	**14,869**
TOTAL ACCRUED INCOME AND OTHER ASSETS	**16,876**	**17,707**

5.7 NON-CURRENT ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Accounting principles

Where a decision is made to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately on the balance sheet on the "Non-current assets held for sale" line. Any liabilities associated with these assets are also shown separately on the balance sheet on the "Liabilities associated with non-current assets held for sale" line.

Once classified in this category, non-current assets are no longer depreciated/amortized and are measured at the lowest of their carrying amount or fair value less sales costs. Financial instruments continue to be measured in accordance with IFRS 9.

A non-current asset (or group of assets) is held for sale when its carrying amount is recovered by its sale. The asset (or group of assets) must be immediately available for sale and it must be highly likely that the sale will be completed within the next twelve months.

At December 31, 2018, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" related to the assets and liabilities of BPCE International's African subsidiaries and the assets and liabilities of subsidiary Banco Primus.

In fiscal year 2019, BPCE International's subsidiaries in Sub-Saharan Africa were sold (see Note 1.3). Furthermore, lacking the approval of the Portuguese authorities, Groupe BPCE elected to no longer use IFRS 5 classification for the assets and liabilities of subsidiary Banco Primus. Lastly, at June 30, 2019 Groupe BPCE had considered that its investment in Fidor Bank AG was no longer a strategic asset and had initiated a disposal process, automatically presenting the entity's assets and liabilities in accordance with IFRS 5. In the second half of 2019, as the prospect of selling the entity within 12 months had become less probable, these assets and liabilities were reclassified in the consolidated balance sheet.

At December 31, 2019, "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" thus included the assets and liabilities of Banque Tuniso-Kowetienne in the process of being sold.

Figures relating to the entities held for sale are shown below:

in millions of euros	12/31/2019	12/31/2018
Cash and amounts due from central banks	15	564
Financial assets at fair value through profit or loss		1
Financial assets at fair value through other comprehensive income	47	159
Securities at amortized cost		26
Loans and receivables due from banks and similar at amortized cost	72	150
Loans and receivables due from customers at amortized cost	403	4,930
Current tax assets	1	13
Deferred tax assets	10	97
Accrued income and other assets	10	89
Investment property	12	14
Property, plant and equipment	6	90
Intangible assets	2	7
Goodwill		27
NON-CURRENT ASSETS HELD FOR SALE	**578**	**6,167**
Debt securities	29	92
Amounts due to banks and similar	161	310
Amounts due to customers	282	4,346
Current tax liabilities		9
Deferred tax liabilities	12	12
Accrued expenses and other liabilities	28	144
Provisions	12	58
Subordinated debt	4	4
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**528**	**4,975**

5.8 INVESTMENT PROPERTY

Accounting principles

In accordance with IAS 40, investment property is property held to earn rent or for capital appreciation, or both.

The accounting treatment for investment property is identical to that used for property, plant and equipment for all Group entities except for certain insurance entities, which recognize the property they hold as insurance investments at fair value, with any adjustment to fair value recorded in income. Fair value is calculated using a multi-criteria approach, by capitalizing rent at market rates and through comparisons with market transactions.

The fair value of the Group’s investment property is based on regular expert valuations, except in special cases significantly affecting the value of the relevant asset.

Investment property leased under an operating lease may have a residual value that will reduce the depreciable amount of the asset.

Gains or losses on the disposal of investment property are recognized in income on the “Net income or expenses on other activities” line, with the exception of insurance businesses, which are recognized in “Income from insurance businesses”.

	12/31/2019			12/31/2018		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Property recognized at historic cost	215	(142)	73	254	(158)	96
TOTAL INVESTMENT PROPERTY			**73**			**96**

Investment property held by the insurance subsidiaries is reported with insurance investments (see Note 9).

The fair value of investment property came to €112 million at December 31, 2019 (*vs.* €143 million at December 31, 2018).

The fair value of investment property is classified in Level 3 of the fair value hierarchy in accordance with IFRS 13.

5.9 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Accounting principles

This item includes property owned and used in the business, equipment acquired under operating leases, property acquired under finance leases and temporarily unleased assets held under finance leases.

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.

Equipment leased under operating leases (Group as lessor) is recognized as an asset on the balance sheet under property, plant and equipment.

	12/31/2019			12/31/2018[1]		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Property, plant and equipment	**1,892**	**(1,285)**	**607**	**2,001**	**(1,327)**	**674**
Real estate assets	505	(335)	169	530	(348)	182
Movable assets	1,387	(950)	438	1,471	(980)	491
Property, plant & equipment leased under operating leases	**643**	**(178)**	**465**	**573**	**(158)**	**415**
Movable assets	643	(178)	465	573	(158)	415
Right-of-use assets[1]	**1,542**	**(320)**	**1,222**	**///**	**///**	**///**
Real estate assets	1,505	(308)	1,198	///	///	///
o/w contracted during the period	*75*	*(17)*	*58*	///	///	///
Movable assets	36	(12)	24	///	///	///
o/w contracted during the period	*6*	*(1)*	*5*	///	///	///
TOTAL PROPERTY, PLANT & EQUIPMENT	**4,077**	**(1,783)**	**2,294**	**2,574**	**(1,485)**	**1,089**
Intangible assets	**2,954**	**(1,996)**	**958**	**2,821**	**(1,869)**	**951**
Leasehold rights	55	(11)	44	59	(19)	39
Software	2,180	(1,617)	563	2,101	(1,548)	553
Other intangible fixed assets	719	(368)	351	661	(302)	359
TOTAL INTANGIBLE ASSETS	**2,954**	**(1,996)**	**958**	**2,821**	**(1,869)**	**951**

(1) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 “Leases” in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 (right-of-use assets in lessee's leasing arrangements) are described in Note 2.2.

5

5.10 DEBT SECURITIES

Accounting principles

Issues of debt securities not classified as financial liabilities at fair value through profit or loss or through other comprehensive income are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost at each balance sheet date using the effective interest method.

These instruments are recognized on the balance sheet under "Amounts due to banks", "Amounts due to customers" or "Debt securities".

Debt securities are classified based on the nature of the underlying, with the exception of subordinated notes presented under "Subordinated debt".

Securities are recorded in the balance sheet on the settlement-delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of securities, except in special cases.

A new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation has been introduced by French law and is commonly referred to as "senior non-preferred debt". These liabilities rank between own funds and other senior preferred debt.

in millions of euros	12/31/2019	12/31/2018
Bonds	122,808	122,468
Interbank market instruments and negotiable debt securities	79,683	65,928
Other debt securities	2,266	1,919
Senior non-preferred debt	18,297	12,468
Total	**223,055**	**202,783**
Accrued interest	1,557	1,899
TOTAL DEBT SECURITIES	**224,611**	**204,681**

The fair value of debt securities is presented in Note 10.

5.11 AMOUNTS DUE TO BANKS AND SIMILAR AND CUSTOMERS

Accounting principles

These liabilities, which are not classified as financial liabilities at fair value through profit or loss, are carried at amortized cost under "Amounts due to banks" or "Amounts due to customers".

Issues of debt securities (which are not classified as financial liabilities at fair value through profit or loss or through other comprehensive income) are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost at each balance sheet date using the effective interest method.

These instruments are recognized on the balance sheet under "Amounts due to banks", "Amounts due to customers" or "Debt securities".

Temporary sales of securities are recorded on the settlement-delivery date.

For repurchase transactions, a loan commitment received is recorded between the transaction date and the settlement-delivery date when such transactions are recorded as "Liabilities".

5.11.1 AMOUNTS DUE TO BANKS AND SIMILAR

in millions of euros	12/31/2019	12/31/2018
Demand deposits	30,187	22,650
Repurchase agreements	2,446	2,188
Accrued interest	1	4
Amounts due to banks and similar – repayable on demand	**32,634**	**24,842**
Term deposits and loans	75,051	80,659
Repurchase agreements	4,572	7,419
Accrued interest	(65)	(65)
Amounts due to banks and similar – repayable at agreed maturity dates	**79,558**	**88,012**
Guarantee deposits received	**881**	**949**
TOTAL AMOUNTS DUE TO BANKS AND SIMILAR	**113,073**	**113,803**

The fair value of amounts due to banks and similar is presented in Note 10.

Payables arising from transactions with the networks stood at €51,174 million at December 31, 2019 (*versus* €41,128 million at December 31, 2018).

5.11.2 AMOUNTS DUE TO CUSTOMERS

in millions of euros	12/31/2019	12/31/2018
Current accounts	**25,029**	**22,432**
Livret A savings accounts	185	181
Regulated home savings products	207	215
Other regulated savings accounts	1,147	949
Regulated savings accounts	**1,539**	**1,345**
Demand deposits and loans	5,461	5,489
Term accounts and loans	11,883	18,682
Accrued interest	24	26
Other customer accounts	**17,368**	**24,197**
Repurchase agreements	**5,029**	**6,859**
Other amounts due to customers	**1,180**	**1,913**
Guarantee deposits received	**10**	**4**
TOTAL AMOUNTS DUE TO CUSTOMERS	**50,156**	**56,750**

The fair value of amounts due to customers is presented in Note 10.

5.12 ACCRUED EXPENSES AND OTHER LIABILITIES

in millions of euros	12/31/2019	12/31/2018
Collection accounts	972	1,499
Prepaid income	364	327
Accounts payable	1,251	1,233
Other accruals	3,449	2,844
Accrued expenses and other liabilities	**6,036**	**5,903**
Settlement accounts in credit on securities transactions	67	403
Other accounts payable	13,887	14,017
Lease liabilities[1]	1,353	///
Other liabilities	**15,307**	**14,420**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**21,343**	**20,323**

(1) Information as at December 31, 2018 has not been restated to account for the impacts of the first-time application of IFRS 16 “Leases” in accordance with the option offered by this standard. The impacts of the first-time application of IFRS 16 on the balance sheet at January 1, 2019 (lease liabilities recorded under lessee’s leasing arrangements) are described in Note 2.2.

5

5.13 PROVISIONS

Accounting principles

Provisions other than those relating to employee benefit commitments and similar, regulated home savings products, off-balance sheet commitments, and insurance policies mainly consist of provisions for restructuring, claims and litigation, fines and penalties, and tax risks (excluding income tax).

Provisions are liabilities for which the timing or amount is uncertain, but can be reliably estimated. They correspond to current obligations (legal or implicit), resulting from a past event, and for which an outflow of funds will probably be necessary to settle them.

The amount recognized in provisions is the best estimate of the expense required to extinguish the present commitment at the balance sheet date.

Provisions are discounted when the impact of discounting is material.

Changes in provisions are recognized in the income statement on the lines corresponding to the nature of the future expenditure.

in millions of euros	12/31/2018	Increase	Use	Reversals unused	Other changes[1]	12/31/2019
Provisions for employee benefit commitments[2]	822	122	(193)	(68)	92	775
Provisions for restructuring costs[3]	360	94	(199)	(9)	(11)	235
Legal and tax risks[4]	1,211	40	(9)	(21)	(315)	906
Loan and guarantee commitments[5]	183	354	(15)	(312)	20	230
Provisions for regulated home savings products	3				(1)	2
Other operating provisions	469	128	53	(81)	(58)	511
TOTAL PROVISIONS	**3,048**	**738**	**(363)**	**(491)**	**(273)**	**2,659**

(1) Other changes include, in particular, the revaluation differences in respect of post-employment defined-benefit (+€90 million before tax) and the reclassification of provisions for legal and tax risks to Tax Liabilities pursuant to the application at January 1, 2019 of IFRIC 23 (-€349 million) and foreign exchange rate adjustments (+€24 million).

(2) o/w €712 million for post-employment defined-benefit plans and other long-term employee benefits (see Note 8.2.1).

(3) At December 31, 2019, provisions for restructuring costs notably included:

- €191 million for the voluntary redundancy plan initiated at Crédit Foncier;
- €20 million for the employment protection plan for BPCE International;
- €11 million for the COFACE plan.

(4) Provisions for legal and tax risks included €551 million for the exposure on the Madoff fraud.

(5) Provisions for credit losses on loan and guarantee commitments given are detailed in Note 7.1.3.

5.14 SUBORDINATED DEBT

Accounting principles

Subordinated debt differs from other debt and bonds in that it will be repaid only after all the senior and unsecured creditors, but before the repayment of participating loans and securities and deeply subordinated notes.

Subordinated debt which the issuer is obliged to repay is classified as debt and initially recognized at fair value less any transaction costs. It is subsequently measured at amortized cost at each balance sheet date using the effective interest method.

in millions of euros	12/31/2019	12/31/2018
Subordinated debt designated at fair value through profit or loss	100	100
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**100**	**100**
Term subordinated debt	15,864	16,214
Perpetual subordinated debt	287	317
Subordinated debt and similar	**16,151**	**16,531**
Accrued interest	396	360
Revaluation of the hedged component	799	504
SUBORDINATED DEBT AT AMORTIZED COST	**17,346**	**17,395**
TOTAL SUBORDINATED DEBT[1]	**17,446**	**17,495**

(1) Including €672 million for the insurance entities at December 31, 2019, versus €672 million at December 31, 2018.

The fair value of subordinated debt is presented in Note 10.

CHANGES IN SUBORDINATED DEBT AND SIMILAR DURING THE YEAR

in millions of euros	12/31/2018	Issuance[1]	Redemption[2]	Other changes[3]	12/31/2019
Subordinated debt designated at fair value through profit or loss	100				100
SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS	**100**				**100**
Term subordinated debt	16,214		(546)	196	15,864
Perpetual subordinated debt	317		(30)		287
SUBORDINATED DEBT AT AMORTIZED COST[4]	**16,531**		**(576)**	**196**	**16,151**
SUBORDINATED DEBT AND SIMILAR	**16,631**		**(576)**	**196**	**16,251**

(1) No issues were carried out in fiscal year 2019.
(2) Redemptions of subordinated loans and notes were due to the maturing of such borrowings.
(3) Other changes mainly included the revaluation of debts subject to hedging, foreign exchange fluctuations and variations in intra-group securities held by Natixis Funding for the purposes of debt market-making on the secondary market.
(4) Excluding accrued interest and revaluation of the hedged component.

Deeply subordinated notes qualifying as equity instruments are presented in Note 5.15.

5.15 ORDINARY SHARES AND EQUITY INSTRUMENTS ISSUED

Accounting principles

Financial instruments issued by the Group qualify as debt or equity instruments depending on whether or not the issuer has a contractual obligation to deliver cash or another financial asset to the holder of the instrument, or to exchange the instrument under conditions that are potentially unfavorable to the Group. This obligation must arise from specific contractual terms and conditions, not merely economic constraints.

In addition, when an instrument qualifies as equity:

- its remuneration impacts equity. However, in accordance with the amendment to IAS 12 of December 2017, which applies from January 1, 2019, the tax consequences of dividend payments can be recognized in retained earnings, gains and losses recognized directly in other comprehensive income, or in income, depending on the source of the amounts paid. Accordingly, when the payment corresponds to the notion of a dividend within the meaning of IFRS 9, the tax consequence is taken to income. This rule applies to interest on perpetual deeply subordinated notes, which is treated as a dividend for accounting purposes;
- it cannot be an underlying instrument eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is fixed at its historical value resulting from its conversion to euros at its initial date of transfer to equity.

Finally, when these instruments are issued by a subsidiary, they are included in "Non-controlling interests". When their remuneration is of a cumulative nature, it is charged to "Income attributable to equity holders of the parent" and increases the income of "Non-controlling interests". However, when their remuneration is not of a cumulative nature, it is drawn from retained earnings attributable to equity holders of the parent.

5.15.1 SHARE CAPITAL

BPCE SA's share capital amounted to €170 million at December 31, 2019 (€158 million at December 31, 2018), *i.e.* 34,076,926 shares with a par value of €5 per share, and can be broken down as follows:

- 17,038,463 ordinary shares held by the Banques Populaires for €85 million;
- 17,038,463 ordinary shares held by the Caisses d'Epargne for €85 million.

At December 31, 2019, additional paid-in capital amounted to €14,015 million *versus* €12,625 million at December 31, 2018.

5.15.2 PERPETUAL DEEPLY SUBORDINATED NOTES CLASSIFIED AS EQUITY

Issuing entity	Issue date	Currency	Amount *(in original currency)*	Call date	Interest step-up date[(2)]	Rate	Nominal *(in millions of euros[(1)])* 12/31/2019	Nominal *(in millions of euros[(1)])* 12/31/2018
BPCE	August 6, 2009	EUR	374 million	September 30, 2019	September 30, 2019	12.50%		374
BPCE	August 6, 2009	USD	444 million	September 30, 2019	September 30, 2019	12.50%		309
BPCE	November 30, 2018	EUR	700 million	September 30, 2023	September 30, 2023	5.35%	700	700
TOTAL							**700**	**1,383**

(1) Nominal amount translated into euros at the exchange rate in force at the date of classification as equity.
(2) Interest step-up date or date of transition from fixed to variable rate.

Issues of perpetual deeply subordinated notes are recognized in equity due to the discretionary nature of their remuneration.

On September 30, 2019, BPCE SA redeemed the notes at maturity.

5.16 NON-CONTROLLING INTERESTS

5.16.1 MATERIAL 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 2019						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage ownership of non-controlling interests	Income attributed to holders of non-controlling interests during the period	Amount of non-controlling interests in the subsidiary	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Compre-hensive income attributable to equity holders of the parent
Natixis group	**29.32%**	**698**	**7,028**	**1,017**	**513,169**	**492,343**	**1,897**	**2,127**
o/w Coface(1)	57.52%	118	1,174	68	7,387	5,462	147	241
o/w H2O(1)	49.99%	211	229	186	675	225	423	454
Oney Bank(2)	**50.10%**	**(8)**	**225**		**3,713**	**3,261**	**12**	**10**
Other entities		**8**	**19**	**6**				
TOTAL AT DECEMBER 31, 2019		**698**	**7,272**	**1,023**				

(1) Non-controlling interests in Natixis group.
(2) Income since the takeover in October 2019.

in millions of euros		Fiscal year 2018						
		Non-controlling interests			Summary financial information for 100% equity interests			
Entity name	Percentage ownership of non-controlling interests	Income attributed to holders of non-controlling interests during the period	Amount of non-controlling interests in the subsidiary	Dividends paid to holders of non-controlling interests	Assets	Liabilities	Net income attributable to equity holders of the parent	Compre-hensive income attributable to equity holders of the parent
Natixis group	**29.22%**	**781**	**6,944**	**505**	**495,495**	**474,300**	**1,577**	**1,870**
o/w Coface(1)	57.14%	71	1,067	31	7,219	5,413	124	101
o/w H2O(1)	49.99%	180	187	81	545	171	360	357
Locindus	**25.18%**	**2**	**65**	**2**	**695**	**437**	**10**	**10**
Other entities		**(1)**	**39**	**5**				
TOTAL AT DECEMBER 31, 2018		**782**	**7,048**	**512**				

(1) Non-controlling interests in Natixis group.

5.16.2 TRANSACTIONS MODIFYING THE SHARE OF NON-CONTROLLING INTERESTS IN RETAINED EARNINGS

	Fiscal year 2019		Fiscal year 2018	
in millions of euros	Attributable to equity holders of the parent	Attributable to non-controlling interests	Attributable to equity holders of the parent	Attributable to non-controlling interests
Put options on non-controlling interests				
Acquisitions[(1)]	(31)	(13)	(35)	(14)
Revaluations and others	9	4	(60)	(19)
Change in ownership interests with no change of control	**(273)**	**189**	**(4)**	**(2)**
Acquisition of Oney Bank		**233**		
Other	**(71)**	**-**	**(15)**	**81**
TOTAL IMPACT OF ACQUISITIONS AND DISPOSALS ON NON-CONTROLLING INTERESTS	**(366)**	**413**	**(114)**	**46**

(1) Acquisition of Vermilion, Fenchurch and Alter CE in 2018 and of Thematics Asset Management, Azure Capital and Flextone Partners in 2019.

5.17 CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

Accounting principles

In the event of disposal of equity financial assets recognized in other comprehensive income, changes in fair value are not transferred to profit or loss. These items are described as being not recyclable to profit or loss.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Gross	Tax	Net	Gross	Tax	Net
Foreign exchange rate adjustments	177	///	177	165	///	165
Revaluation of financial assets at fair value through other comprehensive income recyclable to profit or loss	38	(11)	27	(87)	28	(59)
Revaluation of available-for-sale financial assets of insurance businesses	472	(94)	378	(289)	107	(182)
Revaluation of derivative hedging items that can be recycled to profit or loss	63	(21)	43	60	(30)	30
Items of the share of gains and losses of associates recognized directly in other comprehensive income	177	(42)	135	(274)	70	(204)
Items recyclable to profit or loss	**926**	**(167)**	**759**	**(424)**	**174**	**(250)**
Revaluation (or actuarial gains and losses) in respect of defined-benefit plans	(107)	26	(81)	52	(17)	35
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	(235)	63	(172)	412	(118)	294
Revaluation of equity financial assets recognized at fair value through other comprehensive income	90	(22)	68	(46)	(2)	(48)
Items of the share of gains and losses of associates recognized directly in other comprehensive income	(5)	1	(3)	(2)	1	(1)
Other items recognized through other comprehensive income not recyclable to profit or loss	(1)	(1)	(2)	(5)	1	(4)
Items not recyclable to profit or loss	**(258)**	**68**	**(190)**	**411**	**(135)**	**276**
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME	**669**	**(100)**	**569**	**(14)**	**39**	**25**
Attributable to equity holders of the parent	517	(79)	438	(80)	37	(43)
Non-controlling interests	152	(21)	131	66	2	68

5.18 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting principles

Financial assets and liabilities were offset on the balance sheet in accordance with IAS 32. Under this standard, a financial asset and financial liability are offset and a net balance is recorded in the balance sheet if and only if:

- the Group has the legally enforceable right to offset the recorded amounts; and
- it has the intention either to settle the net amount or to simultaneously realize the asset and settle the liability.

Within BPCE SA group, most offset amounts are the result of repurchase agreements and derivatives transactions largely carried out by Natixis with clearing houses, which meet the requirements of IAS 32:

- for OTC derivatives, this comprises the netting, by currency, of the asset valuations and liability valuations of the derivatives and margin calls (variation margin);
- 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,
  - the same depositary (unless the depositary uses the T2S platform),
  - are denominated in the same currency.

Financial assets and liabilities under netting agreements may only be offset if they meet the restrictive netting criteria set by IAS 32.

Offsetting may not be performed for derivatives or OTC repurchase agreements subject to master agreements that do not meet the net settlement criteria or where the 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. However, the impact of such agreements in terms of reducing the exposure is reflected in the second table.

For these instruments, the "Related financial assets and financial instruments received as collateral" and "Related financial liabilities and financial instruments pledged as collateral" columns include in particular:

- for repurchase agreements:
  - loans or borrowings resulting from reverse repurchase agreements with the same counterparty, and securities pledged or received as collateral (for the fair value of said securities),
  - margin calls in the form of securities (for the fair value of said securities);
- for derivatives, the fair values of reverse transactions with the same counterparty, as well as margin calls in the form of securities.

Margin calls received or paid in cash are shown in "Margin calls received (cash collateral)" and "Margin calls paid (cash collateral)".

5.18.1 FINANCIAL ASSETS

Impact of offsetting on financial assets under netting agreements in the balance sheet

in millions of euros	12/31/2019 Gross amount of financial assets[1]	12/31/2019 Gross amount of financial liabilities offset in the balance sheet	12/31/2019 Net amount of financial assets recognized in the balance sheet	12/31/2018 Gross amount of financial assets	12/31/2018 Gross amount of financial liabilities offset in the balance sheet	12/31/2018 Net amount of financial assets recognized in the balance sheet
Derivatives (trading and hedging)	90,909	31,354	59,555	76,982	20,981	56,001
Repurchase agreements	103,612	20,610	83,002	94,592	9,954	84,638
Financial assets at fair value	**194,521**	**51,964**	**142,557**	**171,574**	**30,935**	**140,639**
Repurchase agreements (portfolio of loans and receivables)	**9,061**	**1,100**	**7,961**	**10,295**	**700**	**9,595**
TOTAL	**203,582**	**53,064**	**150,518**	**181,869**	**31,635**	**150,234**

(1) Includes the gross amount of financial assets subject to netting or an enforceable master netting agreement or similar and financial assets not subject to any agreement.

5

Impact of netting agreements on financial assets not recognized in the financial statements

	12/31/2019				12/31/2018			
in millions of euros	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets recognized in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives (trading and hedging)	59,555	39,121	9,271	11,163	56,001	34,332	9,181	12,488
Repurchase agreements	90,963	87,239	93	3,631	94,233	91,292		2,941
TOTAL	**150,519**	**126,360**	**9,364**	**14,794**	**150,234**	**125,624**	**9,181**	**15,429**

The net exposure does not reflect the accounting position, because it takes into account the reduced exposure arising from agreements that do not meet the restrictive netting criteria set by IAS 32.

5.18.2 FINANCIAL LIABILITIES

Impact of offsetting on financial liabilities under netting agreements in the balance sheet

	12/31/2019			12/31/2018		
in millions of euros	Gross amount of financial liabilities[1]	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)	91,992	31,354	60,638	79,789	20,981	58,808
Repurchase agreements	116,158	20,610	95,548	100,536	9,954	90,582
Financial liabilities at fair value	**208,150**	**51,964**	**156,186**	**180,325**	**30,935**	**149,390**
Repurchase agreements (debt portfolio)	**13,146**	**1,100**	**12,046**	**17,166**	**700**	**16,466**
TOTAL	**221,296**	**53,064**	**168,232**	**197,491**	**31,635**	**165,856**

(1) Includes the gross amount of financial assets subject to netting or an enforceable master netting agreement or similar and financial assets not subject to any agreement.

Impact of netting agreements on financial liabilities not recognized in the financial statements

	12/31/2019				12/31/2018			
in millions of euros	Net amount of financial liabilities recognized in the balance sheet	Related financial assets and financial instruments pledged as collateral	Margin calls paid (cash collateral)	Net exposure	Net amount of financial liabilities recognized in the balance sheet	Related financial assets and financial instruments pledged as collateral	Margin calls paid (cash collateral)	Net exposure
Derivatives (trading and hedging)	60,638	39,625	11,319	9,694	58,808	34,657	10,946	13,205
Repurchase agreements	107,594	101,969	8	5,617	107,048	98,767		8,281
TOTAL	**168,232**	**141,594**	**11,327**	**15,311**	**165,856**	**133,424**	**10,946**	**21,486**

The net exposure does not reflect the accounting position, because it takes into account the reduced exposure arising from agreements that do not meet the restrictive netting criteria set by IAS 32.

5.19 TRANSFERRED FINANCIAL ASSETS, OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL AND ASSETS RECEIVED AS COLLATERAL THAT CAN BE SOLD OR REPLEDGED

Accounting principles

A financial asset (or group of similar financial assets) is derecognized when the contractual rights to the asset's future cash flows have expired or when such rights are transferred to a third party, together with virtually all of the risks and rewards associated with ownership of the asset. In such case, rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

When a financial asset is derecognized, a gain or loss on disposal is recorded in the income statement reflecting the difference between the carrying amount of the asset and the consideration received.

In the event that the Group has neither transferred nor retained virtually all of the risks and rewards, but has retained control of the asset, the asset continues to be recognized on the balance sheet to the extent of the Group's continuing involvement.

In the event that the Group has neither transferred nor retained virtually all of the risks and rewards and has not retained control of the asset, the asset is derecognized and all of the rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

If all the conditions for derecognizing a financial asset are not met, the Group keeps the asset in the balance sheet and records a liability representing the obligations arising when the asset is transferred.

The Group derecognizes a financial liability (or a part of a financial liability) only when it is extinguished, *i.e.* when the obligation specified in the contract is discharged, terminated or expires.

Repurchase agreements

Securities sold under repurchase agreements are not derecognized in the vendor's accounts. A liability representing the commitment to return the funds received is identified and recognized under "Securities sold under repurchase agreements". This debt is a financial liability recorded at amortized cost or at fair value through profit or loss when this liability is considered part of a trading business model.

The assets received are not recognized in the purchaser's books, but a receivable is recorded with respect to the vendor representing the funds loaned. The amount disbursed in respect of the asset is recognized under "Securities purchased under resale agreements". On subsequent balance sheet dates, the securities continue to be accounted for by the vendor in accordance with the rules applicable to the category in which they were initially classified. The receivable is valued according to methods specific to its category: at amortized cost when classified in "Loans and receivables", or at fair value through profit or loss when it is considered part of a trading business model.

Outright securities lending

Securities loaned under outright securities lending transactions are not derecognized in the vendor's accounts. They continue to be recognized in their original accounting category and are valued accordingly. For the borrower, the securities borrowed are not recognized.

Transactions leading to substantial changes in financial assets

When an asset is subject to substantial changes (in particular following renegotiation or remodeling due to financial hardship) there is derecognition, since the rights to the initial cash flows have essentially expired. The Group considers that this is the case for:

- changes leading to a change of counterparty, especially if the new counterparty has a very different credit quality than the previous counterparty;
- changes intended to move from a very structured to basic 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 the existing debt and its replacement with a new debt. The amendment to IFRS 9 of October 12, 2017 clarified the treatment under IFRS 9 of modifications of liabilities recognized at amortized cost if the modification does not result in derecognition: the profit or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate must be recognized in profit or loss. To assess the substantial nature of the change, IFRS 9 includes a threshold of 10% based on discounted cash flows, integrating potential costs and fees: when the difference is greater than or equal to 10%, all of the costs or fees incurred are recognized as profit or loss on debt extinguishment.

The Group may consider other changes to be substantial, such as a change of issuer (even within the same group) or a change in currency.

5.19.1 TRANSFERRED FINANCIAL ASSETS NOT FULLY DERECOGNIZED AND OTHER FINANCIAL ASSETS PLEDGED AS COLLATERAL

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2019
Financial assets at fair value through profit or loss – Held for trading	4,255	9,208	3,790	448	17,701
Financial assets at fair value through profit or loss – Non SPPI			10		10
Financial assets at fair value through other comprehensive income			414		414
Financial assets at amortized cost	158		14,539	4,360	19,057
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**4,413**	**9,208**	**18,753**	**4,808**	**37,182**
o/w transferred financial assets not fully derecognized	*4,413*	*9,208*	*11,119*	*4,808*	*29,548*

The amount of liabilities associated with financial assets pledged as collateral for repurchase agreements came to €8,989 million at December 31, 2019 (€6,653 million at December 31, 2018).

The fair value of assets pledged as collateral for non-deconsolidating securitization transactions was €4,809 million at December 31, 2019 (€6,239 million at December 31, 2018) and the amount of related liabilities came to €4,214 million at December 31, 2019 (€5,190 million at December 31, 2018).

Transferred financial assets not fully derecognized and other financial assets pledged as collateral at December 31, 2018

	Carrying amount				
in millions of euros	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitizations	12/31/2018
Financial assets at fair value through profit or loss – Held for trading	2,071	7,455	2,641	782	12,950
Financial assets at fair value through profit or loss – Non SPPI			11		11
Financial assets at fair value through other comprehensive income		5	407		412
Financial assets at amortized cost			18,654	5,457	24,111
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**2,071**	**7,460**	**21,713**	**6,239**	**37,483**
o/w transferred financial assets not fully derecognized	*2,071*	*7,460*	*11,779*	*6,239*	*27,549*

5.19.1.1 Comments on transferred financial assets

SECURITIES REPURCHASING AND LENDING

BPCE SA group repurchases and loans securities.

Under the terms of the agreements, the securities may be sold on by the purchaser throughout the duration of the repurchase or lending agreement. The purchaser must nevertheless return them to the vendor at the end of the agreement Cash flows generated by the securities are also transferred to the vendor.

The Group believes that it retains almost all of the risks and benefits of securities under repurchase or loan agreements. They are therefore not 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 a "transfer of assets" within the meaning of the amendment to IFRS 7. The Group nevertheless remains exposed to virtually all the risks and benefits, and as such the receivables are maintained on the balance sheet.

SECURITIZATIONS CONSOLIDATED WITH OUTSIDE INVESTORS

Securitizations consolidated with outside investors constitute an asset transfer according to the amendment to IFRS 7.

The Group has an indirect contractual obligation to transfer to outside investors the cash flow from assets transferred to the securitization fund (although these assets are included in the Group's balance sheet through the consolidation of the fund).

In the interest of transparency, for consolidated securitization transactions:

- the share of receivables sold attributable to external investors is considered to be pledged as collateral to third parties;
- the share of receivables sold attributable to units and bonds subscribed for by the Group, and eliminated on consolidation, is not considered to be pledged as collateral unless these securities were brought to Groupe BPCE's single treasury and central bank collateral management pool and used as part of a refinancing mechanism.

5.19.1.2 Comments on financial assets pledged as collateral but not transferred

Financial assets provided as collateral but not transferred are generally pledged. The main mechanisms involved are the CRH (Caisse de Refinancement de l'Habitat), the ESNI industry-wide funding mechanism and securities pledged as collateral for ECB refinancing operations.

Moreover, in accordance with French law, the intrinsic guarantees attached to issues of covered bonds are not recognized under guarantee commitments given. The covered bonds issued by BPCE SFH and Compagnie de Financement Foncier benefit from a legal privilege comprised of eligible assets.

5.19.1.3 Financial assets received as collateral that can be sold or repledged

This heading covers financial assets received as security under financial guarantee agreements with the right to reuse the assets in the absence of any default on the part of the owner of the guarantee.

The fair value of the financial assets received as collateral that BPCE SA group may sell or repledge amounted to €211 billion at December 31, 2019, compared to €218 billion at December 31, 2018.

The fair value of the financial assets received as collateral that were actually sold or repledged amounted to €166 billion at December 31, 2019, compared with €145 billion at December 31, 2018.

5.19.2 FULLY DERECOGNIZED FINANCIAL ASSETS FOR WHICH THE GROUP RETAINS AN ONGOING COMMITMENT

Fully derecognized transferred financial assets for which the Group retains an ongoing commitment consist of asset transfers to a deconsolidated securitization vehicle in which Groupe BPCE has an interest or an obligation, although this does not call into question the transfer of almost all of the benefits and risks relating to the assets transferred.

Ongoing commitments retained by the Group in relation to securitization vehicles were not significant on December 31, 2019.

Note 6 Commitments

Accounting principles

Commitments are materialized by the existence of a contractual obligation and are binding.

It must not be possible for commitments included in this item to be deemed financial instruments falling within the scope of IFRS 9 for classification and measurement purposes. However, loan commitments and guarantees given are covered by IFRS 9 provisioning rules, as set out in Note 7.

The effects of the rights and obligations covered by such commitments must be subject to the occurrence of conditions or subsequent transactions. Commitments are broken down into:

- loan commitments (confirmed credit facilities or refinancing agreements);
- guarantee commitments (off-balance sheet commitments or assets received as collateral).

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The amounts shown correspond to the nominal value of commitments given.

6.1 LOAN COMMITMENTS

in millions of euros	12/31/2019	12/31/2018
Loan commitments given to:		
• banks	1,005	1,168
• customers	76,191	66,651
Credit facilities granted	*67,329*	*64,283*
Other commitments	*8,862*	*2,368*
TOTAL LOAN COMMITMENTS GIVEN	**77,196**	**67,819**
Loan commitments received from:		
• banks	52,318	41,076
• customers	117	91
TOTAL LOAN COMMITMENTS RECEIVED	**52,436**	**41,167**

6.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2019	12/31/2018
Guarantee commitments given to:		
• banks	6,629	5,892
• customers[(1)]	22,635	27,713
TOTAL GUARANTEE COMMITMENTS GIVEN	**29,264**	**33,605**
Guarantee commitments received from:		
• banks	21,738	20,942
• customers	91,066	92,207
TOTAL GUARANTEE COMMITMENTS RECEIVED	**112,804**	**113,149**

(1) Guarantees given by CEGC in connection with its activity are treated as insurance policies for accounting purposes, in accordance with IFRS 4 "Insurance contracts". They are recorded on the liabilities side of the balance sheet and are not included in guarantees given to customers shown in the table above.

Guarantee commitments are off-balance sheet commitments..

GUARANTEES ISSUED TO UCITS BY NATIXIS

Natixis guarantees the capital and/or returns on units in certain UCITS. The guarantees are only enforced if, on the maturity date, the net asset value of each unit is below the guaranteed net asset value. Though similar to derivatives, capital and/or performance guarantees granted by Natixis to certain UCITS were recognized until December 31, 2018 as financial guarantees and subject to provisions in accordance with IFRS 9 due to the difficulty in determining fair value. Special research on the determination of fair value was conducted in the first half of 2018, resulting in the accounting recognition of these guarantees as derivatives subject to measurement at fair value in accordance with the provisions of IFRS 13. Note: at December 31, 2018, these guarantees were recorded as financial guarantees and subject to provisions for counterparty risk in accordance with IFRS 9. They are recorded under guarantee commitments given in the amount of €5,383 million.

Note 7 Exposure to risks

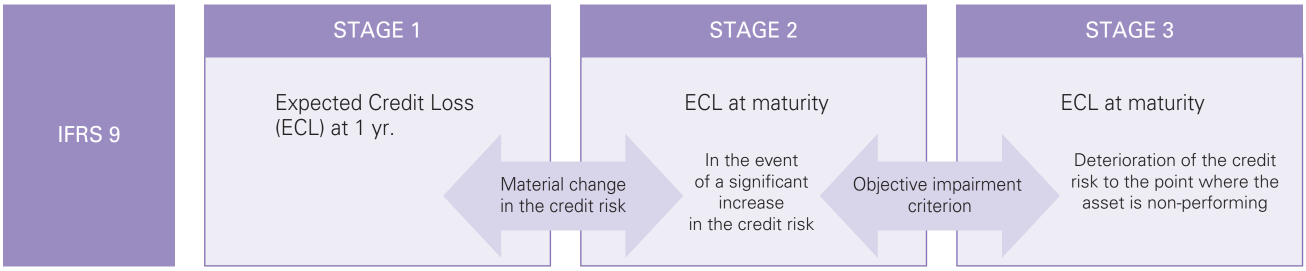
The risk exposures reported below include credit risk, market risk, overall interest rate risk, foreign exchange risk and liquidity risk.

The information on risk management required by IFRS 7 and presented in the risk management report (Chapter 3 of the registration document) only pertains to Groupe BPCE.

7.1 CREDIT RISK AND COUNTERPARTY RISK

Key points

Credit risk is the risk that one party to a financial transaction fails to fulfill his obligations, causing the other party to incur a financial loss.



Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. They include:

- the breakdown of gross exposures by category and approach (separation of credit and counterparty risk);
- the breakdown of gross exposure by geographic region;
- concentration of credit risk by borrower; and
- 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 COST OF CREDIT RISK

Accounting principles

Cost of risk applies to debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income recyclable to profit or loss as well as to loan commitments and financial guarantees given that are not recognized at fair value through profit or loss. It also applies to receivables relating to leasing contracts, business loans and contract assets.

This item therefore covers net impairment and provision charges for credit risk.

Credit losses related to other types of instruments (derivatives or securities designated at fair value through profit or loss) recorded as a result of default by banks are also included under this item.

Irrecoverable loans not covered by provisions for impairment are loans that are permanently lost before being provisioned in Stage 3.

Cost of credit risk for the period

in millions of euros	12/31/2019	12/31/2018
Net charge to provisions and provisions for impairment	(476)	(278)
Recoveries of bad debts written off	30	23
Irrecoverable loans not covered by provisions for impairment	(57)	(130)
TOTAL COST OF CREDIT RISK	**(503)**	**(385)**

Cost of credit risk for the period by type of asset

in millions of euros	12/31/2019	12/31/2018
Interbank transactions	3	43
Customer transactions	(475)	(325)
Other financial assets	(31)	(104)
TOTAL COST OF CREDIT RISK	**(503)**	**(385)**

7.1.2 CHANGE IN GROSS CARRYING AMOUNTS AND EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS AND COMMITMENTS

Accounting principles

Expected credit losses are represented by impairment of assets classified at amortized cost and at fair value through other comprehensive income, and by provisions for loan and guarantee commitments.

The financial instruments concerned (see Note 7.1.1) are impaired or covered by a provision for expected credit losses (ECL) as of the date of initial recognition.

When the financial instruments do not individually show objective evidence of loss, impairment or provisions for expected credit losses are measured based on past losses and reasonable and justifiable discounted future cash flow forecasts.

Financial instruments are divided into three categories (Stages) depending on the increase in credit risk observed since initial recognition. A specific credit risk measurement method applies to each category of instrument:

Stage 1 (S1)

- these are performing loans for which credit risk has not increased materially since the initial recognition of the financial instrument;
- the impairment or the provision for credit risk corresponds to 12-month expected credit losses; and
- interest income is recognized in income using the effective interest method applied to the gross carrying amount of the instrument before impairment.

Stage 2 (S2)

- performing loans for which credit risk has increased materially since the initial recognition of the financial instrument are transferred to this category;
- the impairment or the provision for credit risk is determined on the basis of the financial instrument's lifetime expected credit losses; and
- interest income is recognized in income, as for Stage 1 assets, using the effective interest method applied to the gross carrying amount of the instrument before impairment.

Stage 3 (S3)

- these are loans for which there is objective evidence of impairment loss due to an event which represents a known credit risk occurring after the initial recognition of the instrument in question. As was the case under IAS 39, this category covers receivables for which a default event has been identified as defined in Article 178 of the EU Regulation of June 26, 2013 on prudential requirements for banks;

- the impairment or the provision for credit risk is calculated based on the financial instrument's lifetime expected credit losses on the basis of the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows;
- interest income is recognized through profit or loss using the effective interest method applied to the net carrying amount of the instrument after impairment; and
- Stage 3 also includes financial assets purchased or originated and impaired for credit risk on their initial recognition because the entity does not expect to recover all the contractual cash flows (purchased or originated credit-impaired (POCI) financial instruments). On initial recognition, the effective interest rate is adjusted based on estimated recoverable cash flows. These recoverable cash flows are re-estimated at each reporting date. Any change results in the recognition of an impairment charge or reversal in income and does not affect the effective interest rate. These assets may be transferred to Stage 2 if their credit risk improves.

For operating or finance lease receivables (which fall within the scope of IFRS 16) the Group has elected not to make use of the option of applying the simplified approach as set out in IFRS 9 §5.5.15.

Method for measuring the increase in credit risk and expected credit losses

The principles for measuring the increase in credit risk and expected credit losses applicable to most of the Group's exposures are described below. Only a few portfolios held by Group entities – representing a limited volume of exposures – cannot be treated according to the methods described below and are subject to appropriate valuation techniques.

A significant increase in credit risk is measured on an individual basis for each instrument by taking into account all reasonable and supportable information and by comparing the default risk on the financial instrument at the reporting date with the default risk on the financial instrument at the date of initial recognition. A counterparty-based approach (applying the contagion principle to all loans to the counterparty in question) is also possible, in particular with regard to the watch list criterion. A recently-originated exposure will not be subject to the contagion principle and will remain classified as a Stage 1 exposure.

Assessment of increases in credit risk involves comparing the probability of default or ratings on the initial recognition date with those applicable at the reporting date. The same principles are applied for significant improvements in credit risk.

The standard also includes a rebuttable presumption that credit risk has significantly increased since initial recognition if contractual payments are more than 30 days past due.

Material increase in credit risk

Assessment of a material increase in credit risk is made at the level of each instrument, based on indicators and thresholds that vary according to the type of exposure and counterparty.

More specifically, the change in credit risk is measured on the basis of the following criteria:

- on the Individual Customer, Professional Customer, SME, Public Sector and Social Housing loan books, measurement of the increase in credit risk relies on a combination of quantitative and qualitative criteria. The quantitative criterion is based on a measurement of the change in the probability of default over one year (mid-cycle average) from initial recognition. Additional qualitative criteria are used to classify as Stage 2 all contracts with payments more than 30 days past due (the presumption that amounts are past-due after 30 days is therefore not rebutted), rated at-risk or undergoing adjustments due to financial hardship (forbearance);
- for the Large Corporates, Banks and Sovereigns loan books, the quantitative criterion is based on changes in the credit rating since initial recognition. The same qualitative criteria apply as for Individual Customers, Professional Customers and SMEs, as well as contracts placed on the Watchlist, along with additional criteria based on changes in the sector credit rating and the level of country risk;
- for Specialized Financing, the criteria applied vary according to the characteristics of the exposures and the related ratings system. Exposures rated by the tool dedicated to large exposures are treated in the same way as Large Corporates; other exposures are treated in the same way as SMEs.

For all these loan books, the ratings used to measure the increase in risk correspond to the ratings produced by internal systems when they are available, as well as external ratings, particularly when an internal rating is not available.

The standard provides that the credit risk of a financial instrument has not increased materially since its initial recognition if this risk is considered to be low at the end of the fiscal year. This provision is applied to certain investment-grade debt securities held by Corporate & Investment Banking.

Measurement of expected credit losses

Expected credit losses are defined as being an estimate of credit losses (*i.e.* the present value of cash flow shortfalls) weighted by the probability of occurrence of these losses over the expected lifetime of the financial instrument in question. They are calculated individually for each exposure.

In practice, for Stage 1 and Stage 2 financial instruments, expected credit losses are calculated as the product of a number of inputs:

- cash flows expected over the lifetime of the financial instrument, discounted at the valuation date – these flows are determined according to the characteristics of the contract, its effective interest rate and, for home loans, the level of prepayment expected on the contract;

- loss given default (LGD);
- the probability of default (PD) over the coming year for Stage 1 financial instruments and to maturity for Stage 2 financial instruments.

The Group's methodology draws on existing concepts and mechanisms to define these inputs, and in particular on internal models developed to calculate regulatory capital requirements (Basel framework) and projection models used in the stress test system. Certain adjustments are made to comply with the specifics of IFRS 9:

- IFRS 9 inputs aim to provide an accurate estimate of expected credit losses for accounting provision purposes, whereas prudential inputs are more cautious for regulatory framework purposes. Several of the safety buffers applied to prudential inputs are therefore restated;
- IFRS 9 inputs must allow expected credit losses to be estimated until the contract's maturity, whereas prudential inputs are defined to estimate 12-month expected losses. 12-month inputs are thus projected over long periods;

IFRS 9 parameters must be forward-looking and take into account the expected economic environment over the projection period, whereas prudential parameters correspond to mid-cycle estimates (for PD) or bottom-of-the-cycle estimates (for LGD and the cash flows expected over the lifetime of the financial instrument). Prudential PD and LGD inputs are therefore also adjusted to reflect forecasts of future economic conditions.

Recognition of forward-looking data

Groupe BPCE uses forward-looking data to estimate any material increase in credit risk and to measure expected credit losses.

The amount of expected credit losses is calculated using an average of ECLs by scenario, weighted by probability of occurrence, taking into consideration past events, current circumstances and reasonable and justifiable forecasts of the economic environment.

To determine a material increase in credit risk, as well as applying rules based on the comparison of risk parameters between the initial recognition date and the reporting date, the calculation is supplemented by forward-looking information such as sector or geographical macro-economic scenarios, which may increase the amount of expected credit losses on certain exposures. Group entities therefore assess the exposures in question in terms of the local and sector characteristics of their portfolio. The few portfolios not covered by the methodologies described above (which are not material at the Group level) may also be subject to assessments made on the basis of forward-looking information.

To measure expected credit losses, inputs are adjusted to economic conditions by defining three economic scenarios over a three-year period:

- the core scenario, aligned with the scenario used for the budget process;
- a pessimistic scenario, corresponding to a deterioration in macro-economic variables in relation to the core scenario;
- an optimistic scenario, corresponding to an improvement in macro-economic variables in relation to the core scenario.

The variables defined in each of these scenarios allow for the distortion of the PD and LGD inputs and the calculation of an expected credit loss for each economic scenario. Inputs for periods longer than three years are projected using the mean reversion principle. For consistency purposes, the models used to distort PD and LGD inputs are based on those developed for the stress test system. The economic scenarios are associated with probabilities of occurrence, making it possible to calculate the average probable loss, which is used as the amount of the IFRS 9 expected credit loss.

Each scenario is weighted according to how close it is to the marketplace consensus on the main variables in each scope (BPCE is more focused on the economic environment in France while Natixis is relatively more affected by international conditions). The projections are deployed, for each of the Group's significant markets, using the main macroeconomic variables such as GDP, unemployment rate and interest rate.

These scenarios and their review are defined using the same organization and governance as those used for the budget process, requiring an annual review based on proposals from the Economic Research department and approval by the Executive Management Committee. The probability of occurrence of each scenario is reviewed on a quarterly basis by the Group's Watch List and Provisions Committee. The inputs thus defined allow expected credit losses for all rated exposures to be valued, regardless of whether they belong to a scope approved using an internal method or are processed using the standardized method for the calculation of risk-weighted assets.

The IFRS 9 model validation process is fully aligned with the Group's existing model validation process. Models are reviewed by an independent unit responsible for internal validation and the unit's conclusions are then examined by the Group Models Committee. Subsequent recommendations are monitored up by the validation unit.

Method for measuring assets classified as Stage 3

Loans and receivables are considered as impaired and are classified as Stage 3 if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis: there are "triggering events" or "loss events" identifying counterparty risk occurring after the initial recognition of the loans in question. Objective evidence of impairment includes any payments that are past due by at least three months, or regardless of whether any payment has been missed, the observation of financial hardship experienced by the counterparty leading to the expectation that some or all of the amounts owed may not be recovered or to the initiation of legal proceedings;

- these events are liable to lead to the recognition of incurred credit losses, that is, expected credit losses for which the probability of occurrence has become certain.

Debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) are considered impaired and are classified as Stage 3 when there is a known counterparty risk.

The Group uses the same impairment indicators for Stage 3 debt securities as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio to which the debt securities are ultimately designated. For perpetual deeply subordinated notes that meet the definition of financial liabilities within the meaning of IAS 32, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

Impairment for expected credit losses on Stage 3 financial assets is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows, whether these cash flows come from the counterparty's activity or from the potential activation of guarantees. For short-term assets (maturity of less than one year), there is no discounting of future cash flows. Impairment is determined globally, without distinguishing between interest and principal. Expected credit losses arising from Stage 3 off-balance sheet commitments are taken into account through provisions recognized on the liability side of the balance sheet. Specific impairment is calculated for each receivable on the basis of the maturity schedules determined based on historic recoveries for each category of receivable.

For the purposes of measuring expected credit losses, pledged assets and other credit enhancements that form an integral part of the contractual conditions of the instrument and that the entity does not recognize separately are taken into account in the estimate of expected cash flow shortfalls.

Recognition of impairment of assets classified at amortized cost and at fair value through other comprehensive income, and of provisions for loan and guarantee commitments.

For debt instruments recognized on the balance sheet in the financial assets at amortized cost category, impairment is recorded against the line on which the asset was initially shown for its net amount (regardless of whether the asset is S1, S2, or S3). Impairment charges and reversals are recognized in the income statement under "Cost of credit risk".

For debt instruments recognized as financial assets at fair value through other comprehensive income on the balance sheet, impairment is carried on the liabilities side of the balance sheet at the level of other comprehensive income recyclable to profit or loss, with a corresponding entry on the income statement under "Cost of credit risk" (regardless of whether the asset is classified S1, S2, or S3).

For loan and financial guarantee commitments given, provisions are recorded on the liabilities side of the balance sheet under "Provisions" (irrespective of whether the commitment given is classified S1, S2, or S3). Additions to/reversals from provisions are recognized in the income statement under "Cost of credit risk".

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7.1.3 CHANGE IN EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS AND COMMITMENTS

7.1.3.1 Change in impairment for credit losses on financial assets through other comprehensive income

	Stage 1		Stage 2		Total	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**14,653**	**(1)**	**9**		**14,662**	**(1)**
Origination and acquisitions	2,520				2,520	
Derecognition (redemptions, disposals and debt forgiveness)	(1,122)				(1,122)	
Transfers of financial assets	(50)		50			
Transfers to S2	*(50)*		*50*			
Other changes[1]	(470)	1	(5)		(475)	1
BALANCE AT 12/31/2019	**15,532**		**53**		**15,586**	

(1) o/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and variations related to scope changes (including IFRS 5).

7.1.3.2 Change in impairment for credit losses on debt securities at amortized cost

	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired (POCI) assets		Total	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**14,916**	**(5)**	**452**	**(11)**	**117**	**(91)**	**168**	**(47)**	**15,653**	**(154)**
Origination and acquisitions	696	0	57		///	///			753	
Derecognition (redemptions, disposals and debt forgiveness)	(283)		(103)		(26)	2	(111)	13	(523)	15
Transfers of financial assets	(309)	1	295	3	9	(7)			(4)	(3)
Transfers to S1	*17*		*(17)*							
Transfers to S2	*(325)*	*1*	*321*	*(2)*					*(4)*	*(2)*
Transfers to S3			*(9)*	*6*	*9*	*(7)*				*(1)*
Other changes(1)	(770)	(1)	79	1	34	(19)	5	(20)	(652)	(39)
BALANCE AT 12/31/2019	**14,251**	**(6)**	**780**	**(7)**	**134**	**(115)**	**63**	**(54)**	**15,227**	**(182)**

(1) o/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and variations related to scope changes (including IFRS 5).

7.1.3.3 Change in impairment for credit losses on loans and receivables due from banks at amortized cost

	Stage 1		Stage 2		Stage 3		Total	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**128,654**		**611**	**(2)**	**49**	**(48)**	**129,313**	**(51)**
Origination and acquisitions	2,466		71		///	///	2,537	(1)
Derecognition (redemptions, disposals and debt forgiveness)	(1,509)		(57)		(3)		(1,569)	1
Transfers of financial assets	14		(14)					
Transfers to S1	*21*		*(21)*					
Transfers to S2	*(7)*		*7*					
Other changes(1)	301	(1)	(1,159)	(1)	3	(1)	(855)	(2)
BALANCE AT 12/31/2019	**129,925**	**(1)**	**(548)**	**(3)**	**49**	**(49)**	**129,425**	**(52)**

(1) o/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and variations related to scope changes (including IFRS 5).

7.1.3.4 Change in impairment for credit losses on loans and receivables due from customers at amortized cost

	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired (POCI) assets[1]		Total	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**136,825**	**(142)**	**35,510**	**(342)**	**7,469**	**(2,444)**	**376**	**(97)**	**180,180**	**(3,025)**
Origination and acquisitions	26,288	(51)	2,171	(34)	///	///			28,458	(85)
Derecognition (redemptions, disposals and debt forgiveness)	(24,019)	21	(5,727)	34	(1,121)	299	(126)	12	(30,992)	366
Impairment (write-off)	///	///	///	///	(458)	431	(28)	26	(486)	457
Transfers of financial assets	(2,246)	2	997	17	1,169	(47)			(80)	(28)
Transfers to S1	*3,871*	*(43)*	*(3,750)*	*48*	*(104)*	*4*			*17*	*10*
Transfers to S2	*(5,342)*	*32*	*5,624*	*(73)*	*(322)*	*28*			*(40)*	*(13)*
Transfers to S3	*(775)*	*13*	*(877)*	*42*	*1,595*	*(80)*			*(57)*	*(25)*
Other changes[1]	3,446	(11)	(754)	(10)	358	(710)	489	(298)	3,541	(1,028)
BALANCE AT 12/31/2019	**140,294**	**(181)**	**32,198**	**(334)**	**7,418**	**(2,471)**	**711**	**(357)**	**180,620**	**(3,343)**

(1) o/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and variations related to scope changes (including IFRS 5 and Oney Bank originated credit-impaired assets).

7.1.3.5 Change in provisions for credit losses on loan commitments given

	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired (POCI) assets		Total	
in millions of euros	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2019	**60,245**	**(36)**	**7,344**	**(57)**	**144**	**(7)**	**87**	**(4)**	**67,819**	**(103)**
Origination and acquisitions	14,298	(8)	433	(1)	///	///			14,730	(9)
Derecognition (redemptions, disposals and debt forgiveness)	(4,790)	2	(833)	1	(51)	4			(5,673)	6
Transfers of financial assets	(1,239)		1,208	1	3	(1)			(27)	
Transfers to S1	*403*	*(4)*	*(346)*	*5*	*(60)*				*(3)*	*1*
Transfers to S2	*(1,585)*	*4*	*1,575*	*(5)*	*(5)*				*(15)*	*(1)*
Transfers to S3	*(56)*		*(21)*	*1*	*68*	*(1)*			*(9)*	
Other changes[1]	2,403	9	(1,999)	(26)	22	(19)	(78)	4	348	(32)
BALANCE AT 12/31/2019	**70,918**	**(33)**	**6,152**	**(82)**	**117**	**(22)**	**9**		**77,196**	**(138)**

(1) o/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and variations related to scope changes (including IFRS 5).

7.1.3.6 Change in provisions for credit losses on guarantee commitments given

in millions of euros	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired (POCI) assets		Total	
	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses	Gross carrying amount	Impairment for expected credit losses
BALANCE AT 12/31/2018	**23,194**	**(7)**	**5,859**	**(18)**	**136**	**(55)**	**4**		**29,193**	**(80)**
Origination and acquisitions	10,162	(4)	203	(1)	///	///			10,365	(5)
Derecognition (redemptions, disposals and debt forgiveness)	(6,174)	1	(1,456)	2	(39)	1			(7,668)	4
Impairment (write-off)	///	///	///	///	(5)	5			(5)	5
Transfers of financial assets	(597)	2	541	(2)	55	(1)			(1)	(1)
Transfers to S1	*399*	*(2)*	*(399)*	*3*						*1*
Transfers to S2	*(970)*	*3*	*970*	*(5)*	*(1)*				*(1)*	*(2)*
Transfers to S3	*(26)*	*1*	*(30)*		*56*	*(1)*				
Other changes[1]	(4,950)	(2)	(1,730)	3	28	(15)	(1)		(6,653)	(14)
BALANCE AT 12/31/2019	**21,635**	**(11)**	**3,418**	**(16)**	**175**	**(65)**	**3**		**25,231**	**(92)**

(1) o/w amortization of receivables, change in credit risk inputs, foreign exchange fluctuations and variations related to scope changes (including IFRS 5).

7.1.4 MEASUREMENT AND MANAGEMENT OF CREDIT RISK

Credit risk arises whenever a counterparty is unable to meet its payment obligations and may result from a reduction in credit quality or default by the counterparty.

Commitments exposed to credit risk consist of existing or potential receivables and particularly loans, debt securities, equities, performance swaps, performance bonds, or confirmed or undrawn facilities.

Credit risk management procedures and assessment methods, risk concentration, the quality of performing financial assets, and the analysis and breakdown of outstandings are described in the risk management report.

7.1.5 GUARANTEES RECEIVED ON IFRS 9 IMPAIRED INSTRUMENTS

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	Maximum risk exposure	Impairment	Maximum exposure net of impairment	Guarantees
Debt securities at amortized cost	197	(169)	28	
Loans and receivables due from banks at amortized cost	48	(48)		
Loans and receivables due from customers at amortized cost	8,044	(2,827)	5,216	3,718
Loan commitments	117	(23)	95	26
Guarantee commitments	175	(65)	111	52
TOTAL IMPAIRED FINANCIAL INSTRUMENTS (S3)	**8,581**	**(3,131)**	**5,450**	**3,796**

7.1.6 CREDIT RISK MITIGATION MECHANISMS: ASSETS OBTAINED BY TAKING POSSESSION OF COLLATERAL

The policy followed by BPCE SA group entities is to sell assets obtained by taking possession of collateral as soon as possible. The amount of these assets was non-material at December 31, 2019.

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;
- 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; and
- 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 6 "Risk Management – Liquidity, Interest Rate and Exchange Rate risks".

7.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to honor its payment commitments as they fall due and replace funds when they are withdrawn.

The funding procedures and liquidity risk management arrangements are disclosed in the risk management report.

Note 8 Employee benefits and similar

Accounting principles

There are four categories of employee benefits:

- short-term employee benefits such as wages, salaries, paid annual leave, bonuses, and profit sharing and incentive schemes which are expected to be paid within 12 months of the end of the period in which the employee renders the service are recognized in expenses;
- post-employment benefits paid to retired staff break down into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans such as French national plans are those for which Groupe BPCE's obligation is limited to payment of a contribution; there is no obligation for the employer regarding a certain level of benefits. Contributions paid into these plans are recognized as an expense for the period.

Defined-benefit plans are those for which Groupe BPCE has undertaken to provide a given amount or level of benefits.

Defined-benefit plans are subject to provisions calculated based on an actuarial assessment of the amount of the obligation, taking into account demographic and financial assumptions. When these plans are funded by external funds meeting the definition of plan assets, the amount of the provision is reduced by the fair value of these assets.

The cost of defined-benefit plans recorded in expenses for the period includes: the service cost (representing the rights acquired by beneficiaries over the period), the past service cost (revaluation differences on actuarial liabilities following an amendment or reduction in the plan), the net financial cost (effect of unwinding the discount on the net obligation for interest income generated by plan assets) and the effect of pension drawdowns.

Revaluation differences on actuarial liabilities caused by changes in demographic and financial assumptions and past-experience effects are recorded in gains and losses recognized directly in other comprehensive income not recyclable to profit or loss.

- other long-term employee benefits include awards accruing to current employees and payable 12 months or more after the end of the period in which the employee renders the related service. They mainly include long-service awards and deferred variable remuneration payable in cash and not indexed to the share price.

These benefits are calculated using the same actuarial method as that applied for defined-benefit pension plans. The accounting method differs in terms of revaluation differences on actuarial liabilities, which are recorded under expenses.

- termination benefits are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the Group to terminate a contract or a decision by an employee to terminate a contract in exchange for a severance package. They are covered by a provision. Termination benefits that are not expected to be paid within the 12 months following the balance sheet date are discounted to present value.

Share-based payments include payments in equity instruments or cash where the amount of the cash payment is indexed to the share price.

A personnel expense is recorded for an amount equal to the fair value of the benefit awarded, spread over the vesting period.

8.1 PAYROLL COSTS

Payroll costs include all personnel expenses and the associated social security contributions and taxes.

They include expenses for employee benefits and share-based payments.

Information on employees by category is presented in Chapter 2, "Non-financial performance disclosures."

in millions of euros	Fiscal year 2019	Fiscal year 2018
Wages and salaries	(3,675)	(3,467)
Expenses for defined-benefit and defined-contribution pension plans and other long-term employee benefits	(162)	(214)
Other social security costs and payroll-based taxes[(1)]	(1,150)	(1,344)
Profit sharing and incentive schemes	(207)	(197)
TOTAL PAYROLL COSTS	**(5,194)**	**(5,221)**

(1) The CICE (tax credit for competitiveness and employment) deducted from payroll costs amounted to €11 million in respect of fiscal year 2018. It was eliminated and converted into a reduction in social security charges at January 1, 2019.

8.2 EMPLOYEE BENEFITS

BPCE SA group grants its staff a variety of employee benefits:

- pensions and other post-employment benefits such as retirement indemnities and other benefits granted to retirees;
- other benefits such as long-service awards and other long-term employee benefits.

8.2.1 ANALYSIS OF EMPLOYEE-RELATED ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

	Post-employment defined-benefit plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	12/31/2019	12/31/2018
Actuarial liabilities	1,072	349	76	141	1,638	1,478
Fair value of plan assets	(790)	(154)			(944)	(744)
Fair value of reimbursement rights	(43)	(28)			(71)	(194)
Effect of ceiling on plan assets	18				18	23
Net amount reported on the balance sheet	**257**	**167**	**76**	**141**	**641**	**563**
Employee benefit commitments recorded in the balance sheet	300	195	76	141	712	757
Plan assets recorded in the balance sheet[(1)]	43	28			71	194

(1) Mostly recorded on the assets side of the balance sheet under "Accrued income and other assets".

Actuarial liabilities represent the Group's obligation in respect of beneficiaries. They are calculated by independent actuaries using the projected unit credit method based on demographic and financial assumptions that are reviewed on a regular basis and at least once a year.

When these plans are funded by assets meeting the definition of plan assets, the amount of the provision corresponds to actuarial liabilities less the fair value of these assets.

Plan assets no longer meeting the definition of plan assets are recorded under assets.

8.2.2 CHANGE IN AMOUNTS RECOGNIZED ON THE BALANCE SHEET

Changes in actuarial liabilities

	Post-employment defined-benefit plans		Other long-term employee benefits			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Long-service awards	Other	Fiscal year 2019	Fiscal year 2018
Actuarial liabilities at start of year	**908**	**337**	**71**	**162**	**1,478**	**1,549**
Service cost	13	20	6	29	68	108
Past service cost	(6)	(17)	(2)	(5)	(30)	(2)
Interest cost	22	4	1		27	26
Benefits paid	(36)	(18)	(4)	(47)	(105)	(115)
Other items recorded in income	1	(7)	6	1	1	(3)
Changes recorded in income	**(6)**	**(18)**	**7**	**(22)**	**(39)**	**14**
Revaluation adjustments – demographic assumptions	(3)	1			(2)	(8)
Revaluation adjustments – financial assumptions	142	28			170	(61)
Revaluation adjustments – past-experience effect	16	(4)			12	(23)
Changes recognized directly in other comprehensive income not recyclable to profit or loss	**155**	**25**			**180**	**(92)**
Foreign exchange rate adjustments	**4**				**4**	**12**
Other changes	**11**	**5**	**(2)**	**1**	**15**	**(5)**
ACTUARIAL LIABILITIES AT END OF YEAR	**1,072**	**349**	**76**	**141**	**1,638**	**1,478**

Change in plan assets

	Post-employment defined-benefit plans			
in millions of euros	Supplementary pension benefits and other	End-of-career awards	Fiscal year 2019	Fiscal year 2018
Fair value of plan assets at start of year	**764**	**174**	**938**	**974**
Interest income	18	2	20	19
Plan participant contributions	13	7	20	13
Benefits paid	(32)	(4)	(36)	(34)
Other items recorded in income				(1)
Changes recorded in income	**(1)**	**5**	**4**	**(3)**
Revaluation adjustments – return on plan assets	65	3	68	(31)
Changes recognized directly in other comprehensive income not recyclable to profit or loss	**65**	**3**	**68**	**(31)**
Foreign exchange rate adjustments	**4**		**4**	**10**
Other changes	**1**		**1**	**(12)**
FAIR VALUE OF PLAN ASSETS AT END OF YEAR[(1)]	**833**	**182**	**1,015**	**938**

(1) o/w €43 million in reimbursement rights included in retirement benefits and €28 million included in end-of-career benefits.

Amounts paid in cash to beneficiaries reduce the amount of provisions recorded to this end by an equivalent amount. A total of €36 million was charged against pension plan assets.

Interest income on plan assets is calculated by applying the same discount rate as that used to discount commitments. The difference between the actual return at the balance sheet date and this interest income is a revaluation difference recorded in equity not recyclable to profit or loss for post-employment benefits.

8.2.3 COST OF DEFINED-BENEFIT PENSION PLANS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Expenses for defined-benefit pension plans and other long-term employee benefits

The various components of the expense recognized for defined-benefit plans and other long-term employee benefits are included under "Payroll costs".

in millions of euros	Post-employment defined-benefit plans	Other long-term employee benefits	Fiscal year 2019	Fiscal year 2018
Service cost	(10)	(28)	(38)	(106)
Net interest cost	(6)	(1)	(7)	(7)
Other (o/w asset ceiling)	6	(7)	(1)	2
Expense for the period	**(10)**	**(36)**	**(46)**	**(111)**
Benefits paid	18	51	69	81
Plan participant contributions	20		20	13
Change in provisions due to contributions	**38**	**51**	**89**	**94**
TOTAL	**28**	**15**	**43**	**(17)**

Gains and losses on defined-benefit plans recorded directly in other comprehensive income

in millions of euros	Supplementary pension benefits and other	End-of-career awards	Fiscal year 2019	Fiscal year 2018
Revaluation adjustments at start of period	**171**	**(5)**	**166**	**216**
Revaluation adjustments over the period	91	23	114	(61)
Adjustments to asset ceiling	(4)		(4)	11
REVALUATION ADJUSTMENTS AT END OF PERIOD	**258**	**18**	**276**	**166**

8.3 SHARE-BASED PAYMENTS

Accounting principles

Share-based payments are those based on shares issued by the Group, regardless of whether the transactions are settled in the form of equity or cash indexed to the share price.

The cost to the Group is calculated on the basis of the fair value at the grant date of the share purchase or subscription options granted by certain subsidiaries. The total cost of the plan is determined by multiplying the unit value of the option by the estimated number of options that will have vested at the end of the vesting period, taking account of the likelihood that the beneficiaries will still be employed by the Group, and of any non-market performance conditions that may affect the plan.

The cost to the Group is recognized in income from the date the employees are notified of the plan, without waiting for the vesting conditions, if any, to be satisfied (for example, in the case of a subsequent approval process), or for the beneficiaries to exercise their options.

The corresponding adjustment for the expense recorded under equity-settled plans is an increase in equity.

The Group recognizes a liability for cash-settled plans. The related cost is taken to income over the vesting period and a corresponding fair value adjustment is booked to a liability account.

The main plans settled in the form of shares are presented below.

SHARE-BASED EMPLOYEE RETENTION AND PERFORMANCE RECOGNITION PLANS

Each year since 2010, a share-based payment plan has been awarded to certain categories of Natixis group staff, in compliance with regulations.

Regarding the plans approved at February 6, 2019, 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.

Natixis subsidiaries may also establish their own share-based payment plans. The impacts of these plans, taken individually, are not material at the Natixis consolidated level. The features of these plans are thus not detailed in the section below.

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[(1)]	Vesting date	Number of units vested by beneficiaries	Fair value of indexed cash unit at valuation date *(in euros)*
2014 plan	2/18/2015	4,493,016	October 2016 October 2017 October 2018	1,576,403 1,449,399 1,298,335	6.37
2015 plan	2/10/2016	6,084,435	March 2018 March 2019	1,081,907 1,787,527	6.11
2016 plan	4/10/2017	2,835,311	March 2019 March 2020	868,417	5.47
2017 plan	2/23/2018	2,660,487	March 2020 March 2021		5.34
2018 plan	2/26/2019	3,260,945	March 2021 March 2022		2.72
2019 plan	1/22/2020	3,576,462	March 2022 March 2023		2.22

(1) The expected number of units at the vesting date is funded by equity swaps. Payments under these plans are subject to presence and performance criteria.

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)*
2019 plan	1/22/2020	1/22/2020	3.88	5,815,898	5,815,898	3.88

The expense associated with the short-term plan is fully recognized in the 2019 financial statements in the amount of €28 million, *versus* €36 million at December 31, 2018.

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	7/31/2014	31,955	July 2018		4.83	4.02
2014 plan	2/18/2015	95,144	February 2019		6.18	3.45
2015 plan	7/28/2016	3,081,642	March 2018 March 2019		3.43	2.80
2016 plan	7/28/2016	151,283	July 2020		3.43	1.62
2016 plan	4/10/2017	3,012,307	March 2019 March 2020		4.28	4.43
2017 plan	5/23/2017	79,369	May 2021		6.44	3.32
2017 plan	2/23/2018	2,765,576	March 2020 March 2021		7.06	5.34
2018 plan	2/26/2019	2,987,841	March 2021 March 2022		4.44	2.73
2019 plan	1/22/2020	2,104,431	March 2022 March 2023		3.96	2.22

EXPENSE FOR THE PERIOD FOR LOYALTY AND PERFORMANCE PLANS

	Fiscal year 2019			
in millions of euros	Plans settled in shares	Plans settled in cash indexed to Natixis shares	Total	Fiscal year 2018
Previous loyalty plans	(8)	(17)	(24)	(14)
Loyalty plans from the fiscal year		(3)	(3)	(2)
TOTAL	**(8)**	**(20)**	**(27)**	**(16)**

VALUATION INPUTS USED TO ASSESS THE EXPENSE RELATIVE TO THESE PLANS

	12/31/2019	12/31/2018
Share price	3.96	4.12
Risk-free interest rate	(0.66%)	(0.64%)
Dividend payout ratio	12.83%	11.35%
Loss of rights rate	4.72%	4.61%

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 2019 was:

Year of plan	Grant date	Vesting date	Fiscal year 2019 *(in millions of euros)*	Fiscal year 2018 *(in millions of euros)*
2015 plan	02/10/2016	March 2017 March 2018		(1)
2016 plan	04/10/2017	March 2018 March 2019	(1)	(7)
2017 plan	02/23/2018	March 2019 March 2020	(9)	(19)
2018 plan	02/26/2019	March 2020 March 2021	1	(29)
2019 plan	01/22/2020	March 2021 March 2022	(12)	
TOTAL			**(21)**	**(56)**

Note 9 Insurance businesses

Key points

Insurance businesses cover life insurance and non-life insurance activities. In Groupe BPCE these activities are performed by dedicated subsidiaries subject to the specific regulations applicable to the insurance sector.

On November 3, 2017, the European Commission adopted the amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, applicable as of January 1, 2018. On November 14, 2018, the IASB decided to delay the implementation of IFRS 17 "Insurance Contracts" by one year to January 1, 2022. It also decided to defer the expiry of insurance companies' temporary exemption from IFRS 9 to January 1, 2022, to align it with the application of IFRS 17. A draft amendment, "Exposure Draft ED/2019/4 Amendments to IFRS 17", was published on June 26, 2019.

As Groupe BPCE is a financial conglomerate, it elected to apply this provision to its insurance businesses, which continue to be covered by IAS 39. The entities concerned are listed in Note 13.4 on the scope of consolidation.

Financial assets and liabilities of insurance businesses are therefore recognized in accordance with the provisions of IAS 39. They are classified into categories defined by this standard, which calls for specific approaches to measurement and accounting treatment.

Pending amendments to IFRS 4, insurance liabilities continue to be measured broadly in line with French GAAP.

In accordance with Phase I of IFRS 4, insurance contracts are classified into three categories:

- policies that expose the insurer to a significant insurance risk within the meaning of IFRS 4: this category comprises policies covering provident insurance, pensions, property and casualty and unit-linked savings carrying a minimum guarantee. These policies continue to be measured under the rules provided under local GAAP for measuring technical reserves;
- financial contracts such as savings contracts that do not expose the insurer to a significant insurance risk are recognized in accordance with IFRS 4 if they contain a discretionary profit sharing feature, and continue to be measured in accordance with the rules for measuring technical reserves provided under local GAAP; and
- financial contracts without a discretionary profit sharing feature, such as unit-linked policies without a non-unit-linked component and without a minimum guarantee, are accounted for in accordance with IAS 39.

Most financial contracts issued by Group entities contain discretionary profit sharing features.

The discretionary profit sharing feature grants life insurance policyholders the right to receive a share of the financial income generated, in addition to guaranteed benefits. For these contracts, in accordance with shadow accounting principles defined by IFRS 4, the provision for deferred profit sharing is adjusted to include the policyholders' share in the unrealized capital gains or losses on financial instruments measured at fair value in application of IAS 39. The share of the gains or losses attributable to policyholders is determined on the basis of the characteristics of contracts likely to generate such gains or losses.

Any change in deferred profit sharing is taken to other comprehensive income where it results from changes in the value of available-for-sale financial assets and to profit or loss 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 tests the adequacy of its recognized insurance liabilities based on the estimated present value of future cash flows from its insurance policies and investment contracts containing a discretionary profit sharing feature. The liability adequacy test shows the economic value of the liabilities corresponding to the average derived from stochastic analyses. If the sum of the surrender value and deferred profit sharing is lower than the fair value of the technical reserves, the shortfall is recognized in income.

Groupe BPCE has decided to apply the option available under ANC recommendation No. 2017-02 of presenting the insurance businesses separately on the balance sheet and income statement.

9.1 NOTES TO THE BALANCE SHEET

Accounting principles

The "Insurance business investments" line on the assets side of the balance sheet includes insurance business assets representative of:

- financial investments (*i.e.* in financial instruments) including advances to policyholders;
- financial investments in unit-linked products;
- derivatives;
- revaluation differences on interest rate risk-hedged portfolios.

Other balances related to the insurance business are aggregated with the balances related to the other balance sheet items by type.

On the liabilities side of the balance sheet, the "Liabilities related to insurance policies" line consists of:

- the technical reserves of insurance companies (as defined in Appendix A to IFRS 4);
- insurance and reinsurance liabilities, including amounts due to policyholders;
- insurance-related derivatives;
- shares of the revaluation of interest rate risk-hedged portfolios;
- the deferred profit sharing liability.

9.1.1 INSURANCE BUSINESS INVESTMENTS

Accounting principles

Loans and receivables due from banks and customers and certain securities not listed in an active market are recorded in "Insurance business investments".

Loans and receivables are initially recorded at fair value plus any costs directly related to their issuance, less any proceeds directly attributable to issuance. On subsequent balance sheet dates, they are measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the value of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield on the loan. No internal cost is included in the calculation of amortized cost.

When loans are extended under conditions that are less favorable than market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the nominal value of the loan. The market interest rate is the rate applied by the vast majority of local financial institutions at a given time for instruments and counterparties with similar characteristics.

A discount is applied to loans restructured following a loss event as defined by IAS 39, to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of credit risk" (for the insurer's net share) in the income statement and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. The restructured loan is reclassified as performing based on expert opinion when no uncertainty remains as to the borrower's capacity to honor the commitment.

External costs consist primarily of commissions paid to third parties in connection with the arrangement of loans. They essentially comprise commissions paid to business providers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more probable than improbable that the loan will be drawn down). Commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is adjusted at each rate refixing date.

Securities recorded as assets are classified into four categories as defined by IAS 39:

- financial assets at fair value through profit or loss;
- held-to-maturity financial assets;
- loans and receivables;
- available-for-sale financial assets.

Impairment of securities

An impairment loss is recognized on an individual basis against securities, with the exception of securities classified as financial assets at fair value through profit or loss, when there is objective evidence of impairment resulting from one or more loss events having occurred since the initial recognition of the asset and where the impact of these events on estimated future cash flows can be reliably measured.

Different rules are used for the impairment of equity instruments and debt instruments.

For equity instruments, a lasting decline or a significant decrease in value are objective indicators of impairment.

A decline of over 50% or lasting for over 24 months in the value of a security by comparison with its historic 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 historic cost or if events occur that are liable to represent a material or prolonged decline. An impairment charge is recorded in the income statement if the Group determines that the value of the asset will not be recovered in its entirety.

For unlisted equity instruments, a qualitative analysis of their situation is carried out.

Impairment losses recognized on equity instruments may not be reversed and nor may they be written back to income. Losses are recorded under "Net income from insurance businesses". A subsequent increase in value is taken to "Gains and losses recognized directly in other comprehensive income" until disposal of the securities.

Impairment losses are recognized on debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) when there is a known counterparty risk.

The Group uses the same impairment indicators for debt securities as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio to which the debt securities are ultimately designated. For perpetual deeply subordinated notes, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

In the event of an improvement in the issuer's financial position, impairment losses taken on debt instruments must be written back to the income statement. Impairment losses and write-backs are recorded in "Cost of credit risk" (for the insurer's net share).

Impairment of loans and receivables

IAS 39 defines the methods for calculating and recognizing the impairment of loans.

A loan or receivable is deemed to be impaired if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis: there are "triggering events" or "loss events" identifying counterparty risk occurring after the initial recognition of the loans in question. On an individual level, the criteria for deciding whether or not a credit risk has been incurred include the existence of past due payments; and
- these events are liable to lead to the recognition of incurred losses.

Impairment is determined as the difference between the amortized cost and the recoverable amount of the receivable, *i.e.* the present value of estimated recoverable future cash flows taking into account the impact of any collateral.

in millions of euros	12/31/2019	12/31/2018
Investment property	1,502	1,375
Financial assets at fair value through profit or loss	23,267	22,014
Available-for-sale financial assets	53,740	49,479
Loans and receivables due from banks	747	383
Loans and receivables due from customers	13,312	12,759
Held-to-maturity financial assets	918	1,291
Share held by cedents and retrocessionaires in liabilities relating to insurance policies and financial contracts	15,254	13,050
Receivables arising from insurance and assumed reinsurance activities	2,232	2,130
Receivables arising from ceded reinsurance activities	86	91
Deferred acquisition costs	731	709
TOTAL INSURANCE BUSINESS INVESTMENTS	**111,787**	**103,281**

9.1.1.1 Investment property

	12/31/2019			12/31/2018		
in millions of euros	Gross amount	Accumulated depreciation and impairment	Net amount	Gross amount	Accumulated depreciation and impairment	Net amount
Investment property recognized at historic cost	44	(14)	30	44	(14)	30
Investment property recognized at fair value(1)	1,070		1,070	970		970
Investment property (unit-linked vehicles)	402		402	374		374
TOTAL INVESTMENT PROPERTY	**1,516**	**(14)**	**1,502**	**1,388**	**(14)**	**1,375**

(1) Changes in fair value give rise to symmetrical recognition of a provision for deferred profit-sharing averaging, at December 31, 2019, 89% of the calculation base in question versus 88% at December 31, 2018.

The fair value of investment property came to €1,530 million at December 31, 2019 *versus* €1,400 million at December 31, 2018.

The fair value of investment property is classified in Level 3 of the fair value hierarchy in accordance with IFRS 13.

9.1.1.2 Financial assets at fair value through profit or loss

Accounting principles

This asset category includes:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the near term; and
- financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IAS 39.

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, gains or losses on disposals on these instruments are recognized in "Net income from insurance businesses".

Financial assets and liabilities designated at fair value through profit or loss

The amendment to IAS 39 adopted by the European Union on November 15, 2005 allows entities to designate financial assets and liabilities at fair value through profit or loss on initial recognition. However, an entity's decision to designate a financial asset or liability at fair value through profit or loss may not be reversed.

Compliance with the criteria stipulated by the standard must be verified prior to any recognition of an instrument using the fair value option.

In practice, this option may be applied only under the specific circumstances described below:

Elimination of or significant reduction in an accounting mismatch

Applying the option eliminates accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy. This treatment applies in particular to unit-linked policy assets and liabilities.

Harmonization of accounting treatment for management and performance measurement

The option applies for a group of assets and/or liabilities managed and measured at fair value, provided that it is based on a formally documented risk management or investment strategy, and information about the Group is also reported internally on a fair value basis.

Hybrid financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid (combined) instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied when the embedded derivative(s) substantially modify the cash flows of the host contract and when the separate recognition of the embedded derivative(s) is not specifically prohibited by IAS 39 (*e.g.* an early redemption option at cost embedded in a debt instrument). The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

This treatment applies in particular to certain financial instruments containing material embedded derivatives (convertible bonds, indexed bonds and structured securities).

in millions of euros	12/31/2019	12/31/2018
UCITS	2,286	4,810
Financial assets held for trading	**2,286**	**4,810**
Trading derivatives	**19**	**18**
Bonds	2,026	1,501
Equities	507	195
UCITS	277	171
Investments backed by unit-linked policies	18,152	15,320
Financial assets designated at fair value	**20,962**	**17,187**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**23,267**	**22,014**

CONDITIONS FOR DESIGNATING INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2019				12/31/2018			
in millions of euros	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial assets designated at fair value	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial assets designated at fair value
Bonds	645		1,381	2,026	762		739	1,501
Equities	507			507	195			195
UCITS			277	277			171	171
Investments backed by unit-linked policies	17,762		390	18,152	14,720		600	15,320
TOTAL	**18,915**		**2,048**	**20,962**	**15,677**		**1,510**	**17,188**

9.1.1.3 Available-for-sale financial assets

Accounting principles

Available-for-sale financial assets are all securities not classified in the previous three categories.

Available-for-sale financial assets are initially recognized at fair value, plus any transaction costs.

On the balance sheet date, they are carried at their fair value and changes in fair value are recorded under "Gains and losses recognized directly in other comprehensive income" (except for foreign currency monetary assets, for which changes in the fair value of the foreign currency component affect income).

If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on fixed income securities is recorded under "Net income from insurance businesses". Income from variable-income securities is recorded under "Net income from insurance businesses".

in millions of euros	12/31/2019	12/31/2018
Bonds	44,592	41,976
Equities	2,889	2,332
UCITS	6,476	5,422
Available-for-sale financial assets, gross	**53,957**	**49,730**
Impairment of debt instruments	(49)	(38)
Impairment of equity instruments(1)	(168)	(213)
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**53,740**	**49,479**

(1) In 2019, permanent impairment of variable-income securities came to €63 million. This expense was 89% offset by the profit sharing mechanism. The 2019 expense can be broken down into an additional impairment loss on previously impaired securities for €16 million and an allowance for newly impaired securities for €47 million.

9.1.1.4 Loans and receivables

Accounting principles

The portfolio of loans and receivables included in "Insurance business investments" comprises non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. In addition, these assets must not be exposed to a risk of material losses unrelated to a deterioration in their credit quality.

Some securities not quoted in an active market may be classified in this portfolio. These are initially recognized at fair value, plus any transaction costs and less any transaction income. Securities classified in this category comply with the rules for recognition, measurement and impairment applicable to loans and receivables.

When a financial asset recorded under loans and receivables is sold before its maturity, the income from the disposal is recorded under "Net income from insurance businesses".

in millions of euros	12/31/2019	12/31/2018
Loans and receivables due from banks	747	383
Loans and receivables due from customers(1)	13,312	12,759
TOTAL LOANS AND RECEIVABLES	**14,059**	**13,142**

(1) Including €11,602 million for guarantee deposits made for the acceptance of reinsurance treaties versus €11,598 million at December 31, 2018.

9.1.1.5 Held-to-maturity financial assets

Accounting principles

Held-to-maturity (HTM) financial assets are securities with fixed or determinable payments and fixed maturity dates that the Group has the intention and ability to hold until maturity.

IAS 39 does not permit the sale or transfer of these securities before maturity except in certain specific circumstances. In the event that the securities are sold before maturity, all held-to-maturity assets must be reclassified and the held-to-maturity category cannot be used during the current year or the following two years. Exceptions to the rule apply in the following cases:

- a material deterioration in the issuer's credit quality;
- a change in tax regulations canceling or significantly reducing the tax exemption on interest earned on investments held-to-maturity;
- a major business combination or significant withdrawal of activity (sale of a sector, for example) requiring the sale or transfer of held-to-maturity investments in order to maintain the entity's existing situation in terms of interest rate risk or its credit risk policy;
- a change in legal or regulatory provisions significantly modifying either the definition of an eligible investment or the maximum amount of certain types of investment, requiring that the entity dispose of a held-to-maturity asset;
- a significant increase in capital requirements forcing the entity to restructure by selling held-to-maturity assets; and
- a significant increase in the risk weighting of held-to-maturity assets in terms of prudential capital regulations.

In the exceptional cases described above, the income from the disposal is recorded under "Net income from insurance businesses".

The hedging of these securities against interest rate risk is not permitted. However, hedges against exchange rate risk or the inflation component of certain held-to-maturity financial assets are allowed.

Held-to-maturity financial assets are recognized at fair value at inception, plus any transaction costs directly attributable to their acquisition. They are subsequently measured at amortized cost using the effective interest method, including any premiums, discounts and acquisition fees, where material.

in millions of euros	12/31/2019	12/31/2018
Treasury bills and equivalent	636	1,002
Bonds and other fixed income securities	283	290
Gross amount of held-to-maturity investments	**919**	**1,292**
Impairment	(1)	(1)
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	**918**	**1,291**

9.1.1.6 Fair value hierarchy of financial assets at fair value

The principles used to assess fair value are described in Note 10.

	12/31/2019				12/31/2018			
in millions of euros	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Assets held for trading (equities and UCITS)	2,202	84		2,286	4,726	84		4,810
Financial assets held for trading	**2,202**	**84**		**2,286**	**4,726**	**84**		**4,810**
Interest rate derivatives						3		3
Currency derivatives	6	5		11	3	11		13
Equity derivatives	8			8	1			1
Derivatives excl. hedging derivatives (positive fair value)	**14**	**5**		**19**	**4**	**14**		**18**
Securities designated at fair value through profit or loss	224	1,301	1,285	2,810	172	456	1,238	1,866
Bonds	*98*	*642*	*1,286*	*2,026*	*90*	*174*	*1,238*	*1,502*
Equities and UCITS	*125*	*659*		*785*	*83*	*282*		*366*
Investments backed by unit-linked policies	15,065	3,087		18,152	14,617	702		15,320
Financial assets designated at fair value through profit or loss	**15,289**	**4,388**	**1,286**	**20,962**	**14,790**	**1,159**	**1,238**	**17,186**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**17,505**	**4,477**	**1,286**	**23,267**	**19,520**	**1,256**	**1,238**	**22,014**
Investments in associates			288	287			253	253
Other available-for-sale securities	45,974	4,751	2,728	53,452	41,753	5,056	2,417	49,226
Bonds	*39,349*	*2,660*	*2,534*	*44,543*	*36,068*	*3,652*	*2,218*	*41,938*
Equities and UCITS	*6,625*	*2,091*	*194*	*8,910*	*5,685*	*1,404*	*199*	*7,288*
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**45,974**	**4,749**	**3,015**	**53,740**	**41,753**	**5,056**	**2,669**	**49,479**

ANALYSIS OF FINANCIAL ASSETS AT FAIR VALUE CLASSIFIED IN LEVEL 3 OF THE FAIR VALUE HIERARCHY

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement								
in millions of euros	01/01/2019	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level	Other changes	12/31/2019
ASSETS										
Securities designated at fair value through profit or loss	1,238	87	(3)		201	(207)		(31)	1	1,286
Bonds	*1,238*	*87*	*(3)*		*201*	*(207)*		*(31)*	*1*	*1,286*
Financial assets designated at fair value through profit or loss	**1,238**	**87**	**(3)**		**201**	**(207)**		**(31)**	**1**	**1,286**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,238**	**87**	**(3)**		**201**	**(207)**		**(31)**	**1**	**1,286**
Investments in associates	253			14	18	(1)	18		(14)	288
Other available-for-sale securities	2,417	(11)	51	6	747	(605)		112	10	2,728
Bonds	*2,218*	*(11)*	*(4)*	*3*	*724*	*(507)*		*112*		*2,534*
Equities and UCITS	*199*		*55*	*4*	*24*	*(98)*			*10*	*194*
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**2,669**	**(11)**	**51**	**20**	**765**	**(606)**	**18**	**112**	**(3)**	**3,015**

ANALYSIS OF FAIR VALUE HIERARCHY TRANSFERS

	Fiscal year 2019					
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
ASSETS						
Securities designated at fair value through profit or loss						31
Bonds						*31*
Financial assets designated at fair value through profit or loss						**31**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						**31**
Other available-for-sale securities	401		825	685		572
Bonds	*99*		*544*	*685*		*572*
Equities and UCITS	*302*		*280*			
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**401**		**825**	**685**		**572**

	Fiscal year 2018					
From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS						
Securities designated at fair value through profit or loss			2			1
Equities and UCITS			*2*			
Financial assets designated at fair value through profit or loss			**2**			**1**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			**2**			**1**
Other available-for-sale securities	75		9	603		1,525
Bonds	*56*		*9*	*603*		*1,506*
Equities and UCITS	*19*					*20*
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**75**		**9**	**603**		**1,525**

9.1.1.7 Fair value of insurance business assets carried in the balance sheet at amortized cost

The principles used to assess fair value are described in Note 10.

	12/31/2019				12/31/2018			
in millions of euros	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Investments of loans and receivables due from banks	747	68	679		383	4	379	
Investments of loans and receivables due from customers	13,312	51	13,259	2	12,759	47	12,712	
Held-to-maturity investments	1,124	1,051	71	2	1,505	1,345	157	3
INSURANCE BUSINESS INVESTMENTS AT AMORTIZED COST	**15,183**	**1,171**	**14,009**	**4**	**14,647**	**1,396**	**13,248**	**3**

9.1.2 LIABILITIES RELATED TO INSURANCE POLICIES

in millions of euros	12/31/2019	12/31/2018
Technical reserves relating to insurance policies	51,065	45,772
Technical reserves relating to unit-linked policies	12,164	9,845
Technical reserves relating to insurance policies	**63,229**	**55,617**
Technical reserves relating to financial contracts with a discretionary profit sharing feature	20,162	20,118
Technical reserves relating to unit-linked financial contracts	4,930	3,951
Technical reserves relating to financial contracts	**25,092**	**24,069**
Deferred profit sharing liabilities[1]	4,039	2,115
Liabilities arising from insurance and assumed reinsurance activities, and liabilities arising from ceded reinsurance activities	10,572	9,865
Trading derivatives	39	7
Other liabilities	11	17
TOTAL LIABILITIES RELATED TO INSURANCE POLICIES	**102,982**	**91,690**

(1) O/w €3,899 million in deferred profit sharing recognized in other comprehensive income (including attributable to non-controlling interests).

The information required by IFRS 7 is presented for:

- financial assets at fair value through profit or loss in Note 5.2.2;
- amounts due to banks and customers in Note 5.11;
- debt securities in Note 5.12;
- subordinated debt in Note 5.15.

9.2 NOTES TO THE INCOME STATEMENT

9.2.1 NET INCOME FROM INSURANCE BUSINESSES

Accounting principles

Net income from insurance businesses includes:

revenues from the insurance businesses, which consist of premiums written and the change in unearned premium reserves for insurance policies and investment contracts containing a discretionary profit sharing feature within the meaning of IFRS 4;

- investment income net of expenses:
  - investment income including income from investment property,
  - investment expenses and other financial expenses excluding financing expenses,
  - gains and losses on the sale of investments including on investment property,
  - depreciation, amortization and impairment reversals on investments (including investment properties) and other assets (including assets provided under operating leases), recognized at amortized cost,
  - the change in fair value of investments (including investment property) recognized at fair value through profit or loss;
- amortization of acquisition costs;
- the external costs of benefits and claims paid on policies which include paid benefits and claims on insurance policies and on investment contracts containing a discretionary profit sharing feature (paid benefits and claims, changes in technical reserves), including policyholder compensation (deferred profit sharing), as well as changes in the value of investment contracts, particularly for unit-linked policies;
- income from reinsurance cessions, defined as the sum of ceded premiums, net of ceded claims and benefits paid and commissions;
- where applicable:
  - net gains or losses resulting from the derecognition of financial assets at amortized cost,
  - net gains or losses resulting from the reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss.

5

in millions of euros	Fiscal year 2019	Fiscal year 2018
Premiums written	14,481	13,800
Change in unearned premiums	(213)	(176)
Earned premiums	**14,268**	**13,624**
Revenues and other income from insurance businesses	**186**	**267**
Income from investments	1,832	1,622
Expenses on investments	(281)	(100)
Gains or losses on disposals of investments less reversals of impairment and amortization	214	105
Change in fair value of investments recognized at fair value through profit or loss	1,833	(1,013)
Change in impairment for investments	(77)	(95)
Income from investments net of expenses	**3,521**	**518**
Amortization of acquisition costs	**(3)**	**24**
Claims and benefits expenses	**(14,769)**	**(11,471)**
Income from reinsurance cessions	3,496	3,205
Expenses on reinsurance cessions	(3,566)	(3,233)
Net income or expenses on reinsurance cessions	**(71)**	**(28)**
NET INCOME FROM INSURANCE BUSINESSES	**3,132**	**2,934**

9.2.2 TRANSITION BETWEEN THE PRESENTATION APPLICABLE TO INSURANCE COMPANIES AND TO BANKS

The statement shown below provides a transition between the financial statements of insurance companies included in the scope of consolidation and their translation into the financial statements of BPCE SA group in accordance with the presentation applicable to banks.

	2019 Banking Format						
	Net banking income						
in millions of euros	Net income from insurance businesses[1]	Other items of net banking income (excluding net income from insurance businesses)	Operating expenses	Gross operating income	Other items	2019 Insurance Format	2018 Insurance Format
Earned premiums	14,211	43		14,254	(69)	14,185	13,468
Revenues or income from other activities	170	9		179	(9)	170	219
Other operating income		58	11	69	9	78	47
Net financial income before finance costs	3,521	24	(14)	3,531	79	3,610	535
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**17,902**	**134**	**(3)**	**18,033**	**11**	**18,044**	**14,269**
Claims and benefits expenses	(14,734)	(64)	(124)	(14,922)	53	(14,869)	(11,379)
Expenses from other activities			(13)	(13)	(2)	(15)	(13)
Net income from reinsurance cessions	(71)	23		(48)	(10)	(58)	(30)
Policy acquisition costs	(3)	(808)	(221)	(1,032)		(1,032)	(968)
Administrative expenses		(491)	(378)	(869)		(869)	(799)
Other recurring operating income and expenses		(64)	(306)	(370)	3	(367)	(360)
TOTAL OTHER RECURRING INCOME AND EXPENSES	**(14,808)**	**(1,404)**	**(1,042)**	**(17,254)**	**45**	**(17,209)**	**(13,549)**
OPERATING INCOME	**3,094**	**(1,270)**	**(1,045)**	**779**	**56**	**835**	**720**

(1) Net income from Insurance businesses does not include income from the Prêt Viager Hypothécaire, a reverse mortgage for seniors offered by Crédit Foncier.

9.3 INFORMATION TO BE PROVIDED ON THE TEMPORARY EXEMPTION OF INSURANCE BUSINESSES FROM IFRS 9

	12/31/2019		12/31/2018	
in millions of euros	Fair value	Change in fair value over the period	Fair value	Change in fair value over the period
SPPI financial assets	45,600	2,400	41,476	(1,398)
Other financial assets	3,191	55	3,516	(83)
TOTAL INSURANCE BUSINESS INVESTMENTS[(1)]	**48,791**	**2,455**	**44,993**	**(1,481)**

(1) Excluding UCITS classified as available-for-sale assets for €5,994 million at December 31, 2019 versus €5,067 million at December 31, 2018.

Credit risk associated with insurance businesses is presented in Chapter 6, Risk Management – Insurance Risks – Asset Management and Financial Conglomerate.

This table does not include financial assets recognized at fair value through profit of loss or reinsurance activities.

Note 10 Fair value of financial assets and liabilities

Key points

This section sets out the principles for measuring the fair value of financial instruments as defined in IFRS 13 "Fair Value Measurement" and the methods used by Groupe BPCE entities to measure the value of their financial instruments."

Financial assets and liabilities are recorded in the balance sheet either at fair value or at amortized cost. An indication of the fair value of items measured at amortized cost is provided in the notes.

For instruments traded on an active market with a quoted price, the fair value is equal to the quoted price, corresponding to Level 1 in the fair value hierarchy.

The fair value of other financial instruments not traded on an active market, including in particular loans, borrowings and derivatives traded over the counter, is calculated using valuation techniques that rely on widely used models and observable data, corresponding to Level 2 in the fair value hierarchy. When internal data or proprietary models are used (Level 3 in the fair value hierarchy), independent controls are used to validate the value obtained.

DETERMINATION OF FAIR VALUE

General principles

The fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability in a standard arm's length transaction between market participants at the measurement date.

Fair value is therefore determined using the exit price.

On first recognition, fair value is usually the transaction price and is thus the price paid to purchase the asset or the price received to assume the liability.

In subsequent measurements, the estimated fair value of assets and liabilities must be based primarily on observable market data, while ensuring that all inputs used in the fair value calculation are consistent with the price that market participants would use in a transaction.

In this case, fair value consists of a mid-market price and additional valuation adjustments determined according to the instruments in question and the associated risks.

The mid-market price is obtained based on:

- the instrument's quoted price, if the instrument is quoted on an active market. A financial instrument is regarded as quoted on an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regularly occurring transactions on the principal market or, failing that, on the most favorable market, on an arm's length basis;
- if the market for a financial instrument is not active, fair value is established using valuation techniques. The techniques used must maximize the use of relevant observable entry data and minimize the use of non-observable entry data. They may refer to observable data from recent transactions, the fair value of similar instruments, discounted cash flow analysis and option pricing models, proprietary models in the case of hybrid instruments or non-observable data when no pricing or market data are available.

Additional valuation adjustments include factors related to valuation uncertainties, such as market and credit risk premiums, in order to recognize the costs incurred by a divestment transaction on the primary market. Likewise, an adjustment (Funding Valuation Adjustment – FVA) for using assumptions to recognize costs related to the financing costs of future cash flows on uncollateralized or partially collateralized derivatives is also recognized.

5

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 of different values being used by market participants for the same inputs when measuring the fair value of the financial instrument in question.

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)

The DVA is symmetrical to the CVA and represents the risk of loss, from the counterparty's perspective, on liability valuations of derivatives. It reflects the impact of the Group's credit quality on the valuation of these instruments. The DVA is assessed by observing the Group's "credit" market input. At Natixis, the main contributor for the Group, this involves observing 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).

DETERMINATION OF AN ACTIVE MARKET

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; and
- steep price volatility over time or between different market participants.

Valuation control systems are presented in section 6.8, "Market risks."

Fair value hierarchy

For financial reporting purposes, IFRS 13 requires fair value measurements applied to financial and non-financial instruments to be allocated to one of three fair value levels:

LEVEL 1: VALUATION USING PRICES QUOTED ON A LIQUID MARKET

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets.

This mainly includes securities listed on a stock exchange or traded continuously on other active markets, derivatives traded on organized markets (futures, options, etc.) whose liquidity can be demonstrated, and units of UCITS that calculate and report their net asset value on a daily basis.

LEVEL 2: VALUATION USING OBSERVABLE MARKET INPUTS

Level 2 fair value comprises instruments other than those mentioned in Level 1 fair value and instruments measured using a valuation technique incorporating inputs that are either directly observable (prices) or indirectly observable (derived from prices) through to maturity. This mainly includes:

SIMPLE INSTRUMENTS

Most over-the-counter derivatives, swaps, credit derivatives, forward rate agreements, caps, floors and plain vanilla options are traded in active markets, *i.e.* liquid markets in which trades occur regularly.

These instruments are valued using generally accepted models (discounted cash flow method, Black & Scholes model, interpolation techniques), and on the basis of directly observable inputs.

For these instruments, the extent to which models are used and the observability of inputs has been documented.

Instruments measured using Level 2 inputs also include:

- securities that are less liquid than those classified as Level 1, whose fair value is determined based on external prices put forward by a reasonable number of active market makers and which are regularly observable without necessarily being directly executable (prices mainly taken from contribution and consensus databases); where these criteria are not met, the securities are classified as Level 3 fair value;
- securities not quoted on an active market whose fair value is determined based on observable market data (for example, using market data for listed peers or the earnings multiple method based on techniques widely used in the market);
- greek sovereign securities, whose fair value is recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS that do not calculate and report their net asset value on a daily basis but which are subject to regular reporting or which offer observable data from recent transactions;

- issued debt instruments designated at fair value are classified as Level 2 when the underlying derivatives are classified as Level 2;
- issuer credit risk is also considered to be observable. It is measured using the discounted future cash flows method, with inputs such as the yield curve and revaluation spreads. For each issue, this valuation represents the product of the notional amount outstanding and its sensitivity, taking into account the existence of calls and the difference between the revaluation spread (based on the BPCE cash reoffer curve at December 31, 2019 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; is used in particular for simple ratchet equity products such as capped or floored ratchet products;
- **fixed income products:** fixed income products generally have specific characteristics which justify the choice of model. Underlying risk factors associated with the payoff are taken into account.

  The main models used to value and manage fixed income products are Hull & White models (one-factor and two-factor models or one-factor Hull & White stochastic volatility model), the Hunt Kennedy model and the “smiled” BGM model.

  The Hull & White models are simple pricing models for plain vanilla fixed income products and can be calibrated easily. Products valued using these models generally contain a Bermudan-type cancellation option (*i.e.* one that may be exercised at certain dates set at the beginning of the contract).

  SBGM and Hunt Kennedy models are used to value fixed income products that are sensitive to volatility smiles (*i.e.* implied change in volatility relative to the exercise price) and to autocorrelation (or correlation between interest rates);
- **foreign exchange products**: foreign exchange products generally have specific characteristics which justify the choice of model.

The main models used to value and manage foreign-exchange products are local and stochastic volatility models, as well as hybrid models, which combine modeling of the underlying foreign exchange with two Hull & White 1 factor models to ascertain the fixed income factors.

Inputs relating to all such Level 2 instruments were demonstrated to be observable and documented. From a methodology perspective, observability is based on four inseparable criteria:

- inputs are derived from external sources (primarily a recognized contributor, for example);
- they are updated periodically;
- they are representative of recent transactions;
- their characteristics are identical to the characteristics of the transaction. If necessary, a proxy may be used, provided that the relevance of such an arrangement is demonstrated and documented.

The fair value of instruments obtained using valuation models is adjusted to take account of liquidity risk (bid-ask), counterparty risk, the risk relating to the cost of financing uncollateralized or partially collateralized derivatives, own credit risk (measurement of liability derivative positions), and modeling and input risk.

The margin generated when these instruments begin trading is immediately taken to profit or loss.

LEVEL 3: VALUATION USING UNOBSERVABLE MARKET INPUTS

Level 3 comprises instruments measured using unrecognized models and/or models based on unobservable market data, where they are liable to materially impact the valuation. This mainly includes:

- unlisted shares whose fair value could not be determined using observable inputs;
- private equity securities not listed on an active market, measured at fair value with models commonly used by market participants, in accordance with International Private Equity Valuation (IPEV) standards, but which are sensitive to market fluctuations and whose fair value determination necessarily involves a judgment call;
- structured securities or securities representative of private placements, held by the Insurance business line;
- hybrid interest rate and currency derivatives and credit derivatives that are not classified in Level 2;
- loans in the syndication process for which there is no secondary market price;
- loans in the securitization process for which fair value is determined based on an expert appraisal;
- investment property whose fair value is calculated using a multi-criteria approach, by capitalizing rent at market rates and through comparisons with market transactions;
- instruments with a deferred day one margin;

- units of UCITS for which the fund has not published a recent NAV at the valuation date, or for which there is a lock-up period or any other constraint calling for a significant adjustment to available market prices (NAV, etc.) in respect of the low liquidity observed for such shares;
- issued debt instruments designated at fair value are classified as Level 3 when the underlying derivatives are classified as Level 3; The associated "issuer credit risk" is regarded as observable and it is therefore classified as Level 2;
- instruments carried at fair value on the balance sheet and for which data are no longer available due to a freeze in trading in the wake of the financial crisis. When there is a significant drop in trading in a given market, a valuation model is used based on the only available relevant data.

Plain vanilla derivatives are also classified as Level 3 fair value when exposure is beyond the liquidity horizon determined by underlying currencies or by volatility surface (*e.g.* certain foreign currency options and volatility caps/floors).

In accordance with the Ministerial Order of February 20, 2007, as amended by the Order of November 23, 2011 on capital requirements for credit institutions and investment companies and pursuant to the European Regulation of June 26, 2013 (CRR) on the Basel III requirements, for each of the models used, a description of crisis simulations applied is provided in Chapter 3 "Risk Management".

Under IFRS 9, day one profit should be recognized only if it is generated by a change in the factors that market participants would consider in setting a price, *i.e.* only if the model and parameters input into the valuation are observable.

If the selected valuation model is not recognized by current market practices, or if one of the inputs significantly affecting the instrument's valuation is not observable, the trading profit on the trade date cannot be recognized immediately in the income statement. It is taken to income on a straight-line basis over the life of the transaction or until the date the inputs become observable. Any losses incurred at the trade date are immediately recognized in income.

At December 31, 2019, instruments for which the recognition of day one profit/loss has been deferred mainly included:

- multi-underlying structured equity and index products;
- mono-underlying structured products indexed to sponsored indices;
- synthetic loans;
- options on funds (multi-assets and mutual funds);
- structured fixed income products;
- securitization swaps.

These instruments are almost all located at Natixis.

The table below provides the main unobservable inputs and the value ranges for these instruments:

Instrument class	Main types of products	Valuation techniques used	Main unobservable data	Unobservable data ranges min-max
Interest rate derivatives	Sticky CMS/Volatility Bonds	Interest rate options valuation models	Mean reversion inputs	[2.5%; 5%]
Interest rate derivatives	Callable Spread Options and Corridor Callable Spread Options	Model representing several yield curve factors	Mean reversion spread	[0%; 30%] EUR 30%, USD 25%
Interest rate derivatives	Bermuda Accreting	Adjusted Hull & White one-factor model	Accreting Factor	[75%; 95%]
Interest rate derivatives	Volatility caps/floors	Interest rate options valuation models	Interest rate vol	[5%; 80%]
Equity	Simple and complex equity, equity basket or fund derivatives	Different valuation models for equity, equity basket or fund options	Equity vol	[0.392%; 117.23879%]
			Fund vol	[20%; 25%]
			Stock/stock correlation	[0.3%; 94.1%]
			Repo of general baskets	[-0.67%; 0.90%]
Forex	Exchange rate derivatives	Exchange rate option valuation models	Currency vol	[2.12%; 13.27%]
Forex	Long-term PRDC/PRDKO/TARN	Hybrid currency/interest rate options valuation model	Correlation between foreign exchange rates and interest rates as well as long-term volatility levels	Exchange rate and interest rate correl: [15%; 50%] Long-term volatility: [3.15%; 13.27%]
Credit	CDOs	The default rates are based on the market prices of the underlying PFI bonds and the recovery rates are based on historical ratings agency data	Correlation between the assets, base spread between the cash asset and derivative asset, recovery rate	80%
Credit	Securitization swaps	Discounted expected cash flows based on early redemption assumptions on the underlying portfolio	Prepayment rate	5.1% to 24%
Hybrids	Hybrid equity/fixed income/forex (FX) derivatives	Hybrid models coupled with equity, forex and interest rate diffusion	Equity-FX correlations	[-55.5%; 71%]
			Equity/FI correlations	[-45%; 40%]
			FI-FX correlations	[-40.2%; 26.55%]
Forex	Helvetix: Strip of long-term options, Strip of quanto options, Strip of digital options	Black & Scholes model	EURCHF/EURUSD correlations	[26%: 40%]
	Helvetix: Options spread and digital options spread	Gaussian copula	Long-term USD/CHF & EUR/CHF volatility	USDCHF vol: [2.54%; 11.07%] EURCHF vol: [3.1%; 8.69%]

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 committees consider 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 must be approved in advance.

In fiscal year 2019, the main reclassifications involved accreting Bermudan swaptions (in euros and in Australian dollars), specific complex derivatives with single or multiple underlyings structured on indexes and the associated liabilities designated at fair value. These instruments are reclassified from Level 2 to Level 3 of the fair value hierarchy due to an examination of observability during the period which prompted us to note the absence of observable prices for the corresponding inputs and products, leading to their reclassification to Level 3 of the fair value hierarchy.

Note: at December 31, 2018, a portfolio of derivatives in Asia was transferred to Level 3 in the fair value hierarchy. These were products indexed to the worst performance of an underlying basket of shares (indices and shares) that allow investors to receive enhanced periodic coupons in return for a risk of loss of capital at maturity, with the possibility that the product may expire early. The outstandings in question had a fair value of €130 million recorded on the asset side of the balance sheet at December 31, 2018. The bearish market in Asia revealed the limitations of the business model associated with these products and led to the supplementing of the reserve mechanism by introducing an additional reserve to allow for the model's shortcomings. As this reserve requires judgment (specifically the anticipation of changes in market conditions, portfolio behavior, etc.), the valuation of the products to which it relates is no longer directly observable. As a result, they have been transferred to fair value Level 3 from Level 2, where they were classified previously, due to the observable nature of the inputs, the model used and the liquidity observed.

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. The model also takes into account the expected amortization of exposures and the counterparty spread implicit in market data.

TRUST PREFERRED SECURITIES (TRUPS) CDOS

In 2018, TruPS CDOs were measured using a valuation model 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 were estimated considering the current ratings of assets.

As the number of contributions was sufficient, TruPS CDOs were marked-to-market at December 31, 2019.

Instruments not carried at fair value on the balance sheet

IFRS 13 requires disclosure in the notes to the financial statements of the fair value, and the associated fair value levels, of all financial instruments carried at amortized cost, including loans. The valuation methods used to determine the fair value disclosed in the notes to the financial statements are described below.

ASSETS AND LIABILITIES OF NATIXIS BUSINESS LINES, THE CASH MANAGEMENT POOL, BPCE, AND THE CAISSES D'EPARGNE FINANCIAL PORTFOLIOS

Credit and loans recognized at amortized cost and amounts payable under finance leases

The fair value of these instruments is determined by discounting future cash flows. The discount rate applied for a given loan is the rate at which the Group would grant a loan with similar characteristics to a similar counterparty at the reporting date. The interest rate and counterparty risk components are re-assessed.

The fair value of repurchase agreements is calculated by discounting expected cash flows at the market rate on the closing date and adding a liquidity spread.

If there is a quoted price that meets the criteria of IFRS 13, the quoted price is used.

The fair value of loans with an initial term of less than one year is generally considered to be their carrying amount. This is usually also 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 banks 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 using the rent capitalization method, which is 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 provided 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 business model is mainly based on the 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;
- floating rate loans and borrowings;
- transactions in a regulated market (particularly regulated savings products), whose prices are set by the public authorities.

FAIR VALUE OF LOANS TO RETAIL CUSTOMERS

The fair value of loans is measured using internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. Except in special cases, only the interest rate component is remeasured, as the credit margin is established at the outset and not subsequently remeasured. Prepayment options are factored into the model *via* an adjustment to loan repayment schedules.

FAIR VALUE OF LOANS TO LARGE CORPORATES, LOCAL AUTHORITIES AND BANKS

The fair value of loans is measured using internal valuation models that discount future payments of recoverable capital and interest over the remaining loan term. The interest rate component is remeasured, as is the credit risk component (where it is an observable piece of data used by 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 banks and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the balance sheet date. Own credit risk is not generally taken into account.

10.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

10.1.1 FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The following statement provides a breakdown of financial instruments by type of price and valuation model:

	12/31/2019			
in millions of euros	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Debt instruments	**11,859**	**102,588**	**3,042**	**117,489**
Loans due from banks and customers		99,867	2,701	102,568
Debt securities	11,859	2,721	341	14,921
Equity instruments	**35,915**	**185**	**60**	**36,160**
Shares and other equity securities	35,915	185	60	36,160
Derivatives	**924**	**48,143**	**2,088**	**51,156**
Interest rate derivatives	2	34,474	819	35,294
Equity derivatives	679	2,408	262	3,349
Currency derivatives		10,637	778	11,415
Credit derivatives		373	230	602
Other derivatives	243	251		495
Financial assets at fair value through profit or loss – Held for trading[(1)]	**48,698**	**150,916**	**5,190**	**204,805**
Derivatives		**515**	**12**	**527**
Interest rate derivatives		316	12	328
Currency derivatives		199		199
Financial assets at fair value through profit or loss – Economic hedges		**515**	**12**	**527**
Debt instruments		**45**		**45**
Loans due from banks and customers		2		2
Debt securities		43		43
Financial assets designated at fair value through profit or loss		**45**		**45**
Debt instruments	**2,397**	**1,763**	**2,430**	**6,590**
Loans due from banks and customers		1,622	1,235	2,856
Debt securities	2,397	141	1,195	3,734
Financial assets at fair value through profit or loss – Non standard	**2,397**	**1,763**	**2,430**	**6,590**
Shares and other equity securities	**230**	**10**	**641**	**880**
Equity instruments	230	10	641	880
Financial assets at fair value through profit or loss – Excluding assets held for trading	**230**	**10**	**641**	**880**
Debt instruments	**14,853**	**680**	**52**	**15,585**
Loans due from banks and customers		1	39	41
Debt securities	14,853	679	12	15,544
Equity instruments	**185**	**167**	**1,178**	**1,531**
Shares and other equity securities	185	167	1,178	1,531
Financial assets at fair value through other comprehensive income	**15,038**	**848**	**1,230**	**17,116**
Interest rate derivatives		6,511		6,512
Currency derivatives		1,358		1,359
Hedging derivatives		**7,870**		**7,870**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**66,363**	**161,966**	**9,504**	**237,832**

(1) Excluding economic hedging.

	12/31/2019			
in millions of euros	Level 1	Level 2	Level 3	Total
FINANCIAL LIABILITIES				
Debt securities	18,534	95,057	809	114,398
Derivatives	**674**	**47,494**	**1,709**	**49,877**
• Interest rate derivatives		31,825	551	32,375
• Equity derivatives	437	4,073	315	4,825
• Currency derivatives		10,733	526	11,259
• Credit derivatives		502	316	818
• Other derivatives	238	361	1	600
Other financial liabilities		13,119		13,119
Financial liabilities at fair value through profit or loss – Held for trading[(1)]	**19,208**	**155,670**	**2,518**	**177,396**
Derivatives		**253**	**393**	**648**
Interest rate derivatives		110	393	502
Currency derivatives		145		146
Financial liabilities at fair value through profit or loss – Economic hedges		**253**	**393**	**648**
Debt securities		17,270	9,366	26,636
Other financial liabilities	3,696		2	3,699
Financial liabilities designated at fair value through profit or loss	**3,696**	**17,270**	**9,368**	**30,335**
Interest rate derivatives		7,572		7,572
Currency derivatives		2,540		2,540
Hedging derivatives		**10,112**		**10,113**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**22,905**	**183,306**	**12,280**	**218,491**

(1) Excluding economic hedging.

	12/31/2018			
in millions of euros	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS				
Debt instruments	**8,637**	**105,251**	**2,889**	**116,777**
Loans due from banks and customers	665	101,257	2,814	104,736
Debt securities	7,972	3,994	75	12,041
Equity instruments	**22,701**	**60**		**22,761**
Shares and other equity securities	22,701	60		22,761
Derivatives	**1,449**	**45,104**	**1,759**	**48,312**
Interest rate derivatives	2	29,058	193	29,253
Equity derivatives	1,193	4,635	402	6,230
Currency derivatives		10,913	1,007	11,920
Credit derivatives		265	156	421
Other derivatives	254	233		487
Financial assets at fair value through profit or loss – Held for trading[1]	**32,787**	**150,415**	**4,648**	**187,850**
Derivatives		**457**	**79**	**536**
Interest rate derivatives		279	70	349
Currency derivatives		179	9	188
Financial assets at fair value through profit or loss – Economic hedges		**457**	**79**	**536**
Debt instruments		**2**		**2**
Loans due from banks and customers		2		2
Financial assets designated at fair value through profit or loss		**2**		**2**
Debt instruments	**2,422**	**2,097**	**2,612**	**7,131**
Loans due from banks and customers		1,820	1,366	3,186
Debt securities	2,422	277	1,246	3,945
Financial assets at fair value through profit or loss – Non standard	**2,422**	**2,097**	**2,612**	**7,131**
Equity instruments	**175**	**6**	**611**	**792**
Shares and other equity securities	175	6	611	792
Financial assets at fair value through profit or loss – Excluding assets held for trading	**175**	**6**	**611**	**792**
Debt instruments	**13,689**	**939**	**33**	**14,661**
Loans due from banks and customers		2	21	23
Debt securities	13,689	936	12	14,638
Equity instruments	**79**	**180**	**812**	**1,071**
Shares and other equity securities	79	180	812	1,071
Financial assets at fair value through other comprehensive income	**13,768**	**1,119**	**846**	**15,733**
Interest rate derivatives		5,971		5,971
Currency derivatives		1,182		1,182
Hedging derivatives		**7,153**		**7,153**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**49,152**	**161,249**	**8,796**	**219,197**

(1) Excluding economic hedging.

	12/31/2018			
in millions of euros	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL LIABILITIES				
Debt securities	20,690	89,792	1,176	111,658
Derivatives	**1,036**	**45,965**	**1,781**	**48,782**
• Interest rate derivatives		28,832	218	29,050
• Equity derivatives	813	5,753	569	7,135
• Currency derivatives		10,530	751	11,281
• Credit derivatives		313	244	557
• Other derivatives	222	536		758
Other financial liabilities		11,187		11,187
Financial liabilities at fair value through profit or loss – Held for trading[1]	**21,725**	**146,945**	**2,957**	**171,627**
Derivatives		**146**	**522**	**668**
Interest rate derivatives		62	499	561
Equity derivatives			23	23
Currency derivatives		84		84
Financial liabilities at fair value through profit or loss – Economic hedges		**146**	**522**	**668**
Debt securities		24,286	244	24,530
Other financial liabilities	3,726	660	3	4,389
Financial liabilities designated at fair value through profit or loss	**3,726**	**24,946**	**247**	**28,919**
Interest rate derivatives		6,631		6,631
Currency derivatives		2,727		2,727
Hedging derivatives		**9,358**		**9,358**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**25,451**	**181,395**	**3,726**	**210,572**

(1) Excluding economic hedging.

5

10.1.2 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES CLASSIFIED IN LEVEL 3 OF THE FAIR VALUE HIERARCHY

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[1]								
in millions of euros	01/01/2019	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[2]	Other changes[3]	12/31/2019
FINANCIAL ASSETS										
Debt instruments	**2,889**	**65**	**148**		**8,575**	**(8,431)**	**(122)**	**(110)**	**27**	**3,042**
Loans due from banks and customers	2,814	92	169		7,225	(7,386)	(122)	(116)	25	2,701
Debt securities	75	(27)	(21)		1,350	(1,045)		6	3	341
Equity instruments					**60**					**60**
Shares and other equity securities					60					60
Derivatives	**1,759**	**928**	**(355)**		**418**	**(910)**		**147**	**101**	**2,088**
Interest rate derivatives	193	330	(10)		10	(80)		376	1	819
Equity derivatives	402	643	(251)		155	(768)		85	(5)	262
Currency derivatives	1,007	(89)	(91)		231	(61)		(315)	96	778
Credit derivatives	156	44	(2)		22			1	9	230
Financial assets at fair value through profit or loss – Held for trading[4]	**4,648**	**992**	**(207)**		**9,053**	**(9,341)**	**(121)**	**37**	**129**	**5,190**
Derivatives	**79**	**(1)**	**(17)**			**(23)**			**(26)**	**12**
Interest rate derivatives	70	(2)	(17)			(23)			(17)	12
Currency derivatives	9								(9)	
Financial assets at fair value through profit or loss – Economic hedges	**79**	**(1)**	**(17)**			**(23)**			**(26)**	**12**
Debt instruments	**2,612**	**200**	**29**		**5**	**(316)**		**(59)**	**(41)**	**2,430**
Loans due from banks and customers	1,366	15			2	(41)		(59)	(48)	1,235
Debt securities	1,246	185	29		4	(276)			8	1,195
Financial assets at fair value through profit or loss – Non standard	**2,612**	**200**	**29**		**5**	**(316)**		**(59)**	**(41)**	**2,430**
Equity instruments	**611**	**36**	**7**		**32**	**(29)**	**(3)**		**(13)**	**641**
Shares and other equity securities	611	36	7		32	(29)	(3)		(13)	641
Financial assets at fair value through profit or loss – Excluding assets held for trading	**611**	**36**	**7**		**32**	**(29)**	**(3)**		**(13)**	**641**
Debt instruments	**33**				**28**	**(12)**	**2**			**52**
Loans due from banks and customers	21	1			28	(12)	2			39
Debt securities	12								1	12
Equity instruments	**812**	**49**		**88**	**401**	**(180)**	**(27)**		**34**	**1,178**
Shares and other equity securities	812	49		88	401	(180)	(27)		34	1,178
Financial assets at fair value through other comprehensive income	**846**	**49**		**88**	**429**	**(192)**	**(25)**		**34**	**1,230**

in millions of euros	01/01/2019	Gains and losses recognized during the period – In the income statement[(1)] – On transactions in progress at the reporting date	Gains and losses recognized during the period – In the income statement[(1)] – On transactions removed from the balance sheet at the reporting date	Transactions carried out during the period – Purchases/ Issues	Transactions carried out during the period – Sales/ Redemptions	Transfers during the period – To another reporting category	Transfers during the period – From and to another level[(2)]	Other changes[(3)]	12/31/2019
FINANCIAL LIABILITIES									
Debt securities	**1,176**	**37**	**(37)**	**1,161**	**(1,526)**		**(2)**		**809**
Derivatives	**1,782**	**(90)**	**(232)**	**202**	**(297)**	**63**	**197**	**85**	**1,709**
• Interest rate derivatives	218	63	(22)	45	(41)		286	1	551
• Equity derivatives	569	(249)	(218)	114	(188)		277	9	315
• Currency derivatives	751	50	5	41	(17)		(368)	64	526
• Credit derivatives	244	44	3	2	(52)	63	1	11	316
• Other derivatives		1							1
Financial liabilities at fair value through profit or loss – Held for trading[(4)]	**2,957**	**(53)**	**(269)**	**1,364**	**(1,823)**	**63**	**195**	**85**	**2,518**
Derivatives	**522**	**128**	**(26)**		**(209)**			**(22)**	**393**
Interest rate derivatives	499	(20)	(26)		(38)			(22)	392
Equity derivatives	23	148			(171)				
Financial liabilities at fair value through profit or loss – Economic hedges	**522**	**128**	**(26)**		**(209)**			**(22)**	**393**
Debt securities[(5)]	244	475	(2)	3,339	(1,905)	2	4,975	2,238	9,366
Other financial liabilities	3	(1)							2
Financial liabilities designated at fair value through profit or loss	**247**	**475**	**(2)**	**3,339**	**(1,905)**	**2**	**4,975**	**2,238**	**9,368**

(1) The main impacts recognized in the income statement are mentioned in Note 4.3.
(2) The main transfers to and from Level 3 are described in Note 10.1.3.
(3) Other changes mainly include the impact of changes in the consolidation scope and foreign exchange gains and losses.
(4) Excluding economic hedging.
(5) Issues of debt securities were symmetrically reclassified to Level 3 of the fair value hierarchy of underlying derivatives both for instruments declared unobservable during the period and for issues relating to instruments already classified as Level 3 at December 31, 2018 (recorded in the Other changes column).

		Gains and losses recognized during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[1]								
in millions of euros	01/01/2018	On transactions in progress at the reporting date	On transactions removed from the balance sheet at the reporting date	In other comprehensive income	Purchases/ Issues	Sales/ Redemptions	To another reporting category	From and to another level[2]	Other changes[3]	12/31/2018
FINANCIAL ASSETS										
Debt instruments	**2,723**	**60**	**88**		**7,550**	**(7,482)**	**(3)**	**14**	**(62)**	**2,889**
Loans due from banks and customers	2,582	128	87		7,493	(7,413)			(63)	2,814
Debt securities	141	(68)	1		56	(68)	(3)	14	1	75
Derivatives	**2,219**	**163**	**(122)**		**169**	**(371)**	**(72)**	**(59)**	**(168)**	**1,759**
Interest rate derivatives	307	26	1		1	(64)	(72)	17	(23)	193
Equity derivatives	561	118	(21)		91	(267)		103	(182)	402
Currency derivatives	1,140	(11)	(31)		77	(38)		(178)	48	1,007
Credit derivatives	212	29	(71)			(2)			(11)	156
Financial assets at fair value through profit or loss – Held for trading[4]	**4,942**	**222**	**(34)**		**7,718**	**(7,853)**	**(75)**	**(44)**	**(228)**	**4,648**
Derivatives	**70**	**(22)**	**(1)**				**36**		**(4)**	**79**
Interest rate derivatives	64	(25)	(1)				36		(4)	70
Equity derivatives										
Currency derivatives	6	3								9
Financial assets at fair value through profit or loss – Economic hedges	**70**	**(22)**	**(1)**				**36**		**(4)**	**79**
Debt instruments	**4**					**(21)**			**17**	
Loans due from banks and customers	4								(4)	
Debt securities						(21)			21	
Financial assets designated at fair value through profit or loss	**4**					**(21)**			**17**	
Debt instruments	**2,147**	**118**	**21**		**168**	**(417)**	**4**	**160**	**412**	**2,612**
Loans due from banks and customers	1,504	13	(1)		24	(165)	(9)			1,366
Debt securities	643	105	22		144	(253)	13	160	412	1,246
Financial assets at fair value through profit or loss – Non standard	**2,147**	**118**	**21**		**168**	**(417)**	**4**	**160**	**412**	**2,612**
Equity instruments	**1,068**	**45**	**(1)**		**54**	**(166)**	**(4)**		**(385)**	**611**
Shares and other equity securities	1,068	45	(1)		54	(166)	(4)		(385)	611
Financial assets at fair value through profit or loss – Excluding assets held for trading	**1,068**	**45**	**(1)**		**54**	**(166)**	**(4)**		**(385)**	**611**
Debt instruments	**425**		**10**	**(7)**	**4**	**(354)**			**(44)**	**33**
Loans due from banks and customers	25				3	(7)	(1)			21
Debt securities	399		10	(7)	1	(348)			(44)	12
Equity instruments	**1,121**	**59**		**(10)**	**31**	**(255)**	**(57)**		**(77)**	**812**
Shares and other equity securities	1,121	59		(10)	31	(255)	(57)		(77)	812
Financial assets at fair value through other comprehensive income	**1,546**	**59**	**10**	**(17)**	**35**	**(609)**	**(57)**		**(120)**	**846**
Currency derivatives	5		(5)							
Hedging derivatives	**5**		**(5)**							

		Gains and losses recognized in the income statement during the period			Transactions carried out during the period		Transfers during the period			
		In the income statement[1]								
in millions of euros	01/01/2018	On trans-actions in progress at the reporting date	On trans-actions removed from the balance sheet at the reporting date	In other compre-hensive income	Purchases/ Issues	Sales/ Redemp-tions	To another reporting category	From and to another level[2]	Other changes[3]	12/31/2018
FINANCIAL LIABILITIES										
Debt securities	**1,097**	**38**	**(78)**		**1,138**	**(1,019)**				**1,176**
Derivatives	**2,088**	**472**	**(480)**		**453**	**(172)**	**(78)**	**(163)**	**(338)**	**1,782**
• Interest rate derivatives	344	(76)	(3)		50	(23)	(78)	8	(4)	218
• Equity derivatives[3]	250	491	(319)		308	(147)		(15)	1	569
• Currency derivatives	1,168	46	(16)		46	(6)		(154)	(334)	751
• Credit derivatives	326	10	(142)		49	4		(2)	(1)	244
Financial liabilities at fair value through profit or loss – Held for trading[4]	**3,185**	**510**	**(558)**		**1,591**	**(1,191)**	**(78)**	**(163)**	**(338)**	**2,957**
Derivatives	**459**	**(2)**	**(4)**			**(1)**	**78**	**(13)**	**4**	**522**
Interest rate derivatives	456	(25)				(1)	78	(13)	3	499
Equity derivatives	3	23	(3)							23
Financial liabilities at fair value through profit or loss – Economic hedges	**459**	**(2)**	**(4)**			**(1)**	**78**	**(13)**	**4**	**522**
Debt securities	468	(15)	1		11	(220)	(2)	1		244
Other financial liabilities		(1)							4	3
Financial liabilities designated at fair value through profit or loss	**468**	**(16)**	**1**		**11**	**(220)**	**(2)**	**1**	**4**	**247**

(1) The main impacts recognized in the income statement are mentioned in Note 4.3.
(2) The main transfers to and from Level 3 are described in Note 10.1.3. At December 31, 2018, the net impact on the balance sheet of equity derivatives transferred to Level 3 was €118 million.
(3) Including -€28 million in reclassifications of financial assets at fair value through other comprehensive income to the "Financial assets held for sale" aggregate under IFRS 5. Other changes mainly include the impact of changes in the consolidation scope and foreign exchange.
(4) Excluding economic hedging.

5

10.1.3 ANALYSIS OF FAIR VALUE HIERARCHY TRANSFERS

The amounts of transfers indicated in this statement are those of the last valuation preceding the transfer.

	Fiscal year 2019					
From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL ASSETS						
Debt instruments	**287**		**119**	**6**		**116**
Loans due from banks and customers	54					116
Debt securities	233		119	6		
Derivatives	**16**		**111**	**486**		**339**
Interest rate derivatives				381		5
Equity derivatives	16		109	90		5
Currency derivatives				13		328
Financial assets at fair value through profit or loss – Held for trading[1]	**306**		**230**	**492**		**455**
Debt instruments				**(59)**		
Loans due from banks and customers				(59)		
Financial assets at fair value through profit or loss – Non standard				**(59)**		
Equity instruments		**(1)**				
Shares and other equity securities		(1)				
Financial assets at fair value through profit or loss – Excluding assets held for trading		**(1)**				
Debt instruments	**273**		**588**			
Debt securities	273		588			
Financial assets at fair value through other comprehensive income	**273**		**588**			

	Fiscal year 2019					
From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL LIABILITIES						
Debt securities			83			2
Derivatives	**12**		**116**	**598**		**401**
• Interest rate derivatives				302		15
• Equity derivatives	12		115	287		10
• Currency derivatives				8		376
• Credit derivatives				1		
• Other derivatives			1			
Financial liabilities at fair value through profit or loss – Held for trading[1]	**12**		**199**	**598**		**403**
Derivatives				**(1)**		
Interest rate derivatives				(1)		
Financial liabilities at fair value through profit or loss – Economic hedges				**(1)**		
Debt securities				4,975		
Financial liabilities designated at fair value through profit or loss				**4,975**		

(1) Excluding economic hedging.

	Fiscal year 2018				
	From	Level 1	Level 2	Level 2	Level 3
in millions of euros	To	Level 2	Level 1	Level 3	Level 2
FINANCIAL ASSETS					
Debt instruments		**89**	**150**	**14**	
Debt securities		89	150	14	
Derivatives		**22**	**85**	**147**	**206**
Interest rate derivatives				17	
Equity derivatives(1)		16	85	130	27
Currency derivatives		6			178
Financial assets at fair value through profit or loss – Held for trading(2)		**111**	**235**	**161**	**206**
Debt instruments				**160**	
Debt securities				160	
Financial assets at fair value through profit or loss – Non standard				**160**	
Debt instruments		**412**	**241**		
Debt securities		412	241		
Financial assets at fair value through other comprehensive income		**412**	**241**		

	Fiscal year 2018				
	From	Level 1	Level 2	Level 2	Level 3
in millions of euros	To	Level 2	Level 1	Level 3	Level 2
FINANCIAL LIABILITIES					
Debt securities					
Derivatives		**41**	**56**	**13**	**176**
• Interest rate derivatives				10	1
• Equity derivatives		34	55	3	18
• Currency derivatives					154
• Credit derivatives					3
• Other derivatives		7	1		
Financial liabilities at fair value through profit or loss – Held for trading(2)		**41**	**56**	**13**	**176**
Derivatives				**(13)**	
Interest rate derivatives				(13)	
Debt securities				1	
Financial liabilities designated at fair value through profit or loss				**1**	

(1) Of which €130 million relating to structured derivatives indexed to shares traded in Asia transferred to Level 3 of the fair value hierarchy (see general principles in Note 10 and Note 1.3).
(2) Excluding economic hedging.

10.1.4 SENSITIVITY OF LEVEL 3 ASSETS AND LIABILITIES TO CHANGES IN THE PRINCIPAL ASSUMPTIONS

At December 31, 2019, 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 made using assumptions of additional valuation adjustments for fixed-income, currency and equity instruments; *i.e.* a potential impact of €35 million on the income statement, o/w €9 million in equity instruments and derivatives.

10.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realized and generally may not be realized in practice.

These fair values are thus only provided for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is based on the collection of expected cash flows.

The simplified assumptions used to measure the fair value of instruments at amortized costs are presented in Note 10.1.

	12/31/2019			
in millions of euros	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTIZED COST				
Loans and receivables due from banks	131,050	80	125,798	5,171
Loans and receivables due from customers	181,985	128	75,466	106,392
Debt securities	14,000	3,809	4,969	5,222
FINANCIAL LIABILITIES AT AMORTIZED COST				
Amounts due to banks	114,427		100,525	13,902
Amounts due to customers	50,166		44,356	5,810
Debt securities	225,742	71,529	148,662	5,552
Subordinated debt	18,459	10,765	7,036	657

	12/31/2018			
in millions of euros	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTIZED COST				
Loans and receivables due from banks	130,546		126,679	3,867
Loans and receivables due from customers	182,362		75,646	106,716
Debt securities	14,450	3,652	5,053	5,745
FINANCIAL LIABILITIES AT AMORTIZED COST				
Amounts due to banks	114,397		106,598	7,799
Amounts due to customers	59,485		53,318	6,167
Debt securities	205,781	11,993	187,959	5,829
Subordinated debt	17,975	9,908	7,641	426

Note 11 Income taxes

11.1 INCOME TAX

Accounting principles

Income tax includes all domestic and foreign taxes payable on the basis of taxable profits. Income tax also includes taxes, such as withholding taxes, which are payable by a subsidiary, an associate or a joint arrangement on distributions of dividends to the entity that draws up financial statements. The CVAE (Business Added Value Tax) is not considered an income tax.

Income tax includes:

- current taxes, which are the amount of income taxes payable on taxable profit or recoverable on a tax loss over a given period. They are calculated on the taxable income for the period for each fiscal entity in the tax consolidation scope by applying the applicable tax rates and rules set by the tax authorities and on the basis of which tax shall be paid (recovered);
- deferred taxes (see 11.2).

Where it is probable that one of the Group's tax positions will not be accepted by the tax authorities, this situation is reflected in the financial statements when calculating current tax (due or recoverable) and deferred tax (asset or liability).

in millions of euros	Fiscal year 2019	Fiscal year 2018
Current income tax expense	(567)	(6)
Deferred tax assets and liabilities	(27)	(383)
INCOME TAX	**(594)**	**(389)**

RECONCILIATION BETWEEN THE TAX CHARGE IN THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX CHARGE

	Fiscal year 2019		Fiscal year 2018	
	in millions of euros	Tax rate	*in millions of euros*	Tax rate
Net income attributable to equity holders of the parent	631		685	
Change in the value of goodwill	84		16	
Non-controlling interests	698		782	
Share in net income of associates	(231)		(248)	
Income taxes	594		389	
INCOME BEFORE TAX AND CHANGES IN THE VALUE OF GOODWILL (A)	**1,775**		**1,624**	
Standard income tax rate in France (B)		**34.43%**		**34.43%**
Theoretical income tax expense (income) at the tax rate applicable in France (AxB)	**(611)**		**(559)**	
Impact of the change in unrecognized deferred tax assets and liabilities	(87)		(58)	3.6%
Effects of permanent differences[(1)]	(213)		(190)	11.7%
Reduced rate of tax and tax-exempt activities	4		31	(1.9%)
Difference in tax rates on income taxed outside France	209		130	(8.0%)
Tax on prior periods, tax credits and other tax[(2)]	92		90	(5.5%)
Other items[(3)]	7		166	(10.2%)
INCOME TAX EXPENSE (INCOME) RECOGNIZED	**(594)**		**(389)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE DIVIDED BY TAXABLE INCOME)		**33.43%**		**24.00%**

(1) Permanent differences include in particular the impacts of the French systemic risk tax and the contribution to the Single Resolution Fund, consisting of non-deductible expenses (see Note 4.7), and the impact of the reintegration of the share of expenses on dividends.
(2) Tax on prior periods, tax credits and other tax mainly included tax credits and the impact of tax audits and the resolution of ongoing disputes.
(3) Other items mainly include the impacts of the tax consolidation of Groupe BPCE, amounting to €91 million, and the impact of the decrease in tax rates consecutive to the recent Finance Acts (revaluation of deferred tax assets and liabilities at December 31, 2018 for -€14 million).
In 2018, other items included provision write-backs for corporate tax refunds relating to non-consolidated entities which are no longer relevant (€57 million).

11.2 DEFERRED TAX ASSETS AND LIABILITIES

Accounting principles

Deferred tax assets and liabilities are recognized when temporary differences arise between the carrying amount of assets and liabilities on the balance sheet and their tax base, irrespective of when the tax is expected to be recovered or settled.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities and assets are offset at the level of each tax entity. The tax entity may either be a single entity or a tax consolidation group. Deferred tax assets are recognized only to the extent that it is probable that the entity will be able to recover them in the foreseeable future.

Deferred tax assets and liabilities are recognized as tax income or expense in the income statement, except for those related to:

- revaluation differences on post-employment benefits;
- unrealized gains and losses on financial assets at fair value through other comprehensive income; 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.

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	12/31/2019	12/31/2018
Unrealized capital gains on UCITS	23	20
Fiscal EIGs	(85)	(87)
Provisions for employee-related liabilities	40	121
Provisions for regulated home savings products	1	1
Non-deductible impairment for credit risk	60	36
Other non-deductible provisions	75	364
Changes in fair value of financial instruments recorded in equity	(12)	(39)
Other sources of temporary differences[(1)]	(337)	(740)
Deferred tax related to timing differences	**(235)**	**(324)**
Deferred tax arising on the capitalization of tax loss carryforwards	**1,704**	**2,244**
Unrecognized deferred tax assets and liabilities	**(837)**	**(1,283)**
NET DEFERRED TAX ASSETS AND LIABILITIES	**632**	**637**
Recognized		
As assets in the balance sheet	1,971	1,578
As liabilities in the balance sheet	(1,339)	(941)

(1) A deferred tax liability of €347 million was recognized at December 31, 2019 (€336 million at December 31, 2018) on certain goodwill items recorded in the United States giving rise to tax amortization over 15 years.

In accordance with the 2019 Finance Act in France, Groupe BPCE remeasured its net deferred tax assets and liabilities; Deferred tax assets and liabilities of French companies are calculated by applying the tax rate that will be in force when the temporary difference is reversed. Tax rates will be gradually lowered through to 2022 (including the social security contribution on profits), from 32.02% in 2020 to 28.41% in 2021 to 25.83% in 2022 and thereafter for taxable profit taxed at the normal rate.

At December 31, 2019, deductible temporary differences, tax losses and unused tax credits for which no deferred tax asset has been recorded in the balance sheet amounted to €837 million.

Deferred tax assets on tax losses amounted to €831 million at December 31, 2019, including €641 million in tax losses recognized on the Natixis France tax consolidation group. The tax loss base recognized on this tax consolidation group is €2,455 million, out of total tax-loss carryforwards of €4,350 million. Natixis conducted tests measuring the impact of a +/-10% variation in NBI growth forecasts included in its tax business plans. These tests confirmed that Natixis is able to deduct future tax gains from tax losses subject to deferred tax assets.

The balance of deferred tax assets on tax losses recognized at December 31, 2019 stood at €190 million, including €47 million in the United States.

Note 12 Other information

12.1 SEGMENT REPORTING

Segment reporting has been modified as of the first quarter of 2019, consistent with the strategic plan.

BPCE SA group has three core businesses:

Retail Banking and Insurance, which is central to the transformation, includes:

- Financial Solutions and Expertise, a sub-division encompassing the specialized financing activities: Factoring, Leasing, Consumer Finance, Sureties & Financial Guarantees, and Retail Securities Services (formerly housed in the Specialized Financial Services (SFS) sub-division), in addition to Socfim, CFI and Pramex (formerly in Other Networks);
- Insurance, a Natixis business line serving the Groupe BPCE networks and their customers;
- Payments, which offers a full range of payment and prepaid solutions to local businesses, online and *via* mobile devices, and which is becoming a business line in its own right;
- Other Networks, which include Oney Bank 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;
- employee savings with "Natixis Interépargne", a top-tier player in employee savings plan management in France which has been included in the Asset & Wealth Management division.

Corporate & Investment Banking, a division of Natixis:

- Corporate & Investment Banking advises and supports corporates, institutional investors, insurance companies, banks and public sector entities. Financing of the cinema industry was included in the Corporate & Investment Banking division in 2019.

The Corporate center, which primarily includes:

- the Group's central institution and holding companies;
- Natixis' equity interests in Coface, Natixis Algérie and Natixis Private Equity;
- the run-off activities of Crédit Foncier and BPCE International;
- cross-business activities;
- items related to goodwill impairment and the amortization of valuation differences, as these items form part of the Group's acquisition and investment strategy;
- the contribution to the Single Resolution Fund.

BPCE SA group's segment reporting information has been restated accordingly for previous reporting periods and also incorporates the deconsolidation of subsidiaries Banque de Tahiti, Banque de Nouvelle Calédonie, Société Havraise de Calédonie from BPCE International subsequent to their transfer to the Caisse d'Epargne network, and of INGEPAR subsequent to its transfer from BPCE International to the Banque Populaire network.

12.1.1 SEGMENT ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

Results by division[1]

	Retail Banking and Insurance*		Asset & Wealth Management		Corporate & Investment Banking		Corporate center		Groupe BPCE	
in millions of euros	2019 pf	2018 pf	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019 pf	2018 pf
Net banking income	2,790	2,557	3,760	3,513	3,337	3,266	1,168	1,332	11,054	10,668
Operating expenses	(1,818)	(1,662)	(2,492)	(2,343)	(2,235)	(2,202)	(2,275)	(2,506)	(8,820)	(8,713)
Gross operating income	**971**	**895**	**1,268**	**1,170**	**1,102**	**1,064**	**(1,107)**	**(1,175)**	**2,234**	**1,954**
Cost/income ratio	65.2%	65.0%	66.3%	66.7%	67.0%	67.4%	ns	ns	79.8%	81.7%
Cost of risk	(149)	(67)	(8)	(2)	(312)	(174)	(22)	(125)	(491)	(368)
Share in income of equity-accounted associates	11	15	1	3	10	12	209	219	231	248
Gains or losses on other assets	7	1	13	43	(15)	3	(12)	(42)	(7)	4
Change in the value of goodwill							(78)	(16)	(78)	(16)
Income before tax	**841**	**843**	**1,273**	**1,214**	**786**	**904**	**(1,010)**	**(1,139)**	**1,890**	**1,822**
Income tax	(276)	(255)	(353)	(328)	(212)	(241)	272	452	(569)	(372)
Non-controlling interests (minority interests)	(78)	(81)	(447)	(418)	(176)	(199)	3	(3)	(698)	(702)
Net income attributable to equity holders of the parent	**487**	**507**	**473**	**468**	**397**	**464**	**(735)**	**(692)**	**623**	**747**
Transition from pro forma to reportable net income attributable to equity holders of the parent[1]	14	(327)		(8)		(9)	(6)	280	8	(63)
REPORTABLE NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**502**	**180**	**473**	**460**	**397**	**455**	**(741)**	**(410)**	**631**	**685**

* Excluding Banques Populaires, Caisses d'Epargne and their consolidated subsidiaries.

(1) 2018 segment reporting information is stated pro forma of the transfer of Specialized Financing to BPCE SA, and also takes into account the deconsolidation of INGEPAR, Banque de Tahiti, Banque de Nouvelle Calédonie and Société Havraise de Calédonie with an impact on net income attributable to equity holders of the parent of +€63 million, including an impact of -€133 million on net banking income, +€82 million on management fees and +€80 million on non-controlling interests. 2019 segment reporting information is pro forma of the deconsolidation of subsidiaries Banque de Tahiti, Banque de Nouvelle Calédonie and Société Havraise de Calédonie with an impact on net income attributable to equity holders of the parent of -€8 million, including -€91 million on net banking income, +€40 million on management fees.

Results of the Retail Banking and Insurance sub-divisions

	Financial Solutions and Expertise		Insurance		Payments		Other Networks		Retail Banking and Insurance	
in millions of euros	2019	2018 pf	2019	2018 pf	2019	2018 pf	2019 pf	2018 pf	2019 pf	2018 pf
Net banking income	1,071	1,046	846	790	423	389	450	332	2,790	2,557
Operating expenses	(631)	(615)	(478)	(448)	(370)	(341)	(339)	(257)	(1,818)	(1,662)
Gross operating income	**440**	**430**	**368**	**342**	**52**	**48**	**111**	**75**	**971**	**895**
Cost/income ratio	58.9%	58.9%	56.5%	56.7%	87.6%	87.6%	75.3%	77.5%	65.2%	65.0%
Cost of risk	(36)	(23)			(2)	(2)	(111)	(42)	(149)	(67)
Share in income of equity-accounted associates			10	15			1	1	11	15
Gains or losses on other assets						1	7		7	1
INCOME BEFORE TAX	**404**	**407**	**378**	**356**	**50**	**47**	**8**	**33**	**841**	**843**

12.1.2 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	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Segment assets	153,685	141,676	2,940	2,476	338,679	301,711	286,004	305,700	781,308	751,562
Segment liabilities	153,685	141,676	2,940	2,476	338,679	301,711	286,004	305,700	781,308	751,562

Note: change in segment reporting information for the consolidated balance sheet. Presentation of the economic contribution by sub-division representing the performance of each sub-division as an independent source of value in BPCE SA group. For comparison purposes, fiscal year 2018 is pro forma of the new segment reporting presentation.

12.1.3 SEGMENT REPORTING BY GEOGRAPHIC REGION

The geographic analysis of segment assets and results is based on the location where business activities are recognized.

Net banking income

in millions of euros	Fiscal year 2019	Fiscal year 2018
France	5,547	5,963
Rest of Europe	1,970	1,461
North America	2,678	2,632
Rest of world	950	743
TOTAL	**11,145**	**10,800**

Total segment assets

in millions of euros	12/31/2019	12/31/2018
France	656,970	629,903
Rest of Europe	30,730	27,753
North America	60,060	57,511
Rest of world	33,547	36,395
TOTAL	**781,307**	**751,562**

12.2 INFORMATION ON LEASING TRANSACTIONS

12.2.1 LEASES AS LESSOR

Accounting principles

Leases are analyzed to determine whether in substance and economic reality they are operating leases or finance leases.

Finance leases

A finance lease is a lease that transfers to the lessee most of the risks and rewards incidental to ownership of an asset.

IFRS 16 gives five examples of situations that (individually or collectively) lead to a lease being classified as a finance lease:

- the lease transfers ownership of the asset to the lessee at 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 covers most 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 lease payments amounts to at least virtually 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.

IFRS 16 also describes three indicators that may also individually or collectively lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, and if the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the change in the fair value of the residual value accrue to the lessee;
- the lessee has the ability to extend the lease at a rent that is substantially lower than the market rent.

At the start of the contract, assets under finance leases are recorded in the lessor's balance sheet in the form of a receivable equal to the net investment in the lease contract.

The net investment corresponds to the amount of lease payments receivable from the lessee, discounted at the interest rate implicit in the lease plus any unguaranteed residual value of the asset accruing to the lessor.

More specifically, the lease payments used to calculate the net investment include fixed payments less any lease incentives payable and variable payments that depend on an index or rate.

IFRS 16 requires unguaranteed residual values to be reviewed on a regular basis. A reduction in the estimated unguaranteed residual value modifies the income allocation over the lease term. In this case, a new payment schedule is drawn up and a charge is recorded to adjust the amount of financial income already recorded.

Any impairment recorded for counterparty risk on receivables in respect of finance leases is calculated in accordance with IFRS 9 using the same method as for financial assets at amortized cost (Note 4.1.10). This impairment is recorded on the income statement under "Cost of credit risk".

Finance lease income is considered to be interest and is recognized in the income statement under "Interest and similar income". This income is recognized using the interest rate implicit in the lease, which reflects a constant periodic rate of return on the lessor's net investment. The rate of return implicit in the lease is the discount rate that makes the following two items equal:

- the net investment;
- and the initial value of the asset (the 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).

Operating leases

A lease which is not considered to be a finance lease is classified as an operating lease.

Assets provided under operating leases are shown in the balance sheet under property, plant and equipment or intangible assets in the case of equipment leases, and investment property in the case of property leases. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term, under "Income or expenses from other activities".

Schedule of lease receivables

in millions of euros	12/31/2019	12/31/2018
FINANCE LEASES		
Non-discounted lease payments (amount of gross investments)	**12,489**	**13,494**
< 1 year	2,755	2,636
1-5 years	6,443	6,621
> 5 years	3,291	4,237
Discounted lease payments (amount of net investments)	**11,118**	**12,180**
< 1 year	2,673	2,469
1-5 years	5,970	6,071
> 5 years	2,475	3,641
Financial income not received	**1,371**	**1,314**
Operating leases	**311**	**423**
< 1 year	64	58
1-5 years	154	217
> 5 years	94	146

12.2.2 LEASES AS LESSEE

Accounting principles

IFRS 16 applies to contracts that, irrespective of their legal form, meet the definition of a lease as laid down by the standard. The standard requires the identification of an asset and that the lessee controls the right to use this asset for a period of time. Control is established if the lessee holds the following two rights throughout the period of use:

- the right to obtain almost all of the economic benefits arising from use of the asset;
- the right to decide how the asset is used.

The existence of an identified asset requires that the lessor has no substantive rights to substitute alternative assets, with this requirement being assessed according to facts and circumstances in place at the start of the contract. If the lessor can freely substitute the leased asset, the contract becomes a non-lease contract whose purpose is to provide capacity rather than an asset.

The asset can be comprised of a portion of a larger asset, such as a floor within a building. However, a portion of an asset that is not physically distinct within a grouping without a pre-determined location is not an identified asset.

With certain exceptions, lessees are required under IFRS 16 to record leases in the balance sheet as a right-of-use asset under "Property, plant and equipment" or "Investment property", and as lease liabilities under "Other liabilities".

On the date of initial recognition, no deferred tax is reported if the value of the asset is equal to the value of the liability. Deferred tax is recorded for subsequent net temporary differences arising from changes in amounts recognized as right-of-use assets and lease liabilities.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date.

These payments include fixed lease payments and in-substance fixed lease payments, variable lease payments based on an index or a rate calculated using the latest index or rate in force, any residual value guarantees and, where appropriate, any amount to be paid to the lessor under options that are reasonably certain to be exercised.

Lease payments used to determine the lease liability exclude variable payments that are not based on an index or a rate, taxes such as VAT, whether recoverable or not, and the housing tax.

Right-of-use is recognized as an asset on the commencement date of the lease for an amount equal to the lease liability on that date, adjusted for any payments made to the lessor at or before that date and not taken into account for the measurement of the lease liability, less any lease incentives received. If appropriate, this amount is adjusted for initial direct costs incurred by the lessee and an estimate of costs to be incurred in dismantling or restoring the asset if required by the terms and conditions of the lease, as long as the outflow of cash is probable and can be determined in a reliable manner.

The right-of-use asset is amortized on a straight-line basis and the lease liability is calculated on an actuarial basis over the term of the lease using the lessees' incremental borrowing rate mid-way through the contract.

The amount of lease liabilities is subsequently readjusted to take into account variations in the indices or rates to which the leases are indexed. As this adjustment reflects the right of use, it has no impact on the income statement.

For entities that are part of the financial solidarity mechanism that centralize their funding with the Group Treasury, the rate is calculated at Group level and adjusted, as applicable, to the currency applicable to the lessee.

The lease term is the non-cancellable period for which a lessee has the right to use an underlying asset, together with the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

For French "3/6/9" commercial leases, the term used is usually 9 years. The reasonable certainty of whether the options relating to the lease term will be exercised is assessed by considering Group entities' real estate management strategy.

At the end of the lease, the contract is no longer enforceable and the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

Leases that are not extended or canceled at the end of the term (leases with automatic renewal) are considered as having a remaining lease term of nine months, corresponding to the current period plus the period of notice for lease termination.

For leases recognized in the balance sheet, the expense relating to the lease liability is reported as an interest expense under net banking income while the depreciation expense on the right-of-use asset is recognized as a depreciation expense under gross operating income.

Lease contracts not recognized in the balance sheet and variable payments that are excluded from lease liabilities are recorded as an expense for the period under operating expenses.

Impact of lease contracts on the income statement – lessee

in millions of euros	12/31/2019
EXPENSES FROM LEASE TRANSACTIONS	**(308)**
Interest expenses on lease liabilities	(23)
Depreciation of right-of-use assets	(276)
Variable lease expenses not included in measurement of lease liabilities	(1)
Expenses on short-term leases[1]	(7)
Expenses on underlying assets of low value[1]	(1)
INCOME FROM SUB-LEASING/OPERATING LEASES	**13**

(1) Related to leases not recognized in the balance sheet.

When the Group sub-lets all or part of an asset it leases, the sub-letting contract is analyzed in substance using the same approach as that applied by lessors.

Income on these contracts is presented using the same approach as lessors: as income from other activities for operating leases and as interest income for finance leases.

Schedule of lease liabilities

in millions of euros	12/31/2019
Amounts of non-discounted future payments	**1,365**
< 1 year	290
1-5 years	720
> 5 years	354

Commitments on leases not yet recognized in the balance sheet

In accordance with IFRS 16, future minimum payments relating to leases to which the Group is committed but whose underlying assets have not yet been made available are not recognized on the balance sheet prior to their commencement date. The following table shows the minimum payments expected on these contracts.

in millions of euros	12/31/2019
Amounts of non-discounted future payments	**378**
< 1 year	3
1-5 years	63
> 5 years	312

12.3 RELATED PARTY TRANSACTIONS

For Groupe BPCE, related parties are considered to be all consolidated companies, including companies carried under the equity method, and the Group's key management personnel.

The Social Housing Companies in which the Group is the sole major shareholder are also covered.

12.3.1 TRANSACTIONS WITH CONSOLIDATED COMPANIES

All intercompany transactions carried out during the period and balances outstanding at the end of the period with fully consolidated companies are eliminated in full on consolidation.

The statement below only provides data on intercompany transactions concerning:

- companies over which the Group exercises joint control (joint operations) in respect of the non-eliminated portion: no significant transactions were identified in this category;
- entities over which the Group exercises significant influence and which are equity-accounted (associates). The significant transactions that have been identified were carried out with CNP Assurances group:
  - under a sales agreement, the Group received commission income amounting to €1,100 million in 2019 (€1,033 million in 2018),
  - for the management of the Group's pension plans, reimbursement rights of €49 million were recorded to cover post-employment benefits (see Note 8.2.2),
  - under a partnership agreement that took effect on January 1, 2016, a cash deposit of €11.4 billion was recorded under "Loans and receivables due from customers" (see Note 9.1.1.4). This cash deposit is backed by technical reserves recognized for an identical amount under liabilities in the balance sheet representing commitments to insured parties. Insurance expenses and income relating to reinsured policies are recorded as "Income and expenses from other activities" (see Note 4.6).

A list of fully consolidated subsidiaries is presented in Note 18, "Scope of consolidation".

12.3.2 TRANSACTIONS WITH COMPANY DIRECTORS

The Group's company directors are the members of the Management Board and Supervisory Board of BPCE. The short-term benefits, post-employment benefits, long-term benefits and termination benefits of BPCE's company directors are described in the "Pay, benefits in kind, loans, guarantees and attendance fees received by BPCE company directors" section of Chapter 3 of the registration document, on Corporate Governance.

Short-term employee benefits

Short-term benefits paid out to the Group's company directors amounted to €7 million in 2019 (*vs.* €9 million in 2018).

These include remuneration, directors' attendance fees and benefits paid to members of the Management Board and Supervisory Board.

Post-employment benefit commitments, long-term benefits and termination benefits

Post-employment benefit commitments, long-term benefits and termination benefits of the Group's company directors are described in the Chapter 3 on Corporate Governance. The amount provisioned by BPCE SA group in respect of retirement bonuses came to €3 million at December 31, 2019 (€2 million at December 31, 2018).

12.4 PARTNERSHIPS AND ASSOCIATES

Accounting principles: See Note 3

12.4.1 INVESTMENTS IN ASSOCIATES

12.4.1.1 Partnerships and other associates

The Group's main investments in joint ventures and associates are as follows:

in millions of euros	12/31/2019	12/31/2018
CNP Assurances (group)[(1)]	2,821	2,561
Socram Banque	49	75
EDF Investments Group (EIG)	520	521
Other	252	239
Financial sector companies	**3,642**	**3,396**
Other	127	127
Non-financial companies	**127**	**127**
SHARE IN NET INCOME OF ASSOCIATES	**3,769**	**3,523**

(1) Application of IFRS 9 (with IFRS 4 amendment) postponed to January 1, 2022. IFRS 9 Financial Instruments was published on July 24, 2014 and approved by the European Union on November 22, 2016. Application of this standard became mandatory on January 1, 2018. However, the Group opted to postpone application of the standard to January 1, 2022. The standard, which replaces IAS 39 Financial Instruments: Recognition and Measurement, sets out the accounting and disclosure principles applicable to financial assets and financial liabilities. The complete version of IFRS 9 includes the three phases that comprised the draft version, namely classification and measurement, impairment, and hedge accounting. Macro-hedge accounting, which is being covered separately by the IASB, has not been finalized. A discussion paper was published on this topic on April 17, 2014.

12.4.1.2 Financial data for the main joint arrangements and associates

Summarized financial data for material joint ventures and/or companies under notable influence are as follows (based on the last available data published by the entities in question):

	Associates		
in millions of euros	**CNP Assurances (group)**	**Socram Banque**	**EDF Investments Group (EIG)**
DIVIDENDS RECEIVED	**(98)**	**1**	**10**
MAIN AGGREGATES			
Total assets	**440,366**	**1,753**	**8,577**
Total liabilities	**420,973**	**1,532**	**49**
Income statement			
Operating income or net banking income	2,520	25	231
Income tax	(784)	(1)	(68)
Net income	1,736	1	162
CARRYING VALUE OF INVESTMENTS IN ASSOCIATES			
Equity of associates[(1)]	19,393	221	8,528
Percentage of ownership	16.11%	33.42%	6.11%
VALUE OF INVESTMENTS IN ASSOCIATES	**2,821**	**49**	**520**
MARKET VALUE OF INVESTMENTS IN ASSOCIATES	**1,961**	**///**	**///**

(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, 2019 is as follows:

in millions of euros	**Fiscal year 2019**	**Fiscal year 2018**
Value of investments in associates	**779**	**366**
Total amount of share in:		
Net income	(17)	14
Gains and losses recognized directly in other comprehensive income	(9)	
COMPREHENSIVE INCOME	**(26)**	**14**

12.4.1.3 Nature and scope of major restrictions

BPCE SA group has not been faced with any major restrictions relating to interests held in associates and joint ventures.

12.4.2 SHARE IN NET INCOME OF ASSOCIATES

in millions of euros	**Fiscal year 2019**	**Fiscal year 2018**
CNP Assurances (group)	227	220
EDF Investments Group (EIG)	10	12
Socram Banque	(25)	2
Other	15	8
Financial sector companies	**227**	**242**
Non-financial companies	**4**	**6**
SHARE IN NET INCOME OF ASSOCIATES	**231**	**248**

12.5 INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

12.5.1 NATURE OF INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

A non-consolidated structured entity is a structured entity that is not controlled and is therefore not accounted for using the full consolidation method. As a result, the interests held in a joint venture or associate which is classed as a structured entity falls within the scope of this note.

The same is true of controlled structured entities that are not consolidated due to holding 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; and
- 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 relationships, contractual or not, that expose 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 relationships, such as financing, short-term credit facilities, credit enhancement, the 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 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 6 "Risk Management – Securitizations"); and
- interests held in external real estate funds or private equity funds in which Groupe BPCE acts as a simple minority investor.

The structured entities with which the Group has a relationship can be divided into four categories: entities involved in asset management, securitization vehicles, entities created for structured financing purposes, and entities created for other types of transactions.

Asset Management

Financial asset management (also known as portfolio management) consists of managing equity or funds entrusted by investors by investing in equities, bonds, cash SICAV or hedge funds, etc.

The asset management line of business which uses structured entities is represented by collective investment 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 the 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 comprises all remaining activities.

12.5.2 NATURE OF RISKS RELATING TO INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

Assets and liabilities recognized in the Group's various balance sheet accounts relating to interests in non-consolidated structured entities contribute to determining the risks associated with these entities.

The values recorded under the balance sheet assets, along with financing and guarantee commitments given less guarantee commitments received and provisions recorded in liabilities, are used to assess the maximum exposure to risk of losses.

The "notional amounts" line corresponds to the notional amount of options sold to structured entities.

The data are presented below, aggregated based on their activity classification.

At December 31, 2019

Excluding insurance business investments *in millions of euros*	Securitization	Asset Management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**711**	**1,632**	**1,224**	**598**
Trading derivatives	131	109	312	456
Trading financial instruments (excluding derivatives)	497	445	689	128
Financial assets at fair value through profit or loss – Non SPPI	78	1,016	216	
Financial instruments designated at fair value through profit or loss				
Equity instruments not held for trading	4	63	7	14
Financial assets at fair value through other comprehensive income			**3**	**0**
Financial assets at amortized cost	**6,384**	**1,254**	**11,761**	**708**
Other assets	**18**	**43**	**7**	**6**
TOTAL ASSETS	**7,113**	**2,929**	**12,996**	**1,313**
Financial liabilities at fair value through profit or loss	**54**	**90**	**903**	**182**
Provisions	**2**		**15**	**2**
TOTAL LIABILITIES	**56**	**91**	**918**	**184**
Loan commitments given	**5,554**	**246**	**2,792**	**394**
Guarantee commitments given[(1)]	**225**	**205**	**3,400**	**11**
Guarantees received	**243**		**3,899**	**28**
Notional amount of derivatives	**1,190**		**5,043**	**377**
MAXIMUM LOSS EXPOSURE	**13,835**	**3,380**	**20,316**	**2,065**

(1) For the Asset Management activity, Natixis guarantees the capital and/or returns on units in certain UCITS. These guarantees were recognized as derivatives at 12/31/2019. (see Note 6.2, Guarantee commitments).

At December 31, 2018

Excluding insurance business investments *in millions of euros*	Securitization	Asset Management	Structured Financing	Other activities
Financial assets at fair value through profit or loss	**540**	**1,237**	**1,021**	**399**
Trading derivatives	95	70	131	334
Trading financial instruments (excluding derivatives)	371	153	702	51
Financial assets at fair value through profit or loss – Non SPPI	70	940	181	
Financial instruments designated at fair value through profit or loss		9		
Equity instruments not held for trading	4	65	9	14
Financial assets at fair value through other comprehensive income			**3**	
Financial assets at amortized cost	**5,996**	**1,646**	**12,608**	**696**
Other assets	**22**	**40**	**19**	**19**
TOTAL ASSETS	**6,558**	**2,922**	**13,652**	**1,114**
Financial liabilities at fair value through profit or loss	**45**	**204**	**585**	**192**
Provisions	**6**	**1**	**13**	**2**
TOTAL LIABILITIES	**51**	**205**	**598**	**194**
Loan commitments given	**3,918**	**246**	**2,380**	**439**
Guarantee commitments given	**261**	**4,927**	**2,471**	**4**
Guarantees received		**1**	**3,177**	**260**
Notional amount of derivatives	**1,030**	**155**	**2,788**	**262**
MAXIMUM LOSS EXPOSURE	**11,761**	**8,249**	**18,101**	**1,557**

At December 31, 2019

Insurance business investments *in millions of euros*	Securitization	Asset Management	Other activities
Financial assets at fair value through profit or loss		**8,594**	
Trading financial instruments (excluding derivatives)		2,202	
Financial instruments designated at fair value through profit or loss		6,392	
Available-for-sale financial assets	**557**	**3,809**	
TOTAL ASSETS	**557**	**12,403**	
TOTAL LIABILITIES			
Loan commitments given	**53**	**297**	
MAXIMUM LOSS EXPOSURE	**611**	**12,700**	

At December 31, 2018

Insurance business investments *in millions of euros*	Securitization	Asset Management	Other activities
Financial assets at fair value through profit or loss		**9,157**	
Trading financial instruments (excluding derivatives)		4,663	
Financial instruments designated at fair value through profit or loss		4,494	
Available-for-sale financial assets	**908**	**3,235**	**26**
TOTAL ASSETS	**908**	**12,392**	**26**
TOTAL LIABILITIES			
Loan commitments given	**344**	**189**	
MAXIMUM LOSS EXPOSURE	**1,252**	**12,581**	**26**

At December 31, 2019

in millions of euros	Securitization	Asset Management	Structured Financing	Other activities
Size of structured entities	**66,590**	**289,721**	**83,507**	**792**

At Monday, December 31, 2018

in millions of euros	Securitization	Asset Management	Structured Financing	Other activities
Size of structured entities	**62,204**	**271,114**	**73,607**	**1,137**

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 issues recorded in the entities' liabilities;
- 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; and
- other activities, total assets.

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 an investment 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 incentive fees charged by BPCE SA group entities, as well as profit or loss from ordinary business with these funds;
- a US activity involving the 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 sponsors without holding any interests, the impact on the financial statements is presented below:

Fiscal year 2019

in millions of euros	Securitization	Asset Management
Income from entities	**32**	**185**
Net interest income	1	
Net fee and commission income	(1)	142
Net gains or losses on financial instruments at fair value through profit or loss	31	43
Carrying amount of assets transferred to the entity during the fiscal year	**948**	

Fiscal year 2018

in millions of euros	Securitization	Asset Management
Income from entities	**1**	**175**
Net fee and commission income	(1)	169
Net gains or losses on financial instruments at fair value through profit or loss	3	5
Carrying amount of assets transferred to the entity during the fiscal year	**1,181**	**-**

12.6 STATUTORY AUDITORS' FEES

Fees in respect of duties carried out by the Statutory Auditors, and by their networks, responsible for auditing BPCE's financial statements in respect of the 2018 and 2019 fiscal years were as follows:

	PwC				Mazars				Deloitte				TOTAL			
	Amount		%		Amount		%		Amount		%		Amount		%	
in thousands of euros(1)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Certification of financial statements	**10,652**	**10,518**	**74%**	**65%**	**2,868**	**3,238**	**59%**	**65%**	**8,946**	**9,705**	**70%**	**73%**	**22,466**	**23,462**	**70%**	**68%**
Issuer	604	805			589	684			582	827			1,775	2,316		
Fully consolidated subsidiaries	10,048	9,713			2,279	2,554			8,364	8,878			20,691	21,146		
Services other than financial statement certification(2)	**3,648**	**5,599**	**26%**	**35%**	**2,028**	**1,720**	**41%**	**35%**	**3,781**	**3,526**	**30%**	**27%**	**9,457**	**10,845**	**30%**	**32%**
Issuer	202	1,422			164	72			971	459			1,337	1,953		
Fully consolidated subsidiaries	3,446	4,177			1,864	1,648			2,810	3,067			8,120	8,892		
TOTAL	**14,300**	**16,117**	**100%**	**100%**	**4,896**	**4,958**	**100%**	**100%**	**12,727**	**13,231**	**100%**	**100%**	**31,923**	**34,307**	**100%**	**100%**
o/w fees paid to commissioned Statutory Auditor/consolidating entities for certification of financial statements	9,739				2,320				1,730				13,789			
o/w fees paid to commissioned Statutory Auditor/consolidating entities for services other than certification of financial statements	675				1,417				3,019				5,111			
Change (as a%)		(11%)				(1%)				(4%)				(7%)		

(1) Amounts relating to services provided appear on the income statement for the reporting year, notably including unrecoverable VAT.

(2) In 2019, "Services other than certification of financial statements" mainly included assignments requested by BPCE SA (€1.3 million) including in particular verification of the Group's compliance with BCBS 239 performed by Deloitte (€0.7 million) and for comfort letters relating to issues (€0.3 million) and assignments requested by Natixis SA and its subsidiaries (€6.5 million) in particular technical assistance assignments (€1.1 million), compliance support assignments related to systems in place (€1.5 million), tax audits mainly outside the European Union (€0.7 million), assignments relating to services rendered in respect of acquisitions (€0.6 million), support for regulatory and normative developments (€0.5 million), and other assignments including a benchmarking assignment on the multi-affiliate Asset Management model (€0.7 million).

Note 13 Details of the scope of consolidation

13.1 SECURITIZATION TRANSACTIONS

Accounting principles

Securitization is a financial engineering technique that aims to enhance balance sheet liquidity. From a technical perspective, assets to be securitized are grouped according to the quality of the associated collateral or guarantees, and sold to special purpose entities that finance their acquisition by issuing securities underwritten by investors.

Entities created specifically for this purpose are consolidated if the Group exercises control over them. Control is assessed according to the criteria provided in IFRS 10.

SECURITIZATION TRANSACTIONS WITHIN GROUPE BPCE

In 2019, Groupe BPCE consolidated two new special purpose entities (two securitization funds): BPCE Home Loans FCT 2019 and BPCE Home Loans FCT 2019 Demut, both of which were created for an intra-group securitization transaction by the Banques Populaires and the Caisses d'Epargne on October 29, 2019.

Under this transaction, €1.1 billion in home loans were transferred to BPCE Home Loans FCT 2019, and external investors subscribed for senior securities issued by the FCT (€1 billion). Despite the placement in the market, this transaction does not allow deconsolidation since the entities that transferred the loans subscribed for subordinated securities and residual shares. They therefore retain control within the meaning of IFRS 10.

It follows previous transactions: BPCE Master Home Loans, BPCE Consumer Loans 2016 (personal loan securitization), BPCE Home Loans FCT 2017_5 (real estate loan securitization) and BPCE Home Loans FCT 2018 (real estate loan securitization). It was the second transaction with a placement of senior securities on the markets.

DECONSOLIDATING SECURITIZATION TRANSACTIONS CARRIED OUT WITH FULL OR PARTIAL DERECOGNITION

Note: Crédit Foncier has entered into two public securitizations backed by home loans (Crédit Foncier Home Loans No. 1 in May 2014 and Crédit Foncier Home Loans No. 2 in August 2015).

As a receivables manager, Crédit Foncier does not have the ability to use its power to influence the variability of returns. Therefore, it does not control the securitization funds within the meaning of IFRS 10, and the funds are not consolidated.

However, given its ongoing ties with CFHL-2, the criteria needed to establish full derecognition of assets under IFRS 9 are not entirely met. As a result, the transaction is deconsolidating in accordance with IFRS 10, and partially derecognized in accordance with IFRS 9.

The transferred assets are recognized in proportion to Crédit Foncier's continued involvement. As a result, the Group continues to recognize the maximum loss associated with each of the residual ties to the fund (swaps, clean-up calls, management fees) in balance sheet assets.

These adjustments led to the recognition of total assets of €92 million and total liabilities of €9 million at December 31, 2019.

The fair value of these residual ties is remeasured at each reporting date.

At December 31, 2019, the net impact of the CFHL-2 transactions was +€17 million.

13.2 GUARANTEED UCITS

Guaranteed UCITS are funds designed to reach a specific amount at the end of a given period, determined by applying a predefined calculation formula based on financial market indicators and, where appropriate, to distribute revenues derived from the investments as determined using the same methods. The portfolio management targets of these funds are guaranteed by a credit institution.

Based on an analysis of the substance of these funds in accordance with IFRS 10, the Group does not control relevant activities (as management flexibility is limited) and is not exposed to variable returns (as a solid risk monitoring system has been implemented) and therefore does not consolidate these structures.

13.3 OTHER INTERESTS IN CONSOLIDATED SUBSIDIARIES AND STRUCTURED ENTITIES

MAJOR RESTRICTIONS

The Group has not been faced with any major restrictions relating to stakes held in its structured or non-structured subsidiaries.

SUPPORT OF CONSOLIDATED STRUCTURED ENTITIES

The Group did not grant any financial support to consolidated structured entities.

13.4 SCOPE OF CONSOLIDATION AT DECEMBER 31, 2019

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	Activity	Location[1]	Ownership interest	Statutory method of consolidation[2]
I) CONSOLIDATING ENTITY				
BPCE SA	Credit institution	FR	100%	FC
II) BPCE SA GROUP SUBSIDIARIES				
ALBIANT-IT	IT systems and software consulting	FR	98%	FC
BATILEASE	Real estate leasing	FR	100%	FC
BPCE ACHATS	Services company	FR	56%	FC
BPCE BAIL	Real estate leasing	FR	100%	FC
BPCE CAR LEASE	Operational vehicle leasing	FR	100%	FC
BPCE ENERGECO	Non-real estate leasing	FR	100%	FC
BPCE FACTOR	Factoring	FR	100%	FC
BPCE FINANCEMENT	Consumer finance	FR	100%	FC
BPCE INFOGÉRANCE & TECHNOLOGIES	IT services	FR	55%	FC
BPCE LEASE	Non-real estate leasing	FR	100%	FC
BPCE LEASE IMMO	Real estate leasing	FR	100%	FC
BPCE LEASE MADRID – Branch	Non-real estate and real estate leasing	ES	100%	FC
BPCE LEASE MILAN – Branch	Non-real estate and real estate leasing	IT	100%	FC
BPCE LEASE NOUMÉA	Non-real estate leasing	NC	99%	FC
BPCE LEASE RÉUNION	Non-real estate leasing	RE	100%	FC
BPCE LEASE TAHITI	Non-real estate leasing	PF	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 PERSONAL CAR LEASE	Operational vehicle leasing	FR	100%	FC
BPCE SERVICES FINANCIERS (formerly CSF-GCE)	Services company	FR	38%	EQ
BPCE SFH	Funding	FR	100%	FC
BPCE SOLUTIONS CRÉDIT (FORMERLY GIE ECUREUIL CRÉDIT)	Services company	FR	84%	FC
CICOBAIL SA	Real estate leasing	FR	100%	FC
CLICK AND TRUST	Data processing	FR	34%	EQ
CO ASSUR CONSEIL ASSURANCE SA (BROKERAGE)	Insurance brokerage advisory	FR	100%	FC
COMPAGNIE EUROPÉENNE DE GARANTIES ET DE CAUTIONS	Insurance	FR	100%	FC
ESNI	Securitization company	FR	100%	FC
FCT PUMACC	Consumer credit securitization vehicle	FR	100%	FC
FIDOR BANK AG	Digital loan institution	DE	100%	FC
FIDOR SOLUTION AG	Digital technology R&D	DE	100%	FC
GCE PARTICIPATIONS	Holding company	FR	100%	FC
GIE CE SYNDICATION RISQUES	Guarantee company	FR	41%	EQ
NATIXIS GROUP[3]		FR	71%	FC
ONEY GROUP[5]		FR	50%	FC
INFORMATIQUE BANQUES POPULAIRES	IT services	FR	30%	EQ
INTER-COOP SA	Real estate leasing	FR	100%	FC
IT-CE	IT services	FR	34%	EQ
LEASE EXPANSION SA	IT operational leasing	FR	100%	FC
MIDT FACTORING	Factoring	DK	100%	FC
MIFCOS	Investment property	FR	100%	FC
SOCFIM	Credit institution	FR	100%	FC
SOCFIM PARTICIPATIONS IMMOBILIÈRES	Holding company	FR	100%	FC
SOCIÉTÉ D'EXPLOITATION MAB (SEMAB)	Services company	FR	100%	FC
SOCRAM BANQUE	Credit institution	FR	33%	EQ
SPORTS IMAGINE	Services company	FR	100%	FC
SUD OUEST BAIL SA	Real estate leasing	FR	100%	FC

Company	Activity	Location[(1)]	Ownership interest	Statutory method of consolidation[(2)]
SURASSUR	Reinsurance	LU	97%	FC
Holassure Group				
CNP ASSURANCES (GROUP)	Insurance	FR	16%	EQ
HOLASSURE	Holding company	FR	100%	FC
SOPASSURE	Holding company	FR	50%	JO
BPCE International				
ARAB INTERNATIONAL LEASE[(4)]	Non-real estate and real estate leasing	TN	57%	FC
BANQUE TUNISO KOWEITIENNE[(4)]	Credit institution	TN	60%	FC
BPCE INTERNATIONAL	Specialized credit institution	FR	100%	FC
BPCE INTERNATIONAL HO CHI MINH CITY (Vietnam branch)	Specialized credit institution	VN	100%	FC
BPCE MAROC	Real estate development	MA	100%	FC
EL ISTIFA[(4)]	Debt collection	TN	60%	FC
FRANSA BANK	Credit institution	FR	21%	EQ
MEDAI SA[(4)]	Real estate development	TN	67%	FC
OCÉORANE	Financial investment advisory services	MQ	100%	FC
PRAMEX INTERNATIONAL	International development and consulting services	FR	100%	FC
PRAMEX INTERNATIONAL AP LTD – HONG KONG	International development and consulting services	HK	100%	FC
PRAMEX INTERNATIONAL AU CASABLANCA	International development and consulting services	MA	100%	FC
PRAMEX INTERNATIONAL CO LTD – SHANGHAI	International development and consulting services	CN	100%	FC
PRAMEX INTERNATIONAL CONSULTING PRIVATE LTD – MUMBAI	International development and consulting services	IN	100%	FC
PRAMEX INTERNATIONAL CORP – NEW YORK	International development and consulting services	US	100%	FC
PRAMEX INTERNATIONAL DO BRAZIL CONSULTARIA LTDA – SAO PAULO	International development and consulting services	BR	100%	FC
PRAMEX INTERNATIONAL GmbH – FRANKFURT	International development and consulting services	DE	100%	FC
PRAMEX INTERNATIONAL LTD – LONDON	International development and consulting services	GB	100%	FC
PRAMEX INTERNATIONAL PTE LTD – SINGAPORE	International development and consulting services	SG	100%	FC
PRAMEX INTERNATIONAL SRL – MILAN	International development and consulting services	IT	100%	FC
PRAMEX INTERNATIONAL SA – MADRID	International development and consulting services	ES	100%	FC
PRAMEX INTERNATIONAL SARL – TUNIS	International development and consulting services	TN	100%	FC
PRAMEX INTERNATIONAL SP. ZOO – WARSAW	International development and consulting services	PL	100%	FC
SOCIÉTÉ DU CONSEIL ET DE L'INTERMÉDIATION FINANCIÈRE[(4)]	Financial investment advisory services	TN	48%	FC
SOCIÉTÉ TUNISIENNE DE PROMOTION DES PÔLES IMMOBILIERS ET INDUSTRIELS[(4)]	Real estate development	TN	18%	EQ
TUNIS CENTER[(4)]	Real estate development	TN	14%	FC
UNIVERS INVEST (SICAR)[(4)]	Private equity	TN	52%	FC
UNIVERS PARTICIPATIONS (SICAF)[(4)]	Private equity	TN	60%	FC
Crédit Foncier group				
BANCO PRIMUS	Credit institution	PT	100%	FC
BANCO PRIMUS Spain	Credit institution	ES	100%	FC

Company	Activity	Location[1]	Ownership interest	Statutory method of consolidation[2]
CFG COMPTOIR FINANCIER DE GARANTIE	Guarantee company	FR	100%	FC
COFIMAB	Real estate agent	FR	100%	FC
COMPAGNIE DE FINANCEMENT FONCIER	Financial company	FR	100%	FC
CRÉDIT FONCIER DE FRANCE	Credit institution	FR	100%	FC
Crédit Foncier de France – Belgium branch	Credit institution	BE	100%	FC
CRÉDIT FONCIER EXPERTISE	Real estate valuation	FR	100%	FC
CRÉDIT FONCIER IMMOBILIER	Real estate operations	FR	100%	FC
FONCIER PARTICIPATIONS	Holding company	FR	100%	FC
FONCIÈRE D'ÉVREUX	Real estate operations	FR	100%	FC
GRAMAT BALARD	Real estate operations	FR	100%	FC
MAISON FRANCE CONFORT PROU INVESTISSEMENTS	Real estate development	FR	49%	EQ
SEREXIM	Real estate valuation	FR	100%	FC
SOCIÉTÉ D'INVESTISSEMENT ET DE PARTICIPATION IMMOBILIÈRE (SIPARI)	Holding company	FR	100%	FC
Banque Palatine group				
ARIES ASSURANCES	Insurance brokerage	FR	100%	FC
BANQUE PALATINE	Credit institution	FR	100%	FC
CONSERVATEUR FINANCE	Fund management	FR	20%	EQ
PALATINE ASSET MANAGEMENT	Asset Management	FR	100%	FC

(1) Country of location: BE: Belgium – BR: Brazil – CH: Switzerland – CN: China – DE: Germany – DJ: Djibouti – DK: Denmark – ES: Spain – FJ: Fiji – FR: France – GB: United Kingdom of Great Britain and Northern Ireland – HK: Hong Kong – IN: India – IT: Italy – KH: Cambodia – LA: Laos -LU: Luxembourg – MA: Morocco – MC: Principality of Monaco – MQ: Martinique – NC: New Caledonia – PF: French Polynesia – PL: Poland – PT: Portugal – RE: Reunion – SB: Solomon Islands – SG: Singapore – TH: Thailand – TN: Tunisia – UK: Ukraine – US: United States – VN: Vietnam – VU: Vanuatu.
(2) Consolidation method: FC EQ: Equity method, JO: Joint operations.
(3) Natixis group comprises 347 fully-consolidated entities and 7 entities consolidated using the equity method. Its main subsidiaries are: Coface, Natixis Global Asset Management, Natixis North America LLC, Natixis Private Equity.
(4) Entities treated under IFRS 5 at December 31, 2019.
(5) Oney group comprises 26 fully-consolidated entities and 1 entity consolidated using the equity method.

13.5 NON-CONSOLIDATED COMPANIES AT DECEMBER 31, 2019

ANC Regulation No. 2016-09 of December 2, 2016 requires companies that prepare their consolidated financial statements in accordance with international standards as adopted by the European Union to publish additional information relating to companies not included in their scope of consolidation as well as significant equity interests.

Non-consolidated companies include:

- significant interests that do not fall within the scope of consolidation; and
- companies excluded from the scope of consolidation owing to their non-material nature.

The main significant interests that do not fall within the scope of consolidation, and details of the share of equity held either directly or indirectly by the Group, are as follows:

Company	Location	Share of equity held	Reason for non-consolidation	Amount of shareholders' equity[1] *(in millions of euros)*	Amount of income *(in millions of euros)*
CILOGER 2 OPCI	France	10.21%	Holding not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	73	1
SYSTEME TECHNOLOGIQUE ECHGE ET TRAIT	France	15.04%	Holding not consolidated because the Group does not exercise control, joint control or significant influence (including tax optimization structures)	104	8

(1) Amount of shareholders' equity and income for the last fiscal year known at the balance sheet date and based on applicable accounting standards according to the country of location.

Information relating to companies excluded from the scope of consolidation owing to their non-material nature is available on the website of Groupe BPCE at the following address: https://groupebpce.com/en/investors/regulated-information.

5.4 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(For the year ended December 31, 2019)

To the Annual General Shareholders' Meeting,

Groupe BPCE SA

50 avenue Pierre Mendès France

75201 Paris cedex 13

I. Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Groupe BPCE SA for the year ended December 31, 2019.

In the evolving context of health crisis linked to Covid-19, the Management Board approved these consolidated financial statements on February 4, 2020 considering the information available at that time.

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, 2019 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, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*code de déontologie*) for Statutory Auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- Deloitte & Associés: the main engagements conducted in fiscal year 2019 concerned certification, comfort letters issued in connection with issuance programs, reviews of compliance procedures and services provided as part of restructuring measures for Natixis perimeter and the achievement of attestations and missions of independent third party on the CSR information of the management report for BPCE S.A. and Natixis;
- Mazars: the main assignments carried out in the 2019 financial year concerned methodological review missions in support of the Risk Department and the Natixis MRM department, on the other hand and comfort letters issued in connection with issuance programs on the other hand;
- PricewaterhouseCoopers Audit: the main engagements conducted in fiscal year 2019 concerned certification, reviews of compliance procedures, services provided as part of restructuring measures, comfort letters issued in connection with issuance programs on the other hand, tax consultations and CSR missions.

EMPHASIS OF MATTER

Without qualifying the opinion expressed above, we draw your attention to the accounting changes related to first-time application of IFRS 16 (Leases) and interpretation IFRIC 23 (Uncertainty over income tax treatments) as described in Note 2.2 to the consolidated financial statements.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved under the circumstances described above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment of loans and receivables (stages 1, 2 and 3)

Risk identified and main judgments

The Groupe BPCE SA is exposed to credit and counterparty risks. These risks result from the inability of one of its clients or counterparties to honor their financial commitments, in particular, covering their loan activities.

In accordance with the "impairment" aspect of IFRS 9, your Group records impairments and provisions intended to cover expected (Stages 1 and 2 loans) or proven (Stage 3 loan) losses.

Impairment for expected losses (Stages 1 and 2) is mainly determined based on models developed by BPCE integrating different inputs (probability of default, loss rate in the event of default, PD, LGD forward-looking information…), in addition to, if necessary, sectoral-based charges based on local specificities.

Loan outstandings having a proven counterparty risk (Stage 3) are mainly impaired on an individual basis. These impairments are assessed by Management depending on estimated future recoverable cash flows for each loan concerned.

We considered the identification and assessment of credit risk to be a key audit matter given that the provisions resulting therefrom represent significant estimates for the preparation of the accounts and requires Management to exercise judgment with respect to classifying the loan outstandings in the different stages, determining the Stage 1 and 2 impairment calculation inputs and methods and the assessment of the amount of provisioning for Stage 3 loan outstandings on an individual basis.

In particular, in the context of the low cost of risk maintained by the Group on its main market, we considered the assessment of the appropriateness of the level of credit risk hedging by provisions and the amount of related cost of risk to be a key audit matter for fiscal year 2019.

Exposures to credit and counterparty risk on which IFRS 9 impairments are calculated represent approximately 40% of total assets of Groupe BPCE SA at December 31, 2019 (40% and €310 billion of gross outstandings only for loans and receivables).

The impairment on outstanding and related loans amounts to €3.4 billion of which €0.2 billion for Stage 1, €0.3 billion for Stage 2, €2.5 billion for Stage 3 and €0.4 billion for POCI. The cost of risk for fiscal year 2019 amounts to €0.5 billion.

For more information on accounting principles and exposures, please see Notes 5.5 and 7.1 to the consolidated financial statements.

Our response

IMPAIRMENT OF STAGE 1 AND STAGE 2 OUTSTANDING LOANS

Our work mainly consisted in:

- verifying the existence, at the main Group establishments, of internal control which enables the ratings of different loan outstandings to be updated at appropriate intervals;
- evaluating the internal control system governing the validation of internal models and the definition of the inputs used in the calculation of impairment;
- assessing the relevance of the inputs used for the impairment calculations at December 31;
- redoing the calculations on the main loan portfolios;
- reviewing the updating measures for local sectoral provisions, when necessary

IMPAIRMENT OF STAGE 3 LOANS OUTSTANDING

As part of our audit procedures, we generally reviewed the internal controls related to identifying exposures, monitoring credit and counterparty risk, assessing non-recovery risk and determining related impairment and provisions on an individual basis.

Our procedures consisted in assessing the quality of the measures for monitoring sensitive, doubtful and litigious counterparties; the loan review process. Furthermore, based on a sampling of files selected using materiality and risk criteria, we redid the calculations for the provision amounts.

We have also assessed the relevance of the disclosures set forth in the notes required by the IFRS 9 standard with respect to "impairment" at December 31, 2019.

Recognition and measurement of performance fees

Risk identified and main judgments

For certain funds managed by affiliates of Natixis Investment Managers, the contractual provisions of the prospectus stipulate the payment of a "performance fee" for any fund outperformance.

The existence of multiple end dates and trigger criteria creates complexity not only for the calculation of these fees, but also in determining the various recognition dates for the corresponding income. Furthermore, if uncertainty exists regarding the measurement of a performance fee amount, only the amount for which the Group's entitlement is assured given the information available on the reporting date is recognized (the principles applicable to performance fees are set out in Note 6.19 to the consolidated financial statements).

We therefore considered the recognition and measurement of performance fees to be a key audit matter.

As mentioned in Note 4.2 to the consolidated financial statements, performance fees recorded in the income statement totaled €627 million.

Our response

We examined the calculation and control process for performance fees implemented by affiliates of Natixis Investment Managers. In particular, we tested the periodic reconciliations performed between the performance fees calculated by the management of the affiliates and the recognized amounts and, in the case of funds, the amounts provided by "valuation agents".

Based on a sample of selected funds, we also:

- checked that the benchmark used matches the benchmark referred to in the contractual provisions;
- reconciled the fee amounts determined by management and the recognized amounts;
- in the case of funds, reconciled the recognized performance fees and the fees calculated by the funds' "valuation agents";
- checked that the asset management company recorded the fees at the end of the calculation period specified in the contractual provisions;
- verified the manner in which the Group estimates and integrates any uncertainties into the recognized fee amount.

Level 2 and 3 financial instruments under IFRS 13

Risk identified and main judgments

The Groupe BPCE SA holds a substantive part of financial instruments which are recognized in the balance sheet at fair value. They are allocated to three levels defined by IFRS 13 depending on the fair value measurement method used.

Market value is determined according to different approaches depending on the nature and complexity of the instruments: use of listed prices observable on the market (level 1 financial instruments in the fair value hierarchy), use of valuation models based on significant inputs observable on the market (level 2 financial instruments) and use of valuation models based on significant inputs unobservable in the market (level 3 financial instruments).

The valuation of levels 2 and 3 financial instruments at fair value relies on valuation techniques that use significant judgment regarding the choice of methodologies used:

- determination of valuation inputs unobservable on the market;
- use of internal valuation models;
- Additional valuation adjustments made, to reflect certain market, counterparty or liquidity risks.

We deemed the valuation of complex financial instruments, especially financial instruments classified in levels 2 and 3 to be a key audit matter due to significant expositions and judgment in the determination of fair value.

For more details on accounting principles and fair value hierarchy of financial instruments, see note 10 to the consolidated financial statements.

Our response

We reviewed the internal control procedures relating to the determination, valuation and recording of complex financial instruments classified at fair value in levels 2 and 3.

We interviewed the Risk, Compliance and Permanent Control division and we acknowledge reporting and memos of Committees from this department (in conjunction with our Audit team at Natixis which is the main contributor to this topic).

We tested the controls that we deemed relevant to our audit, including those relating to:

- the approval and regular review by Management of the risks of the valuation models;
- the independent verification of the valuation inputs;
- the determination of value adjustments as well as corrections added in the value;
- the approval and regular review of observability criteria used in the classification of each operation as observable/unobservable;
- the classification of financial instruments according to the fair value hierarchy.

We performed these procedures with the assistance of our valuation experts, with whom we also made counter valuation work. Based on sampling, our experts analyzed the relevance of the assumptions; inputs and models used to determine the main adjustments to valuation.

We also analyzed the differences on existing collateral calls and gain or losses in case of sale of instruments allowing to contribute to the review of appropriateness of valuations.

Finally, we examined the disclosures relating to the valuation of financial instruments published in the notes to the consolidated financial statements.

Business combinations, and impairment tests of goodwill and intangible assets with finite lives

Risk identified and main judgments

External growth operations made by Groupe BPCE SA (including operations launched in 2019 mentioned in significant events in the financial statements) drive it to (i) appreciate the modalities of the exercise of control over the acquired entity in accordance with IFRS 10 *"Consolidated Financial Statements"* and (ii) allocate the purchase price in accordance with IFRS 3 *"Business Combinations"*. Following this purchase price allocation, the "surplus" remaining unallocated, corresponding to the residual identifiable net asset, accounted for in "goodwill".

These goodwills and the intangible assets acquired for which useful life is indefinite are subject to impairment tests at least each year, based on the appreciation of recoverable value of cash generating units (CGU) to which they are related, or as soon as an indication of an impairment loss appears. The determination of recoverable value relies on the discount of future cash flows of the CGU resulting from medium term plans established by entities and challenged by Groupe BPCE SA.

We deemed that the treatment of business combinations and, goodwill and limited-life intangible assets impairment tests to be a key audit matter by their very nature as they require the exercise of judgment regarding the structuring assumptions used especially for the determination of economic scenarios, financial trajectories or discount levels.

At December 31, 2019, the gross value of goodwill amounted to €4,557 million and accumulated impairment losses stood at €469 million.

The terms of the impairment test implemented by BPCE as well as the key assumptions used to determine the recoverable value and sensitivities of the recoverable amounts are described in Note 3.5.2 to the consolidated financial statements.

Our response

With the help of our experts, we evaluated the procedure implemented by the Group to identify signs of potential impairment loss and carried out a critical review of the method used for implementing impairment tests. In particular, our work includes:

- comparison of assumptions and inputs with external sources;
- review of the reasonableness of the medium-term plans retained for each concerned entity involving:
  - the confrontation with the strategic plan of the Group approved by the governing bodies (supervisory or administrative) of the entities,
  - the assessment of the consistency and reliability of the main assumptions used to prepare the plans, particularly regarding the financial trajectories developed during past financial years and actually carried out
  - the analysis of the sensitivity to different valuation inputs (equity, discount rate…);
- verification of the consistency of the disclosures published on the results of these impairment tests.

Review of the assumptions underlying the purchase price allocation of external growth operations of the period and review of related accounted schemes.

Regarding the purchase price allocation of external growth operations made in 2019, we reviewed the related underlying assumptions.

Insurance Technical Reserves

Risk identified and main judgments

Within the scope of its insurance activities, Groupe BPCE SA records technical reserves related to the commitments toward insured persons.

We deemed that the valuation of reserves to be a key audit matter as it represents a significant amount in the consolidated financial statements and that some of these reserves requires the exercise of judgment in the determination of underlying assumptions (actual mortality rates and behavior) or the use of calculation *models*.

The technical reserves of the insurance contracts amount to €92.4 billion at December 31, 2019.

Please see Note 9.1.2 to the consolidated financial statements for further details.

Our response

We used our experts, the actuaries, to assist us in performing our audit procedures on these items.

The main audit procedures implemented include, depending on the nature of the risks provisioned to:

- obtain an understanding of the general conditions relating to insurance contracts marketed by the Group;
- evaluate the methods and assumptions used to calculate the reserves, specifically their compliance with applicable regulations, market practices and the economic and financial context;
- test, on the basis of accounting reconciliations, recurrence tests, or surveys, the reliability of information relating to insurance contracts recorded in the management systems and used for the valuation of technical reserves;
- carry out an independent recalculation of specific reserves, when necessary on the basis of a sampling of contracts;
- assess the methods of calculation and the result of the adequacy of liabilities test, as required by IFRS 4.

We also examined the disclosures published in the notes to Groupe BPCE SA's consolidated financial statements relating to insurance liabilities and took note of the conclusions of CNP Assurances' Statutory Auditors, consolidated by Groupe BPCE using the equity method.

III. Specific Verifications

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

With regard to events that occurred and elements known after the closing date of the financial statements and the date management report was available, relating to the effects of the Covid-19 crisis, Management Board informed us that they would communicate directly to the General Meeting called to approve the 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, 2019, Deloitte & Associés was in the fifth year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the eleventh.

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, 2019, Mazars was in the thirteenth year of total uninterrupted engagement, including 10 years since the company became a public-interest entity.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statement;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor

5

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 25, 2020

The Statutory Auditors

Deloitte & Associés	**Mazars**	**PricewaterhouseCoopers Audit**
Sylvie Bourguignon	Charles de Boisriou	Nicolas Montillot
Marjorie Blanc Lourme		Emmanuel Benoist

5.5 BPCE management report

Significant events of 2019

Ten years after it was established, Groupe BPCE continued to strengthen its full-service cooperative banking model.

- With regard to strategic advances, in 2019 Groupe BPCE acquired a 50.1% stake in Oney Bank, thereby strengthening its development potential in specialized financial services and in particular consumer finance and payments. Operating in more than ten countries, with 7.7 million customers and over 400 brick-and-mortar and online retail partners, Oney Bank will benefit from the joint expertise of BPCE and Auchan Holding with a view to accelerating its growth and expanding its presence in Europe in payment, financing and digital identification solutions. Local digital banking will round out the customer offering.
- The plan to integrate Crédit Foncier's operations and teams into the Group was implemented in accordance with the established procedures and timetable. In accordance with the agreement entered into with Crédit Foncier's management and labor representatives, employees whose jobs were to be cut were offered positions at other Group companies in January 2019. These employees, who also had the option of transferring outside the Group under a voluntary redundancy plan, joined their new companies in early April 2019. Loan origination by Crédit Foncier was redeployed within the BPCE networks starting in April, at the end of a transition phase. A new real estate partnership management structure was set up at Group level. Intra-group disposals of Crédit Foncier's main subsidiaries were initiated, in particular the sale of SOCFIM to BPCE SA, which was finalized at end-2019.
- On December 19, 2019, Groupe BPCE, Natixis and La Banque Postale announced the broad outline of an extended business partnership with the creation of a major Retail Banking and Insurance division.

  There are several stages to the plan, including the merger of certain asset management activities in France. Under the plan, Ostrum Asset Management will develop euro fixed-income and credit strategies, as well as insurance strategies for Ostrum Asset Management and LBP Asset Management, with the goal of establishing an asset manager that fully observes the principles of socially responsible investment.

  The future entity will be 55%-owned by Natixis (through its subsidiary Natixis Investment Managers) and 45%-owned by LBP (through its subsidiary LBP Asset Management), under a balanced governance structure.

  In addition, in a bid to bolster the multi-partnership model in place at CNP, to which BPCE and LBP are deeply committed, Groupe BPCE and CNP Assurances extended the term of the agreements signed between BPCE/Natixis and CNP Assurances in 2015 (covering payment protection insurance, provident insurance and collective health insurance in particular) from December 31, 2022 to December 31, 2030, with an effective date of January 1, 2020. These agreements also provide for the transition to a 50-50 coinsurance split between Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances for collective payment protection insurance and for CNP Assurances to reinsure 34% of the individual payment protection insurance policies underwritten by BPCE Vie.

  Alongside the CNP Assurances/La Banque Postale merger scheduled for early January 2020, and following the termination at the end of June 2019 by La Banque Postale of the current CNP Assurances shareholders' agreement set to expire on December 31, 2019, BPCE and La Banque Postale entered into a new agreement in their capacity as shareholders of CNP Assurances (holding respective stakes of 16.11% and 62.13%), in force through end-2030. Groupe BPCE will continue to be represented on the CNP Assurances Board of Directors, with two members, and on its special committees.
- The plan to set up the Financial Solutions and Expertise division within BPCE SA was completed. This new division includes the businesses transferred from Natixis (*via* the acquisition of the factoring, leasing, sureties & guarantees, and consumer finance subsidiaries and the assets and liabilities of the securities services business). It also includes subsidiaries SOCFIM and Pramex International. This change in the structure of Groupe BPCE will enable better provision of services to the customers of the Banques Populaires and the Caisses d'Epargne.
- With the expansion of BPCE's scope of activities, 669 employees were transferred from Natixis (employees of EuroTitres, the senior management team and IT department of the former Specialized Financial Services division) and 58 from Crédit Foncier.
- To finance the acquisition of the Financial Solutions and Expertise subsidiaries, BPCE carried out a €1,200 million capital increase, fully subscribed for by the Banques Populaires and Caisses d'Epargne.
- As the holding company, BPCE received dividends totaling €2,006 million, o/w €1,737 million in respect of Natixis (including an exceptional dividend of €1,069 million relating to the transfer of the SFS business lines).
- In 2019, BPCE took over 3F Holding (the holding company that owns FIDOR BANK) under a total transfer of assets and liabilities.
- The former workout portfolio management activity (GAPC) tasked with running off Natixis CIB exposures was wound up in 2019, generating income of €345 million for BPCE SA in 2019, mostly related to the recognition in income of an option premium that was not recognized before maturity, in accordance with French GAAP.
- In its Financial Management business line, on September 30, 2019, BPCE exercised its early redemption option at par on two issues of perpetual deeply subordinated notes eligible as additional Tier 1 regulatory capital, for €374 million and $444 million. BPCE granted redeemable subordinated loans to Compagnie Européenne de Garanties et de Cautions totaling €250 million in October, and to Oney Bank totaling €33 million in December.
- BPCE issued €5.4 billion in senior non-preferred debt, enhancing Groupe BPCE's capital while improving its TLAC and MREL ratios.
- A reversal of 50% of the fund for general banking risks, set up in 2009, generated income of €65 million in 2019.

5

Company situation and activity in 2019

CHANGES IN THE BPCE BALANCE SHEET

in billions of euros	12/31/2019	12/31/2018	Change 2019/2018 *(in billions of euros)*	*(in %)*
Amounts due from banks	219.1	213.2	+5.9	+3%
Amounts due from customers	3.4	0.4	+3.0	684%
Securities transactions	75.1	79.3	(4.2)	(5%)
Associates, equity interests and long-term investments	25.4	23.6	+1.8	+8%
Other assets	3.9	3.8	+0.1	+2%
TOTAL ASSETS	**326.9**	**320.3**	**+6.6%**	**+2%**
Amounts due to banks	131.3	131.5	(0.2)	(0)%
Customer deposits	7.1	2.1	+5.0	+247%
Debt securities and subordinated debt	98.6	94.5	+4.1	+4%
Other liabilities	72.0	75.8	(3.8)	(5)
Shareholders' equity and fund for general banking risks	17.9	16.4	+1.5	+9%
TOTAL LIABILITIES	**326.9**	**320.3**	**+6.6**	**+2%**

Total assets under French GAAP amounted to €326.9 billion at December 31, 2019, an increase of €6.6 billion compared with December 31, 2018.

Under assets, the €5.9 billion increase in "Amounts due from banks" was mainly due to an increase in the central bank account balance.

"Amounts due from customers" increased by €3 billion, primarily due to the reclassification of repurchase agreements with insurance companies.

"Securities transactions" declined by €4.2 billion, mostly relating to French government securities.

"Associates, equity interests and long-term investments" recorded the following major changes:

- the acquisition from Natixis of its subsidiaries CEGC, BPCE Factor, BPCE Lease, and BPCE Financement, which joined the Financial Solutions and Expertise division, representing a total of €2,631 million;
- the acquisition of 100% of the shares in SOCFIM from Crédit Foncier and of 50.1% of Oney Bank shares, for a total of €505 million;
- capital increases totaling €205 million, including for Banque Palatine and SPORTS IMAGINE;
- the deconsolidation of 3F Holding following a total transfer of assets and liabilities, for -€339 million and a provision reversal of €128 million;
- additional allocations to provisions of €2,185 million (on Natixis and Banque Palatine) and provision reversals of €1,018 million (on BPCE International and Crédit Foncier);
- the prepayment of two Casen subordinated loans totaling -€200 million;
- the arrival at term of a BPCE International subordinated loan for -€70 million;
- the arrangement of subordinated loans totaling €283 million (for Compagnie Européenne de Garanties et de Cautions and Oney Bank).

"Other assets" included €77 million for the acquisition of the EuroTitres business.

Under liabilities, the €5 billion increase in "Customer deposits" is mostly attributable to the reclassification of repurchase agreements with insurance companies. This reclassification is offset under "Amounts due to banks" by the rise in borrowings from related parties.

"Debt securities and subordinated debt" was up €4.1 billion, notably following the issuance of senior non-preferred debt.

"Other liabilities" declined by €3.8 billion, mainly from amounts payable on borrowed securities.

The increase in shareholders' equity followed the €1,200 million capital increase, subscribed for by the Banques Populaires and Caisses d'Epargne, to finance the acquisition of the Financial Solutions and Expertise subsidiaries. It can also be attributed to 2019 income of €442 million, less an interim dividend of €202 million paid in December 2019.

BPCE INCOME STATEMENT

			Change 2019/2018	
in millions of euros	2019	2018	*(in millions of euros)*	*(in %)*
Net banking income	930	494	+436	+88%
Operating expenses	(356)	(200)	(156)	+78%
Gross operating income	**574**	**294**	**+280**	**+95%**
Cost of risk	(2)	(2)	(0)	+9%
Net gains or losses on long-term investments	(341)	(352)	+11	(3%)
Income before tax	**231**	**(60)**	**+291**	**(484%)**
Income tax	146	451	(305)	(68%)
Funding/reversal of fund for general banking risks and regulated provisions	65	0	+65	N/A
NET INCOME	**442**	**391**	**+51**	**+13%**

Net income for 2019 came to €442 million, up €51 million from 2018. Gross operating income came out at €574 million, cost of risk -€2 million, gains on long-term investments -€341 million, tax income €146 million, and the reversal of the fund for general banking risks €65 million.

NET BANKING INCOME

			Change 2019/2018	
in millions of euros	2019	2018	*(in millions of euros)*	*(in %)*
Financial Management	(40)	(254)	214	(84)
Financial Solutions and Expertise	210	0	210	N/A
Holding company	760	748	+12	+2%
NET BANKING INCOME	**930**	**494**	**+436**	**+88%**

In 2019, BPCE's net banking income totaled €930 million, up €436 million compared with 2018.

BPCE is responsible for ensuring the Group's liquidity and capital adequacy by guaranteeing that the regulatory ratios are met. These activities are part of the Financial Management business line, which delivered net banking income of -€40 million in 2019, an increase of +€214 million compared with 2019. This increase was due to the winding-up of the Natixis CIB exposures run-off activity (formerly GAPC), which produced income of €345 million for BPCE, mostly related to the recognition in income of an option premium that was not recognized before maturity, in accordance with French GAAP.

Conversely, the increase in senior non-preferred bond issues generated an additional expense of €74 million.

Net banking income from the Financial Solutions and Expertise business line came to €210 million, including dividends received from subsidiaries BPCE Factor, BPCE Lease and BPCE Financement, and net banking income from the custody business. These activities have been conducted within BPCE since the end of March 2019.

Net banking income from the holding company totaled €760 million, up €12 million over the period.

OPERATING EXPENSES

			Change 2019/2018	
in millions of euros	2019	2018	*(in millions of euros)*	*(in %)*
Payroll costs	(351)	(265)	(86)	+33%
Other expenses	(293)	(299)	+6	(2%)
Gross operating expenses	**(644)**	**(564)**	**(80)**	**+14%**
Rebilled expenses	**519**	**524**	**(5)**	**(1%)**
Net operating expenses	**(125)**	**(40)**	**(85)**	**+210%**
Charges from exceptional projects	(231)	(160)	(71)	+45%
OPERATING EXPENSES	**(356)**	**(200)**	**(156)**	**+78%**

Operating expenses came to -€356 million in 2019, an increase of €156 million on 2018, mostly due to the rise in the headcount following BPCE's consolidation of the Financial Solutions and Expertise division and ongoing Groupe BPCE transformation projects.

COST OF RISK

Cost of risk stood at -€2 million for 2019.

NET GAINS OR LOSSES ON LONG-TERM INVESTMENTS

Net gains or losses on long-term investments amounted to -€341 million in 2019. They consisted of changes in the value of investments in associates, in particular Natixis (-€885 million), BPCE International (+€659 million), Crédit Foncier (+€359 million), Banque Palatine (-€231 million), and 3F Holding (-€207 million).

INCOME TAX

In 2019, as a result of tax consolidation income, the gain in income taxes after taking into account changes in provisions and other adjustments was €146 million, down €305 million relative to 2018.

The change was primarily due to the increase in the tax base in 2019. The fiscal year recorded income of €345 million on the winding-up of the Natixis CIB exposures run-off activity. Changes in assumptions in 2018 impacted the calculation of provisions for corporate tax refunds for subsidiaries in the tax consolidation scope, in the amount of €165 million.

NON-TAX DEDUCTIBLE EXPENSES

Disclosure of luxury expenditures

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 €373,711 in non-deductible expenses pursuant to Article 39.4 of said Code. The resulting additional tax was €128,669.

No other non-tax deductible expenses were incurred during the fiscal year.

FUND FOR GENERAL BANKING RISKS AND NET INCOME

A provision reversal of €65 million was performed in 2019, 50% of which was for the fund for general banking risks set up in 2009.

Net income came to €442 million.

PROPOSED ALLOCATION OF NET INCOME

A proposal will be made to the General Shareholders' Meeting to allocate the net profit for the period of €441,581,094.18 as follows, as proposed by the Management Board:

- dividend payment of €536,166,353.68 to the shareholders, equal to €15.734 per share.

As an interim dividend of €201,530,940.36 was paid on December 20, 2019, as decided by the Management Board at its meeting of December 19, 2019, a residual dividend of €334,635,413.32 remains to be paid to the shareholders, equal to €9.82 per share.

In accordance with the provisions of Article L. 243 *bis* of the French General Tax Code, the table below shows the dividends paid out in respect of the three previous fiscal years:

Balance sheet date		Dividend per share	Fraction of the dividend eligible for the 40% tax deduction	Fraction of the dividend ineligible for the 40% tax deduction
12/31/2016	Category "A" and "B" shares	€12.3120	€383,499,888.77	/
12/31/2017	Category "A" and "B" shares	€12.938	€403,005,056.92	/
12/31/2018	Category "A" and "B" shares	€12.3715	€403,040,426.36	/

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 March, with the creation of the Financial Solutions and Expertise business line, BPCE acquired 100% of Natixis' holdings in the following entities (amounts including acquisition costs):

- CEGC, for €1,093 million;
- Natixis Factor, for €178 million, renamed BPCE Factor on April 1, 2019;
- Natixis Financement, for €370 million, renamed BPCE Financement on April 1, 2019;
- Natixis Lease, for €991 million, renamed BPCE Lease on April 1, 2019.

In May, BPCE purchased Natixis' shares in We.Trade for €682,000, representing an interest of 8.65%.

In July, BPCE fully acquired Turbo for €12 million.

In August, following the total transfer of assets and liabilities of 3F Holding, 100% of the shares in Fidor were recognized in BPCE's balance sheet. The net asset value of these shares amounted to €60 million at December 31, 2019.

In September, BPCE subscribed for the Banque Palatine capital increase in the amount of €150 million.

In October, it acquired a 50.1% stake in Oney Bank.

In December, SPORTS IMAGINE carried out a €55 million capital increase. SOCFIM was acquired for €135 million.

Also during fiscal year 2019, BPCE increased its asset financing capital by €11 million.

Branches

BPCE owns no branches.

EMPLOYEE SHARE OWNERSHIP

Information concerning employee share ownership is provided in Chapter 7.

INFORMATION CONCERNING COMPANY DIRECTORS

Information concerning company directors is provided in Chapter 3.

List of directorships and offices

Information concerning the list of directorships and offices of company directors is provided in Chapter 3.

Remuneration and benefits

Information concerning remuneration and benefits granted by BPCE to the company directors is provided in Chapter 3.

Related-party agreements

No corporate officer or shareholder holding more than 10% of the voting rights signed any agreement in 2019 with a company in which BPCE holds, either directly or indirectly, more than half of the share capital or with a company controlled by BPCE within the meaning of Article L. 233-3 of the French Commercial Code.

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 2019, 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.

TRANSFERS AND SALES OF SHARES

In March, the statutory adjustment of the shareholding structure of Caisse de Refinancement de l'Habitat led to the deconsolidation of €815,000 in shares.

In April, the holding in IXION was absorbed *via* a total transfer of assets and liabilities, resulting in the recognition of a loss of €9 million, which was offset by a provision reversal for the same amount.

In May, BPCE sold its shares in BPCE IARD for €35,000. It sold its shares in Technology Shared Services Pacifique for €44,000.

In August, 3F Holding, whose shares were recorded in the amount of €370 million, was absorbed through a total transfer of assets and liabilities.

Société de Financement de l'Économie Française (SFEF) was wound up in December for €40,000.

RESEARCH AND DEVELOPMENT ACTIVITIES

BPCE's research and development activities chiefly focus on modeling credit risks.

MANAGEMENT OF FINANCIAL RISKS

Information relating to the management of financial risks is provided in Chapter 6.

MAIN RISKS

Information relating to the main risks and uncertainties facing BPCE is provided in Chapter 6.

HARDSHIPS

The hardships encountered in 2019 were linked to the economic and financial environment described in point 4.2.1 of Chapter 4.

SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

This information is provided in Chapter 2.

INFORMATION RELATING TO THE CONTROL OF ACCOUNTING AND FINANCIAL REPORTING QUALITY

This information is provided in Chapter 5.8.

POST-BALANCE SHEET EVENTS

In light of the spread of Covid-19, economic activity would now appear to be on the path to recession, amid heightened uncertainty at least for the first half in many countries. In particular, mobility restrictions in affected areas, the clear impact of a prolonged economic disruption on value chains, and the spread of the health crisis to the service sector (tourism revenues, air travel, local sales, etc.) have set the stage for weakened economic conditions at least for the first half of 2020. This could have significant impacts in 2020 as described in the "Risk factors" section of the universal registration document.

RECENT DEVELOPMENTS AND OUTLOOK

The outlook for the economic environment and recent and forthcoming regulatory changes are described in point 4.7 of Chapter 4.

STATEMENT OF RESULTS FOR THE FIVE PREVIOUS YEARS

in euros	2015	2016	2017	2018	2019
Share capital at period-end					
Share capital	155,742,320	155,742,320	155,742,320	157,697,890	170,384,630
Number of shares[1]	31,148,464	31,148,464	31,148,464	31,539,578	34,076,926
Operations and income for the year					
Revenue	5,109,479,897	5,183,625,973	4,776,794,649	3,817,697,023	4,424,898,255
Income before tax, employee profit-sharing, depreciation, amortization and impairment	4,368,355	1,169,741,533	226,090,867	213,879,738	1,284,276,000
Income tax	292,511,147	247,155,791	223,677,484	450,787,127	145,922,016
Income after tax, employee profit-sharing, depreciation, amortization and impairment	2,491,136,976	461,435,583	728,462,840	390,468,286	441,581,094
Dividend paid to shareholders[2]	349,996,601	383,499,888	403,005,057	403,040,426	536,166,354
Earnings per share					
Revenue	164.04	166.42	153.36	121.04	129.85
Income after tax, employee profit-sharing, but before depreciation, amortization and impairment	9.53	45.49	14.44	21.07	41.97
Income tax	9.39	7.93	7.18	14.29	4.28
Income after tax, employee profit-sharing, depreciation, amortization and impairment	79.98	14.81	23.39	12.38	12.96
Dividend per share[2]	11.2364	12.3120	12.9382	12.3715	12.3715
Employee data					
Average number of employees:	1,495	1,507	1,511	1,563	2,186
o/w managerial staff	*1,349*	*1,385*	*1,404*	*1,465*	*1,918*
o/w non-managerial staff	*146*	*122*	*107*	*98*	*268*
Total wage bill for the year	123,359,757	128,093,857	132,639,879	138,048,129	181,998,599
Amounts paid for employee benefits during the period	69,329,770	77,474,090	79,998,902	74,092,881	120,239,562

(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

Type and purpose of authorization	Amount in euros	Duration	Date of AGM	Use of authorization
Authorization to execute one or more share capital increases in cash reserved for employees participating in a company savings plan	The total number of shares that each employee may subscribe for may not exceed a maximum nominal amount of €100,000	26 months	05/25/2018	Unused at 12/31/2019
Authorization to execute one or more share capital increases in cash reserved for employees participating in a company savings plan	The total number of shares that each employee may subscribe for may not exceed a maximum nominal amount of €100,000	18 months	02/28/2019	Unused at 12/31/2019
Authorization to issue Category A shares	The total increase in the share capital may not exceed €2,000,000,000 and no individual capital increase may exceed a nominal amount of €18,000,000	18 months	02/28/2019	Used on 03/08/2019
Authorization to issue Category B shares	The total increase in the share capital may not exceed €2,000,000,000 and no individual capital increase may exceed a nominal amount of €18,000,000	18 months	02/28/2019	Used on 03/08/2019

PAYMENT TERMS GRANTED 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 shall disclose information in their management report on the payment terms granted to their customers and suppliers, in accordance with the provisions of Article D. 441-4 of the French Commercial Code, amended by Ministerial Decree No. 2015-1553 dated November 27, 2015 and No. 2017-350 dated March 20, 2017. This information does not include banking transactions and related operations.

	Invoices received and due but not settled at the balance sheet date					
in euros	**0 day (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**
(A) Categories of overdue payments						
Number of invoices concerned	446	-	-	-	-	608
Total amount of invoices concerned (including taxes)[1]	11,897,956	432,425	2,340,810	446,932	(2,139,266)	1,080,901
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						Legal term: Within 30 days of invoice date

(1) Accounts receivable correspond to accounts in credit or advances.

	Invoices issued and due but not settled at the balance sheet date					
in euros	**0 day (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**
(A) Categories of overdue payments						
Total amount of invoices concerned (including taxes)	71,891	5,139,209	915,349	125,374	2,627,763	8,807,695
Percentage of total amount of sales including taxes for the fiscal year	The percentage of invoices issued but not settled at the balance sheet date was less than 1% of the total amount of sales (including tax) recorded during the fiscal year.					
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						Legal term: Within 30 days of invoice date

5.6 BPCE parent company annual financial statements

in millions of euros	***Notes***	**Fiscal year 2019**	**Fiscal year 2018**
Interest and similar income	*3.1*	2,163	2,803
Interest and similar expenses	*3.1*	(2,731)	(3,284)
Income from variable-income securities	*3.2*	1,118	1,027
Commission income	*3.3*	228	156
Commission expenses	*3.3*	(170)	(174)
Net gains or losses on trading book transactions	*3.4*	345	(5)
Net gains or losses on available-for-sale securities and equivalent	*3.5*	(21)	(8)
Other banking income	*3.6*	16	2
Other banking expenses	*3.6*	(18)	(23)
Net banking income		**930**	**494**
General operating expenses	*3.7*	(343)	(192)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		(13)	(8)
Gross operating income		**574**	**294**
Cost of risk	*3.8*	(2)	(2)
Operating income		**572**	**292**
Gains or losses on long-term investments	*3.9*	(341)	(352)
Income before tax		**231**	**(60)**
Non-recurring income	*3.10*	0	0
Income tax	*3.11*	146	451
Funding/reversal of the fund for general banking risks and regulated provisions		65	0
NET INCOME		**442**	**391**

5.6.1 Balance sheet and off-balance sheet items

ASSETS

in millions of euros	*Notes*	12/31/2019	12/31/2018
Cash and amounts due from central banks		48,423	40,130
Treasury bills and equivalent	*4.3*	17,180	20,181
Loans and advances due from banks	*4.1*	170,649	173,098
Customer transactions	*4.2*	3,377	431
Bonds and other fixed-income securities	*4.3*	56,611	57,809
Equities and other variable-income securities	*4.3*	1,333	1,275
Equity interests and other long-term investments	*4.4*	3,608	3,588
Investments in affiliates	*4.4*	21,813	19,930
Intangible assets	*4.5*	115	16
Property, plant and equipment	*4.5*	29	23
Other assets	*4.7*	1,505	1,653
Accrual accounts	*4.8*	2,235	2,132
TOTAL ASSETS		**326,878**	**320,266**

Off-balance sheet items

in millions of euros	*Notes*	12/31/2019	12/31/2018
Commitments given			
Loan commitments	*5.1*	4,824	6,784
Guarantee commitments	*5.1*	10,471	10,418
Securities commitments		0	0

5

LIABILITIES

in millions of euros	***Notes***	**12/31/2019**	**12/31/2018**
Amount due to central banks		0	0
Amounts due to banks	*4.1*	131,263	131,523
Customer transactions	*4.2*	7,112	2,030
Debt securities	*4.6*	82,565	77,378
Other liabilities	*4.7*	70,637	74,012
Accrual accounts	*4.8*	853	1,103
Provisions	*4.9*	497	517
Subordinated debt	*4.10*	16,008	17,135
Fund for general banking risks (FGBR)	*4.11*	65	130
Equity excluding fund for general banking risks	***4.12***	**17,878**	**16,438**
Subscribed capital		*170*	*158*
Additional paid-in capital		*13,934*	*12,545*
Reserves		*35*	*35*
Revaluation difference		*0*	*0*
Regulated provisions and investment subsidies		*0*	*0*
Retained earnings		*3,499*	*3,511*
Interim dividend		*(202)*	*(202)*
Net income for the year (+/-)		442	391
TOTAL LIABILITIES		**326,878**	**320,266**

Off-balance sheet items

in millions of euros	***Notes***	**12/31/2019**	**12/31/2018**
Commitments received			
Loan commitments	*5.1*	55,021	49,895
Guarantee commitments	*5.1*	4,918	6,017
Securities commitments		308	337

5.6.2 Notes to the parent company annual financial statements

Note 1	**General framework**	**506**
1.1	Groupe BPCE	506
1.2	Guarantee mechanism	506
1.3	Significant events	507
1.4	Post-balance sheet events	507
Note 2	**Accounting principles and methods**	**508**
2.1	Measurement and presentation methods	508
2.2	Changes in accounting methods	508
2.3	Accounting principles and measurement methods	508
2.4	Principles applicable to banking resolution mechanisms	508
Note 3	**Information on the income statement**	**509**
3.1	Interest and similar income and expenses	509
3.2	Income from variable-income securities	509
3.3	Fees and commissions	510
3.4	Net gains or losses on trading book transactions	510
3.5	Net gains or losses on available-for-sale securities and equivalent	511
3.6	Other banking income and expenses	511
3.7	Operating expenses	512
3.8	Cost of risk	512
3.9	Gains or losses on long-term investments	513
3.10	Non-recurring income	514
3.11	Income tax	514
3.12	Breakdown of activity	515
Note 4	**Information on the balance sheet**	**515**
4.1	Interbank transactions	515
4.2	Customer transactions	517
4.3	Treasury bills, bonds, equities and other fixed/variable-income securities	520
4.4	Equity interests, affiliates and other long-term investments	523
4.5	Intangible assets and property, plant and equipment	529
4.6	Debt securities	531
4.7	Other assets, other liabilities	531
4.8	Accrual accounts	532
4.9	Provisions	532
4.10	Subordinated debt	536
4.11	Fund for general banking risks	536
4.12	Equity	537
4.13	Fixed-term assets and liabilities by residual maturity	537
Note 5	**Information on off-balance sheet items and similar transactions**	**538**
5.1	Commitments given and received	538
5.2	Forward financial instruments	539
5.3	Breakdown of assets and liabilities by currency	541
5.4	Foreign currency transactions	542
Note 6	**Other information**	**542**
6.1	Consolidation	542
6.2	Remuneration, receivables, loans and commitments	542
6.3	Operations in non-cooperative countries	542

Note 1 General framework

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: BANQUE POPULAIRE AND CAISSE D'EPARGNE

Groupe BPCE is a cooperative group whose shareholders own the two retail banking networks: the 14 Banques Populaires and the 15 Caisses d'Epargne. Each of the two networks owns an equal share in BPCE, the Group's central institution.

The Banque Populaire network consists of the Banques Populaires and the Mutual Guarantee Companies which grant 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 Banques Populaires are wholly-owned by their cooperative shareholders.

The capital of the Caisses d'Epargne is wholly-owned by the LSCs. Local savings companies are cooperative structures with open-ended share capital owned by cooperative shareholders. The LSCs are tasked with coordinating the cooperative shareholder base, in line with the general objectives defined by the individual Caisse d'Epargne with which they are affiliated, and cannot perform banking transactions.

BPCE

BPCE, a central institution as defined by the French Banking Act and a credit institution licensed to operate as a bank, was created pursuant to Act No. 2009-715 of June 18, 2009. BPCE was incorporated as a French limited liability company *(société anonyme)* governed by a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the 14 Banques Populaires and the 15 Caisses d'Epargne.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banques Populaires 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 operation of the Group's institutions.

As a holding company, BPCE is the head entity of the Group and holds the joint ventures between the two networks in Retail Banking and Insurance, corporate banking and financial services, and their production units. It defines the Group's corporate strategy and growth and expansion policies.

BPCE's main subsidiaries, including Natixis, a 70.6831%-owned[1] listed company, are organized around three main business lines:

- Retail Banking and Insurance, which includes the Banque Populaire network, the Caisse d'Epargne network, the Financial Solutions and Expertise business line (including factoring, consumer finance, leasing, sureties & financial guarantees, securities services, Natixis' payments and insurance business lines and Other Networks (primarily Banque Palatine);
- Asset & Wealth Management;
- Corporate & Investment Banking.

(1) The stake stands at 70.64% including the treasury shares held by Natixis.

In respect of the Group's financial functions, BPCE is responsible, in particular, for the centralized management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. BPCE also provides banking services to the other Group entities.

1.2 GUARANTEE MECHANISM

Pursuant to Articles L. 511-31 and L. 512-107-6 of the French Monetary and Financial Code, the guarantee and solidarity mechanism was set up to ensure the liquidity and capital adequacy of the Group and its associates, and to organize financial support within the Group.

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 established the Mutual Guarantee Fund.

The Banque Populaire Network Fund was formed by a deposit made by the Banques Populaires of €450 million that was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The deposit made to the Caisse d'Epargne Network Fund by the Caisses d'Epargne of €450 million was booked by BPCE in the form of a 10-year term account which is indefinitely renewable.

The Mutual Guarantee Fund was formed by deposits made by the Banques Populaires 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 €179 million at December 31, 2019.

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 Group's total risk-weighted assets.

The booking of deposits in the institutions' individual accounts under the guarantee and solidarity system results in the recording of an item of an equivalent amount under a dedicated capital heading.

The Mutual Guarantee Companies *(sociétés de caution mutuelle)*, whose sole corporate purpose is to guarantee loans issued by Banques Populaires, are covered by the liquidity and capital adequacy guarantee of the Banques Populaires 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 local savings companies are secured, firstly, at the level of each individual local savings company by the Caisse d'Epargne et de Prévoyance 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

Ten years after it was established, Groupe BPCE continued to strengthen its full-service cooperative banking model.

- With regard to strategic advances, in 2019 Groupe BPCE acquired a 50.1% stake in Oney Bank, thereby strengthening its development potential in specialized financial services and in particular consumer finance and payments. Operating in more than ten countries, with 7.7 million customers and over 400 brick-and-mortar and online retail partners, Oney Bank will benefit from the joint expertise of BPCE and Auchan Holding with a view to accelerating its growth and expanding its presence in Europe in payment, financing and digital identification solutions. Local digital banking will round out the customer offering.
- The plan to integrate Crédit Foncier's operations and teams into the Group was implemented in accordance with the established procedures and timetable. In accordance with the agreement entered into with Crédit Foncier's management and labor representatives, employees whose jobs were to be cut were offered positions at other Group companies in January 2019. These employees, who also had the option of transferring outside the Group under a voluntary redundancy plan, joined their new companies in early April 2019. Loan origination by Crédit Foncier was redeployed within the BPCE networks starting in April, at the end of a transition phase. A new real estate partnership management structure was set up at Group level. Intra-group disposals of Crédit Foncier's main subsidiaries were initiated, in particular the sale of SOCFIM to BPCE SA, which was finalized at end-2019.
- On December 19, 2019, Groupe BPCE, Natixis and La Banque Postale announced the broad outline of an extended business partnership with the creation of a major Retail Banking and Insurance division.

  There are several stages to the plan, including the merger of certain asset management activities in France. Under the plan, Ostrum Asset Management will develop euro fixed-income and credit strategies, as well as insurance strategies for Ostrum Asset Management and LBP Asset Management, with the goal of establishing an asset manager that fully observes the principles of socially responsible investment.

  The future entity will be 55%-owned by Natixis (through its subsidiary Natixis Investment Managers) and 45%-owned by LBP (through its subsidiary LBP Asset Management), under a balanced governance structure.

  In addition, in a bid to bolster the multi-partnership model in place at CNP, to which BPCE and LBP are deeply committed, Groupe BPCE and CNP Assurances extended the term of the agreements signed between BPCE/Natixis and CNP Assurances in 2015 (covering payment protection insurance, provident insurance and collective health insurance in particular) from December 31, 2022 to December 31, 2030, with an effective date of January 1, 2020. These agreements also provide for the transition to a 50-50 coinsurance split between Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances for collective payment protection insurance and for CNP Assurances to reinsure 34% of the individual payment protection insurance policies underwritten by BPCE Vie.

  Alongside the CNP Assurances/La Banque Postale merger scheduled for early January 2020, and following the termination at the end of June 2018 by La Banque Postale of the current CNP Assurances shareholders' agreement set to expire on December 31, 2019, BPCE and La Banque Postale entered into a new agreement in their capacity as shareholders of CNP Assurances (holding respective stakes of 16.11% and 62.13%), in force through end-2030. Groupe BPCE will continue to be represented on the CNP Assurances Board of Directors, with two members, and on its special committees.
- The plan to set up the Financial Solutions and Expertise division within BPCE SA was completed. This new division includes the businesses transferred from Natixis (*via* the acquisition of the Factoring, Leasing, Sureties & Guarantees, and Consumer Finance subsidiaries and the assets and liabilities of the Securities Services business). It also includes subsidiaries SOCFIM and Pramex International. This change in the structure of Groupe BPCE will enable better provision of services to the customers of the Banques Populaires and the Caisses d'Epargne.
- With the expansion of BPCE's scope of activities, 669 employees were transferred from Natixis (employees of EuroTitres, the senior management team and IT department of the former Specialized Financial Services division) and 58 from Crédit Foncier.
- To finance the acquisition of the Financial Solutions and Expertise subsidiaries, BPCE carried out a €1,200 million capital increase, fully subscribed for by the Banques Populaires and Caisses d'Epargne.
- As the holding company, BPCE received dividends totaling €2,006 million, o/w €1,737 million in respect of Natixis (including an exceptional dividend of €1,069 million relating to the transfer of the SFS business lines).
- In 2019, BPCE took over 3F Holding (the holding company that owns FIDOR BANK) under a total transfer of assets and liabilities.
- The former workout portfolio management activity (GAPC) tasked with running off Natixis CIB exposures was wound up in 2019, generating income of €345 million for BPCE SA in 2019, mostly related to the recognition in income of an option premium that was not recognized before maturity, in accordance with French GAAP.
- In its Financial Management business line, on September 30, 2019, BPCE exercised its early redemption option at par on two issues of perpetual deeply subordinated notes eligible as additional Tier 1 regulatory capital, for €374 million and $444 million. BPCE granted redeemable subordinated loans to Compagnie Européenne de Garanties et de Cautions totaling €250 million in October, and to Oney Bank totaling €33 million in December.
- BPCE issued €5.4 billion in senior non-preferred debt, enhancing Groupe BPCE's capital while improving its TLAC and MREL ratios.
- A reversal of 50% of the fund for general banking risks, set up in 2009, generated income of €65 million in 2019.

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 2019 fiscal year.

The texts adopted by the ANC that had mandatory application in 2019 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.

Specific accounting principles are presented in the Notes to which they refer.

2.4 PRINCIPLES APPLICABLE TO BANKING RESOLUTION MECHANISMS

The terms and conditions governing the establishment of the deposit and resolution guarantee fund were amended by the Ministerial Order of October 27, 2015.

For the Guarantee Fund in respect of cash, collateral and securities deposits, the cumulative amount of contributions made by the Group represented a non-material amount. Contributions (which are non-refundable in the event of a voluntary withdrawal of authorization) had no material impact on BPCE's financial statements. Contributions paid in the form of partner or association certificates and cash security deposits recognized as assets in the balance sheet were not material.

The resolution fund was set up in 2015 in accordance with European directive 2014/59/EU (Bank Recovery and Resolution Directive), which established a framework for the recovery and resolution of banks and investment firms, *i.e.* European Regulation 806/2014 (Single Resolution Mechanism (SRM) Regulation). As of 2016, it became the Single Resolution Fund (SRF), formed by the Member States participating in the Single Supervisory Mechanism (SSM). The SRF is a financing mechanism available to the resolution authority (Single Resolution Board) for the implementation of resolution procedures.

The Single Resolution Board set the level of contributions for 2019 in accordance with Delegated Regulation 2015/63 and Implementing Regulation 2015/81 supplementing BRRD on *ex-ante* contributions to bank resolution financing mechanisms. The amount of contributions made available for the fiscal year totaled €49.6 million, of which €42.2 million recognized as an expense and €7.4 million in cash security deposits recognized as assets in the balance sheet (15% of funds in cash security deposits). The cumulative amount of contributions recognized as assets on the balance sheet totaled €22.2 million at December 31, 2019.

Note 3 Information on the income statement

3.1 INTEREST AND SIMILAR INCOME AND EXPENSES

Accounting principles

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.

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.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Transactions with banks	1,140	(308)	832	795	(351)	444
Customer transactions	12	(1)	11	12	0	12
Bonds and other fixed-income securities	895	(1,828)	(933)	1,916	(3,420)	(1,504)
Subordinated debt	0	(511)	(511)	0	509	509
Macro-hedging transactions	116	(83)	33	80	(22)	58
TOTAL	**2,163**	**(2,731)**	**(568)**	**2,803**	**(3,284)**	**(481)**

3.2 INCOME FROM VARIABLE-INCOME SECURITIES

Accounting principles

Income from variable-income securities includes dividends and other income from equities and other variable-income securities, equity interests, other long-term investments and investments in affiliates.

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".

in millions of euros	Fiscal year 2019	Fiscal year 2018
Equities and other variable-income securities	0	0
Equity interests and other long-term investments	211	200
Investments in affiliates	907	827
TOTAL	**1,118**	**1,027**

3.3 FEES AND COMMISSIONS

Accounting principles

Fees and commissions that are similar in nature to interest are recognized under "Interest and similar income and expenses" (see Note 3.1).

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 in several installments are recognized over the period in which the service is provided.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	8	(2)	6	14	(2)	12
Customer transactions	1	(1)	0	1	(1)	0
Securities transactions	0	(1)	(1)	1	(3)	(2)
Payment services	150	(159)	(9)	140	(160)	(20)
Foreign exchange transactions	0	0	0	0	0	0
Off-balance sheet commitments	1	0	1	0	0	0
Financial services*	68	(7)	61	0	(8)	(8)
Consulting services	0	0	0	0	0	0
Other fee and commission income/(expense)	0	0	0	0	0	0
TOTAL	**228**	**(170)**	**58**	**156**	**(174)**	**(18)**

* €67 million of the increase in fees and commissions can be attributed to the consolidation of EuroTitres (custody business).

3.4 NET GAINS OR LOSSES ON TRADING BOOK TRANSACTIONS

Accounting principles

Net gains or losses on trading book transactions include:

- net gains or losses on balance sheet and off-balance sheet securities transactions;
- net gains or losses on outright forward foreign exchange transactions, arising from currency purchases and sales and the periodic valuation of currency and precious metal transactions;
- net gains or losses from transactions in futures or options instruments, including hedging of trading book transactions.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Trading securities	0	0
Foreign exchange transactions	(2)	(6)
Forward transactions*	347	1
TOTAL	**345**	**(5)**

* The gain recorded in 2019 was due to the recognition in the income statement, in the amount of €345 million, of an option premium not recognized before maturity, in accordance with French GAAP (winding-up of the Natixis CIB exposures run-off activity) (see 1.3).

3.5 NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE SECURITIES AND EQUIVALENT

Accounting principles

This item comprises the net gains or losses on available-for-sale securities arising from the difference between a) provision reversals and capital gains on disposals and b) provision charges and losses on disposals.

	Fiscal year 2019		Fiscal year 2018	
in millions of euros	Available-for-sale securities	Total	Available-for-sale securities	Total
Impairment				
Charges	(34)	(34)	(32)	(32)
Reversals	23	23	15	15
Net gain/(loss) on disposal	(10)	(10)	9	9
Other items	0	0	0	0
TOTAL	**(21)**	**(21)**	**(8)**	**(8)**

3.6 OTHER BANKING INCOME AND EXPENSES

Accounting principles

Other banking income and expenses cover primarily the share in joint operations, the rebilling of banking income and expenses, income and expenses from real estate business and IT services.

	Fiscal year 2019			Fiscal year 2018		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Share in joint operations	0	0	0	0	0	0
Rebilling of banking income and expenses	0	0	0	0	0	0
Electronic payment terminal business	0	0	0	0	0	0
Amortization and rebilling of issuance costs	0	(13)	(13)	0	(22)	(22)
Real estate business	3	0	3	0	0	0
Custody	4	0	4	0	0	0
IT services	0	0	0	0	0	0
Other activities	9	(5)	4	2	(1)	1
Other related income and expenses	0	0	0	0	0	0
TOTAL	**16**	**(18)**	**(2)**	**2**	**(23)**	**(21)**

3.7 OPERATING EXPENSES

Accounting principles

Operating expenses include payroll costs (wages and salaries), employee profit-sharing and incentive schemes, social security charges and payroll taxes. Other administrative costs are also recorded, including other taxes and fees paid for external services.

in millions of euros	Fiscal year 2019	Fiscal year 2018
Wages and salaries	(187)	(132)
Pension costs and similar obligations*	(44)	(18)
Other social security charges	(81)	(53)
Employee incentive scheme	(20)	(17)
Employee profit-sharing scheme	0	0
Payroll taxes	(34)	(26)
Total payroll costs	**(366)**	**(246)**
Taxes other than on income	(6)	(2)
Other operating expenses	(558)	(515)
Rebilled expenses	587	571
Total other operating expenses	**23**	**54**
TOTAL	**(343)**	**(192)**

* Including additions, utilizations, and reversals of provisions for employee benefit obligations (see Note 3.9.3).

Operating expenses increased by €151 million in relation to 2018, primarily due to:

- payroll costs totaling €120 million, arising from staff transfers resulting from BPCE's integration of some Crédit Foncier teams and the creation of the Financial Solutions and Expertise division, which integrated employees from EuroTitres and members of the senior management team and IT department of the former Natixis Specialized Financial Services business (see 1.3). The average headcount during the year, broken down by professional category, was as follows at December 31, 2019: 1,918 managerial staff and 268 non-managerial staff, making a total of 2,186 employees, compared with 1,465 managerial staff and 1,563 non-managerial staff at December 31, 2018;
- operating expenses totaling €31 million, mostly related to Groupe BPCE's ongoing transformation projects.

3.8 COST OF RISK

Accounting principles

"Cost of risk" includes only the cost related to credit risk (or counterparty risk). Credit risk is the existence of a potential loss related to the possibility of the counterparty defaulting on its obligations. The term "counterparty" refers to any legal entity that receives a loan or an off-balance sheet commitment, is party to a forward financial instrument or the issuer of a debt security.

Cost of credit risk is calculated when the loan is classified as non-performing, *i.e.* 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 in accordance with the initial contractual provisions, notwithstanding any guarantees or collateral.

The credit risk is also measured when a credit risk is identified on performing loans showing a significant increase in credit risk since their initial recognition (see Notes 4.1, 4.2.1, and 4.3.1).

Cost of credit risk therefore consists of all the impairment charges and reversals related to receivables due from customers and banks, fixed-income securities held to maturity (if there is known to be a risk of default by the issuer), provisions for off-balance sheet commitments (excluding off-balance sheet financial instruments) as well as losses on irrecoverable loans and recoveries of bad debts written off.

However, allocations to and reversals of provisions, losses on irrecoverable loans or recoveries of impaired loans relating to interest on non-performing loans and receivables for which provisioning is mandatory are classified under "Interest and similar income" and "Other banking income" in the income statement. For trading securities, available-for-sale securities, equity securities available for sale in the medium term and forward financial instruments, cost of counterparty risk is recognized directly in the items recording the gains and losses on these portfolios, except where there is a known risk of default by the counterparty and may effectively be isolated and where changes in counterparty risk provisions are therefore recorded in cost of risk.

in millions of euros	Fiscal year 2019					Fiscal year 2018				
	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			(1)		(1)					0
Customers			(2)		(2)		1	(3)		(2)
Securities portfolio and other receivables					0					0
Provisions										
Off-balance sheet commitments		1			1					0
Provisions for customer credit risks					0					0
Other					0					0
TOTAL	**0**	**1**	**(3)**	**0**	**(2)**	**0**	**1**	**(3)**	**0**	**(2)**
o/w:										
reversals of obsolete impairment charges										
reversals of utilized impairment charges							*1*			
reversals of obsolete provisions		*1*								
reversals of utilized provisions										
NET AMOUNT OF REVERSALS		**1**					**1**			

3.9 GAINS OR LOSSES ON LONG-TERM INVESTMENTS

Accounting principles

Gains or losses on long-term investments include:

- gains or losses on disposals of property, plant and equipment and intangible assets used for the bank's operations, arising from the difference between a) capital gains and losses on disposals and b) allocations and reversals of provisions;
- gains or losses on investments in associates, other long-term investments, equity interests, affiliates and held-to-maturity securities, arising from the difference between a) provision reversals and capital gains on disposals and b) provision charges and losses on disposals.

in millions of euros	Fiscal year 2019				Fiscal year 2018			
	Equity interests and other long-term investments	Held-to-maturity securities	Property, plant and equipment and intangible assets	Total	Equity interests and other long-term investments	Held-to-maturity securities	Property, plant and equipment and intangible assets	Total
Impairment								
Charges	(1,142)	0	0	(1,142)	(358)	0	0	(358)
Reversals	1,181	0	0	1,181	80	0	0	80
Net gain/(loss) on disposal	(380)	0	0	(380)	(58)	(16)	0	(74)
TOTAL	**(341)**	**0**	**0**	**(341)**	**(336)**	**(16)**	**0**	**(352)**

Gains or losses on investments in associates, equity interests, affiliates and other long-term investments included specifically:

- provisions for impairment of investments in associates:
  - Natixis (€1,954 million), which was offset by an exceptional dividend of €1,069 million,
  - Banque Palatine (€231 million),
  - Crédit Logement (€14 million);
- reversals of provisions for impairment on investments in associates:
  - Crédit Foncier (€359 million),
  - BPCE International (€659 million);
- gains or losses on the sale of investments in associates and other long-term securities, including:
  - a capital loss of €27 million on Informatique Banque Populaire (i-BP), which was offset by a provision reversal,
  - a capital loss of €344 million on the transfer of assets and liabilities (€335 million for 3F Holding), which was partially offset by a provision reversal of €137 million).

3.10 NON-RECURRING INCOME

Accounting principles

This item only includes income and expenses before tax, which are generated or occur on an exceptional basis and are not related to the Group's regular activities.

No non-recurring income was recorded in the 2019 fiscal year.

3.11 INCOME TAX

Accounting principles

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 Banques Populaires, the 15 Caisses d'Epargne, and BPCE subsidiaries, including BPCE International, Crédit Foncier, Banque Palatine 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 2019, corrected to reflect the impact of tax consolidation upon the Group.

3.11.1 INCOME TAX

Corporate tax for tax consolidation purposes can be broken down as follows:

in millions of euros	Fiscal year 2019		
Taxable bases at the following rates:	**33.33%**	**19%**	**15%**
Tax on current income	2,395		2
Tax on non-recurring income	0		
Taxable bases	**2,395**	**0**	**2**
Applicable tax	(798)		
+ 3.3% supplementary corporate tax	(26)		
+ Extraordinary contributions	0		
- Deductions in respect of tax credits	61		
Reported income tax	**(763)**	**0**	**0**
Tax consolidation effect	924		
Adjustments to previous periods	10		
Impact of tax reassessments	(2)		
Provisions for the return to profitability of subsidiaries	(22)		
Provisions for taxes	(1)		
TOTAL	**146**	**0**	**0**

In 2019, as a result of tax consolidation income, the gain in income tax after taking into account changes in provisions and other adjustments was €146 million, down €305 million relative to 2018.

The difference was primarily due to the increase in the tax base. The 2019 fiscal year included income of €345 million on the winding-up of the Natixis CIB exposures run-off-activity. Changes in assumptions in 2018 impacted the calculation of provisions for corporate tax refunds for subsidiaries in the tax consolidation scope, in the amount of €165 million.

3.11.2 TAXABLE INCOME FOR FISCAL YEAR 2019 – RECONCILIATION FROM ACCOUNTING TO TAXABLE INCOME

in millions of euros	Fiscal year 2019	Fiscal year 2018
Net accounting income (A)	**442**	**391**
Corporate tax (B)	**(162)**	**(261)**
Add-backs (C)	**1,564**	**508**
Impairments and provisions	69	29
UCITS	6	0
Long-term capital losses under exemptions	1,062	416
Share of profit from partnerships or joint ventures	15	14
Other items*	412	49
Deductions (D)	**2,081**	**1,144**
Long-term capital gains under exemptions	0	80
Reversals of impairment and provisions, including the fund for general banking risks	194	203
Dividends	1,906	811
Share of profit from partnerships or joint ventures	0	0
UCITS	0	16
Other items	(19)	34
Tax base at normal rate (A)+(B)+(C)-(D)	**(237)**	**(506)**

* Add-backs mostly include losses on total transfer of assets and liabilities of 3F Holding, for €335 million.

3.12 BREAKDOWN OF ACTIVITY

	Holding company activities	
in millions of euros	Fiscal year 2019	Fiscal year 2018
Net banking income	**930**	**494**
Operating expenses	(356)	(200)
Gross operating income	**574**	**294**
Cost of risk	(2)	(2)
Operating income	**572**	**292**
Gains or losses on long-term investments	(341)	(352)
Income before tax	**231**	**(60)**

Note 4 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.

4.1 INTERBANK TRANSACTIONS

Accounting principles

Loans and advances to banks cover all loans and advances made in connection with banking transactions with the exception of those represented by a security. They also include securities purchased under resale agreements, regardless of the type of underlying asset, 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 banks are recorded in the balance sheet at their nominal value, with the exception of buybacks of customer loans which are recorded at acquisition cost, plus accrued interest and net of any impairment charges recognized for credit risk.

Amounts due to banks 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 remeasured 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 non-performing 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 non-performing.

Non-performing loans and receivables

Non-performing 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 obligor has involved a known credit risk, classified as such on an individual basis. Loans are considered "at risk" when it is probable that the Group will not collect all or part of the sums due under the terms of the commitments made by the counterparty, notwithstanding any guarantees or collateral.

Non-performing 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.

Non-performing 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 non-performing loans and receivables, must be taken into consideration in order to qualify a non-performing loan as irrecoverable and to assess the associated impairment provision. A debt that has been classified as non-performing for more than one year is assumed to be irrecoverable, unless a write-off is not foreseen. Reclassification of a debt from non-performing to irrecoverable does not automatically entail the reclassification of the counterparty's other non-performing loans and commitments to irrecoverable.

For non-performing loans and receivables, accrued interest or interest due but not yet received is recognized in banking income and impaired accordingly. For irrecoverable loans and receivables, accrued interest due but not yet received is not recognized.

Non-performing loans and receivables are reclassified as performing once the obligor resumes regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

Repurchase agreements

Securities repurchase agreements are recognized in accordance with ANC Regulation No. 2014-07, supplemented by FBF Instruction No. 94-06, as amended.

The assets sold continue to appear in the balance sheet of the vendor, which records the amount collected as a liability 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 assets, as well as the liability towards 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 at least quarterly and are calculated in reference to available guarantees and a risk analysis. Impairment losses cover at a minimum the interest not received on non-performing 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 collection records.

Impairment charges and reversals recognized for the risk of non-recovery are recorded under "Cost of risk" except for the impairment of interest on non-performance loans and receivables, which is 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".

Irrecoverable loans and receivables are written off as losses and the corresponding impairment allowances are reversed.

LOANS AND ADVANCES DUE FROM BANKS

in millions of euros	12/31/2019	12/31/2018
Current accounts	1,831	2,758
Overnight loans	1,881	121
Securities purchased under demand repurchase agreements	0	0
Unallocated items	29	37
Accrued interest on demand accounts	1	1
Demand accounts	**3,742**	**2,917**
Term accounts and loans	159,463	158,796
Subordinated and participating loans	3,623	3,860
Securities purchased under term repurchase agreements*	3,855	7,380
Accrued interest on term accounts	(34)	145
Term accounts	**166,907**	**170,181**
Non-performing loans and receivables	**0**	**0**
o/w irrecoverable non-performing loans and receivables	*0*	*0*
Impairment of interbank loans and receivables	**0**	**0**
o/w impairment of irrecoverable non-performing loans and receivables	*0*	*0*
TOTAL	**170,649**	**173,098**

* At December 31, 2019, securities purchased under resale agreements with insurance companies are recorded in transactions with customers (the amount of these securities was €4,361 million at December 31, 2018, recorded under transactions with banks).

At December 31, 2019, receivables arising from transactions with the networks can be broken down into €3,415 million in demand accounts, and €155,980 million in term accounts.

AMOUNTS DUE TO BANKS

in millions of euros	12/31/2019	12/31/2018
Current accounts	19,740	15,804
Overnight deposits	8,966	6,568
Securities sold under demand repurchase agreements	0	0
Other amounts due	24	9
Accrued interest on demand accounts	(4)	(3)
Demand accounts	**28,726**	**22,378**
Term accounts and loans	92,245	89,289
Securities sold under term repurchase agreements*	10,396	19,923
Accrued interest payable on term loans	(104)	(67)
Term accounts	**102,537**	**109,145**
TOTAL	**131,263**	**131,523**

* At December 31, 2019, securities sold under repurchase agreements with insurance companies are recorded under customer transactions (the amount of these securities was €4,366 million at December 31, 2018, recorded under transactions with banks).

At December 31, 2019, amounts payable arising from transactions with the networks can be broken down into €26,923 million in demand accounts, and €69,013 million in term accounts.

4.2 CUSTOMER TRANSACTIONS

Accounting principles

Amounts due from customers include loans to entities other than banks, 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 granted to customers are recorded in the balance sheet at their nominal value, with the exception of repurchases of customer loans which are recorded at acquisition cost, plus accrued interest and net of any impairment charges recognized for credit risk. Fees and marginal transaction costs are added to the principal amount outstanding on the loan in question.

Guarantees received are booked as off-balance sheet items. They are remeasured on a regular basis. The total carrying amount of all guarantees received for a single loan is limited to the principal amount outstanding on the loan.

Restructured loans

Within the meaning of ANC Regulation No. 2014-07, restructured loans are non-performing 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 non-performing.

Non-performing loans and receivables

Non-performing 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 obligor has involved a known credit risk, classified as such on an individual basis. Loans are considered "at risk" when it is probable that the Group will not collect all or part of the sums due under the terms of the commitments made by the counterparty, notwithstanding any guarantees or collateral.

Non-performing loans are identified in compliance with ANC Regulation No. 2014-07, particularly in the case of loans with payments more than three months past due (more than six months past due for real estate loans and more than nine months past due for loans to local authorities).

Non-performing 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 arrangements 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 non-performing loans and receivables, shall be taken into consideration in order to qualify a non-performing loan as irrecoverable and to assess the associated impairment provision. A debt that has been classified as non-performing for more than one year is assumed to be irrecoverable, unless a write-off is not foreseen. Reclassification of a debt from non-performing to irrecoverable does not automatically entail the reclassification of the counterparty's other non-performing loans and commitments to irrecoverable.

For non-performing loans and receivables, accrued interest or interest due but not yet received is recognized in banking income and impaired accordingly. For irrecoverable loans and receivables, accrued interest due but not yet received is not recognized.

Non-performing loans and receivables are reclassified as performing once the obligor resumes regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

Repurchase agreements

Securities repurchase agreements are recognized in accordance with ANC Regulation No. 2014-07, supplemented by FBF Instruction No. 94-06, as amended.

The assets sold continue to be recorded in the vendor's balance sheet of the vendor, with a corresponding entry for the amount collected, representing its debt to the purchaser, under liabilities. The buyer records the amount paid under assets, representing the amount owed to the vendor. At each balance sheet date, the assets, as well as the liability towards the buyer or the amount owed to the vendor, are measured in accordance with the rules specific to 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 at least quarterly and are calculated in reference to available guarantees and a risk analysis. At a minimum, impairment losses cover the interest not received on non-performing loans.

Impairment for probable losses includes all impairment charges, calculated as the difference between the principal amount outstanding and the projected cash flows discounted at the initial effective interest rate. Projected cash flows are determined by category of receivables, based on past losses and/or expert analysis, and are positioned over time using debt schedules based on past collection records.

Impairment charges and reversals recognized for non-recovery risk are recorded under "Cost of risk" except for the impairment of interest on non-performing loans and receivables, which is 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".

Irrecoverable loans and receivables are written off as losses and the corresponding impairment allowances are reversed.

4.2.1 CUSTOMER TRANSACTIONS

RECEIVABLES DUE FROM CUSTOMERS

in millions of euros	12/31/2019	12/31/2018
Current accounts with overdrafts	**16**	**25**
Business loans	**0**	**0**
Export loans	0	0
Short-term credit facilities and consumer loans	81	77
Equipment loans	465	306
Overnight loans	0	0
Home loans	0	0
Other customer loans	0	0
Securities purchased under resale agreements*	2,420	0
Subordinated loans	270	20
Other	**131**	**1**
Other facilities granted to customers	**3,367**	**404**
Accrued interest	**(6)**	**2**
Non-performing loans and receivables	**0**	**0**
Impairment of customer loans and advances	**0**	**0**
TOTAL	**3,377**	**431**

* Securities purchased under resale agreements concern transactions entered into with insurance companies, which are now recorded under customer transactions (securities purchased under resale agreements amounted to €4,361 million at December 31, 2018, recorded under transactions with banks).

AMOUNTS DUE TO CUSTOMERS

	12/31/2019			12/31/2018		
in millions of euros	Demand	Term	Total	Demand	Term	Total
Current accounts	2,001	0	2,001	1,475	0	1,475
Loans from financial sector customers	0	203	203	0	555	555
Securities sold under repurchase agreements*	0	4,910	4,910	0	0	0
Other accounts and loans	0	0	0	0	0	0
Accrued interest	0	(2)	0	0	0	0
TOTAL	**2,001**	**5,111**	**7,112**	**1,475**	**555**	**2,030**

* Securities sold under repurchase agreements concern transactions entered into with insurance companies, which are now recorded under customer transactions (securities sold under repurchase agreements amounted to €4,366 million at December 31, 2018, recorded under transactions with banks).

4.2.2 BREAKDOWN OF OUTSTANDING LOANS BY TYPE OF CUSTOMER

	Performing loans and receivables	Non-performing loans and receivables		o/w irrecoverable non-performing loans and receivables	
in millions of euros	Gross	Gross	Individual impairment	Gross	Individual impairment
Non-financial companies	823				
Self-employed customers	0				
Insurance companies	2,411				
Non-profit institutions	0				
Government and social security institutions	12				
Other	131				
TOTAL AT DECEMBER 31, 2019	**3,377**	**0**	**0**	**0**	**0**
TOTAL AT DECEMBER 31, 2018	**431**	**0**	**0**	**0**	**0**

4.3 TREASURY BILLS, BONDS, EQUITIES AND OTHER FIXED/VARIABLE-INCOME SECURITIES

Accounting principles

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 governing specific transactions such as temporary sales of securities.

Securities are classified in 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 at 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 short selling, 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 at the balance sheet date.

Securities classified as trading securities may not 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.

Available-for-sale securities

Securities that do not qualify for recognition in any other category are considered as available-for-sale securities.

Available-for-sale securities are recorded in the accounts at cost on their acquisition date, less transaction costs.

Where applicable, for fixed-income securities, accrued interest is recognized as a balancing entry 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.

Available-for-sale securities are measured 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 at the balance sheet date.

Unrealized capital losses are subject to an impairment charge that can be estimated for each group 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 disposal 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 equivalent".

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, liable to have an adverse effect on the company's intention to hold the securities to maturity. Classification as held-to-maturity securities is not incompatible with their designation as items hedged against interest rate risk.

Securities held to maturity are recorded in the accounts at cost as of their acquisition date, less transaction costs. When previously classified as available for sale, they are recorded at cost and the previously recognized impairment charges are reversed over the residual life of the relevant securities.

The difference between the acquisition cost and the redemption value of the securities, and the corresponding interest, are recognized in accordance with 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 to 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 to 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.

4.3.1 SECURITIES PORTFOLIO

in millions of euros	12/31/2019 Securities held for trading	12/31/2019 Available-for-sale securities	12/31/2019 Securities held to maturity	12/31/2019 Total	12/31/2018 Securities held for trading	12/31/2018 Available-for-sale securities	12/31/2018 Securities held to maturity	12/31/2018 Total
Gross amount	16,194	964		17,158	19,056	1,104		20,160
Accrued interest		22		22		22		22
Impairment*				0		(1)		(1)
Treasury bills and equivalent	**16,194**	**986**	**0**	**17,180**	**19,056**	**1,125**	**0**	**20,181**
Gross amount	51,002	2,467	3,138	56,607	51,982	2,550	3,280	57,812
Accrued interest		8	20	28		7	22	29
Impairment*		(24)		(24)		(32)		(32)
Bonds and other fixed-income securities	**51,002**	**2,451**	**3,158**	**56,611**	**51,982**	**2,525**	**3,302**	**57,809**
Gross amount		1,414		1,414		1,306		1,306
Accrued interest				0				0
Impairment*		(81)		(81)		(31)		(31)
Equities and other variable-income securities	**0**	**1,333**		**1,333**	**0**	**1,275**	**0**	**1,275**
TOTAL	**67,196**	**4,770**	**3,158**	**75,124**	**71,038**	**4,925**	**3,302**	**79,265**

* Including any associated micro-hedging.

The change in bonds and other fixed-income securities classified as held-to-maturity securities mainly reflects the amortization of shares in a portfolio of mortgage loan or public asset securitizations for a nominal amount of €185 million.

The change in bonds and other fixed-income securities classified as available-for-sale securities mainly reflects the amortization of shares in a portfolio of mortgage loan or public asset securitizations for a nominal amount of €120 million.

The market value of held-to-maturity securities stood at €3,145 million.

At December 31, 2019, unrealized capital gains totaled €223 million, and capital losses €204 million.

TREASURY BILLS, BONDS AND OTHER FIXED-INCOME SECURITIES

in millions of euros	12/31/2019 Securities held for trading	12/31/2019 Available-for-sale securities	12/31/2019 Securities held to maturity	12/31/2019 Total	12/31/2018 Securities held for trading	12/31/2018 Available-for-sale securities	12/31/2018 Securities held to maturity	12/31/2018 Total
Listed securities		2,574		2,574		2,608		2,608
Unlisted securities		833	3,138	3,971		1,013	3,280	4,293
Securities loaned	2,072			2,072	2,820			2,820
Securities borrowed	65,124			65,124	68,218			68,218
Non-performing loans and receivables				0				0
Accrued interest		30	20	50		29	22	51
TOTAL	**67,196**	**3,437**	**3,158**	**73,791**	**71,038**	**3,650**	**3,302**	**77,990**
o/w subordinated notes				*0*				*0*

Unrealized losses on impaired available-for-sale securities totaled €21 million at December 31, 2019 compared with €30 million at December 31, 2018.

Unrealized gains on available-for-sale securities totaled €50 million at December 31, 2019 compared with €24 million at December 31, 2018.

Unrealized gains on held-to-maturity securities amounted to €103 million at December 31, 2019 *versus* €118 million at December 31, 2018.

Unrealized capital losses on held-to-maturity securities, whether or not they are subject to an impairment charge for counterparty risk, totaled €96 million at December 31, 2019 compared with €106 million at December 31, 2018.

At December 31, 2019, bonds and other fixed-income securities issued by public-sector organizations amounted to €964 million compared with €1,103 million at December 31, 2018.

EQUITIES AND OTHER VARIABLE-INCOME SECURITIES

	12/31/2019			12/31/2018		
in millions of euros	Securities held for trading	Available-for-sale securities	Total	Securities held for trading	Available -for-sale securities	Total
Listed securities		1,224	1,224		1,224	1,224
Unlisted securities		109	109		51	51
Accrued interest			0			0
TOTAL	**0**	**1,333**	**1,333**	**0**	**1,275**	**1,275**

At December 31, 2019, equities and other variable-income securities included €1,263 million in UCITS, with accumulation funds accounting for €1,213 million of that total (compared with €1,265 million in UCITS at December 31, 2018, o/w €1,213 million in accumulation funds).

At December 31, 2019, unrealized capital losses on available-for-sale securities subject to impairment amounted to €87 million *versus* €37 million at December 31, 2018.

Unrealized capital gains on available-for-sale securities totaled €70 million at December 31, 2019 *versus* €63 million at December 31, 2018.

4.3.2 CHANGES IN HELD-TO-MATURITY SECURITIES

in millions of euros	12/31/2018	Purchases	Disposals and redemptions	Transfers between categories	Conversion	Discount/ premium	Other changes	12/31/2019
Treasury bills	0							0
Bonds and other fixed-income securities	3,302		(185)		23	20	(2)	3,158
TOTAL	**3,302**	**0**	**(185)**	**0**	**23**	**20**	**(2)**	**3,158**

The changes mainly reflected the amortization of shares in a portfolio of mortgage loan and public asset securitizations for a nominal amount of €185 million.

4.3.3 RECLASSIFICATION OF ASSETS

Accounting principles

In the interest of harmonizing accounting practices and ensuring consistency with IFRS, ANC Regulation No. 2014-07 reiterates the provisions of Opinion No. 2008-19 of December 8, 2008 ono the reclassification of securities out of the "trading securities" and "available-for-sale securities" categories.

Reclassification from the "trading securities" category to the "available-for-sale" and "held- to-maturity" categories is now allowed in the following two cases:

- under exceptional market circumstances calling for 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 ability to hold them in the foreseeable future or until they reach maturity.

Reclassifications from the "available-for-sale" category to the "held-to-maturity" category are effective as from the reclassification date in either of the following conditions:

- under exceptional market circumstances calling for a change of strategy;
- where fixed-income securities are no longer tradable on an active market.

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".

Consequently, reclassification from the available-for-sale securities portfolio to the held-to-maturity portfolio remains possible through a simple change of intention if, at the transfer date, all the criteria for a held-to-maturity portfolio are met.

Reclassification due to a change of intention (provisions of CRBF Regulation No. 90-01 prior to CRC Regulation No. 2008-17, replaced by ANC Regulation No. 2014-07)

BPCE has not reclassified any assets in the last two fiscal years.

In fiscal year 2019, the amortization of held-to-maturity securities reclassified in 2015 as available-for-sale securities represented a nominal amount of €120 million.

4.4 EQUITY INTERESTS, AFFILIATES AND OTHER LONG-TERM INVESTMENTS

Accounting principles

Investments in associates and affiliates

Securities falling into this category are securities which, if held over the long term, are deemed useful for the company's operations, mainly by allowing the company to exercise significant influence or control over the administrative 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 measured 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 support the business or retain the investment, share price performance, net assets or restated 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 unlisted securities based on 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.

4.4.1 CHANGES IN EQUITY INTERESTS, AFFILIATES AND OTHER LONG-TERM INVESTMENTS

in millions of euros	12/31/2018	Increase	Decrease	Conversion	Other changes	12/31/2019
Equity interests and other long-term investments	3,999	23	(81)	24	73	4,038
Investments in affiliates	24,743	3,377	(31)		(450)	27,639
o/w current account advances & perpetual deeply subordinated notes	*2,800*			*21*		*2,821*
Gross amount	**28,742**	**3,400**	**(112)**	**24**	**(377)**	**31,677**
Equity interests and other long-term investments	(411)	(26)	7			(430)
Investments in affiliates	(4,813)	(2,185)	1,172			(5,826)
o/w current account advances & perpetual deeply subordinated notes	*0*					*0*
Impairment	**(5,224)**	**(2,211)**	**1,179**	**0**	**0**	**(6,256)**
TOTAL	**23,518**	**1,189**	**1,067**	**24**	**(377)**	**25,421**

Shares in real estate companies are non-material.

Other long-term investments include partner and association certificates for the Deposit Guarantee Fund (for an insignificant amount).

The principal investments in associates acquired in 2019 included:

- acquisitions from Natixis and Crédit Foncier of their subsidiaries Compagnie Européenne de Garanties et de Cautions, BPCE Factor, BPCE Lease, BPCE Financement and SOCFIM, which now form the Financial Solutions and Expertise business line (€2,766 million);
- subscriptions for Banque Palatine and SPORTS IMAGINE capital increases (€205 million);
- other increases in investments in associates (€393 million), including Oney Bank.

The principal reductions in investments in associates in 2019 were:

- a capital reduction by BP Covered Bond (BPCB) (€80 million);
- the conversion of Informatique Banque Populaire (i-BP) into an economic interest group (EIG) (€27 million).

Other changes mainly included:

- a reduction in investments in associates through the total transfer of the assets and liabilities of 3F Holding and IXION (€347 million).

The main reversals of provisions for impairment in investments in associates were as follows:

- BPCE International and Crédit Foncier (€1,018 million);
- 3F Holding and IXION, following the aforementioned total transfers of assets and liabilities (€135 million);
- the conversion Informatique Banque Populaire (i-BP) into an economic interest group (EIG) (€27 million).

The main provisions for impairment in investments in associates included:

- Natixis (€1,954 million), primarily related to the payout of an exceptional dividend of €1,069 million;
- Banque Palatine (€231 million).

No perpetual deeply subordinated notes were subscribed for or redeemed in 2019.

The valuation of BPCE's major subsidiaries is based on multi-year forecasts discounted for expected dividend flows (Dividend Discount Model). The expected dividend flow forecasts are based on business plans, taken from the strategic plans of relevant entities, and on reasonable technical inputs. The prudential constraints applicable to relevant activities are taken into account during valuation.

Valuations carried out during the closing of accounts for 2019 included:

- recognition of a provision reversal of €659 million for BPCE International shares, increasing the carrying amount to €826 million at December 31, 2019;
- recognition of a provision reversal of €359 million for Crédit Foncier shares, increasing the carrying amount to €1,354 million at December 31, 2019;
- recognition of impairment of €1,954 million on Natixis shares, decreasing the carrying amount to €13,315 million at December 31, 2019;
- recognition of additional impairment of €231 million on Banque Palatine shares, decreasing the carrying amount to €667 million at December 31, 2019.

These impairments are recognized under net gains or losses on long-term investments.

4.4.2 STATEMENT OF SUBSIDIARIES AND EQUITY INVESTMENTS

Subsidiaries and ownership interests *in millions of euros*	Share capital at 12/31/2018	Equity interests other than share capital (incl. fund for general banking risks, as appropriate) at 12/31/2018	% interest held at 12/31/2019	Carrying amount of shares held at 12/31/2019 Gross	Net
A. Detailed information concerning holdings 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	5,040	10,616	70.64%	15,269	13,315
Crédit Foncier – 19, rue des Capucines – 75001 Paris	1,331	1,719	100.00%	3,682	1,354
Holassure – 50, avenue Pierre Mendès-France – 75013 Paris	935	414	100.00%	1,768	1,768
BPCE International – 88, avenue de France – 75013 Paris	648	162	100.00%	1,728	826
Banque Palatine – 42, rue d'Anjou – 75008 Paris	539	337	100.00%	1,269	667
Compagnie Européenne de Garanties et de Cautions – 16, rue Hoche – 92919 La Défense	161	176	100.00%	1,093	1,093
BPCE Lease – 50, avenue Pierre Mendès-France – 75013 Paris	267	136	100.00%	991	991
BPCE SFH – 50, avenue Pierre Mendès-France – 75013 PARIS	600	38	100.00%	600	600
Oney Bank – 40, avenue de Flandre – 59170 Croix	51	480	50.10%	370	370
BPCE Financement – 50, avenue Pierre Mendès-France – 75013 Paris	74	37	100.00%	370	370
BPCE Factor – 50, avenue Pierre Mendès-France – 75013 Paris	20	199	100.00%	178	178
SOCFIM – 10, boulevard de Grenelle – 75015 Paris	47	44	100.00%	135	135
ISSORIA (SAS) – 88, avenue de France – 75013 Paris	43	12	100.00%	99	65
SPORTS IMAGINE – 50, avenue Pierre Mendès-France – 75013 PARIS	0	0	100.00%	55	55
Albiant-IT – 50, avenue Pierre Mendès-France – 75013 PARIS	50	(13)	97.00%	49	49
GCE Participations – 50, avenue Pierre Mendès-France – 75013 Paris	12	(6)	100.00%	34	6
Société d'Exploitation MAB – 50, avenue Pierre Mendès-France – 75013 Paris	10	1	99.99%	21	11
Surassur – 534, rue de Neudorf – L2220 Luxembourg	14	6	91.76%	20	20
Turbo – 86, rue du Dôme – 92100 Boulogne-Billancourt	0	3	100.00%	12	12
GCE Asap – 50, avenue Pierre Mendès-France – 75013 Paris	11	0	100.00%	12	0
Basak 1 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(16)	100.00%	4	2
Basak 2 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(16)	100.00%	4	2
Basak 3 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(16)	100.00%	4	2
Basak 4 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(14)	100.00%	4	1
Behanzin – 50, avenue Pierre Mendès-France – 75013 Paris	2	(19)	100.00%	2	1
Berra 1 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(7)	100.00%	2	1
Berra 2 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(7)	100.00%	2	1
Berra 3 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(7)	100.00%	2	1
Berra 4 – 50, avenue Pierre Mendès-France – 75013 Paris	6	(16)	100.00%	6	4
Berra 5 – 50, avenue Pierre Mendès-France – 75013 Paris	6	(16)	100.00%	6	4
Lotus 1 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(6)	100.00%	2	1
Lotus 2 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(6)	100.00%	2	1
Lotus 3 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(7)	100.00%	2	1
Mihos – 50, avenue Pierre Mendès-France – 75013 Paris	2	(23)	100.00%	2	1
Muge 1 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(11)	100.00%	4	1
Muge 2 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(11)	100.00%	4	1
Orion – 50, avenue Pierre Mendès-France – 75013 Paris	0	0	100.00%	4	3
Panda 1 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(4)	100.00%	2	0
Panda 2 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(4)	100.00%	2	0
Panda 3 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(4)	100.00%	3	0

Loans and advances granted by the company and not yet repaid (incl. perpetual deeply subordinated notes) in 2019	Guarantees and endorsements given by the parent company in 2019	Net revenue before tax or NBI for the year ended 12/31/2018	Net income/loss for the year ended 12/31/2018	Dividends received by the company during fiscal year 2019
47,793	8,386	4,466	1,834	668
20,077	212	299	(252)	20
-	-	111	109	75
550	-	23	(141)	-
1,453	30	311	(23)	-
251	-	98	75	-
2,138	-	106	65	55
1,190	-	9	3	3
1,995	-	309	51	-
960	580	270	53	51
3,320	-	146	35	35
715	-	44	22	-
6	-	1	-	-
-	-	-	-	-
76	-	196	-	-
-	-	-	-	-
-	-	-	-	-
-	-	20	-	-
-	-	3	1	-
-	-	-	(11)	-
1	-	8	1	-
1	-	8	1	-
1	-	8	1	-
1	-	7	1	-
8	-	9	(5)	-
3	-	4	(1)	-
3	-	4	(1)	-
3	-	4	(1)	-
8	-	9	(3)	-
7	-	8	(3)	-
1	-	3	-	-
1	-	3	-	-
1	-	3	-	-
2	-	5	(3)	-
2	-	7	2	-
2	-	7	1	-
9	-	-	-	-
1	-	4	1	-
1	-	3	1	-
1	-	4	1	-

Subsidiaries and ownership interests *in millions of euros*	**Share capital at 12/31/2018**	**Equity interests other than share capital (incl. fund for general banking risks, as appropriate) at 12/31/2018**	**% interest held at 12/31/2019**	**Carrying amount of shares held at 12/31/2019**	
				Gross	**Net**
Panda 4 – 50, avenue Pierre Mendès-France – 75013 Paris	3	(5)	100.00%	3	0
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	(6)	100.00%	3	1
Panda 8 – 50, avenue Pierre Mendès-France – 75013 Paris	3	(7)	100.00%	3	1
Panda 9 – 50, avenue Pierre Mendès-France – 75013 Paris	3	(7)	100.00%	3	1
Panda 10 – 50, avenue Pierre Mendès-France – 75013 Paris	3	(7)	100.00%	3	1
Perle 1 – 50, avenue Pierre Mendès-France – 75013 Paris	4	(12)	100.00%	4	1
Perle 2 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(3)	100.00%	2	0
Perle 3 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(4)	100.00%	2	0
Perle 4 – 50, avenue Pierre Mendès-France – 75013 Paris	2	(4)	100.00%	2	0
Ramses – 50, avenue Pierre Mendès-France – 75013 Paris	3	(17)	100.00%	3	1
Rémus – 50, avenue Pierre Mendès-France – 75013 Paris	0	0	100.00%	2	2
Satis – 50, avenue Pierre Mendès-France – 75013 Paris	2	(11)	100.00%	2	1
Seth – 50, avenue Pierre Mendès-France – 75013 Paris	5	(31)	100.00%	5	3
Siamon – 50, avenue Pierre Mendès-France – 75013 Paris	2	(10)	100.00%	2	1
Thara Raj – 50, avenue Pierre Mendès-France – 75013 Paris	2	(23)	100.00%	2	1
2 Affiliates (between 10%- and 50%-owned)					
VBI Beteiligungs Gmbh – Peregringasse 3 – 1090 Vienna – Austria	0	0	24.50%	299	0
MFC Prou-Investissements – 4, route d'Ancinnes – 61000 Alençon	37	19	49.00%	100	100
Socram Banque – 2, rue du 24 février – 79000 Niort	70	152	33.42%	44	44
Informatique Banque Populaire – 23, place de Wicklow – 78180 Montigny le Bretonneux	16	48	29.52%	5	5
Click and Trust – 18, quai de la Rapée – 75012 Paris	4	1	34.00%	3	1
France Active Garantie – Tour 9, 3 rue Franklin – 93100 Montreuil	11	16	14.00%	3	3
Systèmes Tech Echange Traitement –100, esplanade du Général de Gaulle – 92400 Courbevoie	20	75	15.04%	3	3
Nefer – 50, avenue Pierre-Mendès-France – 75013 Paris	8	0	34.00%	3	3
B. General information concerning other instruments whose gross value is less than 1% of the parent company's capital					
French subsidiaries (together)				26	21
Foreign subsidiaries (together)				0	0
Association certificates				0	0
French companies				224	216
Foreign companies				280	280
o/w investments in listed companies				*15,269*	*13,315*

Loans and advances granted by the company and not yet repaid (incl. perpetual deeply subordinated notes) in 2019	Guarantees and endorsements given by the parent company in 2019	Net revenue before tax or NBI for the year ended 12/31/2018	Net income/loss for the year ended 12/31/2018	Dividends received by the company during fiscal year 2019
1	-	4	1	-
1	-	4	1	-
1	-	4	1	-
1	-	5	1	-
1	-	5	1	-
1	-	5	1	-
1	-	4	1	-
4	-	7	1	-
1	-	3	1	-
1	-	3	1	-
1	-	3	1	-
5	-	8	(3)	-
4	-	-	-	-
3	-	4	(3)	-
13	-	13	(10)	-
4	-	4	(3)	-
2	-	6	(3)	-
-	-	-	1	-
-	-	6	6	3
-	50	53	6	1
-	-	359	(49)	-
-	-	-	(1)	-
-	-	3	-	-
-	-	85	8	-
-	-	-	-	-
73	-			-
-	-			-
-	-			-
32	12			21
-	-			7

4.4.3 COMPANIES ESTABLISHED WITH UNLIMITED LIABILITY

Corporate name	Head Office	Legal form
EIG BPCE Achats	12/20, rue Fernand-Braudel – 75013 Paris	EIG
EIG CE Syndication Risque	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	EIG
EIG Ecolocale	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	EIG
EIG BPCE Solutions Crédit	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	EIG
EIG GCE Mobiliz	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	EIG
EIG BPCE Infogérance & Technologies	110, avenue de France – 75013 Paris	EIG
EIG ITCE	182, avenue de France – 75013 Paris	EIG
EIG BPCE Trade	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	EIG
EIG BPCE Services Financiers	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	EIG
SCI de la vision	48/56, rue Jacques-Hillairet – 75012 Paris	SCI
SNC Menes	50, avenue Pierre Mendès-France – 75201 Paris Cedex 13	SNC
SNC Société Alsacienne de Locations Ferroviaires 1	116, cours Lafayette – 69003 Lyon	SNC
SNC Société Alsacienne de Locations Ferroviaires 2	116, cours Lafayette – 69003 Lyon	SNC
SNC Terrae	116, cours Lafayette – 69003 Lyon	SNC

4.4.4 RELATED-PARTY TRANSACTIONS

	12/31/2019			12/31/2018
in millions of euros	Banks	Other companies	Total	Total
Receivables	**78,657**	**332**	**78,989**	**74,396**
o/w subordinated items	*3,038*	*250*	*3,288*	*3,076*
Liabilities	**44,841**	**824**	**45,665**	**35,133**
o/w subordinated items			*0*	*0*
Loan commitments			0	0
Guarantee commitments	6,987	10	6,997	5,160
Other commitments given	6,389		6,389	8,522
Commitments given	**13,376**	**10**	**13,386**	**13,682**
Loan commitments	6,824		6,824	11,992
Guarantee commitments			0	0
Other commitments received	8,909		8,909	8,562
Commitments received	**15,733**	**0**	**15,733**	**20,554**

No material transactions were concluded under non-market conditions with a related party.

4.5 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.

4.5.1 INTANGIBLE ASSETS

Accounting principles

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 testing.

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.

in millions of euros	12/31/2018	Increase	Decrease	Other changes	12/31/2019
Leasehold rights and business assets*	0	78			78
Software	127	40	(80)		87
Other	0				0
Operating intangible assets	**127**	**118**	**(80)**	**0**	**165**
Non-operating intangible assets	**2**				**2**
Gross amount	**129**	**118**	**(80)**	**0**	**167**
Lease rights and business assets	0				0
Software	(111)	(7)	68		(50)
Other	0				0
Impairment	0				0
Operating intangible assets	**(111)**	**(7)**	**68**	**0**	**(50)**
Impairment excluding operating intangible assets	**(2)**				**(2)**
Amortization and impairment	**(113)**	**(7)**	**68**	**0**	**(52)**
NET AMOUNT	**16**	**111**	**(12)**	**0**	**115**

* This change is due to the business assets recorded on the acquisition of EuroTitres.

Decreases are primarily due to the scrapping of assets when they are fully amortized.

4.5.2 PROPERTY, PLANT AND EQUIPMENT

Accounting principles

Property, plant and equipment consist of tangible assets held for use in the production or supply of goods and services, for lease to third parties 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 restated cost. The cost of assets denominated in foreign currencies is translated into euros at the exchange rate prevailing on the transaction date. These assets are depreciated according to the period over 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 consists of non-operating assets.

in millions of euros	12/31/2018	Increase	Decrease	Other changes	12/31/2019
Land	0				0
Buildings	2				2
Shares in non-trading real estate companies	0				0
Other	153	17	(104)		66
Operating property, plant and equipment	**155**	**17**	**(104)**	**0**	**68**
Non-operating property, plant and equipment	**3**		**(1)**		**2**
Gross amount	**158**	**17**	**(105)**	**0**	**70**
Land	0				0
Buildings	0				0
Shares in non-trading real estate companies	0				0
Other	(133)	(6)	100		(39)
Operating property, plant and equipment	**(133)**	**(6)**	**100**	**0**	**(39)**
Non-operating property, plant and equipment	**(2)**				**(2)**
Depreciation and impairment	**(135)**	**(6)**	**100**	**0**	**(41)**
NET AMOUNT	**23**	**11**	**(5)**	**0**	**29**

Decreases are primarily due to the scrapping of assets when they are fully depreciated.

4.6 DEBT SECURITIES

Accounting principles

Debt securities are presented according to the type of underlying: retail certificates of deposit, interbank and negotiable debt securities, bonds and other debt securities, apart from subordinated debt, which is recorded separately 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 full during the period or are recognized on a straight-line basis over the life of the debt. Issue and redemption premiums are spread over the life of the loan *via* a deferred expenses account.

For structured debt, applying the principle of conservatism, only the certain portion of remuneration or principal is recognized. Unrealized gains are not recorded. Unrealized losses are subject to a provision.

in millions of euros	12/31/2019	12/31/2018
Certificates of deposit and savings bonds	0	0
Interbank market instruments and negotiable debt securities	32,525	30,230
Bonds	31,315	33,728
Other debt securities*	18,066	12,487
Accrued interest	659	933
TOTAL	**82,565**	**77,378**

* Other debt securities are a new category of liabilities eligible for the numerator in the TLAC (Total Loss Absorbing Capacity) calculation, which has been introduced by French law and is commonly referred to as "senior non-preferred debt". These liabilities rank between own funds and other senior preferred debt.

The amount of bond issue and redemption premiums remaining to be amortized totaled €162 million.

The unamortized balance is the difference between the amount initially received and the redemption price for debt securities.

4.7 OTHER ASSETS, OTHER LIABILITIES

	12/31/2019		12/31/2018	
in millions of euros	Assets	Liabilities	Assets	Liabilities
Remaining payments due on investments in associates	0	34	0	38
Securities settlement accounts(3)	124	63	0	0
Premiums on options bought and sold(4)	1	0	2	367
Amounts payable on borrowed securities and other securities debt(1)	0	67,197	0	71,039
Tax and social security receivables and liabilities	383	371	518	654
Security deposits paid and received	91	0	35	5
Other accounts receivable, other accounts payable(2)	906	2,972	1,098	1,909
TOTAL	**1,505**	**70,637**	**1,653**	**74,012**

(1) Amounts payable on borrowed securities and other securities debt are predominantly associated with the borrowing of FCT BPCE Master Home Loans securities (€34,370 million), FCT BPCE Home Loans 2017_5 securities (€6,283 million), and FCT BPCE Consumer Loans 2016_5 securities (€3,337 million). These securities were received by the Banques Populaires and Caisses d'Epargne for the purposes of internal securitization transactions.

(2) Other accounts receivable include €443 million in security deposits paid, including €180 million paid to securitization funds for the Group's securitization activities, and €139 million in margin calls paid.
Other accounts payable include €2,737 million in margin calls received, o/w €2,665 million from Natixis.

(3) This line concerns the securities custody activity.

(4) The option premium recorded in the balance sheet in respect of the Natixis CIB exposures run-off activity (formerly GAPCE) was taken to income on completion when the activity was wound up in 2019, generating income of €345 million (see Note 1.3).

4.8 ACCRUAL ACCOUNTS

	12/31/2019		12/31/2018	
in millions of euros	Assets	Liabilities	Assets	Liabilities
Foreign exchange commitments	468	0	276	0
Deferred gains and losses on hedging forward financial instruments	309	230	10	633
Issue premiums and expenses	259	15	256	17
Prepaid expenses and unearned income	19	21	20	42
Accrued income/expenses*	1,118	406	1,278	396
Items in process of collection	0	13	201	0
Other	62	168	91	15
TOTAL	**2,235**	**853**	**2,132**	**1,103**

* Including €1,076 million in accrued interest receivable on interest rate swaps and €284 million in accrued interest payable on interest rate swaps.

4.9 PROVISIONS

Accounting principles

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 related transactions defined under Article L. 311-2 of the same Code. Unless covered by a specific text, such provisions may only be recognized if the company has an obligation to a third party at the end of the fiscal year and no equivalent consideration is expected in return, in accordance with ANC Regulation No. 2014-03.

In particular, this item includes a provision for employee benefits and a provision for counterparty risk on guarantee and loan commitments given.

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 amount 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.

4.9.1 STATEMENT OF CHANGES IN PROVISIONS

in millions of euros	12/31/2018	Charges	Reversals	Use	Other changes*	12/31/2019
Provisions for counterparty risks on guarantee and loan commitments	**2**		**(1)**			**1**
Provisions for employee benefits	**89**	**18**	**(7)**	**(19)**	**24**	**105**
Provisions for litigation	**24**	**6**	**(1)**	**(13)**		**16**
Provisions for restructuring costs	**0**	**10**		**0**		**10**
Securities portfolio and financial futures	0					0
Long-term investments	3	5	(2)			6
Real estate development	0					0
Provisions for taxes	379	40	(65)	(6)		348
Other	20		(8)	(1)		11
Other provisions	**402**	**45**	**(75)**	**(7)**		**365**
TOTAL	**517**	**79**	**(84)**	**(39)**	**24**	**497**

* Other changes include compensation received by BPCE for the transfer of employees (creation of the Financial Solutions and Expertise division) and the integration of some Crédit Foncier staff.

4.9.2 PROVISIONS AND IMPAIRMENT FOR COUNTERPARTY RISKS

in millions of euros	12/31/2018	Charges	Reversals	Use	Other changes	12/31/2019
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 performance risk on off-balance sheet commitments	2	-	(1)	-	-	1
Provisions for country risk	0	-	-	-	-	0
Sector provisions	0	-	-	-	-	0
Other provisions for counterparty risk	0	-	-	-	-	0
Other provisions	0	-	-	-	-	0
Provisions for counterparty risk recognized as liabilities	**2**	**0**	**(1)**	**0**	**0**	**1**
TOTAL	**2**	**0**	**(1)**	**0**	**0**	**1**

4.9.3 PROVISIONS FOR EMPLOYEE BENEFITS

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 Banques Populaires belong. BPCE's obligations under these schemes are limited to the payment of contributions (€29 million in 2019).

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 Caisse 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 beneficiary entitlements were crystallized at this date. The retained-benefits plan is considered as a fund providing long-term employee benefits;
- the Banque Populaire 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 former banking pension scheme at December 31, 1993;
- pensions and other post-employment benefits such as end-of-career awards and other benefits granted to retirees;
- other benefits such as long-service awards and other long-term employee benefits.

These commitments are calculated in accordance with ANC Recommendation No. 2013-R-02.

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	Supple-mentary pension benefits and other	End-of-career awards	Long-service awards	12/31/2019	CGPCE plan	CARBP plan	Supple-mentary pension benefits and other	End-of-career awards	Long-service awards	12/31/2018
Actuarial liabilities[(1)]	117	20	288	69	10	504	102	19	248	40	4	413
Fair value of plan assets	(135)	(11)	(223)	(29)		(398)	(123)	(10)	(218)	(12)		(363)
Effect of ceiling on plan assets	7					7	7					7
Unrecognized actuarial gains/(losses)[(2)]	11	(2)	(45)	(1)		(37)	14	(1)	(4)	4		13
Unrecognized past service cost						0						0
NET AMOUNT REPORTED ON THE BALANCE SHEET	**0**	**7**	**20**	**39**	**10**	**76**	**0**	**8**	**26**	**32**	**4**	**70**
Employee benefit commitments recorded in the balance sheet	0	7	20	39	10	76	0	8	26	32	4	70
Plan assets recorded in the balance sheet			0			0			0			0

(1) The changes in actuarial liabilities on supplementary pension schemes and other schemes mainly concern unrecognized actuarial gains and losses.
(2) The reduction in discount rates caused a slight change in the net amount shown in the balance sheet.

Changes in end-of-career awards are mostly related to the takeover of employee benefit commitments for employees transferred from Natixis when the Financial Solutions and Expertise division was created (representing €20 million in actuarial liabilities at December 31, 2019). BPCE received compensation from Natixis for this transfer of staff, which was used in the amount of €17 million to cover these liabilities with an insurance company.

Similarly, the change in long-service awards was mostly due to this transfer of employees from Natixis.

At December 31, 2019, pension plan assets were allocated as follows:

- for Banque Populaire's CARBP pension plan: 55.1% in bonds, 42.2% in equities, and 2.7% in money-market assets.

  In 2019, of the +€2.2 million in actuarial gains generated on CARBP's actuarial liabilities, +€2.1 million can be attributed to gains related to updated financial assumptions, and +€0.1 million to experience adjustments;
- for Caisse d'Epargne's CGPCE pension plan: 87.9% in bonds, 9% in equities, 2% in real estate assets and 1.1% in money-market assets.

  In 2019, of the +€15.2 million in actuarial gains generated on CGPCE's actuarial liabilities, +€16.3 million can be attributed to gains related to updated financial assumptions, and -€1.1 million to experience adjustments.

Analysis of expenses for the year

in millions of euros	Post-employment defined-benefit plans				Other long-term employee benefits		Post-employment defined-benefit plans				Other long-term employee benefits	
	CGPCE plan	CARBP plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	12/31/2019	CGPCE plan	CARBP plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	12/31/2018
Service cost			6	5	1	12			7	4		11
Past service cost			(4)			(4)						0
Interest cost	2		4			6	2		4			6
Interest income	(2)		(4)			(6)	(2)		(3)			(5)
Actuarial gains recognized in income						0						0
Other			1	4	2	7			1	3		4
TOTAL	**0**	**0**	**3**	**9**	**0**	**15**	**0**	**0**	**9**	**7**	**0**	**16**

In expenses for the period, income of €4 million was generated in respect of past service costs This resulted from the crystallization of beneficiary entitlements under the two pension schemes following the enactment of European directive 2014/50 EU of April 6, 2014 on employee mobility. This directive notably led to the closure of the two pension schemes in which beneficiary entitlements were dependent on their continued presence in the company on retirement.

The line "Other" mostly concerns entitlements granted to new employees.

Main actuarial assumptions

as a%	12/31/2019					12/31/2018				
	Post-employment defined-benefit plans				Other long-term employee benefits	Post-employment defined-benefit plans				Other long-term employee benefits
	CGPCE plan	CARBP plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards	CGPCE plan	CARBP plan	Supplementary pension benefits and other	End-of-career awards	Long-service awards
Discount rate	0.86%	0.62%	0.48% to 0.83%	(0.13%) to 0.64%	(0.04%) to 0.30%	1.82%	1.56%	1.19% to 1.86%	0.29% to 1.6%	0.45% to 1.05%
Inflation rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.70%
Wage growth rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AGIRC – ARRCO revaluation rate	N/A	inflation (0.50%)	inflation (0.50%)	N/A	N/A	N/A	inflation (1%)	inflation (1%)	N/A	N/A
Life tables used	TGH05-TGF05	TGH05-TGF05	TGH05/TGF05	TGH05/TGF05	TGH05/TGF05	TGH05/TGF05	TGH05/TGF05	TGH05/TGF05	TGH05/TGF05	TGH05/TGF05
Duration	18.2	14.3	12.2 to 19.2	3.3 to 14.8	4.6 to 9.4	17.5	13.8	9.7 to 19.5	3.9 to 14.3	4.8 to 8.6

The life tables used are:

- TGH05/TGF05 for termination benefits, long service awards and other benefits, as well as for CGPCE and CARBP.

The discount rate used is based on the prime borrower curve (EUR Composite AA curve).

Stock option purchase plans

Since the formation of BPCE, company directors have neither received share subscription or purchase options, nor been awarded bonus shares.

4.10 SUBORDINATED DEBT

Accounting principles

Subordinated debt comprises proceeds from issues of both term and perpetual subordinated debt securities, and mutual guarantee deposits. In the event of the obligor's liquidation, 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.

in millions of euros	12/31/2019	12/31/2018
Term subordinated debt	14,924	15,270
Perpetual subordinated debt	0	31
Perpetual deeply subordinated debt*	700	1,462
Accrued interest	384	372
TOTAL	**16,008**	**17,135**

* On September 30, 2019, BPCE exercised its early redemption option at par on issues of two perpetual deeply subordinated notes eligible as additional Tier 1 Basel III regulatory capital, for €374 million and $444 million.

Bond issue and redemption premiums remaining to be amortized at December 31, 2019 totaled €83 million.

Perpetual deeply subordinated debt has the following characteristics:

Currency	Issue date	Outstanding at 12/31/2019 *(in millions of euros)*	Amount (in original currency)	Rate	Interest rate after initial redemption option date	Interest rate after step-up date	Next redemption option date	Date of interest step-up
EUR	11/30/2018	700	700	5.35%	3M Euribor + 5.04%	3M Euribor + 5.04%	11/30/2023	11/30/2023
TOTAL		**700**						

4.11 FUND FOR GENERAL BANKING RISKS

Accounting principles

This fund is intended to cover risks inherent in the company's banking activities, in accordance with the provisions of Article 3 of CRBF Regulation No. 90-02.

It also includes the amounts allocated to the funds set up as part of the guarantee mechanism (see Note 1.2).

in millions of euros	12/31/2018	Increase	Decrease	12/31/2019
Fund for general banking risks	130	-	(65)	65
TOTAL	**130**	**-**	**(65)**	**65**

4.12 EQUITY

in millions of euros	Capital	Additional paid-in capital	Reserves/ other	Retained earnings	Interim dividend	Income	Total equity (excl. FGBR)
TOTAL AT DECEMBER 31, 2017	**156**	**12,345**	**35**	**3,186**	**(202)**	**729**	**16,249**
Changes during the period	2	200	0	325	0	(338)	189
TOTAL AT DECEMBER 31, 2018	**158**	**12,545**	**35**	**3,511**	**(202)**	**391**	**16,438**
2018 income allocation	1	200		(12)	202	(391)	0
Capital increase	11	1,189					1,200
Dividend paid					(202)		(202)
Other changes							0
Net income for the period						442	442
TOTAL AT DECEMBER 31, 2019	**170**	**13,934**	**35**	**3,499**	**(202)**	**442**	**17,878**

BPCE's share capital, totaling €170 million and comprising 34,076,926 shares with a par value of €5 per share, can be broken down as follows:

- 17,038,463 ordinary shares held by the Banques Populaires for €85 million;
- 17,038,463 ordinary shares held by the Caisses d'Epargne for €85 million.

At the Ordinary General Meeting of May 24, 2019, BPCE resolved to pay dividends to its shareholders in the amount of €403 million, or €12.37115 per share, to be charged in full against net income for fiscal year 2018, with the rest taken from retained earnings in the amount of €12,572,140.36.

The dividend was paid as follows:

- an interim dividend was paid on December 21, 2018 for a total amount of €201,537,903.42, or €6.39 per share, as resolved by the Management Board on December 20, 2018;
- the balance of the dividend was paid to shareholders on June 26, 2019 for a total amount of €201,501,522.94, or €5.9815 per share.

At its meeting of December 19, 2019, BPCE's Management Board resolved to pay an interim dividend to its shareholders totaling €201,530,940.36, or €5.914 per share.

4.13 FIXED-TERM ASSETS AND LIABILITIES BY RESIDUAL MATURITY

Assets and liabilities with fixed due dates are presented by residual maturity and include accrued interest.

	12/31/2019						
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	140	810	7,899	5,711	2,620		17,180
Loans and advances due from banks	14,699	23,017	44,141	67,379	21,413		170,649
Customer transactions	146	1,026	1,201	542	462		3,377
Bonds and other fixed-income securities	5,644	643	9,581	30,607	10,136		56,611
Total assets	**20,629**	**25,496**	**62,822**	**104,239**	**34,631**	**0**	**247,817**
Amounts due to banks	55,709	10,304	23,644	25,880	15,726		131,263
Customer transactions	3,443	1,019	1,549	1,101			7,112
Debt securities	3,563	10,195	24,840	31,365	12,602		82,565
Subordinated debt	448			4,796	10,064	700	16,008
Total liabilities	**63,163**	**21,518**	**50,033**	**63,142**	**38,392**	**700**	**236,948**

5

Note 5 Information on off-balance sheet items and similar transactions

5.1 COMMITMENTS GIVEN AND RECEIVED

Accounting principles

Loan commitments

Loan commitments given to banks and similar entities include refinancing agreements, agreements to pay or commitments to pay, documentary credit confirmations and other commitments.

Loan commitments granted to customers include credit facilities granted, back-up credit lines for commercial paper, commitments on securities issuance and other commitments to customers besides banks and similar entities.

Loan commitments received mostly include refinancing agreements and other commitments received from banks and similar entities.

Guarantee commitments

Guarantee commitments to banks mostly include sureties and financial guarantees issued to banks and similar entities.

Guarantee commitments to customers mostly include sureties and financial guarantees issued to customers other than banks and similar entities.

Guarantee commitments received mostly include sureties and financial guarantees received from banks and similar entities.

5.1.1 LOAN COMMITMENTS

in millions of euros	12/31/2019	12/31/2018
Loan commitments given		
To banks	**4,795**	**6,781**
Documentary credit	0	0
Other credit facilities granted	29	0
Other commitments	0	3
To customers	**29**	**3**
TOTAL LOAN COMMITMENTS GIVEN	**4,824**	**6,784**
Loan commitments received		
From banks	55,021	49,892
From customers	0	3
TOTAL LOAN COMMITMENTS RECEIVED	**55,021**	**49,895**

5.1.2 GUARANTEE COMMITMENTS

in millions of euros	12/31/2019	12/31/2018
Guarantee commitments given		
Documentary credit confirmations	0	0
Other bonds and endorsements	0	0
Other guarantees	10,265	9,524
To banks	**10,265**	**9,524**
Real estate guarantees	0	0
Government and tax guarantees	0	0
Other bonds and endorsements	206	887
Other guarantees given	0	7
To customers	**206**	**894**
TOTAL GUARANTEE COMMITMENTS GIVEN	**10,471**	**10,418**
Guarantee commitments received from banks	4,918	6,017
Guarantee commitments received from customers	0	0
TOTAL GUARANTEE COMMITMENTS RECEIVED	**4,918**	**6,017**

5.1.3 OTHER COMMITMENTS NOT RECOGNIZED OFF-BALANCE SHEET

in millions of euros	12/31/2019 Commitments given	12/31/2019 Commitments received	12/31/2018 Commitments given	12/31/2018 Commitments received
Other securities pledged as collateral provided to banks	53,955	14,574	56,070	14,309
Other securities pledged as collateral received from customers	0	0	0	0
TOTAL	**53,955**	**14,574**	**56,070**	**14,309**

At December 31, 2019, receivables pledged as collateral under funding arrangements included in particular:

- €34,276 million in negotiable debt securities pledged to Banque de France under the TRICP system, compared with €33,926 million at December 31, 2018;
- €5,658 million in loans pledged as collateral for funding received from the European Investment Bank (EIB) *versus* €5,798 million at December 31, 2018.

No other major commitments were given by BPCE as collateral for its own commitments or for those of third parties.

BPCE did not receive a significant amount of assets as collateral from customers.

5.2 FORWARD FINANCIAL INSTRUMENTS

Accounting principles

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 nominal value of the contracts. 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 on the hedged item. Gains and losses on hedging instruments are recognized on the same line as the income and expenses on the hedged item, under "Interest and similar income" and "Interest and similar expenses". The "Net gains or losses on trading book transactions" line 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, in the amount of the overhedged portion, if the instrument shows an unrealized loss. In such case, the charge to provisions will affect "Net gains or losses on trading book transactions".

Income and expenses related to futures 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.

Income and expense related to certain contracts, qualifying as isolated open positions, are recorded in the income statement either when the contracts are settled or on a pro rata basis, depending on the type of instrument.

Recognition of unrealized gains or losses is determined based on the type of market involved (organized, other markets considered as organized, or over the counter).

On over-the-counter markets (including transactions processed by a clearing house), a provision is recorded for any unrealized losses (relative to the instrument's mark-to-market). 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 reflect counterparty risk and taking into account the net present value of future management costs, if these valuation adjustments are material. Derivatives 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 contracts or isolated open positions are immediately recognized in the income statement;
- for micro-hedging and macro-hedging transactions, balances are amortized over the remaining term of the initially hedged item or immediately recognized in the income statement.

5

Options

The notional amount of the underlying asset of an option or forward contract is recognized by distinguishing between hedging contracts and contracts traded for the purposes 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 measured and recognized in the income statement. 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 the income statement.

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 within a range that reflect market practices when the underlying financial instrument is itself quoted on an organized market.

5.2.1 FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE FUTURES

	12/31/2019				12/31/2018			
in millions of euros	Hedging transactions	Other transactions	Total	Fair value	Hedging transactions	Other transactions	Total	Fair value
Forward transactions								
Interest rate contracts			0				0	0
Foreign currency contracts			0				0	0
Other contracts			0				0	0
Transactions on organized markets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Forward rate agreements (FRA)							0	
Interest rate swaps	138,975	350	139,325	2,178	117,017	535	117,552	1,790
Foreign exchange swaps[1]	15,754		15,754	22	28,073		28,073	74
Currency swaps[1]	14,291		14,291	527	21,726		21,726	213
Other foreign currency contracts	395		395	0	301		301	0
Other forward and futures contracts[2]	518		518	1	337	4,363	4,700	(6)
Over-the-counter transactions	**169,933**	**350**	**170,283**	**2,728**	**167,454**	**4,898**	**172,3522**	**2,071**
TOTAL FORWARD TRANSACTIONS	**169,933**	**350**	**170,283**	**2,728**	**167,454**	**4,898**	**172,352**	**2,071**
Options								
Interest rate options			0				0	0
Foreign currency options			0				0	0
Other options			0				0	0
Transactions on organized markets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate options	154		154	(1)	278		278	(2)
Foreign currency options			0				0	0
Other options[2]		0	0	0		20,228	20,228	(570)
Over-the-counter transactions	**154**	**0**	**154**	**(1)**	**278**	**20,228**	**20,506**	**(572)**
TOTAL OPTIONS	**154**	**0**	**154**	**(1)**	**278**	**20,228**	**20,506**	**(572)**
TOTAL FINANCIAL AND FOREIGN CURRENCY FUTURES	**170,087**	**350**	**170,437**	**2,727**	**167,732**	**25,126**	**192,858**	**1,499**

(1) From 12/31/2019, only the receiving leg of foreign exchange swaps and currency swaps is presented.

(2) The significant variations in "Other forward and futures contracts" and "Other options" were due to the winding-up of the Natixis CIB exposures run-off activity, representing -€4 billion for the residual nominal amount of the total return swaps ("Other contracts") and -€20 billion for the option on cumulative income generated on the total return swaps over ten years (option covering the amount of initial exposures guaranteed).

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.

5.2.2 BREAKDOWN OF OVER-THE-COUNTER INTEREST RATE INSTRUMENTS BY TYPE OF PORTFOLIO

	12/31/2019				12/31/2018			
in millions of euros	Micro-hedging	Macro-hedging	Isolated open positions	Total	Micro-hedging	Macro-hedging	Isolated open positions	Total
Forward rate agreements (FRA)				0				0
Interest rate swaps	76,624	62,351	350	139,325	75,361	41,656	535	117,552
Currency swaps	14,291			14,291	21,726			21,726
Other interest rate futures contracts				0				0
Forward transactions	**90,915**	**62,351**	**350**	**153,616**	**97,087**	**41,656**	**535**	**139,278**
Interest rate options	154			154	278			278
Options	**154**	**0**	**0**	**154**	**278**	**0**	**0**	**278**
TOTAL	**91,069**	**62,351**	**350**	**153,770**	**97,365**	**41,656**	**535**	**139,556**

	12/31/2019				12/31/2018			
in millions of euros	Micro-hedging	Macro-hedging	Isolated open positions	Total	Micro-hedging	Macro-hedging	Isolated open positions	Total
Fair value	2,682	22	0	2,704	1,924	75	2	2,001

No transactions were transferred from one portfolio to another during the period.

5.2.3 COMMITMENTS ON FORWARD FINANCIAL INSTRUMENTS BY TERM OUTSTANDING

	12/31/2019			
in millions of euros	Less than 1 year	1 to 5 years	Over 5 years	Total
Transactions on organized markets				0
Over-the-counter transactions	92,098	51,560	26,625	170,283
Forward transactions	**92,098**	**51,560**	**26,625**	**170,283**
Transactions on organized markets				0
Over-the-counter transactions	110	36	8	154
Options	**110**	**36**	**8**	**154**
TOTAL	**92,208**	**51,596**	**26,633**	**170,437**

5.3 BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

	12/31/2019		12/31/2018	
in millions of euros	Assets	Liabilities	Assets	Liabilities
Euro	300,395	274,362	297,457	276,109
Dollar	20,807	34,990	18,750	28,858
Pound sterling	261	3,466	93	3,512
Swiss franc	2,113	742	2,017	505
Yen	2,349	9,678	1,394	8,328
Other	953	3,640	555	2,954
TOTAL	**326,878**	**326,878**	**320,266**	**320,266**

5.4 FOREIGN CURRENCY TRANSACTIONS

Accounting principles

Gains and losses on 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 measured at the exchange rate prevailing at the balance sheet date. Realized and unrealized foreign exchange gains and losses are recognized in the income statement. Income and expenses paid or received in foreign currencies are recognized at the exchange rate prevailing at the transaction date.

Fixed assets and investments in associates denominated in foreign currencies but financed in euros are recognized at acquisition cost.

Non-settled spot foreign exchange transactions are measured at the exchange rate prevailing at the balance sheet date.

Discounts or premiums on foreign exchange forward contracts used for hedging purposes are recognized in the income statement on a pro rata basis. Other foreign exchange contracts and forward and futures instruments denominated in foreign currencies are marked to market. Outright foreign exchange forward contracts, and those hedged by forward and futures instruments, are restated over the remaining term. Foreign exchange swaps are recognized as pairs of spot purchase/forward sale transactions. Currency swaps are subject to the provisions of ANC Regulation No. 2014-07.

in millions of euros	12/31/2019	12/31/2018
Spot foreign exchange transactions		
Currencies receivable not received	116	13
Currencies deliverable not delivered	116	13
TOTAL	**232**	**26**

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.

Its individual company financial statements are incorporated in the consolidated financial statements of Groupe BPCE and BPCE SA group.

6.2 REMUNERATION, RECEIVABLES, LOANS AND COMMITMENTS

Total remuneration paid in 2019 to members of the Management Board amounted to €3.8 million and €0.3 million was paid to members of the Supervisory Board.

Provisions for retirement bonuses for fiscal year 2019 amounted to €3 million for members of the Management Board.

6.3 OPERATIONS IN NON-COOPERATIVE COUNTRIES

The provisions of Article L. 511-45 of the French Monetary and Financial Code and the Order of October 6, 2009, issued by the French Economy Minister, require credit institutions to disclose, in 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 with the aim of combating tax fraud and tax evasion.

These obligations are part of the broader worldwide goal of combating non-cooperative tax havens, which were defined at OECD meetings and summits, and are also designed to prevent money laundering and terrorist financing.

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 non-cooperative when it comes to exchanging information for tax purposes, and about the potential consequences of maintaining operations in non-cooperative territories. In addition, lists of non-cooperative territories have been integrated, in part, into software packages used to prevent money laundering with the objective of ensuring appropriate due diligence for transactions with non-cooperative countries and territories (implementation of Ministerial Decree No. 2009-874 of July 16, 2009). A central inventory of the Group's locations and activities in non-cooperative territories has been drawn up for the information of executive bodies.

This statement is based on the list of countries given in the April 8, 2016 Ministerial Decree, taken in accordance with Article 238-0-A of the French General Tax Code.

At December 31, 2019, BPCE had no offices or activities in non-cooperative tax havens.

5.7 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This report includes information specifically required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2019

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, 2019.

In the evolving context of health crisis linked to Covid-19, the Management Board approved these consolidated financial statements on February 4, 2020 considering the information available at that time.

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, 2019 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 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*code de déontologie*) for Statutory Auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- Deloitte & Associés: the main engagements conducted in fiscal year 2019 concerned certification, comfort letters issued in connection with issuance programs, reviews of compliance procedures and services provided as part of restructuring measures for Natixis perimeter and the achievement of attestations and missions of independent third party on the CSR information of the management report for BPCE S.A. and Natixis;
- Mazars: the main assignments carried out in the 2019 financial year concerned CSR information review missions and comfort letters issued in connection with issuance programs on the one hand, methodological review missions in support of the Risk Department and the Natixis MRM department, on the other hand;
- PricewaterhouseCoopers Audit: the main engagements conducted in fiscal year 2019 concerned certification, reviews of compliance procedures, services provided as part of restructuring measures, comfort letters issued in connection with issuance programs, tax consultations and CSR missions.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved under the circumstances described above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of associates, equity interests and long-term investments

Risk identified and main judgments

As of December 31, 2019, associates, equity interests and long-term investments recognized in BPCE SA's financial statements amounted to €25,421 million.

As indicated in note 4.4 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 depends on the discounting of the estimated future cash flows as they result from medium-term plans drawn up by the entities concerned and assessed by the Group.

We deemed the correct measurement of equity interests to be a key audit matter, given the areas of judgment inherent to structuring assumptions used, in particular for determining economic scenarios, financial forecasts or discount rates.

Our response

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.).

III. Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS PROVIDED TO THE SHAREHOLDERS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

With regard to events that occurred and elements known after the closing date of the financial statements and the date management report was available, relating to the effects of the Covid-19 crisis, Management Board informed us that they would communicate directly to the General Meeting called to approve the financial statements.

With respect to the fair presentation and the consistency with the financial statements of the information relating to the payment terms required by Article D. 441-4 of the French Commercial Code, we have the following observation: as indicated in the management report, the information does not include banking operations and related operations, as the Company considers these are not within the scope of the information to be produced.

REPORT ON CORPORATE GOVERNANCE

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

OTHER INFORMATION

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

Mazars was appointed as Statutory Auditors in the first statutes dated December 19, 2006 of GCE Nao (whose corporate name became BPCE in July 2009), throughout its inception. We were appointed as Statutory Auditors of BPCE by the annual general meeting of BPCE held on May 22, 2015 for Deloitte & Associés and on July 2, 2009 for PricewaterhouseCoopers Audit.

As at December 31, 2019, Mazars was in the thirteenth year of total uninterrupted engagement, including 11 years since the company became a public-interest entity, Deloitte & Associés was in the fifth year of total uninterrupted engagement, PricewaterhouseCoopers Audit in the eleventh.

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.

5

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics *(code de déontologie)* for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, March 25, 2020

The Statutory Auditors

Deloitte & Associés	**Mazars**	**PricewaterhouseCoopers Audit**
Sylvie Bourguignon	Charles de Boisriou	Nicolas Montillot
Marjorie Blanc-Lourme		Emmanuel Benoist

5.8 Controls of accounting and financial reporting quality

5.8.1 Roles and responsibilities in preparing and processing accounting and financial information

GENERAL PRINCIPLES OF RESPONSIBILITY WITHIN GROUPE BPCE

The production of accounting and financial information and verifications to ensure its accuracy are performed by the Finance functions of the entities included in the scope of consolidation.

Each entity has the resources to ensure the quality of accounting and financial data, in particular 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 Finance and Strategy division.

At Groupe BPCE, the preparation and processing of financial and accounting information falls under the responsibility of the Finance function. At the central institution, this function includes four departments of the Finance and Strategy division:

- the Financial Management department;
- the Performance Oversight department;
- the Accounting department;
- the Tax department.

The 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 consolidating and verifying these data for use in Group oversight and communication to third parties (auditors, investors, etc.).

In addition to consolidating accounting and financial information, the Finance and Strategy division has broad control duties:

- it coordinates Asset and Liability management by defining the Group's ALM rules and standards and ensuring they are properly applied;
- it manages and checks Groupe BPCE's balance sheet ratios and structural risks;
- it defines accounting standards and principles applicable to the Group 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 shared outside Groupe BPCE;
- it steers planning and strategic operations;
- it manages emergency financial plans in the event of idiosyncratic or systemic crises and coordinates the resolution plan.

MAIN CENTRAL INSTITUTION FUNCTIONS CONTRIBUTING TO THE PREPARATION AND COMMUNICATION OF ACCOUNTING AND FINANCIAL DATA AND THEIR RESPONSIBILITIES

The main functions involved in preparing and publishing accounting and financial information are Accounting, Finance Control and Investor Relations.

ACCOUNTING

The Accounting function is responsible for producing the individual and consolidated financial statements (Groupe BPCE and BPCE SA group) and the corresponding regulatory filings (particularly COREP and FINREP).

Within the Group, each entity's Accounting function is responsible for its individual financial statements (and, if applicable, the consolidated financial statements), its regulatory reports and disclosures to the central institution.

At BPCE, this role is assigned to the Accounting division, the head of which reports to the Chief Executive Officer in charge of Group Finance and Strategy.

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.

FINANCE CONTROL

The Finance Control function is responsible for preparing operating information.

5

Within Groupe BPCE, each entity's Finance Control office is in charge of operational oversight and for producing such information for the entity and for the central institution.

At BPCE, this role is assigned to the Group Performance Oversight division, the head of which reports to the Chief Executive Officer in charge of Group Finance and Strategy. In this area, its main duties are:

- coordinating oversight of the financial planning, budget and multi-year rolling forecast process;
- coordinating the oversight of business performance in support of the Retail 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 ratios, 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 for 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's 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 Head of Finance and Strategy. Its duties in respect of accounting and financial information are:

- 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 functions;
- 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 also produces and oversees Groupe BPCE's regulatory ratios on a consolidated basis and those of affiliated institutions in the regulatory financial statements.

The central institution also ensures that Groupe BPCE's affiliated institutions correctly apply accounting and prudential rules.

To ensure the reliability of the production processes, the Finance and Strategy division uses:

- an appropriate body of standards distributed to all Group entities;
- a single consolidated IT system that guarantees consistent treatment and analysis;
- a comprehensive body of documents respecting regulatory requirements;
- a standardized control mechanism, 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 Banques Populaires and Caisses d'Epargne and the Group's main subsidiaries, essentially Natixis, Crédit Foncier and Banque Palatine.

BODY OF STANDARDS

For the purposes of monitoring and correctly applying accounting and prudential rules, BPCE's 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;
- a consolidation reference framework designed to ensure the accuracy of the preparation of consolidated accounting, fiscal and prudential data.

This standard also includes the analysis and interpretation of new texts issued during a given period. The policies are regularly circulated *via:*

- Group instructions to affiliated 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 covering the production of reporting statements;
- presentations at Accounting and Tax days which provide details, including regulatory changes, that impact the accounting, prudential and fiscal work of affiliated institutions and the Group;
- training and activities aimed in particular at the accounting teams of consolidated entities.

A SINGLE CONSOLIDATED INFORMATION 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 procedures 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 Banques Populaires: 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;
- the Natixis sub-group has a consolidation tool that produces its financial statements and ratios on a consolidated basis, ensuring the consistency of data and providing 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.

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 that document workflows 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 controls) that must be carried out.

CHANGES IN 2019

In 2019, the Group continued its efforts to standardize its accounting processes and streamline working methods for the production of consolidated accounting and financial data, while adapting them to internal and regulatory changes, in particular by:

- adapting software for the application of IFRS 16 on Leases from 2019;
- harmonizing the treatment of impairment of financial instruments under IFRS 9 and improving related documentation;
- completing the groupwide EDGAR program to improve the accuracy of governance data, analysis and reporting, aimed at meeting the requirements of Basel Committee Recommendation 239 on Banking Control, dated January 9, 2013 (implementing 11 principles to enhance risk data aggregation and risk reporting). This program is now operational under the responsibility of the Finance and Strategy division (Architecture and Reporting division) and a Steering Committee attended, inter alia, by the Risk division and the IT and Operational Excellence division;
- in terms of financial transactions, the migration of the Banques Populaires to the services center and the Group's technical platform was completed in the first half of 2019. This migration harmonized the processing of financial transactions, improved control of these transactions, and facilitated the production of standardized reporting statements. The Caisses d'Epargne, BPCE SA, CASDEN, Crédit Coopératif and Crédit Foncier de France completed their migration in 2018;
- producing the FSB Institution-to-Aggregate report, intended to safeguard against systemic risk and report the Group's consolidated position broken down by currency, country, maturity, counterparty sector and instrument.

5.8.3 Accounting and financial data control process

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 Decree of November 3, 2014 on internal control and texts governing BPCE. It concerns all Group companies, which are monitored on a consolidated basis.

The system is governed by an Umbrella Charter addressing the organization of Group internal control, which sets out the main principles, defines the scope of application, and lists all contributors along with their role, with the aim of ensuring that the internal control system of each company and the Group works effectively. This charter is supplemented by frameworks, including the framework on controls of accounting and financial information.

DEPLOYMENT OF THE CONTROL SYSTEM FOR ACCOUNTING AND FINANCIAL DATA

The Group has established and implemented a system for verifying the quality of accounting and financial information in accordance with the requirements of the Ministerial Decree of November 3, 2014 on internal control, and 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."

This system is implemented by various participants at three levels, ensuring a strict separation between the different lines of defense:

- level one controls are performed by all persons involved in the production and publication of accounting and financial information (controls of accounting information are coordinated by the Accounting division);
- level two controls are carried out by a specialized function (the Review function), working with other level two control participants, as applicable;
- level three controls are primarily conducted by the Statutory Auditors as part of their regulatory audit assignments (financial audit).

The Group Corporate Secretary's Office works with the Review function in the Financial Review department to apply this system based on rules and principles set out in three frameworks:

- the Framework for controls of accounting and financial information quality, which was approved by the Group Internal Control Coordination Committee on June 9, 2016 and which sets out the rules and principles for such controls and the associated responsibilities in the production and publication of information submitted to "the supervisory and control authorities or appearing in documents intended for publication" (regulatory reporting: financial, fiscal and regulatory reports);
- the Framework for the preparation and publication of oversight indicators and reports, approved by the Risk Standards and Methods, Compliance and Permanent Control Committee on December 12, 2018, which sets out the rules and principles for information submitted to the "executive managers or the supervisory body" (oversight or internal reports);
- the Framework for Statutory Auditor Assignments at Groupe BPCE, approved by the BPCE Supervisory Board on November 7, 2017, which sets out the rules and principles governing statutory audits in the Group.

AT INDIVIDUAL INSTITUTIONS

Internal control procedures are decentralized by nature owing to the Group's unique organizational structure and are adapted to the particular requirements of each consolidated entity, in compliance with the general rules and principles set by the Group.

AT THE CENTRAL INSTITUTION

Level one controls

In addition to the level one self-checking and control procedures performed in the entities responsible for preparing individual or consolidated financial statements, the quality of accounting and financial controls is also verified by the Accounting division, which oversees the production of accounting and financial information.

To this end, the Accounting division:

- sets accounting and prudential standards at the Group level for the production of individual and consolidated financial statements that meet French and IFRS accounting standards, and the production of regulatory reports for national or supranational oversight and control authorities;
- coordinates the accounting process, thereby increasing the quality of level one controls;
- examines the reports covering accounting and regulatory data that it receives by conducting multiple controls using data contained in the consolidation packages sent by the entities in the Group's scope of consolidation for the purposes of preparing the parent company and regulatory consolidated financial statements;
- conducts, 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 ACPR and in accordance with the rules agreed-upon with the ACPR (multiple consistency checks and analyses);
- checks, under the tax consolidation scheme for cooperative banking groups (Article 223 A *et seq.* of the French General Tax Code), the tax consolidation packages sent to the central institution by entities falling under the scope of said scheme.

Level two controls

The Group's level two control system is overseen by the Financial Review department. The Head of this department is a standing guest member of the Group Internal Control Coordination Committee and has been granted powers to set standards for the function. In conjunction with the shareholder institutions and Group subsidiaries, the Financial Review department maintains functional ties between local Review departments and the central institution to ensure the quality of the entire control system.

Under its groupwide duties, the department's primary activities are to:

- facilitate the sharing of best practices *via* a special-purpose committee (Auditors' Committee) and working groups;
- draft and distribute the set of standards and documents for the function;
- coordinate each entity's system for reporting to the central institution so that it can assess their system for producing and verifying accounting and financial information;
- perform on-site controls at entities whose systems are falling behind those of other entities;
- implement accounting controls to prevent and detect fraud, corruption or influence peddling;
- verify, on behalf of the Audit Committee, the Group's regulatory audit system and in particular services other than certification of financial statements.

Over and above its groupwide duties, the department performs operational audits of the central institution, as it does for each Group entity. These audits cover the processes and publication of reports by the central institution (regulatory and oversight reports), in conjunction with other level two control teams.

Level three controls

These controls are implemented by:

- 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 Group entity has at least one representative of the Group's Statutory Auditors on its panel;
- the Group Inspection Générale division, in audits of the Group's institutions and internal control procedures, including accounting and financial audits.

CHANGES IN 2019

In 2019, efforts to enhance the accounting and financial information control system continued, with:

- for the regulatory financial statements, the continued use of a control system based on local Review departments (for capital adequacy ratios, leverage ratios, FINREP, etc.) and the introduction of enhanced controls on ICAAP (internal capital adequacy assessment process) reports;
- the drafting of accounting control procedures to enhance the prevention and detection of fraud, corruption or influence peddling, in particular in compliance with the requirements of the Sapin 2 Act;
- the integration of the Financial Solutions and Expertise business line entities directly in the Review department's oversight and monitoring scope, which includes the transmission of reports to the central institution;
- for internal oversight reports, the implementation of controls to ensure compliance with Group rules, aimed at improving the quality of the reports and the data they contain, in particular with:
  - the publication of harmonized level two control standards to ensure compliance with the requirements of the Ministerial Decree of November 3, 2014 on internal control and BCBS Recommendation 239 of January 9, 2013,

– the implementation of support and training for permanent control staff at each Group entity.

BODIES RESPONSIBLE FOR ACCOUNTING AND FINANCIAL INFORMATION

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 oversight of the accounting and financial information production process, the statutory audit of the annual and consolidated financial statements and the Statutory Auditors' independence, are provided in Chapter 3 "Corporate governance".

The Finance Committee is composed of executives from each of the two networks and is tasked with reviewing all financial matters relating to the shareholder community, which it does in line with each of the Group committees addressing these matters and provides an advisory opinion.

In addition, BPCE's Management Board has tasked the Finance and Strategy division with organizing the coordination, information and decision-making process on financial and accounting matters through the Finance function's supervisory committees, organized around three categories:

- permanent committees;
- coordination and reporting committees: 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 committees that manage and coordinate projects with fixed deadlines.

In order to ensure the transparency and security of the system, these committees are formally governed by regulations that define the operation, organization, composition and role of each committee, along with the rules for reporting on their discussions. The Finance and Strategy division's committees always involve representatives from the shareholder institutions and, if applicable, Groupe BPCE's subsidiaries.

5.9 Persons responsible for auditing the financial statements

5.9.1 Statutory Audit system

Within the Group, the main rules that govern the Statutory Audit system and aim to guarantee Statutory Auditor independence in Groupe BPCE companies are defined in the "Framework for Statutory Auditor Assignments at Groupe BPCE," (the "Framework") validated by BPCE's Supervisory Board on November 7, 2017.

Applicable to all Group businesses, the "Framework" primarily defines:

- the rules governing the selection of Statutory Auditors for the Group and its entities;
- the rules governing the services that may be provided by Statutory Auditors (or their networks);
- the role of Audit Committees with respect to monitoring the system.

On the appointment of Group Statutory Auditors: in line with the new regulation, the Group recommends that each Group company continues to designate at least one network of Statutory Auditors that certify BPCE's consolidated and individual financial statements to ensure there is a consistent, harmonized financial audit system available across the Group. However, each 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" and were subject to an annual review validated by BPCE's Audit Committee on November 5, 2019. They have been distributed to all Group entities.

In terms of system oversight: each company's Audit Committee:

- examines the 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 types of services rendered as recorded in each company's income statement;
- ensures compliance with the principles laid out in the "Framework", rules governing the rotation of Statutory Auditors and the rotation of signatory partners and the implementation of a Statutory Auditor selection procedure at the end of each maximum term of office;
- to that end, relies on the controls of accounting and financial information performed by the Review function. A Group standard on the verification of the independence of Statutory Auditors, which was updated and approved by the Standards and Methods Committee on December 12, 2018, sets out this function's role in this respect and the main due diligence review it must complete. 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.

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, 2019, the Statutory Auditors were:

PricewaterhouseCoopers Audit	Deloitte & Associés	Mazars
63, rue de Villiers 92208 Neuilly-sur-Seine Cedex	6, place de la Pyramide 92908 Paris-La Défense Cedex	61, rue Henri-Regnault 92075 Paris-La Défense Cedex

PricewaterhouseCoopers Audit (672006483 RCS Nanterre), Deloitte et Associés (572028041 RCS Nanterre) and Mazars (784824153 RCS Nanterre) are registered as Statutory Auditors, members of the Compagnie Régionale des Commissaires aux Comptes de Versailles and under the authority of the Haut Conseil du Commissariat aux Comptes.

PRICEWATERHOUSECOOPERS AUDIT

The Annual General Shareholders' Meeting of BPCE of May 22, 2015, voting under the conditions of quorum and majority applicable to Ordinary General Shareholders' Meetings, resolved to renew the term of PricewaterhouseCoopers Audit for a period of six fiscal years, *i.e.* until the Ordinary General Shareholders' Meeting to be held in 2021, convened to approve the financial statements for the year ending December 31, 2020.

PricewaterhouseCoopers Audit is represented by Nicolas Montillot and Emmanuel Benoist.

Substitute: Jean-Baptiste Deschryver, of 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, appointed for a period of six fiscal years, *i.e.* until the Ordinary General Shareholders' Meeting to be held in 2021, convened to approve the financial statements for the year ending December 31, 2020.

DELOITTE & ASSOCIÉS

The Annual General Shareholders' Meeting of BPCE of May 22, 2015, voting under the conditions of quorum and majority applicable to Ordinary General Shareholders' Meetings, resolved to appoint Deloitte & Associés for a period of six fiscal years, *i.e.* until the Ordinary General Shareholders' Meeting to be held in 2021, convened to approve the financial statements for the year ending December 31, 2020.

Deloitte & Associés is represented by Sylvie Bourguignon and Marjorie Blanc Lourme.

Substitute: BEAS, represented by Damien Leurent, of 6, place de la Pyramide, 92908 Paris-La Défense, appointed 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

Following a proposal made by the Supervisory Board and the opinion of the Audit Committee, the Annual General Shareholders' Meeting of BPCE of May 24, 2019, 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 2025, convened to approve the financial statements for the year ending December 31, 2024.

Mazars is represented by Charles De Boisriou.

Substitute: Anne Veaute, of 61, rue Henri-Regnault, 92075 Paris-La Défense Cedex, appointed for a period of six fiscal years, *i.e.* until the Ordinary General Shareholders' Meeting held in 2019, convened to approve the financial statements for the year ended December 31, 2018.

5

6

RISK REPORT

6.1	**Key figures**	**557**
6.1.1	Types of risk	559
6.1.2	Regulatory changes	560
6.2	**Risk factors**	**561**
6.3	**Risk management system**	**571**
6.3.1	Adequacy of risk management systems	571
6.3.2	Risk appetite	571
6.3.3	Risk management	574
6.3.4	Internal control	581
6.3.5	Recovery Plan	585
6.4	**Capital management and capital adequacy**	**586**
6.4.1	Regulatory framework	586
6.4.2	Scope of application	587
6.4.3	Composition of regulatory capital	590
6.4.4	Regulatory capital requirements and risk-weighted assets	593
6.4.5	Management of capital adequacy	594
6.5	**Credit risks**	**598**
6.5.1	Credit risk management	598
6.5.2	Risk measurement and internal ratings	604
6.5.3	Credit risk mitigation techniques	609
6.5.4	Quantitative disclosures	612
6.6	**Counterparty risk**	**620**
6.6.1	Counterparty risk management	620
6.6.2	Quantitative disclosures	621
6.7	**Securitization transactions**	**623**
6.7.1	Regulatory framework and accounting methods	623
6.7.2	Securitization management at Groupe BPCE	625
6.7.3	Quantitative disclosures	626
6.8	**Market risks**	**629**
6.8.1	Market risk policy	629
6.8.2	Market risk management	629
6.8.3	Market risk measurement methods	630
6.8.4	Quantitative disclosures	632
6.9	**Liquidity, interest rate and foreign exchange risks**	**635**
6.9.1	Governance and structure	635
6.9.2	Liquidity risk management policy	635
6.9.3	Quantitative disclosures	637
6.9.4	Management of structural interest rate risk	640
6.9.5	Management of structural foreign exchange risk	641
6.10	**Legal risks**	**642**
6.10.1	Legal and arbitration proceedings – BPCE	642
6.10.2	Legal and arbitration proceedings – Natixis	642
6.10.3	Dependency	645
6.11	**Non-compliance and security risks**	**646**
6.11.1	Compliance	646
6.11.2	Financial security	648
6.11.3	Business continuity	649
6.11.4	Information System Security (ISS)	649
6.12	**Operational risks**	**651**
	Insurance risks	654
6.13	**Climate risk**	**658**
	Highlights and strategic objectives	658

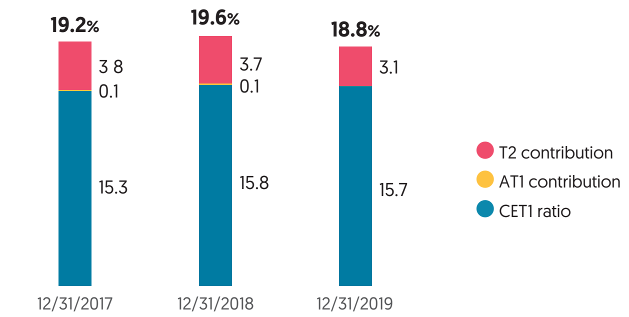
Some disclosures required under IFRS 7 on the nature and the extent of various risks are presented in this report and covered by the Statutory Auditor's opinion on the consolidated financial statements. Such disclosures are flagged by the statement "Information provided in the respect of IFRS 7" and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

The Pillar III report is available in the "Results and publications" section of Groupe BPCE website (www.groupebpce.com), under "Pillar III".

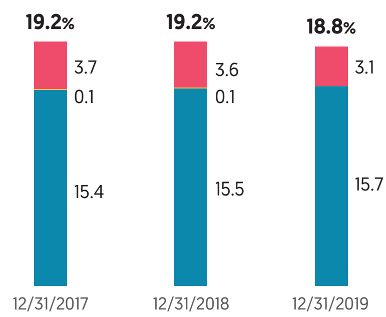
6.1 Key figures

KEY FIGURES

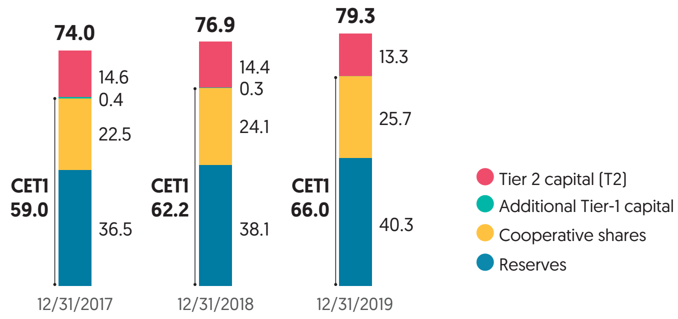
PHASED-IN CAPITAL RATIOS *(as a %)*



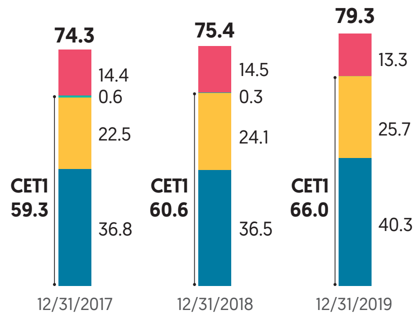
FULLY-LOADED CAPITAL RATIOS[1] *(as a %)*



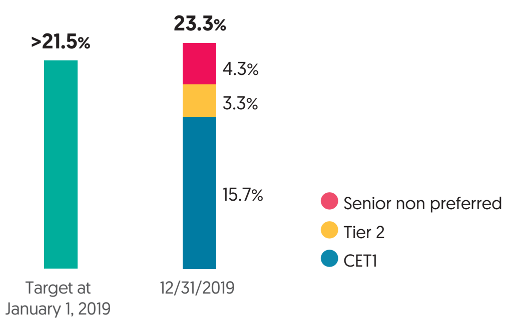
PHASED-IN REGULATORY CAPITAL
(in billions of euros)



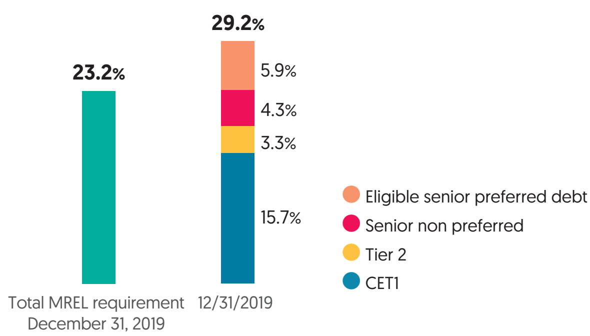
FULLY-LOADED REGULATORY CAPITAL[1]
(in billions of euros)



TLAC RATIO *(as a % of RWAs)*

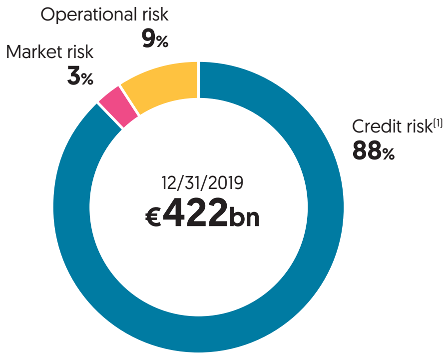


MREL RATIO[2] *(as a % of RWAs)*

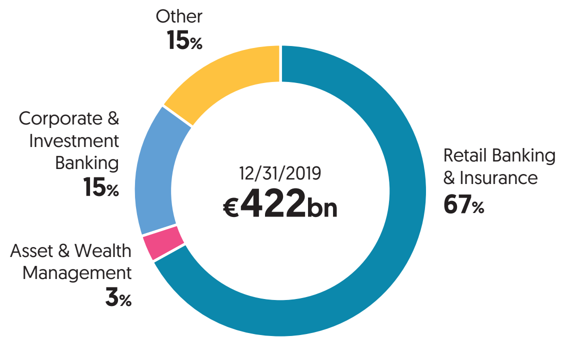


(1) CRR/CRD IV without transitional measures; additional Tier 1 capital includes subordinated debt issues that have become ineligible at the phase-out rate in force.
(2) Based on the ACPR notification of 01/20/2020

BREAKDOWN OF RISK-WEIGHTED ASSETS BY TYPE OF RISK



BREAKDOWN OF RISK-WEIGHTED ASSETS BY BUSINESS LINE



ADDITIONAL INDICATORS

	12/31/2019	12/31/2018
Cost of risk (in basis points)*	19	19
Non-performing/gross outstanding loans	2.7%	2.8%
Impairment recognized/non-performing loans	45.9%	45.0%
Groupe BPCE's consolidated VaR *(in millions of euros)*	8.5	14.2
LCR	>110%	>110%
Liquidity reserves *(in billions of euros)*	231	204

* Excluding non-recurring items.

(1) Including Settlement risk.

6.1.1 Types of risk

Risk macro-category	Definition
Credit and counterparty risks	Risk of loss resulting from the inability of clients, issuers or other counterparties to honor their financial commitments. It includes counterparty risk related to market transactions (replacement risk) and securitization activities. It can be exacerbated by concentration risk.
Financial risks	
• Market risk	Risk of loss in value of financial instruments resulting from changes in market inputs, from the volatility of these inputs or from the correlations between these inputs. Inputs include exchange rates, interest rates and prices of securities (equities, bonds), commodities, derivatives or any other assets, such as real estate assets.
• Liquidity risk	Risk that the Group cannot meet its cash requirements or collateral requirements when they fall due and at a reasonable cost.
• Structural interest rate risk	Risk of loss in interest income or in the value of a fixed-rate structural position in the event of changes in interest rates. Structural interest rate risks are associated with commercial activities and proprietary transactions.
• Credit spread risk	Risk associated with a decline in the creditworthiness of a specific issuer or a specific category of issuers.
• Foreign exchange risk	Risk of loss in interest income or in the value of a fixed-rate structural position in the event of changes in exchange rates. Structural interest rate and foreign exchange risks are associated with commercial activities and proprietary transactions.
Non-financial risks	
• 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 with 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 failures attributable to procedures, employees and internal systems (including in particular information systems) or external events, including events with a low probability of occurrence but with a risk of high loss.
Insurance underwriting risks	Risk, above and beyond management of asset-liability risks, associated with the pricing of mortality risk premiums and structural risks related to life and non-life insurance businesses, including pandemics, accidents and disasters (earthquakes, hurricanes, industrial accidents, terrorist acts and military conflicts).
Strategic business and ecosystem risks	
• Solvency risk	Risk that the company will be unable to honor its long-term commitments and/or ensure the continuity of its ordinary operations in the future.
• Climate risk	Vulnerability of banking activities to climate change, where a distinction can be made between physical risk directly relating to climate change and transition risk associated with efforts to combat climate change.

6

6.1.2 Regulatory changes

Multiple regulatory developments took place in 2019, along with the announcement of yet another very busy timetable for the next few months on both the European and international front.

International developments:

The Basel Committee for Banking Supervision (BCBS) has begun working to recalibrate the prudential framework on CVA risk, while continuing the Regulatory Consistency Assessment Program (RCAP) aimed at evaluating the transposition of the Basel III reform, both in terms of content and timetable. The "Finalization of Basel III" involves the revision of methods used to measure credit risk, CVA risk and operational risk, as well as the application of an RWA floor. The finalization was published in December 2017 and calls for all reforms, including the FRTB, to take effect in 2022.

The Financial Stability Board (FSB) is assessing the impact of the reforms: after issuing reports on the OTC derivatives market and infrastructure financing (11/2018), the FSB recently published a report on SME financing (11/2019) and is planning to conduct another consultation on "too-big-to-fail" risk (6/2020). The FSB is also fostering discussion on the fragmentation of the financial market, particularly in the 06/2019 report (updated in 10/2019) examining whether it would be appropriate to differentiate the implementation of the reform by jurisdiction and ring-fencing measures.

European developments:

Once the Risk Reduction Measures (RRM) package was finalized, CRR 2, CRD 5, BRRD 2 and SRMR 2 entered into force in 06/2019, and the deployment of Level 2 (calls for advice and other requests for reports and guidelines) was launched by the European Banking Authority (EBA), which incidentally moved to Paris La Défense in 06/2019. The work plan spans several years, prioritizing in particular the implementation of the standardized approach for measuring credit and counterparty risk (SA-CCR) and the reform of the Fundamental Review of the Trading Book (FRTB) for market risk.

Another important development is the review of the European Deposit Insurance Scheme (EDIS), which is central to the compromise between "host" and "home" countries on the revision of the Capital Requirements Regulation (CRR) and was taken up by a dedicated working group on the Council in order to present a roadmap at the ECOFIN meeting of 12/2019. Fast-track developments include a reinsurance project in the short term, aimed at promoting cross-border mergers and protecting depositors in countries dependent on banks based in another European Union Member State.

BPCE considers CRR3/CRD6 (transposition of Basel IV) and EDIS to be the priorities for 2020.

Meanwhile, in France, the findings of the Financial Sector Assessment Process (FSAP) commissioned by the IMF revived the debate on macro-prudential risks and the overheated real estate market, amid persistently low interest rates and the ongoing quest for bank profitability.

RISK REDUCTION MEASURES ("BANKING PACKAGE")

The final versions of CRR 2, CRD 5, BRRD 2 and SRMR were published in the EUOJ on June 7, 2019, confirming the following points as expected by the banking industry at large and BPCE in particular: the Danish compromise was upheld as-is (pertaining to the weighing of bank investments in insurance companies), fairness was introduced in terms of subordination requirements (re: Resolution) between the 37 Top Tier Banks and GSIBs, the FRTB was introduced while being initially limited to the reporting requirement only, and repo/trade finance/factoring activities will be subject to more favorable treatment with respect to the NSFR. A compromise was reached regarding leverage ratio window dressing, calling for the calculation of the leverage ratio to remain unchanged, with banks "simply" required to submit additional reports (on average daily) on securities financing transactions (SFTs) and derivatives to supervisors (2019 program).

TRANSPOSITION OF BASEL IV

The EBA answered the sections of the European Commission's May 2018 Call for Advice on credit risk, operational risk, the output floor and treatment of securities financing transactions. The EBA will subsequently be answering the sections of the August 2019 Call for Advice on CVA risk and treatment of specialized lending transactions.

The application of the output floor (at the consolidated or individual level) is shaping up to be a hot-button issue, given the ongoing controversy surrounding the treatment of cross-border banking groups and the opposition between "home" and "host" EU Member States.

6.2 Risk factors

The banking and financial environment in which Groupe BPCE operates exposes the bank to numerous risks, calling for the implementation of an increasingly strict, demanding policy to control and manage these risks.

Some of the risks to which Groupe BPCE is exposed are set out below. However, this is not a comprehensive list of all of the risks incurred by Groupe BPCE in the course of conducting its business or given the environment in which it operates. The risks presented below are those identified to date as significant and specific to Groupe BPCE, and liable to have a material adverse impact on its business, financial position and/or results. For each of the risk sub-classes listed below, the risk factor considered to date by Groupe BPCE as the most significant is listed first.

The risks presented below are those identified to date as liable to have an adverse impact on the businesses of BPCE SA group and BPCE SA.

CREDIT AND COUNTERPARTY RISKS

A substantial increase in asset impairment expenses recorded on Groupe BPCE's outstanding loans and receivables may have a material adverse impact on its results and financial position.

In the course of its lending activities, Groupe BPCE regularly recognizes charges for asset impairments in order to reflect, if necessary, actual or potential losses on its portfolio of loans and receivables. Such impairments are expensed under "Cost of risk." Groupe BPCE's total charges for asset impairments are based on the Group's measurement of past losses on loans, volumes and types of loans granted, industry standards, loans in arrears, economic conditions and other factors associated with the recoverability of various types of loans. While Groupe BPCE makes every effort to set aside a sufficient level of provisions for asset impairment expenses, its lending activities may cause it in the future to have to increase its expenses for losses on loans, due to a rise in non-performing loans or for other reasons such as the deterioration of market conditions or factors affecting certain countries. Any substantial increase in charges for losses on loans, material change in Groupe BPCE's estimate of the risk of loss associated with its portfolio of loans, or any loss on loans exceeding past impairment expenses, could have an adverse impact on Groupe BPCE's results and financial position.

For information purposes, Groupe BPCE's cost of risk amounted to €1.4 billion in 2019. At December 31, 2019, credit risks accounted for 88% of Groupe BPCE's risk-weighted assets. Its customer segment exposure can be broken down as follows: 40% retail customers and 28% corporate customers. In geographic terms, nearly 80% of overall exposures are located in France.

Consequently, the risk associated with a significant increase in impairment expenses on assets booked to Groupe BPCE's loans and receivables portfolio is significant for Groupe BPCE in terms of impact and probability, and is therefore monitored carefully and proactively.

A decline in the financial strength 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 a decline in the financial strength of other financial institutions and market players. Institutions are closely interconnected owing to their trading, clearing, counterparty and financing operations. A default by a sector player, or even mere rumors or concerns regarding one or more financial institutions or the financial industry in general, may lead to a general contraction in market liquidity and subsequently to losses or further defaults in the future. Groupe BPCE is directly or indirectly exposed to various financial counterparties, such as investment service providers, commercial or investment banks, clearing houses and CCPs, mutual funds, hedge funds, and other institutional clients, with which it regularly conducts transactions. The default or failure of any such counterparties may have an adverse impact on Groupe BPCE's financial position. Moreover, Groupe BPCE may be exposed to the risk associated with the growing involvement of operators subject to little or no regulation in its business sector and to the emergence of new products subject to little or no regulation (including in particular crowdfunding and trading platforms). This risk would be exacerbated if the assets held as collateral by Groupe BPCE could not be sold or if their selling price would not cover all of Groupe BPCE's exposure to defaulted loans or derivatives, or in the event of fraud, embezzlement or other misappropriation of funds committed by financial sector participants in general to which Groupe BPCE is exposed, or if a key market operator such as a CCP defaults.

Exposures to "Institutions" totaled €60.2 billion, *i.e.* 5% of Groupe BPCE's total gross exposures (€1,204 billion) at December 31, 2019. In geographic terms, 72% of gross exposures to "Institutions" are located in France.

Groupe BPCE may be vulnerable to political, macroeconomic and financial environments or to specific circumstances in its countries of operation.

Some Groupe BPCE entities are exposed to country risk, which is the risk that economic, financial, political or social conditions in a foreign country (particularly in countries where the Group conducts business) may affect their financial interests. Groupe BPCE predominantly does business in France (76% of net banking income for the fiscal year ended December 31, 2019) and North America (11% of net banking income for the fiscal year ended December 31, 2019), with other European countries and the rest of the world accounting for 8% and 5%, respectively, of net banking income for the fiscal year ended December 31, 2019. Note 12.6 to the consolidated financial statements of Groupe BPCE "Locations by country", contained in the "2019 universal registration document", lists the entities established in each country and gives a breakdown of net banking income and income before tax by country of establishment.

A significant change in the political or macroeconomic environment of such countries or regions may generate additional expenses or reduce profits earned by Groupe BPCE.

A major economic disruption, such as the 2018 financial crisis, the 2011 sovereign debt crisis in Europe, or the outbreak of an epidemic such as the coronavirus (the magnitude and duration of which are unknown at this point) may have a material adverse impact on all Groupe BPCE activities, particularly if the disruption encompasses a lack of liquidity on the market, making it difficult for Groupe BPCE to obtain funding. In particular, some risks fall outside the scope of the natural economic cycle owing to their external nature. Examples range from the very short-term consequences of Brexit, the deteriorating quality of corporate debt around the world (*e.g.* leveraged loan market) and the threat of seeing the coronavirus outbreak escalate (given the weight of the Chinese economy and international relations with China), to the longer-term impacts of climate change. During the last two major financial crises (2008 and 2011), the financial markets were subject to strong volatility in response to various events, including but not limited to the decline in oil and commodity prices, the slowdown in emerging economies and turbulence on the equity markets, which have directly or indirectly impacted several Groupe BPCE businesses (primarily securities transactions and financial services).

The very recent emergence of Covid-19 and rapid spread of the pandemic across the globe have adversely impacted economic conditions in multiple business sectors and the financial position of economic agents, while also disrupting the financial markets. Many affected countries have been forced to implement confinement measures, further significantly reducing business activity for economic operators. In response, massive fiscal measures and monetary policy initiatives have been undertaken to stimulate activity. The French government, for example, has instituted a government-backed loan program for businesses and professionals, and set up partial unemployment measures along with other tax, social security and bill payment measures for individuals. For its part, the European Central Bank has made access to highly substantial refinancing operations more abundant and less expensive.

The Covid-19 epidemic creates risk for Groupe BPCE in that (i) it has called for organizational changes (e.g. telework) liable to generate operational risk, (ii) it has slowed trading on the money markets and may have an impact on liquidity supply; (iii) it has increased customer cash requirements, and thus the amounts loaned to customers to help them get through the crisis, (iv) it could bring about a rise in business failures, especially among more vulnerable companies or those operating in highly exposed sectors, and (v) it has triggered sudden shifts in the valuation of market assets, which may affect market activities or business investments.

However, the impact of these various risks will be significantly mitigated by the massive business stimulus measures established by the world's governments and by the additional cash provided to banks and injected on the markets by the Central Banks.

Developments in the Covid-19 pandemic are a major source of uncertainty. At the filing date of the Universal Registration Document, the impact of this situation, taking into consideration the aforementioned stimulus measures, on Groupe BPCE's business lines (retail banking, insurance, asset management, corporate and investment banking), earnings (net banking income and cost of risk especially) and financial position (liquidity and capital adequacy) is difficult to quantify.

Moreover, the markets on which Groupe BPCE operates may be affected by uncertainties such as Brexit conditions. The UK's official departure from the European Union on January 31, 2020 marked the beginning of a transition period set to run through the end of the year. Negotiations to determine future relations between the United Kingdom and the European Union, particularly in terms of commercial, financial and legal agreements, have begun. The nature, timetable, and economic and political impacts of Brexit are still highly uncertain and will depend on the outcome of the negotiations between the United Kingdom and the European Union.

For more detailed information, see Chapters 4.2.1 "Economic and financial environment" and 4.7 "Outlook for Groupe BPCE" of the 2019 universal registration document.

FINANCIAL RISKS

Groupe BPCE is dependent on its access to funding and other sources of liquidity, which may be limited for reasons outside its control, thus potentially having a material adverse impact on its results.

Access to short-term and long-term funding is critical for the conduct of Groupe BPCE's business. Unsecured sources of funding for Groupe BPCE include deposits, issues of long-term debt and short/medium-term negotiable debt securities, banks loans and credit lines. Groupe BPCE also uses funding secured in particular by reverse repurchase agreements. If Groupe BPCE were unable to access the secured and/or unsecured debt market at conditions deemed acceptable, or incurred an unexpected outflow of cash or collateral, including a significant decline in customer deposits, its liquidity may be negatively affected. Furthermore, if Groupe BPCE were unable to maintain a satisfactory level of customer deposits (*e.g.* in the event its competitors offer higher rates of return on deposits), it may be forced to obtain funding at higher rates, which would reduce its net interest income and results.

Groupe BPCE's liquidity, and therefore its results, may also be affected by unforeseen events outside its control, such as general market disruptions, operational hardships affecting third parties, negative opinions on financial services in general or on the short/long-term outlook for Groupe BPCE, changes in Groupe BPCE's credit rating, or even the perception of the position of Groupe BPCE or other financial institutions among market operators.

Groupe BPCE's access to the capital markets, and the cost of long-term unsecured funding, are directly related to changes in its credit spreads on the bond and credit derivatives markets, which it can neither predict nor control. Liquidity constraints may have a material adverse impact on Groupe BPCE's financial position, results and ability to meet its obligations to its counterparties.

Groupe BPCE's liquidity reserves include cash placed with central banks and securities and receivables eligible for central bank funding. Groupe BPCE's liquidity reserve amounted to €231 billion at December 31, 2019, covering 155% short-term funding and short-term maturities of MLT debt. Over the last 12 months, the one-month LCR (Liquidity Coverage Ratio) averaged 141% at December 31, 2019 *versus* 129.7% at December 31, 2018. Any restriction on Groupe BPCE's access to funding and other sources of liquidity could have a material adverse impact on its results. Given the significance these risks hold for Groupe BPCE in terms of impact and probability, they are carefully and proactively monitored.

Significant changes in interest rates may have a material 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. In the last decade, interest rates have tended to be low but may increase, and Groupe BPCE may not be able to immediately pass on the impacts of this change. Changes in market interest rates may have an impact on the interest rate applied to interest-bearing assets, different from those of interest rates paid on interest-bearing liabilities. Any adverse change in the yield curve may reduce net interest income from associated lending and funding activities and thus have a material adverse impact on Groupe BPCE's net banking income and profitability.

The sensitivity of the net present value of Groupe BPCE'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 stood at -5.7% at December 31, 2019 (-7.8% at December 31, 2018). The change in Groupe BPCE's projected one-year net interest income calculated under four scenarios ("rate increase", "rate decrease", "steepening of the curve", "flattening of the curve") compared to the central scenario showed, at September 30, 2019, the "rate decrease" to be the most adverse scenario, with expected losses of €200 million year-on-year.

Market fluctuations and volatility expose Groupe BPCE (in particular Natixis) to losses in its trading and investment activities, which may adversely impact Group's BPCE's results and financial position.

In the course of its third-party trading or investment activities, Groupe BPCE may carry positions in the bond, currency, commodity and equity markets, and in unlisted securities, real estate assets and other asset classes. 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. Certain market configurations and fluctuations may also generate losses on a broad range of trading and hedging products used, including swaps, futures, options and structured products, which could adversely impact Groupe BPCE's results and financial position. Similarly, extended market declines and/or major crises may reduce the liquidity of certain asset classes, making it difficult to sell certain assets and in turn generating material losses.

Market risk-weighted assets totaled €12.9 billion, *i.e.* around 3% of Groupe BPCE's total risk-weighted assets, at December 31, 2019. It should be noted that corporate and investment banking activities made up 13.7% of the Group's net banking income in 2019. For more detailed information and examples, see Note 10.1.2 ("Analysis of financial assets and liabilities classified in Level 3 of the fair value hierarchy") to the consolidated financial statements of Groupe BPCE, included in the 2019 universal registration document.

Changes in the fair value of Groupe BPCE's portfolios of securities and derivative products, and its own debt, are liable to have an adverse impact on the carrying amount of these assets and liabilities, and as a result on Groupe BPCE's net income and equity.

The carrying amount of Groupe BPCE's securities, derivative products and other types of assets at fair value, 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 taken to profit or loss or recognized directly in other comprehensive income. Changes recorded in the income statement, but not offset by corresponding changes in the fair value of other assets, have an impact on net banking income and thus on net income. All fair value adjustments have an impact on equity and thus on Groupe BPCE's capital adequacy ratios. Such adjustments are also liable to have an adverse impact on the carrying amount of Groupe BPCE's assets and liabilities, and thus on its net income and equity. 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.

At December 31, 2019, financial assets at fair value totaled €272.7 billion (with approximately €206.8 billion in financial assets at fair value held for trading purposes) and financial liabilities at fair value totaled €216.8 billion (with €171.5 billion in financial liabilities at fair value held for trading purposes). For more detailed information, see also Note 4.3 ("Net gains or losses on financial instruments at fair value through profit and loss"), Note 4.4 ("Net gains or losses on financial instruments at fair value through other comprehensive income), Note 5.2 ("Financial assets and liabilities at fair value through profit or loss") and Note 5.4 ("Financial assets and liabilities at fair value through other comprehensive income") to the consolidated financial statements of Groupe BPCE in the 2019 universal registration document.

Groupe BPCE's revenues from brokerage and other activities associated with fee and commission income may decrease in the event of market downturns.

A market downturn is liable to lower the volume of transactions (particularly financial services and securities transactions) executed by Groupe BPCE entities for their customers and as a market maker, thus reducing net banking income from these activities. In particular, in the event of a decline in market conditions, Groupe BPCE may record a lower volume of customer transactions and a drop in the corresponding fees, thus reducing revenues earned from this activity. 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 Banques Populaires) or through asset management activities (for Natixis).

Even where there is no market decline, if funds managed for third parties throughout Groupe BPCE and other Groupe BPCE products underperform the market, redemptions may increase and/or inflows decrease as a result, with a potential corresponding impact on revenues from its asset management business.

In 2019, the total net amount of fees received was €9,585 million, representing 39.4% Groupe BPCE's net banking income. Revenues earned from fees for financial services came to €515 million and revenues earned from fees for securities transactions €222 million. For more detailed information on the amounts of fees received by Groupe BPCE, see Note 4.2 ("Fee and commission income and expenses") to the consolidated financial statements of Groupe BPCE in the 2019 universal registration document.

Downgraded credit ratings could have an adverse impact on BPCE's funding cost, profitability and business continuity.

Groupe BPCE's long-term ratings at December 31, 2019 were A+ for Fitch Ratings, A1 for Moody's, A+ for R&I and A+ for Standard & Poor's. The decision to downgrade these credit ratings may have a negative impact on the funding of BPCE and its affiliates active in the financial markets (including Natixis). A ratings downgrade may affect Groupe BPCE's liquidity and competitive position, increase borrowing costs, limit access to financial markets and trigger obligations under some bilateral contracts governing trading, derivative and collateralized funding transactions, thus adversely impacting its profitability and business continuity.

Furthermore, 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 and are associated with changes in the purchase price of Credit Default Swaps backed by certain BPCE or Natixis debt securities. Accordingly, a change in perception of an issuer solvency due to a rating downgrade could have an adverse impact on that issuer's profitability and business continuity.

Exchange rate fluctuations may adversely impact Groupe BPCE's net banking income or net income.

Groupe BPCE entities carry out a large share of their activities in currencies other than the euro, in particular the US dollar, and exchange rate fluctuations may adversely affect their net banking income and results. The fact that Groupe BPCE records costs in currencies other than the euro only partly offsets the impact of exchange rate fluctuations on net banking income. Natixis is particularly exposed to fluctuations in EUR/USD exchange rates, as a major share of its net banking income and operating income is generated in the United States.

For information purposes, for the period ended December 31, 2019, Groupe BPCE, subject to regulatory capital requirements for foreign exchange risk, saw its foreign exchange position (i.e. the difference between long and short positions in a given currency) climb to €3,206 million versus €2,699 million at end-2018, with €257 million for foreign exchange risk compared to €216 million at end-2018.

INSURANCE RISKS

A deterioration in market conditions, and in particular excessive interest rate increases or decreases, could have a material adverse impact on Groupe BPCE's life insurance business and net income.

Groupe BPCE generates 13.6% of its net banking income from its insurance businesses. Net banking income from life and non-life insurance businesses amounted to €3,306 million in 2019 *versus* €3,094 million in 2018.

The main risk to which Groupe BPCE insurance subsidiaries (predominantly Natixis) are exposed in their life insurance business is market risk. Exposure to market risk relates mainly to capital guarantee and return commitments on euro-denominated investment funds.

Interest rate fluctuations may:

- in the case of higher rates: reduce the competitiveness of the euro-denominated offer (by making new investments more attractive) and trigger waves of redemptions on unfavorable terms with unrealized capital losses on outstanding bonds;
- in the case of lower rates: in the long term, make the return on general funds too low to enable them to honor their capital guarantees.

Due to the allocation of the general funds, the widening of spreads and fall in the equity markets could also have a material adverse impact on Groupe BPCE's life insurance business and net income.

Because the impact and probability of occurrence of insurance risk are high for Groupe BPCE, it is carefully and proactively monitored.

A mismatch between the insurer's projected loss ratio and the actual benefits paid by Groupe BPCE to policyholders could have an adverse impact on its non-life insurance business, results and financial position.

The main risk to which Groupe BPCE insurance subsidiaries (predominantly Natixis) are exposed in their non-life insurance business is underwriting risk. This risk results from a mismatch between i) claims actually recorded and benefits actually paid as compensation for these claims and ii) the assumptions used by the subsidiaries to set the prices for their insurance products and to establish technical reserves for potential compensation.

Groupe BPCE uses both its own experience and industry data to develop estimates of future policy benefits, including information used in pricing insurance products and establishing the related actuarial liabilities. However, there can be no assurance that actual experience will match these estimates, and unforeseen risks such as pandemics or natural disasters could result in higher-than-expected payments to policyholders.

To the extent that the actual benefits paid by Groupe BPCE to policyholders are higher than the underlying assumptions used in initially establishing the future policy benefit reserves, or if events or trends were to cause Groupe BPCE to change the underlying assumptions, Groupe BPCE may be exposed to greater-than-expected liabilities, which may adversely affect its non-life insurance business, results and financial position (for example, Groupe BPCE generates 13.6% of its net banking income from its life and non-life insurance businesses).

NON-FINANCIAL RISKS

Any interruption or failure of the information systems belonging to Groupe BPCE or third parties may generate losses (including commercial losses) and may have a material adverse impact on Groupe BPCE's results.

As is the case for the majority of its competitors, Groupe BPCE is highly dependent on information and communication systems, as a large number of increasingly complex transactions are processed in the course of its activities. Any failure, interruption or malfunction in these systems may cause errors or interruptions in the systems used to manage customer accounts, general ledgers, 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 and generate losses, particularly losses in sales, and may therefore have a material adverse impact on Groupe BPCE's results.

Groupe BPCE is also exposed to the risk of malfunction or operational failure by one of its clearing agents, foreign exchange markets, clearing houses, custodians or other financial intermediaries or external service providers that it uses to carry out or facilitate its securities transactions. As interconnectivity with its customers continues to grow, Groupe BPCE may also become increasingly exposed to the risk of the operational malfunction of customer information systems. Groupe BPCE's 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. For example, as a result of its digital transformation, Groupe BPCE's information systems are becoming increasingly open to the outside (cloud computing, big data, etc.) and many of its processes are gradually going digital. Use of the Internet and connected devices (tablets, smartphones, apps used on tablets and mobiles, etc.) by employees and customers is on the rise, increasing the number of channels serving as potential vectors for attacks and disruptions, and the number of devices and applications vulnerable to attacks and disruptions. Consequently, the software and hardware used by Groupe BPCE's employees and external agents are constantly and increasingly subject to cyberthreats. Groupe BPCE cannot guarantee that such malfunctions or interruptions in its own systems or in third party systems will not occur or that, if they do occur, that they will be adequately resolved. Any interruption or failure of the information systems belonging to Groupe BPCE or third parties may generate losses (including commercial losses) due to the disruption of its operations and the possibility that its customers may turn to other financial institutions during and/or after any such interruptions or failures.

The risk associated with any interruption of failure of the information systems belonging to Groupe BPCE or third parties is significant for Groupe BPCE in terms of impact and probability, and is therefore carefully and proactively monitored.

Reputational and legal risks could unfavorably impact Groupe BPCE's profitability and busines 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, ethical issues, money laundering laws, economic sanctions, data policies and sales and trading practices could adversely affect Groupe BPCE's reputation. Its reputation could also be harmed by inappropriate employee behavior, fraud, cyber crime or cyber terrorist attacks on Groupe BPCE's information and communication systems, or any fraud, embezzlement or other misappropriation of funds committed by financial sector participants to which Groupe BPCE is exposed, any decrease, restatement or correction of financial results, or any legal ruling or regulatory action with a potentially unfavorable outcome. Any such harm to Groupe BPCE's reputation may have a negative impact on its profitability and business outlook.

Ineffective management of reputational risk could also increase Groupe BPCE's legal risk, the number of legal disputes in which it is involved and the amount of damages claimed, or may expose the Group to regulatory sanctions. As regards the legal disputes and arbitration proceedings involving Groupe BPCE, a fine of €4.07 million was charged to the Caisses d'Epargne for the check imaging exchange commissions case. On January 29, 2020, the Court of Cassation rendered its verdict and overturned the appeal for lack of legal grounds on the demonstration of collusion. The ruling referred the case back to the Court of Appeal, with the banks returning to their position subsequent to the ADLC (anti-competition authority) ruling. Consequently, the Court of Appeal will have to issue a ruling in favor of the Caisses d'Epargne before the fine will be reimbursed. Similarly, the biggest ongoing disputes involving Natixis include the Madoff case (outstandings estimated at a euro-equivalent amount of €551 million at December 31, 2019), the criminal complaint filed by ADAM (Association for the Defense of Minority Shareholders) (the judicial investigation is still in progress), and the MMR Investment Ltd case (the Paris Appeals Court ruled against MMR Investment Ltd's motions on October 22, 2018). The financial consequences of these disputes may have an impact on the financial position of Caisse d'Epargne or Natixis, in which case they may also adversely impact Groupe BPCE's profitability and business outlook.

At December 31, 2019, provisions for legal and tax risks totaled €1,302 million, including €551 million set aside as a provision for net exposure to the Madoff case.

Unforeseen events may interrupt Groupe BPCE's operations and cause losses and additional costs.

Unforeseen events, such as a serious natural disaster, events related to climate risk (physical risk directly associated with climate change), pandemics, attacks or any other emergency situation can cause an abrupt interruption in the operations of Groupe BPCE entities, affecting in particular the Group's core business lines (liquidity, payment instruments, securities services, loans to individual and corporate customers, and fiduciary services) and trigger material losses, if the Group is not covered or not sufficiently covered by an insurance policy. These losses could relate to material assets, financial assets, market positions or key personnel, and have a direct and potentially material impact on Groupe BPCE's net income. Moreover, such events may also disrupt Groupe BPCE's infrastructure, or that of a third party with which Groupe BPCE does business, and generate additional costs (relating in particular to the cost of re-housing 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.

In 2019, Groupe BPCE's losses in respect of operational risk can be primarily attributed to the "payment and settlement" business line (35%). 36% of losses in respect of operational risk were recorded under "External fraud".

The failure or inadequacy of Groupe BPCE's risk management and hedging policies, procedures and strategies may expose it to unidentified or unexpected risks which may trigger unforeseen losses.

Groupe BPCE's risk management and hedging policies, procedures and strategies may not succeed in effectively limiting its exposure to all types of market environments or all kinds of risks, and may even prove ineffective for some risks that the Group was unable to identify or anticipate. Furthermore, the risk management techniques and strategies employed by Groupe BPCE may not effectively limit its exposure to risk and do not guarantee that overall risk will actually be lowered. These techniques and strategies may prove ineffective against certain types of risk, in particular risks that Groupe BPCE had not already identified or anticipated, given that the tools used by Groupe BPCE to develop risk management procedures are based on assessments, analyses and assumptions that may prove inaccurate. Some of the indicators and qualitative tools used by Groupe BPCE to manage risk are based on the observation of past market performance. To measure risk exposures, the heads of risk management carry out a statistical analysis of these observations.

There is no guarantee that these tools or indicators will be capable of predicting future exposure to risk. For example, 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 capability. As a result, losses incurred by Groupe BPCE may be higher than those anticipated on the basis of past measurements. Moreover, the Group's quantitative models cannot factor in all risks. While no significant problem has been identified to date, the risk management systems are subject to the risk of operational failure, including fraud. Some risks are subject to a more qualitative analysis, which may prove inadequate and thus expose Groupe BPCE to unexpected losses.

Actual results may vary compared to assumptions used to prepare Groupe BPCE's financial statements, which may expose it to unexpected losses.

In accordance with current IFRS standards and interpretations, Groupe BPCE must base its financial statements on certain estimates, in particular accounting estimates relating to the determination of provisions for non-performing loans and receivables, provisions for potential claims and litigation, and the fair value of certain assets and liabilities. If the values used 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.

Information on the use of estimates and judgments is provided in Note 2.3 ("Use of estimates") to the consolidated financial statements of Groupe BPCE in the 2019 universal registration document.

STRATEGIC, BUSINESS AND ECOSYSTEM RISKS

A persistently low interest rate environment may have an adverse impact on Groupe BPCE's profitability and financial position.

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, Groupe BPCE may see an overall decrease in the average interest rate in the loan book. Reduced credit spreads and weaker retail banking revenues stemming from this decrease may undermine the profitability of the retail banking activities and overall financial position of Groupe BPCE. Furthermore, if market rates begin climbing again and Groupe BPCE's hedging strategies prove ineffective or only partially offset this fluctuation in value, its profitability may be affected. An environment of persistently low interest rates may also cause the market yield curve to flatten more generally, which in turn may lower the premium generated by Groupe BPCE's financing activities and have an adverse impact on 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.

The stress tests conducted by Groupe BPCE on capital markets activities revealed the highest-impact hypothetical stress test to be the "default by a bank" scenario, and the highest-impact historical stress test to be the "2008 ABS & MBS corporate crisis".

For information purposes: the change in Groupe BPCE's projected one-year net interest income calculated under four scenarios ("rate increase", "rate decrease", "steepening of the curve", "flattening of the curve") compared to the central scenario showed, at September 30, 2019, the "rate decrease" to be the most adverse scenario, with expected losses of €200 million year-on-year.

Groupe BPCE reported results are liable to vary from the targets set in the 2018-2020 strategic plan for a number of reasons, including the materialization of one or more of the risk factors described in this section. If Groupe BPCE does not meet its targets, its financial position and the value of its financial instruments may be adversely affected.

Groupe BPCE will implement a strategic plan for the 2018-2020 period focusing on a combination of (i) digital transformation in order to seize opportunities created by the ongoing technological revolution, (ii) 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 cutting targets. 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. For more detailed information on the 2018-2020 strategic plan see Chapter 1.4 ("TEC 2020: a strategic plan focused on digital transformation, engagement and growth") of the 2018 Registration Document. Groupe BPCE's reported results are liable to vary from these targets for a number of reasons, including the materialization of one or more of the risk factors described in this section. If Groupe BPCE does not meet its targets, its financial position and the value of its financial instruments may be adversely affected.

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 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, suffer losses or incur 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. At December 31, 2019, investments in associates totaled €4.2 billion, including €2.7 billion for CNP Assuranced group (for more detailed information see Note 12.4 (*"Partnerships and associates"* to the consolidated financial statements of Groupe BPCE in the 2019 universal registration document).

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.

For example, at December 31, 2019, Groupe BPCE was the No. 1 bank in France for SMEs[1] and the No. 2 bank for individual and professional customers[2], with a 26%[3] market share in home loans. In Retail Banking and Insurance, loan outstandings totaled €552 billion and deposits and savings[4] €746 billion (for more information on the contribution of each business line, and each network, see Chapter 1.5 "Groupe BPCE's business lines" of the 2019 universal registration document). 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 rivals could also enter the market. Subject to separate or more flexible regulation, or to other requirements governing prudential ratios, these new market participants would 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 considered as 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, net earnings and profitability may be adversely affected should it prove unable to adequately adapt its activities or strategy in response to such changes.

Groupe BPCE's ability to attract and retain skilled employees is paramount to the success of its business and failing to do so may affect its performance.

The employees of Groupe BPCE entities are the Group's most valuable resource. Competition to attract qualified employees is fierce in many areas of the financial services sector. Groupe BPCE's earnings and performance depend on its ability to attract new employees and retain and motivate existing employees. Changes in the economic environment (in particular tax and other measures aimed at limiting the pay of banking sector employees) may compel Groupe BPCE to transfer its employees from one unit to another, or reduce the workforce in certain business lines, which may cause temporary disruptions due to the time required for employees to adapt to their new duties, and may limit Groupe BPCE's ability to benefit from improvements in the economic environment. This may prevent Groupe BPCE from taking advantage of potential opportunities in terms of sales or efficiency, which could in turn affect its performance.

Groupe BPCE had a headcount of 105,019 employees at December 31, 2019. A total of 14,185 employees (permanent contracts, fixed-term contracts and work-study contracts) were hired during the year. For more information, see Chapter 2.4.4 ("Looking after its employees") of the 2019 universal registration document.

REGULATORY RISKS

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 have a material adverse impact on Groupe BPCE's business and results.

The business and results of Group entities may be materially impacted by the policies and actions of various regulatory authorities in France, other governments of the European Union, the United States, foreign governments and international organizations. Such constraints may limit the ability of Groupe BPCE entities to expand their businesses or conduct certain activities. The nature and impact of future changes in such policies and regulatory measures are unpredictable and are beyond Groupe BPCE's control. Moreover, the general political environment has evolved unfavorably for banks and the financial industry, resulting in additional pressure on the part of legislative and regulatory bodies to adopt more stringent regulatory measures, despite the fact that these measures may have adverse consequences on lending and other financial activities, and on the economy. Because of the continuing uncertainty surrounding the new legislative and regulatory measures, it is not possible to predict what impact they will have on Groupe BPCE; however, this impact may be highly adverse.

For example, legislation and regulations have recently been enacted or proposed with a view to introducing a number of changes, some permanent, in the global financial environment. While the objective of these new measures is to 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.

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 increase the cost of compliance with new regulations. This could cause revenues and consolidated profit to decline in the relevant business lines, sales to decline in certain activities and asset portfolios, and asset impairment expenses.

The purpose of the 2019 adoption of the final versions of the Banking Package was to align prudential requirements for banks with Basel III standards. The implementation of these reforms may result in higher capital and liquidity requirements, which could impact Groupe BPCE funding costs.

On November 22, 2019, the Financial Stability Board (FSB), in consultation with the Basel Committee on Banking Supervision and national authorities, published the 2019 list of global systemically important banks (G-SIBs). Groupe BCPE is classified as a G-SIB by the FSB. Groupe BPCE also appears on the list of global systematically important financial institutions (G-SIFIs).

(1) 53% (No. 1) in terms of total penetration rate (2019 Kantar-TNS survey).
(2) Market share (individual customers): 22.3% in household deposits and savings and 26% in home loans (Banque de France, Q3-2019). Total penetration rate of 29.1% (No. 2) among individual customers (SOFIA TNS-SOFRES study, April 2019.) Market share (professional customers): 41% (No. 2) in terms of total penetration rate among professional customers and individual entrepreneurs (2017-2018 Pépites CSA survey).
(3) Banque de France Q3-2019 – SURFI quarterly statements – Outstanding home loans to households.
(4) On- and Off-balance sheet deposits and savings.

These regulatory measures, which may apply to various Groupe BPCE entities, and any changes in such measures may have a material adverse impact on Groupe BPCE's business and results.

The risk associated with regulatory measures and subsequent changes to such measures is significant for Groupe BPCE in terms of impact and probability, and is therefore carefully and proactively monitored.

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 (Banques Populaires 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 (the "contributing entities") 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 Groupe BPCE's liquidity and capital adequacy risks are described in Chapter 5.6.2 ("Notes to the parent company annual financial statements") and particularly in Note 1.2 "(Guarantee mechanism") of the 2019 universal registration document. At December 31, 2019, the Banque Populaire and Caisse d'Epargne funds each contained €450 million. The Mutual Guarantee Fund holds €179 million per network. The regional banks 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. If the guarantee fund proves inadequate, BPCE, in accordance with its duties as central institution, will be required to offset the deficit by mobilizing its own resources and, where applicable, those of the contributing entities.

In light of this obligation, if a member of the Group (including one of the non-contributing affiliates) were to encounter a major financial hardship, the circumstances underlying said hardship may impact the financial position of BPCE and the other contributing entities called upon for support in respect of the financial solidarity mechanism. In the extreme case where the circumstances in question resulted in the initiation of a resolution proceeding against Groupe BPCE, or the court-ordered liquidation of BPCE, the mobilization of BPCE's resources and, where applicable, the resources of the contributing entities, to support the entity initially encountering the financial hardship, may impact investors in securities issued by BPCE and the contributing entities, starting with investors in CET1 instruments and AT1 instruments. If the loss exceeded the amount of CET1 and AT1 capital, BPCE's assets and, where applicable, the assets of the contributing entities, may prove insufficient to partially or fully redeem Tier 2 instruments, senior non-preferred debt instruments and any senior preferred debt instruments. In such case, impacted investors may lose their invested capital, in part or in whole.

Investors in BPCE's securities could suffer losses if BPCE were to be subject to resolution procedures.

The EU Bank Recovery and Resolution directive ("BRRD") and the Single Resolution Mechanism (defined below), as transposed into French law by a Decree-Act 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 shall 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 shall 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. If the write-down or conversion of capital instruments is not sufficient to restore the financial health of the institution, the bail-in power held by the resolution authorities may be applied to write down or convert eligible liabilities, such as BPCE's senior non-preferred and senior preferred securities.

At December 31, 2019, CET1 capital amounted to €66.0 billion, total Tier 1 capital €66.0 billion and Tier 2 prudential capital €13.3 billion. Senior non preferred debt instruments totaled €18.1 billion at end-2019.

For Groupe BPCE, all entities affiliated with the central institution of Groupe BPCE benefit from a guarantee and solidarity mechanism, the aim of which, in accordance with Articles L. 511.31 and L. 512.107-6 of the French Monetary and Financial Code, is to ensure the liquidity and solvency of all affiliated entities and to organize financial solidarity throughout the Group.

This financial solidarity is rooted in legislative provisions instituting a legal solidarity system requiring the central institution to restore the liquidity or solvency of struggling affiliates and/or of all Group affiliates, by mobilizing if necessary up to all cash and cash equivalents and capital available to all contributing affiliates. As a result of this complete legal solidarity, one or more affiliates may not find itself subject to court-ordered liquidation, or be affected by resolution measures within the meaning of directive 2014/59 EU, without all affiliates also being affected.

In the event of court-ordered liquidation thus necessarily affecting all affiliates, the external creditors of all affiliates would be addressed identically according to their rank and in the order of the ranking of creditors, irrespective of their ties with any specific entity. As a result, investors in AT1 instruments and other *pari passu* securities would be more affected than investors in Tier 2 instruments and other *pari passu* securities, which in turn would be more affected than investors in external senior non-preferred debt, which in turn would be more affected than investors in external senior preferred debt. In the event of resolution, identical impairment and/or conversion rates would be applied to debts and securities of a given rank, irrespective of their ties with any specific entity, in the order of the ranking referred to above.

Only entities not themselves affected by court-ordered liquidation or resolution measures, and not contributing to the Group solidarity mechanism, are exempted from bail-in measures involving the other affiliates.

A resolution proceeding may be initiated against an institution, such as Groupe BPCE, if (i) it 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 customer 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 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, dismissal of managers or appointment of a temporary administrator *(administrateur spécial)* and issuance of new equity or own funds.

The exercise of the powers described above by resolution authorities could result in the partial or total write-down or conversion 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 on such instruments, potentially causing BPCE investors to incur losses.

Tax legislation and its application in France and in countries where Groupe BPCE operates are likely to have an adverse impact on Groupe BPCE's profits.

As a multinational banking group that carries out large and complex international transactions, Groupe BPCE (particularly Natixis) is subject to tax legislation in a large number of countries throughout the world, and structures its activity in compliance with applicable tax rules. Changes in tax schemes by the competent authorities in these countries could materially impact Groupe BPCE's profits. Groupe BPCE manages its activities with a view to creating value from the synergies and sales capabilities of its various constituent entities. It also works to structure financial products sold to its customers from a tax efficiency standpoint. The structure of intra-group transactions and financial products sold by entities of Groupe BPCE are based on its own interpretations of applicable tax regulations and laws, generally based on opinions given by independent tax experts, and, as needed, on decisions or specific interpretations by the competent tax authorities. It is possible that in the future tax authorities may challenge some of these interpretations, as a result of which the tax positions of Groupe BPCE entities may be disputed by the tax authorities, potentially resulting in tax re-assessments, which may in turn have an adverse impact on Groupe BPCE's results.

6.3 Risk management system

6.3.1 Adequacy of risk management systems

The Group Risk and Compliance Committee, chaired by the Chairman of the Management Board, met four times in 2019 to review the adequacy of Groupe BPCE's risk management systems, and validated the annual review of the Group's risk policies. These systems cover all risks, as described in the Ministerial Order of November 3, 2014 on internal control.

Coverage of risks was found to be adequate, consistent with the risk appetite system validated by the BPCE Management Board and Supervisory Board, and related closely to the Group's strategy and budget oversight.

6.3.2 Risk appetite

All risks are covered by mechanisms (centrally and at each institution) which, in line with the Group's risk appetite and strategy, ensure the adequacy of its risk management systems.

Groupe BPCE's Supervisory Board unanimously approved the Group's risk appetite framework: quantitative indicators, resilience threshold for each indicator and associated governance. During its annual review, the Supervision Board examined the Group's risk appetite in October 2019 and its deliberation was unanimously approved.

RISK APPETITE GUIDELINES

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 banks, which own the Group and its subsidiaries. In addition to normal management operations, in the event of a crisis, solidarity mechanisms between Group entities ensure the circulation of capital and prevent the entities or the central institution from defaulting;
- focuses on the structural risks of its full-service banking 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 corporate and investment banking, bancassurance and asset management businesses,
  - international expansion (predominantly Corporate & Investment Banking and Asset Management, with a more targeted approach for retail banking customers).

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 making customer interests the top priority. In determining its risk appetite, Groupe BPCE aims to steer clear of any major pockets of concentration and to optimize capital allocation.

In terms of risk profile, Groupe BPCE incurs risks intrinsically associated with its retail banking and corporate & investment banking activities. Changes to its business model are increasing exposure to some types of risks, particularly risks related to asset management and international businesses.

Groupe BPCE does not conduct business unless it has the associated risks sufficiently under control, nor does it exercise proprietary trading activities. Activities with high risk-reward profiles are strictly controlled.

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

RISK APPETITE FRAMEWORK AND GROUPWIDE IMPLEMENTATION

The risk appetite framework is based on a master document providing a qualitative and quantitative description of the risks that Groupe BPCE is willing to assume, and describing the governance and operating guidelines in effect.

The implementation of the risk appetite framework is centered on four key components: (i) the definition of groupwide standards, (ii) the existence of a set of limits in line with those defined by regulations, (iii) the distribution of expertise and responsibilities between the entities and the central institution and (iv) the operation of the governance process within the Group and the different entities, enabling the efficient and resilient application of the risk appetite framework.

The Group's risk appetite framework is regularly updated and is centered on a series of successive limits associated with separate respective authorization levels, *i.e.:*

- an observation 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 which, if breached, 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 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 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 is adapted by the entities for consistent group-wide implementation.

ROBUST FINANCIAL STRENGTH

Groupe BPCE enjoys high liquidity and solvency levels:

- in terms of solvency, the Group is able to absorb, if need be, the occurrence of a risk at entity or Group level;
- in terms of liquidity, the Group has a significant reserve consisting of cash and securities enabling it meet regulatory requirements, pass stress tests and access central bank unconventional financing mechanisms. It also has a sufficient amount of high-quality liquid assets eligible for market funding mechanisms and those offered by the European Central Bank.

The Group ensures the robustness of this system by conducting comprehensive stress tests on a regular basis, with the aim of verifying the Group's potential resilience, particularly in the event of a major crisis.

SUMMARY OF GROUPE BPCE'S RISK PROFILE IN 2019

The following risks are incurred by the Group because of its business model:

% OF RWA

CREDIT AND COUNTERPARTY RISKS

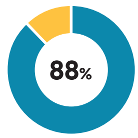
Credit risk, generated by the Group's predominant business (i.e. lending to individual and corporate customers), is governed by risk policies applied to all Group entities, concentration limits defined by counterparty, country and sector, and finally extensive oversight of loan books.

- RWAs: **€422bn** (+7% vs. 2018)
- These exposures are predominantly based on the internal model approach (**64%** of risk-weighted assets).

- Cost of risk: **€1.4bn (+5%** vs. 2018)
- Average annual cost of risk: **19 bp** (no change vs. 2018)
- NPL/gross loan outstandings: **2.7%**
- Coverage of NPL by provisions: **45.9%**

The loan book has a balanced risk profile

Gross exposures: **€1,204bn**, + 4.6% vs. 2018



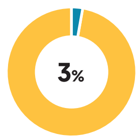
MARKET RISKS

Market risk indicators are monitored and analyzed at various position aggregation levels, giving an overview of total exposure and risk consumption by risk factor.

- RWAs: **€12.9bn** (+21% vs. 2018)
- **55%** of risk-weighted assets determined using the standardized approach

VaR and stress indicators held steady at low levels throughout 2019.

- VaR : **€8.5m**
- Hypothetical stress test at -€58m (for the worst case scenario: default by a bank)
- Historical stress test at -€33m (for the worst case scenario: 2008 ABS & MBS corporate crisis)



STRUCTURAL ALM RISKS

Structural interest rate risk, associated in particular with fixed-rate home loans and regulated liabilities, is governed by groupwide standards and individual entity limits; liquidity risk is steered centrally by allocating budget-defined liquidity to round out customer deposits raised by the entities.

In 2019, liquidity was maintained at a **high level**, providing the Group with significant coverage of **stress scenarios**.

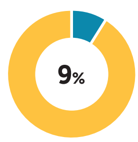
- Coverage of short-term funding by liquidity reserve: **155%**
- 12-month average LCR: **141%**

NON-FINANCIAL RISKS

Non-financial risks are non-compliance, fraud, information system security, reputational and misconduct risks, as well as other operational risks.

- Operational risk-weighted assets: **€39bn (+3%** vs. 2018)

- 36% of operating losses were recorded under the "External fraud" Basel risk class.



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EMERGING RISKS

Groupe BPCE places great importance on anticipating and managing emerging risks in today's constantly changing environment.

The international geopolitical environment is an ongoing source of concern, with various geopolitical tensions continuing to weigh on general economic conditions and fueling uncertainties.

Low-to-negative interest rates have had a continuous adverse impact on the profitability of commercial banking activities, due to the predominance of fixed-rate home loans and life insurance activities.

As the economy and financial services have grown increasingly digitized, banks have had to remain constantly vigilant against cyber threats. The sophistication of cyber attacks and potential vulnerability of their IT systems are both major risks for Groupe BPCE, in conjunction with the expectations of the regulatory authority.

Groupe BPCE is acutely aware of the changes in the regulatory environment, particularly in terms of new standards on provisions and guidelines on non-performing loans, and particularly the new definition of default and the finalization of Basel III.

Climate change and social responsibility are increasingly covered in the risk management policy. Climate risk management is also addressed in the CRR2-CRD5 guidelines.

Operational risks associated with pandemics, with the regular appearance of new viruses worldwide (and especially the current coronavirus, COVID-19), are closely monitored and crisis management systems are applied when necessary.

6.3.3 Risk management

GOVERNANCE OF RISK MANAGEMENT

Two Group-level bodies are responsible for governance of risk management: the Supervisory Board, which relies on the Board's Risk Committee, and the Management Board.

Chaired by the Chairman of the Management Board, the Group Risk and Compliance Committee (an Umbrella Committee) sets the broad risk policy, decides on the global caps and limits for Groupe BPCE and for each institution, validates the authorization limits of other committees, examines the principal risk areas for Groupe BPCE and for each institution, reviews consolidated risk reports and approves risk action plans for the measurement, supervision and management of risks, as well as Groupe BPCE's principal risk standards and procedures. It monitors limits (Ministerial Order of November 3, 2014 on internal control, Article 226), particularly when overall limits are likely to be reached (Ministerial Order of November 3, 2014 on internal control, Article 229).

The committee also examines matters relating to non-financial risks, specifically including risks associated with the compliance of banking and insurance activities, investment services and financial security.

Overall risk limits are regularly reviewed and presented to the Group Risk and Compliance Committee (Ministerial Order of November 3, 2014 on internal control, Article 224) as part of the risk appetite framework (RAF). This committee provides the Supervisory Board Risk Committee with proposed criteria and thresholds for the identification of incidents to be brought to the attention of the supervisory body (Ministerial Order of November 3, 2014 on internal control, Articles 98 and 244). The Group Risk Committee is notified twice a year of the conditions under which the established limits were observed (Ministerial Order of November 3, 2014 on internal control, Article 252).

ORGANIZATION OF RISK MANAGEMENT

Groupe BPCE's Risk division and Corporate Secretary's Office measure, monitor and manage risks, including non-compliance risks, pursuant to the Ministerial Order of November 3, 2014 on internal control.

They ensure that the risk management system is effective, 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).

Group policy and standards	Supervision and control	Coordination
• present the Management Board and Supervisory Board with a risk appetite framework for the Group and ensure its implementation and roll-out at each major entity; • help draw up risk policies on a consolidated basis, inform overall risk limits, contribute to discussions on capital allocation and ensure that portfolios are managed in accordance with these limits and allocations; • define and implement standards and methods for consolidated risk measurement, risk-taking approval, risk control and reporting, and compliance with risk regulations; • oversee the risk information system, working closely with the IT departments, while defining the standards to be applied for the measurement, control, reporting and management of risks.	• carry out the annual macro-level risk mapping exercise, factoring in the overall risk policy, risk appetite and annual permanent control plan, which is part of the internal control system; • assess and control the level of risk across the Group; • conduct permanent supervision of limit breachess and their resolution, centralize risk data and prepare forward-looking risk reports on a consolidated basis; • help the Groupe BPCE Management Board to identify emerging risks, concentration of risk and other various developments, and to devise strategy and adjust risk appetite; • perform stress tests with the goal of identifying areas of risk and the Group's resilience under various predetermined shock scenarios; • conduct controls to ensure that the operations and internal procedures of Group companies comply with legal, professional, or internal standards applicable to banking, financial and insurance activities; • perform Level 2 controls of certain processes used to prepare financial information, and implemens a Group Level 2 permanent risk control system.	• are functionally subordinate to the Risk and Compliance functions, participating in the work of local Risk 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 and during checks on-site or at BPCE; • help disseminate risk and compliance awareness and promote the sharing of best practices throughout the Group.

SPECIAL COMMITTEES

Several committees are responsible either for defining Groupwide methodology standards for measuring, managing, reporting and consolidating all risks throughout the Group, or for making decisions about risk projects with an IT component.

Group Counterparty and Credit Risk Committees:	• Several types of committees have been established to manage credit risk for the entire Group, meeting at varying frequencies depending on their roles (*ex-post* or decision-making analysis) and their scope of authority.
Group Market Risk Committees:	• The Group has also established decision-making and supervisory committees for both market and structural ALM risks. The frequency of their meetings is tailored to the needs of the Group and its institutions.
Non-Financial Risk Committee:	• This committee meets quarterly and includes the various Groupe BPCE business lines affected by non-compliance and operational risks. It examines information system security, business continuity and accounting review issues. Its objective is to validate action plans targeting these risks, which are included in the Groupe BPCE macro-level risk map. • It also performs consolidated supervision of losses, incidents and alerts, including reports made to the ACPR under Article 98 of Ministerial Order A-2014-11-03 in respect of non-financial risks.

At the same time, several committees are responsible either for defining Groupwide methodology standards for measuring, managing, reporting and consolidating all risks throughout the Group, or for making decisions about risk projects with an IT component.

RISK GOVERNANCE AT GROUP INSTITUTIONS

BPCE's Risk division and the Group Corporate Secretary's Office oversee 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, Financial Audit and Information System Security functions. They ensure that the risk policies of the affiliates and subsidiaries comply with those of Groupe BPCE.

The Risk and/or Compliance departments of subsidiaries not subject to the banking supervision regulatory framework are functionally subordinate to Groupe BPCE's Risk division and Corporate Secretary's Office.

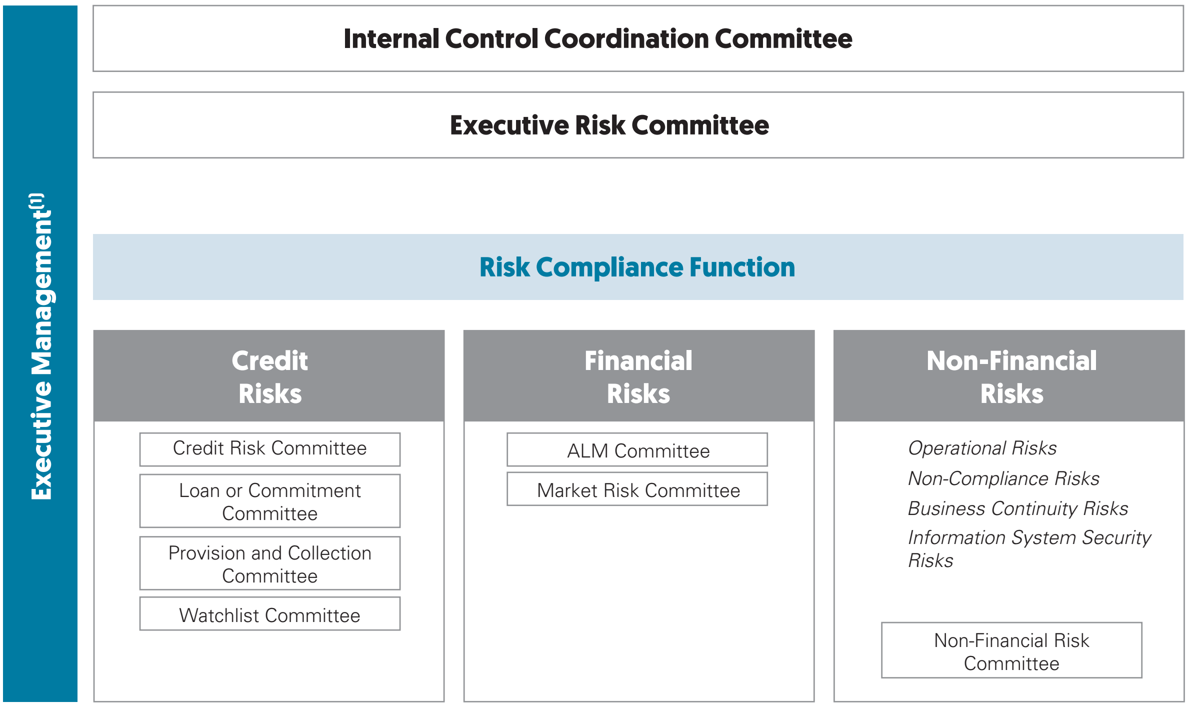
The strong functional authority exercised by the Head of Risk Management and by the Corporate Secretary of Groupe BPCE enables risk controls to be performed objectively, as each Group entity's operational functions are independent from its Risk and Compliance functions. It also promotes a risk management 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.

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 Risk division and Corporate Secretary's Office. They ensure the quality, reliability and completeness of the data used to control and monitor risks at the company level and on a consolidated basis, in line with Group risk standards and policies.

In the course of their work, the Group's institutions rely on the Group Risk, Compliance and Permanent Control Charter. The charter specifies that each institution's supervisory body and executive managers promote the risk management culture at all levels of their organization.

A twofold assessment of a) Risk Management functions and b) Compliance functions is conducted every six months by the Risk Committee of the Groupe BPCE Supervisory Board.

STANDARD RISK GOVERNANCE STRUCTURE AT A GROUP INSTITUTION



(1) Executive Management within the meaning of Article L511-13 of the French Monetary and Financial Code: a person responsible for the executive management of the company

COORDINATION OF BUSINESS LINE FUNCTIONS

ORGANIZATION

Based on strong functional authority, the division in charge of coordinating the Heads of Risk and Compliance – part of the Risk Governance division – oversees the coordination of all Groupe BPCE Risk and Compliance functions. The Risk, Compliance and Permanent Control Charter calls for the Group Risk division and Corporate Secretary's Office to participate, at their own initiative, in the annual performance assessment of the heads of the Permanent Control functions, particularly risk and/or compliance, in consultation with the Chairman of the Management Board or the Chief Executive Officer.

This division deploys the entire system on a daily basis and contributes to the overall supervision of Group risks, primarily through:

- oversight and updates of key Risk and Compliance function documents such as charters and standards;
- analysis of the work done by the Executive Committees on the risks incurred by the Banques Populaires, the Caisses d'Epargne and the subsidiaries;
- coordination of Risk Management and Compliance function events through a series of national Risk Management and Compliance Days, including discussions and exchanges on risk- and compliance-related issues, presentations on the work done by the functions, training and sharing of best practices in the credit, financial, operational and compliance fields between all Group institutions. Risk Management and Compliance Days also provide opportunities to strengthen group-wide solidarity in the risk management and/or compliance professions in today's ever-changing regulatory environment. In addition, audio conferences and regional meetings are attended by the Heads of Risk Management and Compliance of the networks and subsidiaries to address current topics and events;
- a document library dedicated to The Risk, Compliance and Permanent Control functions;
- operational efficiency initiatives (headcount benchmark standards, risk and compliance half-year reports, risk appetite framework and institution macro-level risk mapping);
- oversight of all recommendations issued by the supervisory authorities and by the Group's *Inspection Générale* division covering Risks, Compliance and Permanent Control;
- support for new Heads of Risk Management and/or Compliance of Groupe BPCE institutions *via* a special program;
- frequent on-site meetings with the Heads of Risk Management and/or Compliance and teams of the Banques Populaires, Caisses d'Epargne and subsidiaries;
- in addition to the operational committee meetings attended by the Risk division, General Meetings held with each of the main BPCE subsidiaries: Natixis, Crédit Foncier, Banque Palatine, BPCE International, the subsidiaries of the Financial Solutions and Expertise division, FIDOR Bank and Oney for a comprehensive review with the Head of Risk Management and/or Compliance;
- distribution of a newsletter ("Mag R&C") to the heads of Group institutions, the heads of the various functions, including Sales, and the employees of the Risk, Compliance and Permanent Control functions as well as all Group employees;
- an annual training program (the Risk Academy) offered to all Risk and Compliance function employees, in conjunction with the Group Human Resources division. In addition, a university training course on "internal control and risk management at financial institutions" is given at Université Paris-Dauphine. Participants earn a degree upon successful completion of the course. Two workshops focused on compliance and permanent control have also been added;
- and, in general, the practice of risk and compliance awareness and sharing of best practices throughout the Group, in particular *via* a digital document library (the Kiosk) for all employees of the Group Risk, Compliance and Permanent Control functions, or dedicated thematic conferences that can be viewed live or in replay.

The Project Management Office is a cross-business department of the division that also works with the Group Corporate Secretary's Office. It provides support to the department heads and project managers of the Risk division in managing services, budgets and logistics. It also serves as an intermediary for the HR, sourcing, legal, Contingency and Business Continuity Plan, and budget oversight divisions or teams.

For coordination purposes, the Risk Governance department relies on a half-yearly report drawn up by the institutions, aimed at ensuring that the various components of the local systems are properly implemented and operate under satisfactory conditions, particularly with respect to banking regulations and Group charters. The findings of this report improve operational efficiency and optimize best practices throughout Groupe BPCE.

Activities specifically focused on the Lagarde report are being monitored in conjunction with the Group's institutions. There is also a system in place to monitor anomalies observed at Group institutions, aimed at ensuring that business is conducted properly and the rules of ethics are applied.

HIGHLIGHTS

Incorporation of the Financial Solutions Expertise subsidiaries in the Group risk and compliance coordination system:

- definition of a risk appetite system dedicated to Financial Solutions and Expertise activities;
- review and validation of subsidiary risk policies;
- deployment and adaption of interim risk and compliance questionnaires to their activity;

Oney Bank: incorporation in the Group's risk management systems by establishing a risk appetite framework validated by the governance bodies.

CONSOLIDATED RISK OVERSIGHT

ORGANIZATION

In addition to the risk supervision conducted both individually and by type of risk, Groupe BPCE's Risk division also consolidates the Group's risks. It produces a quarterly 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, non-financial risks and risks related to insurance businesses). In addition to the dashboard, a monthly flash report provides the Group with a more responsive and updated overview of Group risks.

The Risk division also conducts or coordinates cross-business risk analyses and specific stress tests on the Group's main portfolios or activities and, if needed, for the entities. It has also developed half-year 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 forward-looking analyses are presented at meetings of the Group Supervisory Board Risk Committee.

Furthermore, it performs specific analyses on counterparties, and portfolio-based risk measurements (statistical collective provisions, etc.) and, when authorized by the supervisory authority, 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 event of a severe shock, by determining impacts in terms of cost of risk.

RISK AND COMPLIANCE CULTURE

To promote and strengthen the risk and compliance culture at all levels, the Risk and Compliance department of the Risk Governance division is focused on developing risk and compliance training and awareness programs at all Group levels, establishing regular communication on risk and compliance issues throughout the Group, and disseminating and measuring the risk and compliance culture.

Initiative		System
Training	• Risk & Compliance Academy	• 72 training courses, including: • a compliance program (Risk, Compliance and audit functions) • a specific program for the *Inspection Générale* division
	• Risk Pursuit	• A banking risk awareness quiz: 200 questions/4 topics (credit risks, financial risks, non-financial risks and banking environment risks) • Targeting the employees of the Banques Populaires, the Caisses d'Epargne and the subsidiaries
	• Members of the supervisory bodies and Risk Committees of the BPs and CEs	• Annual training provided for Fédération Nationale des Banques Populaires and Fédération Nationale des Caisses d'Epargne
Communication	• The R&C Hour	• Targeting the Risk and Compliance departments of the Group institutions and the employees of BPCE SA (live and replay)
	• Regulatory workbook	• Examination of regulatory issues (data protection, non-performing loans, CRR2/CRD5, etc.)
	• Regulatory communication	• Coordination of the risk and compliance chapters of regulatory reports (universal registration document, Pillar III, annual report on internal control, ICAAP)
Sharing of best practices	• Sharing of best practices and cross-analyses between operational entities and control functions	• Coordination of commitment managers of the BPs, CEs and subsidiaries • Risk assessment of sales functions at Group institutions (New Product Committee, implementation and updating of sales processes)

MACRO-LEVEL RISK MAPPING – GROUP INSTITUTIONS

Macro-level risk mapping plays a central role in an institution's overall risk management system. By identifying and rating its risks, each Group institution establishes its own risk profile and priority risks. This risk-based approach serves to update the risk appetite and the permanent/periodic control plans of Group institutions on a yearly basis.

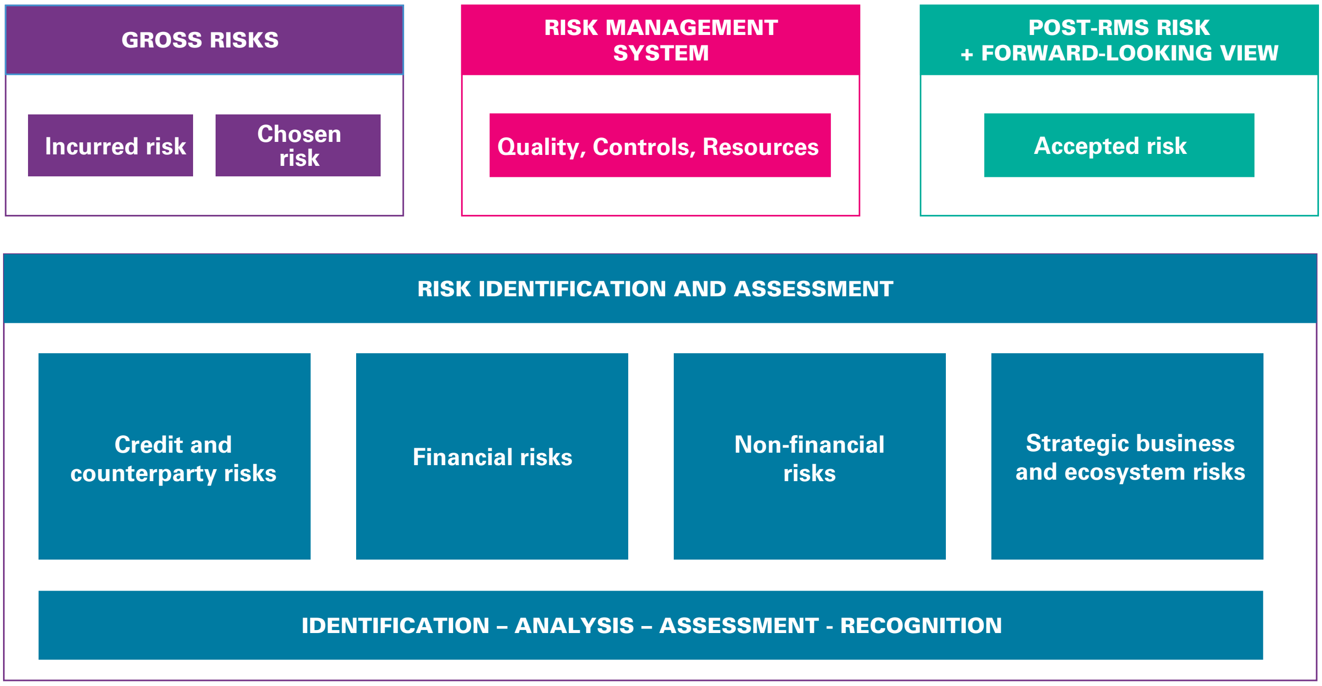
Action plans targeting high-priority risks are defined with the goal of reducing and/or managing risks.

The results of the macro-level risk mapping process contribute to the Group's Supervisory Review and Evaluation Process (SREP), by identifying the main risks under the risk management and prudential approach, included in the annual report on internal control, the ICAAP report and the universal registration document (risk factors section).

In 2019, a macro-level risk mapping consolidation process was completed for each network. Each institution is able to compare the results of its own macro-level risk mapping with those of its network. Action plans set up by the institutions to address their priority risks were also consolidated.

The macro-level risk mapping methodology was revised: the main changes involved the incorporation of climate risk and more detailed identification of risk classes or segments.

Macro-level risk mapping was performed at Group level in 2019 by consolidating the macro-level risk maps of the parent company institutions and subsidiaries.



STRESS TESTING SYSTEM

Groupe BPCE has been developing stress tests since 2011 that can be performed using the risk modules for Group strategic analysis purposes and regulatory purposes.

There are two types of stress tests:

- internal stress tests;
- regulatory stress tests (including in particular the EBA's 2018 stress test published on November 2, 2018).

Governance of the Group's stress testing system is based on a comprehensive approach covering all Group entities, taking into consideration their specific characteristics, and covering the following risks:

- credit risk: change in cost of risk and risk-weighted assets;
- securitization portfolio and counterparty risk: change in impairment and risk-weighted assets;
- market risks: market shocks, change in securities portfolios and risk-weighted assets;
- operational risks;
- insurance risk.

Risks associated with sovereign exposures are addressed according to their accounting classification (market risk or credit risk).

The methodologies used to determine the projections are based on:

- the methodology stipulated by the ECB and the EBA for regulatory stress tests.

Internal methodologies facilitating the use of stress tests for risk oversight and management purposes, and in budget exercises.

Several scenarios are tested in order to assess all impacts:

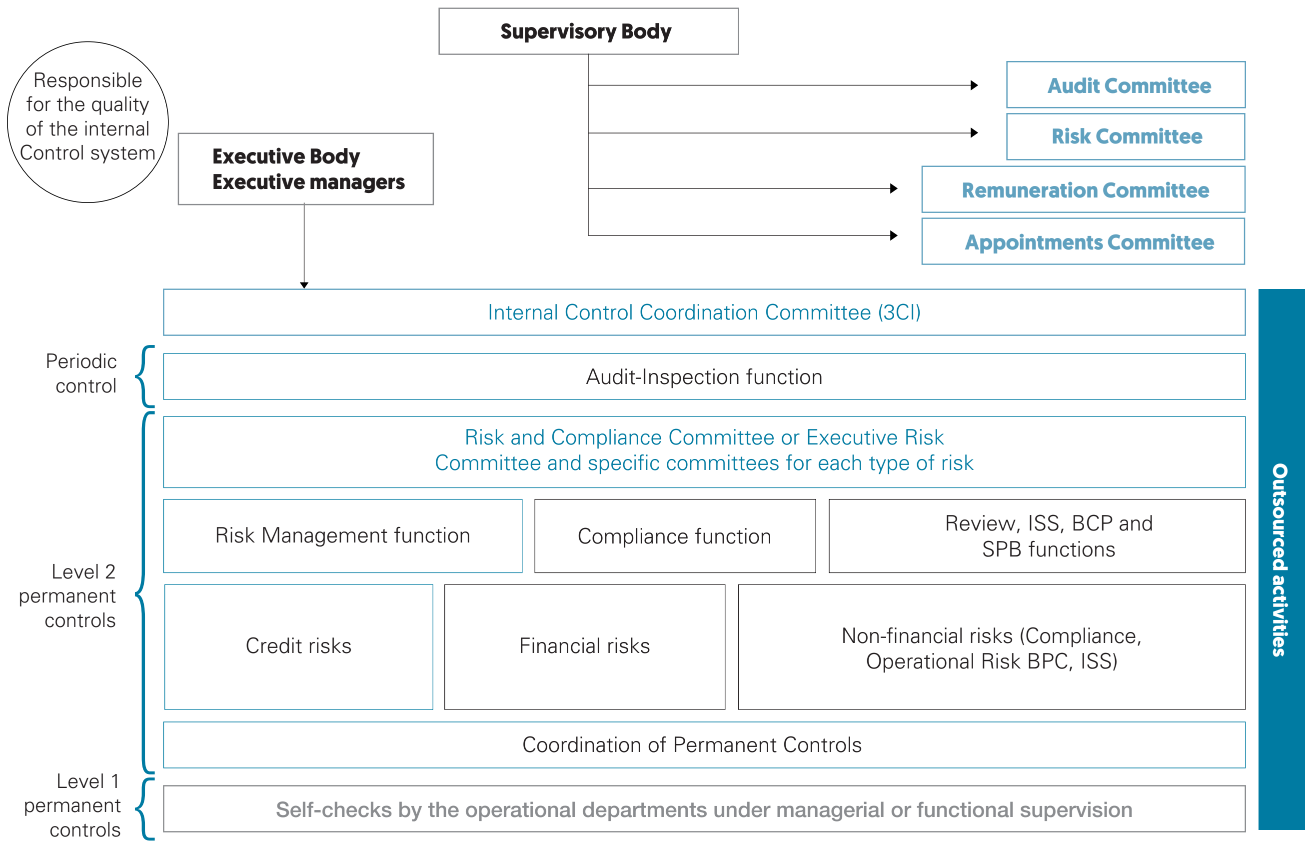
Scenario 1	Baseline scenario comprising the budget scenario
Scenario 2	Two severe yet plausible scenarios generating relevant information on the Group's resilience capacity
Scenario 3	Two reverse scenarios: one for ICAAP and the other for the Recovery Plan, based on vulnerability zones and serving to explore highly adverse conditions for the Group
Scenario 4	Specific scenarios for the Recovery Plan (RP) and the recovery and resolution options

Models are used for each risk category to determine the impacts of scenarios on the various income statement items and capital requirements.

6.3.4 Internal control

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.

STRUCTURE OF GROUPE BPCE'S INTERNAL CONTROL SYSTEM



PERMANENT CONTROL SYSTEM

LEVEL 1: PERMANENT CONTROL BY LINE MANAGEMENT

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

These departments are responsible for:

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

Depending on the situation and activity(ies) in question, Level 1 controls are performed, jointly if applicable, by a special-purpose Middle Office-type control unit or accounting control entity, by the operational staff themselves, or by line managers.

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

LEVEL 2: PERMANENT CONTROL BY DEDICATED ENTITIES

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 to this duty as part of the Group's Risk division and Corporate Secretary's Office in charge of Compliance and Permanent Control for Groupe BPCE.

Both divisions perform Level 2 supervision of certain processes used to prepare financial information and implement 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.

In the Corporate Secretary's Office, the main role of the Permanent Control Coordination department is to coordinate the Group's Level 1 and 2 permanent control system. To that end, it:

- manages a Group-level permanent control tool (Priscop) in close collaboration with the Group's institutions and oversees Level 1 control standards with the business lines;
- uses Priscop to implement, centralize and capitalize on the permanent controls carried out by the Risk, Compliance and Permanent Control departments of all Group institutions. The various permanent control standards are overseen and constantly updated and expanded in the tool.
- monitors the application of control standards, *i.e.* the framework document governing the Group's permanent control system – operational adaptation of the Internal Control Charter –, and the control sampling standard, which is based on random, representative samples. To that end, all annual control plans of retail banking institutions are centralized and analyzed each year.

Other central functions also contribute to the permanent control system, such as the Legal Affairs division and the Group Human Resources division for certain issues affecting the pay policy.

HIGHLIGHTS

In 2019, the Permanent Control Coordination department continued working on the transformation of the Group software tool initiated in 2018, including:

- switching from permanent control tool Priscop to a version offering greater security and more features;
- making the Level 2 control reliability improvement module available for Level 1 controls as well;
- setting up links between Group risks and the controls performed in Priscop;
- rolling out the Risk Management and Action Plan modules.

PERIODIC CONTROL (LEVEL 3)

STRUCTURE AND ROLE OF THE GROUP INSPECTION GÉNÉRALE DIVISION

Duties

In accordance with the duties incumbent on the central institution, and pursuant to the rules of collective solidarity, the Group *Inspection Générale* division is responsible for periodically verifying the operation of all Group institutions and providing their executive managers with reasonable assurance of their financial strength.

In that role, it ensures the quality, effectiveness, consistency and efficiency of their permanent control system as well as their risk management. The division's scope of authority covers all risks, all institutions and all activities, including those that are outsourced.

Its top priorities are to assess and to report to the executive and decision-making bodies of the entities and the Group as a whole on:

- the quality of its financial position;
- the level of risks actually incurred;
- the quality of its organizational structure and management;
- the consistency, adequacy and operation of risk assessment and management systems;
- the reliability and integrity of accounting and management information;
- compliance with the laws, regulations and rules applicable to Groupe BPCE or each company;
- the effective implementation of recommendations from previous audits and issued by the regulatory authorities.

Reporting to the Chairman of the Management Board, the Group *Inspection Générale* division performs its duties independently of the Operational and Permanent Control divisions.

Representation on Group governance bodies and Risk Management Committees

In the interest of exercising its duties and contributing effectively to the promotion of an auditing culture, the Head of the Group *Inspection Générale* division takes part, without voting rights, in the central institution's key Risk Management Committees.

As indicated above, the Head of the Group *Inspection Générale* division is a member of the Group Internal Control Coordination Committee and has a standing invitation to participate in the Risk Committee and Audit Committee of BPCE, Natixis and the main Groupe BPCE subsidiaries (BPCE International, Crédit Foncier, Banque Palatine).

Scope of authority

To fulfill its duties, the Group *Inspection Générale* division establishes and maintains an inventory of the Group's auditing scope, which is defined in coordination with the Internal Audit departments of the Group institutions.

It makes sure that all institutions, activities and corresponding risks are covered by comprehensive audits, performed at frequencies defined according to the overall risk level of each institution or activity, and at least every four years on average for banking activities.

In so doing, it takes into account not only its own audits, but also those conducted by the supervisory authorities and the Internal Audit divisions.

The annual audit plan is defined with the Chairman of the BPCE Management Board, and presented to the Group Internal Control Coordination Committee and the Group Risk Management Committee. It is also transmitted to the national and European supervisors.

Reporting

Group *Inspection Générale* division audits contain recommendations prioritized by order of importance, which are regularly monitored (at least once every six months).

The division reports the findings of its work to the executive managers of the audited companies and to their supervisory body. It also reports to the Chairman of the Management Board, the Risk Committee and the Supervisory Board of BPCE. It provides them with a report on the implementation of its major recommendations, as well as those of the ACPR and the Single Supervisory Mechanism (SSM). It sees to the expedient execution of any corrective measures to the internal control system, in accordance with Article 26 of the Ministerial Order of November 3, 2014 on internal control, and may call on the Supervisory Board Risk Committee to address any measures that have not been executed.

Relations with the Permanent Control divisions of the central institution

In the central institution, the Head of the Group *Inspection Générale* division maintains regular relations and shares information with the heads of the units in the scope of inspection, and more specifically with the divisions in charge of Level 2 controls.

The heads of these divisions are responsible for notifying the Head of the Group *Inspection Générale* division in a timely manner of any disruption or major incident that comes to their attention. The Head of Groupe BPCE's *Inspection Générale* division and the Heads of Group Risk Management and Group Compliance and Security notify each other in a timely manner of any inspection or disciplinary procedure initiated by the supervisory authorities and in general of any external audits brought to their attention.

Activities in 2019

Over the course of the complete cycle of investigations conducted over an average four-year period, and relying on a risk assessment updated regularly for each institution, the Group *Inspection Générale* division carried out its audit schedule largely according to plan, making a few adjustments for ongoing restructuring operations at entities initially included in the schedule or for regulatory priorities. It also performed a quarterly follow-up on the implementation of recommendations issued by the division, the ACPR and the SSM. Pursuant to Article 26 of Ministerial Order A-2014-11-03 on internal control, the Group *Inspection Générale* division is able to use the whistleblowing system to alert the Risk Committee of delays in the implementation of recommendations.

AUDIT FUNCTION

Structure of the audit function

The Group *Inspection Générale* division carries out its duties within the framework of business line operations. Its methods of operation – for the purposes of consolidated supervision and optimal use of resources – are set out in a charter approved by BPCE on December 7, 2009, which was last updated in July 2018.

The aim of this structure is to cover all of the Group's operational or functional units over a reasonable number of fiscal years, according to the associated risk, and to achieve efficiency between the various complementary audits conducted by the Internal Audits teams of Group entities.

The Internal Audit divisions of the direct affiliates and subsidiaries are functionally subordinate to the Group *Inspection Générale* division and report to the executive branch of their entity.

These ties are strictly replicated at the level of each company in the Group, which is itself a parent company.

This strong functional subordination is also based on operating rules and the Group Internal Audit Standards applicable by the entire function. It is reflected as follows:

- in the groupwide Audit Charter, which defines the end purpose, powers, responsibilities and general structure of the internal audit function in the overall internal control system, and applies to all Group companies supervised on a consolidated basis. This charter is implemented *via* thematic standards (audit resources, audit of the sales network, audit assignments, follow-up of recommendations, etc.);
- the appointment and dismissal of the Heads of Internal Audit of affiliates or direct subsidiaries are subject to the prior approval of the Head of the BPCE Group *Inspection Générale* division;
- the annual evaluations of Heads of Internal Audit are transmitted to the Head of the BPCE Group *Inspection Générale* division;
- the Group *Inspection Générale* division ensures that each entity's Internal Audit division holds the necessary resources to perform its duties and adequately cover the multi-year audit plan;
- the multi-year and annual audit programs carried out by the Internal Audit divisions of the Group institutions are approved in conjunction with the Group *Inspection Générale* division; the Group *Inspection Générale* division is kept regularly informed of their completion or of any change in scope;
- the Group *Inspection Générale* division issues a formal letter of opinion and, where applicable, any reservations on the multi-year audit plan, the quality of work performed and the audit reports submitted to the Group *Inspection Générale* division, and the resources allocated both in terms of number of employees and expertise;
- the Internal Audit division applies the standards and methods defined and distributed by the BPCE Group *Inspection Générale* division, and refers to the audit guides which are, as a matter of principle, common to all internal audit function auditors;
- in the course of conducting on-site audits, the Group *Inspection Générale* division periodically verifies that Group companies comply with the Group Internal Audit standards.

The following items are transmitted to the Group *Inspection Générale* division:

- the Internal Audit reports of the Group institutions, as they are produced;
- the annual reports of the entities, prepared in accordance with Articles 258 to 264 of Ministerial Order A-2014-11-03 on internal control, are submitted to the Group *Inspection Générale* division which forwards them to the supervisory authorities;
- the presentations made by the Heads of Internal Audit to the Risk Management Committees, and the minutes of these meetings;
- the presentations made to the supervisory body on internal control activities and findings, and extracts of the minutes of the meetings where they were examined.

The rules governing oversight of the Inspection business line between Natixis and the central institution fall within the framework of the Group audit function.

Activities in 2019

Efforts were continued to update a body of harmonized guides covering the most commonly audited areas. In 2019, the focus on methodologies led to updated versions of guides on personal data protection, governance, private banking and discretionary portfolio management. New audit guides were prepared on audits of the sales network, outsourcing and compliance of investment services, including the expectations arising from MiFID 2 and the IDD. Supplemented by appendices and a document library, these audit guides are primarily available *via* the Group audit function's SharePoint and/or the server shared with the Group *Inspection Générale* division. The priority audit reviews defined for all auditable units in the multi-year audit plans of the Internal Audit divisions of each Group retail institution were updated and streamlined. Furthermore, the control program rolled out at the Banques Populaires on compliance with the service level agreement for the CASDEN Banque Populaire customer base was updated.

The Group *Inspection Générale* division and the Natixis Internal Audit department continued working closely to assess the follow-up of recommendations and to synchronize their respective annual macro-audit schedules for a shared scope of auditable units. They relied in particular on a shared risk assessment, joint preparation of audit plans, and a shared definition of fields of investigation/audit standards. In 2019, joint methodology projects were conducted to update shared audit guides covering market risk and private banking.

The Group *Inspection Générale* division also expanded its resources and contributions in the data analysis field, beginning with the gradual deployment of data visualization tool SPOTFIRE to the Group's inspection and audit teams. The Group *Inspection Générale* division assisted with this deployment by organizing internal training courses for its inspectors during their break periods and external training courses for the function's audit teams. The Data team was expanded with the addition of two Data Scientists and seconded IT Inspectors. It also worked to create and coordinate a Data community with the audit function. Data officers were appointed at each institution and a Data club was created, meeting monthly for educational and support purposes with the goal of sharing knowledge, analyses and best practices.

STRUCTURE OF INTEGRATED CONTROL FUNCTIONS

The Risk division and the Corporate Secretary's Office are responsible for permanent controls at Group level, and the Group *Inspection Générale* division for periodic control.

The permanent and periodic control functions of affiliates and subsidiaries, subject to banking supervision, are functionally subordinate, as Consolidated Control departments, to BPCE's corresponding Central Control divisions and report to their entity's executive body.

These ties have been formally defined in charters for each function, covering:

- a standardized opinion on the appointments and dismissals of Heads of permanent/periodic control functions at direct affiliates and subsidiaries;
- reporting, information and whistleblowing obligations;
- drafting of standard practices by the central institution set out in Group standards, definition or approval of control plans.

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

- the Group Internal Control Charter: an Umbrella Charter drawing on the following two individual charters:
  - the Internal Audit Charter, and
  - the Risk, Compliance and Permanent Control Charter.

INTERNAL CONTROL COORDINATION COMMITTEE

The Chairman of the BPCE Management Board is responsible for ensuring the consistency and effectiveness of the internal control system. A Group Internal Control Coordination Committee, chaired by the Chairman of the Management Board, 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 Internal Control Charter, the Group Risk, Compliance and Permanent Control Charter and the Group Internal 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.

The members of the Executive Management Committee in charge of Risk Management (Risk division) and Compliance and Permanent Controls (Corporate Secretary's Office), and the Head of the Group *Inspection Générale* division, are members of this committee. Where applicable, the Internal Control Coordination Committee may hear reports from operational managers about measures they have taken to apply recommendations made by internal and external control bodies.

6.3.5 Recovery Plan

BPCE's Supervisory Board approved the Group's Recovery Plan (RP) for 2019.

The plan is in line with European regulatory measures on the recovery and resolution of banks and investment firms, and with the provisions of the French Monetary and Financial Code.

The objective of the Recovery Plan is to identify measures to restore the Group's financial solidity in the event it deteriorates significantly.

The plan presents the options available to the Group to launch a crisis management system. It assesses the relevance of the different options in various crisis scenarios and the methods and resources available for their implementation.

The Recovery Plan is mainly based on the:

- Group's organizational structure 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;
- identification of options impacting the restoration of the Group's financial position and their impacts on the Group's business model;
- preventative oversight of leading indicators on financial and economic conditions;
- establishment of the organizational structures needed to implement the recovery.

This system is monitored and coordinated by a permanent office at BPCE.

The Recovery Plan is kept up to date and approved by the Supervisory Board, aided by its Risk Management Committee for these purposes.

The Recovery Plan is updated annually.

In addition to updating its Recovery Plan, the Group ran a test in 2019 to make sure it would be able to mobilize quickly to handle a financial crisis impacting its solvency. During the simulation, the Group successfully rallied several teams and its Executive Management Committee.

6.4 Capital management and capital adequacy

6.4.1 Regulatory framework

Credit institutions' capital is regularly monitored in accordance with regulations defined by the Basel Committee.

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

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

Credit institutions subject to CRD and CRR are thus required to continuously observe:

- the Common Equity Tier 1 (CET1) ratio;
- the Tier 1 ratio, *i.e.* CET1 plus Additional Tier 1 (AT1) capital;
- 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 Tier 1 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 (low for Groupe BPCE given its countries of operation),
  - 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;
- 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 measures 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 since 2016 and finalized in 2019:
  - the capital conservation buffer, comprised of Common Equity Tier 1, is now 2.5% of the total amount of risk exposures,
  - Groupe BPCE's countercyclical buffer equals the EAD-weighted average of the buffers defined for each of the Group's countries of operation. Groupe BPCE's maximum countercyclical buffer as of January 1, 2019 is 2.5%,
  - the G-SIB buffer was set at 1% for the Group in 2019;
- the gradual incorporation of Basel III provisions:
  - deferred tax assets (DTAs) that rely on future profitability and linked to tax loss carryforwards have been gradually deducted in 10% increments since 2015. Pursuant to Article 19 of ECB regulation (EU) No. 2016/445 of March 14, 2016, this item was fully deducted in 2019,
  - hybrid debt instruments eligible to be included in capital under Basel II, and which are no longer eligible under the new regulation, may under certain conditions be eligible for the grandfathering clause. In accordance with this clause, they are gradually excluded over an eight-year period, with a 10% decrease each year. Since January 1, 2019, 30% of all such instruments declared at December 31, 2013 have been recognized, then 20% in 2020 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. Banks can use the standardized or advanced approach to calculate their capital requirements.

REVIEW OF MINIMUM CAPITAL REQUIREMENTS UNDER PILLAR I

	2018	2019
Minimum regulatory capital requirements		
Common Equity Tier 1 (CET1)	4.5%	4.5%
Total Tier 1 capital (T1 = CET1 + AT1)	6.0%	6.0%
Regulatory capital (T1 + T2)	8.0%	8.0%
Additional requirements		
Capital conservation buffer	1.875%	2.5%
G-SIB buffer applicable to Groupe BPCE[(1)]	0.75%	1.0%
Maximum countercyclical buffer applicable to Groupe BPCE[(2)]	1.875%	2.5%
Maximum total capital requirements for Groupe BPCE		
Common Equity Tier 1 (CET1)	9.0%	10.5%
Total Tier 1 capital (T1 = CET1 + AT1)	10.5%	12.0%
Regulatory capital (T1 + T2)	12.5%	14.0%

(1) G-SIB buffer: buffer for global systemically important banks.
(2) The countercyclical buffer requirement is calculated quarterly.

PILLAR II

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

It consists of:

- an analysis by the bank of all of its risks, including those already covered by Pillar I;
- an estimate by the bank of the capital requirement for these risks;
- a comparison by the banking supervisor of its own analysis of the bank's risk profile with the analysis conducted by the bank, in order to adapt its choice of prudential measures where applicable, which may take the form of capital requirements exceeding the minimum requirements or any other appropriate technique.

For fiscal year 2019, Groupe BPCE's total capital ratio requirement was 9.75%, including the Pillar II Requirement (P2R), plus a 2.50% capital conservation buffer, a 1% G-SIB buffer and a persistently low countercyclical buffer (with respect to the Group's countries of establishment).

PILLAR III

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

6.4.2 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;
- Oney Insurance;
- Oney Life.

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, 2019.

Assets at 12/31/2019 *in millions of euros*	**BPCE statutory scope**	**Prudential restatements**	**BPCE prudential scope**
Cash and amounts due from central banks	80,244	85	80,329
Financial assets at fair value through profit or loss	218,767	(2)	218,765
• O/w debt instruments	24,667	3	24,670
• O/w equity instruments	42,991		42,991
• O/w loans (excluding repurchase agreements)	7,846	(20)	7,826
• O/w repurchase agreements	80,921		80,921
• O/w trading derivatives	47,552	15	47,567
• O/w security deposits paid	14,790		14,790
Hedging derivatives	9,286		9,286
Financial assets at fair value through other comprehensive income	44,630	96	44,726
Securities at amortized cost	28,922	28	28,950
Loans and receivables due from banks at amortized cost	89,656	(678)	88,978
Loans and receivables due from customers at amortized cost	693,257	2,957	696,214
Revaluation differences on interest rate risk-hedged portfolios	7,673		7,673
Insurance business investments	119,046	(118,282)	764
Current tax assets	864	(54)	810
Deferred tax assets	3,597	(230)	3,367
Accrued income and other assets	24,326	(233)	24,093
Non-current assets held for sale	578		578
Investments in associates	4,247	4,135	8,382
Investment property	769		769
Property, plant and equipment	6,448	(147)	6,301
Intangible assets	1,089	(268)	821
Goodwill	4,665	(332)	4,333
TOTAL	**1,338,064**	**(112,925)**	**1,225,139**

Liabilities at 12/31/2019 *in millions of euros*	**BPCE statutory scope**	**Prudential restatements**	**BPCE prudential scope**
Amount due to central banks			
Financial liabilities at fair value through profit or loss	201,776	(1,280)	200,496
• O/w securities sold short	19,984	3	19,987
• O/w other liabilities issued for trading purposes	95,832		95,832
• O/w trading derivatives	46,546	2	46,548
• O/w security deposits received	9,090	24	9,114
• O/w financial liabilities designated at fair value through profit or loss	30,324	(1,309)	29,015
Hedging derivatives	15,068		15,068
Debt securities	239,341	783	240,124
Amounts due to banks	76,653	(1,849)	74,804
Amounts due to customers	559,713	2,122	561,835
Revaluation differences on interest rate risk-hedged portfolios	238		238
Current tax liabilities	788	(84)	704
Deferred tax liabilities	1,400	(423)	977
Accrued expenses and other liabilities	30,877	152	31,029
Liabilities associated with non-current assets held for sale	528		528
Liabilities related to insurance policies	110,697	(110,697)	
Provisions	6,156	(111)	6,045
Subordinated debt	17,487	(637)	16,850
Equity attributable to equity holders of the parent	**69,909**	**9**	**69,918**
Share capital and additional paid-in capital	*26,740*		*26,740*
Retained earnings	*38,972*	*9*	*38,981*
Gains and losses recognized directly in other comprehensive income	*1,168*		*1,168*
Net income for the period	*3,030*		*3,030*
Non-controlling interests	7,431	(910)	6,521
TOTAL	**1,338,064**	**(112,925)**	**1,225,139**

6

6.4.3 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	12/31/2019 Basel III phased-in[1]	12/31/2018 Basel III phased-in[1]
Share capital and additional paid-in capital	26,740	23,513
Retained earnings	38,981	39,052
Income income for the period	3,030	3,026
Gains and losses recognized directly in other comprehensive income	1,168	613
Consolidated equity attributable to equity holders of the parent	**69,919**	**66,204**
Perpetual deeply subordinated notes classified as other comprehensive income	-	(683)
Consolidated equity attributable to equity holders of the parent excluding perpetual deeply subordinated notes classified as other comprehensive income	**69,919**	**65,521**
Non-controlling interests	5,059	4,859
• o/w prudential filters	-	-
Deductions	(5,768)	(5,098)
• o/w goodwill[2]	(4,278)	(4,138)
• o/w intangible assets[2]	(823)	(960)
• o/w irrevocable payment commitments	(667)	-
Prudential restatements	(3,217)	(3,104)
• o/w shortfall of credit risk adjustments to expected losses	(387)	(252)
• o/w prudent valuation	(561)	(545)
Common Equity Tier 1[3]	**65,992**	**62,178**
Additional Tier 1 capital	23	344
Tier 1 capital	**66,015**	**62,522**
Tier 2 capital	13,309	14,360
TOTAL REGULATORY CAPITAL	**79,325**	**76,882**

(1) Phased-in: after taking phase-in measures into account.
(2) Including non-current assets and entities held for sale classified as held for sale.
(3) Common Equity Tier 1 included €25,674 million in cooperative shares (after taking allowances into account) at December 31, 2019 and €24,128 million at December 31, 2018.

A detailed breakdown of prudential capital by accounting classification, as required by Implementing regulation No. 1423/2013, is published at the following address: https://groupebpce.com/en/investors/results-and-publications/pillar-iii

A detailed breakdown of debt instruments recognized as AT1 and T2 capital, as required by implementing regulation No. 1423/2013, is published at the following address: https://groupebpce.com/en/investors/results-and-publications/pillar-iii

COMMON EQUITY TIER 1 (CET1)

CORE CAPITAL AND DEDUCTIONS

Common Equity Tier 1 consists of:

- share capital;
- additional paid-in capital or merger premiums;
- reserves, including revaluation differences and gains or losses recognized directly in other comprehensive income;
- retained earnings;
- net income attributable to equity holders of the parent;
- non-controlling interests in banking or related subsidiaries for the share after CET1 eligibility caps.

The following deductions are made:

- treasury shares held and measured at their carrying amount;
- intangible assets, including set-up costs and goodwill;
- deferred tax assets and liabilities that rely on future profitability;
- prudential filters arising from CRR Articles 32, 33, 34 and 35: gains or losses on cash flow hedges, gains on transactions in securitized assets, own credit risk;
- negative amounts arising from the comparison between provisions and expected losses (in this calculation, performing loans are clearly separated from loans in default);
- equity interests in eligible banking, financial and insurance institutions, according to the rules on allowances for these holdings and the phase-in period;
- value adjustments arising from the prudent valuation of assets and liabilities measured at fair value according to a prudential method, deducting any value adjustments;
- irrevocable payment commitments.

CHANGES IN CET1 CAPITAL

in millions of euros	CET1 capital
12/31/2018	**62,178**
Cooperative share issues	1,633
Income net of proposed dividend payout*	2,685
Other items	(504)
12/31/2019	**65,992**

* Including the actual 2018 dividend paid in 2019, less the proposed 2018 dividend payout.

BREAKDOWN OF NON-CONTROLLING INTERESTS (MINORITY INTERESTS)

in millions of euros	Non-controlling interests
Carrying amount (regulatory scope) – 12/31/2019	**6,521**
Perpetual deeply subordinated notes classified as non-controlling interests	(152)
Ineligible non-controlling interests	(416)
Proposed dividend payout	(301)
Caps on eligible non-controlling interests	(334)
Other items	(259)
Prudential amount – 12/31/2019	**5,059**

ADDITIONAL TIER 1 (AT1) CAPITAL

Additional Tier 1 capital includes:

- subordinated instruments issued in compliance with the restrictive eligibility criteria set forth by CRR Article 52;
- additional paid-in capital related to these instruments.

Deductions comprise equity interests in eligible banking, financial and insurance institutions, according to the rules on allowances for these holdings.

CHANGES IN AT1 CAPITAL

in millions of euros	**AT1 capital**
12/31/2018	**344**
Redemptions	(344)
Issues	-
Foreign exchange effect	23
Phase-in adjustments	-
12/31/2019	**23**

TIER 2 CAPITAL

Tier 2 capital consists of:

- subordinated instruments issued in compliance with the restrictive eligibility criteria set forth by CRR Article 63;
- additional paid-in capital related to Tier 2 items;
- the amount arising from provisions in excess of expected losses (in this calculation, performing loans are clearly separated from loans in default).

Deductions comprise equity interests in eligible banking, financial and insurance institutions, according to the rules on allowances for these holdings.

CHANGES IN TIER 2 CAPITAL

in millions of euros	**Tier 2 capital (T2)**
12/31/2018	**14,360**
Redemption of subordinated notes	(80)
Prudential haircut	(616)
New subordinated note issues	-
Phase-in deductions and adjustments	(373)
Foreign exchange effect	18
12/31/2019	**13,309**

6.4.4 Regulatory capital requirements and risk-weighted assets

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

- the "standardized" approach, based on external credit ratings and specific risk weightings according to Basel exposure classes;
- the "internal ratings based" (IRB) approach, based on the financial institution's internal ratings system, broken down into two categories:
  - the Foundation IRB approach – banks use only their probability of default estimates for this approach,
  - the Advanced IRB approach – banks use all their internal component estimates for this approach, *i.e.* probability of default, loss given default, exposure at default and maturity.

The methodology applied for IRB approaches is described in greater detail in section 5 "Credit risk".

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

OVERVIEW OF RWAS

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

	12/31/2019		12/31/2018
in millions of euros	RWA amount	Capital requirements	RWA amount
Credit risk (excl. counterparty credit risk) (CCR)	**343,548**	**27,484**	**318,497**
• o/w standardized approach (SA)	139,762	11,181	134,949
• o/w foundation IRB (F-IRB) approach	57,854	4,628	48,135
• o/w advanced IRB (A-IRB) approach	103,511	8,281	97,055
• o/w equity IRB under the simple risk-weighted approach or the IMA	42,420	3,394	38,357
Counterparty risk	**10,687**	**855**	**10,803**
• o/w mark-to-market	8,638	691	8,075
• o/w original exposure	-	-	-
• o/w standardized approach	-	-	-
• o/w internal model method (IMM)	-	-	-
• o/w risk exposure amount for contributions to the default fund of a CCP	399	32	411
• o/w CVA	1,650	132	2,317
Settlement risk	**35**	**3**	**6**
Securitization exposures in banking book (after the cap)	**4,526**	**362**	**5,134**
• o/w foundation IRB (F-IRB) approach	1,350	108	1,695
• o/w IRB supervisory formula approach (SFA)	-	-	-
• o/w standardized approach (SA)	3,176	254	3,439
Market risk	**12,888**	**1,031**	**10,604**
• o/w standardized approach (SA)	7,062	565	6,159
• o/w internal models approach (IMA)	5,826	466	4,444
Operational risk	**39,298**	**3,144**	**38,057**
• o/w basic indicator approach	252	20	-
• o/w standardized approach	39,046	3,124	38,057
• o/w advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**10,618**	**849**	**9,319**
Floor adjustment	-	-	-
TOTAL	**421,599**	**33,728**	**392,420**

Note: risk-weighted assets and capital requirements for counterparty credit risk are presented in accordance with the template recommended by the EBA in its final report dated December 14, 2016 (counterparty credit risk aside and including CVA and risk associated with contributions to the default fund of a CCP).

RWAS BY TYPE OF RISK AND BY BUSINESS LINE

		Basel III phased-in				
in millions of euros		Credit risk[1]	CVA	Market risk	Operational risk	
	December 31, 2018[2]	235,024	134	1,154	24,604	260,917
Retail banking	**December 31, 2019**	**258,345**	**66**	**1,584**	**23,961**	**283,957**
	December 31, 2018[2]	7,041	-	-	4,656	11,697
Asset & Wealth Management	**December 31, 2019**	**9,277**	**-**	**-**	**4,644**	**13,922**
	December 31, 2018[2]	43,755	1,660	7,292	7,053	59,760
Corporate & Investment Banking	**December 31, 2019**	**45,183**	**1,335**	**8,654**	**6,879**	**62,051**
	December 31, 2018[2]	55,623	522	2,158	1,744	60,047
Other	**December 31, 2019**	**54,957**	**249**	**2,650**	**3,813**	**61,669**
	December 31, 2018[2]	341,442	2,317	10,604	38,057	392,420
TOTAL RISK-WEIGHTED ASSETS	**DECEMBER 31, 2019**	**367,762**	**1,650**	**12,888**	**39,298**	**421,599**

(1) Including settlement risk.
(2) Segment information was modified from March 31, 2019 in order to present Groupe CFF and Groupe BPCE I as run-off activities; the data shown in the above table are estimates based on this presentation at December 31, 2018.

NON-DEDUCTED PARTICIPATIONS IN INSURANCE UNDERTAKINGS

in millions of euros	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	6,467
TOTAL RISK-WEIGHTED ASSETS	**21,226**

6.4.5 Management of capital adequacy

The methods used by Groupe BPCE to calculate risk-weighted assets are described in section 4.4 "Regulatory capital requirements and risk-weighted assets".

REGULATORY CAPITAL AND CAPITAL RATIOS

REGULATORY CAPITAL AND BASEL III PHASED-IN CAPITAL RATIOS

in millions of euros	12/31/2019 Basel III phased-in	12/31/2018 Basel III phased-in
Common Equity Tier 1 (CET1)	65,992	62,178
Additional Tier 1 (AT1) capital	23	344
TOTAL TIER 1 (T1) CAPITAL	**66,015**	**62,522**
Tier 2 (T2) capital	13,309	14,360
TOTAL REGULATORY CAPITAL	**79,325**	**76,882**
Credit risk exposure	367,728	341,436
Settlement/delivery risk exposure	35	6
CVA risk exposure	1,650	2,317
Market risk exposure	12,888	10,604
Operational risk exposure	39,298	38,057
TOTAL RISK EXPOSURE	**421,599**	**392,420**
Capital adequacy ratios		
Common Equity Tier 1 ratio	15.7%	15.8%
Tier 1 ratio	15.7%	15.9%
Total capital ratio	18.8%	19.6%

CHANGES IN GROUPE BPCE'S CAPITAL ADEQUACY IN 2019

The Common Equity Tier 1 ratio was 15.7% at December 31, 2019 versus 15.8% at December 31, 2018.

Several non-recurring items impacted the Common Equity Tier 1 ratio in 2019:

- the implementation of IFRS 16 (-5 basis points);
- the deduction, at the instruction of the supervisory authority, of the portion of SRF and FGDR (deposit insurance and resolution fund) comprising irrevocable payment commitments (-14 basis points);
- the consolidation of the Natixis Factoring, Sureties & Guarantees, Leasing, Consumer Finance and Securities Services business lines (-20 basis points);
- the acquisition of a 50.1% stake in Oney Bank by BPCE SA (-12 basis points);
- the methodology impact related to the calculation of risk-weighted assets associated with the funding of speculative real estate assets (-17 basis points).

The change in the Common Equity Tier 1 ratio in 2019 can also be attributed to:

- the increase in Common Equity Tier 1 capital, driven in particular by earnings taken to reserves (+74 basis points) and cooperative share inflows (+39 basis points);
- the increase in business risk-weighted assets (-74 basis points).

At December 31, 2019, the Tier 1 ratio came out at 15.7% and the total capital ratio at 18.8%, compared to 15.9% and 19.6%, respectively, at December 31, 2018.

GROUPE BPCE CAPITAL ADEQUACY MANAGEMENT POLICY

Capital and total loss absorbing capacity (TLAC) targets 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 also issues TLAC-eligible debt.

Finally, in addition to TLAC, Groupe BPCE carries bail-inable debt, 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.

The Single Resolution Board set the Group's MREL requirement in January 2020 (equivalent to 24.2% of risk-weighted assets at end-2017), which has now been met with room to spare. As a result, the Group does not need to modify or increase its issuance program.

CAPITAL ALLOCATION MEASURES AND CAPITAL ADEQUACY SUPERVISION

The Group implemented action plans over the course of 2019 aimed specifically at ensuring the capital adequacy of its networks and its subsidiaries. BPCE subscribed for a capital increase by Banque Palatine (€150 million) and a Tier 2 issue by Oney Bank (€33 million).

LEVERAGE RATIO

The main purpose of the leverage ratio is to serve as an additional risk measurement for determining regulatory capital requirements. CRR Article 429, which sets forth the calculation method for the leverage ratio, was amended by Commission Delegated Regulation (EU) 2015/62 of October 10, 2014.

The leverage ratio has been subject to mandatory disclosure since January 1, 2015. 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 2021.

The leverage ratio is determined by dividing Tier 1 capital by exposures, which consist of assets and off-balance sheet items, restated to account for derivatives, securities financing transactions and items deducted from capital.

The minimum leverage ratio requirement is currently set at 3%.

Groupe BPCE's leverage ratio, as calculated under the rules of Commission Delegated Regulation No. 2015/62 of October 10, 2014, was 5.3% at December 31, 2019 based on phased-in Tier 1 capital.

6

TRANSITION FROM THE STATUTORY BALANCE SHEET TO LEVERAGE RATIO EXPOSURE

in millions of euros	12/31/2019	12/31/2018
TOTAL CONSOLIDATED ASSETS AS PER PUBLISHED FINANCIAL STATEMENTS	**1,338,064**	**1,273,926**
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes, but outside the scope of regulatory consolidation	(112,925)	(105,014)
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	(38,028)	(33,528)
Adjustment for securities financing transactions (*i.e.* repos and similar secured lending)	(15,071)	(20,356)
Adjustment for off-balance sheet items (*i.e.* conversion to credit equivalent amounts of off-balance sheet exposures)	79,830	74,055
Other adjustments	(6,722)	(5,672)
LEVERAGE RATIO EXPOSURE	**1,245,148**	**1,183,411**

Without applying the phase-in measures (except for the 10% deduction of deferred tax assets on tax loss carryforwards) and without taking into account subordinated debt issues not eligible as additional Tier 1 capital, Groupe BPCE leverage ratio came to 5.3% at December 31, 2019 *versus* 5.3% at December 31, 2018.

Financial conglomerate ratio

As an institution exercising banking and insurance activities, Groupe BPCE is also required to comply with a financial conglomerate ratio. This ratio is determined by comparing the financial conglomerate's total capital against all the regulatory capital requirements for its banking and insurance activities.

The financial conglomerate ratio demonstrates that the institution's prudential capital sufficiently covers the total regulatory capital requirements for its banking activities (in accordance with CRR) and insurance activities, based on the solvency margin established under Solvency 2.

The calculation of surplus capital is based on the statutory scope. Insurance company capital requirements, determined for the banking capital adequacy ratio by weighting the equity-method value, are replaced with capital requirements based on the solvency margin. Capital requirements within the banking scope are determined by multiplying risk-weighted assets by the rate in force under Pillar II, *i.e.* 13.48% at December 31, 2019 *versus* 12.13% at December 31, 2018. Groupe BPCE expects to take into account the positive effect of the Decree of 24 December 2019 on life insurance surplus capital.

At December 31, 2019, Groupe BPCE's surplus capital amounted to €21 billion.

SUPERVISORY REVIEW AND EVALUATION PROCESS

SREP-ICAAP PROCESS

As the supervisory authority under Pillar II, the ECB conducts an annual assessment of banking institutions. This assessment, referred to as the Supervisory Review and Evaluation Process (SREP), is primarily based on:

- an evaluation based on information taken from prudential reports;
- documentation established by each banking institution, including in particular the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP);
- an assessment of the institution's governance, business model and information system.

Based on the conclusions of the SREP carried out by the ECB in 2019, Groupe BPCE shall maintain a consolidated Common Equity Tier 1 ratio of 9.98% at January 1, 2020, including:

- 1.75% in respect of Pillar II requirements (excluding Pillar II guidance);
- 2.50% in respect of the capital conservation buffer;
- 1.00% in respect of the buffer for global systemically important banks (G-SIB buffer);
- 0.23% in respect of the countercyclical buffer.

The corresponding total capital requirement will be 13.48% (excluding Pillar II guidance).

- With a Common Equity Tier 1 ratio of 15.7% at end-2019, Groupe BPCE has exceeded the specific capital requirements set by the ECB.
- As regards the internal capital adequacy assessment under Pillar II, the principles defined in the ICAAP/ILAAP guidelines published by the ECB in February 2018 were applied 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

At December 31, 2019, Groupe BPCE had already achieved the targets set for the Common Equity Tier 1 ratio (>15.5%) and TLAC ratio (>21.5%) in the 2018-2020 strategic plan. Even so, the Group as a whole will remain focused on continuously improving its financial strength in 2020.

The Group remained on the list of G-SIBs (Global Systemically Important Banks) in November 2019.

MREL – TLAC

In addition to capital adequacy ratios, ratios aimed at verifying the Group's capacity to carry out a bail-in in the event of default are implemented *via* the Minimum Requirement for own funds and Eligible Liabilities (MREL) and Total Loss Absorbing Capacity (TLAC). Groupe BPCE has established internal oversight of these indicators.

The MREL (Minimum Requirement for own funds and Eligible Liabilities) ratio was introduced by BRRD 1. Senior unsecured debt with a maturity of more than one year and the Group's own funds make up the numerator of the MREL ratio. In November 2015, the Single Resolution Board published a provisional methodology for setting the MREL requirement under the current regulatory framework. This methodology sets the MREL requirement based on risk-weighted assets equal to double the sum of total capital requirements, including buffers, minus 125 basis points. The Single Resolution Board set Groupe BPCE's MREL requirement in 2018 and a new notification was received in January 2020.

The new total MREL requirement has been set at a level equivalent to 24.2% of the Group's risk-weighted assets (RWA) at end-December 2017, *i.e.* 23.2% at end-2019, down slightly from the initial requirement set in April 2018. Standing at 29.2% at December 31, 2019, Groupe BPCE's total effective MREL ratio sits well above current requirements.

With the notification received in January 2020, the Group also received its subordinated MREL requirement for the first time, set at a level equivalent to 19.5% of RWA at end-December 2017, *i.e.* 18.7% at end-2019 with a total effective ratio of 23.3%. For subordinated MREL, the numerator only includes junior liabilities through senior non-preferred debt.

As BRRD2, published in June 2019, is being transposed into national law, the methodology for setting the requirement may change. The Single Resolution Board, the authority in charge of setting the requirement, will communicate its new methodology.

The TLAC ratio serves the same purpose as subordinated MREL and only applies to G-SIBs. CRR 2, published at the same time as BRRD 2, transcribed TLAC into positive law. As indicated above, the Group has set its own TLAC target above the regulatory requirement, which is 19.74% of RWAs in 2020.

TLAC (Total Loss Absorbing Capacity) amounted to €98.2 billion at end-December 2019. The TLAC ratio was 23.3% at December 31, 2019 *versus* 22.5% at December 31, 2018 (pro forma).

TLAC

in millions of euros	12/31/2019
Regulatory capital elements of TLAC and adjustments	
Common Equity Tier 1 capital (CET1)	*65,992*
Additional Tier 1 capital (AT1) before TLAC adjustments	*23*
Other adjustments	*0*
TLAC-eligible Tier 1 instruments	66,015
Tier 2 capital (T2)	*13,309*
Amortized fraction of Tier 2 instruments with residual maturity of at least 1 year	*817*
TLAC-eligible Tier 2 instruments	14,126
TLAC arising from regulatory capital	**80,141**
Non-regulatory capital elements of TLAC	
Senior non-preferred debt instruments	*18,066*
TLAC arising from non-regulatory capital instruments before adjustments	18,066
Total loss absorbing capacity (elements of TLAC)	**98,207**
Risk-weighted assets and leverage exposure measure for TLAC purposes	
Total risk-weighted assets adjusted as permitted under the TLAC regime	421,599
Leverage exposure measure	1,245,148
TLAC ratios	
TLAC (as a percentage of risk-weighted assets adjusted as permitted under the TLAC regime)	***23.29%***
TLAC (as a percentage of leverage exposure)	***7.89%***

The ranking of creditors for TLAC capital elements is as follows by order of repayment priority: senior non-preferred debt, subordinated debt eligible as Tier 2 capital on issuance and subordinated debt eligible as Tier 1 capital on issuance.

Eligible liabilities and their features are published at the following address:

https://groupebpce.com/en/investors/results-and-publications/pillar-iii

6.5 Credit risks

6.5.1 Credit risk management

CREDIT POLICY

The overall credit risk policy is governed in particular by the risk appetite system, structured around the definition of the level of risk 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 sufficiently under control, nor does it exercise proprietary trading activities. Activities with high risk-reward profiles are identified and strictly controlled.

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

In general, Groupe BPCE's credit approval process is based first and foremost on the customer's ability to repay the loan, *i.e.* future cash flows, with clearly identified sources and channels and a reasonably realistic probability of occurrence.

RATING POLICY

Credit risk measurement relies on internal rating systems tailored to each category of customer and transaction. The Risk division is responsible for defining and verifying the performance of these rating systems.

An internal rating methodology common to all Groupe BPCE institutions (specific to each customer segment) is applied for "individual and professional retail customers", as well as for "corporate customers", "real estate professionals", "project financing", "central banks and other sovereign exposures", "central governments", "public-sector and similar entities" and "financial institutions" segments.

CREDIT RISK GOVERNANCE

The systems in place to govern credit approval and to manage and classify credit risks are all based on the following governance:

Each standard, policy, system or method is the focus of workshops, organized and led by the Risk division teams, made up of Group representatives. The purpose of these workshops is to define the rules and expectations for each topic addressed, as it relates to the Group's risk appetite and regulatory constraints. These topics are then decided by a Group committee made up of executive managers.

The Risk Management function is structured in accordance with the principle of subsidiarity, with strong functional ties:	• each Groupe BPCE institution has a Risk division in charge of credit and counterparty risks. Each institution manages its risks in accordance with Group standards and prepares a risk report every six months; • each Head of Risk Management is functionally subordinate to the Group Head of Risk Management, who reports to the Chairman of the Groupe BPCE Management Board and is a member of the Executive Management Committee; • the Risk division has a department in charge of coordinating Level 1 and 2 permanent controls at the institutions. The Credit Risk function helps ensure that each institution's permanent control system is complete.

The credit approval process is based on Group risk policies, which in turn draw on internal rating systems tailored to each type of customer and transaction.

The Groupe BPCE Risk division is responsible for:	• overseeing and proposing guidelines for risk management policies, in accordance with the Group's risk appetite; • defining, deploying and verifying the performance of internal rating systems; • producing reports containing the relevant information on these measures.
For credit risk oversight purposes, Groupe BPCE manages and regularly reviews the following risks:	• the creditworthiness of the main portfolios or activities (home loans, consumer loans, loans to professional customers, SMEs/ISEs) at Group level, on an in-depth basis; • concentration risks, defining individual limits for major counterparties; • consolidated amounts and changes in loan outstandings by counterparty; • average risk-weighted assets by entity and by asset class; • counterparty risk consolidated at Group level.
Credit approval decisions deployed or adapted at each Group institution are supervised within a system made up of:	• Group risk policies, Group sector policies; • regulatory caps, Group internal caps, internal caps for institutions in the Banque Populaire and Caisses d'Epargne networks and all BPCE subsidiaries; • a set of Group internal limits covering 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, supplemented as needed by local limits; predominantly based on the internal rating approach, these methodologies are used to define the maximum risk that Groupe BPCE is willing to take; • at each Group institution, a pro-con analysis or counter-analysis procedure involving the Risk function, which holds the right to veto decisions, calling on the higher-level Credit Committee for arbitration where necessary, or the duly authorized representative; a permanent control system.

Furthermore, sector and portfolio reviews are carried out at Group level to obtain a consolidated view of their credit quality and, where applicable, to be able to propose changes to risk policies or the corresponding management procedures.

Compliance with regulatory and internal caps and limits is regularly checked by the Group Risk and Compliance Committee and the Audit and Risk Committees of the Supervisory Board. Each institution is responsible for ensuring compliance with internal limits.

The Risk division also defines the credit risk Level 2 permanent control framework for all institutions. The Group Internal Control Committee (3CIG) is informed of the action plan for year N+1, based on the results observed during the fiscal year.

Each institution determines its priority risks *via* the macro-level risk mapping process, which serves as a guide for its annual permanent control plan.

The Level 2 permanent control system forms an auditable base available to the periodic control teams.

The results of these management initiatives are presented to the Group Risk and Compliance Committee, the Group Credit and Counterparty Risk Committee and the Group Credit Risk and Permanent Control Committee.

Finally, the Risk division coordinates the credit risk process, particularly through monthly audio conferences, national credit risk days, regional platforms 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.

HIGHLIGHTS

With regulations undergoing significant changes, all institutions are required to implement applicable standards, rules and policies in their operations, in order to ensure consistent implementation throughout the Group.

Several major operational projects were undertaken in 2019, particularly in terms of consolidation scope:

- several Natixis subsidiaries were sold to BPCE SA (Natixis Lease, Natixis Factor, CEGC, Natixis Financement) in addition to SOCFIM, a subsidiary of Crédit Foncier de France. As a result, the delegation system of these subsidiaries were modified to comply with the BPCE delegation system;
- Crédit Foncier de France was placed under run-off management;
- BPCE International was also placed under run-off management, with its subsidiaries having already been sold in 2019 or currently in the process of being sold;
- subsequent to the ECB's "bad loans" audit in 2017, a project was launched to improve the detection of risk prior to customer hardships;
- the ECB also conducted two audits in 2019 on the specialized lending and leveraged finance activities.

The main initiatives undertaken in 2019 can be classified into one of five categories:

1. Risk policies and limits
Two new risk policies on the funding of political parties and the food retail sector were defined and rolled out. Corporate and LBO risk policies were adjusted to incorporate the Leveraged Finance regulation. The Group's risk appetite for this asset class was defined. During the take-over of Oney Bank, the risk policy for France was reviewed and validated. A Group collections policy was established, aimed at improving the efficiency of the collections process by strengthening organizational processes and improving oversight of operations.
2. Rating
The ECB continued its TRIM (Targeted Review of Internal Models) with the examination of Retail and Small Enterprises (SE) models. Lastly, efforts were begun to improve the rating tool NIE.
3. Standards and tools
The standard used to identify counterparties whose leverage ratio has been reached, in accordance with the Leveraged Finance regulation, was rolled out across all Group institutions. The provisioning standard for corporate customers was rolled out to all institutions, with an initial scope of application targeting customers on the Group watchlist (NPL guidance). The following standards were defined or reviewed: ● definition of early warning indicators (EWIs) needed to improve early detection of corporate hardships; ● modification of thresholds for adding/removing customers from the Group watchlist to reflect Groupe BPCE's significant capital enhancement in recent years; ● enhancement of escalation criteria for obtaining central decisions on Group syndicated loans; ● definition of criteria for qualifying exposures to an institution or asset class as high-risk (NPL guidance); ● definition of haircuts applicable to the value of collateral held, to account for the duration and cost of forced sales (NPL guidance); ● inclusion of the probationary period in the forbearance standard. Preparatory work was continued to establish the new default standard: accounting impacts, functional impacts, software tool impacts, customer impacts. The default-NPL convergence will be carried out during the deployment phase.
4. Controls
The credit risk Level 2 permanent control system was supplemented for the corporate asset classes.
5. Reporting
Efforts to establish a syndicated loan report were continued, with the deployment of the syndication number assigned for the purposes of the ECB's AnaCredit reporting. The LBO report requested by the ECB was rolled out groupwide. Efforts to improve the monthly Group exposures consolidation tool were initiated.

CREDIT RISK SUPERVISION SYSTEM

CAPS AND LIMITS

The system of internal caps used across the Group, which are lower than the regulatory caps, is aimed at increasing the division of risks and is applied to all Group entities.

The internal caps system used by the institutions is lower than or equal to the Group internal caps, and is applied to the Banque Populaire and Caisse d'Epargne networks and the subsidiaries.

A Groupwide set of individual limits has also been established for the major counterparties as well as exposure levels for countries and industries. These limits apply to all Group institutions. The individual limits system in place, aimed at dividing up risks and making them individually acceptable in terms of each institution's profits and capital position, *i.e.* without including the value of collateral, to define the maximum amount of acceptable risk for a given counterparty. The aim of this position is to neutralize the operational risk associated with the recognition of collateral and with execution in the event the institution is required to call in the collateral.

Risk supervision is adapted to each sector *via* a monthly sector watch, which is a responsibility shared with all Group institutions. Sector policies and limits have been established for that purpose.

On behalf of the Group Risk and Compliance Committee, the Risk division 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 caps are monitored, and is notified of any breaches of limits defined in accordance with the risk appetite framework.

METHOD USED TO ASSIGN OPERATIONAL LIMITS ON INTERNAL CAPITAL

The quarterly Group risk dashboard is used to monitor consumption of risk-weighted assets in the Group's main asset classes: it compares any differentials in terms of changes between gross exposures and consumption of RWA.

By using these systems, the Group is able to accurately monitor the change in capital needed to cover risks in each asset class, while also observing any changes in the quality of the asset classes in question.

CORRELATION RISK POLICY

Correlation risk is governed by a special decision-making process, where a counterparty offers its own shares as collateral. A top-up clause is systematically required on such transactions.

For wrong-way risk, usually associated with collateral swaps between credit institutions, BPCE's liquidity reserve procedure defines this criterion as follows: "the counterparty to the repo and the securities received as collateral for that repo shall not be included in the same regulatory group."

However, these transactions may be reviewed on a case-by-case basis, under a special decision-making process, where the collateral consists exclusively of retail loans serving to finance residential real estate.

CREDIT RISK SUPERVISION

Within its remit as applied to credit risk supervision, the Risk division:

- presents the Management Board and Supervisory Board with a risk appetite framework for the Group and ensures its implementation and roll-out at each major entity;
- helps draw up risk policies on a consolidated basis, examines overall risk limits, takes part in discussions on capital allocation and ensures that portfolios are managed in accordance with these limits and allocations;
- helps the Groupe BPCE Management Board to identify emerging risks, the concentration of risk and other adverse developments, and to devise strategy and adjust risk appetite; performs any specific analyses and stress tests with the goal of identifying areas of risk and the Group's resilience under various predetermined shock scenarios;
- defines and implements risk taking and management standards and methods for consolidated risk measurement, risk mapping, risk-taking approval, risk control and reporting, and compliance with laws and regulations;
- assesses and controls the level of credit risk across the Group;
- conducts permanent supervision, including detecting and resolving limit breaches and centralized forward-looking risk reporting on a consolidated basis;
- conducts controls – or ensures through the principle of subsidiarity that controls are conducted – to verify that the operations and internal procedures of Group companies comply with legal, professional, or internal standards applicable 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 Risk division, which is also responsible for consolidated summary reporting to the various decision-making bodies and committees, in particular the Group Watchlist and Provisions Committee.

The aim of risk supervision is to:

- improve the identification of various degrees of situations that are stressed or becoming stressed, which may worsen and veer into default. A set of indicators used to identify incidents on customer accounts (past due payments, irregular payments, etc.) or external events (rejected notes, external ratings, customer life events) contributes to this supervisory system. This system is currently being strengthened with the addition of new supervision triggers under the "Bad Loans" project;
- enhance the quality of customer data through a data quality supervision and improvement system, in addition to seeking out high-quality exposures;
- use observed results to adjust the framework of permanent controls performed by each institution, based on its own macro-level risk mapping. The business line heads in charge of the content of the Level 2 permanent control framework and the heads of periodic control can then work together to cross-check the risk areas identified from the results of their own investigations, and complete:
  - the self-assessments of Groupe BPCE institutions,
  - decisions on how to change the control systems within their remit.

The Credit Risk business line, which is in charge of the content of the Level 2 permanent control framework, receives summaries of the audit reports from the periodic control teams, and can also determine whether the Level 2 periodic control framework needs to be adjusted for the institutions.

Risk prevention and monitoring at Groupe BPCE focuses on the quality of information, which is a heightened concern under the requirements of regulation BCBS 239 and is necessary for proper risk assessment, as well as the amount of risk taken and changes in these risks.

The application of the "gross leverage ratio" to non-investment grade corporate counterparties (revenue >€50 million) strengthens oversight of potential overindebtedness.

The supervision teams are responsible for ensuring that the sector-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 with a set of industry-based limits.

High-risk loans and counterparties (on the watchlist) and the provisioning policy for the main risks shared by several entities (including Natixis) are regularly examined by the Group Watchlist and Provisions Committee.

Groupe BPCE performs three main types of stress test on credit risk:

- the EBA stress test, performed every two years, aimed at testing the resilience of credit institutions to simulated shocks, and comparing their results. The outcome of the EBA stress test may result in stronger capital requirements or other mandatory measures imposed by the supervisor, which has not been the case for Groupe BPCE to date;
- Groupe BPCE's internal stress test. This test is performed once a year and its results are applied to ICAAP and the Recovery Plan. It covers several more scenarios than the EBA stress test, and includes changes in projections on the entire balance sheet. The baseline scenario is also used to challenge Groupe BPCE's medium-term plan. For the purposes of the Recovery Plan, an additional test is conducted on the real estate portfolio;
- specific stress tests. These tests can be run at an external request (supervisor) or internal request; There is a stress test for the real estate professionals portfolio, and a stress test will be conducted in early 2020 on leveraged buyouts, later a stress tests will be performed on renewable energy project financing operations.

The results of these stress tests have always demonstrated Groupe BPCE's resilience to the shocks simulated in the test scenarios They are consistently used with the aim of learning as much as possible from crisis simulations.

QUALITY ASSESSMENT OF LOAN OUTSTANDINGS AND IMPAIRMENT POLICY

SYSTEM GOVERNANCE

From a regulatory standpoint, Article 118 of the Ministerial Order of November 3, 2014 on internal control specifies that "at least once each quarter, supervised companies must perform an analysis of changes in the quality of their loan commitments. In particular, this review should determine, for material transactions, whether any reclassifications need to be conducted among the internal risk credit risk assessment categories and, if necessary, the appropriate allocations to non-performing loans and charges to provisions."

When a counterparty is placed on either a local Watch List (WL) or the Group WL, supervision of the counterparty in question is enhanced (Performing WL) or the decision is made to record an appropriate provision (Default WL).

Statistical provisions for performing loans, calculated at Group level for the networks in accordance with IFRS 9 requirements, are measured using a methodology validated by Group committees (reviewed by an independent unit and validated by the Group Models Committee and the Group Standards & Methods Committee). These provisions include scenarios of changes in the economic environment determined each year by the Group's Economic Research team, coupled with probabilities of occurrence reviewed quarterly by the Group Watchlist and Provisions Committee.

Provisions for loans in default are calculated at the individual institution level, with the exception of shared loans in default exceeding €20 million and subject to central coordination as decided by the Group Watchlist and Provisions Committee on a quarterly basis. The amount of the provision is calculated by incorporating the present value of collateral (prudent valuation), without systematically applying a haircut at this point: a methodology aimed at deploying a haircut policy was defined in late 2019 and rolled out as NPL guidance was implemented.

Any defaulted exposures not covered by provisions shall be subject to enhanced justification requirements to explain why no provision has been recorded.

NETTING OF ON-BALANCE SHEET AND OFF-BALANCE SHEET TRANSACTIONS

For credit transactions, Groupe BPCE is not required to carry out netting of on-balance sheet and off-balance sheet transactions.

RECOGNITION OF PROVISIONS AND IMPAIRMENT UNDER IFRS 9

Provisioning methods

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, loan commitments and financial guarantees given that are not recognized at fair value through profit or loss, as well as lease receivables and trade receivables, shall be systematically impaired or covered by a provision for expected credit losses (ECL).

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.

Financial instruments are divided into three categories (Stages) depending on the increase in credit risk observed since initial recognition. A specific credit risk measurement method applies to each category of instrument:

- Stage 1 (S1): Performing loans for which credit risk has not increased materially since the initial recognition of the financial instrument; The impairment or the provision for credit risk corresponds to 12-month expected credit losses;
- Stage 2 (S2): Performing loans for which credit risk has increased materially since the initial recognition of the financial instrument are transferred to this category. The impairment or the provision for credit risk is determined on the basis of the financial instrument's lifetime expected credit losses;
- Stage 3 (S3): Impaired exposures, within the meaning of IFRS 9, for which there is objective evidence of impairment loss due to an event which represents a known credit risk occurring (*e.g.* non-repayment of the loan at its normal term, collective proceeding, past due payments recorded by the customer, customer unable to finance an investment in new equipment, etc.) after the initial recognition of the instrument in question. This category covers receivables for which a default event has been identified, as defined in Article 178 of the EU regulation of June 26, 2013 on prudential requirements for credit institutions.

The Group implements a provisioning policy for its corporate customers. 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 the components (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, gone concern, combined approach.

Groupe BPCE applies the contagion principle when identifying groups of customer counterparties, through the ties binding the groups together.

Impairment under IFRS 9

Impairment for credit risk amounts to 12-month expected credit losses or lifetime expected credit losses, depending on the level of increase in credit risk since initial recognition (Stage 1 or Stage 2 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 on an individual basis by taking into account all reasonable and supportable information and by comparing the default risk on the financial instrument at the reporting date with the default risk on the financial instrument at the date of initial recognition. Any significant increase in credit risk shall be recognized before the transaction is impaired (Stage 3).

In order to assess a significant increase in credit risk, the Group implemented a process based on rules and criteria which apply to all Group entities:

- for the individual customer, professional customer and SME loan books, the quantitative criterion is based on the measurement of the change in the 12-month probability of default since initial recognition (probability of default measured as a cycle average);
- for the large corporate, bank and specialized financing loan books, it is based on the change in rating since initial recognition;
- these quantitative criteria are accompanied by a set of qualitative criteria, including the existence of a payment more than 30 days past due, the classification of the contract as at-risk, the identification of forbearance exposure or the inclusion of the portfolio on a Watch List;
- exposures rated by the large corporates, banks and specialized financing software tool are also downgraded to Stage 2 depending on the sector rating and the level of country risk.

Exposures for which there is objective evidence of impairment loss due to an event representing a counterparty risk and occuring after initial recognition will be considered as impaired and classified as Stage 3. Identification criteria for impaired assets are similar to those under IAS 39 and are aligned with the default criterion. The accounting treatment of restructuring operations due to financial hardships is similar to their treatment under IAS 39.

Expected credit losses on Stage 1 or Stage 2 financial instruments are measured as the product of several inputs:

- cash flows expected over the lifetime of the financial instrument, discounted at the valuation date – these flows are determined according to the characteristics of the contract, its effective interest rate and the level of prepayment expected on the contract;
- loss given default (LGD);
- probabilities of default (PD), for the coming year in the case of Stage 1 financial instruments and until the contract's maturity in the case of Stage 2 financial instruments.

The Group draws on existing concepts and mechanisms to define these inputs, and in particular on internal models developed to calculate regulatory capital requirements and on projection models used in the stress test system. Certain adjustments are made to comply with the specifics of IFRS 9.

IFRS 9 inputs:

- aim to provide an accurate estimate of expected credit losses for accounting provision purposes, whereas prudential inputs are more cautious for regulatory framework purposes. Several of the safety buffers applied to prudential inputs are therefore restated;
- shall allow expected credit losses to be estimated until the contract's maturity, whereas prudential inputs are defined to estimate 12-month expected losses. 12-month inputs are thus projected over long periods;
- shall be forward-looking and take into account the expected economic environment over the projection period, whereas prudential inputs correspond to through-the-cycle estimates (for PD) or downturn estimates (for LGD and the flows expected over the lifetime of the financial instrument). Prudential PD and LGD inputs are therefore also adjusted to reflect forecasts of future economic conditions.

Inputs are adjusted to economic conditions by defining three economic scenarios over a three-year period. The variables defined in each of these scenarios allow for the distortion of the PD and LGD inputs and the calculation of an expected credit loss for each economic scenario. Projections of inputs for periods longer than three years are based on the mean reversion principle. The models used to distort the PD and LGD inputs are based on those developed for the stress test system for consistency reasons. The economic scenarios are associated with probabilities of occurrence, making it possible to calculate the average probable loss, which is used as the IFRS 9 impairment amount.

These scenarios are defined using the same organization and governance as those defined for the budget process, requiring an annual review based on proposals from the Economic Research department. For consistency purposes, the baseline scenario serves as the budget scenario. Two variants – an optimistic view and a pessimistic view – are also developed around this scenario. The probability of occurrence of each scenario is reviewed on a quarterly basis by the Group Watchlist and Provisions Committee. The inputs thus defined are used to measure expected credit losses for all rated exposures, whether they were subject to the IRB or the standardized approach for the calculation of risk-weighted assets. For unrated exposures (insignificant for Groupe BPCE), prudent valuation rules are applied by default.

The IFRS 9 input validation process is fully aligned with the Group's existing model validation process. Inputs are reviewed by an independent unit responsible for internal model validation, the unit's conclusions are then examined by the Group Models Committee, and subsequent recommendations followed up by the validation unit.

FORBEARANCE, PERFORMING AND NON-PERFORMING EXPOSURES

Forbearance results from the combination of a concession and financial hardships, and may involve performing or non-performing loans.

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.

Disclosures on "forbearance, performing and non-performing exposures" are being added to those already provided on default and impairment.

Probationary periods for customers no longer in forbearance are included in the new default project.

6.5.2 Risk measurement and internal ratings

CURRENT SITUATION

SCOPE OF STANDARDIZED AND IRB METHODS USED BY THE GROUP

Customer segment	Banque Populaire network	Caisse d'Epargne network	Crédit Foncier/ Banque Palatine/ BPCE International	Natixis	BPCE SA
Central banks and other sovereign exposures	F-IRB	Standardized	Standardized	A-IRB	F-IRB
Central governments	F-IRB	Standardized	Standardized	A-IRB	F-IRB
Public sector and similar entities	Standardized	Standardized	Standardized	Standardized	Standardized
Institutions	F-IRB	Standardized	Standardized	A-IRB/Standardized	F-IRB
Corporates (Rev.* >€3 million)	F-IRB/Standardized	F-IRB/Standardized	Standardized	A-IRB/Standardized	Standardized
Retail	A-IRB	A-IRB	Standardized	Standardized	

* Rev.: revenue.
Subsidiary Oney will be included in the reports in 2020

BREAKDOWN OF EAD BY APPROACH FOR THE MAIN CUSTOMER SEGMENTS

	12/31/2019			12/31/2018		
	EAD			EAD		
in % breakdown	Standardized	F-IRB	A-IRB	Standardized	F-IRB	A-IRB
Central banks and other sovereign exposures	40%	48%	12%	35%	46%	20%
Central governments	43%	35%	23%	48%	31%	21%
Public sector and similar entities	99%	0%	1%	99%	0%	1%
Institutions	54%	10%	36%	56%	9%	35%
Corporates	39%	20%	41%	40%	19%	41%
Retail	13%	0%	87%	14%	0%	86%

RATING SYSTEM

Information provided in the 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.

These internal rating systems are also applied to risk supervision, authorization systems, internal limits on counterparties, etc., and may also serve as a basis for other processes, such as statistical provisioning.

The resulting risk metrics are then used to calculate capital requirements, once they have been validated by the supervisory authority in compliance with regulatory requirements.

INTERNAL RATING SYSTEM GOVERNANCE

The internal governance of rating systems is centered on the development, validation, monitoring and modification of these systems. The Groupe BPCE Risk division 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 Risk division is based on robust governance defined in a Model Validation Charter, a Model Governance Committee and on a map of models used throughout the Group.

The Model Validation Charter encompasses all types of quantitative models, defines and specifies the duties and responsibilities of contributors involved throughout each model's life cycle. It also specifies the conditions for delegating validation, within a specific scope, to another entity besides the Risk division validation team: the entity in question must have the necessary expertise, be independent of the team developing the model, and have appropriate validation governance. Under these rules, the validation of certain specific PD and LGD models, IMM models for counterparty risk, IMA and standard models for market risk and prudent valuation models has been delegated to the independent validation team at Natixis.

The internal validation process for new models or for changes to existing models is broken down into three steps:

- a review of the model and its adequacy, conducted independently of the entities having worked on the development of the model; The Risk division's model validation tea reports to the Risk Governance department, which is independent of the Modeling department;
- a review by the Group Models Committee, comprised of quantitative experts (modeling specialists and validators) and business line experts who issue a technical opinion on the model. This committee is chaired by the Head of Risk Management, Deputy Chief Executive Officer and member of the Executive Management Committee;
- validation by the Group RCCP Standards and Methods Committee, based on the technical opinion issued by the Group Models Committee, which decides to implement the necessary changes, particularly in terms of processes and operational adaptation. These changes are submitted, where applicable, to the European supervisory authority for prior approval, in accordance with Commission Delegated Regulation No. 529/2014 on changes of the Internal Ratings Based Approach used in determining capital requirements.

After the completion of this governance process, internal control reports and statements of decisions are made available to Group management (and supervisory authorities for internal models used to determine capital requirements). Each year, a summary of the performances and adequacy of internal models is presented to the Risk Management Committee of the Group Supervisory Board.

The Group is also in the process of establishing a Model Risk Management (MRM) system aimed at assessing, streamlining, supervising and reporting model risk. Implementation of the new system is subject to an independent control presenting a high level of consistency. The principles of the system deal with the documentation, design, development, implementation, review, approval, ongoing supervision and use of models, all in the interest of ensuring their dependability. An MRM risk management policy has been defined to that end, aimed at promoting a clear understanding of how each model works, when and why it is used, and its strengths, weaknesses and limits. The policy will be gradually rolled out for each category of models in 2020, while expanding the scope of models subject to independent review.

MODEL DEVELOPMENT PROCESS

The Risk division relies on a formalized process describing the main steps taken in developing any new model. This document, which serves as a guide for the entire documentation and validation process, is based on:

- a literary and general description of the model, indicating its scope of application (counterparty type, product type, business line, etc.), the main assumptions on which it is based, and any aspects not covered;
- a descriptive diagram summarizing how the ultimately chosen model works, indicating the various inputs, processes and outputs;
- a detailed description of the modeling steps and approach;
- a literary description of the model's main risk factors.

Internally developed models are required to meet strict risk discrimination and qualification criteria.

These models will ultimately (as from January 1, 2021) incorporate the regulatory changes enacted by the European Banking Authority under its IRB Repair program, aimed at improving the comparability of risk parameters input to the models.

REVIEW OF INTERNAL RATINGS-BASED MODELS

The Groupe BPCE Risk division is responsible for reviewing the Group's internal models whenever a new model is being developed or an existing model changed. It also performs the annual review of backtests on credit, market and ALM risk models.

The validation team conducts independent analyses in compliance with a charter and procedures that describe interactions with the modeling entities and the steps of the review. This review is based on a set of qualitative and quantitative criteria, and mainly addresses the following points:

- documentation;
- methodology, including the validity of assumptions;
- performance;
- robustness;
- compliance with regulations.

The level of detail in the review is adjusted for the type of work examined. In any event, it must at least include a document review focusing on the quantitative aspects of rating systems. For a new model or a major change to an existing model, in addition to this review, the computer codes are checked and additional tests are run (comparative calculations).

The scope of the Validation division's involvement may be expanded before and after an investigation of data quality, system implementation and operational integration.

In conclusion, the review generates an opinion on the validity of the models and the associated inputs for credit and counterparty risks, and for models authorized for use in determining capital requirements. It also generates an opinion on compliance with prudential regulations. Where necessary, the review is accompanied by recommendations.

MODEL MAPPING

The Risk division maps out all Group internal rating models, clearly indicating their scope in terms of Group segments and entities, as well as their main features, including a general score derived from the annual model review characterizing the performance and freshness of each model (age/year of development).

New models were recently added and are in the process of being approved by the ECB. The models in question are PD rating models for "individual retail" customers and LGD estimation models for "individual retail" and "professional retail" customers. The new methodology for PD rating models aims to improve predictive power over customers without payment incidents. The new LGD calculation methodology aims to distinguish losses in the event a customer is downgraded to "disputed" (material loss) from losses in the event a customer is quickly restored to "performing" status (non-material loss stemming primarily from admin costs). These models will be added to the inventory once they have been approved by the ECB.

Efforts were also focused on overhauling the models used to rate "professional retail" customers and to estimate exposure at default (EAD) for the both the " individual and professional retail" customer segments. These new models, developed in 2018, were approved by the ECB in 2019.

The following table lists the internal credit models used by the Group for risk management purposes and, where authorized by the supervisor, to calculate capital requirements for the Banque Populaire and Caisse d'Epargne networks, Natixis and its subsidiaries, Crédit Foncier and Banque Palatine.

Exposure class	Portfolio	Number of PD (Probability of Default) models	Description/ Methodology	Portfolio	Number of LGD (Loss Given Default) models	Description/ Methodology	Number of CCF/EAD (Exposure At Default) 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	Sovereigns and affiliates	1	Expert criteria including quantitative and qualitative variables	1	Application of regulatory inputs
	Multilateral development banks	1	Expert criteria t Portfolio with low default risk					
Public sector	Municipalities (communes), departments, regions, social housing agencies, hospitals, etc.	10(NA*)	Expert criteria/statistical modeling (logistic regression) Portfolio with low default risk					
Institutions	OECD or non-OECD banks, brokers/dealers	3	Expert criteria Portfolio with low default risk	Banks	1	Expert criteria including quantitative and qualitative variables	1	Application of regulatory inputs
Corporates	Large corporates (Revenue > €1 billion)	5	Expert criteria including quantitative and qualitative variables, depending on the business sector Portfolio with low default risk					
	SMEs (Revenue > €3 million)	11(o/w 2 NA)	Statistical models (logistic regression) or flat scores, on companies publishing parent company or consolidated financial statements, mainly based on balance sheet data depending on the business sector, and banking behavior/history	Other contracts (general, pre-export financing, property investment companies, etc.)	8(o/w 3 NA)	Models based on estimated losses, segmented by type of contract and guarantee, or expert criteria	2(o/w 1 NA)	Conversion factors, segmented by type of contract
	Non-profits and Insurance companies	2	Expert criteria including quantitative and qualitative variables Portfolio with low default risk	Lease financing	1	Models based on estimates of asset resale conditions, segmented by type of asset financed		
	Specialized lending (real estate, asset pool, aircraft, etc.)	8(o/w 1 NA)	Expert criteria based on features of financed goods/projects Portfolio with low default risk	Specialized lending (real estate, asset pool, aircraft, etc.)	5	Models based on estimates of asset resale conditions or future cash flows		

Exposure class	Portfolio	Number of PD (Probability of Default) models	Description/ Methodology	Portfolio	Number of LGD (Loss Given Default) models	Description/ Methodology	Number of CCF/EAD (Exposure At Default) models	Description/ Methodology
Retail	Individual customers	7	Statistical models (logistic regression) including behavioral and socioeconomic variables, differentiated by customer profile					
	Professional customers (socioeconomic category differentiated according to certain sectors)	10	Statistical models (logistic regression) including balance sheet and behavioral variables	Residential real estate	3(o/w 1 NA)	Models based on estimated losses, segmented by type of contract and guarantee	3(o/w 1 NH)	Conversion factors, segmented by type of contract
	Residential real estate	5(o/w 2 NA)	Statistical models (logistic regression) including behavioral and socioeconomic variables, or project description variables (quota, etc.), differentiated by customer profile	Other individual and professional customers	2	Models based on estimated losses, segmented by type of contract and guarantee	2	Conversion factors and flat-rate values, segmented by type of contract
				Lease financing	2	Models based on estimates of asset resale conditions, segmented by type of asset financed		
	Revolving loans	1	Statistical models (logistic regression) including behavioral and socioeconomic variables	Revolving loans	1	Models based on estimated losses, segmented by type of contract	1	Conversion factors, segmented by type of contract

* NA refers to models not yet approved for the determination of 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. For the Banque Populaire and Caisse d'Epargne networks, they are also used to determine capital requirements under the Advanced IRB method.

The probability of default of retail customers is modeled by the Risk division, 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 by applying margins of conservatism to cover any uncertainties. For comparison purposes, risk reconciliation is carried out between internal ratings and agency ratings.

Loss given default (LGD) is an economic loss measured by incorporating all inherent factors in a transaction as well as the costs incurred during the collection process. LGD estimation models for retail customers are applied specifically to each network. LGD values are first estimated by product, and based on whether or not any collateral has been provided. Other factors may also be considered secondarily, where they can be used to statistically distinguish between degrees of loss. The estimation method employed is based on the observation of marginal collection rates, depending on how long the customer has been in default. The advantage of this method is that it can be directly used to estimate LGD rates applied to performing loans and ELBE[1] rates applied to loans in default. Estimates are based on internal collection histories for exposures at default over an extended period. Two margins of conservatism are then systematically added: the first to cover estimate uncertainties and the second to mitigate any economic slowdown effect.

Groupe BPCE uses two models to estimate EAD. The first estimates a Credit Conversion Factor (CCF) for off-balance sheet exposures. This model is automatically applied when off-balance sheet exposures are deemed material (*i.e.* exceeding the limits defined for each type of product). The second estimates a flat increase in the balance sheet for non-material off-balance sheet exposures.

(1) Expected Loss Best Estimate.

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 determining the customer's rating for the Group based on the uniqueness of the score. 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. This process is applied to the entire Non-Retail portfolio, except the new models reserved for Small Enterprises (SEs), which are automatically rated (as with the Retail portfolio). The counterparty rating models are mainly structured according to the type of counterparty (corporates, institutions, public sector 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 past Standard & Poor's ratings to ensure the direct comparability in terms of risks with the rating agencies. For the new SE models, specific scales were defined for each model used to perform regulatory calculations. These scales are connected with the Non-Retail rating scale for internal risk management.

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 margins of conservatism are added if necessary.

Groupe BPCE uses two models to estimate EAD for corporates. The first estimates a Credit Conversion Factor (CCF) for off-balance sheet exposures. This model is automatically applied when off-balance sheet exposures are deemed material (*i.e.* exceeding the limits set for each type of product). The second estimates a flat increase in the balance sheet for non-material off-balance sheet exposures.

Rating methodologies for low-default loan books are based on expert judgement. Qualitative and quantitative criteria (on the features of the counterparty being rated) to determine a score and rating for the counterparty. The rating is then associated with a PD, whose calibration is based on the observation of external default data and internal rating data. A PD range cannot be quantified due to the low number of internal defaults.

STANDARDIZED APPROACH

The "risk measurement and internal ratings" section describes the various approved models used by Groupe BPCE for the different exposures classes. Where the Group does not have an internal model authorized for use in determining capital requirements for a given exposure class, they have to be estimated based on corresponding inputs under the standardized approach. These inputs are based in particular on the credit assessments (ratings) performed by rating agencies recognized by the supervisory authority as meeting ECAI (External Credit Assessment Institutions) requirements, such as Moody's, Standard & Poor's, Fitch Ratings and Banque de France for Groupe BPCE.

In accordance with Article 138 of regulation No. 575/2013 (Capital Requirements Regulation or CRR) on prudential requirements for credit institutions and investment firms, where a counterparty has been rated by several rating agencies, the counterparty's rating is determined on the basis of the second highest rating.

When an external credit rating directly applicable to a given exposure is required and exists for the issuer or for a specific issuance program, the procedures used to determine the weighting are applied in accordance with CRR Article 139.

For fixed-income securities (bonds), short-term external ratings of the bond take precedence over external ratings of the issuer. If there are no external ratings for the bond, the issuer's long-term external rating is taken into account for senior debt only, except in the specific case of exposure to institutions whose risk weight is derived from the credit rating of the sovereign country in which it is established.

BACKTESTING

All three credit risk inputs are subject to yearly backtesting in order to verify the performance of the rating system. More specifically, backtesting is aimed at measuring the overall performance of models used, primarily to ensure that the model's discriminating power has not declined significantly relative to the modeling period.

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, including more qualitative analyses among other things.

The scope of LGD 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. Downturn LGDs are also verified.

Backtesting results may call for the implementation of action plans if the system is deemed not sufficiently prudent or effective. Backtesting results and the associated action plans are discussed by the Group Models Committee, then reviewed by the RCCP Standards & Methods Committee (see governance of the internal rating system).

On the basis of these exercises, the rating system has been deemed satisfactory overall in terms of effective risk management. Moreover, the calibrations of risk parameters remain conservative on the whole, relative to actual risk observations.

REPORTS ON CREDIT RISK MODELS

Since the Single Supervisory Mechanism (SSM) was implemented in 2014, the European Central Bank (ECB) has been working to strengthen governance of internal model supervision through various investigations.

These include the TRIM (Targeted Review of Internal Models), aimed at assessing the regulatory compliance of internal models specifically targeted by the ECB. To that end, TRIM investigations are based on a set of standardized inspection methodologies and techniques, which the teams mandated by the ECB use on-site. BPCE was subject to TRIM reviews covering several scopes of operation from December 2015 to May 2018, giving rise to reports prepared by the ECB: a TRIM General Topics, then three specific reviews targeting internal credit risk models (one on the Corporate portfolio and two on the Retail portfolios). As a result, several new initiatives were launched with the aim of further improving the existing system.

The European Central Bank is continuing its work by applying a similar methodology *via* the Internal Model Investigation (IMI) process. Two reviews were scheduled in Q4 2019 (professional retail customers and lower-end corporates, small corporates).

IMPACTS ON THE AMOUNT OF GUARANTEES THE INSTITUTION IS REQUIRED TO GIVE IN THE EVENT ITS CREDIT RATING IS DOWNGRADED

The CRR2 and the Delegated Act require institutions to report to the competent authorities any contracts the conditions of which lead to additional liquidity outflows following a material deterioration of the credit quality of the institution (*e.g.* a downgrade in its external credit assessment by three notches). The institution shall regularly review the extent of this deterioration in light of what is relevant under the contracts it has entered into and shall notify the result of its review to the competent authorities (CRR 423.2/AD 30.2).

The competent authorities decide the weighting to be assigned to contracts deemed to have a material impact.

For contracts containing early exit clauses on master agreements (framework agreements between the bank and a counterparty for OTC derivative transactions without collateral), the early termination clause allows one counterparty to terminate the contract early following the deterioration of the credit quality of the other counterparty. Accordingly, the number of early terminations generated by credit quality deterioration shall be estimated.

It was agreed that the Group would measure outflows generated by reviewing all the Group's master agreements or credit support annexes on the OTC market, in order to assess the amount of the deposit/collateral required following a downgrade of three notches in the institution's long-term credit rating by three rating agencies (Moody's, S&P, Fitch). The calculation also includes the amount of the deposit/collateral required following a downgrade of one notch in the institution's short-term credit rating, with the Group considering such a downgrade inevitable if the institution's LT credit rating is downgraded three notches.

At Groupe BPCE level, the calculation covers BPCE SA, Natixis, Crédit Foncier and their funding vehicles: BP CB, GCE CB, BPCE SFH, FCT HL, SCF and VMG. Some intragroup contracts generate outflows at the individual institution level, but are neutralized at the Groupe BPCE consolidated level.

The Group uses a conservative approach in its calculation:

- the impact for each contract is the maximum amount between the three rating agencies between a 1-notch downgrade in the ST rating and a 3-notch downgrade in the LT rating;
- the amount of ratings triggers reported is the sum of all impacts of a one-notch downgrade in the ST rating and a three-notch downgrade in the MLT rating;
- the assumption is made that all external ratings are downgraded simultaneously by the 3 agencies and for all rated entities;
- as the national competent authority has not issued a recommendation, a weighting of 100% is applied to reported outflows for the calculation of the LCR.

6.5.3 Credit risk mitigation techniques

Information provided in the respect of IFRS 7

Credit risk mitigation techniques are widely used within the Group and are divided into real guarantees and personal guarantees.

A distinction is made between guarantees having an actual impact on collections in the event of hardships and guarantees recognized by the supervisory authority in the weighting of exposures used to reduce capital consumption. For example, a personal and joint guarantee provided in due form by a company director who is a customer of the Group, and collected in accordance with regulations, may be effective without being eligible as a statistical risk mitigation factor.

In some cases, the Group's institutions choose, in addition to employing risk mitigation techniques, to take opportunities to sell portfolios of disputed loans, particularly when the techniques used are less effective or non-existent.

Credit derivatives are also used to reduce risks, and apply almost exclusively to the Corporate customers asset class (and mainly Natixis).

DEFINITION OF GUARANTEES

A real guarantee involves one or more solidly measured 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 of listed liquid securities, pledge of listed liquid merchandise with or without divestiture, pledge, third party guarantee, etc.).

The effect of this collateral is to:

- reduce the credit risk incurred on an exposure, given the rights of the institution subject to exposure, in the event of default or other specific credit events affecting the counterparty;
- obtain the transfer of ownership of certain amounts or assets.

A personal guarantee is collateral that reduces the credit risk on an exposure, due to the commitment provided by a third party to pay a set amount if the counterparty defaults or due to any other specific event.

ACCOUNTING RECOGNITION UNDER THE STANDARDIZED OR IRB APPROACH

Under the standardized approach: Personal guarantees and real guarantees are accounted for, subject to eligibility, using an enhanced weighting of the 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 recognized, subject to eligibility, by substituting a third party's PD with that of a guarantor.

Retail customers subject to A-IRB approach: Excluding retail customers, real guarantees are taken into account, subject to eligibility, by decreasing the Loss Given Default applicable to the transactions.

CONDITIONS FOR THE RECOGNITION OF GUARANTEES

Articles 207 to 210 of Capital Requirements Regulation (CRR) No. 575/2013 set out the conditions for the recognition of guarantees, in particular:

- the credit quality of the obligor and the value of the collateral shall not have a material positive correlation. Securities issued by the obligor shall not qualify as eligible collateral;
- the institution shall properly document the collateral arrangements and have in place clear and robust procedures for the timely liquidation of collateral;
- the institution shall have in place documented policies and practices concerning the types and amounts of collateral accepted;
- the institution shall calculate the market value of the collateral, and revalue it accordingly, whenever it has reason to believe that a significant decrease in the market value of the collateral has occurred.

Risk diversification is one technique for mitigating credit risk. In practice, individual or topical caps and limits are defined, thus reducing the bank's sensitivity to risks deemed excessive, either individually or industry-wide, in the event of a major incident.

Risk supervision mechanisms can reduce risk exposures if the risk is deemed too high, thus also contributing to good risk diversification.

DIVISION OF RISKS

The division of risks is a credit risk mitigation technique. It is reflected in the individual or topical limit systems and helps reduce each institution's sensitivity to risks considered either individually or sectorally to be too significant to carry in the event of major incidents.

Risk supervision activities may be implemented to reduce exposure to a given risk if it is deemed too high. They also contribute to effective division of risks.

GUARANTORS

The Banque Populaire network has historically used professionals and Mutual Guarantee Companies (such as SOCAMAs, which guarantee loans to craftsmen) to secure its loans, in addition to the real guarantees used.

For loans to individual customers, it also turns to CASDEN Banque Populaire (and primarily its Parnasse Garanties structure) to back loans to all civil servants, to Crédit Logement and increasingly to Compagnie Européenne de Garanties et de Cautions (CEGC, a subsidiary of BPCE SA).

For home loans, the Caisse d'Epargne network mainly calls on CEGC, FGAS *(Fonds de garantie à l'accession sociale à la propriété)* and, to a lesser extent, Crédit Logement (a financial institution and a subsidiary of most of the main French banking networks). These institutions specialize in the provision of guarantees for bank loans (predominantly home loans).

FGAS offers guarantees from the French government for secured loans. Loans covered by FGAS guarantees granted before December 31, 2006 are given a 0% risk weigh, and loans covered by guarantees granted after that date have a risk weight of 15%.

Crédit Logement has a long-term rating of Aa3 from Moody's, with a stable outlook.

For their home loans, the Banque Populaire and Caisse d'Epargne networks also use several mutual insurers, such as MGEN, Mutuelle de la Gendarmerie, etc.

For professional and corporate customers, the entire Group still uses Banque Publique d'Investissement, while calling on the European Investment Fund or European Investment Bank for guarantee packages in order to substantially reduce credit risk.

In some cases, organizations such as Auxiga are used for the seizure of inventory and the transfer of its ownership to the bank as collateral for commitments made in the event of financial hardships.

Finally, on an occasional basis, Natixis purchases credit insurance for certain transactions and in some circumstances, from private (SCOR) or public (Coface, Hermes, other sovereign agencies) reinsurance companies, while also making use of Credit Default Swaps (CDS).

Credit derivatives serving as currency or interest rate hedges are entrusted to approved clearing houses in Europe or the US for Natixis operations in this country.

CONCENTRATION OF COLLATERAL VOLUMES

BY TYPE OF GUARANTOR:

For home loan exposures, most collateral takes the form of mortgages (risk diversified by definition, bank better protected by basing credit approval decisions on customer income), insurance-oriented guarantees such as those provided by CEGC (a subsidiary of Groupe BPCE, subject to regular stress testing), Crédit Logement (providing guarantees to multiple banks subject to the same constraints), FGAS (controlled by the French State, considered equivalent to sovereign risk). The CASDEN guarantee, issued to government employees, currently offers solid resilience according to a model based on the robust income of this particular customer base.

For professional customer exposures, the most common guarantees are those provided by the Banque Publique d'investissement (BPI), subject to strict formal constraints, and mortgages. Guarantees provided by institutions such as SOCAMAs, whose solvency depends on the credit institutions of Groupe BPCE, are also used.

For corporate customers, the main guarantees used are Banque Publique d'investissement mortgages and guarantees.

BY CREDIT DERIVATIVE PROVIDERS:

Regulations call for the use of clearing houses for interest rate risk on new exposures, which does not cover counterparty default risk, however (a granular risk). Volumes of collateral provided by clearing houses are gradually on the rise, generating a regulated and supervised risk.

Currency risk is hedged for each contract by setting up margin calls at a frequency appropriate to the risk in question: these transactions are secured by using specialist interbank counterparties, subject to individual limits authorized by the Group Credit and Counterparties Committee.

BY BUSINESS SECTOR:

Groupe BPCE has established sector-specific mechanisms to guide the guarantee policy based on the business sector in question. Appropriate recommendations are issued to the institutions.

BY GEOGRAPHIC AREA:

Groupe BPCE is mainly exposed to France and, *via* Natixis, to other countries to a lesser extent. As a result, most guarantees are located in France.

VALUATION AND MANAGEMENT OF COLLATERAL 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 guarantees, the valuation tool also takes into account pledges of vehicles, equipment and tools, pleasure craft, and business assets.

The Caisse d'Epargne network uses the appraisal tool in all risk segments.

At Groupe BPCE, guarantees from Mutual Guarantee Companies recognized as providers of sureties considered equivalent to mortgages by the supervisory body are subject to a credit insurance valuation.

An enhanced Group valuation process was established to measure real estate guarantees above certain amounts. The certification obtained by Crédit Foncier Expertise, a subsidiary of BPCE since the decision was made to place CFF under run-off management, strengthens the Group's synergies.

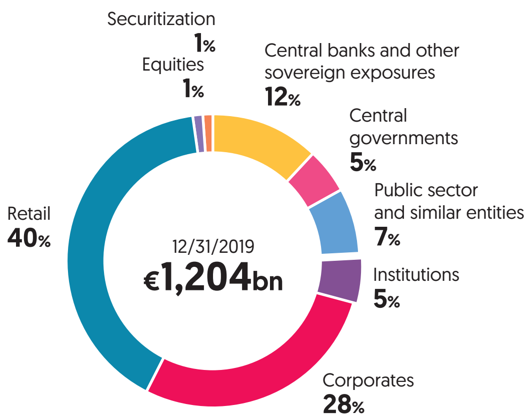
Guarantees other than those referred to above are assessed and validated on the basis of a systematic valuation, either according to market value where the guarantees are quoted on liquid markets (*e.g.* listed securities), or based on expert opinion demonstrating the value of the guarantee used to hedge risks (*e.g.* the value of recent transactions on aircraft or ships according to their characteristics, the value of commodity holdings, the value of a pledge given on merchandise, or the value of a business based on its location, etc.).

6.5.4 Quantitative disclosures

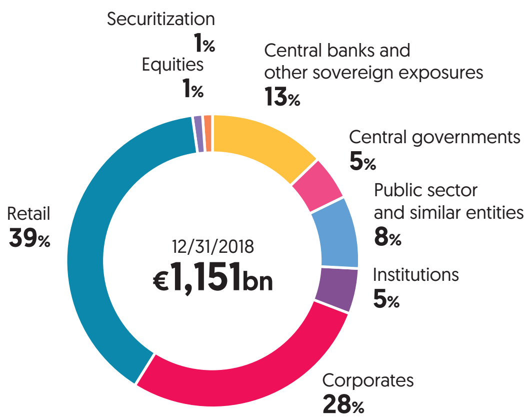
CREDIT RISK EXPOSURE

PORTFOLIO BREAKDOWN BY EXPOSURE CLASS (EXCLUDING OTHER ASSETS)

12/31/2019



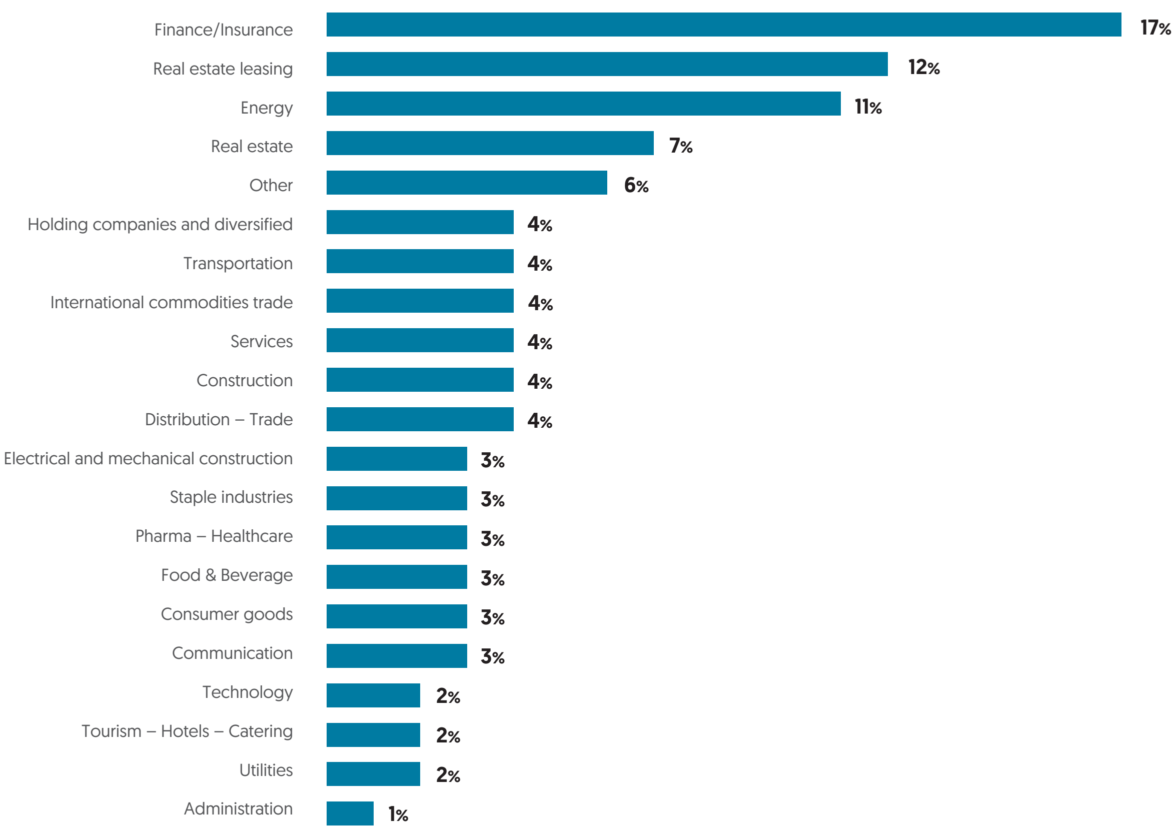
12/31/2018



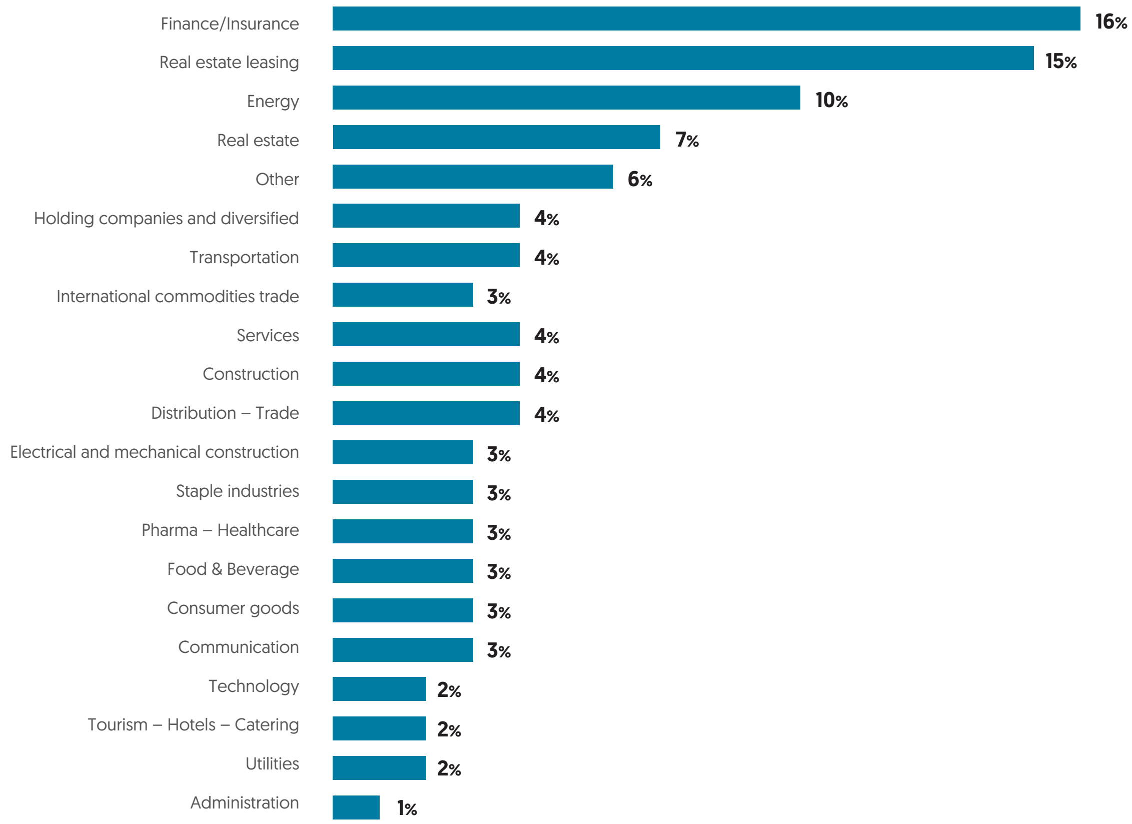
Groupe BPCE's total gross exposures amounted to more than €1,204 billion at 12/31/2019, up €53 billion.

BREAKDOWN OF GROSS EXPOSURES TO CORPORATE CUSTOMERS BY ECONOMIC SECTOR

12/31/2019



12/31/2018

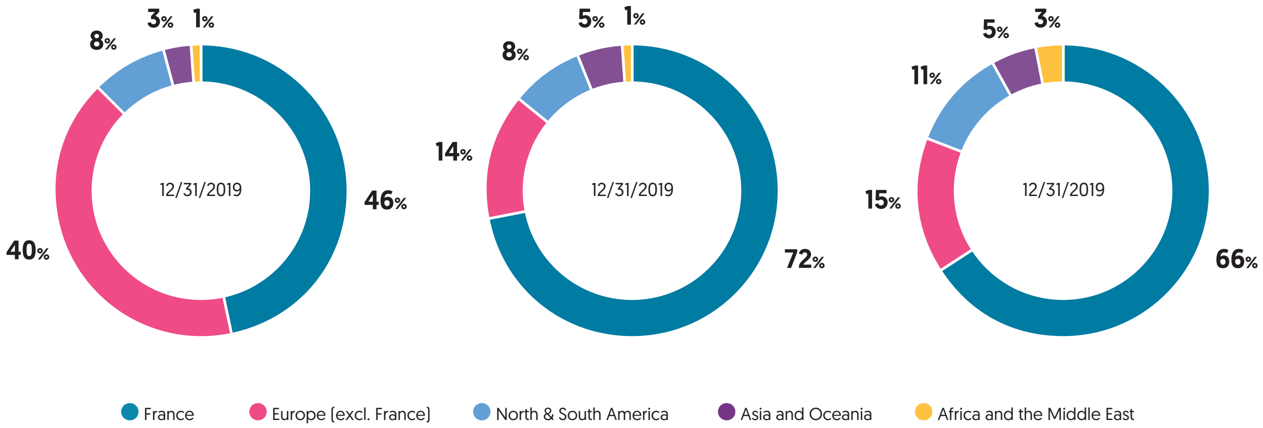


The top three sectors are finance/insurance, real estate leasing and energy. Concentration of exposures in the three top sectors remains moderate.

GEOGRAPHIC BREAKDOWN OF GROSS EXPOSURES

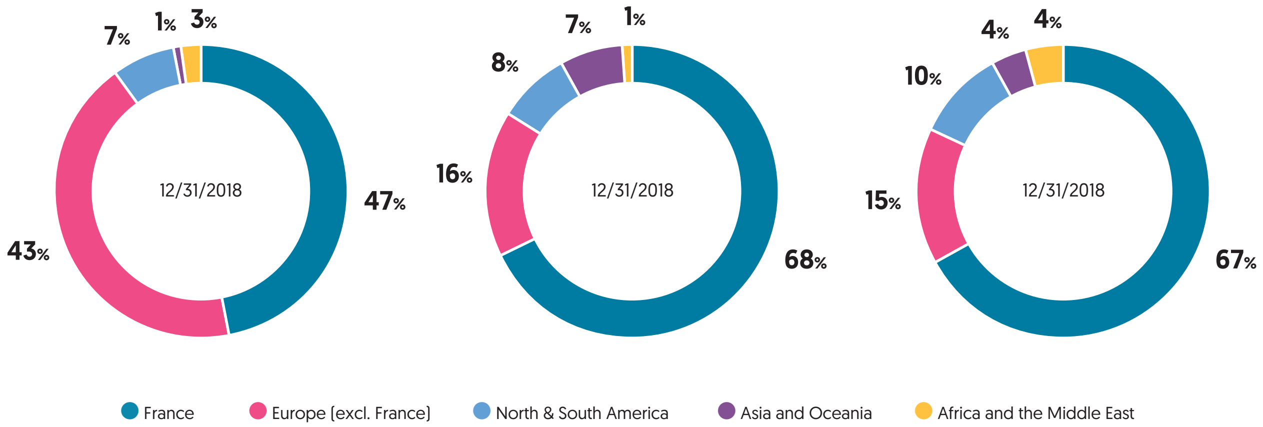
12/31/2019

CENTRAL GOVERNMENTS/ CENTRAL BANKS AND OTHER SOVEREIGN EXPOSURES | INSTITUTIONS | CORPORATES



12/31/2018

CENTRAL GOVERNMENTS/ CENTRAL BANKS AND OTHER SOVEREIGN EXPOSURES | INSTITUTIONS | CORPORATES



Gross exposures are very predominantly located in Europe, especially in France, for all asset classes (66% of corporates)

CONCENTRATION

CONCENTRATION BY BORROWER

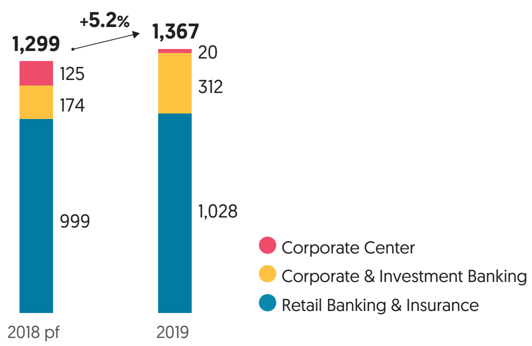
Concentration by borrower	12/31/2019 Breakdown Gross amount/Total large risk exposures[1]	12/31/2019 Percentage of capital Gross amount/Capital[2]	12/31/2018 Breakdown Gross amount/Total large risk exposures[1]	12/31/2018 Percentage of capital Gross amount/Capital[2]
No. 1 borrower	2.6%	6.0%	3.4%	7.1%
Top 10 borrowers	20.2%	45.9%	21.3%	44.2%
Top 50 borrowers	51.8%	117.8%	54.8%	113.6%
Top 100 borrowers	72.0%	163.7%	74.9%	155.5%

(1) Total large risks excluding Groupe BPCE sovereign exposures (€180.2 billion at 12/31/2019).
(2) Groupe BPCE regulatory capital (Corep CA4 row 11 at 12/31/2019): €79.3 billion.

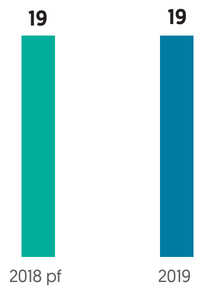
The percentage of the Top 100 borrowers held relatively steady in 2019 and did not show any particular concentration.

PROVISIONS AND IMPAIRMENTS

CHANGE IN GROUP COST OF RISK *(in millions of euros)*



COST OF RISK IN BP[1] (GROUPE BPCE)



At €1.4 billion, Groupe BPCE's cost of risk increased 5.2% in 2019 compared to 2018. Average annual cost of risk (expressed in basis points *versus* customer exposures at the start of the period) held steady at a low 19 bp excluding non-recurring items (20 bp including non-recurring items).

In Retail Banking and Insurance, cost of risk rose 2.9% year-on-year. Cost of risk averaged 19 bp for the Banques Populaires in 2019 (down 4 points compared to 2018) *versus* 15 bp for the Caisses d'Epargne (down 1 point compared to 2018).

At €312 million, cost of risk for the Corporate & Investment Banking division was up 79.2% compared to 2018 (including non-recurring items).

COVERAGE OF NON-PERFORMING LOANS

in millions of euros	12/31/2019	12/31/2018
Gross loan outstandings – customers and banks	798.2	763.1
o/w S3 exposures	21.7	21.5
Non-performing loans/gross loans	**2.7%**	**2.8%**
Total S3 impairments	9.9	9.7
Impairments/non-performing loans	**45.9%**	**45.0%**

(1) Excluding non-recurring items

NON-IMPAIRED LOANS SHOWING PAST DUE BALANCES

Assets with past due payments are performing exposures on which a payment incident has been recorded.

For example:

- a debt instrument is considered past due if the bond issuer is no longer making interest payments;
- a loan is considered past due if a payment or installment has been missed and recorded as such on the books;
- a current account overdraft carried in "Loans and advances" is considered past due if the overdraft period or authorized limit has been exceeded at the reporting date.

The amounts disclosed in the statement below do not include past due payments resulting from the time difference between the settlement date and the recognition date.

Past due loans and receivables (past due principal and accrued interest in the case of loans and total overdrawn balance in the case of current accounts) can be broken down by due date as follows:

QUALITY OF EXPOSURES BY MATURITY

	12/31/2019		
	Gross carrying amount - Performing exposures		
in millions of euros	Total	Not past due or past due ≤ 30 days	Past due >30 days ≤ 90 days
Loans and advances	**855,265**	**852,873**	**2,393**
Central banks	77,435	77,435	
General governments	122,181	122,066	115
Banks	17,392	17,377	14
Other financial corporations	19,230	19,225	4
Non-financial corporations	250,929	249,032	1,897
o/w SMEs	105,921	105,347	574
Households	368,099	367,737	362
Debt securities	**77,224**	**77,224**	
Central banks	827	827	
General governments	47,174	47,174	
Banks	6,416	6,416	
Other financial corporations	12,524	12,524	
Non-financial corporations	10,282	10,282	
Off-balance sheet exposures	**187,825**	**///**	**///**
Central banks	260	///	///
General governments	9,483	///	///
Banks	4,993	///	///
Other financial corporations	21,721	///	///
Non-financial corporations	106,630	///	///
Households	44,738	///	///
TOTAL	**1,120,314**	**930,096**	**2,393**

RESTRUCTURED LOANS

ADJUSTMENTS DUE TO FINANCIAL HARDSHIPS

in millions of euros	12/31/2019 Loans and receivables	12/31/2019 Off-balance sheet commitments	12/31/2019 Total	12/31/2018 Loans and receivables	12/31/2018 Off-balance sheet commitments	12/31/2018 Total
Impaired restructured loans	6,161	15	6,176	6,575	16	6,591
Performing restructured loans	2,320	4	2,324	2,354		2,354
TOTAL RESTRUCTURED LOANS	**8,481**	**19**	**8,500**	**8,929**	**16**	**8,945**
Impairment	**(1,849)**	**2**	**(1,847)**	**(1,884)**	**4**	**(1,880)**
Collateral received	**5,749**	**9**	**5,758**	**5,872**	**18**	**5,890**

BREAKDOWN OF GROSS LOAN OUTSTANDINGS

in millions of euros	12/31/2019 Loans and receivables	12/31/2019 Off-balance sheet commitments	12/31/2019 Total	12/31/2018 Loans and receivables	12/31/2018 Off-balance sheet commitments	12/31/2018 Total
Restructuring: amendments to terms and conditions	4,816	15	4,831	5,189	12	5,201
Restructuring: refinancing	3,666	4	3,670	3,741	4	3,745
TOTAL RESTRUCTURED LOANS	**8,481**	**19**	**8,500**	**8,929**	**16**	**8,945**

COUNTERPARTIES BY GEOGRAPHIC AREA

in millions of euros	12/31/2019 Loans and receivables	12/31/2019 Off-balance sheet commitments	12/31/2019 Total	12/31/2018 Loans and receivables	12/31/2018 Off-balance sheet commitments	12/31/2018 Total
France	7,108	11	7,119	7,494	8	7,502
Other countries	1,373	8	1,381	1,435	8	1,443
TOTAL RESTRUCTURED LOANS	**8,481**	**19**	**8,500**	**8,929**	**16**	**8,945**

NON-PERFORMING AND FORBORNE EXPOSURES

CREDIT QUALITY OF FORBORNE EXPOSURES

	12/31/2019						
	Gross carrying amount/nominal amount of performing and non-performing exposures				Accumulated impairment, or accumulated negative fair value adjustments due to credit risk, and provisions		Collateral received and financial guarantees received on forborne exposures
		Non-performing forborne exposures					
in millions of euros	Performing forborne exposures		o/w defaulted	o/w impaired	On performing forborne exposures	On non-performing forborne exposures	
Loans and advances	**2,320**	**6,098**	**6,098**	**6,084**	**(117)**	**(1,678)**	**5,749**
Central banks		4	4	4		(4)	
General governments	52	20	20	20		(5)	1
Banks							
Other financial corporations		79	79	79		(42)	27
Non-financial corporations	873	2,367	2,367	2,353	(45)	(870)	1,527
Households	1,395	3,628	3,628	3,628	(71)	(758)	4,195
Debt securities		**63**	**63**	**63**		**(54)**	
Loan commitments given	**4**	**15**	**15**	**15**		**2**	**9**
TOTAL	**2,324**	**6,176**	**6,176**	**6,162**	**(117)**	**(1,730)**	**5,758**

PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

	12/31/2019				
	Gross carrying amount/nominal amount		Accumulated impairment, or accumulated negative fair value adjustments due to credit risk, and provisions		Collateral and financial guarantees received
in millions of euros	Performing exposures	Non-performing exposures	Performing exposures – accumulated impairment and provisions	Non-performing exposures – accumulated impairment, or accumulated negative changes in fair value due to credit risk, and provisions	On non-performing exposures
Loans and advances	**855,265**	**23,554**	**(2,923)**	**(10,041)**	**11,851**
Central banks	77,435	19	(3)	(17)	
General governments	122,181	197	(45)	(51)	38
Banks	17,392	60	(4)	(36)	
Other financial corporations	19,230	122	(14)	(82)	28
Non-financial corporations	250,929	12,802	(1,780)	(6,454)	4,833
o/w SMEs	105,921	6,028	(1,099)	(2,905)	3,012
Households	368,099	10,355	(1,076)	(3,402)	6,953
Debt securities	**77,224**	**295**	**(21)**	**(247)**	
Central banks	827				
General governments	47,174	2	(5)	(2)	
Banks	6,416				
Other financial corporations	12,524	108	(8)	(89)	
Non-financial corporations	10,282	185	(7)	(156)	
Off-balance sheet exposures	**187,825**	**1,678**	**398**	**335**	**78**
Central banks	260				
General governments	9,483	2	2		
Banks	4,993	50	8		
Other financial corporations	21,721	12	5	1	
Non-financial corporations	106,630	1,518	301	280	78
Households	44,738	96	82	54	
TOTAL	**1,120,314**	**25,527**	**(2,546)**	**(9,953)**	**11,930**

QUALITY OF NON-PERFORMING EXPOSURES BY MATURITY

	12/31/2019						
	Gross carrying amount/nominal amount - Non-performing exposures						
in millions of euros	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due >90 days ≤ 180 days	Past due >180 days ≤ 1 year	Past due >2 years ≤ 5 years	Past due >5 years ≤ 7 years	o/w defaulted
Loans and advances	**23,554**	**17,858**	**1,000**	**1,157**	**2,804**	**736**	**21,943**
Central banks	19	5				13	19
General governments	197	110	6	16	40	26	185
Banks	60	54			5		34
Other financial corporations	122	82		2	8	30	122
Non-financial corporations	12,802	10,232	297	451	1,369	453	12,390
o/w SMEs	6,028	5,137	193	182	311	205	5,543
Households	10,355	7,374	697	688	1,383	213	9,194
Debt securities	**295**	**293**	**1**		**1**		**292**
Central banks							
General governments	2	2					
Banks							
Other financial corporations	108	108					108
Non-financial corporations	185	183	1		1		184
Off-balance sheet exposures	**1,678**	**///**	**///**	**///**	**///**	**///**	**1,468**
Central banks		///	///	///	///	///	
General governments	2	///	///	///	///	///	2
Banks	50	///	///	///	///	///	1
Other financial corporations	12	///	///	///	///	///	11
Non-financial corporations	1,518	///	///	///	///	///	1,387
Households	96	///	///	///	///	///	69
TOTAL	**25,527**	**18,151**	**1,001**	**1,157**	**2,805**	**736**	**23,704**

CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

in millions of euros	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment[2]
Opening balance 12/31/2018	**13,003**	
Increases due to amounts set aside for estimated loan losses during the period	419	
Decreases due to amounts reversed for estimated loan losses during the period	(1737)	
Decreases due to amounts taken against accumulated credit risk adjustments	(1261)	
Transfers between credit risk adjustments	1,803	
Impact of exchange rate differences	(9)	
Business combinations, including acquisitions and disposals of subsidiaries	(365)	
Other adjustments	1,379	
Closing balance 12/31/2019[1]	**13,232**	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(72)	
Specific credit risk adjustments directly recorded to the statement of profit or loss	139	

(1) Differences in the total amount of provisions between the above Table and Table of Credit quality of exposures by exposure class and Table of Credit quality ofexposures by in dustry can be predominantly attributed to differences in scope. The above table does not show impairments on equity interests or provisions on guarantee commitments given.
(2) The heading "Accumulated general credit risk adjustment" cannot be used under current IFRS.

6

6.6 Counterparty risk

6.6.1 Counterparty risk management

Information provided in the 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.

It is also related to the cost of replacing a derivative instrument if the counterparty defaults, and is similar to market risk given default.

Counterparty risk also 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 manages counterparty risk daily using a standardized approach, given the nature of vanilla transactions.

MEASURING COUNTERPARTY RISK

Information provided in the respect of IFRS 7

In economic terms, Groupe BPCE and its subsidiaries measure counterparty risk for derivative instruments (swaps or structured products, for instance) using the IRB method for Natixis, or the mark-to-market method for other institutions. In order to perfect the economic measurement of the current and potential risk inherent in derivatives, a tracking mechanism based on a standardized economic measurement is currently being instituted throughout Groupe BPCE.

Natixis uses an internal model to measure and manage its own counterparty risk. Using Monte Carlo simulations for the main risk factors, this model measures the positions on each counterparty and for the entire lifespan of the exposure, taking netting and collateralization criteria into account.

The model thus determines the EPE (Expected Positive Exposure) profile and the PFE (Potential Future Exposure) profile, the latter being the main indicator used by Natixis for assessing counterparty risk exposure. This indicator is calculated as the 97.7% percentile of the distribution of exposures for each counterparty.

With respect to the Group's other entities, the counterparty risk base for market transactions is calculated using a mark-to-market approach.

COUNTERPARTY RISK MITIGATION TECHNIQUES

Information provided in the respect of IFRS 7

Counterparty risk is subject to groupwide caps and limits, which are validated by the Group Credit and Counterparty Committee.

Use of clearing houses and futures contracts (daily margin calls under ISDA agreements, for example) govern relations with the main customers (mainly Natixis). Accordingly, the Group has implemented EMIR requirements.

The principles of counterparty risk management are based on:

- a risk measurement determined according to the type of instrument in question, the term of the transactions, and whether or not any netting and collateralization agreements are in place;
- counterparty risk limits and allocation procedures;
- a value adjustment in respect of counterparty risk: the CVA (Credit Value Adjustment) represents the market value of a counterparty's default risk (see CVA section below);
- incorporation of wrong-way risk: wrong-way risk refers to the risk that a given counterparty exposure is heavily correlated with the counterparty's probability of default.

From a regulatory standpoint, counterparty risk is represented by:

- specific wrong-way risk, *i.e.* the risk generated when, due to the nature of the transactions entered into with a counterparty, there is a direct link between its credit quality and the amount of the exposure;
- general wrong-way risk, *i.e.* the risk generated when there is a correlation between the counterparty's credit quality and general market factors.

Natixis complies with Article 291.6 of the European regulation of June 26, 2013, including the obligation to report wrong-way risk (WWR). The article states that "institutions shall provide senior management and the appropriate committee of the management body with regular reports on both Specific and General Wrong-Way risks and the steps being taken to manage those risks."

Specific wrong-way risk is subject to a specific capital requirement (Article 291.5 of the European regulation of June 26, 2013 on prudential requirements for credit institutions and investment firms), while general wrong-way risk is assessed using the WWR stress scenarios defined for each asset class.

In the event the Bank's external credit rating is downgraded, it may be required to provide additional cash or collateral to investors under agreements that include rating triggers. In particular, in calculating the liquidity coverage ratio (LCR), the amounts of these additional cash outflows and additional collateral requirements are measured. These amounts comprise the payment the bank would have to make within 30 calendar days in the event its credit rating were downgraded by as much as three notches.

CVA

The valuation of financial instruments traded over-the-counter by Groupe BPCE with external counterparties in its capital markets businesses (mainly Natixis) and ALM activities include credit valuation adjustments. The CVA is an adjustment to the valuation of the trading book aimed at factoring in counterparty credit risks. It thus reflects the expectation of loss in fair value terms on the existing exposure to a counterparty due to the potential positive value of the contract, the counterparty's probability of default and the estimated collection rate.

The level of the CVA varies according to changes in exposure to existing counterparty risk and in the counterparty's credit rating, which may trigger changes in the CDS spread used to determine probability of default.

6.6.2 Quantitative disclosures

BREAKDOWN OF GROSS COUNTERPARTY RISK EXPOSURES BY ASSET CLASS (EXCLUDING OTHER ASSETS) AND METHOD

	12/31/2019							12/31/2018		
	Standardized			IRB			Total	Total		
in millions of euros	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	Exposure	EAD	RWA
Central banks and other sovereign exposures	-	-	-	1,006	1,006	76	1,006	3,938	3,938	161
Central governments	238	238	-	2,554	2,518	28	2,791	2,740	2,705	27
Public sector and similar entities	1,163	1,158	353	134	134	6	1,297	1,102	1,177	274
Institutions	18,140	16,935	883	15,490	15,490	2,844	33,630	34,530	33,124	4,611
Corporates	880	881	661	19,339	19,337	5,195	20,220	17,473	17,369	5,331
Retail	3	3	2	2	2	2	5	7	7	5
Equity exposures	-	-	-	-	-	-	-	-	-	-
Securitization	88	81	16	1,645	1,645	271	1,733	1,660	1,660	280
TOTAL	**20,512**	**19,295**	**1,915**	**40,169**	**40,131**	**8,422**	**60,682**	**61,451**	**59,980**	**10,689**

BREAKDOWN BY EXPOSURE CLASS OF RISK-WEIGHTED ASSETS FOR THE CREDIT VALUATION ADJUSTMENT (CVA)

in millions of euros	12/31/2019	12/31/2018
Central banks and other sovereign exposures	-	-
Central governments	-	-
Public sector and similar entities	-	-
Institutions	1,310	1,807
Corporates	340	509
Retail	-	-
Equity exposures	-	-
Securitization	-	-
Other assets	-	-
TOTAL	**1,650**	**2,317**

6

COUNTERPARTY RISK RELATED TO DERIVATIVE AND REPURCHASE AGREEMENT EXPOSURES

	12/31/2019			12/31/2018		
in millions of euros	Standardized	IRB	Total	Standardized	IRB	Total
Derivatives						
Central banks and other sovereign exposures	-	222	222	-	692	692
Central governments	43	1,155	1,198	61	462	524
Public sector and similar entities	1,153	134	1,287	921	135	1,055
Institutions	13,920	6,340	20,260	16,568	6,631	23,199
Corporates	626	9,032	9,658	547	7,312	7,858
Retail	3	2	5	3	3	7
Securitization	88	1,645	1,733	47	1,613	1,660
TOTAL	**15,833**	**18,530**	**34,363**	**18,147**	**16,849**	**34,996**
Repurchase agreements						
Central banks and other sovereign exposures	-	784	784	-	3,246	3,246
Central governments	195	1,398	1,593	69	2,147	2,216
Public sector and similar entities	10	-	10	47	-	47
Institutions	4,220	9,150	13,370	3,770	7,561	11,331
Corporates	254	10,308	10,562	964	8,651	9,615
Retail	-	0	0	-	-	-
Securitization	-	-	-	-	-	-
TOTAL	**4,679**	**21,640**	**26,319**	**4,850**	**21,606**	**26,456**

6.7 Securitization transactions

6.7.1 Regulatory framework and accounting methods

REGULATORY FRAMEWORK

Two European regulations aimed at facilitating the development of the securitization market, preventing risks and ensuring the stability of the financial system, were published in the Official Journal of the European Union on December 28, 2017. The objective of both regulations is to govern securitization transactions in the European Union.

REGULATION (EU) NO. 2017/2402 (1)

Sets a general framework for securitization (the previous rules were spread out in three different directives and two regulations). Establishes appropriate due diligence, risk retention and transparency requirements for parties to securitization transactions, sets loan approval criteria, lays down requirements for selling securitizations to retail clients, and prohibits resecuritization.

Also establishes a specific framework for STS (simple, transparent and standardized) securitization, by defining the criteria for transactions to meet in order to qualify as securitizations and the obligations arising from such qualification, such as the obligation to notify ESMA of securitization programs.

REGULATION (EU) NO. 2017/2401 (2)

Amends the provisions of Regulation (EU) No. 575/2013 pertaining to securitization, including in particular the prudential requirements applicable to credit institutions and investment firms acting as originators, sponsors or investors in securitization transactions. Deals in particular with:

- STS securitizations, and the method for calculating the associated risk-weighted exposure amounts;
- The hierarchy of methods for calculating RWAs and determining the related parameters;
- External credit assessments (performed by external rating agencies).

REGULATORY CAPITAL REQUIREMENTS

Hierarchy of methods: securitization capital requirements are calculated in accordance with a hierarchy of methods applied in the order of priority set by the European Commission:

- SEC-IRBA (Securitization Internal Ratings Based Approach): uses the bank's internal rating models, which shall have been approved beforehand by the supervisor. SEC-IRBA calculates regulatory capital requirements in relation to underlying exposures as if these had not been securitized, and then applies certain pre-defined inputs.
- SEC-SA (Securitization Standardized Approach): this method is the last chance to use a formula defined by the supervisor, using as an input the capital requirements that would be calculated under the current Standardized Approach (calculates regulatory capital requirements in relation to underlying exposures – based on their class – and then applies the ratio of defaulted underlying exposures to the total amount of underlying exposures).
- SEC-ERBA (Securitization External Ratings Based Approach): based on the credit ratings of securitization tranches determined by external rating agencies.

If none of these three methods is applicable (SEC-IRBA, SEC-ERBA, SEC-SA), then the risk weight applied to the securitization is 1,250%.

Note:

- Introduction of new risk inputs: maturity and thickness of the tranche
- Higher risk weight floor: 15% (versus 7% previously)
- Preferential regulatory treatment for STS securitization exposures:
  - Risk weight floor lowered to 10% (versus 15%)
  - SEC-ERBA: STS differentiated risk weight table

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. However, the methods used to determine capital requirements in force in 2018 will continue to apply to pre-01/01/2019 issues throughout 2019. They will apply to all issues as from January 1, 2020.

ACCOUNTING METHODS

Securitization transactions in which Groupe BPCE is an investor (*i.e.* the Group invests directly in some securitization positions, provides liquidity, and is a counterparty for derivatives exposures or guarantees) are recognized in accordance with the Group's accounting principles, as referred to in the notes to the consolidated financial statements.

Securitization positions are predominantly recorded under "Securities at amortized cost" and "Financial assets at fair value through other comprehensive income".

Securitization positions classified as "Securities at amortized cost" are measured after their initial recognition at amortized cost based on the effective interest rate. Any position booked to "Securities at amortized cost" is impaired under "Cost of credit risk" in respect of Stage 1 or Stage 2 expected credit losses following a significant increase in credit risk.

Where a position booked to "Securities at amortized cost" is transferred to Stage 3 (defaulted exposures), the impairment is recorded under "Cost of credit risk" (Note 6.1.2 to the financial statements – "Change in gross carrying amounts and expected credit losses on financial assets and commitments").

If a position is sold, the Group recognizes capital gains or losses on disposal in profit or loss under "Net gains or losses resulting from derecognition of financial assets at amortized cost", unless the debt is in default: in such case, it is booked to "Cost of credit risk".

Securitization positions classified as "Financial assets at fair value through other comprehensive income" are remeasured at their fair value at the closing date.

6

Interest income accrued or received on debt instruments is recognized in income based on the effective interest rate under "Interest and similar income" in net banking income (NBI), while changes in fair value (excluding revenues) are recorded on a separate line in other comprehensive income under "Gains and losses recognized directly in other comprehensive income". They are impaired in respect of Stage 1, 2 or 3 expected credit losses, in accordance with the same methodology used for positions classified as "Securities at amortized cost". This impairment is recorded on the liabilities side of the balance sheet under other comprehensive income recyclable to profit or loss, with a corresponding entry to "Cost of credit risk" in the income statement (Note 6.1.2 to the financial statements – "Change in gross carrying amounts and expected credit losses on financial assets and commitments").

If the position is sold, the Group recognizes the capital gains or losses on disposal in profit or loss under "Net gains or losses on financial instruments at fair value through other comprehensive income" unless the position is in Stage 3. In such case, the loss is recognized in "Cost of credit risk".

Securitization positions classified as "Financial assets at fair value through profit or loss" are measured at fair value, at both the initial recognition date and the reporting date. Changes in fair value over the period, interest, and gains or losses on disposals related to securitization positions are recognized in "Net gains or losses on financial instruments at fair value through profit or loss".

Synthetic securitizations such as Credit Default Swaps are subject to accounting recognition rules specific to trading derivatives (Note 4.10 to the financial statements – "Financial assets and liabilities at fair value through profit or loss").

In accordance with IFRS 9, securitized assets are derecognized when Groupe BPCE has transferred substantially all of the risks and rewards of ownership of the asset.

If the Group transfers the cash flows of a financial asset but neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has not retained control of the financial asset, the Group derecognizes the financial asset and then recognizes separately, if necessary, as assets or liabilities any rights and obligations created or retained in the transfer. If the Group retains control of the financial asset, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

When a financial asset at amortized cost or at fair value through other comprehensive income is fully derecognized, a gain or loss on disposal is recorded in the income statement. The amount is equal to the difference between the carrying amount of the asset and the value of the consideration received, corrected for impairment, and where applicable for any unrealized profit or loss previously recognized directly in other comprehensive income.

Given the relatively low value of the assets in question and relative infrequency of securitization transactions, assets pending securitization continue to be recognized in their original portfolio. Specifically, they continue to be recognized under "Loans and receivables due from customers at amortized cost" when that is their original classification.

For synthetic 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. Consolidation or non-consolidation of securitization vehicles is analyzed in accordance with IFRS 10 based on the institution's ties with the vehicle. These principles are reiterated in Note 3.2.1 to the financial statements – "Entities controlled by the Group".

TERMINOLOGY

Traditional securitization: the economic transfer to investors of financial assets such as loans or receivables, transforming these loans into financial securities issued on the capital market *via* SSPEs (securitization special purpose entities).

Synthetic securitization: in a synthetic transaction, ownership of the asset is not transferred but the 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 contractually established segment of the credit risk associated with an exposure or number of exposures.

Securitization position: an exposure to a securitization.

Liquidity facility: the securitization position arising from a contractual agreement to provide funding to ensure timeliness of cash flows to investors.

Originator: either an entity which, on its own or through affiliates, was directly or indirectly involved in the original agreement which created the obligations (or contingent obligations) of the obligor, giving rise to the securitization transaction or arrangement; or an entity that purchases a third party's on-balance sheet exposures and then securitizes them.

Sponsor: an institution other than an originator institution that establishes and manages an asset-backed commercial paper program or other securitization scheme that purchases exposures from third-party entities.

Investor: the Group's position when it holds securitization positions in which it has invested, but in which it does not act as originator or sponsor. These are mainly tranches acquired in programs initiated or managed by external banks.

6.7.2 Securitization management at Groupe BPCE

Banking book EAD amounted to €16.5 billion at December 31, 2019 (up €0.4 billion year-on-year).

The positions were mainly carried by Natixis (€12.1 billion), BPCE SA (€2.9 billion, positions arising from the transfer of a portfolio of home loan and public asset securitizations from Crédit Foncier in September 2014) and BRED (€1.4 billion).

The EAD increase can primarily be attributed to:

- the business lines comprising Natixis' roll-out plan (+€0.8 billion), and particularly sponsoring (+€576 million), origination (+€152 million) and investment (+€76 million);
- the decrease in exposures comprising BPCE SA group's workout portfolio (-€382 billion).
- The workout portfolio exposures of the Corporate & Investment Banking division (formerly GAPC – workout portfolio management, *i.e.* -€79 million) and BPCE are managed under a run-off method, whereby positions are gradually amortized but still managed (including disposals) in order to safeguard the Group's interests by actively reducing positions under acceptable pricing conditions.
- Note:
  - Crédit Foncier's securitization positions, which boast solid credit quality, were sold to BPCE at their balance sheet value, with no impact on the Group's consolidated financial statements (over 90% of the securitization portfolio was transferred to BPCE on September 25, 2014). These exposures are recognized in loans and receivables ("L&R") and do not present a significant risk of loss on completion, as confirmed by the external audit carried out at the time of the transfer. This audit confirmed the robustness of the quarterly internal stress test carried out and the credit quality of the securitization portfolio, consisting predominantly of European Investment Grade RMBS,
  - residual Natixis workout portfolio positions, transferred at end-June 2014 to the Corporate & Investment Banking division, are managed on a run-off basis,
  - BRED also holds investments in securitization vehicles outside Groupe BPCE in the form of debt securities amounting to €1.4 billion (+€107 million), mostly in the Consolidated Management of Investments (GCI) business line. This portfolio's investment objective is to generate recurring income or unrealized capital. NJR is a GCI subsidiary that invests mainly in securitized assets eligible for Central Bank refinancing and in real estate.

The various relevant portfolios are specially monitored by the entities and subsidiaries, and by the central institution. Depending on the scope involved, special management or steering committees regularly review the main positions and management strategies.

The central institution's Risk Division regularly reviews securitization exposures (quarterly mapping), changes in portfolio structure, risk-weighted assets and potential losses. Regular assessments of potential losses are discussed by the Umbrella Committee, as are disposal opportunities.

At the same time, special purpose surveys are conducted by the teams on potential losses and changes in risk-weighted assets through internal stress scenarios (risk-weighted assets and loss on completion).

Risk-weighted assets are monitored according to changes in ratings and impacts associated with methodology adjustments made by the rating agencies. In addition, performance is also monitored with the aim of anticipating rating changes and credit risk. RWA is calculated on the basis of ratings issued by authorized agencies, which rate the transactions in which the Group invests.

Finally, the Risk division controls risks associated with at-risk securitization positions by identifying ratings downgrades and monitoring changes in exposures (valuation, detailed analysis). Major exposures are systematically submitted to the Group Watchlist and Provisions Committee, which meets quarterly to determine the appropriate level of provisioning.

6.7.3 Quantitative disclosures

BREAKDOWN OF EXPOSURES AND RISK-WEIGHTED ASSETS

BREAKDOWN OF EXPOSURES BY TYPE OF SECURITIZATION

	12/31/2019		12/31/2018	
in millions of euros	Exposures	EAD	Exposures	EAD
Banking book	**16,800**	**15,274**	**15,055**	**14,886**
Traditional securitization	13,958	12,594	12,307	12,289
Synthetic securitization	2,842	2,680	2,748	2,597
Trading book	**931**	**931**	**603**	**603**
TOTAL	**17,731**	**16,205**	**15,658**	**15,489**

Note: post-guarantee exposures.

BREAKDOWN OF EAD AND RWA BY TYPE OF PORTFOLIO

	12/31/2019		12/31/2018		Change	
in millions of euros	EAD	RWAs	EAD	RWAs	EAD	RWAs
Banking book	**15,274**	**4,526**	**14,886**	**5,135**	**387**	**(609)**
Investor	5,763	2,277	6,124	2,545	(361)	(268)
Originator	3,101	1,132	2,928	620	173	512
Sponsor	6,410	1,117	5,833	1,970	576	(853)
Trading book	**931**	**280**	**603**	**254**	**328**	**26**
Investor	931	280	603	254	328	26
Sponsor	-	-	-	-	-	-
TOTAL	**16,205**	**4,806**	**15,489**	**5,389**	**715**	**(583)**

Note: post-guarantee exposures.

BREAKDOWN BY RATING

BREAKDOWN OF INVESTOR SECURITIZATION EXPOSURES IN THE BANKING BOOK BY RATING

	12/31/2019		12/31/2018	
	Equivalent rating		Equivalent rating	
as a %	Standard & Poor's	Banking book	Standard & Poor's	Banking book
	AAA	47%	AAA	29%
	AA+	4%	AA+	6%
	AA	9%	AA	18%
	AA-	9%	AA-	7%
	A+	8%	A+	10%
	A	3%	A	8%
	A-	4%	A-	8%
	BBB+	9%	BBB+	8%
	BBB	0%	BBB	0%
Investment grade	BBB-	0%	BBB-	0%
	BB+	0%	BB+	0%
	BB	0%	BB	0%
	BB-	0%	BB-	0%
	B+	0%	B+	0%
	B	0%	B	0%
	B-	0%	B-	0%
	CCC+	0%	CCC+	0%
	CCC	0%	CCC	0%
	CCC-	0%	CCC-	0%
	CC	0%	CC	0%
Investment grade	C	0%	C	0%
Not rated	Not rated	6%	Not rated	6%
Default	D	0%	D	0%
TOTAL		**100%**		**100%**

6

BREAKDOWN OF INVESTOR AND SPONSOR SECURITIZATION EXPOSURES IN THE TRADING BOOK

	12/31/2019		12/31/2018	
	Equivalent rating		Equivalent rating	
as a %	**Standard & Poor's**	**Banking book**	**Standard & Poor's**	**Banking book**
	AAA	71%	AAA	80%
	AA+	5%	AA+	5%
	AA	11%	AA	3%
	AA-	6%	AA-	1%
	A+	1%	A+	1%
	A	3%	A	3%
	A-	0%	A-	1%
	BBB+	0%	BBB+	0%
	BBB	1%	BBB	2%
Investment grade	BBB-	0%	BBB-	0%
	BB+	0%	BB+	0%
	BB	1%	BB	3%
	BB-	0%	BB-	1%
	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%
Investment grade	C	0%	C	0%
Not rated	Not rated	0%	Not rated	0%
Default	D	0%	D	0%
TOTAL		**100%**		**100%**

6.8 Market risks

6.8.1 Market risk policy

Risk policies governing market transactions are defined by the Risk Management divisions of institutions with trading activities. These policies are based on a qualitative and forward-looking perspective.

For banking book activities, investment policies at Group level are defined and reviewed centrally for Group institutions with market risk activities. The risk management framework related to this activity is defined in accordance with investment policies and is reviewed annually.

6.8.2 Market risk management

The Risk division 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 (indicators, definition of indicator limits, oversight and control process, and reporting standards).

Market risk supervision:

- consolidating the mapping of Group market risks and contributing to the macro-level mapping of Group and institution risks;
- performing or overseeing daily supervision of positions and risks with respect to allocated limits (overall and operational limits) and established resilience thresholds, organizing the decision-making framework for limit breaches and performing or overseeing permanent supervision of limit breaches and their resolution;
- preparing the consolidated dashboard for the various decision-making bodies.

In addition, the Risk division coordinates the market risk management process by organizing national market risk days, regular audio sessions or theme-based working groups.

HIGHLIGHTS

In the ever-changing regulatory environment of 2019, the Risk division carried out several major operational projects for the Group:

- performance of internal stress tests (ICAAP and SRB);
- creation of a Group valuation team, in charge of harmonizing and rolling out standardized valuation processes across the Group;
- enhancement of the control system with greater cooperation between Market Risks and Accounting in the interest of improving the reliability and completeness of scopes of risk monitored and levels of fair value;
- review of the supervision of banking book activities (in accordance with the Group investment policy) and stress test indicators defined by asset class;
- the IT and function-oriented project on "financial risks" was continued, aimed at revising the architecture of market risk monitoring systems with the ultimate goal of pooling IT resources with Natixis. As a result:
  - production times for market risk indicators were reduced, particularly those associated with the banking book,
  - the scope of production for market risk indicators was expanded to include economic indicators for counterparty risk,
  - a project was initiated to establish Group-level XVA calculations using a consistent methodology in a single software tool.

RISK MONITORING

Information provided in the respect of IFRS 7

The Risk division is responsible for monitoring the risks associated with all Groupe BPCE capital market activities, subject to regular review by the Group Market Risk Committee.

Within the scope of the trading book, market risk is monitored daily by measuring Group Value at Risk (VaR) and performing global and historical 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 institution, 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 size of its capital markets business, Natixis' risk management system is specifically tailored to this entity;
- for the Banque Populaire network: only BRED Banque Populaire has a capital markets business. It monitors the financial transactions carried out by the Banque Populaire network trading floor and Finance division daily, using 99% 1-day Value at Risk, sensitivity, volume and stress scenario indicators;
- for Banque Palatine: daily monitoring of trading book activities is based on the Risk division's supervision of 99% 1-day Value at Risk, stress tests and compliance with regulatory limits.

All limits (operational indicators, VaR, and stress tests) are monitored daily by each institution's Risk Management division. Any limit breaches must be reported and, where applicable, are subject to a Management decision concerning the position in question (close, hedge, hold, etc.).

These supervisory mechanisms also have operational limits and resilience thresholds that determine the Group's risk appetite for trading operations.

Banking book risk is supervised and monitored by activity: liquidity reserves, illiquid assets (private equity, non-operational real estate), securitizations and liquid assets excluding liquidity reserves. Liquidity reserves and liquid assets excluding liquidity reserves are monitored monthly, mainly *via* stress test indicators. Illiquid assets and securitizations are monitored quarterly.

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.

6.8.3 Market risk measurement methods

Information provided in the respect of IFRS 7

From a prudential standpoint, Groupe BPCE uses the standardized approach to measure market risk. The risk monitoring system relies on three types of indicators used to manage activity, on an overall basis and by similar activity, by focusing on 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 Risk division 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, which prepares a weekly summary of market risks indicators and results for the Group's Executive Management team.

Finally, a global review of Groupe BPCE's consolidated market risks (covering VaR measures and hypothetical/historic stress scenarios) is presented to the Group Market Risk Committee, in addition to risk reports prepared for the entities.

In response to the Revised Pillar III Disclosure Requirements (Table MRB: Qualitative disclosures for banks using the Internal Models Approach), the main characteristics of the various models used for market risk are presented in the Natixis Registration Document.

SENSITIVITIES

Each institution's Risk division monitors and verifies compliance with sensitivity limits on a daily basis. If a limit is breached, an alert procedure is triggered in order to define the measures required to return within operational limits.

VAR

Market risk is also monitored and assessed *via* synthetic VaR calculations, which determine potential losses generated by each business line at a given confidence level (99%) and over a given holding period (one day). For calculation purposes, changes in market inputs used to determine portfolio values are modeled using statistical data.

All decisions relating to risk factors using the internal calculation tool are revised regularly by committees involving all of the relevant participants (Risk division, 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 Group 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 calculation 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 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:

- historical 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 involve simulating changes in market conditions in all activities based on plausible assumptions concerning the dissemination of an initial shock. These shocks are based on scenarios defined according to economic criteria (real estate crisis, economic crisis, etc.), geopolitical considerations (terrorist attacks in Europe, toppling of a regime in the Middle East, etc.) or other factors (bird flu, etc.). Six theoretical stress tests have been in place since 2010.

Banking book stress tests are calibrated over a longer period in line with the banking book's management periods:

- a bond stress test calibrated using a mixed hypothetical-historical approach that reproduces a stress on European sovereigns (similar to the 2011 crisis);
- a bond stress test calibrated using a mixed hypothetical-historical approach that reproduces a stress on corporates (similar to the 2008 crisis);
- an equity stress test calibrated over the 2011 historical period, applied to equity investments for the purpose of the liquidity reserve;
- a private equity and eeal estate stress test, calibrated over the 2008 historical period, applied to the private equity and real estate portfolios.

The various stress tests are subject to limits adapted by each institution, which are monitored through recurring controls and regular reports.

INDEPENDENT PRICE VERIFICATION

The Group has established an organizational structure tasked with independent price verification (IPV) through:

- creation of a Group valuation team in the Market Risk department;
- Group governance covering the IPV system.

The Valuation Team is responsible for:

- meeting regulatory requirements and implementing said requirements while assessing their impacts on the production and verification of new indicators;
- standardizing and harmonizing the production, certification and communication of market inputs used in valuation processes;
- coordinating and overseeing valuation processes group-wide, in order to guarantee the convergence of IPV methods and principles;
- harmonizing fair value level processes across the Group.

Group governance is based in particular on:

- a supervision system centered on the Group Valuation Committee and the Group Fair Value Level Committee;
- a body of procedures, including the Group IPV procedure, which explains the validation and escalation system.

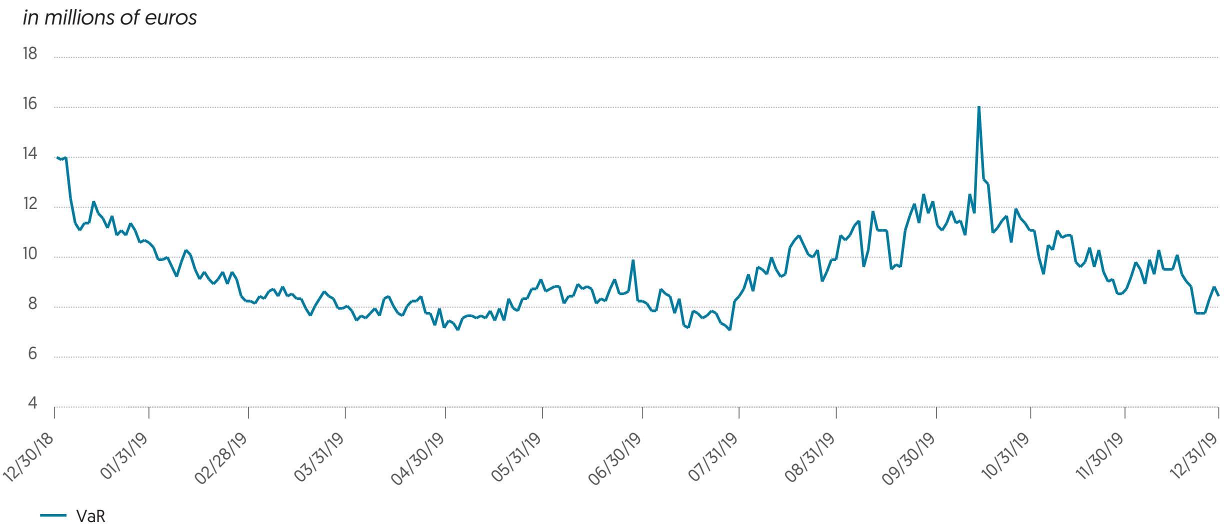
6.8.4 Quantitative disclosures

GROUPE BPCE VAR

BREAKDOWN BY RISK CLASS

in millions of euros	Monte Carlo 99% 1-day VaR				
	12/31/2019	**Average – 2019**	**Min-2019**	**Max-2019**	**12/31/2018**
Interest rate risk	6.1	5.5	2.8	10.9	3.7
Credit risk	0.8	1	0.2	6.8	1.1
Equity risk	4.8	6.6	1.8	13.8	13.4
Foreign exchange risk	1.5	1.7	0.5	3	2.4
Commodity risk	0.8	0.5	0.1	1	0.5
TOTAL	**14**				**21.1**
Netting	(5.5)				(6.9)
Consolidated VaR	**8.5**	**9.5**	**7.1**	**16.3**	**14.2**

CHANGE *in millions of euros*



Consolidated VaR for Groupe BPCE's trading operations (99% one-day Monte-Carlo VaR) amounted to €8.5 million at December 31, 2019, down €5.7 million over the fiscal year. Group VaR ranged from €7.1 million to €16.3 million over the year.

STRESS TEST RESULTS

MAIN HYPOTHETICAL STRESS TESTS

	12/31/2019					
in millions of euros	Market downturn	Increase in interest rates	Default by a bank	Commodities	Emerging market crisis	Default by an influential corporation
Natixis trading	21	(36)	(33)	(13)	14	3
BRED trading	(3.9)	(9.3)	(25.4)	(16.7)	(0.7)	(4.2)
BPCE subsidiaries trading	0	0	0	0	0	0
OVERALL TRADING BOOK	17.1	(45.3)	(58.4)	(29.7)	13.3	(1.2)

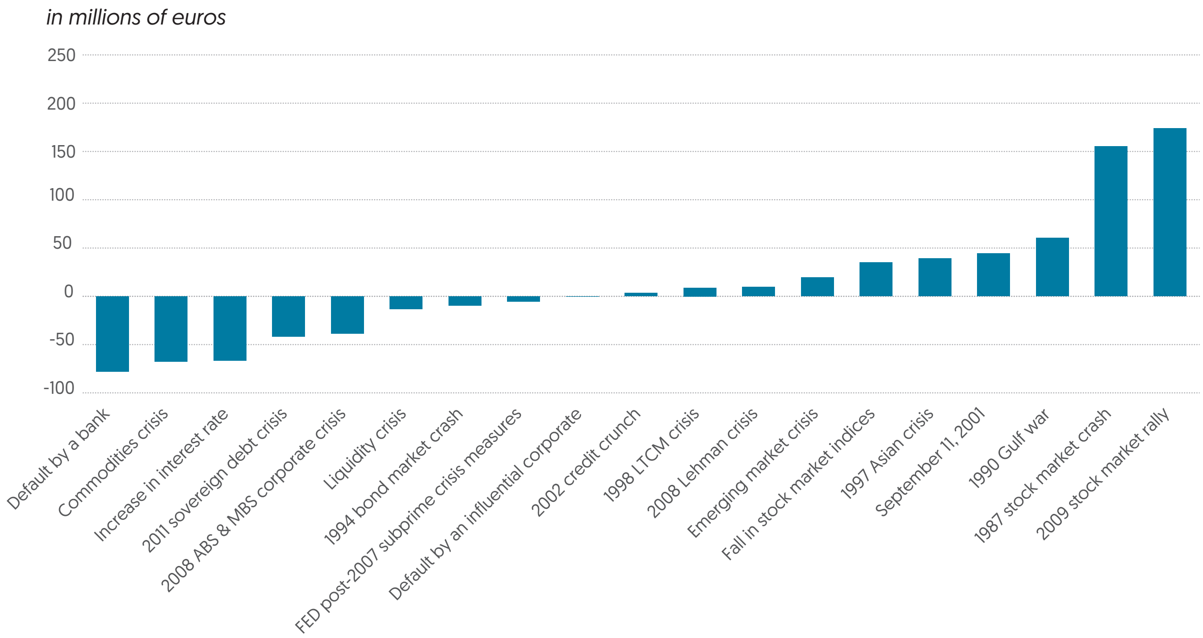
The highest-risk hypothetical stress test is the "Default by a bank" scenario.

MAIN HISTORICAL STRESS TESTS

	12/31/2019				
in millions of euros	2011 sovereign debt crisis	Fed post-2007 subprime crisis measures	2008 ABS & MBS corp. crisis	1994 bond market crash	2002 credit crunch
Natixis trading	(29)	11	(12)	(4)	15
BRED trading	0.9	(11.7)	(20.7)	(2.8)	3.3
BPCE subsidiaries trading	0	0	0	0	0
OVERALL TRADING BOOK	(28.1)	(0.7)	(32.7)	(6.8)	18.3

The historical scenario generating the highest impact for the Group is the "2008 ABS & MBS corporate crisis" scenario. The historical scenario generating the highest impact for the Natixis Corporate & Investment Banking division is the "2011 sovereign debt crisis" scenario.

GROUP STRESS TEST AVERAGE FOR 2019



RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

RWA AND CAPITAL REQUIREMENTS BY TYPE OF RISK

	12/31/2019		12/31/2018	
in millions of euros	RWAs	Capital requirements	RWAs	Capital requirements
Interest rate risk	2,512	201	2,115	169
Equity risk	490	39	671	54
UCI position risk	22	2	41	3
Foreign exchange risk	3,206	257	2,699	216
Commodity risk	708	57	612	49
Settlement/delivery risk	35	3	6	0
Major trading book risks	-	-	-	-
Specific risk on securitization positions	14	11	20	2
IMA risk	5,826	466	4,444	356
TOTAL	**12,815**	**1,025**	**10,609**	**849**

CHANGE IN RISK-WEIGHTED ASSETS BY IMPACT

in billions of euros	Fiscal year 2019
Market risks – 12/31/2018	**10.6**
VaR impact	1.5
Interest rate risk	0.0
Foreign exchange risk	0.2
Other	0.7
Market risks – 12/31/2019	**12.9**

6.9 Liquidity, interest rate and foreign exchange risks

6.9.1 Governance and structure

Information provided in the respect of IFRS 7

Like all credit institutions, Groupe BPCE is exposed to structural liquidity, interest rate and foreign exchange risks. These risks are closely monitored by the Group and its institutions to secure immediate and future income, balance the balance sheets and promote the Group's development.

Groupe BPCE's Audit Committee and Supervisory Board are consulted on general ALM policy and are informed of major decisions taken regarding liquidity, interest rate and foreign exchange risk management. The implementation of the chosen policy is entrusted to the Group Asset and Liability Management Committee.

Each year, Groupe BPCE's Supervisory Board validates the main lines of the ALM policy, *i.e.* the principles of market risk measurements and levels of risk tolerance. It also reviews the risk limit system each year.

Each quarter, BPCE Group's Audit Committee is informed of the Group's position through management reports containing the main risk indicators.

The Group Asset and Liability Management Committee, chaired by the Chairman of BPCE's Management Board, is responsible for the operational implementation of the established policy, and for the management of the structure and operation of the risk management system. This committee notably sets the rules and limits governing the management of the three major risk categories applicable at the consolidated level and to each institution, as well as the main guidelines in terms of funding policy, allocation of liquidity to the business lines and management of risk indicators. It regularly monitors the risk indicators and changes to the main structural balance sheet aggregates of the Group and its main institutions.

The structural liquidity, interest rate and foreign exchange risk management policy is also jointly implemented by the Asset/Liability management function (oversight of funding plan implementation, management of liquidity reserves, cash management, calculation and monitoring of the various risk indicators) and the Risk Management function (validation of the control framework, validation of models and agreements, controls of compliance with rules and limits). The Group Financial Management division and the Group Risk Management division are responsible for adapting this framework to their respective functions.

The adaptation of the operational management framework within each institution is subject to validation by the Board of Directors, the Steering Board and/or the Supervisory Board. Each institution has a special operational committee that oversees implementation of the funding strategy, Asset and Liability management and management of liquidity, interest rate and foreign exchange risks for the institution, in line with rules and limits set at Group level. The Banque Populaire and Caisse d'Epargne networks implement the risk management system using a shared Asset/Liability management tool.

6.9.2 Liquidity risk management policy

Structural liquidity risk is defined as the risk of the Group not having sufficient funds to meet its commitments or to settle or offset a position due to market conditions within a specified period and at a reasonable cost. This could occur, for example, in the event of a run on the bank or a general crisis of confidence on the markets.

OBJECTIVES AND POLICIES

The main aim of the Group's liquidity risk management system is to always be in a position to cope with a prolonged, highly intense liquidity crisis while keeping costs under control, promoting the balanced development of the business lines and complying with regulations in force.

To this end, the Group relies on three mechanisms:

- supervision of each business line's liquidity consumption, predominantly by maintaining a balance between growth in the credit segment and customer deposit inflows;
- centralized funding management aimed primarily at supervising the use of short-term funding, spreading out the maturity dates of medium- and long-term funds and diversifying sources of liquidity;
- establishment of liquidity reserves.

In addition to these measures, a consistent set of indicators, limits and management rules are combined in a centralized framework of standards and rules. These indicators and rules allow for the measurement and consolidated management of liquidity risk.

OPERATIONAL MANAGEMENT

OPERATIONAL LIQUIDITY RISK MANAGEMENT

Liquidity risk is managed at the consolidated Group level and at each entity. Liquidity risk is assessed differently over the short, medium and long term:

- in the short term, it involves assessing an institution's ability to withstand a crisis;
- in the medium term, liquidity is measured in terms of cash requirements;

- in the long term, it involves monitoring the institution's maturity transformation level.

Consequently, BPCE has defined a set of indicators and limits:

- one-day and one-week liquidity gap indicators measure the Group's very short-term funding requirements. These gaps are subject to Group and individual entity limits;
- stress scenarios measure the Group's ability to meet its commitments and continue its regular commercial activities during a crisis depending on short-term funding volumes, medium- and long-term debt maturities and liquidity reserves. Internal stress test indicators are aimed at ensuring short-term liquidity security beyond the one-month horizon required by regulations. These stress tests, based on bank- and/or market-specific scenarios, are broken down into various levels of stress in order to forecast the impact on the Group's liquidity position;
- the customer loan/deposit ratio is a relative measurement of the Group's autonomy with respect to the financial markets;
- the Group's market footprint measures its overall dependence to date on bond and money market funding. The contribution of the institutions to this coverage is managed by a liquidity budget system. These budgets are reviewed on an annual basis and govern the maximum liquidity consumption for each entity in line with the Group's budget process;
- the liquidity gap, which compares the amount of remaining liabilities with remaining assets over a ten-year period, enables the Group to manage medium- and long-term debt maturities and anticipate its funding requirements. It is governed by Group and individual entity limits;
- measurement of resource diversification, allowing the Group to avoid excessive dependence on a single creditor;
- the pricing policy, which ensures the performance of liquidity allocation.

The definition of these indicators and any associated limits is covered in a body of consolidated standards that is reviewed and validated by the decision-making bodies of the Group and its institutions.

CENTRALIZED FUNDING MANAGEMENT

The Financial Management division organizes, coordinates and supervises the funding of Groupe BPCE on the markets.

The short-term funding of Groupe BPCE is carried out by the 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 networks, which are the primary source of funding, the Group also issues bonds on the financial markets with BPCE as principal operator, offering the broadest range of bonds to investors:

- directly as BPCE for subordinated debt issues (Additional Tier 1 and Tier 2), senior non-preferred debt and vanilla senior preferred debt issues, in multiple currencies, with the main currencies being the EUR, USD, JPY, AUD and GBP;
- or as BPCE SFH, the Group's main issuer of covered bonds; this issuer, operated by BPCE, specializes in *obligations de financement de l'habitat* (OH), a category of secured bond guaranteed by French legislation (backed by residential home loans in France).

Groupe BPCE works with two other highly specialized operators to round out its MLT funding sources:

- Natixis for structured senior preferred debt issues (private placements only) under the Natixis name, and for covered bonds under German law (backed by commercial real estate loans) under the Natixis Pfandbriefbank AG name;
- Crédit Foncier for covered bonds, known as *obligations foncières* (OF), under the Compagnie de Financement Foncier (a subsidiary of Crédit Foncier) name; OFs are a category of covered bond based on French legislation (backed by public sector loans and assets, in line with the new positioning decided in 2018 for this Group issuer, bearing in mind that the collateral still includes residential home loans in France previously manufactured by Crédit Foncier).

It should be noted that BPCE is also responsible for the MLT funding activities of Natixis (in addition to the aforementioned structured private placements), which no longer carries out public issues on the markets.

BPCE has short-term funding programs governed by French law (NEU CP), UK law (Euro Commercial Paper) and New York State law (US Commercial Paper), and MLT funding programs governed by French law (EMTN and Neu MTN), New York State law (US MTN), Japanese law (Samurai) and New South Wales law (AUD MTN).

Lastly, the Group is also able to conduct market securitization transactions (ABS), primarily *via* RMBS with residential home loans issued by the Banque Populaire and Caisse d'Epargne networks.

All Group assets and liabilities are subject to internal liquidity pricing. The guidelines of this pricing policy are decided by the Group's Asset and Liability Management Committee and aim to reflect changes in the costs of liquidity, customer deposits and market funding, and in asset/liability matching.

CENTRALIZED COLLATERAL MANAGEMENT

Collateral management is one of the key components of the Group's liquidity management system. It is based on the following principles:

- the central institution defines the collateral management indicators. These indicators are monitored by the Group's ALM Committee;
- investment- and management-related decisions are made by the entities and subsidiaries following rules set out by the central institution;

- the entities pool their collateral with the central institution in order to improve oversight and operationality of collateral management.

For entities with a 3G Pool (Natixis, Compagnie de Financement Foncier, 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.

LIQUIDITY RISK MITIGATION POLICY

Groupe BPCE maps out all liquidity risk factors applicable to the bank along with their associated materiality. This map forms the basis of its liquidity risk management framework.

To keep track of its liquidity risks and define appropriate management and/or corrective actions, the Group has established a reliable, comprehensive and effective internal liquidity management and oversight system including a set of associated indicators and limits.

- given the importance of continuous market access, the Group focuses in particular on diversifying its market footprint by geographic area and by counterparty type;
- furthermore, in line with its business model, the Group also ensures that the liquidity drawn from market resources is appropriately allocated to its constituent business lines;
- the Group also has an adequately calibrated and centralized liquidity reserve at the central institution level, which can be promptly solicited to deal with any tensions that might arise.

From a more general standpoint, the Group constantly monitors these risks *via* its stress testing system, which is supplemented by a Contingency Funding Plan (CFP) that identifies additional solutions.

6.9.3 Quantitative disclosures

Liquidity reserves include cash placed with central banks and securities and receivables eligible for central bank funding. Management of liquidity reserves, composed of deposits with central banks and highly 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:

LIQUIDITY RESERVES

in billions of euros	12/31/2019	12/31/2018
Cash placed with central banks	69	67
LCR securities	66	62
Assets eligible for central bank funding	96	74
TOTAL	**231**	**204**

At December 31, 2019, liquidity reserves covered 155% of the Group’s short-term funding and the short-term maturities of MLT debt (€148 billion at December 31, 2019 compared with €127 billion at December 31, 2018). The coverage ratio was 160% at December 31, 2018.

LIQUIDITY GAPS

The Group’s liquidity gap (liabilities – assets) complies with internal limits.

in billions of euros	01/01/2020 to 12/31/2020	01/01/2021 to 12/31/2023	01/01/2024 to 12/31/2027
Liquidity gap	15.1	7.9	11.5

A liquidity gap arises from a mismatch between assets and liabilities with different maturity dates, as viewed at a static point in time.

CUSTOMER LOAN-TO-DEPOSIT RATIO

The Group customer loan-to-deposit ratio[1] was stable at 124% at December 31, 2019.

SOURCES AND USES OF FUNDS BY MATURITY

in millions of euros	Less than 1 month	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total at 12/31/2019
Cash and amounts due from central banks	80,242	2					80,244
Financial assets at fair value through profit or loss						218,767	218,767
Financial assets at fair value through other comprehensive income	1,101	732	3,583	19,044	15,349	4,822	44,630
Hedging derivatives						9,286	9,286
Securities at amortized cost	490	80	3,332	8,482	12,171	4,366	28,922
Loans and receivables due from banks and similar at amortized cost	76,778	6,523	3,797	527	731	1,301	89,656
Loans and receivables due from customers at amortized cost	53,763	23,135	53,700	219,398	332,675	10,587	693,257
Revaluation differences on interest rate risk-hedged portfolios						7,673	7,673
Financial assets by maturity	**212,374**	**30,472**	**64,412**	**247,450**	**360,926**	**256,803**	**1,172,436**
Amounts due to central banks							
Financial liabilities at fair value through profit or loss	12,274	1,157	433	1,313	11,345	175,255	201,776
Hedging derivatives						15,068	15,068
Debt securities	23,227	30,875	53,014	66,592	58,801	6,832	239,341
Amounts due to banks and similar	21,767	11,825	12,343	18,749	9,738	2,231	76,653
Amounts due to customers	445,522	15,717	22,226	57,966	15,248	3,035	559,713
Subordinated debt	482	14	10	4,820	10,037	2,125	17,487
Revaluation differences on interest rate risk-hedged portfolios						238	238
FINANCIAL LIABILITIES BY MATURITY	**503,271**	**59,587**	**88,026**	**149,439**	**105,169**	**204,783**	**1,110,277**
Loan commitments given to banks	129	23	653	406	116		1,328
Loan commitments given to customers	30,596	6,396	24,705	53,676	19,656	156	135,184
TOTAL LOAN COMMITMENTS GIVEN	**30,726**	**6,420**	**25,358**	**54,082**	**19,772**	**156**	**136,512**
Guarantee commitments given to banks	627	415	573	647	1,731	32	4,026
Guarantee commitments given to customers	3,401	3,645	5,822	9,691	6,118	5,131	33,809
TOTAL GUARANTEE COMMITMENTS GIVEN	**4,029**	**4,060**	**6,395**	**10,338**	**7,849**	**5,163**	**37,835**

Financial instruments marked to market on the income statement and held in the trading book, variable-income available-for-sale financial assets, non-performing loans, hedging derivatives and revaluation differences on interest rate risk-hedged portfolios are placed in the "No fixed maturity" column. These financial instruments are:

- either held for sale or redeemed prior to their contractual maturity;
- or held for sale or redeemed at an indeterminable date (particularly where they have no contractual maturity);
- or measured on the balance sheet for an amount impacted by revaluation effects.

Accrued interest not yet due is shown in the "Less than 1 month" column.

The amounts shown are contractual amounts excluding projected interest.

Technical provisions of insurance companies, which, for the most part are equivalent to demand deposits, are not shown in the Table above.

(1) Excluding SCF (Compagnie de Financement Foncier, the Group's société de crédit foncier, a French covered bond issuer).

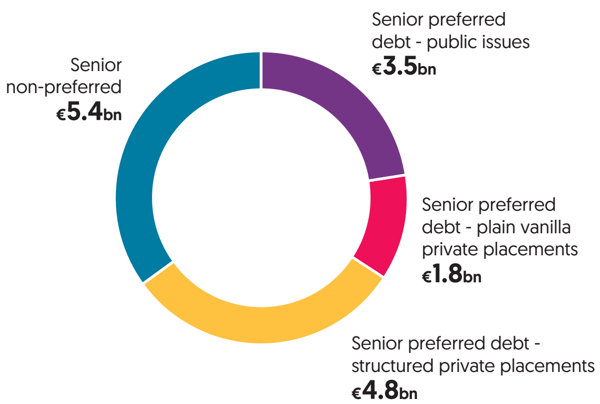
FUNDING STRATEGY AND CONDITIONS IN 2019

One of the Group's priorities in terms of medium- and long-term funding in the financial markets is to ensure that sources of funding are properly diversified, in terms of types of investors, type of debt instruments, geographic regions and currencies.

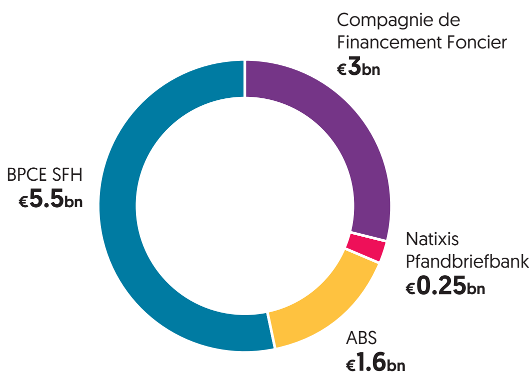
Another priority is extending the average maturity of its liabilities to help strengthen Groupe BPCE's financial structure.

Under the 2019 wholesale MLT funding plan, Groupe BPCE raised a total of €25.9 billion, o/w €19.4 billion excluding structured private placements and ABS; public issues made up 63% of this amount and private placements 37%.

UNSECURED BOND SEGMENT: €15.6BN



COVERED BOND SEGMENT: €10.3BN

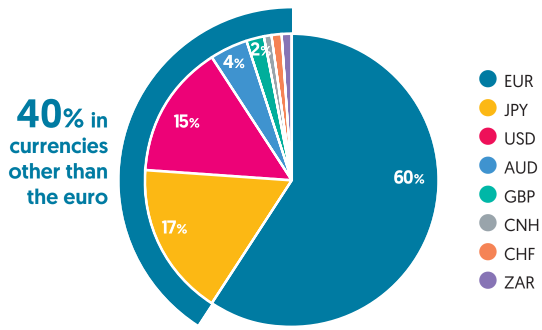


In 2019, funding raised in the unsecured bond segment stood at €15.6 billion, of which €5.4 billion in senior non-preferred debt and €10.2 billion in senior preferred debt. Funding raised in the covered bond segment amounted to €8.7 billion and ABS to €1.6 billion (mostly RMBS backed by residential mortgages originated by the Banque Populaire and Caisse d'Epargne networks).

The unsecured bond segment (senior preferred + senior non-preferred) accounted for 60% of funding raised and the covered bond segment 40% (34% covered bonds and 6% RMBS).

The breakdown by currency of unsecured issues is a good indicator of the diversification of the Group's medium- and long-term funding sources. In all, 40% were issued in currencies other than the euro; the four largest currencies were JPY (17%), USD (15%), AUD (4%) and GBP (2%). The breakdown of these 2019 bond issues by currency is as follows:

DIVERSIFICATION OF INVESTOR BASE



The average maturity at issuance for Groupe BPCE as a whole was 7.4 years in 2019 compared with an average maturity of 7.4 years in 2018.

The vast majority of medium- and long-term funding raised in 2019 was fixed-rate. In general, fixed rate is swapped for floating rate in accordance with the Group's interest rate risk management policy

NEW SOLUTIONS TO MEET NEW INVESTOR PRIORITIES: "SUSTAINABLE DEVELOPMENT" BONDS

Groupe BPCE issued two social/green bonds in 2019 totaling €0.9 billion:

- one 5-year Local Economic Development public social bond issue in JPY (Samurai) in January 2019 for an equivalent of €400 million;
- one 5-year Renewable Energy public green bond issue in EUR in November 2019 for €500 million.

At end-December 2019, the Group's social/green bond outstandings totaled €4 billion.

6.9.4 Management of structural interest rate risk

OBJECTIVES AND POLICIES

Structural interest rate risk (or overall interest rate risk) is defined as the risk incurred in the event of a change in interest rates due to all balance sheet and off-balance sheet transactions, except for – if applicable – transactions subject to market risks. Structural interest rate risk is an intrinsic component of the business and profitability of credit institutions.

The objective of the Group's interest rate risk management system is to monitor each institution's maturity transformation level in order to contribute to the growth of the Group and the business lines while evening out the impact of any unfavorable interest rate changes on the value of the Group's banking books and future income.

INTEREST RATE RISK OVERSIGHT AND MANAGEMENT SYSTEM

Structural interest rate risk is controlled by a system of indicators and limits set by the Group Asset and Liability Management Committee. It measures structural interest rate risk on the balance sheet, excluding any kind of independent risk (trading, own accounts, etc.). The indicators used are divided into two approaches: a static approach that only takes into account on-balance sheet and off-balance sheet positions at a set date and a dynamic approach which includes commercial and financial forecasts. They can be classified into two sets:

- gap indicators, which 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 and for the fixed rate;
- sensitivity indicators, which 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 about interest rates, business forecasts (new business and customer behavior) and sales margins.

Instruments authorized to hedge this risk are strictly vanilla (non-structured), excluding written options and favoring accounting treatment that does not impact the Group's consolidated results.

Groupe BPCE also improved its oversight of interest rate risk in the banking book to ensure a dynamic multi-scenario approach, better suited to managing this risk. Future regulatory changes relating to this risk are also currently being integrated 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	01/01/2020 to 12/31/2020	01/01/2021 to 12/31/2023	01/01/2024 to 12/31/2027
Interest rate gap (fixed-rate)*	(12.2)	(16.5)	(14.6)

* 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 remained significantly lower than the 20% regulatory limit. At December 31, 2019, Groupe BPCE's sensitivity to interest rate rises stood at -5.7% *versus* -7.8% at December 31, 2018.

The change in the Group's projected one-year net interest income calculated under four scenarios (increase in rates, decrease in rates, steepening of the curve, flattening of the curve) compared to the reference scenario showed, at December 31, 2019, the decrease in rates to be the most adverse scenario, with expected losses of €130 million year-on-year.

6.9.5 Management of structural foreign exchange risk

Structural foreign exchange risk is defined as the risk of a realized or unrealized loss due to an unfavorable fluctuation in foreign currency exchange rates. The management system distinguishes between the structural exchange risk policy and the management of operational foreign exchange risk.

FOREIGN EXCHANGE RISK OVERSIGHT AND MANAGEMENT SYSTEM

For Groupe BPCE (excluding Natixis), foreign exchange risk is monitored using regulatory indicators (measuring corresponding capital adequacy requirements by entity). The residual foreign exchange positions held by the Group (excluding Natixis) are not material because virtually all foreign currency assets and liabilities are match-funded in the same currency.

As regards international trade financing transactions, risk-taking is limited to counterparties in countries with freely-translatable currencies, provided that translation can be technically carried out by the technically managed by the entity's information system.

Natixis' structural exchange rate positions on net investments in foreign operations funded with currency forwards are tracked on a quarterly basis by its Asset and Liability Management Committee in terms of sensitivity as well as solvency. The resulting risk indicators are submitted to the Group Asset and Liability Management Committee on a quarterly basis.

QUANTITATIVE DISCLOSURES

For the period ended December 31, 2019, Groupe BPCE, subject to regulatory capital requirements for foreign exchange risk, saw its foreign exchange position climb to €3,206 million *versus* €2,699 million at end-2018, with €216 million in respect of foreign exchange risk compared to €216 million at end-2018. The foreign exchange position is mainly carried by Natixis.

6.10 Legal risks

6.10.1 Legal and arbitration proceedings – BPCE

CHECK IMAGING EXCHANGE (ÉCHANGE IMAGE CHÈQUES) COMMISSIONS

Marketplace antitrust case initially involving Banques Populaires Participations (BP Participations) and Caisses d'Epargne Participations (CE Participations) and BPCE since it merged with and absorbed BP Participations and CE Participations.

On March 18, 2008, BFBP and CNCE received, as was the case for other banks on the marketplace, a notice of grievance from the French anti-trust authority. The banks are accused of having established and mutually agreed on the amount of the check imaging exchange commission, as well as related check commissions.

The anti-trust authority delivered its decision on September 20, 2010 to fine the banks found guilty (€90.9 million for BPCE). These banks (except for the Banque de France) lodged an appeal.

On February 23, 2012, the Paris Court of Appeals overruled the anti-trust authority's decision and the €90.9 million fine paid by BPCE was refunded.

On March 23, 2012, the anti-trust authority launched an appeal of the Court of Appeals' ruling.

On the referral of the anti-trust authority, on April 14, 2015, the Court of Cassation overturned the Court of Appeals' 2012 ruling due to breach of procedure. The banks were once again required to pay the fine.

BPCE, along with the other accused banks, referred this ruling to the Paris Court of Appeals, requesting that it purge this breach of procedure and uphold its 2012 decision, ensuring that BPCE will ultimately be reimbursed.

The Second Court of Appeals ruled on December 21, 2017 and confirmed the 2010 analysis of the anti-trust authority, thus contradicting the initial decision by the Paris Court of Appeals in 2012.

The Court considered that the introduction of the EIC commission and CSCs constitute anti-competitive practice in its nature and upheld the conviction to pay the fine set by the ADLC. However, the Court reduced the amount of Caisse d'Epargne's fine by €4.07 million, by canceling the 10% increase to the fine imposed by ADLC on certain banks for their key roles in negotiations. BPCE, standing in for CE Participations, should retrieve this amount of €4.07 million from the Treasury.

On January 22, 2018, the banks filed an appeal with the Court of Cassation.

On January 29, 2020, the Court of Cassation rendered its verdict and overturned the appeal for lack of legal grounds on the demonstration of collusion. The ruling referred the case back to the Court of Appeal, with the banks returning to their position subsequent to the ADLC (anti-competition authority) ruling. Consequently, the Court of Appeal will have to issue a ruling in favor of Caisse d'Epargne before the fine will be reimbursed.

6.10.2 Legal and arbitration proceedings – Natixis

MADOFF FRAUD

Outstanding Madoff assets as expressed in euros were estimated at €551 million at December 31, 2019 and were fully provisioned at that date. The actual impact of this exposure will depend on both the extent of recovery of assets invested in Natixis' name and the outcome of the measures taken by the bank, notably in terms of legal procedures. 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 vindicated the Commercial Court's prior ruling that primary insurers were liable for covering the losses incurred by Natixis due to the Madoff fraud, up to the amount for which the bank was insured. On September 19, 2018, the Court of Cassation subsequently annulled the judgment under appeal and referred the case back to the Paris Court of Appeal with a differently constituted bench. On September 24, 2019, the Court issued a ruling against Natixis, overturning the ruling of the Paris Commercial Court. Natixis filed an appeal in December 2019.

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 the case on a preliminary basis, or prior to any ruling on the merits, and a motion to withdraw the reference to transfer certain matters to the United States district court. These proceedings have been subject to numerous rulings and appeals and are still ongoing. A November 2016 ruling by the bankruptcy court dismissed a number of restitution claims initiated by the trustee on the grounds of extraterritoriality. In September 2017, the Second Circuit Court granted the BMIS trustee and the defendants the right to appeal the bankruptcy court's ruling on the grounds of extraterritoriality directly through the Second Circuit, thereby avoiding the need to file an intermediary appeal with the district court. In February 2019, the Court of Appeals for the Second Circuit overturned the bankruptcy court's extraterritoriality ruling. In August 2019, Natixis joined the defendants having filed a motion for permission to appeal the ruling of the Second Circuit Court to the Supreme Court. The motion is pending before the Supreme Court, expected to decide in 2020 whether or not it agrees to hear the case.

Furthermore, the trustees of Fairfield Sentry Limited and Fairfield Sigma Limited have initiated a large number of proceedings against investors having previously received payments 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 filed joint responses in May and June 2017. In August 2018, the bankruptcy court ruled on a motion to dismiss filed by the defendants (requesting that the case be dismissed on a preliminary basis and prior to any ruling on the merits). The judge only gave a ruling on one of the merits (that of personal jurisdiction), having found that the latter was missing from the claim made against the defendants. In December 2018, the judge ruled on the motion to dismiss, rejecting the claims brought by trustees founded on common law (unjust enrichment, money had and received, mistaken payment and constructive trust) as well as contractual claims. However, it overturned the motion to dismiss in respect of claims founded on British Virgin Islands law, while reserving the right to file a plea for the application of the Section 546(e) Safe Harbor provision. In May 2019, the liquidators appealed the ruling of the Bankruptcy Court to the District Court. The case is ongoing.

CRIMINAL COMPLAINT 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 false and misleading information on account of two messages sent in the second half of 2007, at the beginning of the subprime crisis.

After judicial investigation, a committal for trial was ordered on June 28, 2019.

The committal concerns only one of the messages, disseminated on November 25, 2007, explaining the risks to which Natixis was exposed at the time as a result of the subprime crisis. The second message was dismissed. Maintaining that no offense was committed, Natixis will present its defense, and the Criminal Court will render its judgment.

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, and as an alternative, the annulment of the subscription on the grounds of defect in consent.

On February 6, 2017, the Commercial Court of Paris dismissed all of MMR Investment Ltd.'s claims. This ruling was upheld by the Paris Court of Appeal on October 22, 2018. MMR Investment Ltd. submitted an appeal. The case is ongoing.

UNION MUTUALISTE RETRAITE

In June 2013, Union Mutualiste Retraite filed three complaints against AEW SA (formerly AEW Europe) in relation to the acquisition and management of two real estate portfolios in Germany between 2006 and 2008. The amounts claimed by UMR total €149 million.

UMR and AEW SA each withdrew their complaints before the Paris Commercial Court at end-November 2019.

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 of the claims relating to the second case were also dismissed as time-barred and, in 2018, Natixis settled the outstanding claims before the court issued a final ruling on the merits of the case.

Three of these five proceedings have been brought against Natixis, purportedly on behalf of certificate holders, alleging that Natixis failed to repurchase defective mortgages from certain securitization transactions. Natixis considers the claims brought against it before the New York Supreme Court to be without merit for multiple reasons, including that they are time-barred under the applicable statute of limitations (two proceedings have already been dismissed for these reasons but are open to appeal) and that the claimants do not have the legal standing to file the suit.

EDA SELCODIS

Through two complaints filed on November 20, 2013, Selcodis and EDA brought claims before the Paris Commercial Court against Natixis and two other banks for unlawful agreements, alleging that such actions led to the refusal to grant a guarantee to EDA and to the termination of various loans.

Selcodis is asking for compensation for the losses purportedly suffered as a result of the court-ordered liquidation of its subsidiary EDA, 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 considers all of these claims to be unfounded.

On December 6, 2018, after consolidating these claims, the Paris Commercial Court found that the statute of limitations had been reached and the cases are now closed. The plaintiffs filed an appeal against this ruling in January 2019.

MPS FOUNDATION

In June 2014, MPS Foundation (Fondazione Monte dei Paschi di Siena), an Italian foundation, filed a claim against 11 banks, including Natixis, which granted it financing in 2011 at the request of its previous executive 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 its former directors amount to €285 million.

Natixis considers these accusations to be unfounded.

Following an objection as to jurisdiction, the Siena Court referred the case to the Florence Court 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 with regard to 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 IM International has filed an appeal against this ruling with the Council of State. In its decree of November 6, 2019, the Council of State modified the ruling of the Enforcement Committee, reducing the fine to €20 million. The warning was upheld.

In addition, UFC-QUE CHOISIR, in its capacity as a consumer rights non-profit, brought claims before the Paris District Court (Tribunal de Grande Instance de Paris) on March 5, 2018 against the asset management company to obtain compensation for the financial losses suffered by the holders of the formula funds in question. The case is ongoing.

SOCIÉTÉ WALLONNE DU LOGEMENT

On May 17, 2013, Société Wallonne du Logement (SWL) filed a complaint against Natixis before the Charleroi Commercial Court (Belgium), contesting the legality of a swap agreement entered into between SWL and Natixis in March 2006 and requesting that it be annulled.

All of SWL's claims were dismissed in a ruling by the Charleroi Commercial Court on November 28, 2014. On September 12, 2016, the Mons Court of Appeal annulled the contested swap agreement and ordered Natixis to repay to SWL the amounts paid by SWL as part of the swap agreement, less any amounts paid by Natixis to SWL under the same agreement and taking into account any amounts that would have been paid had the previous swap agreement not been terminated. The Cour de Cassation of Belgium overturned this ruling on June 22, 2018. In February 2019, SWL lodged an appeal with a Court of Appeal.

SFF/CONTANGO TRADING SA

In December 2015 the South African Strategic Fuel Fund (SFF) entered into agreements to sell certain oil reserves to several international oil traders. Contango Trading SA (a subsidiary of Natixis) provided funding for the deal.

In March 2018, SFF filed a lawsuit before the South African Supreme Court (Western Cape division, Cape Town), primarily against Natixis and Contango Trading SA, with a view to having the agreements invalidated, declared null and void, and to obtain fair and equitable compensation.

LUCCHINI SPA

In March 2018, Natixis SA was summoned, jointly and severally with other banks, by Lucchini Spa (under extraordinary administration) to appear before the Court of Milan, with Lucchini Spa's receiver alleging improprieties in the implementation of the loan restructuring agreement granted to Lucchini Spa. The case is ongoing.

COMPETITION AUTHORITY – NATIXIS INTERTITRES ET NATIXIS

On October 9, 2015, a company in the restaurant voucher sector lodged a complaint with the Competition Authority to contest sector practices with respect to the issuance and acceptance of restaurant vouchers. The complaint named several French companies in the restaurant voucher sector, including Natixis Intertitres.

In its ruling of December 17, 2019, the Competition Authority found that Natixis Intertitres took part in an exchange of information and a practice aimed at cornering the restaurant voucher sector.

Natixis Intertitres was fined €4,360,000, and was issued two additional fines totaling €78,962,000, jointly and severally with Natixis.

This ruling was published in a press release by the Competition Authority on December 18, 2019.

Natixis and Natixis Intertitres have decided to appeal the ruling upon receiving notification thereof.

BUCEPHALUS CAPITAL LIMITED – DARIUS CAPITAL PARTNERS

On June 7, 2019, Bucephalus Capital Limited (a UK law firm), together with other firms, brought claims against Darius Capital Partners (a French law firm and 60%-owned subsidiary of Natixis Investment Managers) before the Paris Commercial Court, to contest the breach of various contractual obligations, particularly with respect to a framework agreement dated September 5, 2013 setting out their contractual relations and various subsequent agreements. Bucephalus Capital Limited claims a total of €178,487,500.

Darius Capital Partners considers these claims to be unfounded.

BCE/NATIXIS WEALTH MANAGEMENT LUXEMBOURG

Subsequent to a notice of grievance dated March 18, 2019, the European Central Bank decided on October 21, 2019 to issue an administrative penalty of €1,850,000 against Natixis Wealth Management Luxembourg due to a failure to meet its reporting obligations with respect to material limits and exposures between 2016 and 2017.

AMF/NAM FINANCE

Subsequent to an audit of its professional obligations, and more specifically pertaining to "effective portfolio management" strategies, conducted in 2016, the AMF elected on July 17, 2017 to issue a notice of grievance against NAM Finance and to hand the case over to the Enforcement Committee. On September 25, 2019, the AMF Enforcement Committee issued a fine of €1 million against NAM Finance. The case is now closed.

AMF/NIM INTERNATIONAL

In addition to the aforementioned case, the AMF elected in early June 2017 to conduct a similar audit on NIM International. In early June 2018, the AMF decided to issue a notice of grievance against NIM International and to hand the case over to the Enforcement Committee. On September 25, 2019, the AMF Enforcement Committee issued a fine of €2 million against NAM International. The case is now closed.

6.10.3 Dependency

BPCE is not dependent upon any specific patents, licenses, industrial procurement contracts, or commercial or financial agreements.

6.11 Non-compliance and security risks

The Compliance and Security division, which has reported to the Corporate Secretary's Office of Groupe BPCE since January 1, 2019, works independently of the operational divisions, and of the other Internal Control divisions with which it cooperates. It comprises:

- the Banking Compliance, Investment Services Compliance and Insurance Compliance departments, and the Financial Security departments which notably includes BPCE's Tracfin officers;
- the Security departments covering all areas: personal and property safety, business continuity, information system security, and cyber security and fraud watch, while also coordinating the DPO (Data Protection Officer) function;

The Compliance and Security division carries out its duties within the framework of business line operations. It helps guide and motivate the Heads of the Compliance and Security functions of the affiliates and subsidiaries. The Compliance Officers appointed by the various affiliates, including the Caisse d'Epargne and Banque Populaire parent companies and direct subsidiaries covered by the regulatory system of banking and financial supervision, are functionally subordinate to the Compliance and Security division.

The division conducts any necessary initiatives to strengthen compliance and security throughout Groupe BPCE. As such, it builds and revises the standards proposed for the governance of Groupe BPCE, shares best practices and coordinates working groups consisting of departmental representatives.

Promoting a culture of non-compliance risk management and taking into account the legitimate interests of customers are achieved through employee training.

To that end, the Compliance and Security division:

- creates the content for the training materials used for the Compliance function and manages interactions with the Group Human Resources division and the Risk Governance department of the Risk division, which coordinates the annual work schedule for the Risk and Compliance functions;
- helps train Compliance staff, mainly through specialized annual seminars (financial security, ethics and compliance, banking compliance, coordination of permanent compliance controls, cybersecurity, etc.);
- coordinates the training program for heads of compliance and Compliance Officers;
- coordinates and checks the Compliance and Security functions of the Group institutions, notably by holding national compliance and security days, and *via* a system of permanent controls coordinated at Group level;
- draws on the expertise of the Compliance functions of Group institutions *via* theme-based working groups.

Moreover, BPCE's corporate compliance as well as the compliance of the Group's insurance businesses have been handled by the Compliance and Security division since January 1, 2019.

6.11.1 Compliance

ORGANIZATION

The Compliance function covers two main fields of expertise:

- **Banking compliance,** aimed at preventing risks of failure to comply with laws, regulations and professional standards governing KYC and the banking industry. To that, it encompasses support for operational departments in their compliance with regulatory changes, distribution of standards (including ACPR recommendations and EBA guidelines), compliance expertise for the purpose of helping approve new products or sales processes, supervision of document and challenge approval processes, and oversight of the Group's outsourced critical or essential services. It also strengthens the management of non-compliance risk by overseeing complaints analysis, making use of compliance controls and mapping of non-compliance risks reported by Groupe BPCE institutions within the scope of banking compliance and KYC.
- **Investment services compliance,** which covers compliance and ethicals in the conduct of financial activities, as defined by the AMF General regulations. More broadly, it includes the prevention of conflicts of interests across all business lines, 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 services and the operating procedures of investment services compliance officers (RCSIs). Since the end of 2016, investment services compliance has also included SRAB commitments (Separation and Regulation of Banking Activities) – Volcker office.

MEASUREMENT AND SUPERVISION OF NON-COMPLIANCE RISK

Non-compliance risks are analyzed, measured, monitored and managed in accordance with the Ministerial Order of November 3, 2014, with the aim of:

- ensuring a permanent overview of these risks and the associated risk prevention and mitigation system, including updated identification under the new non-compliance risk-mapping exercise;
- ensuring that the largest risks, if necessary, are subject to controls and action plans aimed at supervising them more effectively.

Groupe BPCE manages non-compliance risk by mapping out its non-compliance risks and implementing mandatory Level 1 and 2 compliance controls common to all Group retail banking institutions.

The impact of non-compliance risk was calibrated and measured with the Group's operational risk teams, using the methodology of operational risk tool OSIRISK, covering the risk management systems established by the institutions aimed at reducing gross risk levels.

PRODUCT GOVERNANCE AND SUPERVISION

All new products and services, regardless of their distribution channels, as well as sales materials that fall within the Compliance function's remit, are reviewed by Compliance beforehand. The purpose of this review is to ensure that applicable regulatory requirements are met and that targeted customers – and the public at large – receive clear and fair information. Product supervision is carefully conducted over the entire product life cycle.

Compliance also coordinates the approval of national sales challenges, ensures that conflicts of interest are managed properly and guarantees that customer interests always come first.

Compliance is careful to ensure that sales procedures, processes and policies guarantee that the rules of compliance and ethics are observed at all times for all customer segments, and in particular that the advice given to customers is appropriate to their needs.

CUSTOMER PROTECTION

The Group's reputation and the trust of its customers are strengthened when the products and services it sells comply with regulations and the information it supplies is reliable. To maintain this trust, the Compliance division makes customer protection a top priority.

To that end, Group employees regularly receive training on customer protection issues to maintain the required level of customer service quality. These training sessions are aimed at promoting awareness of compliance and customer protection among new hires and/or sales team employees. Ethics and compliance training, entitled "Fundamentals of professional ethics", has been set up for all Group employees. BPCE has also established a code of good conduct and ethics, rolled out to all Groupe BPCE institutions.

The new Markets in Financial Instruments directive (MiFID 2) and PRIIPs regulation (Packaged Retail Investment and Insurance-based Products) strengthen investor protection and market transparency. They have an impact on the Group in its role as a distributor of financial instruments by enhancing the quality of the customer experience in terms of financial savings and insurance products:

- adjustments to customer and KYC data collection (customer profile, characteristics of customer plans in terms of objectives, risks and investment horizons), an updated questionnaire on each customer's financial investment knowledge and experience, and an updated questionnaire on customer risk appetite and loss tolerance, to ensure that suitable advisory services are provided;
- adaptation of offers associated with the financial services and products sold;
- formalization of customer advice (suitability report) and the customer's acceptance of said advice (issuance of customer alerts where necessary);
- organization of relations between the Group's manufacturers and distributors;
- inclusion of provisions related to the transparency of fees and charges at the required level of detail;
- production of periodic suitability reports and value-added reports for customers and recording of conversations for customer relations and advisory purposes;
- disclosure of transaction reports to regulators and the market, best-execution and best-selection requirements;
- participation in the development of employee training and the change management program related to these new provisions.

HIGHLIGHTS

A program was created in 2019 to strengthen regulatory KYC compliance. The aim of the program, in conjunction with the IT platforms, is to prevent accounts from being opened if a customer's tax self-certification form has not been provided or regulatory records are not complete. Efforts are also under way to establish a regulatory KYC update system in 2020.

In terms of banking inclusion, Groupe BPCE met its professional obligation to cap the incident fees charged to financially vulnerable customers as from January 1, 2019, pursuant to commitments undertaken by French banks in September and December 2018.

- At the same time, special focus was placed on:
  - the non-compliance risk management system, with the automated rating (using the software tool Enablon) of non-compliance risk mapping, and the assessment of non-compliance risk now relying on the harmonized Level 2 compliance permanent control,
  - use of permanent control results according to the risks addressed by the controls.

  BPCE continued working on the remediation plan for the marketing of financial savings products in accordance with the European Markets in Financial Instruments directive (MiFID 2), the Insurance Distribution Directive (IDD) and PRIIPs.

  Product governance and supervision was strengthened in 2019 with the establishment of:
- a committee in charge of validating model investment portfolios, meeting quarterly to monitor the performance of risk asset allocations, perform a macroeconomic review and analyses, and prepare an allocation outlook;
- a product governance and supervision committee, working alongside manufacturers: exchanging information and alerts between manufacturers and distributors, and overseeing distribution strategy, product changes and investor protection.

FRENCH BANKING SEPARATION AND REGULATION ACT (SRAB)

Groupe BPCE's market risk map is regularly updated, calling for the creation of internal units subject to an exemption within the meaning of act No. 2013-672 of July 26, 2013 on the separation and regulation of banking activities.

6

On a quarterly basis, the market risk map calculates 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 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 2019, the Group certified its compliance with the Volcker rule with the US regulator, as it has every year since July 2015. Note: in early 2017, Groupe BPCE appointed a SRAB-Volcker officer responsible for the security of the banking segregation mechanisms. This officer also oversees the requirements set forth by US regulations on Legal Entity Management (LEM).

INSURANCE COMPLIANCE

The Insurance Compliance department ensures that insurance products are marketed in compliance with applicable regulations. Insurance Compliance prepares fundamental guidelines stipulating the disclaimers that have to be included in advisory notices for Group products. It provides regulatory and operational support to Group entities, mainly by issuing normative recommendations and transposing them into operating practices. It also takes part in the Group New Product Committee and in commercial processes, verification of sales processes, and validation of training modules covering advertising media and network documents.

HIGHLIGHTS

In 2019, normative recommendations focused on payment protection insurance, product governance and supervision, insurance advisory obligations, and ORIAS registration obligations.

The Insurance Compliance division handled the operational implementation of regulatory requirements:

- operational implementation of the standard pertaining to customers aged 80 or more;
- optimization of the customer experience in terms of insurance management procedures;
- improvement of the customer experience in terms of financial savings products;
- annual insurance fee statements.

6.11.2 Financial security

ORGANIZATION

Financial security covers anti-money laundering and terrorist financing (AML-TF) measures as well as adherence to international sanctions aimed at individual persons, entities or countries.

BPCE'S INVOLVEMENT IN THE PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

Groupe BPCE works to prevent money laundering and terrorist financing through:

Corporate culture

Promoted across all levels of the company, corporate culture is built on:

- customer relations principles aimed at preventing risks, which are formalized and regularly communicated to the employees;
- a harmonized, biannual training program for Group employees, and specialized training for the Financial Security function.

Organizational structure

In accordance with Groupe BPCE's charters, each institution has its own financial security unit. The Risk division has a special department that oversees anti-money laundering and terrorist financing procedures, defines the financial security policy for the entire Group, prepares the various related standards and procedures (and has them validated), and ensures that anti-money laundering and terrorist financing risks are incorporated in BPCE's new products and services approval procedure.

Specialized processes

In accordance with regulations, banks have methods for detecting unusual transactions that are specific to their risk classification. These can be used, if needed, to conduct closer analyses and to submit the required reports to Tracfin (French financial intelligence agency) as promptly as possible. The Group's risk classification system incorporates the "at-risk countries" factor when addressing money laundering, terrorism, tax fraud and bribery. The system was also reinforced with the establishment of a database and automated scenarios specifically targeting terrorist financing. With respect to compliance with restrictive measures related to international sanctions, Group institutions are equipped with screening tools that generate alerts on customers (asset freezes on certain individuals or entities) and international flows (asset freezes and countries subject to European and/or US embargoes).

Supervision of operations

Internal reports on the prevention of money laundering and terrorist financing are submitted to company directors and governing bodies, as well as to the central institution.

HIGHLIGHTS

The Group Financial Security department hired additional staff in 2019 for the purpose of actively overseeing the function as whole. The permanent control system was reviewed and enhanced.

6.11.3 Business continuity

The management of business interruption risk is handled from a cross-business perspective. This includes the analysis of the Group's main critical business lines, notably liquidity, payment instruments, securities, individual and corporate loans, and fiduciary activities.

ORGANIZATION

The Group Business Continuity department, which is part of the Compliance and Security division, performs its tasks independently of operational divisions. These include:

- managing Group business continuity and coordinating the Group Business Continuity function;
- 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.

HIGHLIGHTS

Efforts were once again focused on strengthening crisis management, with the ongoing development of the crisis management software tool (CrisisCare), redeployment of the crisis management system (I2G) for greater effectiveness, and identification of crisis management training modules to be offered in 2020. This organizational structure proved its merit during the "Robustness" marketplace exercise and the handling of incidents arising over the course of the year.

A mapping tool (ArcGIS) was added to the Group's incident management and decision-making resources.

Business continuity more broadly incorporates a risk approach, reflected in the policy distributed this year and integrated in the control database, which was adjusted accordingly.

The operational aspects of the business continuity system were also addressed. A Group BCP management tool (Drive) was tested with one institution and will be rolled out groupwide in 2020.

Oversight of third-party business continuity is a priority for the Group, in light of the stronger regulatory outsourcing requirements. A policy, formalized early in the year, was extended by the initiatives undertaken to establish a single Group third-party provider listing and contract management database.

6.11.4 Information System Security (ISS)

ORGANIZATION

The Group Compliance and Security division (DS-G) establishes and adapts Group Information System Security policies. It provides continuous and consolidated oversight of information system security, along with technical and regulatory oversight. It initiates and coordinates Group projects aimed at reducing risks in its field. It also represents Groupe BPCE vis-à-vis banking industry groups and public authorities.

Groupe BPCE has established a groupwide Information System Security function comprising the Head of Group Information System Security (RSSI-G), who coordinates the function, and the Heads of IT System Security for all Group entities.

The heads of Information System Security for parent company affiliates, direct subsidiaries and EIGs are functionally subordinate to the RSSI-G through coordinated actions. This means that:

- the RSSI-G is notified of the appointment of any heads of information system security;
- the Group information system security policy is adopted by individual entities in accordance with application procedures subject to validation by the Head of Group ISS;
- a report on the institutions' compliance with the Group's information system security policy, permanent controls, risk level, primary incidents and actions is submitted to the Group Head of IT System Security.

HIGHLIGHTS

The Group Level 2 ISS permanent control database was rolled out to all institutions on the Archer platform (governance/risk management/group controls).

Three major projects were also launched:

- formulation of Group Security guidelines aimed at defining its ambitions in terms of cybersecurity, while taking into consideration information system security, IT continuity and the IT legal compliance projects (GDPR, DSP2, etc.);
- preparation of a Group identity and authorization management (IAM) roadmap with the following goals:
  - establishing a Group database of individuals, applications and organizations,
  - implementing Group IAM governance,
  - including, if possible, all Group applications in the IAM roadmap, with automatic provisioning and an overview of authorizations;
- mapping out all Group information systems, including the private systems used by the institutions.

ANTI-CYBERCRIME SYSTEMS

As a result of its digital transformation, the Group's information systems are becoming increasingly open to the outside world (cloud computing, big data, etc.) and many of its processes are gradually going digital. Employees and customers are also increasingly using the Internet and interconnected technologies such as tablets, smartphones and applications on tablets and mobile devices.

Consequently, the Group's assets are constantly more exposed to cyber threats. The targets of these attacks are much broader than the information systems alone. They aim to exploit the potential vulnerabilities and weaknesses of customers, employees, business processes, information systems and security mechanisms at Group buildings and datacenters.

In response to these threats, a number of anti-cybercrime enhancement initiatives were continued in 2019.

Reinforced detection of unusual data flows and events in information systems (cyberattack detection)

- Creation of a unified Group Security Operation Center (SOC), including a Level 1 supervisor, operating 24/7;
- Integration of a Groupe BPCE CERT (Computer Emergency Response Team) in the InterCERT-FR community run by the ANSSI;
- 2019 expansion of the VIGIE community (Groupe BPCE's collective due diligence system) to include the Banques Populaires and the Caisses d'Epargne, in order to improve communications and oversight of private information systems used at these institutions.

Raising employee awareness of cybersecurity

In addition to maintaining the Groupwide program to raise employee awareness of ISS, 2019 saw the development of a new ISS training/awareness-raising plan to be implemented during the year, and the Group's participation in "European Cyber Security Month".

Within BPCE SA's scope of operations, 168 applications were included in the scope of review of authorization rights and management procedures. Not only are applications reviewed, but also user entitlements to IS resources (distribution lists, shared mailboxes, shared files, etc.).

Moreover, new employee awareness-raising and training campaigns were launched:

- GDPR training for project leaders and product range managers;
- phishing test and phishing awareness-raising campaign;
- participation in new employee acclimation meetings.

6.12 Operational risks

ORGANIZATION

The Group Operational Risk department (DROG) – part of the Group Risk division – is in charge of identifying, measuring, monitoring and managing the operational risks incurred in all activities and functions undertaken by Group institutions and subsidiaries.

The operational risk system consists of:

- central organization and a network of operational risk managers and officers, working in all activities, entities and subsidiaries of Group institutions and subsidiaries;
- a methodology based on a set of standards and an OR tool used throughout the Group.

The Operational Risk function operates:

- in all structures consolidated or controlled by the institution or the subsidiary (banking, financial, insurance, etc.);
- in all activities exposed to operational risks, including outsourced activities, within the meaning of Article 10 q and Article 10 r of the Ministerial Order of November 3, 2014 "outsourced activities and services or other critical or essential operational tasks".

The Group Non-Financial Risk Committee (CRNFG) defines the risk policy rolled out to the institutions and subsidiaries, and the DROG ensures that the policy is applied throughout the Group.

METHODOLOGY

The operational risk management system is part of the Risk Assessment Statement (RAS) and Risk Assessment Framework (RAF) systems defined by the Group. These systems and indicators are adapted at the level of each Group institution and subsidiary.

The mapping methodology is part of the Group's permanent control system and includes the operational risk, compliance, information system security, personal and property safety and Permanent Control Functions.

Measurement of risk exposure is based on a forward-looking model, which quantifies and classes risk scenarios and thus provides the Non-Financial Risk Committees with the necessary elements to define their risk tolerance.

Risk-predictive indicators are produced from the main risks identified in the non-financial risk map.

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.

The OR function's production staff perform two types of Level 2 controls on operational risks:

- comprehensive automated controls;
- sample-based manual controls.

BPCE's Operational Risk function ensures that the structure and systems in place at the institutions and subsidiaries allow them to achieve their objectives and fulfill their duties. To that end, it:

- coordinates the function and performs risk supervision and controls at the institutions/subsidiaries and their subsidiaries;
- centralizes and analyzes the Group's exposure to non-financial risks, verifies the implementation of corrective actions decided by the Operational Risk Committee, and reports any excessive implementation times to senior management;
- performs controls to ensure that Group standards and methods are observed by the institutions and subsidiaries;
- performs a regulatory watch, distributes and relays operational risk alerts due to incidents with the potential to spread to the appropriate institutions/subsidiaries;
- prepares reports, by institution or subsidiary, for the Group and the regulatory authorities (COREP OR), analyzes the reports and content of the OR committees of the institutions and subsidiaries, and notifies the Group Non-Financial Risk Committee of any inadequate systems and/or excessive risk exposure, which in turn notifies the institution in question.

OPERATIONAL RISK OVERSIGHT

Operational risk oversight within the Group is coordinated at two levels:

At the level of each Group institution	At Groupe BPCE level
• The Operational Risk Committee is responsible for adapting the operational risk management policy and ensuring the relevance and effectiveness of the operational risk management system. Accordingly, it: • examines major and recurring incidents, and validates the associated corrective actions, • examines indicator breaches, decides on associated corrective actions, and tracks progress on risk mitigation initiatives, • examines permanent controls carried out by the Operational Risk function and in particular any excessive delays in implementing corrective actions, • helps organize and train the network of OR officers, • determines if any changes need to be made in local insurance policies. • The frequency of meetings depends on the intensity of the institution's risks, in accordance with three operational schemes reviewed once a year by the Group Non-Financial Risk Committee (CRNFG) and communicated to the entities.	• The CRNFG meets quarterly and is chaired by a member of the Executive Management Committee. • Its main duties are to define the OR standard, ensure that the OR system is deployed at the Group entities, and define the Group OR policy. Accordingly, it: • examines major risks incurred by the Group and defines its tolerance level, decides on the implementation of corrective actions affecting the Group and monitors their progress, • assesses the level of resources to be allocated, • reviews major incidents within its remit, validates the aggregated map of operational risks at Group level, which is used for the macro-level risk mapping campaign, • monitors major risk positions across all Group businesses, including risks relating to non-compliance, financial audits, personal and property safety, contingency and business continuity planning, financial security and information system security (ISS), • lastly, validates Group RAF indicators related to non-financial risks as well as their thresholds.

INCIDENT AND LOSS DATA COLLECTION

Incident data are collected to build knowledge of the cost of risks, continuously improve management systems, and meet regulatory objectives.

An incident log (incident database) was created to:

- broaden risk analysis and gain the knowledge needed to adjust action plans and assess their relevance;
- produce COREP regulatory half-year operational risk statements;
- produce reports for the executive and governing bodies and for non-management personnel;
- establish a record that can be used for operational risk modeling.

Incidents are reported as they occur, as soon as they are detected, in accordance with Group procedure. A whistleblowing procedure has been set up for major incidents and internal limit breaches to round out the incident data collection system.

OPERATIONAL RISK OVERSIGHT

MAPPING

The operational risk management system relies on a mapping process which is updated annually by all Group entities.

Mapping enables the forward-looking identification and measurement of high-risk processes. For a given scope, it allows the Group to measure its exposure to risks for the year ahead. This exposure is then assessed and validated by the relevant committees in order to launch action plans aimed at reducing exposure. The mapping scope includes emerging risks, IS risks (including cyber risk), and non-compliance risks.

This same mapping mechanism is used during the Group's ICAAP to identify and measure its main operational risks. The operational risk map also serves as a basis for the macro-level risk mapping campaign covering the institutions, and thus for the Group overall.

ACTION PLANS AND MONITORING OF CORRECTIVE ACTIONS

Corrective actions are implemented to reduce the frequency, impact or spread of operational risks. They may be introduced following operational risk mapping, breaches of risk indicator thresholds or specific incidents.

Progress on key actions is monitored by each entity's Operational Risk Management Committee.

At Group level, progress on action plans for the principal risk areas is also specifically monitored by the Non-Financial Risk Management Committee.

INCIDENT ALERT PROCEDURE

The alert procedure for serious incidents has been extended to the entire scope of Groupe BPCE. The aim of this system is to enhance and reinforce the system for collecting loss data across the Group.

An operational risk incident is deemed to be serious when the potential financial impact at the time of detection is over €300,000, or over €1 million for Natixis. Operational risk incidents with a material impact on the image and reputation of the Group or its subsidiaries are also deemed to be serious.

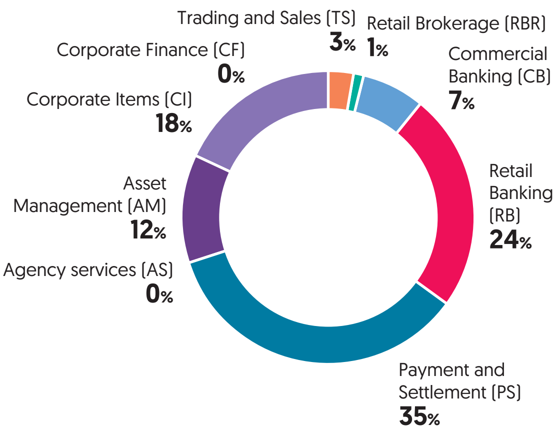
There is also a procedure in place covering material operational risks, within the meaning of Article 98 of the Ministerial Order of November 3, 2014, for which the minimum threshold is set at 0.5% of Common Equity Tier 1.

OPERATIONAL RISK MEASUREMENT

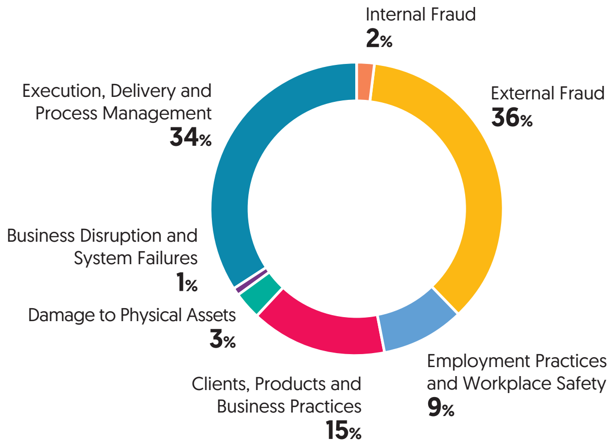
Groupe BPCE applies the standardized approach to calculate its capital requirements. Moreover, elements of internal control are considered in the assessment of the Group's net risk exposures.

BREAKDOWN OF LOSSES

BREAKDOWN OF LOSSES BY BASEL BUSINESS LINE



BREAKDOWN OF LOSSES BY BASEL LOSS EVENT CATEGORY



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, 2019, 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, covering:
  - the "Fraud" component of the Insurance coverage described in point A.a) below,
  - the "Global Banking" Insurance coverage described in point A.b) below,
  - the "Global Banking" component of the Insurance coverage described in point A.d) below,
  - and the Insurance coverage for "Property Damage" to "Registered Offices & Similar" and to their contents (including IT equipment) and the consecutive losses in banking activities described in point E below;

The following main Insurance policies to cover its insurable operational risks and protect its balance sheet and income statement:

A/ A combined "Global Banking *(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 €35 million per claim and per year of insurance;

D/ "Company Directors Civil Liability" for up to €200 million per claim and per year of insurance;

E/ "Property Damage" to "Registered Offices & Similar" and to their content (including IT equipment) and the consecutive "losses in banking activities", for up to €400 million per claim;

F/ "Protection of Digital Assets against Cyber-Risks" & the consecutive "losses in banking activities", for up to €140 million per claim and per year of insurance.

This coverage extends worldwide for initial risk or umbrella risk, subject to certain exceptions, mainly in terms of "Professional Civil Liability" where the policy does not cover permanent institutions based in the United States *(where coverage is obtained locally by Natixis' US operations).*

All the insurance policies mentioned above were taken out with reputable, creditworthy insurance companies and in excess of the deductibles and Groupe BPCE's risk-retention capacity.

Insurance risks

NATIXIS ASSURANCES

Natixis Assurances is the Insurance division of Natixis and is divided into two business lines:

- the personal insurance business line, focused on developing portfolios of life insurance and endowment policies for investment and retirement purposes, as well as personal protection insurance portfolios;
- the non-life insurance business line, focused on developing portfolios for auto and multi-risk home insurance, personal accident insurance, legal protection, health insurance, and property & casualty insurance.

Given the predominance of the investment solutions activity, the main risks to which Natixis Assurances is exposed are financial. The company is also exposed to underwriting risks (life and non-life), as well as counterparty risk.

MARKET RISK

Market risk is in large part borne by subsidiary BPCE Vie on the financial assets that underpin its commitments with guaranteed principal and returns (euro-denominated policies: €58.2 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 95% of the policies have a zero minimum guaranteed return. The minimum guaranteed return averages 0.13%.

To manage market risk, the sources of return have been diversified, namely *via* investments in new asset classes (funding the economy, infrastructure, 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' internal standards and limits. At December 31, 2019, 67% of the fixed-income portfolio is invested in securities rated A- or higher.

LIFE INSURANCE UNDERWRITING RISK

The main risk to which life insurance underwriting is exposed is associated with 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 non-life insurance underwriting risk to which Natixis Assurances is exposed is borne by its subsidiary BPCE Assurances:

- premium risk: 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. The score factors in types of claims, number of claims, their cost and other variables specific to the activity in question (degree of liability and bonuses/penalties for auto insurance, for instance). This supervision policy also helps to detect potential risks arising from large claims, and to arrange adequate reinsurance coverage;
- risk of loss: each time inventory is taken, an actuarial assessment of the reserves for claims payable 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 main types of risk (strategic risk, credit risk, financial risk, operational and non-compliance risk, and reinsurance risk), of which the two principal risks are credit risk and financial risk.

CREDIT RISK

Credit risk is defined as the risk of loss, due to non-payment by an obligor, of a receivable owed to a policyholder of the Group. Coface manages credit risk through a number of procedures, whose scope includes the approval of the terms of product policies, pricing, monitoring of credit risk hedges and portfolio diversification. Credit risk can be exacerbated due to the concentration of exposures (countries, sectors, obligors, etc.). Traditionally, Coface makes a distinction between frequency risk and event risk:

- frequency risk is the risk of a sudden material increase in delinquency by a large number of obligors. This risk is measured for each region and country by monitoring the instantaneous loss ratio. As regards exposure and portfolio monitoring, the Group has set up detailed risk oversight. Accordingly, delinquent payments are analyzed weekly by the Senior Management Committee and monthly by Coface's Underwriting Committee. Loss ratios for the different underwriting regions are also monitored at the consolidated Coface level;
- event risk is the risk of abnormally high losses recorded for the same obligor or group of obligors, or of an accumulation of losses for the same country. Event risk is covered by Coface Re SA reinsurance.

In addition to weekly and monthly monitoring of each region and country, Coface has implemented a system based on:

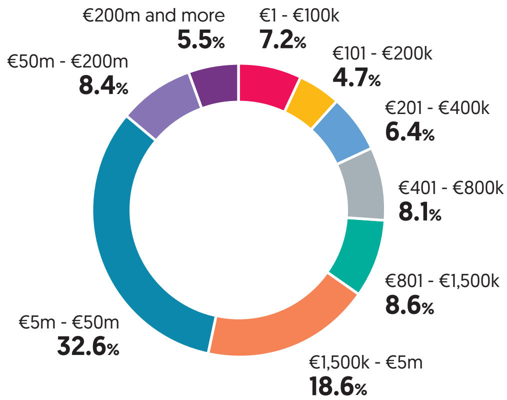
- the centralization of reserves for claims exceeding a certain amount per obligor, which are then analyzed *ex-post* to improve the performance of the information, underwriting and collection business;
- oversight of underwriting risk, which, above a given level of Debtor Risk Assessment (DRA)-based 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 obligors.

DIVERSIFICATION OF THE CREDIT RISK PORTFOLIO

Coface maintains a diversified credit risk portfolio, in order to minimize the risk of debtor default, a slowdown in a given business sector, or an adverse event in a given country having a disproportionate impact on its overall loss ratio. Insurance policies also contain clauses allowing credit limits to be changed mid-contract. Furthermore, the fact that the great majority of Coface's risks is short-term (95% of total outstandings) allows it to reduce the risk covered for an obligor or group of obligors 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 obligors by total credit risk exposure incurred by Coface at December 31, 2019:



FINANCIAL RISK

Coface has implemented an investment policy that incorporates the management of financial risk through the definition of its strategic allocation, regulations governing insurance companies and constraints related to the management of its liabilities. Management of financial risks is thus based on a rigorous system of standards and controls which is regularly reviewed:

- interest rate risk and credit risk: the majority of Coface's allocations are in fixed-income products, ensuring stable and recurring revenues. The modified duration of the bond portfolio has been deliberately capped at 4 and stood at 3.9 at December 31, 2019. Exposures to Greek sovereign debt were once again nil. The Group expanded its international diversification in 2019, mainly in emerging countries, while maintaining exposures to Asia and North America in order to capture higher rates of return and to accommodate the various interest rate hikes or reduce forex hedging costs. Interest rate hedges had been set up in 2018 for some European sovereign debt exposures and were sold in Q1 2019;
- 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 2019, Coface systematically set up hedges against the euro in the portfolio combining its European entities, to protect investments in bonds denominated mostly 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, 2019, exchange-traded equities represented 6% of the short-term investment portfolio. 50% of the portfolio was hedged through the purchase of Eurostoxx 50 put options. These hedges can be adjusted in line with investments and the amount of unrealized capital gains or losses on equity holdings;
- counterparty risk: maximum exposure to any given counterparty is set at 5% of assets under management, with exceptional exemptions for short-term exposures. More than 92% of bond holdings are Investment Grade and therefore have a median rating equal to at least BBB-;
- liquidity risk: 48% of the bond portfolio had maturities of less than 3 years at December 31, 2019. 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 de Cautions is the Group's Security and Guarantee insurance platform. It is exposed to underwriting risk, market risk, reinsurer default risk and operational risk.

In 2019 underwriting risk was managed effectively, reflected by a loss ratio of 23% of earned premiums (gross reinsurance ratio). The loss ratio on individual loan guarantees was once again very low this year, amid very robust nationwide home loan origination.

Under the Solvency II supervisory regime, which came into effect on January 1, 2016, CEGC uses a partial internal model approved by the ACPR. CEGC therefore meets the specific requirement applicable to mortgage loan guarantors to improve the robustness of the French banking system for home loans.

In 2019, CEGC issued €250 million in subordinated debt, classified as Tier 2 capital, to diversify its own funds eligible for the Solvency Capital Requirement.

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 individual or corporate insured parties. These regulated commitments, provisioned under liabilities in the balance sheet, amounted to €2.21 billion at December 31, 2019 (up 10% year-on-year). The total change can be attributed to the increase in guaranteed home loans.

CEGC OUTSTANDINGS *(in millions of euros)*

CEGC activities	December 2019	Change December 2019 *versus* December 2018
Individual customers	1,982	10.3%
Single-family home builders	24	12.8%
Property administrators – Realtors	16	13.4%
Corporates	35	17.6%
Real estate developers	18	17.4%
Professional customers	78	4.1%
Social economy – Social housing	50	5.3%
Run-off activities	9	(9.6%)
TOTAL	**2,211**	**10.0%**

MARKET RISK

CEGC's short-term investment portfolio totaled around €2.52 billion on its balance sheet at December 31, 2019, hedging underwriting provisions, *i.e.* up sharply (+24.8%) since end-2018. Market risk associated with the short-term investment portfolio is limited by the company's investment choices.

The company's risk limits are set out in the asset management agreement established with Ostrum. By collecting surety insurance premiums at the time of commitment, CEGC does not require funding. Nor does CEGC carry transformation risk: the investment portfolio is entirely backed by own funds and technical reserves.

CEGC INVESTMENT PORTFOLIO

	12/31/2019			12/31/2018		
in millions of euros	Balance sheet value, net of provision	% breakdown	Mark to market	Balance sheet value, net of provision	% breakdown	Mark to market
Equities	194	7.7%	213	150	7.4%	144
Bonds	1,771	70.2%	1,934	1,451	71.8%	1,547
Diversified	159	6.3%	162	113	5.6%	112
Cash	194	7.7%	194	111	5.5%	111
Real estate	187	7.4%	202	182	9.0%	179
FCPR	16	0.6%	23	12	0.6%	19
Other	2	0.1%	2	2	0.1%	2
TOTAL	**2,523**	**100%**	**2,730**	**2,021**	**100%**	**2,114**

REINSURANCE RISK

CEGC hedges its liability portfolio by implementing a reinsurance program tailored to its activities.

In loan guarantees, reinsurance is used as a tool for regulatory capital management. It protects guarantee beneficiaries in the event of an economic recession leading to a loss of up to 2% of outstanding guaranteed loans.

In the Corporate segments, the program is used to protect CEGC's capital by hedging against high-intensity risks. It has been calibrated to cover three major individual loss events (loss related to a counterparty or a group of counterparties) with the potential to significantly impact CEGC's income statement.

Any modification of the reinsurance program (reinsurers, pricing, structure) is subject to validation by the Capital and Solvency Management Committee, chaired by a director.

Reinsurer default risk is governed by counterparty concentration and rating limits. CEGC's reinsurance programs are underwritten by a broad panel of international reinsurers with a minimum rating of A on the S&P scale.

6

6.13 Climate risk

In the interest of combating climate change and contributing to the goal of becoming carbon neutral by 2050, Groupe BPCE continued its efforts and investments in the oversight and management of climate risk this year.

The Group's Climate Risk Officer, in the Risk Governance department, takes part in:

- the AMF's Climate and Sustainable Finance Commission, created on July 2, 2019, whose role is to develop practices, increase transparency and facilitate the incorporation of sustainability and funding in favor of more sustainable activities;
- the ACPR's Climate Commission, which regularly monitors and assesses the commitments undertaken by banks and insurers, and ensures that such commitments are consistent with the strategic guidelines of institutions. It also coordinates with the NGFS (Network for Greening the Financial System) created by France, which now totals nearly 50 central bank and international organizations among its supervisors;
- the FBF's Climate Commission, chaired by Laurent Mignon, Chairman of the Groupe BPCE Management Board. The FBF encourages its members to adopt a carbon strategy and to work with the supervisory authorities to develop methodologies to assess the exposure of their portfolios to climate risks and to align investment portfolios with a 2°C scenario.

On September 23, 2019, Natixis and Groupe BPCE signed the Principles for Responsible Banking, which define the role and responsibility of the banking industry in building a sustainable future, in keeping with the UN Sustainable Development Goals and the 2015 Paris climate agreement.

Groupe BPCE also contributes to the work of the European banking associations on the Net Zero Initiative, with the goal of making progress on its climate risk management policy and expanding its environmental expertise.

Highlights and strategic objectives

In line with the guidelines of the Task Force on Related Financial Disclosures, in the wake of the April 2015 G20 summit, Groupe BPCE carried out the following initiatives in 2019:

- Under the 2018-2020 strategic plan "Funding a responsible economy", climate risks were addressed by the oversight committees.
- A **Climate Risk department** was created in the Risk Governance division (part of the Risk division) on January 1, 2019, in conjunction with the CSR department of BPCE SA's Retail Banking and Insurance division.
- Climate risk and CSR expertise were represented on the Sector Risk Oversight Committees.

GOVERNANCE

- Strategic objectives were implemented by the "Funding a responsible economy" project:

Reducing the Group's **carbon emissions**;
Increasing the funding of the energy transition;
Increasing **responsible deposits and savings**;
Developing the brokerage of sustainable financing (green or social).

- Natixis Assurances undertook to align its funding with the goals of the Paris agreement and the 2°C scenario.

POLICY

RISK MANAGEMENT

- Systematic incorporation of ESG criteria in credit risk policies.
- Incorporation of climate risk in the Group internal risk database and in macro-level risk mapping.
- Definition of transparent sector policies on controversial activities for Natixis, with an updated coal sector policy.
- Implementation of the "Green Weighting Factor" tool, the first in the world created by Natixis, to analytically adjust RWAs of Natixis financing solutions according to their impact on the climate.

INDICATORS AND METRICS

- Definition of ESG performance indicators specific to each sector in progress.
- Creation of a classification system to identify green assets in the information systems.
- Carbon footprint measurement tool to assess the carbon impact of Mirova fund strategies.
- Software tool for determining the Group's GHG footprint.
- Participation in marketplace initiatives to develop climate stress tests incorporating transition and physical risks.

Details on these initiatives and commitments are provided in Chapter 2 "Non-financial performance report" of Groupe BPCE's 2019 universal registration document.

In line with the mapping of ACPR and ECB risks, climate risks are clearly identified in the forward-looking risk analysis.

7

LEGAL INFORMATION

7.1	**Charter of incorporation and articles of association**	**660**
7.1.1	General information	660
7.1.2	Appropriation of earnings	661
7.1.3	Company documents	661
7.2	**Share capital**	**662**
7.2.1	Share capital at December 31, 2019	662
7.2.2	Category “A” and “B” shares	662
7.3	**Ownership structure and distribution of voting rights**	**664**
7.3.1	Ownership structure over the past three years	664
7.3.2	Improper control	665
7.3.3	Changes of control	665
7.4	**Material contracts**	**665**
7.5	**Material changes**	**665**
7.6	**Statutory Auditors’ special report on related-party agreements and commitments**	**666**
7.6.1	Agreements to be submitted for the approval of the Annual General Shareholders’ Meeting	667
7.6.2	Agreements already approved by the Annual General Shareholders’ Meeting	668

7.1 Charter of incorporation 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.groupebpce.com

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 the Banque Populaire and Caisse d'Epargne groups. The company's duration is 99 years.

Paris Trade and Companies Register Number 493 455 042 (this number is listed on Page 1 of BPCE's articles of association)

NAF (business activity) code: 6419Z – LEI number: 9695005MSX10YEMGDF46

The company's fiscal year runs from January 1 to December 31.

BPCE, founded by the French act of June 18, 2009, is the central institution of Groupe BPCE, a cooperative banking group.

As such, it represents the credit institutions affiliated with it. The affiliated institutions, within the meaning of Article L. 511-31 of the French Monetary and Financial Code, are:

- the 14 Banque Populaire banks and their 36 Mutual Guarantee Companies, whose sole corporate purpose is to guarantee loans issued by the Banque Populaire banks;
- the 15 Caisses d'Epargne, whose share capital is held by 208 local savings companies (LSCs);
- Natixis; Banque BCP SAS (France); Banque de Tahiti; Banque de Nouvelle-Calédonie; Banque Palatine; Crédit Foncier de France; Compagnie de Financement Foncier; 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; BPCE Lease Nouméa; BPCE Lease Réunion; BPCE Lease Tahiti; Sud-Ouest Bail; Oney Bank.

The company's role is to guide and promote the business and expansion of the cooperative banking group comprising the Banque Populaire network, Caisse d'Epargne network, the affiliated entities and, in general, the other entities under its control.

The purpose of the company is:

- to be the central institution for the Banque Populaire network, the Caisse d'Epargne network and the affiliated entities, as provided for by the French Monetary and Financial Code. Pursuant to Articles L. 511-31 *et seq.* and Article L. 512-107 of the French Monetary and Financial Code, it is responsible for:
  - defining the Group's policy and strategic guidelines as well as those of each of its constituent networks,
  - coordinating the sales policies of each of its networks and taking all measures necessary for the Group's development, including acquiring or holding strategic equity interests,
  - representing the Group and each of its networks to assert its shared rights and interests, including before the banking sector institutions, as well as negotiating and entering into national and international agreements,
  - representing the Group and each of its networks as an employer to assert its shared rights and interests, as well as negotiating and entering into collective industry-wide agreements,
  - taking all measures necessary to guarantee the liquidity of the Group and each of its networks and, to that end, determining rules for managing the Group's liquidity, including by defining the principles and terms and conditions of investment and management of the cash flows of its constituent entities and the conditions under which these entities may carry out transactions with other credit institutions or investment companies and carry out securitization transactions or issue financial instruments, and performing any financial transaction necessary for liquidity management purposes,
  - taking all measures necessary to guarantee the solvency of the Group and each of its networks, including implementing the appropriate Group internal financing mechanisms and setting up a Mutual Guarantee Fund shared by both networks, for which it determines the rules of operation, the terms and conditions of use in addition to the funds provided for in Articles L. 512-12 and L. 512-86-1, as well as the contributions of affiliates for its initial allocation and reconstitution,
  - defining the principles and conditions for organizing the internal control system of Groupe BPCE and each of its networks, as well as controlling the organization, management and quality of the financial position of affiliated institutions, including through on-site checks within the scope defined in paragraph 4 of Article L. 511-31,
  - defining risk management policies and principles and the limits thereof for the Group and each of its networks, and ensuring permanent risk supervision on a consolidated basis,
  - approving the articles of association of affiliated entities and local savings companies and any changes thereto,
  - approving the persons called upon, in accordance with Article L. 511-13, to determine the business orientation of its affiliated entities,
  - calling for the financial contributions required to perform its duties as a central institution,
  - ensuring that the Caisses d'Epargne duly fulfill the duties provided for in Article L. 512-85;
- to be a credit institution, officially approved to operate as a bank. On this basis, it exercises, both in France and other countries, the prerogatives granted to banks by the French Monetary and Financial Code, and provides the investment services described in Articles L. 321-1 and L. 321-2 of said Code; it also oversees the central banking, financial and technical organization of the network and the Group as a whole;

- to act as an insurance intermediary, and particularly as an insurance broker, in accordance with the regulations in force;
- to act as an intermediary for real estate transactions, in accordance with the regulations in force;
- to acquire stakes, both in France and abroad, in any French or foreign companies, groups or associations with similar purposes to those listed above or with a view to the Group's expansion, and more generally, to undertake any transactions relating directly or indirectly to these purposes that are liable to facilitate the achievement of the company's purposes or its expansion.

The information presented on Groupe BPCE's institutional website is not included in the Groupe BPCE universal registration document, unless explicitly incorporated for reference purposes.

7.1.2 Appropriation of earnings

Distributable income is comprised of the income for the fiscal year, less any losses brought forward and any sums allocated to the legal reserve, plus any retained earnings.

The sums distributed are comprised of the distributable income plus any reserves available to the company.

If the full amount of a preferred dividend for a given year has not been distributed, no dividend may be paid to shareholders of category "A" or "B" shares during the incorporation period, or to any shareholders after the end of the incorporation period.

The Ordinary General Shareholders' Meeting, upon a proposal by the Management Board, is entitled to deduct any sums it deems suitable to be carried forward to the following year or to be allocated to one or more extraordinary, general, or special reserve funds. Any sums decided on by the Annual General Shareholders' Meeting upon a proposal by the Management Board may be allocated to these funds. In addition, the Annual General Shareholders' Meeting may decide, upon a proposal by the Management Board, to pay a dividend from all or part of the sums available for distribution, under the terms and conditions set forth in the company's articles of association.

The Ordinary General Shareholders' Meeting, upon a proposal by the Management Board, may opt to grant shareholders the option of receiving some or all of their dividend in cash or in shares. This option may also be offered for interim dividends.

DIVIDEND POLICY

IN 2019

The Ordinary General Shareholders' Meeting of BPCE, which met on May 24, 2019, resolved that a dividend of €403,040,426.36 would be paid out in respect of fiscal year 2018 to category A and B shareholders, equal to €12.3715 per share.

At its meeting of December 19, 2019, the Management Board of BPCE resolved to pay an interim dividend totaling €201,530,940.36 in respect of fiscal year 2019 to the 34,076,926 category A and B shares comprising BPCE's share capital, amounting to €5.91 per share. The Supervisory Board had approved this payment in principle at its meeting of December 19, 2019.

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

IN 2018

The Ordinary General Shareholders' Meeting of BPCE, which met on May 25, 2018, resolved that a dividend of €403,005,056.92 would be paid out in respect of fiscal year 2017 to category A and B shareholders, equal to €12.9382 per share.

At its meeting of December 20, 2018, the Management Board of BPCE resolved to pay an interim dividend totaling €201,537,903.42 in respect of fiscal year 2018 to the 31,539,578 category A and B shares comprising BPCE's share capital, amounting to €6.39 per share. The Supervisory Board had approved this payment in principle at its meeting of December 20, 2018.

IN 2017

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

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

IN 2016

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

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

7.1.3 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.groupebpce.com.

7.2 Share capital

7.2.1 Share capital at December 31, 2019

The share capital amounts to one hundred and seventy million three hundred and eighty-four thousand six hundred and thirty euros (€170,384,630). It is divided into 34,076,926 fully paid-up shares with a nominal value of five euros (€5) each, divided into two categories:

- 17,038,463 category "A" shares;
- 17,038,463 category "B" shares.

Regulation (EC) No. 809/2004 requires the following disclosures for each share category:

The 17,038,463 category "A" shares are authorized and fully paid up, they were issued at a nominal value of €5 each, and there was no reconciliation of the number of category "A" shares outstanding at the beginning and end of the fiscal year.

The 17,038,463 category "B" shares are authorized and fully paid up, they were issued at a nominal value of €5 each, and there was no reconciliation of the number of category "B" shares outstanding at the beginning and end of the fiscal 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 2019.

In the absence of a BPCE stock option plan within the meaning of Article R. 225-138 of the French Commercial Code and in the absence of any share buyback transactions referenced in Articles R. 228-90 and R. 228-91 of the French Commercial Code, the disclosures arising thereunder are not applicable to BPCE.

Similarly, as no stock options or bonus shares were granted, the provisions of Articles L. 225-185 and L. 225-197-1 of the French Commercial Code do not apply to BPCE.

As a reminder, at its meeting of February 28, 2019, BPCE's Management Board decided to proceed with an initial capital increase by issuing 1,074,023 category "A" shares to be subscribed to by category "A" shareholders and 1,074,023 category "B" shares to be subscribed to by category "B" shareholders, for a total amount (including additional paid-in capital) of €1,200,000,098.18, to be subscribed to between March 1, 2019 and March 7, 2019 (inclusive).

At its meeting of March 8, 2019, the Management Board noted that 15 category "A" shareholders and 14 category "B" shareholders had subscribed for all 1,074,023 category A shares and all 1,074,023 category B shares with a nominal value of €5, and that the resulting capital increase totaled €10,740,230.00, thus increasing the share capital from €157,697,890.00 to €168,438,120.00 on March 8, 2019.

At its meeting of June 18, 2019, BPCE's Management Board noted that 15 category "A" shareholders and 14 category "B" shareholders had opted for the payment of the balance of the 2018 dividend in shares, equivalent to subscribing for 389,302 shares with a nominal value of €5, and that the amount of the capital increase resulting from the exercise of the option of a dividend payment in shares totaled €1,946,510.00, thus increasing the share capital from €168,438,120.00 to €170,384,630.00 on June 26, 2019.

In accordance with regulation (EC) No. 809/2004, it should be noted that BPCE's articles of association do not have any specific provisions governing changes in share capital that are more stringent than is required by law.

7.2.2 Category "A" and "B" shares

DEFINITION

Category "A" shares are shares held by category "A" shareholders, which are the Caisses d'Epargne, and issued by the company in accordance with Articles L. 228-11 *et seq.* of the French Commercial Code.

Category "B" shares are shares held by category "B" shareholders, which are the Banque Populaire banks and minority shareholders, and issued in accordance with the articles of the French Commercial Code.

LEGAL FORM AND REGISTRATION OF SHARES

The shares issued by the company may only be held in registered form. They are recorded in a register and shareholder accounts and are held by either the company or an approved intermediary.

RIGHTS OF CATEGORY "A" AND "B" SHARES

Category "A" and "B" shares have the same rights, with the exception of the special rights attributed during the incorporation period, as set forth in the company's articles of association.

These special rights are attached to each share category and can be exercised at Ordinary General Shareholders' Meetings.

The special rights expire at the end of the incorporation period. Consequently, at the end of that period, category "A" and "B" shares will be automatically converted into ordinary shares bearing equivalent rights.

Each category "A" and "B" share entitles its holder to one vote at Annual General Shareholders' Meetings.

The rights of category "A" and "B" shareholders may not be changed without the approval of a General Shareholders' Meeting convened specifically for this purpose, in accordance with applicable laws.

INCORPORATION PERIOD

When BPCE was first established on July 31, 2009, two distinct share categories were created – one for former CNCE shareholders and one for former BFBP shareholders – in order to guarantee parity for the shareholders of the two companies owning BPCE during the five-year incorporation period. After the incorporation period, category "A" and "B" shares would be automatically converted into ordinary shares.

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 Shareholders' Meeting of July 11, 2013 reduced the number of non-voting directors proposed by category "A" and category "B" shareholders to two, and decided that the Chairman of the Fédération Nationale des Caisses d'Epargne and the Chairman of the Fédération Nationale des Banques Populaires, who cannot be members of the Supervisory Board, be non-voting directors as of right.

The Annual General Shareholders' Meeting of December 20, 2012 also decided to introduce a 10-year period of non-transferability from July 31, 2009 to July 31, 2019. During this period, only free conveyance within the same network is possible.

The new articles of association have already defined the system for the period commencing August 1, 2019: free conveyance of shares within the same network will remain possible and transfers other than free conveyance (*i.e.* to shareholders of another category or to third parties) will also become possible.

Transfers of shares will be subject to a pre-emptive right that may be exercised by shareholders of the same category. The transfer of any shares that are not covered by the pre-emptive right will require the prior approval of the Supervisory Board deliberating with a qualified majority (12 out of 18 members). In the event approval is not obtained, the Management Board will have to find a solution.

The Annual General Shareholders' Meeting also decided to shift Groupe BPCE's solidarity mechanism towards a greater pooling of resources by changing the order of priority in terms of coverage (network funds and the Mutual Guarantee Fund ahead of capacity-based contributions).

Finally, the Annual General Shareholders' Meeting decided to improve the Group's solvency support mechanism by establishing a bonus and netting system that encourages shareholder institutions to contribute to the achievement of the Group target.

7.3 Ownership structure and distribution of voting rights

7.3.1 Ownership structure over the past three years

	Share capital at 03/25/2020			Share capital at 12/31/2018			Share capital at 12/31/2017		
Shareholders	No. of shares	% share capital	% voting rights	No. of shares	% share capital	% voting rights	No. of shares	% share capital	% voting rights
CEP Alsace	N/A	N/A	N/A	N/A	N/A	N/A	401,759	1.29%	1.29%
CEP Aquitaine Poitou-Charentes	1,287,121	3.78%	3.78%	1,191,283	3.78%	3.78%	1,176,510	3.78%	3.78%
CEP d'Auvergne et du Limousin	669,706	1.97%	1.97%	619,840	1.97%	1.97%	612,154	1.97%	1.97%
CEP Bourgogne Franche-Comté	891,249	2.62%	2.62%	824,887	2.62%	2.62%	814,658	2.62%	2.62%
CEP Bretagne Pays de Loire	1,186,649	3.48%	3.48%	1,098,292	3.48%	3.48%	1,084,672	3.48%	3.48%
CEP Côte d'Azur	684,141	2.01%	2.01%	633,200	2.01%	2.01%	625,348	2.01%	2.01%
CEP Grand Est Europe	1,571,329	4.61%	4.61%	1,454,329	4.61%	4.61%	N/A	N/A	N/A
CEP Hauts de France	1,919,784	5.63%	5.63%	1,776,838	5.63%	5.63%	1,754,804	5.63%	5.64%
CEP Ile-de-France	2,370,769	6.96%	6.96%	2,194,243	6.96%	6.96%	2,167,033	6.96%	6.96%
CEP Languedoc-Roussillon	726,419	2.13%	2.13%	672,330	2.13%	2.13%	663,993	2.13%	2.13%
CEP Loire-Centre	790,530	2.32%	2.32%	731,668	2.32%	2.32%	722,595	2.32%	2.32%
CEP Loire Drôme Ardèche	542,735	1.59%	1.59%	502,323	1.59%	1.59%	496,094	1.59%	1.59%
CEP Lorraine Champagne-Ardenne	N/A	N/A	N/A	N/A	N/A	N/A	1,034,535	3.32%	3.32%
CEP Midi-Pyrénées	827,692	2.43%	2.43%	766,062	2.43%	2.43%	756,562	2.43%	2.43%
CEP Normandie	861,848	2.53%	2.53%	797,675	2.53%	2.53%	787,783	2.53%	2.53%
CEPAC Caisse d'Epargne	1,311,411	3.85%	3.85%	1,213,764	3.85%	3.85%	1,198,712	3.85%	3.85%
CEP Rhône Alpes	1,397,080	4.10%	4.10%	1,293,055	4.10%	4.10%	1,277,020	4.10%	4.10%
Total category "A" shares	**17,038,463**	**50.00%**	**50.00%**	**15,769,789**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**
BPR Alsace Lorraine Champagne	1,913,186	5.61%	5.61%	1,770,731	5.61%	5.61%	1,748,773	5.61%	5.61%
BPR Aquitaine Centre Atlantique	1,072,950	3.15%	3.15%	993,058	3.15%	3.15%	980,743	3.15%	3.15%
BPR Auvergne Rhône Alpes	1,889,902	5.55%	5.55%	1,749,181	5.55%	5.55%	1,727,490	5.55%	5.55%
BPR Bourgogne Franche-Comté	1,180,548	3.46%	3.46%	1,092,645	3.46%	3.46%	1,079,095	3.46%	3.46%
BRED BP	1,685,477	4.95%	4.95%	1,559,922	4.95%	4.95%	1,540,578	4.95%	4.95%
BPR Grand Ouest	1,567,777	4.60%	4.60%	1,451,042	4.60%	4.60%	1,433,048	4.60%	4.60%
BPR Méditerranée	689,918	2.02%	2.02%	638,547	2.02%	2.02%	630,629	2.02%	2.02%
BPR Nord	476,020	1.40%	1.40%	440,576	1.40%	1.40%	435,113	1.40%	1.40%
BPR Occitane	1,357,013	3.98%	3.98%	1,255,970	3.98%	3.98%	1,240,395	3.98%	3.98%
BPR Rives de Paris	1,522,105	4.47%	4.47%	1,408,770	4.47%	4.47%	1,391,300	4.47%	4.47%
BPR Sud	895,944	2.63%	2.63%	829,233	2.63%	2.63%	818,950	2.63%	2.63%
BPR Val de France	1,468,667	4.31%	4.31%	1,359,311	4.31%	4.31%	1,342,454	4.31%	4.31%
CASDEN	975,449	2.86%	2.86%	902,817	2.86%	2.86%	891,621	2.86%	2.86%
Crédit Coopératif	343,481	1.01%	1.01%	317,906	1.01%	1.01%	313,964	1.01%	1.01%
Mr. Guy Bruno	N/A	N/A	N/A	55	0.00%	0.00%	55	0.00%	0.00%
Mr. Jacques Galiegue	17	0.00%	0.00%	17	0.00%	0.00%	17	0.00%	0.00%
Mr. Jean-Michel Laty	8	0.00%	0.00%	7	0.00%	0.00%	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	**17,038,463**	**50.00%**	**50.00%**	**15,769,789**	**50.00%**	**50.00%**	**15,574,232**	**50.00%**	**50.00%**
TOTAL	**34,076,926**	**100.00%**	**100.00%**	**31,539,578**	**100.00%**	**100.00%**	**31,148,464**	**100.00%**	**100.00%**

Changes in BPCE's share capital are set out under point 7.2.1 (above).

SHAREHOLDERS OWNING MORE THAN 5% OF THE SHARE CAPITAL OR VOTING RIGHTS

Shareholders	No. of shares	% share capital	% voting rights
CE Ile-de-France	2,370,769	6.96%	6.96%
CE Hauts de France	1,919,784	5.63%	5.63%
BP Alsace Lorraine Champagne	1,913,186	5.61%	5.61%
BP Auvergne Rhône Alpes	1,889,902	5.55%	5.55%

BPCE currently has no employee share ownership agreements in place.

7.3.2 Improper control

The company is controlled as described in Chapter 7.3.1; however, the company believes there is no risk of said control being exercised improperly.

7.3.3 Changes of control

To BPCE's knowledge, and in accordance with European regulations, there are no agreements that could lead to a change in control of the company at a subsequent date.

In accordance with Article L. 512-106 of the French Monetary and Financial Code, "the central institution of the Caisses d'Epargne and the Banque Populaire banks (…) is incorporated as a public limited company in which the Banque Populaire banks and the Caisses d'Epargne together hold the absolute majority of the share capital and voting rights."

7.4 Material contracts

As of the date of publication of this financial information, with the exception of the agreements referred to in Chapter 7.6 (related-party agreements), BPCE has not entered into any material contracts other than those entered into in the normal course of business.

7.5 Material changes

The financial statements of BPCE SA, BPCE SA group and Groupe BPCE for the 2019 fiscal year were approved by the Management Board on February 4, 2020. With the exception of the items addressed in section 4.7 "Outlook for Groupe BPCE", there have been no material changes in the financial or trading position of BPCE SA, BPCE SA group or Groupe BPCE.

7.6 Statutory Auditors' special report on related-party agreements and commitments

Shareholder's Meeting called to approve the financial statements for the fiscal year ended December 31, 2019

BPCE

50, avenue Pierre Mendès France 75013 Paris

Registered office: 50, avenue Pierre Mendès France 75013 Paris

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby present our report on related-party agreements.

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 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 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 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 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 to be submitted for the approval of the Annual General Shareholders' Meeting

AGREEMENTS 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 approved by the Supervisory Board.

AGREEMENTS WITH SHAREHOLDERS

Subsidy granted by BPCE to the Banques Populaires

Directors concerned on the applicable date: Michel Grass, Chairman of the Supervisory Board of BPCE and Chairman of the Board of Directors of BP Bourgogne Franche-Comté, Gérard Bellemon, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of BP Val de France, Thierry Cahn, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of BP Alsace Lorraine Champagne, Bernard Dupouy, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of BP Aquitaine Centre Atlantique, Yves Gevin, a member of the Supervisory Board of BPCE and Chief Executive Officer of BP Rives de Paris, Catherine Mallet, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of BP Occitane and Olivier Klein, a member of the Supervisory Board of BPCE and Chairman of the Board of Directors of BRED.

The Supervisory Board decided to implement an equity mechanism as part of the plan to integrate Crédit Foncier's operations into Groupe BPCE, consisting of the payment of a commercial subsidy by BPCE in order to support the roll-out of specific new loans at the Banques Populaires.

At its meeting of March 28, 2019, the Supervisory Board of BPCE authorized the payment of a commercial subsidy by BPCE to all Banques Populaires (except CASDEN).

This subsidy resulted in the recognition of an expense of €6,694,894.47 on BPCE's 2019 financial statements.

Subsidy granted by BPCE to the Caisses d'Epargne

Directors concerned on the applicable date: Catherine Amin-Garde, a member of the Supervisory Board of BPCE and Chairman of the SSB of CE Loire Drôme Ardèche, Alain Denizot, a member of the Supervisory Board of BPCE and Chairman of the Management Board of CE Rhône Alpes, Dominique Goursolle-Nouhaud, a member of the Supervisory Board of BPCE and Chairman of the SSB of CE Aquitaine Poitou-Charentes, Françoise Lemalle, a member of the Supervisory Board of BPCE and Chairman of the SSB of CE Côte d'Azur, Didier Patault, a member of the Supervisory Board of BPCE and Chairman of the Management Board of CE Ile-de-France, Nicolas Plantrou, a member of the Supervisory Board of BPCE and Chairman of the SSB of CE Normandie and Pierre Valentin, a member of the Supervisory Board of BPCE and Chairman of the SSB of CE Languedoc-Roussillon.

The Supervisory Board decided to implement an equity mechanism as part of the plan to integrate Crédit Foncier's operations into Groupe BPCE, consisting of the payment of a commercial subsidy by BPCE in order to support the roll-out of specific new loans at the Caisses d'Epargne.

At its meeting of March 28, 2019, the Supervisory Board of BPCE authorized the payment of a commercial subsidy by BPCE to all Caisses d'Epargne (except Caisse d'Epargne d'Auvergne et du Limousin). This subsidy resulted in the recognition of an expense of €5,981,116.89 on BPCE's 2019 financial statements.

AGREEMENTS WITH NATIXIS AND ITS SUBSIDIARIES

Framework partnership agreement between BPCE, Natixis Assurances, BPCE Assurances, Covéa Coopérations, MAAF Assurances, Covéa Protection Juridique and BPCE IARD

Directors concerned on the applicable date: François Riahi, Member of the Management Board of BPCE, Chief Executive Officer of Natixis and Chairman of the Board of Directors of Natixis Assurances.

This framework contract focuses on insurance of professional risks for customers of the Caisses d'Epargne and Banques Populaires.

This agreement was entered into for five years from January 1, 2020 and can be renewed for successive five-year periods.

The Supervisory Board of BPCE believed that entering into this framework partnership agreement was in BPCE's interest, specifically in light of the strategic rationale behind planned operations and the financial terms proposed.

At its meeting of March 28, 2019, the Supervisory Board authorized the signing of the framework partnership agreement (and its appendices) between BPCE, Natixis Assurances, BPCE Assurances, Covéa Coopérations, MAAF Assurances, Covéa Protection Juridique and BPCE IARD.

Agreements between CNP Assurances and Groupe BPCE

Directors concerned on the applicable date: Françoise Lemalle, 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, Bernard Dupouy, 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 BPCE Vie.

The purpose of these agreements was to extend the agreements signed in 2015 between BPCE, Natixis and CNP Assurances from December 31, 2022 to December 31, 2030, and thereby reinforce CNP Assurances' multi-partnership model.

These agreements provide for the transition to a 50-50 coinsurance split between Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances for collective payment protection insurance and for CNP Assurances to underwrite 34% of individual payment protection insurance policies subscribed for by BPCE Vie.

The Supervisory Board of BPCE deemed that these agreements were justified in terms of the corporate interest given that they are 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 period covered by said agreements.

At its meeting of December 19, 2019, the Supervisory Board authorized the signing of agreements between CNP Assurances and Groupe BPCE.

AGREEMENTS WITH COMPANY DIRECTORS

Amendments to the employment contracts entered into between BPCE and three members of the Management Board

Directors concerned on the applicable date (December 19, 2019): Christine Fabresse, Catherine Halberstadt and Nicolas Namias, Members of the Management Board of BPCE.

It was determined that it would be in BPCE's best interest to enter into these amendments to employment contracts governing payment of CGP/R2E compensation, insofar as they would harmonize the payment practices for members of the Management Board.

At its meeting of December 19, 2019, the Supervisory Board approved and authorized the signing of amendments to the employment contracts entered into between BPCE and Christine Fabresse, BPCE and Catherine Halberstadt, and BPCE and Nicolas Namias.

7.6.2 Agreements already approved by the Annual General Shareholders' Meeting

AGREEMENTS APPROVED IN PREVIOUS YEARS THAT WERE STILL BEING EXECUTED IN THE PAST FISCAL YEAR

In accordance with Article R. 225-57 of the French Commercial Code, we were informed that the execution of the following agreements, already approved by the Annual General Shareholders' Meeting in previous years, was continued in 2019.

Employment contracts entered into between BPCE and three members of the Management Board

Director concerned on the applicable date (February 13, 2018): Catherine Halberstadt, Member of the Management Board of BPCE.

Director concerned on the applicable date (May 17, 2018): Nicolas Namias, Member of the Management Board of BPCE.

Director concerned on the applicable date (October 4, 2018): Christine Fabresse, Member of the Management Board of BPCE.

It was determined that it would be in BPCE's best interest to enter into 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 contract (pay, eligibility for mechanisms provided for in the collective bargaining agreement, continued payment of compensation for a period of 12 months in the event of medical leave, 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 an employment contract with Catherine Halberstadt.

At its meeting of May 17, 2018, the Supervisory Board, having examined the main provisions of the employment contract (pay, eligibility for mechanisms provided for in the collective bargaining agreement, continued payment of compensation for a period of 12 months in the event of medical leave, seniority, paid vacation, etc.), approved and authorized BPCE's entry into the employment contract with Nicolas Namias.

At its meeting of October 4, 2018, the Supervisory Board, having examined the main provisions of the employment contract (pay, eligibility for mechanisms provided for in the collective bargaining agreement, pension and benefits, continued payment of compensation for a period of 12 months in the event of medical leave, seniority and paid vacation), approved and authorized BPCE's entry into the employment contract with Christine Fabresse.

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).

Amendments to the employment contracts entered into between BPCE and two members of the Management Board

Directors concerned on the applicable date (October 4, 2018): Catherine Halberstadt and Nicolas Namias, Members of the Management Board of BPCE.

It was determined that it would be in BPCE's best interest to enter into these amendments to the employment contracts with these members of the Management Board in the context of the rollout of Groupe BPCE's TEC 2020 strategic plan, which requires the development of the technical skills needed to implement projects in a more complex, more digital environment, with a strengthened regulatory framework, and given the financial conditions.

At its meeting of October 4, 2018, the Supervisory Board approved and authorized BPCE's entry into an amendment to the employment contract entered into between BPCE and Catherine Halberstadt on May 14, 2018 and Nicolas Namias on May 25, 2018.

Commitments maturing or likely to mature because of a termination or change of position

COMMITMENTS RELATED TO THE CHAIRMAN OF THE MANAGEMENT BOARD

Director concerned on the applicable date (May 17, 2018): Laurent Mignon, Chairman of the Management Board of BPCE.

Director concerned on the applicable date (October 4, 2018): Laurent Mignon, Chairman of the Management Board of BPCE.

INVOLUNTARY-TERMINATION SEVERANCE PAY

The Chairman of the Management Board of BPCE will be entitled to involuntary-termination severance pay under the following conditions.

a) Conditions for receiving involuntary-termination severance pay

The severance may not be paid unless termination of the duties of Chairman of the Management Board of BPCE SA is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the

Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE.

This severance is not paid if the Chairman of the Management Board leaves the Group at his own initiative.

Payment of involuntary-termination severance causes the Chairman of the Management Board to lose any entitlement to the retirement bonus he otherwise may have claimed (it being specified that he does not benefit from a defined-benefit pension plan).

If he is re-assigned to another position with Groupe BPCE under an employment contract, the termination of said employment contract, with notification given more than 12 months after he is forcibly removed from his corporate office, entitles him – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after he is forcibly removed from corporate office, he is entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation required by law and provided for in the applicable collective bargaining agreement liable to be paid in respect of the termination of the employment contract.

b) Performance conditions

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

Moreover, in compliance with the rules for determining involuntary-termination severance pay, payment is subject to the condition of the Chairman of the Management Board having been awarded on average at least 33.33% of the maximum variable component during the last three years of the current term of office.

c) Determination of involuntary-termination severance pay

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work preceding the termination of the position and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the position. Amounts paid in respect of the relevant corporate office are taken into account.

The amount of the indemnity is equal to the Monthly benchmark pay x (12 months +1 month per year of seniority within the Group). Seniority is calculated in years and fractions of a year.

The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group.

Where at least 50% of the maximum variable component is awarded on average during the last three years of the corporate office in progress (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full.

Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the Supervisory Board.

Regardless, any compensation paid for an employment contract is deducted from the amount of involuntary-termination severance pay.

RETIREMENT BONUS

Upon a decision made by the Supervisory Board, the Chairman of the Management Board of BPCE may also receive a retirement bonus under the following conditions.

a) Conditions for receiving a retirement bonus

- Payment of a retirement bonus is subject to the same performance conditions as those applicable to involuntary-termination severance pay mentioned above, *i.e.:*
- the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and
- beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office.

The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn.

Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation with the Remuneration Committee.

Payment of the retirement bonus is excluded from payment of any other departure bonus. As such, if involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus.

b) Amount of the retirement bonus

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work.

The amount of the bonus is equal to the Monthly benchmark pay x (6 + 0.6A), where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banques Populaires, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA).

The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years.

Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

The Supervisory Board has found that implementing involuntary-termination severance pay and a retirement bonus is of genuine interest for BPCE since it is a means of involving the Chairman of the Management Board in the company's performance by requiring him to meet certain performance conditions.

COMMITMENTS RELATED TO MEMBERS OF THE MANAGEMENT BOARD

Directors concerned on the applicable date (March 29, 2018): Catherine Halberstadt, Member of the Management Board of BPCE.

Director concerned on the applicable date (May 17, 2018): Nicolas Namias, Member of the Management Board of BPCE.

Directors concerned on the applicable date (October 4, 2018): Christine Fabresse, Catherine Halberstadt and Nicolas Namias, Members of the Management Board of BPCE.

INVOLUNTARY-TERMINATION SEVERANCE PAY

Members of the Management Board of BPCE will be entitled to involuntary-termination severance pay under the following conditions.

a) Conditions for receiving involuntary-termination severance pay

The severance cannot be paid unless termination is involuntary (involuntary end to term of office due to removal by the Annual General Shareholders' Meeting, withdrawal of approval, involuntary resignation, or non-renewal by the Supervisory Board), other than for serious misconduct or a change of position within Groupe BPCE.

This severance is not paid if the member of the Management Board concerned leaves the Group at his or her own initiative.

Persons receiving involuntary-termination severance pay lose any entitlement under the defined-benefit plan, subject to employment by the company at the time of retirement, provided for under Article L. 137-11 of the French Social Security Code, and/or to any retirement bonus they may claim.

The termination of the employment contract, with notification given more than 12 months after they are forcibly removed from their corporate office, entitles them – barring gross negligence or willful misconduct – to receive the severance pay provided for in the applicable collective bargaining agreement. Conversely, if the employment contract is terminated with notification given less than 12 months after they are forcibly removed from corporate office, they are entitled – barring gross negligence or willful misconduct – to receive involuntary-termination severance pay, minus any compensation liable to be paid in respect of the termination of the employment contract.

b) Performance conditions

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

Moreover, in compliance with the rules for determining involuntary-termination severance pay, payment is subject to the condition of the member of the Management Board concerned having been awarded on average at least 33.33% of the maximum variable component during the last three years of the current term of office. This variable component is the amount that may be received by the member of the Management Board concerned in respect of his or her corporate office and employment contract.

c) Determination of involuntary-termination severance pay

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding any special increase and benefits) granted for the last calendar year of work preceding the termination of the corporate office or the employment contract and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the corporate office or the employment contract. Amounts paid in respect of the relevant corporate office and employment contract are taken into account.

The amount of the indemnity is equal to the Monthly benchmark pay x (12 months +1 month per year of seniority within the Group).

Seniority is calculated in years and fractions of a year.

The amount of involuntary-termination severance pay is capped at 24 times the monthly benchmark pay, which corresponds to a period of 12 years' seniority with the Group.

Where at least 50% of the maximum variable component is awarded on average during the last three years of the corporate office in progress (or during the term of office served, plus the previous term of office served if the term was renewed), the involuntary-termination severance pay will be paid in full.

Where at least 33.33% of the maximum variable component is not awarded on average over this period, no involuntary-termination severance pay is granted. Between 33.33% and 50%, the amount of involuntary-termination severance pay is calculated on a straight-line basis, at the discretion of the Supervisory Board.

This variable component is the amount that may be received by the member of the Management Board concerned in respect of his or her corporate office and employment contract.

Regardless, any compensation paid for termination of the employment contract is deducted from the amount of involuntary-termination severance pay.

RETIREMENT BONUS

Upon a decision made by the Supervisory Board, the members of the Management Board of BPCE may receive a retirement bonus under the following conditions.

a) Conditions for receiving a retirement bonus

Payment of a retirement bonus is subject to the same performance conditions as those applicable to involuntary-termination severance pay mentioned above, *i.e.:*

- the Group must have generated positive net income in the fiscal year preceding the termination of the corporate office, and
- beneficiaries must have been awarded a minimum percentage of variable pay on average during the last three years of the current term of office.

The retirement bonus may only be paid when the social security pension is drawn, provided that the beneficiary falls within the applicable scope (defined below) at the time the pension is drawn.

Payment of the retirement bonus is at the discretion of the Supervisory Board after consultation with the Remuneration Committee.

If involuntary-termination severance is paid, the company director will not be entitled to the retirement bonus.

b) Amount of the retirement bonus

The monthly benchmark pay used in the calculation is equal to one-twelfth of the sum of the fixed pay (excluding benefits and any special increase) granted for the last calendar year of work preceding the termination of the corporate office or the employment contract and the average of the variable pay (whether paid immediately or deferred) for the last three calendar years of work preceding the termination of the corporate office or the employment contract. Amounts paid in respect of the relevant corporate office and employment contract are taken into account.

The amount of the bonus is equal to the Monthly benchmark pay x (6 + 0.6A), where A is the number, which may be a fraction, of years served in a corporate office within the relevant scope (*i.e.* terms of office served as Chief Executive Officers of the Banques Populaires, Chairmen of the Management Boards of Caisses d'Epargne, Chief Executive Officer of CFF, Chief Executive Officer of BPCE International, Chairman of the Management Board of Banque Palatine, and members of the Management Board of BPCE SA).

The amount is capped at 12 times the monthly benchmark pay corresponding to a total term of office of 10 years.

Regardless, any compensation paid for termination of an employment contract is deducted from the retirement bonus.

The Supervisory Board has found that implementing involuntary-termination severance pay and a retirement bonus is of genuine interest for BPCE since it is a means of involving the members of the Management Board in the company's performance by requiring them to meet certain performance conditions.

These commitments resulted in the recognition of an expense of €3,018,710.00 on BPCE's 2019 financial statements.

SOCIAL PROTECTION PLANS APPLICABLE TO ALL EMPLOYEES AND IN FAVOR OF CERTAIN CATEGORIES OF EMPLOYEES

Directors concerned on the applicable date (October 4, 2018): Laurent Mignon, Christine Fabresse, Catherine Halberstadt and Nicolas Namias, Members of the Management Board of BPCE.

Members of the BPCE Management Board may, under the same conditions as employees of BPCE SA, benefit from the implementation of the social protection plans applied within BPCE SA in favor of all employees and certain categories of employees:

- CGP Article 83 supplementary pension plan: the contribution rate is 6% from Bracket A and 4% from the pensionable portion of pay in excess of Bracket A; 70% of this contribution is paid by the company and 30% by the employee;
- IPRICAS Article 83 supplementary pension plan: the contribution rate is 3.5% of total pensionable pay. This contribution is paid entirely by the company;
- IPBP supplementary protection plan;
- CNP TD supplementary protection plan;
- BPCE MUTUELLE supplementary health plan.

Members of the Management Board may benefit from the rules governing the maintenance of rights to receive pay for a period of 12 months in the case of temporary work disability applicable to executive directors of Groupe BPCE companies.

The Supervisory Board has found that implementing these plans is of genuine interest for BPCE SA since it is a means of incentivizing and retaining these members of the Management Board.

PENSION PLAN FOR EXECUTIVE DIRECTORS OF GROUPE BPCE

Director concerned on the applicable date (October 4, 2018): Christine Fabresse, Member of the Management Board of BPCE.

Beneficiaries' eligibility for the plan is subject to meeting the following conditions on the day of their departure:

- they must end their career with Groupe BPCE. This condition is met when beneficiaries are Group employees on the day before their social security pension is drawn following voluntary retirement;
- they must have served in an eligible position as identified in the rules for at least the required minimum period (seven years) at the date on which their social security pension is drawn.

Beneficiaries who meet the above conditions are entitled to an annuity set at 15% of benchmark pay, *i.e.* their average annual pay earned in the three highest-paid years during the five calendar years before the date on which their social security pension is drawn.

Annual pay refers to the sum of the following types of pay received for the year in question:

- fixed pay, excluding benefits in kind or duty-related bonuses;
- variable pay – not exceeding 100% of fixed pay – and defined as the total variable amount paid, including the portion that may have been deferred over several years and subject to attendance and performance requirements, in accordance with regulations on variable pay granted by credit institutions.

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

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

This plan is governed by the provisions of the AFEP-MEDEF Code. It complies with the principles governing the capacity of beneficiaries, overall establishment of base pay, seniority conditions, the progressive increase in potential entitlements depending on seniority, the reference period used to calculate benefits and the prevention of artificially inflated pay.

The Supervisory Board has given the authorization to maintain the Pension Plan for Executive Directors of Groupe BPCE dated July 1, 2014, governed by Article L. 137-11 of the French Social Security Code and has decided to subordinate the benefit of the conditional rights provided for by that plan to the attainment by Groupe BPCE of positive net income for the applicable period.

The Supervisory Board duly noted the compliance with the provisions of paragraph 8 of Article L. 225-90-1 of the French Commercial Code which provides that conditional rights may not increase, year on year, by an amount in excess of 3% of the annual benchmark pay for the calculation of plan benefits, since the pension plan for executive directors of Groupe BPCE of which Christine Fabresse has the benefit enables the acquisition of a pension equal to 15% of the benchmark pay, assuming membership of the plan for a minimum of 7 years.

The Supervisory Board believes that maintaining this commitment helps incentivize and retain this member of the Management Board.

AGREEMENTS WITH SHAREHOLDERS

Collateral remuneration agreement between BPCE and the Caisses d'Epargne

Directors concerned on the applicable date: Yves Toublanc, Chairman of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Rhône Alpes, Jean Arondel, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Loire-Centre, Jean-Charles Boulanger, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Aquitaine Poitou-Charentes, Jean-Claude Cette, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Provence-Alpes-Corse, Francis Henry, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Lorraine Champagne-Ardenne, Philippe Lamblin, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Nord France Europe, Pierre Mackiewicz, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Côte d'Azur, Bernard Roux, a member of the Supervisory Board of CNCE and Chairman of the Steering and Supervisory Board of CE Midi-Pyrénées, Pierre Valentin, a member of the Supervisory Board and Chairman of the Steering and Supervisory Board of CE Languedoc-Roussillon, Maurice Bourrigaud, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE d'Auvergne et du Limousin, Joël Chassard, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Normandie, Bernard Comolet, Vice-Chairman of the Supervisory Board of CNCE and Chairman of the Management Board of CE Ile-de-France, Alain Denizot, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Picardie, Jean-Pierre Deramecourt, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE d'Alsace, Alain Maire, a member of the Supervisory Board of

CNCE and Chairman of the Management Board of CE Bourgogne Franche-Comté, Philippe Monéta, a member of the Supervisory Board of CNCE and Chairman of CE Loire Drôme Ardèche and Didier Patault, a member of the Supervisory Board of CNCE and Chairman of the Management Board of CE Bretagne Pays de Loire.

CNCE and the Caisses d'Epargne have implemented, and may continue to implement in the future, with the Banque de France, GCE group refinancing arrangements involving the direct or indirect use of assets belonging to the Caisses d'Epargne.

The purpose of the collateral remuneration agreement is to determine the bases for calculation and payment under which the Caisses d'Epargne will receive a payment from CNCE in return for transferring assets that are eligible for ECB Monetary Policy Operations not otherwise eligible for specific remuneration as securities lending or repo transactions.

The agreement is entered into for three years and is renewable automatically for another three-year period, unless terminated in advance.

At its meeting of June 24, 2009, the CNCE Supervisory Board authorized the CNCE to sign this collateral remuneration agreement with each of the Caisses d'Epargne.

This transaction resulted in the recognition of an expense of €2,876,005.65 on BPCE's 2019 financial statements.

Collateral remuneration agreement between BPCE and the Banques Populaires

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 Banques Populaires 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 Banques Populaires.

BPCE and the Banques Populaires wished to define the terms and conditions under which the Banques Populaires 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 will receive a payment from BPCE in return for directly or indirectly transferring assets that are eligible for ECB Monetary Policy Operations.

At its meeting of February 24, 2010, the Supervisory Board authorized BPCE to sign this collateral remuneration agreement with each of the Banques Populaires.

It was entered into on July 15, 2010 for an indefinite period.

This transaction resulted in the recognition of an expense of €1,567,570.75 on BPCE's 2019 financial statements.

AGREEMENTS WITH NATIXIS AND ITS SUBSIDIARIES

Negotiation Agreement for the Smith transaction

Directors concerned on the applicable date: Laurent Mignon, Chairman of the Board of Directors of Natixis and Chairman of the Management Board of BPCE, Catherine Halberstadt, permanent representative of BPCE on the Board of Directors of Natixis and a Member of the Management Board of BPCE, François Riahi, Chief Executive Officer of Natixis and a Member of the Management Board of BPCE, Thierry Cahn, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Françoise Lemalle, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Stéphanie Paix, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Alain Condaminas, a Board Member of Natixis and a member of the Supervisory Board of BPCE, and Bernard Dupouy, a Board Member of Natixis and a member of the Supervisory Board of BPCE.

This project involves BPCE's acquisition from Natixis of the specialized financing activities of Natixis' SFS business line, namely factoring (Natixis Factor), sureties and guarantees (CEGC), leasing (Natixis Lease), consumer finance (Natixis Financement) and the custodial services activities (Natixis' Eurotitres department).

It has multiple objectives: simplify the structure of the Group's local banking activities; reposition BPCE SA as the lead operational subsidiary and expert in local banking activities; increase the value that BPCE SA brings to the Group's clients; and more effectively structure the Group's capital by positioning the Group's various entities – and the BPCE SA group in particular – at satisfactory and sustainable capital adequacy levels.

First, Natixis would see approximately €2 billion in capital freed up in connection with the asset sale and would pay out to its shareholders a special dividend calibrated to position Natixis at a CET1 ratio of about 11%.

BPCE would also carry out a €2 billion capital increase, of which €1.2 billion would be freed up when the transaction is completed, to finance the acquisition of the targeted assets and provide capital support for any external growth transactions Natixis might wish to make in its asset-light business lines (up to €1.5 billion), in addition to the €1 billion currently anticipated and financed in the New Dimension plan.

At its meeting of September 12, 2018, the Supervisory Board authorized the entry into the Negotiation Agreement between BPCE and Natixis.

Purchase agreements in connection with the Smith transaction

Directors concerned on the applicable date: Laurent Mignon, Chairman of the Board of Directors of Natixis and Chairman of the Management Board of BPCE, Catherine Halberstadt, permanent representative of BPCE on the Board of Directors of Natixis and a Member of the Management Board of BPCE, François Riahi, Chief Executive Officer of Natixis and a Member of the Management Board of BPCE, Thierry Cahn, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Françoise Lemalle, a Board Member of Natixis and a member of the Supervisory Board of BPCE, and Bernard Dupouy, a Board Member of Natixis and a member of the Supervisory Board of BPCE.

The Supervisory Board was called upon, in connection with the Smith transaction, to authorize BPCE's acquisition of the shares of Natixis Lease, Natixis Factor, Natixis Financement and CEGC, known as the "SFS Subsidiaries," and the acquisition of the Eurotitres customer base.

- The purchase price for the SFS Subsidiaries is €2.6 billion, which breaks down into €351 million for Natixis Financement, €178 million for Natixis Factor, €953 million for Natixis Lease and about €1.1 billion for CEGC.

  An adjustment to the estimated price of the subsidiaries sold is provided for in the agreements, in proportion to any upward or downward difference between the final 2018 IFRS capital of the subsidiaries sold and the estimated 2018 IFRS capital used to set the initial price.

  This transaction will be finalized subject to the condition precedent that BPCE complete the capital increase in an amount equal to at least €1.2 billion and that the ECB recognize it as CET1.
- The purchase price for the Eurotitres customer base is €87 million. An adjustment to the estimated price is provided for in proportion to the increase or decrease in the amount corresponding to Eurotitres' net tangible assets (*i.e.* the value of the customer base less the value of liabilities and the value of intangible assets).
- To ensure business continuity, transitional service agreements (TSAs) and service-level agreements (SLAs) will also be implemented at the closing, under which Natixis will provide transitional and long-term services to BPCE. These TSAs and SLAs cover about 500 identified services, mainly concerning the Risk, Finance, Compliance and HR functions.

  These agreements, which are characterized as "related," will take the form of:
  - three cost-sharing and service agreements appended to the sale agreement for the SFS Subsidiaries ("Reverse TSA/SLA," "IT" and "TSA");
  - one custody agreement, the "extended mandate," appended to the sale agreement for the Eurotitres customer base.

At its meeting of February 12, 2019, the Supervisory Board of BPCE authorized BPCE to sign the agreement for the sale of the shares of the SFS Subsidiaries and the sale of the Eurotitres customer base, as well as the "related" agreements.

Framework and specific agreements covering the new partnership arrangements between the CNP and BPCE groups

At its meeting of August 6, 2013, the Supervisory Board authorized François Pérol to constitute an Insurance division at the level of Natixis and engage in negotiations with CNP Assurances with a view to allocating the responsibility for the Group's future life insurance business to Natixis Assurances.

The negotiations with CNP undertaken between October 2013 and July 2014 resulted in the definition of the fundamental principles applicable to the future partnership between BPCE, Natixis and CNP which were duly approved by the Supervisory Board at its meeting of July 31, 2014.

The discussions with CNP continued and resulted, first, in an agreement of principle between CNP Assurances, BPCE and Natixis authorized by the Supervisory Board on November 4, 2014 and then in a Final Framework Agreement complemented by specific application contracts (the "New Partnership Agreements") authorized by the Supervisory Board on February 18, 2015 and approved by the Annual General Shareholders' Meeting held on May 22, 2015.

The new partnership agreements with CNP Assurances represent a major strategic development for BPCE that is perfectly integrated within the Group's overall bancassurance business model while at the same time preserving the interests of customers, the level of fees and commissions, and service quality during the transitional period.

Final Framework Agreement and its addendum

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, a Board Member of CNP Assurances and Chairman of the Board of Directors of Natixis, Jean-Yves Forel, a member of the Management Board of BPCE and a Board Member of CNP Assurances, Laurent Mignon, a Member of the Management Board of BPCE and Managing Director of Natixis, Pierre Valentin, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Didier Patault, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Thierry Cahn, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Catherine Halberstadt, a Board Member of Natixis and a member of the Supervisory Board of BPCE, Alain Condaminas, a Board Member of Natixis and a member of the Supervisory Board of BPCE and Gérard Bellemon, a Board Member of Natixis Assurances and a member of the Supervisory Board of BPCE.

The Final Framework Agreement was executed between CNP Assurances (acting in its name and on behalf of itself and in the name and on behalf of its subsidiaries), BPCE (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and/or in the name and on behalf of the members of the Banque Populaire network as central institution of the Banque Populaire network, and/or in the name and on behalf of its subsidiaries), Natixis (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of its subsidiaries), Natixis Assurances, ABP Vie and ABP Prévoyance.

The purpose of the final framework agreement is:

- to note the non-renewal of the Existing Agreements;
- to define, organize and delimit the contractual whole formed by the New Partnership Agreements of which it is the umbrella agreement;
- to determine the term of the New Partnership Agreements, namely seven years as from January 1, 2016. At the end of this seven-year period, BPCE will be able to either extend the New Partnership Agreements for a period of three years as from January 1, 2023 or purchase CNP's insurance deposit inventory. BPCE will have the option of acquiring the existing portfolio at December 31, 2020 and CNP the option, in 2020 and 2022, of notifying BPCE of its desire to initiate discussions with a view to such sale;
- to define and organize the functioning of the Partnership Committee and any sub-committees subsequently formed by the Partnership Committee; and
- more generally, to organize and monitor the relationships between the Parties for the purposes of the Renewed Partnership.

An addendum to the Final Framework Agreement was signed on December 30, 2015 between BPCE, CNP Assurances and Natixis in order to determine a new time limit for the signature of certain of the intended New Partnership Agreements not already signed before December 31, 2015.

The addendum was equally designed to amend certain agreements to reflect regulatory or operating developments requiring the modification of certain appendices, and also provides for the deferral to January 1, 2016 of the constitution of the Partnership Committee.

Agreements between CNP Assurances, BPCE, Natixis and ABP Vie (a subsidiary of Natixis Assurances)

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances, Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of

Directors of CNP Assurances, Daniel Karyotis, a member of the Management Board of BPCE and permanent representative of BPCE at Natixis, Alain Condaminas, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Catherine Halberstadt, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Thierry Cahn, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Pierre Valentin, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis and Gérard Bellemon, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis Assurances.

- Tranche 2 new business reinsurance treaty between ABP Vie and CNP Assurances in the presence of BPCE and Natixis: 90% reinsurance by CNP Assurances for new business involving ex-CNP customers.
- Tranche 2 reinsurance administration contract between ABP Vie, CNP Assurances and BPCE in the presence of Natixis, designed to define administrative arrangements:
  - the supply by BPCE to CNP Assurances of the list of customers insured, in accordance with the periodicity and other provisions of the contract, in the event of the observance of any interest rate or behavioral market shock; and
  - deployment of the necessary tests to ensure the proper functioning of the procedures (including the exchange of information) provided for by the contract.
- EuroCroissance administration contract between CNP Assurances, BPCE and ABP Vie in the presence of Natixis, designed to define administrative arrangements on similar bases to those applying to the tranche 2 reinsurance administration contract.

EuroCroissance contract between CNP Assurances and ABP Vie in the presence of BPCE

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances and Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances.

The EuroCroissance contract has been executed between CNP Assurances (acting in its name and on behalf of itself and in the name and on behalf of its subsidiaries), BPCE (acting in its name and on behalf of itself and/or, as the case may be, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and/or in the name and on behalf of the members of the Banque Populaire network as central institution of the Banque Populaire network, and/or in the name and on behalf of its subsidiaries) and ABP Vie, in the presence of Natixis.

The EuroCroissance contract provides for compensation for the technical commitments arising as a result of payments by insured customers into EuroCroissance funds (an investment vehicle providing for the constitution of a Technical Provision for Diversification) with effect from January 1 of the calendar year of observance of any interest rate or behavioral market shock, independently of the date of subscription of the corresponding policy with ABP Vie.

Pension Savings agreements between CNP Assurances and BPCE

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances and Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances.

- Retirement savings plan partnership agreement between CNP Assurances and BPCE mentioning in particular the termination of the distribution of the life insurance and capitalization products of CNP Assurances by the Caisse d'Epargne network with effect from January 1, 2016 (subject to certain contractual exceptions).

  The agreement has been signed between CNP Assurances (acting in its name and on behalf of itself and of its subsidiaries) and BPCE (acting in its name and on behalf of itself and, as central institution, in the name and on behalf of the members of the Caisse d'Epargne network and of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle Calédonie, Banque de Saint-Pierre et Miquelon and Banque de Tahiti).
- Implementation of a Savings Mechanism between CNP Assurances and BPCE involving two contracts: a contract providing the assurance of a stable portfolio level for CNP Assurances, acting in the event of additional redemptions, or reduced subsequent payments, compared to the anticipated amounts and conversely, a contract providing for remuneration of BPCE's outperformance if the reverse applies. Both contracts will apply to all retirement savings plan life insurance and capitalization policies issued by CNP Assurances; they will be deactivated in the event of any interest rate or behavioral market shock and would then be renegotiated. BPCE has guaranteed CNP Assurances against any additional tax burden induced by the Savings Mechanism which is intended to be fiscally neutral for CNP Assurances.
- Addendum to the retirement savings plan life insurance commissioning agreement designed to extend the agreement until maturity of the last such policy issued by CNP Assurances. Distributors are remunerated on the basis of a contractual percentage applied to movements and outstandings subject eventually to increase based on the type of policy involved.

  The agreement has been signed between CNP Assurances and BPCE acting, as central institution, in the name and on behalf of the members of the Caisse d'Epargne network and of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle Calédonie, Banque de Saint-Pierre et Miquelon and Banque de Tahiti.

The agreement resulted in the recognition of income of €8,000,000.00 on BPCE's 2019 financial statements.

Agreements relating to payment protection, providence and health insurance policies

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances and Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances.

In respect of individual providence policies:

- individual providence policies commissioning agreement between CNP Assurances and BPCE acting in its name and on behalf of itself, in the name and on behalf of the members of the Caisse d'Epargne network as central institution of the Caisse d'Epargne network, and on behalf of Banque Palatine, Banque BCP, Banque des Antilles Françaises, Banque de la Réunion, Banque de Nouvelle Calédonie, Banque de Saint-Pierre et Miquelon and Banque de Tahiti. Distributors are remunerated on the basis of the premiums paid by policyholders or on the technical results for each distributing institution and type of policy.

In respect of collective 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.

Shareholders' agreement for Ecureuil Vie Développement ("EVD") entered into by and between CNP Assurance, Natixis Assurances and BPCE in the presence of Ecureuil Vie Développement Directors concerned on the application date:

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE, Chairman of the Board of Directors of Natixis and a member of the Board of Directors of CNP Assurances, Jean-Yves Forel, a member of the Management Board of BPCE and a member of the Board of Directors of CNP Assurances and Gérard Bellemon, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis Assurances.

The shareholders' agreement for Ecureuil Vie Développement (EVD) has been executed between CNP Assurances, Natixis Assurances and BPCE in the presence of Ecureuil Vie Développement. It stipulates that:

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 2019 financial statements.

Amendment to the agreement governing BPCE's 3(a) (2) US MTN program

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Daniel Karyotis, a member of the Management Board of BPCE and permanent representative of BPCE, a Board Member of Natixis, Alain Condaminas, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Thierry Cahn, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Catherine Halberstadt, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis and Pierre Valentin, a member of the Supervisory Board of BPCE and a Board Member of Natixis.

On April 9, 2013, BPCE established a medium-term notes ("Notes") program in the United States within the framework of a scheme defined in Section 3(a) (2) of the Securities Act of 1933 (the "3(a) (2) Program"). The maximum total nominal amount of the program is $10 billion.

It was proposed to change the limits of the Agreement concerning the guarantee:

- notes issued under the 3(a) (2) Program cannot exceed a total nominal amount of $6 billion per year;
- of which a maximum of $3 billion may not be loaned by BPCE to Natixis (so where applicable, based on Natixis' funding needs, the proceeds from the Notes issued can be loaned by BPCE to Natixis at shorter maturities than those of the Notes).

On February 19, 2014, the Supervisory Board approved the signing of an amendment to the Agreement aimed at changing the sub-limits called for in Article 4 of the Agreement. Furthermore, the proceeds loaned to Natixis can be made available by BPCE for shorter maturities than those of the notes issued, depending on Natixis' funding needs.

The agreement resulted in the recognition of income of €1,648.47 on BPCE's 2019 financial statements.

Invoicing agreement related to the affiliation of Natixis

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Jean Criton, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Olivier Klein, a member of the Management Board of BPCE and a Board Member of Natixis, Philippe Queuille, a member of the Management Board of BPCE and a Board Member of Natixis, Nicolas Duhamel, a member of the Management Board of BPCE and permanent representative of BPCE, a Board Member of Natixis.

CNCE, central institution of the former Groupe Caisse d'Epargne, and BFBP, central institution of the former Groupe Banque Populaire, authorized the affiliation of Natixis with CNCE and BFBP, which, in that capacity, were responsible for ensuring the smooth functioning of Natixis and received in consideration remuneration calculated in accordance with the invoicing agreement executed on May 31, 2007.

As BPCE replaced CNCE and BFBP as the central institution, effective from July 31, 2009, and decided to revise the amount of the contribution remunerating the services provided by BPCE in connection with the affiliation of Natixis, a further agreement was executed on December 21, 2010, triggering the termination of the invoicing agreement executed in 2007 (the latter was in force until March 31, 2010), effective from April 1, 2010, providing for an annual flat-rate amount of €22,000,000 with an indexation clause effective from 2011.

When the 2012 budget was set, in order to take the overall context into account, a decision was made to revise the amount of the contribution based on the actual cost of the policy assignments carried out by BPCE on behalf of Natixis.

The parties decided to enter into a new invoicing agreement for that purpose, which outright replaced the agreement of December 21, 2010. The new agreement became effective from January 1, 2012.

At its meeting of February 22, 2012, the Supervisory Board approved the terms and conditions of the new invoicing agreement with Natixis and authorized the execution thereof.

The agreement resulted in the recognition of income of €37,810,000.00 on BPCE's 2019 financial statements.

Purchase of Natixis securities and the issue and purchase of perpetual deeply subordinated notes

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Francis Henry, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis.

The transaction is intended to allow BPCE to issue new Tier 1 instruments in exchange for the old Tier 1s issued by Natixis, NBP Capital Trust I and NBP Capital Trust III. Natixis' Tier 1 investors were therefore given the option of exchanging their securities for new Tier 1 securities issued by BPCE.

The Natixis securities collected by BPCE in this exchange were then transferred to Natixis, which canceled 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 €72,553,970.40 on BPCE's 2019 financial statements.

Protection mechanism in favor of Natixis concerning a portion of the workout portfolio assets

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Alain Lemaire, a member of the Management Board of BPCE and a Board Member of Natixis, Yvan de la Porte du Theil, a member of the Management Board of BPCE and a Board Member of Natixis, Nicolas Duhamel, a member of the Management Board of BPCE and permanent representative of BPCE, a Board Member of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Francis Henry, a member of the Supervisory Board of BPCE and a Board Member of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a Board Member of Natixis and Didier Patault, a member of the Supervisory Board of BPCE and a Board Member of Natixis.

BPCE and Natixis jointly agreed to establish a mechanism to protect Natixis against future losses and the volatility of income generated from its workout portfolio assets.

On November 12, 2009, the BPCE Supervisory Board approved the following agreements concerning the guarantee on a portion of the workout portfolio assets:

- a financial guarantee (risk pooling) and its rider No. 1 granted by BPCE to Natixis;
- two total return swaps – one for assets denominated in euros and one for assets denominated in US dollars – and the ISDA master agreement (and its appendix) governing the relationship between the parties to the swaps; and
- a call option granted by BPCE to Natixis.

This transaction resulted in the recognition of income of €30,859,631.15 on BPCE's 2018 financial statements.

On May 11, 2011, the BPCE Supervisory Board approved the signature of a total return swap concerning Chapel's equity, in parallel to the purchase by Natixis of the assets of Chapel previously held by Sahara (included in the workout portfolio assets).

To re-establish the equivalent of the Neptune Guarantee, from which Natixis benefited *via* Sahara, it was proposed that BPCE should guarantee the Chapel security *via* a total return swap (TRS) at the same time as the Chapel assets were bought back by Natixis. In practice this substantially equated to 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.

At its meeting of December 19, 2019, the Supervisory Board of BPCE decided to declassify the agreements associated with the Neptune transaction.

This transaction resulted in the recognition of income of €360,201,363.71 on BPCE's 2019 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 €923.43 on BPCE's 2019 financial statements. The debts guaranteed amounted to €187,706,121.00 as at December 31, 2019.

Two agreements entered into within the scope of the new guarantee granted by CNCE (representing the rights of CDC Ixis following the Refondation project of December 31, 2004) to Natixis Structured Products to create a special purpose vehicle (SPV)

These agreements were signed following the sale of Labouchère Bank to allow Natixis Capital Markets (formerly IXIS Corporate and Investment Bank) to carry out transactions on the secondary market, and particularly for Japan, as part of a €10 billion EMTN program. The creation of this SPV, which is located in Jersey, required the following guarantee:

- an amendment to the commitment letter signed on May 28, 2003 by CNCE and Natixis Capital Markets to include the SPV within the scope of the letter;
- a joint and several guarantee between CNCE and Natixis Structured Products enabling the guarantee provided by CNCE to be transferred to Natixis Structured Products.

These agreements had no impact on BPCE's 2019 financial statements.

AGREEMENTS WITH OTHER SUBSIDIARIES

Invoicing agreement related to the affiliation of Crédit Foncier de France

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Crédit Foncier de France, Nicolas Duhamel, a member of the Management Board of BPCE and permanent representative of BPCE, a member of the Board of Crédit Foncier de France, Olivier Klein, a member of the Management Board of BPCE and a member of the Board of Crédit Foncier de France, Pierre Desvergnes, a member of the Supervisory Board of BPCE and a member of the Board of Crédit Foncier de France and Francis Henry, a member of the Supervisory Board of BPCE and a member of the Board of Crédit Foncier de France.

CNCE, central institution of the former Groupe Caisse d'Epargne, authorized the affiliation of Crédit Foncier de France with CNCE which, in said capacity, was responsible for ensuring the smooth functioning of its subsidiary and received in consideration remuneration calculated in accordance with the invoicing agreement executed on December 11, 2007.

As BPCE replaced CNCE as central institution, effective from July 31, 2009, and decided to revise the amount of the contribution remunerating the services supplied by CNCE in connection with the affiliation of Crédit Foncier de France, a further agreement was executed on August 5, 2011 (effective retroactively from January 1, 2011) for an annual flat-rate amount of €6,700,000 with an indexation clause effective from 2012.

When the 2012 budget was set, in order to take the overall context into account, a decision was made to revise the amount of the contribution based on the actual cost of the policy assignments carried out by BPCE on behalf of Crédit Foncier de France.

The parties decided to enter into a new invoicing agreement for that purpose, which outright replaced the agreement of August 5, 2011. The new agreement became effective from January 1, 2012.

At its meeting of February 22, 2012, the Supervisory Board approved the terms and conditions of the new invoicing agreement with Crédit Foncier de France and authorized the execution thereof.

The agreement resulted in the recognition of income of €9,300,000.00 on BPCE's 2019 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 initial public offering (IPO). 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 2019 financial statements.

Amendment to MiFID agreement

Directors concerned on the applicable date: François Pérol, Chairman of the Management Board of BPCE and Chairman of the Board of Directors of Natixis, Alain Lemaire, a member of the Management Board of BPCE and a member of the Board of Directors of Natixis, Yvan de la Porte du Theil, a member of the Management Board of BPCE and a member of the Board of Directors of Natixis, Stève Gentili, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Francis Henry, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Bernard Jeannin, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis, Didier Patault, a member of the Supervisory Board of BPCE and a member of the Board of Directors of Natixis and Jean-Marc Carcéles, a member of the Supervisory Board of CNCE and a member of the Board of Crédit Foncier de France.

The CNCE lending activity managed in 2005 was sold to various Groupe Caisse d'Epargne subsidiaries. To this end, CNCE sold to IXIS Corporate & Investment Bank on November 18, 2005 its mid- and long-term French regional public sector financing activities, under a partial transfer of business assets.

Following approval from the Supervisory Board on December 14, 2006, a memorandum of understanding between CNCE, IXIS CIB and Crédit Foncier de France regarding the transfer of outstanding regional public-sector loans from IXIS

CIB to Crédit Foncier de France was signed on February 19, 2007.

On November 20, 2009, BPCE (taking over the rights of CNCE), Natixis (taking over the rights of IXIS CIB) and Crédit Foncier de France signed an amendment to the agreement specifying the obligations resulting from MiFID for derivatives activities and concerning the categorization of Natixis' counterparties and the notification of their category.

This agreement had no impact on BPCE's 2019 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 director of Crédit Foncier de France, Guy Cotret, a member of the Management Board of CNCE and a director of Crédit Foncier de France and Jean-Marc Carcéles, a member of the Supervisory Board of CNCE and a director 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 2019 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 director of Crédit Foncier de France, Guy Cotret, a member of the Management Board of CNCE and a director of Crédit Foncier de France and Jean-Marc Carcéles, a member of the Supervisory Board of CNCE and a director 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 authorities and institutions on its balance sheet.

Given the banking and financial context of the prevailing absence, with effect from September 2008, of market references for medium- and long-term bond issues, the parties met to assess the implications for fees and commissions.

In order to restore an economic balance between the parties and in their mutual interest, it was agreed that an exceptional waiver would be granted uniquely for the primary fees and commissions for financial intermediaries on the new flows due for 2008.

An amendment was signed in fiscal year 2011. This agreement was renewed in fiscal year 2016. This agreement had no impact on BPCE's 2019 financial statements.

Paris La Défense and Neuilly-sur-Seine March 25, 2020

French original signed by The Statutory Auditors

Deloitte & Associés	PricewaterhouseCoopers Audit	Mazars
Sylvie Bourguignon	Nicolas Montillot Emmanuel Benoist	Charles de Boisriou

8

ADDITIONAL INFORMATION

8.1 Statement by the person responsible for the universal registration document and for the annual financial report 680

8.2 Documents on display 681

8.3 Cross-reference table for the universal registration document 682

8.4 Cross-reference table for the annual financial report and the management report 684

8.5 Glossary 686

8.1 Statement by the person responsible for the universal registration document and for the annual financial report

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 universal 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 8) 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.

Paris, March 25, 2020

Laurent Mignon

Chairman of the BPCE Management Board

8.2 Documents on display

This document is available from the "Investors" Section of the Group's website (www.groupebpce.com), or from the AMF website (www.amf-france.org).

All regulated information published in the last 12 months is available online at https://www.groupebpce.com/en/Investors/Regulated-information.

Any person wanting further information about Groupe BPCE may, with no commitment and free of charge, request documents by mail at the following address:

BPCE

Département Émissions et Communication Financière

50, avenue Pierre Mendès France

75013 Paris

8.3 Cross-reference table for the universal registration document

Category referenced in Annexes 1 and 2 of Delegated regulation 2019/2020		Page No.
1	**Persons responsible**	
1.1; 1.2	Statement by the person responsible	680
1.3; 1.4	Information from third parties, expert statements and declaration of any interest	N/A
1.5	Approval of the competent authority	N/A
2	**Statutory Auditors**	**553-554**
3	**Risk factors**	**561-570**
4	**Information about the issuer**	
4.1	Company name and Commercial name	660
4.2	Place of registration, registration number and ID of legal entity	660
4.3	Date of incorporation and term of company	660
4.4	Registered office and legal form	660
5	**Business overview**	
5.1	Principal activities	23-39 ; 201-210
5.2	Principal markets	23-39 ; 201-210
5.3	Highlights	18-19 ; 197-199 ; 230-231 ; 378-379 ; 496
5.4	Strategy and objectives	20-22
5.5	Dependence of the issuer on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	645
5.6	Basis of statements made by the issuer regarding its competitive position	23-39
5.7	Investments	215
6	**Organizational structure of the Group**	
6.1	Description of the Group	3-11 ; 14-17 ; 220
6.2	List of significant subsidiaries	5 ; 16 ; 351-360 ; 484-487 ; 526-530
7	**Operating and financial review**	
7.1	Financial condition	200-201 ; 221-226 ; 369-374 ; 503-505
7.2	Operating income	200 ; 221 ; 369 ; 498 ; 503
8	**Cash flow and capital resources**	
8.1	Information on the issuer's capital resources	211-212 ; 223-225 ; 272-276 ; 371-373 ; 419-422 ; 505 ; 537-538 ; 589-592
8.2	Sources and amounts of issuer's cash flows	226 ; 374
8.3	Information on the issuer's borrowing requirements and funding structure	201 ; 272-273 ; 419-420 ; 537 ; 636-639
8.4	Information regarding any restrictions on the use of capital resources that have affected or could affect the issuer's operations	N/A
8.5	Information regarding the expected sources of funds needed to fulfill commitments referred to in point 5.7	N/A
9	**Regulatory environment**	**45 ; 231-235 ; 379-386 ; 509 ; 560 ; 586-587**
10	**Trend information**	**216-217 ; 500**
11	**Profit forecasts and estimates**	**N/A**
12	**Administrative, management and supervisory bodies and senior management**	
12.1	Administrative bodies	8-9 ; 118-170
12.2	Conflicts of interest involving the administrative, management and supervisory bodies and senior management	121 ; 193-194
13	**Pay and benefits**	
13.1	Amount of pay and benefits in kind	171-192 ; 333 ; 478 ; 500 ; 543 ; 668-671
13.2	Total amount set aside or accrued by the issuer to provide pension, retirement or similar benefits	192 ; 333 ; 478 ; 500 ; 543 ; 668-671
14	**Board practices**	
14.1	Date of expiration of the current term of office	123-125 ; 127
14.2	Service contracts with members of the administrative bodies	193-194 ; 668
14.3	Information about the issuer's Audit Committee and Remuneration Committee	9 ; 123 ; 126-127 ; 163-167 ; 551

Category referenced in Annexes 1 and 2 of Delegated regulation 2019/2020		Page No.
14.4	Compliance with the country of incorporation's corporate governance regime	116-117
14.5	Potential material impacts on corporate governance, including future changes in the composition of administrative and management bodies and committees	N/A
15	**Employees**	
15.1	Number of employees	1 ; 99-100
15.2	Shareholdings and stock options	186 ; 189 ; 190-191 ; 536
15.3	Arrangements allowing employees to purchase shares in the issuer	665
16	**Major shareholders**	
16.1	Shareholders with over 5% of the issuer's capital or voting rights	665
16.2	Different types of shareholder voting rights	662-665
16.3	Control of the issuer	662-665
16.4	Any arrangement, known to the issuer, which may at a subsequent date result in a change in control of the issuer	664-665
17	**Related party transactions**	**333-334 ; 478**
18	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
18.1	Historical financial information, accounting standards and changes in accounting standards, financial statements and date of most recent financial information	6-7 ; 200-201 ; 221-360 ; 369-487 ; 503-543
18.2	Interim financial information and other information	N/A
18.3	Auditing of historical annual financial information	361-368 ; 488-495 ; 544-547
18.4	Pro forma financial information	N/A
18.5	Dividend policy	499 ; 501 ; 661
18.6	Legal and arbitration proceedings	642-645
18.7	Significant change in the issuer's financial position	665
19	**Additional information**	
19.1	Share capital	662-663
19.2	Charter of incorporation and articles of association	660-661
20	**Material contracts**	**665**
21	**Documents on display**	**681**

8.4 Cross-reference table for the annual financial report and the management report

Information required under Article L. 451-1-2 of the French Monetary and Financial Code		Page No.
Annual financial report		
BPCE SA group consolidated financial statements		369-487
Statutory Auditors' report on the consolidated financial statements		488-495
BPCE individual financial statements		503-543
Statutory Auditors' report on the individual financial statements		544-547
Management report		
1	**Activity report (Articles L. 225-100, R. 225-102 and L. 233-6 of the French Commercial Code)**	
1.1	Situation and activity during the year	195-218 ; 496-502
1.2	Results of the Group, its subsidiaries and the companies it controls	221-360 ; 369-487
1.3	Key financial and non-financial performance indicators	6-7 ; 47 ; 58 ; 61-62 ; 557-558
1.4	Analysis of the change in results and financial position	195-218 ; 496-502
1.5	Significant post-balance sheet events	215 ; 231 ; 379 ; 500 ; 508
1.6	Outlook	216-217 ; 500
1.7	Research & Development	500
1.8	Main risks and uncertainties	561-571
1.9	Financial risks relating to the effects of climate change	66-82 ; 658
1.10	Significant investments or controlling interests in companies headquartered in France	215 ; 241-242 ; 389 ; 499 ; 524-525
2	**Information pertaining to share buybacks (Article L. 225-211, paragraph 2 of the French Commercial Code)**	**500**
3	**Social, environmental and societal information (Article L. 225-102-1 of the French Commercial Code)**	**41-114**
4	**Information on locations by country and activities (Article 511-45 of the French Monetary and Financial Code)**	**339-348**
5	**Key characteristics of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information**	**548-552**
6	**Vigilance plan (Article L. 225-102-4 of the French Commercial Code)**	**81-92**
Report on corporate governance		
Information on governance		115-170
Information on pay		171-192
Capital structure		662-664
Information required by Article L. 225-37-5 of the French Commercial Code on items liable to have an impact in the event of a public offering		665
Information on agreements 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)		500 ; 666-678
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 2019		501
Pursuant to Articles 212-13 and 221-1 of the AMF General regulation, the universal registration document also contains the following regulatory information		
Statutory Auditors' special report on related-party agreements and commitments		666-678
Statutory Auditors' fees		349 ; 483
Statement by the person responsible for the universal registration document		680

In accordance with Article 28 of European regulation No. 809/2004 of April 29, 2004, the following information is incorporated by reference in this universal registration document:

- Groupe BPCE's consolidated financial statements for the fiscal year ended December 31, 2018 and the Statutory Auditors' report, presented on pages 397 to 406 of the registration document filed with the AMF on April 2, 2019 under number D.19-0252;
- BPCE SA group's consolidated financial statements for the fiscal year ended December 31, 2018 and the Statutory Auditors' report, presented on pages 585 to 588 of the registration document filed with the AMF on April 2, 2019 under number D.19-0252;
- BPCE's annual financial statements for the fiscal year ended December 31, 2018 and the Statutory Auditors' report, presented on pages 503 to 506 of the registration document filed with the AMF on April 2, 2019 under number D.19-0252;

- Groupe BPCE's consolidated financial statements for the fiscal year ended December 31, 2017 and the Statutory Auditors' report, presented on pages 350 to 357 of the registration document filed with the AMF on March 28, 2018 under number D.18-0197;
- BPCE SA group's consolidated financial statements for the fiscal year ended December 31, 2017 and the Statutory Auditors' report, presented on pages 450 to 457 of the registration document filed with the AMF on March 28, 2018 under number D.18-0197;
- BPCE's annual financial statements for the fiscal year ended December 31, 2017 and the Statutory Auditors' report, presented on pages 503 to 506 of the registration document filed with the AMF on March 28, 2018 under number D.18-0197.

8.5 Glossary

Acronyms	
ABS	See securitization
ACPR	*Autorité de contrôle prudentiel et de résolution*, the French prudential supervisory authority for the banking and Insurance sector (formerly the CECEI, or *comité des établissements de crédit et des entreprises d'investissement/*Credit Institutions and Investment Firms Committee).
ADEME	*Agence de l'environnement et de la maîtrise de l'énergie*/Agency for the environment and control of energy consumption
ADIE	*Association pour le droit à l'initiative économique*/Association for the right to economic initiative
AFEP-MEDEF	*Association française des entreprises privées – Mouvement des entreprises de France*/French Association of Private Sector Companies – French Business Confederation
AFS	Available For Sale
AGIRC	*Association générale des institutions de retraite des cadres*/General Association for Managers' Pension Institutions
ALM	Asset and Liability Management
ALM	Asset and Liability Management
AMF	*Autorité des marchés financiers*/French financial markets authority
AML-CTF	Anti-Money Laundering and Counter-Terrorism Financing
AQR	Asset Quality Review, which involves the supervisory assessment of risks, the actual review of the quality of assets and stress tests.
ARRCO	*Association pour le régime de retraite complémentaire des salariés*/Association for the Employee Complementary Pension Scheme
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision, an organization comprised of the central bank governors of the G20 countries, tasked with strengthening the global financial system and improving the efficacy of prudential supervision and cooperation among bank regulators.
BCP	Business Continuity Plan
BRRD	Bank Recovery and Resolution directive
CCF	Credit Conversion Factor
CDD	Fixed-term employment contract
CDI	Permanent employment contract
CDO	See securitization
CDPC	Credit Derivatives Products Company, *i.e.* a business specializing in providing protection against credit default through credit derivatives.
CDS	Credit Default Swap, a credit derivative contract under which the party wishing to buy protection against a credit event (*e.g.* counterparty default) makes regular payments to a third party and receives a pre-determined payment from this third party should the credit event occur.
CEGC	Compagnie Européenne de Garanties et de Cautions
CET1	Common Equity Tier 1
CGU	Cash generating unit
CHSCT	*Comité d'hygiène, de sécurité et des conditions de travail*/Committee for Hygiene, Safety and Working Conditions
CIC	Cooperative investment certificates
CLO	See securitization
CMBS	See securitization
CNCE	Caisse Nationale des Caisses d'Epargne
CNIL	*Commission nationale de l'informatique et des libertés* (an independent administrative authority protecting privacy and personal data)
CPM	Credit Portfolio Management
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSR	Corporate Social Responsibility
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.
DTA	Deferred tax assets
DVA	Debit Valuation Adjustment, symmetrical to the CVA. Represents the expected loss, from the counterparty's perspective, on valuations of derivative liabilities. It reflects the impact of the entity's own credit quality on the valuation of these instruments.
EAD	Exposure at Default, *i.e.* the amount owed by the customer at the effective default date. It is the sum of the remaining principal, past due payments, accrued interest not yet due, fees and penalties.
EBA	The European Banking Authority, established by 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.

Acronyms	
ECB	European Central Bank
EDTF	Enhanced Disclosure Task Force, an international task force formed at the initiative of the Financial Stability Board (FSB) in May 2012 to consider ways to enhance banks' financial disclosures. The EDTF is made up of representatives from the private sector and of users and preparers of financial disclosures. In October 2012, it published a report containing 32 recommendations aimed at enhancing disclosures on risk management, capital adequacy, and exposure to liquidity, funding, market, credit and other risks.
EFTT	European financial transaction tax
EIB	European Investment Bank
EL	Expected Loss, *i.e.* the value of the loss likely to be incurred given the quality of the structure of the transaction and any measures taken to mitigate risk, such as collateral. It is calculated by multiplying exposure at risk (EAD) by Probability of Default (PD) and by Loss Given Default (LGD).
EURIBOR	Euro Interbank Offered Rate, the benchmark interest rate on the eurozone's money market
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
FSB	The Financial Stability Board, whose mandate is to identify vulnerabilities in the global financial system and to implement principles for regulation and supervision in the interest of financial stability. Its members are central bank governors, finance ministers and supervisors from the G20 countries.
FTE	Full-time equivalent
GAPC	*Gestion active des portefeuilles cantonnés*/Workout portfolio management
GRI	Global Reporting Initiative
G-SIBs	Global Systemically Important Banks are financial institutions whose distress or failure, because of their size, complexity and systemic inter-dependence, would cause significant disruption to the financial system and economic activity. These institutions meet the criteria established by the Basel Committee and are identified in a list published in November 2011 and updated every year. The constraints applicable to G-SIBs increase with their level of capital.
HQE	French "high environmental quality" standard.
HQLA	High-Quality Liquid Assets
HRD	Human Resources department
IARD	*Incendie, accidents et risques divers*/property and casualty Insurance
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process: a process required under Pillar II of the Basel Accords to ensure that firms have sufficient capital to cover all their risks.
IFRS	International Financial Reporting Standards
IRB	Internal-Ratings Based, an approach to capital requirements based on the financial institution's internal rating systems
IRBA	Advanced IRB approach
IRBF	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.
IS	Information System
ISF	Wealth Tax *(impôt sur la fortune)*
L&R	Loans and Receivables
LBO	Leveraged Buyout
LCR	Liquidity Coverage Ratio: a measurement introduced to improve the short-term resilience of banks' liquidity risk profiles. The LCR requires banks to maintain a reserve of risk-free assets that can be converted easily into cash on the market in order to cover its cash outflows minus cash inflows over a 30-day stress period without the support of central banks.
LGD	Loss Given Default, a Basel II credit risk indicator corresponding to loss in the event of default
LTD	Loan-to-Deposit ratio, *i.e.* a liquidity indicator that enables a credit institution to measure its autonomy with respect to the financial markets
MDA	Maximum Distributable Amount, a new provision for banks placing restrictions on their dividend, AT1 coupon and bonus payments (under a rule that tightens restrictions as banks deviate from their requirements), if the capital buffers are not met. As these buffers are on top of Pillars I and II, they apply immediately if the bank fails to comply with the combined requirements.
MREL	Minimum Requirement for own funds and Eligible Liabilities
MTN	Medium Term Note
NBI	Net banking income
NGAM	Natixis Global Asset Management
NPE	Non-Performing Exposure
NRE	*Loi sur les nouvelles réglementations économiques*/New Economic Regulations Act

Acronyms

NSFR	Net Stable Funding Ratio: this ratio is intended to strengthen the longer-term resilience of banks through additional incentives meant to encourage banks to finance their operations using more structurally stable resources. This long-term structural liquidity ratio, applicable to a one-year period, was formulated to provide a viable structure for asset and liability maturities.
OFR	Own Funds Requirements: *i.e.* 8% of risk-weighted assets (RWA)
OH	*Obligations de financement de l'habitat*/Housing financing bond
ORSA	Own Risk and Solvency Assessment. As part of European efforts to reform prudential regulation of the Insurance industry, ORSA is an internal process undertaken by the institution to assess risk and solvency. It must show its ability to identify, measure and manage factors liable to have an impact on its solvency or financial position.
PD	Probability of Default, *i.e.* the likelihood that a counterparty of the bank will default within a one-year period
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*/Loan for the acquisition of property intended for low-income rental
PSLA	*Prêt social location-accession*/Loan for property rent+buy schemes for low-income families
PTZ	Interest-free loan
RMBS	See securitization
ROE	Return on Equity: net income (excluding returns on hybrid securities recognized as equity instruments) divided by shareholders' equity (restated for hybrid securities), used to measure the profit generated on capital.
RSP	Retirement Savings Plan *(plan d'épargne retraite populaire).*
RSSI	*Responsable de la sécurité des systèmes d'information*/Head of information 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	US Securities and Exchange Commission
SEPA	Single Euro Payments Area
SFS	Specialized Financial Services
SME	Small and medium-sized enterprises
SMI	Small and medium-sized industries
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.
SRF	Single Resolution Fund
SRI	Socially Responsible Investment
SRM	Single Resolution Mechanism
SRM	Single Resolution Mechanism: an EU-level system to ensure an orderly resolution of non-viable banks with a minimal impact on taxpayers and the real economy. The SRM is one of the pillars of the European Banking Union and consists of an EU-level resolution authority (Single Resolution Board – SRB) and a common resolution fund financed by the banking sector (Single Resolution Fund – SRF).
SSM	Single Supervisory Mechanism
SVaR	Stressed Value at Risk: the SVaR calculation method is identical to the VaR approach (historical or Monte Carlo method, scope – position – risk factors – choices and modeling – model approximations and numerical methods identical to those used for VaR) and involves a historical simulation (with "one-day" shocks) calculated over a one-year stressed period, at a 99% confidence level scaled up to 10 days. The goal is to assess the impacts of stressed scenarios on the portfolio and current market levels.
T1/T2	Tier 1/Tier 2 capital
TLAC	Total Loss Absorbing Capacity: a ratio applicable to G-SIBs that aims to ensure that each G-SIB has the capacity to continue its essential operations for the economy even after a loss has consumed all of its capital. In November 2015, the FSB published the final TLAC calibration: all TLAC-eligible instruments will have to be equivalent to at least 16% of risk-weighted assets at January 1, 2019 and at least 6% of the leverage ratio denominator. TLAC will subsequently have to be equivalent to 18% of risk-weighted assets and 6.75% of the leverage ratio denominator from January 1, 2022.
TRS	Total Return Swap, *i.e.* a transaction whereby two parties exchange the income generated and any change in value on two different assets over a given time period.
TSS	*Titres supersubordonnés*/deeply subordinated notes, *i.e.* perpetual bonds with no contractual redemption commitment that pay interest in perpetuity. In the event of liquidation, they are repaid after other creditors (subordinated loans). These securities pay annual interest contingent on the payment of a dividend or the achievement of a specific result.
TUP	*Transmission universelle de patrimoine*/Total transfer of assets and liabilities
VaR	Value at Risk: a measurement of market risk on a bank's trading book expressed as a monetary value. It allows the entity performing the calculation to appraise the maximum losses liable to be incurred on its trading book. A statistical variable, VaR is always associated with a confidence interval (generally 95% or 99%) and a specific time frame (in practice, one day or 10 days, as the trading positions involved are meant to be unwound within a few days).

Key technical terms	
(the Basel Accords)	
“Bank acting as investor”	See securitization
“Bank acting as originator”	See securitization
“Bank acting as sponsor”	See securitization
Basel II	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)	An update to the supervisory framework for banks incorporating the lessons from the 2007-2008 financial crisis, meant to complement the Basel II accords by reinforcing the quality and quantity of the minimum capital requirements applicable to financial institutions. Basel III also establishes minimum requirements for liquidity risk management (quantitative ratios), defines measures aimed at limiting procyclicality in the financial system (capital buffers that vary according to the economic cycle) and reinforces requirements for financial institutions deemed to be systemically important.
Bond	A portion of a loan issued in the form of an exchangeable security. For a given issue, a bond grants the same debt claims on the issuer for the same nominal value, the issuer being a company, a public sector entity or a government.
Collateral	A transferable asset or guarantee pledged to secure reimbursement on a loan in the event the borrower fails to meet its payment obligations.
Common Equity Tier 1 ratio	Ratio of Common Equity Tier 1 (CET1) capital to risk-weighted assets. The CET1 ratio is a solvency indicator used in the Basel III prudential accords.
Cost/income ratio	A ratio indicating the portion of net banking income used to cover operating expenses (the company’s operating costs). It is calculated by dividing operating costs by net banking income.
CRD IV/CRR	(see Acronyms) directive 2013/36/EU (CRD IV) and regulation (EU) No. 575/2013 (CRR), which transpose Basel II in Europe. In conjunction with the EBA’s (European Banking Authority) technical standards, they define European regulations for the capital, major risk, leverage and liquidity ratios.
Credit and counterparty risk	The risk of loss from the inability of clients, issuers or other counterparties to honor their financial commitments. Credit risk includes counterparty risk related to market transactions and securitization.
Credit derivative	A financial product whose underlying asset is a credit obligation or debt security (bond). The purpose of the credit derivative is to transfer credit risk without transferring the asset itself for hedging purposes. One of the most common forms of credit derivatives is the credit default swap (CDS).
Derivative	A financial security or financial contract whose value changes based on the value of an underlying asset, which may be either financial (equities, bonds, currencies, etc.) or non-financial (commodities, agricultural products, etc.) in nature. This change may coincide with a multiplier effect (leverage effect). Derivatives can take the form of either securities (warrants, certificates, structured EMTNs, etc.) or contracts (forwards, options, swaps, etc.). Exchange-traded derivatives contracts are called futures.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in a standard arm’s length transaction between market participants at the measurement date. Fair value is therefore based on the exit price.
Gross exposure	Exposure before the impact of provisions, adjustments and risk mitigation techniques
Haircut	The percentage by which a security’s market value is reduced to reflect its value in a stressed environment (counterparty risk or market stress).
Leverage ratio	Tier 1 capital divided by exposures, which consist of assets and off-balance sheet items, after restatements of derivatives, funding transactions and items deducted from capital. Its main goal is to serve as a supplementary risk measurement for capital requirement.s
Liquidity	In a banking context, liquidity refers to a bank’s ability to cover its short-term commitments. Liquidity also refers to the degree to which an asset can be quickly bought or sold on a market without a substantial reduction in value.
Liquidity risk	The risk that a bank will be unable to honor its payment commitments as they fall due and replace funds when they are withdrawn.
Market risk	The risk of loss of value on financial instruments resulting from changes in market inputs, from the volatility of these inputs or from the correlations between these inputs.
Net value	Total gross value less allowances/impairments
Netting agreement	A contract whereby two parties to a forward financial instrument (financial contract, securities loan or repurchase agreement) agree to settle their reciprocal claims under these contracts through a single consolidated net payment, particularly in the event of default or contract termination. A master netting agreement extends this mechanism to different transactions through one all-encompassing contract.
Operational risk	The risk of losses or sanctions arising from the failure of internal systems or procedures, human error or external events.
Pillar I	Pillar I sets minimum requirements for capital. It aims to ensure that banking institutions hold sufficient capital to provide a minimum level of coverage for their credit risk, market risk and operational risk. The bank can use standardized or advanced methods to calculate its capital requirement.
Pillar II	Pillar II establishes a process of prudential supervision that complements and strengthens Pillar I.
Pillar III	Pillar III is concerned with establishing market discipline through a series of reporting requirements. These requirements – both qualitative and quantitative – are intended to improve financial transparency in the assessment of risk exposure, risk assessment procedures and capital adequacy.
Rating	An appraisal by a financial rating agency (Fitch Ratings, Moody’s, Standard & Poor’s) of the creditworthiness of an issuer (company, government or other public entity) or a transaction (bond issue, securitization, covered bond). The rating has a direct impact on the cost of raising capital.

Key technical terms

Rating agency	An organization that specializes in assessing the creditworthiness of issuers of debt securities, *i.e.* their ability to honor their commitments (repayment of capital and interest within the contractual period).
Resecuritization	The securitization of an exposure that is already securitized where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitization position.
Risk appetite	Level of risk, expressed through quantitative or qualitative criteria, by type of risk and business line, that the Group is prepared to accept given its strategy. The risk appetite exercise is one of the key strategic oversight tools available to the Group's management team.
Securitization	A transaction whereby credit risk on loan receivables is transferred to investors by an entity through the issuance of negotiable securities.This may involve the transfer of receivables (physical securitization) or the transfer of risks only (credit derivatives). Some securitization transactions are subordinated through the creation of tranches: • ABS – Asset-Backed Securities, i.e. instruments representing a pool of financial assets (excluding mortgage loans), whose performance is linked to that of the underlying asset or pool of assets; • CDOs – Collateralized Debt Obligations, i.e. debt securities backed by a pool of assets which can be either bank loans (mortgages) or corporate bonds. Interest and principal payments may be subject to subordination (i.e. through the creation of tranches); • CLOs – Collateralized Loan Obligations, i.e. credit derivatives backed by a homogeneous pool of commercial loans; • CMBS – Commercial Mortgage-Backed Securities • RMBS – Residential Mortgage-Backed Securities, i.e. debt securities backed by a pool of assets consisting of residential mortgage loans; • Bank acting as originator: the securitization exposures are the retained positions, even where not eligible for the securitization framework due to the absence of significant and effective risk transfer; • Bank acting as investor: investment positions purchased in third-party deals; • Bank acting as sponsor: a bank is considered a "sponsor" if it, in fact or in substance, manages or advises the program, places securities into the market, or provides liquidity and/or credit enhancements. The program may include, for example, asset-backed commercial paper (ABCP) conduit programs and structured investment vehicles. The securitization exposures include exposures to ABCP conduits to which the bank provides program-wide enhancements, liquidity and other facilities
Share	An equity security issued by a corporation, representing a certificate of ownership and entitling the holder (the "shareholder") to a proportional share in the distribution of any profits or net assets, as well as a voting right at the Annual General Shareholders' Meeting.
Standardized approach	An approach used to determine capital requirements relative to credit risk, pursuant to Pillar I of Basel II. Under this approach, the risk weightings used when calculating capital requirements are determined by the regulator.
Structural interest rate and exchange rate risk	The risk of losses or impairment on assets arising from changes in interest rates or exchange rates. Structural interest rate and foreign exchange risks are associated with commercial activities and proprietary transactions.
Swap	An agreement between two counterparties to exchange different assets, or revenues from different assets, until a given date.
Tier 1 capital	Core capital including the financial institution's consolidated shareholders' equity minus regulatory deductions.
Tier 2 capital	Supplementary capital mainly consisting of subordinated securities minus regulatory deductions.
Total capital ratio	Ratio of regulatory capital (Tier 1 and 2) to risk-weighted assets (RWA).

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GROUPE BPCE

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