

2.1 Chairman's report on the work of the Supervisory Board and on the internal control and risk management procedures for the year ended December 31, 2010

Dear shareholders,

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

- the conditions governing the preparation and organization of the Supervisory Board's work during the year ended December 31, 2010;
- internal control and risk management procedures adopted by BPCE;
- internal control procedures for the preparation and processing of accounting and financial information.

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

A preliminary presentation of this report was made to the Appointments and Remuneration Committee on January 19, 2011 (*i.e.* the section on governance) and to the Audit Committee on February 21, 2011, this report was then again presented for approval to the Supervisory Board at its meeting held on February 22, 2011.

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

2.1.1 Conditions governing the preparation and organization of the Supervisory Board's work

CORPORATE GOVERNANCE

The AFEP-MEDEF Corporate Governance Code updated in April 2010, including the October 2008 recommendations on executive pay, is the one to which BPCE referred in preparing this report, as set out in Article L. 225-68 of the French Commercial Code.

Only certain provisions not regarded as relevant with respect to BPCE's operating procedures as a cooperative company and the composition of its Board were dismissed. These provisions were as follows: terms of office and the staggered renewal of Board members and their ownership of a material number of shares.

As regards the terms of office, unlike the maximum four-year term recommended in the AFEP-MEDEF Corporate Governance Code, the statutory term of office of BPCE Supervisory Board members is six years, which meets the requirement that members must have experience and a more comprehensive vision of BPCE's business and activities. Similarly, there is no staggered renewal for BPCE Board members, which can be explained by Groupe BPCE's cooperative organization. This cooperative organization also explains that the Appointments and Remuneration Committee's proposal regarding the appointment of Board members only concerns the members from outside the Group.

As regards a Supervisory Board member's ownership of a material number of shares, BPCE's bylaws 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 their personal capacity, but the various categories of shareholders are represented through their appointment, which ensures that the company's interests are respected.

(1) An exhaustive description of shareholder categories is available on pp. 398-400.

Moreover, in accordance with the agreement signed with the French government on October 24, 2008 and in connection with the French government's economic recovery program, BPCE formally adheres to and implements the AFEP-MEDEF recommendations on directors' remuneration.

COMPOSITION OF THE SUPERVISORY BOARD

BPCE's Supervisory Board members took office on July 31, 2009, for a term of six years.

Guidelines

Pursuant to Article 21 of the bylaws amended by the Extraordinary Shareholders' Meeting of December 16, 2010, BPCE's Supervisory Board is made up of between 10 and 18 members. At December 31, 2010, it consisted of seven representatives of category A shareholders (Caisses d'Épargne et de Prévoyance), seven representatives of category B shareholders (Banque Populaire banks and a minimum number of minority shareholders) and four independent members within the meaning of the Corporate Governance Code for listed companies published by AFEP-MEDEF⁽¹⁾ in December 2008.

In accordance with Article L. 2323-62 of the French Labor Code, the bylaws also stipulate the presence of non-voting representatives from the company's work council.

Appointment method

During the company's life, and subject to co-opting, Supervisory Board members are appointed by shareholders in the Ordinary Shareholders' Meeting, as

indicated in Article 21 of BPCE's bylaws, on a motion by A or B shareholders, depending on the category in question.

As regards the independent members, they are proposed by the Appointments and Remuneration Committee to the Supervisory Board, which requests that the Management Board puts their appointment to a vote at the Ordinary General Shareholders' Meeting.

Supervisory Board members hold office for a term of six years. A Supervisory Board member's duties come to an end after a meeting at which the ordinary shareholders have ruled on the financial statements for the past accounting period, held during the year in which his or her term expires.

Board members may be re-elected subject to no limitations other than age-related limitations contained in the bylaws (68 years old).

Gender equality of the Supervisory Board

BPCE anticipated the adoption of the Act of January 27, 2011, the "Copé Zimmermann," about the balanced representation of women and men within Boards of Directors and Supervisory Boards by appointing two women to BPCE Supervisory Board; these appointments bring the number of women on the board from four out of a total 18 members, i.e. more than 20%, now in compliance with the proportion that should be reached in 2014 according to the law. A proportion of 40% women will be reached in 2017.

Members

Philippe Dupont is the Chairman of the Supervisory Board.

Mr Dupont, 59, was Chairman and CEO of Banque Fédérale des Banques Populaires from 1999 to 2009, and Chairman of the Management Board of Natixis from 2006 to 2009. For 12 years, he was director of a commodities wholesaler and then Chairman of the Board of Directors of BP ROP Banque Populaire (now Banque Populaire Val de France) from 1983 to 1999.

Yves Toublanc is Vice-Chairman of the Supervisory Board.

Yves Toublanc, 64, has been Chairman of the Steering and Supervisory Board (COS) of Caisse d'Épargne Rhône Alpes since 2007. He was active in the fields of management control and financial management for many years, then in the management of subsidiaries in the Saint-Gobain Group and then the Poliet Group. As a business leader, he founded and now helms an industrial companies group in the Rhône-Alpes region.

In addition to the Chairman and Vice-Chairman, the Board consists of the following representatives of category A shareholders:

- Catherine Amin-Garde, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Loire Drôme Ardèche;
- Bernard Comolet, Chairman of the Management Board of Caisse d'Épargne Île-de-France;
- Francis Henry, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Lorraine Champagne-Ardenne;
- Pierre Mackiewicz, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Côte d'Azur;
- Didier Patault, Chairman of the Management Board of Caisse d'Épargne Bretagne-Pays de Loire;
- Pierre Valentin, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Languedoc-Roussillon.

The following category B shareholder representatives:

- Gérard Bellemon, Chairman of Banque Populaire Val de France

- Thierry Cahn, Chairman of Banque Populaire d'Alsace;
- Jean Criton, Chief Executive Officer of Banque Populaire Rives de Paris;
- Pierre Desvergues, Chairman of CASDEN Banque Populaire;
- Stève Gentili, Chairman of BRED Banque Populaire;
- Bernard Jeannin, Chief Executive Officer of Banque Populaire Bourgogne Franche-Comté.

As independent members:

- Maryse Aulagnon, independent member, Chief Executive Officer of Groupe AFFINE;
- Laurence Danon, independent member, Chairman of Edmond de Rothschild Corporate Finance;
- Marwan Lahoud, independent member, head of strategy and marketing and member of the Executive committee of EADS;

Marie-Christine Lombard, independent member, Chief Executive Officer of TNT Express. Non-voting directors

The Supervisory Board includes seven non-voting members acting in an advisory capacity.

Natixis is a non-voting director as of right (Article 28.1 of the BPCE bylaws), represented by its Chief Executive Officer, Laurent Mignon. The Ordinary General Shareholders Meeting appointed six other non-voting directors.

Three non-voting members appointed from among the candidates proposed by category B shareholders, per Article 31.1, paragraph 10 (the "non-voting directors A"):

- Michel Sorbier, Chairman of the Fédération Nationale des Caisses d'Épargne;
- Pierre Carli, Chairman of the Management Board of Caisse d'Épargne Midi-Pyrénées;
- Jean Merelle, Chairman of the Management Board of Caisse d'Épargne Nord France Europe.

Three non-voting members appointed from among the candidates proposed by category A shareholders, per Article 31.1, paragraph 9 (the "non-voting directors B"):

- Raymond Oligier, Chairman of the Fédération Nationale des Banques Populaires;
- Christian du Payrat, Chief Executive Officer of Banque Populaire Provençale et Corse;
- Alain Condaminas, Chief Executive Officer of Banque Populaire Occitane.

ROLE AND OPERATING PROCEDURES OF THE SUPERVISORY BOARD

Duties and powers

The Supervisory Board performs the duties attributed to it by law. In this respect, at all times of year, the Supervisory Board performs the checks and controls it deems appropriate, and may have sent to it 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 per quarter;

- checks and controls the company's individual and consolidated parent company financial statements prepared by the Management Board and presented by that Board within three months from the end of the accounting period, along with a written report on the company's and its subsidiaries' position and their activity during the past year;
- presents its comments on the Management Board's report and the year's financial statements to shareholders in the Annual Shareholders' Meeting.

In accordance with the law, the following transactions cannot be performed by the Management Board until they have secured prior authorization from the Supervisory Board, acting by simple majority of its present or represented members:

- disposal of buildings by type and total or partial disposals of equity interests (it being specified that the Board set at €200 million the annual amount for disposals of building by type and €200 million for the total or partial disposals of equity interests; the Board's authorization for these transactions shall not be required if the previous limits were not exceeded);
- the provision of company property as collateral.

In addition to these powers, the Supervisory Board has powers to do the following:

Own powers:

- appoint the Chairman of the Management Board;
- appoint the other members of the Management Board, following proposals by the Chairman of the Management Board;
- set the method and amount of remuneration paid to each Management Board member;
- grant the status of Chief Executive Officer to one or more members of the Management Board on the proposal of the Chairman of the Management Board, and withdraw that status from such members;
- propose the appointment of the Auditors at the Annual General Shareholders' Meeting;
- decide where to move the registered offices within the same department or to an adjacent department, subject to that decision being ratified at the next Ordinary General Shareholders' Meeting.

Decisions subject to a simple majority vote:

- approve the policy and strategy of the Group and each network;
- authorize any planned transaction or buyback of C shares in an amount greater than €200 million;
- approve the company's annual budget and determine the rules for calculating contributions from affiliated entities;
- approve disposals of securities;
- authorize regulated agreements pursuant to the French Commercial Code;
- approve the Group's internal solidarity mechanisms;
- approve the national and international agreements involving each of the networks and the Group as a whole;
- approve the general criteria that must be fulfilled by the directors of the Group's affiliated entities, including age limits, which cannot exceed 65 years old for Chief Executive Officers or members of the Management Board, and 68 years old for Chairmen of Boards of Directors and Steering and Supervisory Boards;
- authorize the directors of affiliated entities or remove authorizations from directors of affiliated entities and make other dismissals as set out in Article L 512-108 of the Monetary and Financial Code;

- approve the creation or abolition of a Banque Populaire or Caisse d'Epargne, including through the merger of two or more Banque Populaire banks or two or more Caisses d'Epargne et de Prévoyance;
- examine and approve the main risk limits relating to the Group and each network, as defined by the Management Board; perform regular examinations and checks on the Group's risks, developments in those risks and the systems and procedures used to control them; examine the activity and results of internal control, and the main conclusions of assignments performed by Group internal audit;
- appoint BPCE's representatives to Natixis' Board of Directors, among whom representatives from the Groupe Caisse d'Epargne and representatives from the Groupe Banque Populaire will be of identical number and will hold at least the majority of seats together;
- adopt the Board's internal⁽¹⁾ rules.

Decisions subject to a qualified majority vote (15 of 18 members):

- any decision to subscribe or acquire (or to enter into any agreement binding the company for the purpose of subscribing or acquiring), by any means (including by transfer of assets to the company), securities or rights of any type whatsoever, be they issued by a company or any other entity, and representing an investment or asset transfer value, directly or indirectly, of greater than €1 billion;
- any decision to subscribe or acquire (or to enter into any agreement binding the company for the purpose of subscribing or acquiring), by any means (including by transfer of assets to the company), securities or rights of any type whatsoever, be they issued by a company or any other entity, and representing an investment or asset transfer value, directly or indirectly, of greater than €1 billion;
- any decision by the company to issue capital securities or securities giving immediate or eventual access to the company's capital, with the shareholders' preemptive rights waived;
- any decision to propose to the Annual General Shareholders' Meeting any changes to the bylaws concerning the company that affect or are likely to affect the rights of category C shareholders, or that change the terms of governance;
- any merger, demerger, spin-off, or related decision involving the company;
- any decision relating to a material amendment of the internal rules of the company's Supervisory Board affecting the specific rights of category C shareholders;
- any decision to remove the Chairman of the company's Management Board from his office as Chairman;
- any decision relating to the listing of the shares of the company or one of its main direct or indirect subsidiaries for trading on a regulated market. The Supervisory Board's decisions, taken in the context of the company exercising its functions as the central body of the network, are preceded by a consultation with Natixis.

At its December 16, 2010 meeting, the Annual General Shareholders' Meeting amended the BPCE bylaws to take into account the prospect of the government's final disposal of BPCE equity with the implementation of a majority rule of 12 members out of 18 for key decisions instead of the current majority rule of 15 out of 18 members.

Supervisory Board's internal rules

The Internal Rules of the Supervisory Board, adopted at the Board's meeting on July 31, 2009, are the Supervisory Board's governance charter, which sets

(1) All provisions are included in the chairman's report.

its internal operating procedures, specifically intending to ensure efficient interaction and the smooth running of governing bodies.

It enhances the work done by Supervisory Board members, by promoting the application of corporate governance principles and best practice in the interests of ethics and efficiency.

Its purpose is also to supplement the bylaws, including by:

- specifying the procedures for convening meetings of the Supervisory Board and Supervisory Board committees, as well as the rules under which they are to deliberate;
- recalling the cases for the Board's prior approvals, as specified by law, which appear in Article 27.1 of the Company's bylaws;
- recalling the decisions requiring the Board's prior approval for significant transactions (Important and Key Decisions), which appear in Articles 27.3 and 27.4 of the Company bylaws;
- recalling the Board's reporting rules;
- specifying the duties of different committees, of which internal rules are constituted;
- specifying the obligation of professional secrecy and the obligation of confidentiality owed by members of the Supervisory Board and its committees;
- defining penalties applicable in the event that a member of the Supervisory Board or of a committee fails to comply with one of his obligations.

Independence of members

In keeping with the corporate governance principles and best practice as set out in the Supervisory Board's Internal Rules, adopted on July 31, 2009, 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 the event of any conflict of interest, they abstain from all debate and decisions on the matters concerned.

The Supervisory Board and each of its committees includes elected or co-opted independent members. The definition below is based on the Corporate Governance Code for listed companies published in December 2008 and updated in April 2010 by the Association Française des Entreprises Privées (AFEP/MEDEF Code) and by the Mouvement des Entreprises de France.

However, BPCE does depart from the recommendations of the AFEP-MEDEF Code with regard to the portion of independent directors on the Supervisory Board and its committees: due to the mutualist organization of Groupe BPCE, the portion of directors representing the Caisse d'Épargne and Banque Populaire banks is larger than that of independent directors within the meaning of the AFEP-MEDEF Code – four in number.

The criteria stated below are designed to define a member's independent status, and its guiding principle is that "a member is independent if he has no relations of any sort with the company, the group it belongs to or its management, which might compromise the exercise or freedom of the member's judgment."

An independent member must not:

- be an employee or executive director of the company or the Group, or an employee or director of one of the company's shareholders, and must not have been so during the previous five years;

be a representative of the government, a civil servant or an employee of Société de Prise de Participation de l'État (SPPE) or any other entity in which the government has a direct or indirect majority interest;

- be a corporate officer of a company in which the company directly or indirectly has the office of director or in which a designated employee or corporate officer of the company (either currently or in the last five years) has the office of director;
- be a client (or directly or indirectly linked to a client), supplier, investment banker, or financing banker, if the business relationship is such that it could compromise the exercise of the freedom of judgment of the member in question;
- have a close family link with a corporate officer of the company or its group;
- have been an examiner, accountant, or permanent or temporary auditor of the company or of any of the Group's companies during the last five years;
- have been a corporate officer of the company for more than 12 years;
- or receive or have received any substantial additional compensation from the company or the Group, excluding attendance fees and including any participation in any stock option formula or any other performance-based compensation formula.

The expression "executive director" means any person who assumes, in the company or any of the Group's companies, the duties of management, *i.e.* any Chairman, Chairman of the Board of Directors or Management Board, member of the Management Board, Chief Executive Officer or Deputy Chief Executive Officer of the company or any of the Group's companies, except for members of the Board of Directors or Supervisory Board provided they do not collect any other form of compensation from the company or any of the Group's companies, not including any attendance fees paid by the company or any compensation as Chairman or Vice-Chairman of the Supervisory Board.

The Supervisory Board may find that one of its members, although meeting the criteria above, should not be classified as independent given his or her individual situation or that of the company, with regard to his or her shareholding or for any other reason.

Integrity of members

In accordance with the internal rules of BPCE's Supervisory Board, Supervisory Board members must perform their duties with loyalty and professionalism.

They must not take any initiatives intended to damage the company's interests, and they must act in good faith in all circumstances.

Furthermore, all members of the Supervisory Board and its committees, as well as anyone who may be invited to attend their meetings, are held to an obligation of professional secrecy as provided for in Article L. 511-33 of the French Monetary and Financial Code and to an obligation of discretion regarding their discussions, as well as on 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 reiterates that the proceedings of a Meeting are confidential whenever regulations or the interests of the company or the Group may require it. The Chairmen of each Board committee proceed in the same fashion. The Chairman of the Board or one of its committees shall take the measures necessary to ensure the confidentiality of discussions. He 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 one of his obligations, in particular the obligation of confidentiality, the Chairman of the Supervisory Board shall refer the matter to the Board in order to issue a warning to the member concerned, independently of any measures taken under the applicable laws, regulations or bylaws.

The member concerned shall be given advance notice of the penalties being considered, and shall be able to make representations to the Supervisory Board.

Supervisory Board members:

- undertake to devote the necessary time and attention to their duties;
- must attend all of the meetings of the Supervisory Board and the committees of which they are members, unless this is impossible;
- shall stay informed about the company's business lines, activities, issues and values;
- shall endeavor to maintain the level of knowledge they need to fulfill their duties;
- are bound to require and to make every effort to obtain, within an appropriate time, the information which they consider they need before they can hold discussions at Supervisory Board meetings in full knowledge of the facts.

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 govern the conflicts of interest of any member of the Supervisory Board;
- there is no arrangement or agreement with an individual shareholder, client, 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 assignment of his or her equity interest in the company's capital.

Declaration of Non-Conviction

To the Company's knowledge, as of this date, no member of BPCE's Supervisory Board has been convicted of fraud in the last five years. To the Company's knowledge, as of this date, no member of BPCE's Supervisory Board has been declared bankrupt or in liquidation, or had his or her assets put in receivership, in the last five years.

ACTIVITIES OF THE SUPERVISORY BOARD

In accordance with Article 25.1 of the bylaws, 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 external auditors have been invited to Board meetings examining full-year and half-year financial statements.

The BPCE Supervisory Board met 11 times between January 1, and December 31, 2010. In 2010, the attendance rate for Supervisory Board members was 93.75%. In addition to issues routinely discussed (business activities, quarterly Management Board reports, regulated agreements, approvals of Executive 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

- Variable pay and remuneration policy for executives;
- Information relating to the appointment of the Groupe BPCE's Internal Audit Director;

- Review of applications for the appointment of two external members of the Supervisory Board (independent members) and proposal to the Management Board of the two candidates selected;
- Authorization to amend the regulatory nature of certain agreements.

Chief Financial Officer

- Presentation of BPCE's annual financial statements for the year ended December 31, 2009;
- Presentation of BPCE's quarterly and first half-year financial statements;
- Approval of the 2010 and 2011 budgets;
- Adoption of the regulation concerning solidarity and guarantees between the Banque Populaire and Caisse d'Epargne et de Prévoyance networks amended following the merger of CE Participations and BP Participations by BPCE.
- Monitoring impacts relating to Basel III;
- Monitoring of management of the intra-group ratio requirements.
- Authorization to create a new Groupe BPCE refinancing tool.

Audit – Compliance – Risks

- Monitoring of Prudential Supervision Authority (ACP) reports and enquiries;
- Interactions with the French Prudential Supervision Authority (ACP) regarding the improvements made by the group overseeing on a consolidated basis the risks of the Groupe Caisse d'Epargne;
- Approval of the report of the Chairman of the Supervisory Board on internal control;
- Review of the reports on the operation of internal control prepared pursuant to Article 42 of CRBF Regulation 97-02 on the measurement and supervision of risks, prepared pursuant to Article 43 of CRBF Regulation 97-02;
- Review of the annual report by the Compliance Officer for investment departments at the AMF;
- Presentation of the "Groupe BPCE Internal Control", "Groupe BPCE Business Continuity", "Groupe BPCE Information Systems Security", and "Audit and Regulatory Review" charters;
- Approval of the amendment of the "Large Risks" regulation on the weightings of the interbank commitments and the proposal to set up internal limits lower than the regulatory ones;

Strategic operations

- Strategic Plan monitoring;
- Authorization to merge Caisse d'Epargne de Nouvelle Calédonie/Banque de Nouvelle Calédonie;
- Reporting on renewal of the BPCE partnership agreement with *Crédit Immobilier et Hôtelier Partenariat* (CIH);
- Authorization to sell Natixis' own-account trading capital investment business to AXA Private Equity;
- Authorization for BPCE to merge CE Participations and BP Participations;
- Authorization to buy some preferred shares issued for the SPPE;
- Authorization to sell Société Marseillaise de Crédit (SMC) to Crédit du Nord;
- Authorization for BPCE to make the complete transfer of assets and liabilities of GCE Paiements to Natixis Paiements;
- Authorization for the contribution of securities from BCI, BICEC, SCI CIG, BCP Luxembourg SA, Natixis Pramex International and Proparco by BPCE to BPCE International et Outre-Mer (BPCE IOM);

Depending on the type of questions submitted to the Supervisory Board, discussions were held and decisions taken on the basis of reports presented by the relevant Board committees.

OPERATING PROCEDURES OF SUPERVISORY BOARD COMMITTEES

The Supervisory Board has instituted three specialized committees in charge of preparing its decisions and making recommendations to it, whose duties, resources and makeup 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 jurisdiction of a committee created by it is preceded by the referral of the matter to the said committee, and a decision may only be taken after that committee has issued its recommendations or motions.

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

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

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

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

Each committee consists of at least three and at most seven members.

The Supervisory Board may also appoint a non-voting member from outside the Group or a non-voting director to any of these committees.

Within each of the committees, a Chairman is in charge of organizing the work. The Chairman of each committee is appointed by the Supervisory Board.

Risk Management committee

Composition

The Risk Management committee has been chaired by Marwan Lahoud since July 31, 2009, the date on which he was appointed by the Supervisory Board as an independent member.

Marwan Lahoud's career has included spells as special advisor and then advisor on industrial, research and armament matters to the cabinet of the Defence Minister, special advisor to the head of human resources at DGA (France's general delegation for ordnance), Senior Executive Vice-President, Development at Aerospatiale and secretary-general of the Aerospatiale-Matra committee, Senior Vice-President in charge of mergers and acquisitions at EADS and Chief Executive Officer of MBDA Missile Systems.

He is currently Deputy Chief Executive Officer of EADS, in charge of marketing and strategy, and a member of EADS' executive committee. Mr Lahoud's extensive experience played a significant part in his appointment as Chairman of the Audit and Risk Committee, as an independent member.

The committee's other members were also chosen for their expertise in accounting, finance and internal control:

- Thierry Cahn, Chairman of Banque Populaire d'Alsace;
- Bernard Comolet, Chairman of the Management Board of Caisse d'Epargne Île-de-France;
- Jean Criton, Chief Executive Officer of Banque Populaire Rives de Paris;
- Marie-Christine Lombard, Chairwoman and Chief Executive Officer of TNT Express;

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

Duties

The Audit and Risk Committee assists the Supervisory Board in its role of checking and reviewing the financial statements and the Management Board's report on the company's business.

In this capacity, it analyses the quality of information provided to shareholders, and more generally fulfils duties set out in the French Commercial Code as amended by order 2008-1278 of December 8, 2008 and CRBF Regulation 97-02 of February 21, 1997 as amended, relating to the internal control of credit institutions and investment companies.

The Chairman and Vice-Chairman of the Supervisory Board receive the reports of the Audit and Risk Committee and may take part in the committee's meetings if they desire.

The Risk Management committee monitors:

- a) the process of preparing financial information, the statutory audit of the annual and consolidated financial statements, as well as the auditors' independence.

In this respect, its duties include:

- reviewing quarterly, half-year and annual consolidated financial statements of the company and the Group, as well as the company's individual annual financial statements, which are presented to it by the Management Board prior to their review by the Supervisory Board;
- checking that the information provided is clear;
- reviewing the scope of consolidated companies and supporting evidence;
- assessing the appropriateness of accounting methods adopted for preparing the company's individual financial statements and the consolidated financial statements of the company and the Group;
- reviewing the draft of the Supervisory Board Chairman's report on internal control and risk management procedures as regards preparing and processing accounting and financial information;
- reviewing the prudential and accounting impacts of any significant acquisition by the company or the Group;
- issuing recommendations on the external auditor selection procedure, and on the external auditors proposed to the General Meeting of Shareholders;
- making sure that the auditors are independent, specifically by reviewing the itemized fees that are paid to them by the Group as well as to any network to which they might belong, and by giving prior approval for any assignment costing more than €1 million, before tax, that does not fall within the strict framework of statutory auditing of the financial statements but which is consequential or accessory to it, with any other assignment being disqualified;
- reviewing the auditors' work schedule, the results of their audits and recommendations, and any follow-up action taken.

- b) the efficacy of internal oversight and risk management systems.

In this respect, its duties include:

- assessing the quality of the internal controls performed by the company and the Group, including the consistency and completeness of systems for measuring risk supervision and management; proposing additional action in this area as required; examining annual reports relating to the measurement and supervision of risk, and the conditions in which internal controls are performed within the Group;
- reviewing the total risk exposure of the company's and the Group's activities, based on relevant reports;

- formulating opinions on the Group's broad policies in terms of risks and compliance, specifically on the risk limits reflecting risk tolerance as presented to the Board;
- proposing to the Board the significance criteria and thresholds mentioned in Article 17 *ter* of CRBF Regulation 97-02, which are used to identify incidents that must be brought to the Board's attention;
- ensuring that the remuneration policy is in line with risk management targets;
- ensuring that the Group's internal audit unit is independent, and authorized to receive from the Group's banks, or to itself access, all items, systems, or information required for the successful performance of its duties;
- reviewing the annual schedule of the Group's Internal Audit;
- ensuring that the findings of audits performed by the French Prudential Supervision Authority (ACP) and Group Internal Audit, of which the summaries regarding the company and the Group's entities are disclosed to it, are addressed;
- reviewing the follow-up letters sent by the French Prudential Supervision Authority and issuing an opinion on the draft replies to these letters.

Business

The Risk Management committee met eight times between January 1 and December 31, 2009. The attendance rate at meetings was 93.33%.

The main issues that it dealt with were as follows:

FINANCES:

- Presentation of BPCE's annual financial statements for the year ended December 31, 2009;
- 2010 and 2011 Budgets;
- Presentation of BPCE's quarterly and first half-year financial statements;
- Monitoring of management of the intra-group ratio requirements;
- Review of the impacts of Basel III.

AUDIT – COMPLIANCE – RISKS:

- Monitoring of Prudential Supervision Authority (ACP) reports and enquiries;
- Review and monitoring of the Chairman of the Supervisory Board's report on internal control;
- Review of the reports on the operation of internal control prepared pursuant to Article 42 of CRBF Regulation 97-02 on the measurement and supervision of risks, prepared pursuant to Article 43 of CRBF Regulation 97-02;
- Presentation of the "Groupe BPCE Internal Control", "Groupe BPCE Business Continuity", "Groupe BPCE Information Systems Security", and "Audit and Regulatory Review" charters;
- Annual report by the Compliance Officer for the investment departments at the AMF;
- Review of the supervision of risks (Presentation of ceilings, limits and delegations);
- Review of Group and BPCE Business Continuity plan;
- Regular reporting on managing Natixis segregated assets;
- Approval of the audit plan for the group internal audit and analysis of the monitoring of the recommendations issued by the French Prudential Supervision Authority (ACP) and the Group internal audit at the end of their duties.

STRATEGIC OPERATIONS:

- Review of the merger of CE Participations and BP Participations by BPCE;
- Reporting on renewal of the BPCE partnership agreement with Crédit Immobilier et Hôtelier Partenariat (CIH);

- Review of the sales of Société Marseillaise de Crédit (SMC) to Crédit du Nord;
- Review of the plan to contribute securities from BCI, BICEC, SCI CIG, BCP Luxembourg SA, Natixis Pramex International and Proparco through BPCE to BPCE International et Outre-Mer (BPCE IOM)
- Opinion on the purchase of some preferred shares issued for the SPPE.

Appointments and Remuneration Committee

Composition

The committee has been chaired by Laurence Danon since July 31, 2009, which is when she was appointed by the Supervisory Board as an Independent member.

Laurence Danon is Chairman of the Management Board, Edmond de Rothschild Corporate Finance. During her career, she has been Chief Executive Officer of Ato Findley SA, Chairman of the Management Board and then Chairman and Chief Executive Officer of France-Printemps, and Chairman of the "new generation" committee of *Mouvement des Entreprises de France* (MEDEF). The other members of the Appointments and Remuneration committee are selected on the basis of their expertise and professional experience:

- Catherine Amin Garde, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche;
- Maryse Aulagnon, Chief Executive Officer of Groupe Affine;
- Gérard Bellemon, Chairman of the Board of Directors of Banque Populaire Val de France;
- Stève Gentili, Chairman of BRED Banque Populaire
- Pierre Mackiewicz, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur.

Duties

The Appointments and Remuneration Committee prepares decisions of the BPCE Supervisory Board on the following topics.

PAY

The Appointments and Remuneration committee is in charge of formulating proposals to the Supervisory Board concerning:

- the remuneration levels and methods applied to members of the company's Management Board, including benefits in kind, benefit plans and retirement plans,
- the remuneration of the Supervisory Board's Chairman and any Vice-Chairmen;
- the allocation 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 AGM.

Furthermore, the Appointments and Remuneration committee:

- gives its opinion to the Board on the policy for granting stock options or similar securities, and on the list of recipients;
- is informed of the Group's remuneration policy, particularly the policy regarding the senior management of affiliated banks;
- reviews and issues opinions on the insurance policies taken out by the company in terms of manager liability;
- gives an opinion to the Board about the section of the annual report that covers these issues.

SELECTION

The committee makes proposals and recommendations to the Supervisory Board on:

- the choice of members of the Supervisory Board and non-voting members, who come from outside the Group, it being stipulated that Supervisory Board members from inside the Group are proposed to the Board in keeping with the company bylaws and Article L. 512-106 of the Monetary and Financial Code.

Its duties also include:

- making proposals to the Board for the appointment of the Chairman of the company's Management Board;
- coordinating the Supervisory Board's evaluation process, which is performed either by itself or under any other appropriate internal or external procedure. In this respect, it proposes any necessary updates to the company's rules of governance (the Board's internal rules);
- examining the Chairman's draft corporate governance report.

Business

The Appointments and Remuneration committee met 8 times between January 1 and December 31, 2010. The average attendance rate at meetings was 95.55%.

The main issues dealt with by the Appointments and Remuneration committee in 2010 were as follows:

- Variable remuneration policy for board members;
- Remuneration of the Chairman of the Management Board;
- Variable remuneration policy for board members;
- Determination of the variable remuneration of BPCE traders⁽¹⁾;
- Review and monitoring of the Chairman of the Supervisory Board's report on internal control;
- Selection of two outside directors in compliance with the bill on gender parity of representation on boards of directors;
- Discussions on the change in the breakdown of the attendance fee budget;
- Review of the changes of rules applicable to remuneration based on the CRD III Directive and the implementation of these rules within the group.

Cooperative Committee**Composition**

The Cooperative committee is chaired by Philippe Dupont, Chairman of the Supervisory Board and member of the committee as of right (Article 3.4 of the internal rules of BPCE's Supervisory Board).

The committee's other members are:

- Bernard Comolet, member of the Risk Management committee;
- Jean Criton, member of the Risk Management committee;
- Pierre Desvergnès, Chairman of CASDEN Banque Populaire
- Francis Henry, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Lorraine Champagne-Ardenne;
- Yves Toubanc, Vice-Chairman of the Supervisory Board.

Duties

The Cooperative committee is in charge of formulating proposals and recommendations to promote and incorporate into the Group's and the networks' activities the cooperative and corporate values of long-term commitment and professional and relational ethics, and thereby build up the cooperative aspect of the Group and each of its networks.

(1) The population of traders includes those covered by Regulation 97-02 on the internal control of credit institutions, specifically those categories of employees whose activities have a significant impact on the group's risk profile.

Business

The Cooperative committee met once between January 1 and December 31, 2010. The attendance rate was 100%.

In its meetings, the Cooperative Committee mainly considered the characteristics of members' shares and shareholders' equity.

DETAILS RELATING TO THE PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS (ARTICLE 30 OF BPCE'S BYLAWS)

1° Annual General Shareholders' Meetings are convened and meet under the conditions set forth in the applicable regulations.

These meetings are held at the company's registered office or at any other place specified in the meeting notice.

Ordinary General Shareholders' Meetings convened to approve the annual financial statements for a specific fiscal year meet within the five months following the end of that fiscal year.

2° Only shareholders of category A, category B, and ordinary shares are entitled to participate in Annual General Shareholders' Meetings.

To attend these meetings, shareholders must be registered by name in the shareholder register kept by the company by midnight Paris time on the fourth business day (i.e. 00:00 Paris time on the third business day) prior to the General Shareholders' Meeting.

3° Shareholders who are not able to attend an Annual General Shareholders' Meeting in person may select one of the following three options:

- give a proxy vote to another shareholder or to his or her spouse, or
- vote by post, or
- send an instrument of proxy to the company without indicating the name of the proxy.

4° Annual General Shareholders' Meetings are chaired by the Chairman of the Supervisory Board, or, in his absence, by the Vice-Chairman of the Supervisory Board. In the absence of both the Chairman and the Vice-Chairman, Annual General Shareholders' Meetings are chaired by a member of the Supervisory Board appointed by the Supervisory Board for this purpose. Failing this, the General Shareholders' Meeting elects its own meeting Chairman.

The General Shareholders' Meeting appoints a set of meeting Officers.

The scrutineers consist of the two shareholders willing to carry out the task who represent, either by themselves or as proxies, the greatest number of shares. The meeting Officers appoint a secretary, who may or may not be a member of the General Shareholders' Meeting.

An attendance sheet is kept, in accordance with the conditions set forth in the applicable regulations.

5° The Ordinary General Shareholders' Meeting will be validly held on first calling if the shareholders present or represented own at least one-fifth of the voting shares. The Ordinary General Shareholders' Meeting will be validly held on the second calling regardless of the number of shareholders present or represented.

The deliberations of the Ordinary General Shareholders' Meeting are taken by a majority of the votes of the shareholders present or represented, including shareholders voting by mail.

6° The Extraordinary Shareholders' Meeting will be validly held on first calling if the shareholders present or represented own at least one-fourth of the voting shares.

The Extraordinary General Shareholders' Meeting will be validly held on the second calling if the shareholders present or represented possess at least one-fifth of the voting shares.

The deliberations of the Extraordinary General Shareholders' Meeting are taken by a two-thirds majority of the votes of the shareholders present or represented, including shareholders voting by mail.

Ordinary and Extraordinary General Shareholders' Meetings exercise their powers under the conditions set forth in the applicable regulations.

- 7° Copies and excerpts of Annual General Shareholders' Meetings minutes are certified by the Chairman or Vice-Chairman of the Supervisory Board, a member of the Management Board, or the secretary of the Annual General Shareholders' Meeting.

Ordinary and Extraordinary General Shareholders' Meetings exercise their powers under the conditions set forth in the applicable regulations.

RULES AND PRINCIPLES GOVERNING THE SETTING OF REMUNERATION AND BENEFITS

Appointment of Supervisory Board members

The July 31, 2009 Combined General Shareholders' Meeting set the total amount of attendance fees payable by BPCE at €600,000. This remuneration is itemized on pages 102-104.

Philippe Dupont, Chairman of the Supervisory Board

- annual fixed pay: €400,000;
- annual housing allowance: €42,000;
- attendance fees: €0.

Attendance fees paid to Supervisory Board members

Yves Toubanc, Vice-Chairman of the Supervisory Board:

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

Other Supervisory Board members:

- fixed annual attendance fees: €10,000;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the financial year: €1,000.

Additional remuneration paid to members of specialist committees

Marwan Lahoud, Chairman of the Risk Management committee:

- fixed annual attendance fees: €30,000;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the financial year: €500.

Other members of the Risk Management committee:

- fixed annual attendance fees: €5,000;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the financial year: €500.

Laurence Danon, Chairman of the Appointments and Remuneration committee:

- fixed annual attendance fees: €15,000;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the financial year: €500.

Other members of the Appointments and Remuneration committee:

- fixed annual attendance fees: €2,000;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the financial year: €500.

Remuneration of non-voting members

Pursuant to Article 28.3 of the bylaws, the Supervisory Board has decided to remunerate non-voting members by making a deduction from the attendance fees allocated to Supervisory Board members by the General Shareholders' Meeting.

Non-voting directors receive:

- fixed annual attendance fees: €5,000;
- attendance fees paid for each meeting attended, up to a limit of six meetings during the financial year: €500.

Remuneration of management board members

In accordance with Article 19 of BPCE's bylaws and on the proposal of the Appointments and Remuneration committee, the Supervisory Board laid out the criteria used to determine the amount of variable pay granted to Management Board members with respect to 2010 at its February 24, 2010 meeting.

These criteria were defined as follows:

- quantitative criteria used to determine variable pay: 60%, defined as follows:
 - Group Tier-1 ratio greater than or equal to the minimum level to be set by the regulator, which is currently at 8.5% (no variable pay to be paid if this criterion is not met),
 - Income before tax and exceptional income (gross operating income + cost of risks + income/(loss) of associates + net gains/losses on other assets + change in goodwill): 30%,

| Income before tax and exceptional income | < at low point | Low point | 2010 Budget (target) | High point | > at high point |
|--|----------------|-----------|----------------------|------------|-----------------|
| Objective | / | 4,757 | 5,229 | 6,049 | / |
| Performance | 25% maximum | 50% | 100% | 125% | 150% maximum |

- Cost/income ratio 30%.

| Group Cost/income ratio: | < at low point | Low point | 2010 Budget (target) | High point | > at high point |
|--------------------------|----------------|-----------|----------------------|------------|-----------------|
| Objective | / | 72.8 | 71.3 | 69.5 | / |
| Performance | 25% maximum | 50% | 100% | 125% | 150% maximum |

- qualitative criteria used to determine variable pay: 40%, defined as follows:

| Criteria | Weighting |
|--|-----------|
| Boosting the efficiency of the central body in its governing role | 10% |
| Group coordination (governance, planning, forecasts, quality) | 10% |
| Human resources policy (status of BPCE senior management, career committees) | 10% |
| BPCE + holdings + GIE + Financière Océor ⁽¹⁾ cost savings (-9% in 2010) | 10% |

(1) Financière Océor is now called BPCE IOM.

In addition, it has been decided that any variable pay received from other Group entities will be deducted from the variable pay estimated in relation to BPCE.

If applicable, amounts will be calculated on a pro rata basis, based on the person's length of service. This may be relevant where a manager from a Groupe BPCE credit institution that awards variable pay is appointed to BPCE's Management Board.

The Supervisory Committee took into account the Chairman of Management Board's decision to maintain his fixed pay at the 2009 level, which represents a lower than usual level of remuneration for an equivalent term of office.

On a motion by the Appointments and Remuneration Committee, BPCE's Supervisory Board set the following remuneration for the Chairman and the members of the Management Board at its meetings on July 31, 2009 and February 24, 2010:

François Pérol:

- fixed pay: €550,000;
- variable pay: up to 200% of fixed pay;
- annual housing allowance: €60,000.

Nicolas Duhamel:

- fixed pay: €500,000;
- variable pay: up to 60% of fixed pay.

Olivier Klein:

- fixed pay: €500,000;
- variable pay: up to 60% of fixed pay.

Philippe Queuille:

- fixed pay: €500,000 (including €40,200 for the annual housing allowance);
- variable pay: up to 60% of fixed pay.

Jean-Luc Vergne:

- fixed pay: €500,000;
- variable pay: up to 60% of fixed pay.

As regards the terms of payment for the variable pay owed in 2009:

- deferred for a fraction representing 25%, in 2011 and 2012 (12.5%) for Jean-Luc Vergne and Nicolas Duhamel;
- the deferred portion shall not apply in the event of retirement or death, as well as in special situations assessed by the board.

Payment of the deferred portion is contingent upon attaining group "Return on Equity" at least equal to 4%; this level having been determined with respect to the level of ROE and the levels stipulated in 2010 and 2011.

2.1.2 Internal control and risk management procedures

GENERAL ORGANIZATION

Governance of the internal control system by the central institution

Since August 4, 2009, when BPCE became operational, the governance of the internal control system has been as follows:

- the Management Board defines and puts in place the organization and resources to ensure the proper assessment and management of risks in a comprehensive and optimal manner. It has a control framework appropriate to the financial position and strategy of BPCE and Groupe BPCE.

The Management Board is responsible for day-to-day risk management, and reports to the Supervisory Board on these activities.

It defines risk tolerance through general objectives regarding risk supervision and management. The appropriateness of these objectives is evaluated on a regular basis. It keeps the Risk Management committee and Supervisory Board regularly informed of the main items and principal lessons learned from the analysis and monitoring of risks associated with the activities and results of Groupe BPCE.

The Chairman of the Management Board and the two Management Board members responsible for the Caisses d'Épargne and Banque Populaire networks are the three people that effectively determine the direction of BPCE's activities;

- the Supervisory Board oversees the management of the principal risks incurred, approves the main risk limits and appraises the internal control framework in accordance with the regulatory framework.

In this, the Board is supported by an Audit and Risk Committee in charge of preparing its decisions and formulating recommendations. The duties, resources and makeup and the activity of this committee in 2010 are detailed in the section of this report on corporate governance.

Participants in the internal control system

1. Organization at the Groupe BPCE level

Groupe BPCE's control system, like the central institution, is based on three-level control pursuant to banking regulations and sound management practices: two tiers of permanent control and one tier of periodic control. Integrated control processes have been set up in accordance with decisions taken by BPCE's Management Board.

PERMANENT HIERARCHICAL CONTROL (TIER ONE)

Permanent hierarchical control (Tier one) is the first link in internal control, and is performed by the operating or functional departments under the supervision of their hierarchy. These departments' responsibilities include:

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

Depending on the situations and activities, these level-one controls are performed, jointly if applicable, by a special middle-office type control unit or accounting control entity, or otherwise by the operators themselves.

Level-one controls are reported formally to the permanent control departments or functions concerned.

PERMANENT CONTROL BY DEDICATED ENTITIES (TIER TWO)

Permanent level-two controls within the meaning of Article 6-a of Regulation 97-02 are performed by entities dedicated exclusively to this function such as the Group Compliance and Security department and the Group Risk Management department.

Other central functions are essential participants in the permanent control framework: the Group Finance department, responsible for accounting control, the Legal department, the Operations department responsible for Information Systems Security, and the Group Human Resources department responsible for issues affecting the remuneration policy.

PERIODIC CONTROL (TIER THREE)

Periodic control within the meaning of Article 6-b of Regulation 97-02 is performed by Group Internal Audit across all entities and activities, including permanent control.

2. Process-based organization

Integrated permanent and periodic control processes have been put in place within Groupe BPCE. Three permanent control and periodic control departments have been set up within the central body that oversees these processes: the Group Risk Management department and Group Compliance and Security department are in charge of permanent control and the Group Internal Audit department is in charge of periodic control. As part of integrated control processes, permanent and periodic control functions located within affiliates and subsidiaries subject to the banking supervision system have strong functional links with BPCE's corresponding central control departments. These links include approval of the appointment and termination of officers in charge of permanent or periodic control functions at affiliates and direct subsidiaries, reporting and warning obligations, standards defined by the central body and contained in reference bases, and the definition or approval of control plans. These links have been formalized through charters covering each business process. The whole system was approved by the Management Board on December 7, 2009 and presented to the Risk Management committee on December 16, 2009. It has also been presented to BPCE's Supervisory Board.

Coordination of the control system

The Chairman of the central institution's Management Board is responsible for ensuring the consistency and effectiveness of permanent control.

A Group Internal Control Coordination Committee (CCCIG), chaired by the aforementioned person or his representative, meets periodically, on a monthly basis.

This committee has responsibility for dealing with all issues relating to the consistency and effectiveness of the Groupe BPCE internal control framework, as well as the results of risk management and internal control work and follow-up work.

Its responsibilities include:

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

Committee members include the Management Board member in charge of Group Finance, the Group Head of Operations, heads of periodic control (Group Internal Audit) and permanent control functions (Group Risk Management department, Group Compliance and Security department), the head of IT systems security (RSSI) and the person responsible within the Group Finance department for overseeing the audit process. The member of the Management Board in charge of commercial banking and insurance is a permanent member. If applicable, this committee may hear reports from operational managers about measures taken by them to apply recommendations made by internal and external control bodies.

RISK MONITORING AND CONTROL PROCEDURES

The Group's Risk Management Division oversees the efficiency and uniformity of risk management procedures and the consistency of the level of risk with Groupe BPCE's financial, human and systems resources and its targets, particularly in terms of ratings by ratings agencies.

It performs its duties independently of those of the Group's operating departments. Its operating arrangements, particularly as regards business processes, are set out in the Group Risk Management charter, which was approved by BPCE's Management Board on December 7, 2009. The Risk Management Divisions of affiliates, parent companies and subsidiaries subject to banking supervision regulations have strong functional links with this committee. Other subsidiaries report functionally to the Group Risk Management Division.

Main duties of the Group Risk Management Division

- Contributing to the drawing up of risk policy on a consolidated basis, instructing overall risk limits, taking part in discussing the allocation of capital, and ensuring that portfolios are managed in accordance with these limits and allocations;
- helping the Management Board to identify emerging risks, concentrations and other adverse developments, and to devise strategy;
- defining and implementing standards and methods for consolidated risk measurement, risk mapping, risk acceptance approval, risk control and reporting, and compliance with laws and regulations, in accordance with the principles and rules set out by regulations;

- assessing and controlling the level of risk on a Group scale. Within this framework, performing contradictory analysis:
 - it is responsible for ongoing oversight, including detecting and resolving limit violations, and for centralized forward-looking internal and external risk reporting on a consolidated basis, including reporting to the regulator,
 - it is responsible for second-level control of certain processes for preparing financial information (valuation methods, deductions, provisioning, determination of market values),
 - it manages risk information systems in close coordination with IT departments by defining the standards to be applied for the measurement, control, reporting and management of risks. The Group Risk Management Division is responsible for permanent second-tier controls of the reliability of risk information systems.

Detailed activities by risk category

1. Credit risk

Risk measurement relies on rating systems adapted to each type of client and transaction, which the Group Risk Management Division is responsible for defining and controlling its performance.

Decisions are made at Groupe BPCE within the framework of delegation procedures, a system of limits, relating to each Client Group (a company composed of its subsidiaries) on a consolidated basis, and a principle of contradictory analysis involving the Risk Management Division, with a right of appeal that may result in submission to the higher-level Credit Committee.

The delegation system within BPCE was reworked in 2009 and into 2010.

The delegation system is spread out as follows:

- delegation given to the Group Credit Committee;
- delegation granted to the Group Watchlist and Provisions committee;
- delegation given to the Credit Risk Management Committee dedicated to banking subsidiaries (excluding Natixis); delegation given to the Credit Committees dedicated to the Caisse d'Epargne banks;
- delegation given to the Credit Risk Committees dedicated to the Banque Populaire banks;
- delegation given to the BPCE Risk Management committee (central body and sub-holding companies);
- delegation given to the Credit committees of each subsidiary or affiliate.

Within Groupe BPCE, an internal rating method shared by both networks (specific to each client segment) was established for individual and professional retail in early FY 2010. Preparation for the deployment of the target corporate rating tool was undertaken within the scope of the Caisses d'Epargne.

Like the process currently in place throughout the Banque Populaire banks, the risk management divisions of the Caisses d'Epargne, and the former Groupe Caisse d'Epargne subsidiaries, are, in terms of the target, ultimately responsible for approving corporate notes after a counter-appraisal by the analysts, deploying the principle of the "advisor" rater (person authorized to approve internal ratings) at the Group level. As concerns the accounts from the Banque Populaire Credit Risk Committee, the rating is approved by the Committee on a proposal by the Group Risk Management Division.

Monitoring of risks within Groupe BPCE relates partly to the quality of information, which must be compatible with a correct assessment of the risks and the level and development of risks taken. The correct application of standards is controlled by monitoring systems in place across all approved entities and will be rolled out in 2010 across the Caisses d'Epargne⁽¹⁾ retail scope, as part of the applying for approval work.

The different tiers of control within Groupe BPCE operate under the supervision of the Group Risk Management Division, which is also responsible for consolidated summary reporting to the various authorities.

Sensitive matters – cases on the watchlist⁽¹⁾; and the provisioning policy for the main risks shared by several entities (including Natixis) – are regularly examined by the Group Watchlist and Provisions committee.

The Group Risk Management Division measures compliance for the Groupe BPCE Risks Committee with regulatory ceilings at the Group level, under Regulation 93-05 of December 21, 1993 on controlling major risks.

The internal ceiling – expressed as the entities' net equity capital within the meaning of CRBF Regulation 90-02, at a level lower than the regulatory ceiling – was defined for all of the Group's entities in the same manner as it had already been for the Banque Populaire banks. This system becomes effective on January 1, 2011.

The principles of the Group's limiting system are in the final definition phase, a set of individual limits will be proposed in the Group Credit Committee meeting for the Group's largest commitments as well as for those sectors that require specific review. This system will be approved, deployed, and finalized in 2011, with limits on the major counterparties, on economic sectors, by country, to ensure proper control of the concentration risk and the residual risk, in compliance with the requirements fixed by the regulator.

Moreover, in 2010, the Group created a Basel II Program Department within the Group Risk Management Division (DRG), in charge of managing all of the projects within the Group in this area.

The Corporate, bank, and sovereign segments of Natixis and Natixis Financing were recognized on September 30, 2010.

WORK CARRIED OUT IN 2010

The Credit Risk Department continued and accelerated the merger of joint standards convergence practices at the Group level. As such, the procedures governing operation according to the new standards are being completed.

In addition, 2010 saw the creation of a pole dedicated to monitoring credit risk, independent of the team carrying out the individual analyses, thereby solidifying a general framework of ceilings and limits for the Group:

- Internal risk-division ceilings lower than regulatory ceilings for all of the entities, implemented on January 1, 2011;
- Fixing of internal limits by counterparty Group (banking, corporate, and financial counterparties) in 2011.

An initial review setting out the limits dedicated to the primary counterparties of each entity in the Banque Populaire and Caisse d'Epargne networks was set up as part of each network's Credit Risk Committee.

The Group Watchlist process permits close monitoring of the counterparties known to be "sensitive," as well as the necessary consistency in provisioning

the primary doubtful cases shared by several entities, was revised and clarified to intensify monitoring, in cooperation with the risk management divisions of the Group's subsidiaries, the primary contributors to the Group Watchlist.

Nearly 550 counterparty groups, representing 37.7% (not including intragroup) of Groupe BPCE's commitments, were made more reliable in terms of clustering.

In order to harmonize the Group's body of standards and procedures, the Group Risk Management Division led several workshops in cooperation with the Group's establishments, resulting in the creation of uniform standards approved by the Standards & Methods Committee (Watchlist, LBO, and formal consolidated group standards, etc.). These have fleshed out the BPCE's credit risk database as well as the two applicable compendia of the Banques Populaires and Caisses d'Epargne networks.

Moreover, the transformation of the Analysis unit has been accelerated, so that the ex-ante and ex-post practices may be used throughout the unit, allowing every employee to learn the Group's target rating methods, and its new risk-consolidation and database-management consolidation tools.

OUTLOOK

The outlook for 2011 is as follows:

- Deployment of the Corporate (NIE) target rating system on the Caisse d'Epargne network;
- Deployment of the detailed and completed limitation system (individual limits on all segments, sectoral limits, limits on a few major risk areas) and their monitoring;
- Continued action to improve reliability in clustering counterparty groups;
- Continued convergence of standards;
- Completion of the credit risk monitoring system;
- Continued unification of credit analysis practices;
- Setup of an ex-post monitoring of credit files within the Caisse d'Epargne network;
- Redefinition of the transaction syndication process proposed to the Caisse d'Epargne and Banque Populaire networks;
- Improvement of the Watchlist and LBO processes with the establishment of specific attributes in the IS.

2. Market risks

The Group Risk Management Division has three principal areas of action:

MEASUREMENT

- determine the principles of market risk measurement, approved by the various Risk Management committees;
- implement the tools needed to measure risk on a consolidated basis;
- produce risk measurements, including those corresponding to market operating limits, or ensure that they are produced as part of the risk process;
- approve appropriate valuation models and performance metrics or ensure that they are approved as part of the risk process. Where models are developed by institutions subject to the Capital Adequacy Directive, it delegates approval of these valuation models to them and receives maps of the approved models along with any approval comments;

(1) Watchlist: list of counterparties that are being specially monitored.

- determine policies for reducing values or delegate them to Risk Management departments for institutions subject to the Capital Adequacy Directive, and centralize the information;
- provide second-level approval of the management results for market activities and approve the central institution's treasury valuation methods.

LIMITS

- set up the limit framework and set limits (global limits and, where necessary, operating limits) adopted by the various appropriate Risk Management committees, as part of the independent risk analysis process;
- examine the list of authorized products within institutions not subject to the Capital Adequacy Directive, and the conditions to be complied with, and submit them for approval to the appropriate Market Risk Committee;
- harmonize systems for managing the own-account and equity capital activities of Banque Populaire banks and Caisses d'Epargne (monitoring indicators, indicator limits, the monitoring and control process, and reporting standards).

SUPERVISION

- enter requests for investments in financial products, in new capital market products or in activities, by banks not subject to the market CAD;
- define second-level control procedures for market transactions, valuation prices and management results;
- consolidate the mapping of Group risks and establish that of the central institution;
- carry out or arrange daily supervision of positions and risks with respect to allocated limits (overall and operational limits);
- set reporting standards;
- organize the decision-making framework for limit violations;
- ensure or oversee the permanent supervision of limit violations and their resolution;
- prepare the consolidated scorecard for the various authorities.

WORK CARRIED OUT IN 2010

In the first half of 2010, projects were carried out in cooperation with the financial risk branch to create a Group Market Risk database containing the evaluation, control, and reporting standards approved at the Group Standards and Methods Committee meeting on September 15, 2010.

Moreover, the overall and historical stress scenarios already established at Natixis as well as BRED Banque Populaire were deployed in 2010 across the Caisses d'Epargne scope in a harmonized fashion, providing a view of, and consolidated monitoring of, market risks on commonly-realized stresses.

The market risk monitoring tool known as "ABIS," already in place in the Caisses d'Epargne network and used to track investments for Private Equity funds and structured products, was opened to the Banque Populaire banks' Finances and Financial Risk unit in July 2010. This unit was previously trained in the tool. This unit was previously trained in the tool.

In the second half of 2010, the Group Risk Management Division endeavored to create a supervisory structure specific and common to the networks, about the choice of management company and exposure limits, across the scope of Private Equity investments. Generally speaking, market risk supervision for all of the management units has been reviewed by the Group Market Risk Committee.

OUTLOOK

Work in 2011 will focus on entering the positions of Banque Populaire banks into the Group VaR measurement tool, with the aim of producing consolidated reporting of market risks (VaR and stress scenarios).

Stress scenarios will undergo a recalibration study on the severity of the hypothetical stress tests.

Deployment of the stress scenarios defined and implemented with the Group's different entities will be finalized with their establishment in the Banque Populaire network in 2011.

The risk-supervision mechanism on the financial portfolios of the Banque Populaire banks and Caisses d'Epargne (own-account, equity capital) will be completed, with the associated strategies defined.

3. Operating risk

The Groupe BPCE Risk Management Division helps define the policy for the management of operational risks. Its duties are:

- Steering operational risk standards and methods for the Group: Updating the operational risk database and risk-monitoring standards;
- Risk mapping based on uniform valuation standards across the entire Group. The Group Risk Management Division works in collaboration with the Compliance department to include compliance risk, in accordance with the Group's charters;
- Defining operational risk indicators;
- Monitoring of risk coverage (plans of action, business continuing plan, insurance);
- Management of a database of losses relating to proven operational risk incidents;
- Permanent risk monitoring, in particular consolidated summary reports sent to the various bodies, investigations and analysis of significant major incidents at Group level, approval and supervision of remedial or preventative plans of action relating to such major incidents;
- Management of operational risk information systems, in close collaboration with the IT departments, defining the standards to be applied for the measurement, control, reporting and management of operational risk.

WORK CARRIED OUT IN 2010

In 2010, many convergence projects on standards and methods were completed. The database convergence projects were begun in 2010 and will continue in 2011.

- The Operating Risks Standards and Methods database was redefined using existing best practices in the Banques Populaires and Caisses d'Epargne networks. Using a work group that represents the Establishments, the various projects were subdivided, before approval, planned for early 2011, by the Group Risk Management's Standards and Methods Committee;
- One particular point was made on the definition of an evaluation method of the Risk Control System (DMR) to be able to group the listing of accounting risks, non-compliance, Information Security System (SSI) and BCP in a single map;
- To be able to attach all of the risks and operating risk incidents to a single risk database, a process convergence project was carried out in coordination with the Coordination and Industrial Effectiveness Department (DCEI) in the first half of 2010. The risk-matching projects were begun in early July 2010. The essential objective of this convergence is to have an overall, harmonized, consolidated view of the risks for all of the Group's entities;

- One Permanent Control Convergence Working Group was co-managed with the Compliance Department for the creation of a single tool with a Level 1 and Level 2 overall control mechanism in the group and consolidated reporting by the entities to BPCE.

Coordination of IT systems:

- the convergence of both of the existing operating risk tools in both networks was achieved by the choice of a single tool. The preparatory projects for this change have been identified. The choice of this target tool has led to the launch of working groups pairing networks and subsidiaries for the implementation of an incident entry portal;
- the supply of incidents across the scope of the Banque Populaire banks and Caisses d'Epargne in the Operating Risks Datamart has been finalized. Likewise, the projects for the production in the Datamart (data warehouse) of automated consolidated reports have been finalized for the Banque Populaire banks and are being completed for the Caisses d'Epargne. Finally, the Natixis incidents borne by the entity-specific Operating Risks were integrated into that Datamart, and the production of automated consolidated reports is under way.

OUTLOOK

For 2011, the accent will be on implementing a single tool that will incorporate the outcome of the convergence of standards databases and data recovery. As such, change management actions will be carried on throughout the year in order to prepare for the deployment of the tool for late 2011.

An initial view of this tool will be provided by the publisher at the end of the first quarter of 2011. The necessary acceptance testing and change management in the networks and subsidiaries will help to prepare for its deployment as of the fourth quarter of 2011 and into 2012.

4. Asset-liability risks

The role of the Risk Management Division forms part of the general organization of management of structural balance sheet risks (interest rate, liquidity and exchange rate risk).

The ALM (Asset and Liability Management) Risk unit controls the second tier of these risks.

The Risk Management department validates the assumptions used to measure these risks, in particular:

- the list of identified risk factors and the on- and off-balance-sheet risk mapping;
- back-testing of future production rates and early repayment rates;
- run-off distribution agreements, definition of instruments authorized to cover balance sheet risks;
- monitoring indicators, reporting rules and frequency of reporting to the balance sheet management committee;
- information reporting agreements and process;
- control standards relating to the reliability of measurement systems, procedures for setting limits and for managing limit violations, and the monitoring of action plans.

The Risk Management Division instructs requests for ALM limits. It validates the stress scenarios submitted to the balance sheet management committee. It defines stress scenarios to supplement Group stress scenarios if required.

The ALM Risk Management unit controls:

- compliance of indicators calculated in accordance with the standards established by the ALM Committee;
- observance of limits on the basis of the required information reported;
- implementation of plans of action to reduce risks.

These duties are the responsibility of each entity's Risk Management unit for its own scope and the Group Risk Management Division on a consolidated level.

Each entity formalizes controls within reporting arrangements for second-tier controls, including:

- the quality of risk control procedures;
- observance of limits and monitoring of corrective plans of action in the event of limits being breached;
- and analysis of changes to the balance sheet and risk indicators.

WORK CARRIED OUT IN 2010

A number of structural projects took place.

The Group Asset & Liability Management database has been applicable since January 1, 2010. It is the system of indicators and limits internal to the Group, and replaces the databases and charters of the former Banque Populaire and Caisses d'Epargne groups. This database has been approved by the appropriate risk management committees.

At the same time, the ALM (Asset and Liability Management) Risk Management unit has obtained a database unique to its own activity. It presents the evaluation, control, and reporting rules of the Risks unit. This database has been approved by the dedicated risk management committee. These control and reporting standards are covered in workshops for application at Crédit Foncier and Natixis.

Finally, an activity continuity plan in case of a liquidity crisis was created jointly by the Risk Management and Finance Divisions.

OUTLOOK

The ALM Risk Management unit will lead a change management campaign with the goal of establishing a formalized production process for ALM risk reporting in all of the entities.

The ALM Risk Management unit continues to participate in the ALM tool harmonization project, both as a future user of the tool, by defining the needs of the risk management unit in terms of reporting and controls; and because of its role overseeing the ALM unit, by approving the decisions (business line, model building choices, process) made as part of this *Féérie* program.

In anticipation of this project's outcome, the ALM Risk Management unit has begun a project whose goal is to produce reporting indicators or specific controls as targeted, independently of the Finances unit.

The ALM Risk Management unit will participate in the preparatory work conducted across Groupe BPCE for the implementation of the Basel III liquidity component.

5. Technical risks related to insurance activities

The Group Risk Management Division monitors technical risks for employee benefit contracts, borrower guarantees and guarantees. Risk frameworks have been set up within subsidiaries (CNP and Natixis) to measure, provision then reinsure risks relating to liabilities underwritten as well as to regularly monitor the profitability and value of portfolios.

OUTLOOK

An insurance risk map will be drawn up in 2011 covering the scope of Groupe BPCE.

6. Intermediation risk

Intermediation risk is supervised at the central-body level by a system for monitoring transactions that have not yet been adjusted or closed out. Natixis (Eurotitres) is in charge of intermediation activity, and supplies the necessary data to the central institution for controlling and monitoring this risk.

7. Settlement/delivery risk

Customer orders for financial instruments are transmitted to the central body, which has access to technical support from Natixis (Eurotitres) for securities custody and account-keeping services, as well as reception and transmission services.

BPCE uses regular audit checks and reporting to ensure that its subsidiary (Natixis), responsible for securities custody and account keeping, complies with the applicable regulations and procedures in this area.

8. Consolidated Risk Management

The department's role is to implement the cross-functional implementation of consolidated risk monitoring for the Group and each of the Group's subsidiaries, as well as to build a consolidated risk management structure for the Group's entire scope.

To this end, it is in charge of creating and administering uniform databases as well as defining and building tools to consolidate Group risks.

It also organizes the operation of the risk management committees and oversees their decisions; coordinates risk management communications for the entire Groupe BPCE, internally and externally; and follows the risk recommendations of the General Inspectorate and the Prudential Supervision Authority (ACP).

The duties of the Consolidated Risk Management Division for coordinating DRG Leadership and the Banque Populaire and Caisse d'Epargne networks are as follows:

- calculate and manage the Group COREP (Common solvency ratio Reporting), follow up on corrective actions, and perform stress testing;
- lead the Risks unit;
- steer cross-functional projects;
- and administer the group risk databases, as a risk-management function.

WORK CARRIED OUT IN 2010

A number of structural projects took place.

The Third-Party database (which specifically compiles counterparties) was deployed within the central institution, with an initial project to ensure the reliability of the information. Thus, the information on the first 600 client groups (more than 18,000 third parties) was verified.

The production target of the Basel II 2 ratio calculation and the production of the COREP using a unified target Group process, which ensures Compatibility-Risk consistency, was achieved for the September 2010 order, except for the subsidiaries which are currently in the acceptance testing phase. The Credit Risk database created makes it possible to supply the scorecards for Risk Management Committees and communications.

All reference documents and communications related to risks were provided by the specified deadlines, and about 90 risk management committee meetings were held in 2010.

OUTLOOK

In 2011, we should see the automatic broadcast of database information to the Group's entities, as well as the outcome of the project on uniform monitoring of Counterparty Risk limits.

Risk-mapping indicators must be finalized and then automated, in coordination with the progress of the Consolidated Risk Information System project.

All subsidiaries except Natixis must produce their calculation of the ratio using the uniform Group target process.

Risk governance authorities

Risk Management Committees at the Groupe BPCE level, of which the Risk Management Division is a crucial component, control risk-taking and perform periodic, pro-active assessments of the various issues relating to the amount and structure of risks taken.

The main committees – chaired by a member of BPCE's Management Board, a Chief Executive Officer of a Banque Populaire bank or a Chairman of the Management Board of a Caisse d'Epargne – that cover the Group, the central institution, the Banque Populaire network and the Caisse d'Epargne network, are as follows:

1. Groupe BPCE Risk Management committee: umbrella committee

Its scope covers the entire Group (central institution, networks and all subsidiaries).

It sets the broad risk policy, decides on the global ceilings and limits for the Group and for each institution, validates the delegation limits of other committees, examines the principal risk areas for the Group and for each institution, reviews consolidated risk reports and approves risk action plans for the measurement, supervision and management of risk, as well as the Group's principal risk standards and procedures. It monitors limits (Regulation 97-02, Art. 35), particularly when global limits are likely to be reached (Regulation 97-02, Art. 36).

Global risk limits are reviewed at least once a year and presented to the Risk Management committee (Regulation 97-02, Art. 33). The Group Risk Management Committee proposes criteria to the Audit and Risk Committee for identifying incidents to be brought to the attention of the governing body (Regulation 97-02, Art. 38-1 and 17 *ter*). It notifies the Risk Management committee twice a year of the conditions under which the limits set were respected (Regulation 97-02, Art. 39).

BPCE RISK MANAGEMENT COMMITTEE: COMMITTEE DEALING WITH THE CENTRAL INSTITUTION AND HOLDING COMPANIES. IT COVERS ALL TYPES OF RISKS

As regards credit risks, it carries out prior validation of the central treasury's counterparty limits and of all commitments made by the central body in the context of loans or guarantees granted to subsidiaries.

As to financial risks, this committee handles product and limit authorizations relative to the central institution's central treasury and own-account trading (former BFBP and CNCE) as well as the review of the consumption of limits and the outcomes of these activities.

As regards operational and compliance risks, it validates the operational risk map and action plans within its scope. It reviews loss and incident reporting (alert procedure).

CREATION OF A GUARANTEE MONITORING COMMITTEE (CSG)

This committee decides all matters relating to the system for protecting workout portfolio assets. Its duties include:

- Its duties include: monitoring the proper application of the guarantee system, and considering all decisions and projects referred to it by the Workout Asset Management committee (CGAC), which may affect the guarantee mechanism and/or the obligations of Natixis or BPCE;
- reviewing quantitative data relating to the protection system for the relevant accounting period at each Natixis accounts-closing;
- carrying out arbitrage in accordance with the guarantee agreement;

- validating Natixis' strategic decisions to be implemented by CGAC, including its risk policy, as regards workout portfolios, and ensuring that they are complied with;
- taking decisions and determining the consequences of accounting reclassifications and, more generally, all changes to applicable accounting and prudential rules;
- validating the periodic call values granted to Natixis;
- validating changes in valuation methods for assets covered by the Guarantee, including any shift from "mark-to-market" to "mark-to-model" and vice-versa;
- determining arrangements for the onward invoicing of management fees relating to assets covered by the financial guarantee;
- analyzing disposals, substitutions and changes of control that have a material impact on the Guarantee, and defining rules for selling assets covered by the financial guarantee, including the level of authority given to traders;
- being the referral body for all difficulties relating to the Guarantee.

To be able to perform its duties correctly, it periodically receives the information it needs, along with information about issues dealt with by other committees that relate to the protection system or guaranteed assets. *The CSG meets every quarter, and may meet monthly during the establishment period. It can also be convened immediately if circumstances require.*

WORKOUT ASSET MANAGEMENT COMMITTEE (CGAC)

This committee replaces Natixis' Workout Portfolio Risk committee. The aim is for BPCE representatives to have greater involvement in the committee's decision-making, and for BPCE, as regards certain issues relating to the protection system or guaranteed assets, to exercise a right to request that a decision be subject to approval by the Guarantee Monitoring committee.

The CGAC is the new steering and monitoring body for all risks relating to activities transferred to the workout portfolio, as regards both counterparty and market risks.

Decisions are taken by the Chairman of CGAC (the Chief Executive Officer of Natixis) when discussions have been concluded.

When decisions have a financial impact or pose specific risks for BPCE due to the protection system, BPCE representatives may ask for the matter to be referred to the Guarantee Monitoring committee before a decision is taken.

Natixis' Risk Management department and Finance department, along with BPCE representatives, are able to add relevant issues to the CGAC's agenda. *Meetings are held monthly.*

LOCAL COMMITTEES FOR MANAGING ASSETS CARRIED BY US, UK AND LUXEMBOURG STRUCTURES

These committees deal with matters regarding guaranteed assets carried within their jurisdiction. These matters relate to Natixis workout assets managed in the USA, Luxembourg and the UK. BPCE representatives take part in these committees. However, CGAC may look at matters beforehand and formulate recommendations.

These local committees are chaired by the Chief Executive Officers of the entities in question, who make decisions after the matters have been debated. The committees' decisions cannot be deferred.

2. Credit risks

GROUP CREDIT COMMITTEE

This committee sets limits relating to counterparty groups common to several entities of Groupe BPCE, sets individual limits for a group of counterparties over a certain threshold, and makes credit decisions for loans over the authorization threshold of Caisses d'Epargne's lending committees and of subsidiaries' Credit

Risk Committee and caps or freezes enforceable for all of the Group's entities. Its scope covers the entire Group (central institution, networks and all subsidiaries). *Meetings are held at least quarterly.*

BANQUE POPULAIRE CREDIT RISK COMMITTEE

This committee does ex-post reviews of the ratings of credit files above a certain threshold, credit risk reporting, monitoring, sectoral analyses, and the review of thematic surveys about the Banque Populaire network; does or does not authorize the opening of syndications proposed to the Banque Populaire network; approves the directors' ratings and oversees the uncontested loan rule that is in force within the Banque Populaire network. *Meetings are held monthly.*

CAISSE D'EPARGNE CREDIT RISK COMMITTEE

This committee applies the prerogatives of the Credit Risk Committee herein above, except the ex-post review of ratings that will be performed as targeted and approval of directors' ratings. *Meetings are held every three months, and then quarterly.*

CAISSES D'EPARGNE COMMITMENT COMMITTEE

This committee's duties include making ex-ante decisions on credit files in the Caisse d'Epargne network above a threshold unique to each entity, up to the Group Credit Committee's threshold. *Meetings are held weekly.*

CREDIT RISK COMMITTEE DEDICATED TO SUBSIDIARIES OF CREDIT INSTITUTIONS EXCLUDING NATIXIS

This committee makes advance decisions regarding any matter exceeding the authorization threshold of any entity. Above a certain threshold, decisions are referred to the Group Credit Committee. *Meetings are held weekly.*

GROUP WATCHLIST AND PROVISIONS COMMITTEE

This committee makes monthly decisions – and quarterly decisions for securitizations, funds and private equity – regarding counterparties joining or leaving the watchlist, beyond a certain consolidated threshold, and examines Group-level provisions on a quarterly basis. This committee also deals with the watchlist and provisions of the central body. *Meetings are held monthly.*

3. Market risks

Group decisions regarding market risks are taken by the Group Market Risks Committee, which refers new products and capital market activities to the Group New Products Committee.

GROUP MARKET RISK COMMITTEE

This committee approves the group's overall market risk supervision mechanism (Group Value at Risk or VaR), fixes the convergence targets at the Group level in the market risk area, and approves the Group's ALM limiting mechanism.

For institutions subject to the CAD and above a certain threshold, the committee is involved in ex post risk supervision through checks to monitor limit usage, excesses and changes to limits.

For institutions not subject to the CAD or whose activity is lower than the aforementioned threshold, the committee is involved at a higher level in analyzing product-related risks. It sets operational intervention limits (qualitative and quantitative conditions and limits), reviews the limit framework every year or more frequently if necessary, and carries out regular compliance monitoring of the limits. *Meetings are held every six weeks.*

GROUP NEW PRODUCTS COMMITTEE

This committee provides prior validation of new capital market products in the portfolios of institutions not subject to the CAD. Before the products are traded or initiated, it defines the conditions for using new financial products and for launching new financial activities by BPCE affiliates within their portfolio. The committee has responsibility for all Group entities within the scope of its financial activities. *Meetings are held as and when required.*

4. Operational risk

GROUP OPERATIONAL RISK COMMITTEE

This committee includes the Group's different business lines that contribute to single risk mapping (Compliance, SSI, BCP, and Financial Audit). Its purpose is to approve the operational risk mapping and action plans in the Groupe BPCE scope, and to perform consolidated monitoring of the level of losses, incidents, and alerts, including statements made to the ACP under Article 17 *ter* for operational risks. *Meetings are held every three months.*

5. Standards and methods

GROUP STANDARDS AND METHODS COMMITTEE

This committee is responsible for defining common methodological, measurement, control and reporting standards for credit, ALM, market and operational risks to be applied within the Group, and the consolidation standards of the central institution. It is tasked with approving common models, comprehensive back-testing, and adjustments to the Basel mechanism. It covers all Group entities. *Meetings are held every two months.*

The Standards and Methods Committees dedicated to the Banque Populaire banks and Caisses d'Epargne, established during the transition period, are now removed and incorporated into the Group Standards and Methods Committee.

6. IT system

GROUP IT RISK COMMITTEE

This committee has the authority to approve and decide on budget allocations and priorities of all risk projects with an IT component, such as the IT risk convergence plan, and oversees their progress, at the Group level. It notably approves the solutions to be put in place by Natixis and other subsidiaries to enable the central body to monitor consolidated risks. Representation of IT departments ensures that issues relating to the technical architecture of IT systems are fully taken into account.

The IS Risk Committees dedicated to the Banque Populaire and Caisse d'Epargne Networks, established during the transition period, are now removed and incorporated into the Group IS Risks Committee. *Meetings are held according to ongoing projects.*

7. ALM (Asset and Liability Management) and Treasury

ALM and treasury risk monitoring is governed by committees led and chaired by the Group Finance Department. The Group Risk Management Division is a permanent member of those committees.

The committees are composed of shareholding members of BPCE (Chief Executive Officers of Banques Populaires and Chairman of the Executive Board of Caisse d'Epargne) except for the BPCE ALM Committee and the BPCE Treasury and Management Committee.

ALM (OR ASSET AND LIABILITY MANAGEMENT)

Group ALM and Commercial Banking Committee

This committee examines, on a consolidated basis, the Group's structural risks and those of the Group's various entities, along with movements in the balance sheet.

It defines the structural risk limits of the Group and its institutions, before they are put forward for validation by the relevant risk committees.

It ratifies ALM agreements (separation of the banking book from the trading book, authorized instruments, run-off distributions, etc.).

It validates the organization for producing risk and ALM indicators.

It receives, from the various institutions, refinancing and investment forecasts, depending on their expected requirements.

It examines strategies for managing these risks and, if appropriate, proposes best practice for Group institutions. *Meetings are held every three months.*

BPCE ALM committee

This committee reviews BPCE's structural risk indicators, as well as refinancing vehicles.

It defines BPCE's structural risk limits if they are more ambitious than those contained in the Group ALM manual. It works with affiliates to validate the pricing of liquidity. It ratifies ALM arrangements (separation of the banking book from the trading book, authorized instruments, run-off distributions, etc.) specific to BPCE. It examines strategies for managing these risks. *Meetings are held monthly.*

TREASURY

Group Treasury Committee

This committee validates the general treasury operating procedures, and ensures that BPCE's treasury has the resources to fulfill its role in guaranteeing Group liquidity.

It keeps BPCE's credit quality in line with that of the Group's other entities. *The committee meets every six months.*

Solidarity and Guarantee Fund Management Committee

This committee selects the asset manager who will be responsible for managing the fund in which the security deposits of the solidarity and guarantee system made by the Banque Populaire banks and Caisses d'Epargne are invested.

It reviews the management company's performances, positions, and strategy. It defines the investment constraints and management objectives of the fund with regard to the nature of the solidarity and guarantee system, the economic situation, and financial market developments. *The committee meets every six months.*

BPCE Own-Account Run-Off Committee

This committee meets monthly for the purpose of monitoring, on the basis of the analyses and recommendations of Natixis Asset Management, which participates in this body, the operations to be performed as part of the run-off of the CE proprietary account as well as the evaluation of the associated risks and outcomes. *Meetings are held monthly.*

BPCE Treasury and Management

This committee validates the functional strategies of the central body's treasury. It is responsible for deciding on and monitoring financial and banking management operations by the BPCE Finance Department, as part of the delegations. Its main duties are:

- monitoring the economic parameters and their impact on the Central Treasury and on the management
- reviewing current operations, monitoring current management of financial and banking activities;
- decisions regarding operations to be performed, if required (not including the run-off of CE Participations);
- evaluating associated front-office risks and outcomes.

Meetings are held monthly.

Operating procedures

The Groupe BPCE Risk Management department handles its duties as a business process. It ensures that the risk policies of the affiliates and subsidiaries comply with those of Groupe BPCE.

Risk Management departments set up in the parent companies report to it through a strong operational reporting line and have a hierarchical reporting line to the executive committee.

This strong operational link is stronger in the case of subsidiaries subject to the banking supervision regulatory framework. The subsidiaries concerned include Natixis, Crédit Foncier de France (CFF), Banque Palatine, and BPCE IOM.

Risk Management Divisions of subsidiaries not subject to the banking supervision regulatory framework have a functional reporting link to Groupe BPCE's Risk Management Division.

Risk Management departments within parent-company affiliates

In the case of parent-company affiliates, the strong operational link means that:

- the appointment or the termination of the Senior Executive Vice-President, Risk Management, of the parent-company affiliate depends on the approval of the central body's Senior Executive Vice-President, Risk Management. This formal agreement is based on an examination of the candidate's skills and professional experience. The Group Senior Executive Vice-President, Risk Management, is kept informed about the appointment or termination of Senior Executive Vice-Presidents, Risk Management of indirect subsidiaries;
- the letter appointing the Senior Executive Vice-President, Risk Management of a parent-company affiliate, with a job description attached, must comply with the model prepared by DRG in accordance with executive management, and must be sent to DRG;
- common standards are applied within entities;
- permanent reporting and the process of warning the Group Senior Executive Vice-President, Risk Management are effective;
- the Group Risk Management Division, working with the entities concerned, carries out subsequent validation of risk charters, as well as risk delegation systems, and ensures that they are implemented as framework procedures. In doing this, it works with the Risk Management department of the entity concerned. It consolidates all sensitive and contentious files.

Parent-company affiliates are responsible for the definition, monitoring and management of their levels of risk, as well as the production of reports and data feeds to be sent to the central body Risk Management department by ensuring the quality, reliability and completeness of the data enabling risks to be controlled and monitored at the company level and on a consolidated basis.

Risk Management departments within subsidiaries subject to banking supervision regulations

The strong hierarchical operational link, which is stronger in the case of subsidiaries subject to the banking supervision regulatory framework, is achieved as follows:

- the appointment or the termination of the Senior Executive Vice-President, Risk Management, of the parent-company affiliate depends on the approval of the central institution's Senior Executive Vice-President, Risk Management. This formal agreement is based on an examination of the candidate's skills and professional experience. The Group Senior Executive Vice-President, Risk Management, is kept informed about the appointment or termination of Senior Executive Vice-Presidents, Risk Management of indirect subsidiaries;
- the Group Senior Executive Vice-President, Risk Management, takes part in the annual appraisal of the Senior Executive Vice-President, Risk Management;
- common standards are prepared for all entities;
- the Group Risk Management Division must receive permanent reporting documents and warnings;
- duties are assigned to the entity's Senior Executive Vice-President, Risk Management by the Group Senior Executive Vice-President, Risk Management, and possibly by the bank's executive management in the form of an engagement letter;
- the BPCE Risk Management Division, in collaboration with the entities concerned, approves risk maps in advance and turns them into procedural frameworks in compliance with Group standards, carries out prior examination of systems used to delegate risks with a view to their approval by the Group Risk Management Committee, and consolidates all sensitive and contentious files;
- all increased-risk and contentious files are reported to the Group Risk Management Division;
- the Group Risk Management Division is a member of committees involved in the risk management process, and it has a right of appeal to the competent Group committee.

Entities are responsible for the definition, monitoring and management of their levels of risk, as well as the production of reports and data feeds to be sent to the Central Institution Risk Management department, by ensuring the quality, reliability and completeness of data enabling the control and monitoring of risks at the company level and on a consolidated basis.

Risk Management departments of subsidiaries not subject to banking supervision regulations

- The functional link for the subsidiaries not subject to the banking supervision regulatory framework includes the following arrangements:
 - the appointment or the termination of the Senior Executive Vice-President, Risk Management, of the subsidiary depends on the approval of the central body's Senior Executive Vice-President, Risk Management. This formal agreement is based on an examination of the candidate's skills and professional experience. The Group Senior Executive Vice-President, Risk Management, is kept informed about the appointment or termination of Senior Executive Vice-Presidents, Risk Management of indirect subsidiaries;
 - the annual performance appraisal and career progress of the Group Senior Executive Vice-President, Risk Management is sent to the Group Senior Executive Vice-President, Risk Management by his/her hierarchical superior within the entity;

- common standards are prepared for all entities;
- the Group Risk Management Division must receive permanent reporting documents and warnings.

The Group Risk Management Division, in collaboration with the entities, has access to operational risk standards and procedures established by the entities, along with the entities' system of delegated risk authorities and all their sensitive and contentious files.

This type of organization is duplicated in the subsidiaries and affiliates which themselves are parent companies.

Integration of Natixis into the risk management process

Natixis, as a subsidiary, is integrated into the BCPE Group risk management process in accordance with the general principles stated above. In fact, the Natixis Risk Management Division is a "permanent guest" of the Group Standards and Methods Committee.

The Group Risk Management Division is a member of the following Natixis committees: Natixis Global Risk Management Committee, Natixis Group Market Risk Committee, New Products and Activities Committee, Natixis Group Credit Committee and the Watchlist Counterparty Committee. The Group Risk Management Division may exercise a right of appeal to the competent BPCE Risk Committee regarding decisions taken in Natixis Committees.

Natixis participates in the Group IT Risk Committee that decides the requirements and resources implemented by Natixis to enable the central institution to perform its risk monitoring on a consolidated basis.

COMPLIANCE

The Compliance function takes part in Groupe BPCE's permanent control activities. It is organized as a business process, including all Compliance functions, as defined in the Groupe BPCE Compliance Charter, that exist within Groupe BPCE companies and that have dedicated resources.

The companies concerned are BPCE affiliates, the direct and indirect subsidiaries of these affiliates, EIGs, direct and indirect subsidiaries of BPCE and BPCE itself. Subsidiaries are all companies over which affiliates or BPCE have, directly or indirectly, sole or joint control, and that as a result form part of the scope of consolidation.

Group Compliance: objectives, area of activity and scope of intervention

1. Objectives

Compliance provides permanent second-tier controls which, in accordance with Article 5a of CRBF Regulation 97-02 as amended, include checking that the operations and internal procedures of Groupe BPCE companies comply with laws, regulations, professional standards and internal standards applicable to banking, financial and insurance activities, in order to:

- prevent the risk of non-compliance as defined in Article 4-p of CRBF Regulation 97-02 as amended, as "the risk of legal, administrative or disciplinary sanction, financial loss or an attack on the reputation arising from non-compliance with provisions applicable to the banking or finance activities, whether these are of a legislative or regulatory nature, or they relate to professional standards and ethics or instructions from the executive body taken, notably, pursuant to orientations of the governing body";
- safeguard Groupe BPCE's image and reputation with its customers, employees and partners;
- represent the Groupe BPCE before the regulatory authorities and national and international professional organizations in all its areas of expertise.

As part of this effort, Compliance performs all tasks that support the compliance of operations carried out within Groupe BPCE's companies, affiliates (including the Caisse d'Épargne and Banque Populaire parent companies) and subsidiaries, ensuring that the interests of its customers, staff and partners are respected at all times.

Compliance is responsible for ensuring the consistency of all compliance controls, with each operational or control unit retaining responsibility for the compliance of its activities and operations.

2. Main duties in each business area

The main duties of Groupe BPCE's Compliance process lie in the following areas:

2. A Throughout the scope of compliance

FINANCIAL MARKET ETHICS AND COMPLIANCE WITH PROFESSIONAL STANDARDS

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

FINANCIAL SECURITY

This includes the prevention and supervision of financial crime, including the prevention of money laundering, the prevention of terrorist financing, compliance with embargos and the prevention of internal and external fraud. It encompasses the operating procedures of TRACFIN correspondents (French anti-laundering unit which reports to the French Ministry of the Economy, Finance and Industry).

BANKING COMPLIANCE

This covers compliance with all other laws and regulations in the banking and financial field, and includes the co-ordination of regulatory watch activities across all Groupe BPCE companies, the dissemination of standards, the implementation of processes for approving new products distributed within Groupe BPCE and the content of compliance training.

PERMANENT COMPLIANCE CONTROL

In coordination with the Risks business process, this includes implementing a system for managing non-compliance risks, including analyzing and coordinating the results of permanent controls on non-compliance risks.

COORDINATED OPERATING PROCEDURES

This includes the preparation of reporting documents for regulators and internal reporting documents, the preparation of committees coordinated by or involving Compliance, and Compliance management reviews. These efforts help to ensure that the updating of non-compliance risk maps forms part of the risk mapping process overseen by the operational risk process.

Compliance is also the main contact for France's financial market authority, the AMF-ACP unit for coordinating marketing controls, the *Commission nationale de l'informatique et des libertés* (CNIL), the General Directorate for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF) and equivalent foreign authorities. Compliance interacts with the Commission bancaire and equivalent foreign authorities on matters under its responsibility.

As a second-tier permanent compliance control function, Compliance maintains close relations with all functions involved in performing internal control within Groupe BPCE: Internal Audit, Risk Management department, IT Systems Security department, Audit department.

BPCE IOM

BPCE ensures permanent compliance control of BPCE IOM, by its delegation.

2. B Over other permanent control scopes**SECURITY AND BUSINESS CONTINUITY**

The Group security and business continuity department is part of BPCE's Group Compliance and Security department, and performs its tasks independently of operational departments. These tasks involve:

- security of people and property:
 - coordinating the security of Group people and property,
 - managing the people and property security process within Groupe BPCE,
 - overseeing compliance with legal and regulatory provisions relating to the security of people and property,
 - participating in Groupe BPCE internal and external bodies;
- business continuity:
 - coordinating Group business continuity,
 - implementing the BPCE continuity plan,
 - coordinating Group crisis management,
 - coordinating the implementation of the Group Business Continuity Plan, and keeping it in operational condition,
 - leading the Group business continuity process,
 - ensuring compliance with regulations as regards business continuity,
 - participating in the Group's internal and external bodies,
 - managing information security within the Group.

Group Compliance: organizational principles

To ensure its independence, Compliance, as distinct from the other internal control processes, must be independent of all functions performing commercial, financial and accounting operations.

Dedicated Compliance teams form a Compliance department, which reports hierarchically to the Chairman of the Management Board or to the Chief Executive Officer of each Groupe BPCE institution. Where the Compliance Officer does not report to the Chairman of the Management Board or the Chief Executive Officer, he reports to the Senior Executive Vice-President, Risk Management. The Senior Executive Vice-President, Risk Management and Compliance reports hierarchically to the Chairman of the Management Board or the Chief Executive Officer.

The Compliance Officer is responsible for the Compliance process.

For Groupe BPCE entities with the status of credit institution or investment company under French law, the Compliance Officer's name is notified to the Office of the Secretary General of the ACP by BPCE, and the supervisory body, Board of Directors or Supervisory Board is informed of his/her identity.

1. Role allocated to BPCE by the act of June 18, 2009

Article 1 of the act that established BPCE gave the central institution responsibility for organizing internal control. The article states that the central institution is in charge of:

"7) defining the principles and conditions for organizing the internal control mechanism of the Group and each of its networks, as well as controlling the organization, management and quality of the financial position of affiliated entities, including through onsite checks in connection with the scope of intervention defined in paragraph 4 of Article L. 511-31;"

In this context, the scope of Groupe BPCE means that several levels of action and responsibility have been identified, within the Compliance process, to supplement the specific organization principles:

- BPCE as a central institution for its activities;
- its affiliates, including the Caisse d'Epargne and Banque Populaire parent companies;
- its subsidiaries, including Natixis.

2. Organizational principles at the BPCE level (as company and central body)

The organization of BPCE's Group Compliance and Security department (DCSG) forms part of the principles set by CRBF Regulation 97-02 as amended, the general regulations of France's financial market authority and by the act that established BPCE.

Reporting to the Chairman of the Management Board, DCSG performs its duties independently from operational departments as well as from other internal control departments with which it nevertheless works. DCSG includes five divisions with Compliance activities:

- ethical compliance, including BPCE's investment services supervisor(s) (RCSIs);
- financial security, including BPCE's Tracfin correspondent(s);
- banking compliance;
- organization and oversight of permanent compliance controls;
- coordination and organization of the Compliance process.

The head of DCSG is the head of permanent non-compliance risk controls within the meaning of Article 11 of Regulation 97-02, at the level of both the central body and Groupe BPCE.

DCSG handles its duties as a business process. In this regard it performs an orientation and motivation role with respect to Compliance Officers in 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, report to the committee through a strong operational link.

DCSG conducts all actions to strengthen compliance throughout Groupe BPCE, including within the company. Within the BPCE company, compliance is performed by a dedicated team within the Ethics and Compliance department.

Compliance involves promoting a culture of risk management and taking into account the legitimate interests of clients, and this is achieved mainly through staff training.

As a result, DCSG:

- devises the content of training materials used by Compliance;
- manages interaction with the Group HR department;
- trains Compliance staff, including through specialist annual seminars (financial security, ethics and compliance, banking compliance, and co-ordination of permanent compliance controls);
- trains Compliance Officers through appropriate courses;
- ensures certification training for BPCE market operators since July 2010.

3. Company-level organizational principles

Among affiliates, particularly the Caisse d'Epargne and Banque Populaire parent companies, and among direct subsidiaries like Natixis, the Compliance Officer reports hierarchically to the Chairman of the Management Board, the Chief Executive Officer or the Senior Executive Vice-President, Risk Management and Compliance.

The standard organization of a department or entity in charge of Compliance includes at least two units specializing in each area (see section "Main duties in each business area") relating to:

- ethical compliance, with the investment services supervisor (RCSI);
- financial security, with the Tracfin correspondent(s) and reporting officer(s).

The department or entity in charge of Compliance also designates one or more staff to be DCSG's correspondent in the following areas:

- banking compliance;
- permanent compliance control.

Each Groupe BPCE entity has its own systematic prior approval process for new products and material changes to existing products within the meaning of Article 11-1 of CRBF Regulation 97-02 as amended.

Products marketed by a single company fall within this approval process. As required, at a new product launch, the company's Compliance function meets with DCSG.

As regards staff training, the department or entity in charge of compliance:

- supports training initiatives undertaken by BPCE;
- ensures that staff sign up to BPCE seminars;
- supplements training provided by Compliance on a local basis.

As stated in the Group's internal control charter, the other functions in charge of permanent control (Audit, the head of SSI or RSSI, the head of PCA or RPCA) may be placed under the functional supervision of a permanent control officer, such as the Senior Executive Vice-President, Compliance.

Participation in the Group's governance bodies

Groupe BPCE Risk Management committee

The Head of DCSG is invited to take part in meetings of the Groupe BPCE Risk Management committee.

Review and Validation Committee for New Groupe BPCE Products (CEVANOP)

A new committee, resulting from the unification the validation procedure of new products of both distribution networks, is in charge of "systematic prior approval of new products and material changes to existing products" within the meaning of Article 11-1 of the CRBF Regulation 97-02 as amended.

The scope of products submitted to this committee includes all banking and financial products (including insurance) marketed to the clientele of each of the networks; consequently, the product is marketed by at least two affiliated institutions. The Committee decides on the presentation of files by marketing or development managers for each network in view of written opinions by experts from department members from the Committee, said Committee being chaired by the head of DSCG. *Meetings are held monthly.*

Commercial Process Validation committees

DCSG takes part in the committee coordinated by the Development Department of the Caisse d'Epargne Banque Retail Bank, which approves marketing methods for authorized products, whichever channel is used (distance selling or direct selling via branches).

DCSG does its utmost so that this system is officially extended throughout all networks and markets.

This set-up is identical within each Groupe BPCE company.

DCSG is also regularly informed about:

- all general policy decisions that alter the organization or procedures;
- projects relating to the introduction or modification of systems or products.

Meetings are held 4 times every six months.

Work done in 2010 and outlook

Groupe BPCE is the result of a merger between Groupe Banque Populaire and Groupe Caisse d'Epargne, whose organizations may differ as regards Compliance. As a result, the organizational principles in Groupe BPCE's compliance charter represent a target to be attained collectively by 2011. These principles guide Compliance staff in their work.

- The former Banque Populaire and Caisse d'Epargne groups each had a collection of compliance standards that they made available to the banks of each group. A project to merge these standards was begun when BPCE was formed so as to have a common reference base. This work is going to continue in 2011;
- A "framework of procedures applicable to Groupe BPCE entities" regarding the prevention of money laundering and terrorist financing was updated in February 2010 to take into account the transposition of the third European directive. This system was supplemented and specified in 2010 by a dedicated model procedure for retail banking, as Natixis simultaneously updated its own procedure. Furthermore, a classification for laundering risks in Group institutions was implemented and specific tools were rolled out to check politically at-risk entities. Employee training was based on "e-learning" modules created with the Fédération Bancaire Française.

In 2011, the use of "online reporting of suspicions" with Tracfin is to become more widespread, and the work to merge monitoring tools between Caisses d'Epargne and Banque Populaire banks will give rise to an initial pilot program.

- As regards non-compliance risk mapping methods: a project to merge non-compliance and operational risk-maps began in conjunction with the Group Risk Management department in late 2009. At the end of 2010, this project led to the definition of a single methodology of non-compliance and operational risk scoring. In 2011, it will focus on developing a single reference system applicable to all Groupe BPCE entities;
- The monitoring of the activity of functions in charge of compliance in institutions was overhauled and standardized in 2010;
- Conducted with the Group Risk Management Division, in light of the project merging permanent controls, the Banque Populaire network maintained its existing system while Caisse d'Epargne institutions finalized roll outs of reference bases for back office control and for specialized control for anti-laundering and investment services supervisors (RCSI).

The plan to merge permanent compliance controls and operational risk began in 2010. The Group IT Strategic Committee ratified the choice of the PILCOP tool for Groupe BPCE entities. Initiated in July 2010, working groups common to the Caisses d'Epargne and Banque Populaire banks enhanced the shared harmonized reference bases rolled out in the Caisse d'Epargne network to enable the 2011 pilot roll-out in the Banque Populaire banks.

- In 2009, the Caisse d'Epargne network decided to use Natixis' securities processing unit (Natixis Eurotitres/Défi application), which was already used by the Banque Populaire network. The Group Compliance and Security department (DCSG) is playing an active role in this project, which is very important for controls carried out by investment services supervisors (RCSIs). The preparatory project continued in 2010, and an initial migration phase (two Caisses d'Epargne and Banque de Tahiti) was conducted on November 6, 2010. All entities in question are to migrate in 2011, thus establishing a standardized process in both networks.
- In 2010, market operator certification represented a major change. In practice, this system has been rolled out at group entities since July 1, 2010. Defined by BPCE, its structure is shared by all entities. It provides for:
 - the common definition criteria of the functions concerned required for the identification of grandfather clauses,
 - a national training program leading to the certification exam. Natixis Formation provides training and holds exams. The employee training program is based on e-learning and on a specific program (training binders and presentation sessions);
- The validation procedures for new banking and financial products, including insurance, marketed to the clientele of both networks was standardized in late 2010, and a single committee called CEVANOP was set up. Two new Intranet sites, one dedicated to the Banques Populaires network and the other to the Caisse d'Epargne network, were created to publish and bring to the attention of affiliated institutions the validation decisions made by the CEVANOP for new products as well as the validations of the changes made to these products;
- The validation process for commercial documents was standardized and formalized to ensure that, regardless of the media or distribution channel, only advertisements or special offers previously validated by the relevant experts (Legal, Tax Risk and Compliance) were sent out to clients. The system is being finalized for the media proposed by the joint subsidiaries in order to be implemented in 2011. It was recommended that the institutions formalize an equivalent system for their own commercial communications.

As regards security and business continuity, Groupe BPCE has strengthened its organization for protecting the security of people, property and essential activities, including in the event of extreme shocks. Staff responsible for the security of people and property and staff responsible for the BCP (business continuity plan) are coordinated by BPCE's Group Security and Business Continuity department.

BCPs are enhanced using joint projects, in order to keep them in full operational condition and to make them more effective. Business continuity solutions are developed to address generic incident scenarios. Their validity is ensured through regular reviews and tests, which raise awareness among the various staff affected, but also gauge the appropriateness of back-up resources and associated procedures.

In addition to the ongoing actions to strengthen Business Continuity, owing to the required maintenance of the systems by the BCP managers of the Subsidiary, the harmonization of practices and tools was initiated in 2010. In particular, this is intended to promote the standardization and synchronization of BCPs between group companies.

Furthermore, following the new Group Business Continuity Charter, operational implementation of requirements started with creation of a new rules reference framework applicable to Group companies as regards business continuity (crisis management, tests, supplier BCPs, etc.). The roll-out of these procedures in the companies will continue throughout 2011.

In addition, in 2010, BPCE's Group Security and Business Continuity department launched the project to overhaul the central institution's BCP as well as that of the Group securities business; this work is to continue in 2011.

Lastly, the audit of BCPs of delegated services was strengthened and will also continue in 2011.

OTHER PERMANENT CONTROL FUNCTIONS

Management of legal risks

1. Duties

The Legal department has responsibility for the prevention and management of legal risks and Group-level legal risks. It is also involved in the prevention of reputational risks. In this regard it helps to manage the legal risks arising from the activities of the central institution and Group entities.

To discharge its responsibility, it operates by providing legal and regulatory oversight, information, assistance and advice for the benefit of all Group institutions.

Together with the Compliance department, it is also involved in ensuring the consistency and effectiveness of controls on non-compliance risks relating to laws and regulations specific to its banking and finance activities.

Finally, the Legal department represents the Group with respect to the regulatory authorities, and national and international organizations, in all its fields of expertise.

The Legal department exercises its role independently of the Operational departments.

2. Organization

The Group Legal department is in permanent contact with the Legal departments of Group institutions, on all matters relating to the aforementioned duties. It ensures ongoing dialogue and interaction between the Group's legal officers, and maintains up-to-date documentation for their benefit. The Group Legal department coordinates the Group's legal and litigation policy. The Groupe BPCE Legal department handles its duties as a business process.

It ensures that the various Group affiliates or subsidiaries involved in banking, finance, insurance or real-estate activities have access to a legal function suited to their recurring business needs.

With the exception of Natixis, for which there is a direct functional link, the Legal department operates through operational links, organized mainly through training and coordination initiatives between the central institution and the various affiliates or subsidiaries.

3. Work carried out in 2010

Work done in 2010 focused mainly on:

- the monitoring of the 2009 merger of the two central bodies (amendment of bylaws of affiliated companies, etc.);
- and the August 2010 merger of two holding companies for equity interests by BPCE, as regards all legal and regulatory aspects including obtaining approval from French and foreign banking authorities.

4. Organization details

In May 2010, the general secretariat and the legal function were merged into a single department, thus granting a single entity the responsibility to operate the secretariat for BPCE's bodies, which put this entity in charge of organizing the Group's market relations.

The Legal Affairs Division has been organized into two segments, *via* a "banking law" segment and a "regulation and corporate" segment, together with a cross-discipline information-processing and support unit. The aim is to have a Legal department capable of fulfilling its duty to provide legal advice to BPCE as an entity, and to act as a Legal department for the Group and its various components, with the aim of ensuring maximum security.

The duties of the "banking law" segment include general legal watch activities. These mainly relate to work done by industry groups (French Banking Federation, etc.), which are tasked with preparing, explaining and negotiating new texts of all types that apply to the profession. The "banking law" segment provides legal advice and assistance to the whole Groupe BPCE in the fields of banking, real-estate and insurance. It monitors and protects trademarks, licenses and development matters, and negotiates, drafts and updates contracts with suppliers. It manages strategic litigation for Groupe BPCE, handles criminal matters and co-ordinates litigation at the national level.

The missions of the "regulation and corporate" segment cover company law. The segment handles corporate functions for Groupe BPCE entities, as well as legal watch activities, disclosure, support and advice regarding institutional and corporate issues affecting Groupe BPCE companies and organizations, including activities as part of projects involving company formation, restructuring, mergers and partial asset transfers. The segment is in charge of dealing with banking regulations, *i.e.* activities related to negotiating, analyzing, disclosing and applying regulations to Groupe BPCE entities. These texts include European directives, recommendations made by the Basel Committee or CEBS (now known as the European Banking Authority – EBA), and regulatory texts issued by the French authorities. It is also in charge of CECEI approval matters and relations with the authorities, monitoring texts relating to major banking ratios and checking policy regarding credit institutions (Regulation 97-02 relating to internal control, consolidated supervision), as well as providing advice on banking regulations. It is the legal advisor to BPCE and the Group regarding Group organization and reorganization operations, intra- and extra-Group strategic partnerships and financial structures, including the creation of financial products intended to be sold to the public. It is in charge of matters relating to competition, Community law and relations with international regulators.

5. Projects in 2011

In addition to the work traditionally done by a Legal Affairs Division, which consists of tracking developments, dealing with standard industry matters and responding quickly to the requests of BPCE and Group entities, the department will have other responsibilities in 2011. These include consolidating, improving and drafting the department's internal operating procedures, and enhancing its business processes.

Controls on the quality of accounting and financial reporting

1. Roles and responsibilities relating to the preparation and processing of accounting and financial information

Within Group BPCE, the Finance function is responsible for the preparation and processing of accounting and financial information. In the Central Body, this function is coordinated by the Group Finance department whose head is a member of the Management Board in charge of Finance.

In 2010, the Group Finance department defined the rules for preparing and handling accounting and financial reporting. In addition, the organizational rules for the Finance function within the Group, the principles and terms of relations were set between the Group Finance department and the Finance functions of other Group institutions as well as other outside parties (other functions in BPCE, Autorité des Marchés Financiers, Auditors, etc.).

All these rules and principles gave rise to the drafting of the "Framework of the Group Finances function – Duties, Organization and Operation". On November 2, 2010, BPCE's Management Board approved this "Framework."

GENERAL PRINCIPLES OF RESPONSIBILITY WITHIN THE GROUP

The production of accounting and financial information, and controls to ensure its reliability, are performed by the Finance departments of accounting entities included in Groupe BPCE's scope of consolidation.

Each entity has the resources to ensure the quality of accounting and financial data, including by ensuring compliance with standards applicable to the Group, ensuring consistency with the individual financial statements prepared by its supervisory body and reconciling accounting figures with management figures.

Each entity prepares, on a monthly or quarterly basis, financial statements and regulatory information required at the local level, along with reporting documents (accounting, management control, regulatory, etc.) for the Group Finance department.

The Group Finance department is responsible for preparing and reporting accounting and financial data. The Finance department collects all accounting and financial information produced by accounting entities within the Group's scope of consolidation. It also consolidates and controls these data, to enable their use for the purposes of Group management and communication to third parties (control bodies, investors, etc.).

As well as consolidating accounting and financial information, the Group Finance department has broad control duties:

- it coordinates asset-liability management, by defining the Group ALM rules and standards, and ensuring they are properly applied;
- it manages and controls the Group's balance-sheet ratios and structural risks;
- it defines accounting standards, reference bases and principles applicable to the Group, and ensures they are properly applied;
- it monitors the financial planning of Group entities and capital transactions;
- it ensures the reliability of accounting and financial information disseminated outside the Group.

PRIMARY FUNCTIONS CONTRIBUTING TO PREPARING AND COMMUNICATING ACCOUNTING AND FINANCIAL DATA AND THEIR RESPONSIBILITIES

The main functions involved in preparing published accounting and financial information are accounting, management control and investor relations.

1.2.1 Accounting

The accounting function is in charge of preparing individual and consolidated financial statements.

Within the Group, each entity's accounting function has responsibility, with respect to the Group and the supervisory authorities, for its individual financial statements, any consolidated financial statements, and regulatory reports.

Within BPCE, the function is performed by the Group Accounts department, for the consolidated financial statements, and by the BPCE Budget and Accounting Department for the parent company financial statements. The main duties of these two divisions, whose heads report to the Chief Financial Officer, are as follows:

- For the Group Accounts department:
 - preparing the consolidated accounts of Groupe BPCE and BPCE, ensuring compliance of regulatory ratios by Groupe BPCE and performing their quarterly analyses,
 - leading the Group business continuity process,
 - ensuring regulatory monitoring as regards common French and IFRS accounting doctrine within the Group in coordination with shareholder institutions, BPCE subsidiaries and the Auditors,
 - acting as the interface between the regulatory authorities (the Banque de France and the French Banking Commission) and affiliates, in accordance with Article L. 512-95 of the French Monetary and Financial Code, and ensuring that affiliates comply with regulatory standards and management ratios,
 - representing the Group with respect to industry bodies (Conseil national de la comptabilité, European Banking Federation, etc.).

In addition, the Group Accounts department assists the business units from the Group Finance Department in managing Finance Information Systems projects, and contributes to guarantying single and community reference bases both for all functions of the Group Finance department and for shareholder institutions;

- For the BPCE Budget and Accounting department:
 - ensuring accounting and the production of BPCE regulatory statements,
 - managing BPCE procedures and budget planning,
 - ensuring supplier accounting and the payment of BPCE invoices and those of certain subsidiaries the accounts of which are kept by the Central Body,
 - ensuring back-office processing on behalf of the treasury, for issuances, investments and for BPCE financial management and its subsidiaries' issuances.

1.2.2 Financial control

The financial control function is in charge of preparing management information.

Within the Group, each entity's management control function is in charge of operational co-ordination, and has responsibility for producing management information within the entity and for the central body.

Within BPCE, the function is performed by the Management control department, whose head reports to the Chief Financial Officer. Its main duties are as follows:

- coordinating the financial planning, budget and multi-year rolling forecast process;
- analyzing the performance of the Group, its business units and accounting entities;

- managing the people and property security process within Groupe BPCE,
- coordinating cost analysis procedures based on the Activity Based Costing (ABC) procedure;
- monitoring BPCE subsidiaries financially and administratively;
- coordinating capital management, allocating Group shareholders' equity and liquidity;
- contributing to preparing Group strategic and financial plans.

1.2.3 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 registered with France's financial market authority and also available on the BPCE website.

Within BPCE, the function is performed by the Issuance and Investor Relations department, whose head reports to the Chief Financial Officer. Its duties in this area, aside from its main duty relating to the medium- and long-term refinancing of Groupe BPCE, are as follows:

- coordinating and preparing presentations of Groupe BPCE's results, financial position 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 subject to approval by France's financial market authority;
- organizing relations with rating agencies by ensuring coordination with the other rated accounting entities of the Group.

2. Arrangements for producing consolidated accounting and financial data

2.1 GENERAL SYSTEM

The central institution prepares the consolidated financial statements of Groupe BPCE and its individual company accounts.

For this purpose, BPCE's Group Finance department has prepared a consolidation manual designed to guarantee the reliability of the process. It is based on the following core principles:

- definition and communication of accounting policies for the Group, including analysis and interpretation of new texts issued during the period, both for French GAAP and international (IFRS) accounting standards;
- regular training of accounting teams within the consolidated entities to promote the use of best practice throughout the Group.

2.2 ARRANGEMENTS FOR PRODUCING CONSOLIDATED ACCOUNTING AND FINANCIAL DATA

Consolidation takes place quarterly based on the financial statements of each Group entity. Data from the entities are entered into a central database where consolidation adjustments are then carried out.

As regards the consolidation system, the Group's recent creation means that it has maintained an organization based on a combined solution for the Group's core businesses:

- In 'Commercial Banking and Insurance', information is communicated on an individual basis to ensure a more detailed vision of the contribution of the accounting entities to the Group's financial statements. The system is based on a single consolidation tool used solely by these entities, and for all sub-consolidation work. This ensures internal consistency as regards scopes, charts of accounts, processing and analysis;

- For Caisses d'Épargne and their subsidiaries, the production is based on unitary monitoring of individual data of institutions in the IFRS reference base,
- The production of Group financial statements involves unitary monitoring of differences between the individual French GAAP financial statements of institutions and their contribution to IFRS consolidated financial statements. This solution has led to the deployment of an IFRS consolidation package, which lists and automates all adjustments to be made to the French GAAP individual financial statements, to convert them into IFRS financial statements,
- Crédit Foncier de France uses the Caisse d'Épargne system, enabling the Group to monitor IFRS contributions;
- Natixis has a consolidation tool that produces an IFRS consolidation package, ensuring the consistency of data from the banking and insurance scopes and giving a transparent overview of its subsidiaries. For the production of Group financial statements, Natixis submits a consolidation package that represents its consolidated financial statements (an "opaque package");
- Nexity and Foncia are consolidated on the basis of packages that represent their consolidated financial statements ("opaque packages").

The system as a whole feeds into a central consolidation tool, which has archival and security features including daily back-up of the consolidation database, and restore tests are regularly carried out.

3. Control process for accounting and financial data

3.1 GENERAL SYSTEM

Groupe BPCE's internal control process supports the management of all kinds of risk and enhances the quality of accounting information.

It is organized in accordance with legal and regulatory requirements, including those arising from the French Monetary and Financial Code, CRBF Regulation 97-02 as amended and texts governing BPCE. It concerns all Group companies, which are supervised on a consolidated basis.

The system is governed by a charter that sets out the principles, defines the scope of application, details the participants concerned and their role in ensuring that the internal control system of each company and Groupe BPCE works properly.

Setting the general principles, the Group's Internal Control charter has been supplemented by charters organizing the periodic control of subsidiaries (internal audit) and permanent control (risks, compliance and finances in the accounting and regulatory reporting system).

In 2010, the Group Finance department drafted the Audit and Regulatory Review Charter, which defined the organizational rules for the control and review system for accounting and regulatory reporting within the Group. BPCE's Management Board approved this charter on May 10, 2010.

3.2 APPLICATION OF THE CONTROL FRAMEWORK AS REGARDS ACCOUNTING AND FINANCIAL DATA

3.2.1 Within Group entities

Reflecting the decentralized nature of Groupe BPCE, internal control procedures are tailored to the organization of each consolidated entity. In all cases, the process includes several layers of controls:

- A basic layer of "first-level controls", relating to operational services and integrated into processing procedures;

- An intermediary layer of "second-level controls" (review) organized and executed under the responsibility of a dedicated specialist audit function within the Finance departments to carry out accounting and regulatory review. This function performs independent controls on processing procedures to ensure the reliability and completeness of financial statements in conjunction with permanent control functions;
- a higher layer of "level-three controls", involving:
 - periodic controls organized under the authority of internal audit,
 - controls exercised by parties external to the Group (Auditors and the French Prudential Supervision Authority (ACP)).

3.2.2 Within the central institution

Coordination of the "Audit and Regulatory Review" process

The central institution coordinates the permanent system for audits and regulatory reports as part of a functional audit and regulatory review process, the rules of which will be determined by a charter in 2010.

Within the Group Finance department, this functional process is coordinated by the Financial Review department. Reporting to the Executive Chief Financial Officer, its head has been granted normative powers over the subsidiary. In addition, the head of the Financial Review department is a permanent member of the Group Internal Control Coordination Committee which meets, under the chairmanship of the Management Board, with the members of the Management Board in charge of Finance and Operations respectively and the managers from the Periodic and Permanent Control functions.

In conjunction with shareholder institutions and Group subsidiaries, the primary role of the Finance Review department is to ensure a strong functional link between the function within Group institutions and that of the Central Body in order to guarantee the quality of the Group's accounting and regulatory reporting.

Its main duties are as follows:

- facilitate sharing of best practices within a Special-purpose Committee (Auditors' Committee) and working groups;
- organize the drafting and distribution of the subsidiary's set of standards and documents;
- coordinate the subsidiary's reporting system with the central institution to ensure the system;
- work in close collaboration with Group Auditors on the statutory system within the Group by ensuring for the Audit and Risk Committee the independence of Auditors (control of compliance of the selection procedure, review of the fees paid by the Group and the type of duties performed by the Auditors within the Group, etc.).

The Financial Review department's other duties are as follows:

- second-tier control of the accounting business unit and in particular the financial and regulatory statements published under the responsibility of the Group Finance department;
- control the productions of other business units and coordinate the internal control actions within the Group Finance department in conjunction with other permanent control entities.

Controls performed at the central body level

In addition to the self-checking and external checking procedures performed in the entities responsible for preparing individual or consolidated financial statements, the quality of accounting controls is verified by:

- the Group Finance department, which co-ordinates the system for checking the quality of accounting and financial information. For this purpose:
 - it uses its role in standardizing accounting practices at the Group level to produce individual and consolidated financial statements under French GAAP and IFRS,
 - as regards regulatory reports, it regularly examines the financial statements of the Banque Populaire banks, the Caisse d'Epargne banks and the Crédit Maritime banks disclosed in the BAFI regulatory framework. The control of regulatory statements undergo analysis and consistency controls performed by a dedicated team. These formalized controls were updated in 2010 in the framework of the "SURFI" (Système Unifié de Reporting Financier/Unified System of Financial Reporting) reform,
 - this team validates, for the consolidated financial statements, and checks that the scope of consolidation is compliant with accounting principles in force, as well as performing various checks on data received on a quarterly basis, through consolidation packages. These checks include: ensuring that data collected have been properly aggregated and that consolidation entries are correct, and dealing with residual differences on reciprocal transactions. These checks are supplemented by analytical reviews and consistency controls of the main headings in the financial statements, as well as an analysis of changes in equity and deferred taxes during the period through individual and consolidated tax reconciliations;
- the Group's external auditors, who work on a panel basis and base their opinions partly on the conclusions of each consolidated entity's external auditors, particularly as regards 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, BPCE has recommended that each entity in the scope of consolidation has at least one representative of the Group's external auditors on its panel;
- occasional assignments performed by BPCE Internal Audit within Group institutions.

Finally, under CRBF Regulation 97-02 relating to the prudential supervision of credit institutions, Groupe BPCE Internal Audit presents to the Audit and Risk Committee and the Supervisory Board an annual report summarizing Group internal control, in coordination with Group Risk Departments and the Group Compliance and Security department. On the basis of detailed questionnaires, this report assesses internal control procedures, particularly in the accounting and financial fields.

4. Role of supervisory bodies in accounting and financial disclosure

Once per quarter, the Management Board finalizes the consolidated financial statements and presents them to the Supervisory Board for checking and control purposes. Individual financial statements are prepared once per year, in accordance with regulations in force.

BPCE's Supervisory Board checks and controls the individual and consolidated financial statements prepared by the Management Board and presents its observations about the financial statements for the period to 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, *i.e.* the Audit and Risk Committee. In addition, with the specific structure of Groupe BPCE, BPCE's Management Board assigns the Group's Finance Department the task of organizing the process of coordinating, disclosing, and forming a decision on the financial and accounting information through the supervisory bodies.

RISK MANAGEMENT COMMITTEE

The Audit and Risk Committee is tasked with monitoring the process of preparing financial information, the auditing of the individual and consolidated financial statements, and ensuring the independence of the external auditors.

In this respect, its duties include:

- examining the individual and consolidated financial statements, checking the clarity of information provided, assessing the appropriateness of accounting methods used to prepare the individual and consolidated financial statements and examining the prudential and accounting impact of any significant acquisition made by BPCE or the Group;
- reviewing the draft of the Supervisory Board Chairman's report on internal oversight procedures as regards preparing and processing accounting and financial information;
- making recommendations on the procedure for selecting external auditors by the Shareholders' Meeting, ensuring the independence of the external auditors, including through details of fees paid to them by the Group, and examining the external auditors' schedule of work.

The Audit and Risk Committee consists of six members of BPCE's Supervisory Board, including an independent member, who is the committee's Chairman. The committee meets in the presence of the panel of external auditors to examine the financial statements, but may, subject to conditions it determines, hear reports from corporate officers, executives responsible for preparing the financial statements, and any person whose expertise appears relevant to the committee. Permanent risk monitoring and compliance managers, as well as the Internal Auditor in charge of routine audits, are invited to attend the committee's meetings.

FINANCIAL SUPERVISORY BODIES

During 2010, the Group's Finance Department defined the coordination, disclosure, and decision-making processes for the Finance function.

These processes are organized around three types of supervisory bodies:

- coordination and disclosure bodies: These bring together key managers from Finance and from each business segment within Finance (Management control, Accounting, Cash Management, Asset and Liabilities Management, Audit and Regulatory Review, and Taxation);
- temporary bodies that manage and coordinate time-limited projects;
- permanent bodies, known as "Finance Committees".

Finance Committees form the core architecture of the system. In order to ensure the transparency and security of the system, Finance Committee are formalized by regulations that define the operation, organization, composition, and role of each committee, along with the rules for communicating the discussions held within these committees. The Group's Financial Committees always involve representatives from shareholder associations and, if applicable, the Group's subsidiaries.

The main Financial Committees are known as "decision-making" bodies whose decisions do not require approval from a higher authority. This qualification applies only under the following conditions:

- the supervisory body is chaired by the Chief Financial Officer;
- decisions are made only in strictly limited financial areas (Asset and Liability Management, Cash Management, Solidarity and Guarantee Fund Management, etc.);
- operating rules and assignments are controlled by the Group's Coordination and Internal Control Committee, which approves regulations.

The main decision-making Financial Committee related to accounting and finance is the "Group Management and Accounting Standards and Methodology Committee". Created during the second half of 2010, its role is to approve the repository of financial and accounting information and the information control. Chaired by two members of BPCE's Management Board (the Chief Financial Officer and the Chief Executive Officer of Commercial Banking and Insurance), its main tasks are to approve:

- the regulatory framework and management standards needed for managing the Group;
- strategic accounting decisions and the Group's regulatory framework for accounting, including the Groupe BPCE's position on options left open in the law;
- working standards on audit and regulatory review (Group Review Standards), as part of the internal control mechanism for accounting and regulatory disclosure.

5. Outlook

In 2010, taking into account its recent creation, Groupe BPCE will pursue initiatives to harmonize its internal control system relating to accounting and financial information.

The efforts undertaken to rationalize the resources and working methods of the teams responsible for producing, checking and monitoring accounting and financial reporting schedules will also be continued, by adjusting them to business and regulatory developments.

The major projects currently in progress or due to be launched within the Group are as follows:

- processing and standardization of accounting and financial reporting:
 - monitoring of regulatory developments, including the revision of IAS 39 and the Basel III developments affecting banking regulations, to prepare the Group for changing to these new rules,
 - aligning accounting principles within the Group, including obligations related to homebuyer savings accounts whose behavioral model will continue to be aligned through 2011,
 - continued roll-out of the accounting tool (Matisse) on the US platform, at Natixis,
 - publishing the consolidated financial statements for all of the Banque Populaire banks in accordance with IFRS, for the purpose of aligning the Group's management and keeping it consistent and effective;
- regarding the internal control system for accounting and financial data:
 - roll-out of an auditing and control tool (Comptabase), which has already been deployed to the Caisse d'Epargne network, to Banque Populaire banks that are members of the i-BP community, ensuring that all shareholders use the same tools in this area,

- roll-out of a reporting tool within audit and regulatory review, whose initial findings will be used in 2011 to qualify the audit and control mechanism within the Groupe BPCE and to identify the mechanism's weaknesses in proposing suitable solutions,
- establishing a permanent training system for Audit and Regulatory Review, focusing on the basics of auditing and the basic of prudential status and review.

IT systems security

1. Duties

The Group IT Systems Security department (SSI) defines, implements and develops Group policies. It provides continuous and consolidated monitoring of the SSI, along with technical and regulatory monitoring. It initiates and coordinates Group projects aimed at reducing risks in its field.

The Group IT Systems Security department represents the Groupe BPCE in banking industry groups and to public authorities.

The Group SSI has regular contact within the central institution with the Risk Management, Compliance and Internal Audit departments.

The central institution's head of IT Systems Security is a member of the Group IT Systems Security department. He ensures the security of the Central Computer System (SI Fédéral) and of BPCE.

2. Organization

There is an IT systems security process within Groupe BPCE. It joins the head of IT Systems Security (RSSI), responsible for the process, with the heads of IT Systems Security for all of the institutions.

As a result, the heads of IT Systems Security for affiliated parent companies, direct subsidiaries, and EIGs are functionally associated with the Group's IT Systems Security. This functional link is embodied by coordinated actions. Specifically, it means that:

- The Group's head of IT Systems Security is notified of any IT Systems Security appointment;
- The Group's IT systems security policy applies within the institutions, and each IT systems security policy must be communicated to the Group's head of IT Systems Security prior to approval by executive management, the board of directors, or the management board;
- Reporting to the Group's head of IT systems security regarding the level to which institutions comply with the Group's IT systems security policy, ongoing control, risk level, primary incidents, and actions.

3. Work carried out in 2010

The Group's work in 2010 focused on consolidating the IT Systems Security process and on developing the BPCE Group's IT systems security policy (PSSI-G).

BPCE's Management Board approved the Group's IT Systems Security charter (level 1 of the PSSI-G) in April 2010 and then forwarded it to the Audit Committee, the Supervisory Board, and the banks.

This IT systems security charter is associated with a set of technical rules and instructions (level 2 of the PSSI-G). The development of these rules and instructions began at the end of 2009 and continued into 2010. A total of 19 topics were formed and presented to the Group's Coordination and Internal Control Committee in December 2010. They will be submitted to BPCE's Management Board for approval on January 10, 2011 and disclosed to the banks.

Meanwhile, in September 2010, the DSSI-G began to build IT Systems Security into risk mapping, ongoing control, and the incident management process within the BPCE Group. The Group's old IT systems security control mechanism from the former CNCE was applied to the scope of a BPCE bank and maintained for the savings banks and the banks within the BPCE IOM network (formerly OCEOR).

Finally, the Group's IT Systems Security Committee, the group's IT System Security supervisory body chaired by the Group's head of IT Systems Security, met four times during 2011.

Regarding BPCE, 2010 was marked by:

- Stronger permanent controls, particularly with regard to financial applications (Calypto, Arpson, Reuters Dealing, Smart Trade);
- Definition of the IT Systems Security dashboard, to be implemented in Q1 2011;
- Several IT Systems Security assessments, particularly concerning Credit Risk and Foundation IT systems.

MAIN PROJECTS

- The project for managing BPCE permissions began in the middle of November 2009. Some actions were performed in 2010, including the development of an audit trail for the Personal Repository and a reduced number of high-permissions accounts. 2011 will be devoted to identifying and selecting the target solution, to be installed and introduced in 2012;
- Work continued on the roll-out of strong authentication solutions for personal and small-business customers using online banking and remote payment services. After aligning the policies of the two networks at the end of 2009, nearly 250,000 CAP/EMV readers (payment security protocol) were deployed in late 2010 within the Banques Populaires network (for an order of 500,000 readers), and more than 1 million customers on the Caisses d'Epargne network were equipped with the SMS solution.

4. Outlook for 2011

The Group IT systems security policy will begin to be rolled out by institutions, including BPCE, in 2011. Institutions will establish an initial measurement of their compliance with the Group's IT systems security policy, and they will prepare their plan for becoming compliant by the end of 2011.

Meanwhile, the development will continue on a section of IT systems security on risk mapping, the permanent control repository, and Groupe BPCE's incident management process, with implementation planned to start in the second half of 2011. Topics related to asset classification, IT risk mapping, IT incident management, IT permanent control, and project security will be developed and added to the Group's IT systems security policy. These elements will provide a consolidated view of Groupe BPCE's new security level. Meanwhile, the strong authentication project is still underway for remote banking and online payments. For BPCE, the target solution for managing permissions will be identified and selected, reinforcing permanent controls.

Finally, in 2011, the DSSI-G will further strengthen its support for jobs and group establishments in order to integrate security issues as far upstream as possible.

PERIODIC CONTROL

Groupe BPCE Internal Audit duties

In accordance with the central institution's responsibilities and because of collective solidarity rules, Groupe BPCE's Internal Audit has the task of periodically checking that all Group entities are operating correctly, and it provides Groupe BPCE executives with reasonable assurance as to their financial strength.

As part of this work, it ensures the quality, effectiveness, consistency and proper operation of their permanent control framework and the management of their risks. The scope of Internal Audit covers all risks, institutions and activities, including those that are outsourced.

Its main objectives are to evaluate and report to the executive and governing bodies of the Group and entities on:

- the financial position;
- the actual level of risk;
- the quality of the organization and management;
- the consistency, suitability and effectiveness of systems to assess and manage risk;
- the reliability and integrity of accounting and management information;
- compliance with laws, regulations and rules applicable to the Group or each company;
- the effective implementation of recommendations made following previous audits and by regulators.

Group Internal Audit reports to the Chairman of the Management Board, and performs its work independently of operational departments and permanent control. Its operating procedures, processes to achieve consolidated supervision and optimal use of resources, are set out in a charter approved by BPCE's Management Board on December 7, 2009. The Risk Management departments of affiliates or direct subsidiaries report to it through a strong operational link.

Scope of activity

To fulfill its role, Groupe BPCE Internal Audit establishes and maintains an up-to-date Group audit scope inventory, which is defined in coordination with the internal audit groups of Groupe BPCE entities.

It ensures that all institutions, activities and related risks are covered by full audits, performed with a frequency defined according to the overall risk level of each institution, and in no event less than once every four years for banking activities. In this regard Groupe BPCE Internal Audit not only takes into account its own audit work but also that performed by regulators and Internal Audit departments of the Groupe BPCE entities.

The annual audit program for Groupe BPCE Internal Audit is approved by the Chairman of the Management Board. It is examined by the Groupe BPCE Risk Management committee. The Groupe BPCE Risk Management committee ensures that this audit program allows for satisfactory coverage of the Groupe BPCE audit scope over a multi-year cycle and can recommend any measures to this effect. It reports on its work to the Groupe BPCE Supervisory Board.

Reporting

Recommendations arising from audits performed by Groupe BPCE Internal Audit are prioritized by order of importance and are subject to regular follow-up, at least every six months.

Internal Audit reports on the conclusions of its work to the management teams and boards of audited companies. It also reports to the Chairman of BPCE's Management Board, to BPCE's Risk Management committee and to BPCE's Supervisory Board. It provides these bodies with reports on the implementation of its main recommendations and those of the Prudential Supervision Authority. It ensures that remedial measures decided as part of the internal control system, in accordance with Article 9-1.b of Regulation 97-02, are executed within a reasonable timeframe, and can refer matters to the Risk Management committee if measures are not executed.

It coordinates the timetable for drafting regulatory reports.

Representation in governance bodies and Group Risk committees

To fulfill its role, Groupe BPCE's Head of Internal Audit is a member of the main consultative committees taking part in the risk management. The Head of Internal Audit is a permanent member of BPCE's Audit and Risk Committee, Natixis' Audit Committee, and the Group's main subsidiaries (OCEOR, Crédit Foncier, Banque Palatine).

Relations with the central institution's permanent control departments

Groupe BPCE's Head of Internal Audit maintains regular dialogue within the central institution and exchanges information with unit heads within his/her audit scope and, more specifically, with departments responsible for second-tier control.

These departments must quickly notify the Head of Internal Audit of any failure or major incident of which they become aware. The Head of Internal Audit, along with Group Senior Executive Vice-Presidents, Risk Management and Group Senior Executive Vice-Presidents, Compliance and Security, must quickly inform each other of any inspection or disciplinary procedure initiated by the supervisory authorities, or more generally of any external control of which they become aware.

Organization

Groupe BPCE Internal Audit handles its duties as a business process.

The objective of such an organization is to ensure coverage of all Group operational or functional units within the shortest possible timeframe, as well as to achieve effective coordination with entities' Internal Audit departments.

Internal Audit departments of affiliates and directly-owned subsidiaries report directly to Groupe BPCE Internal Audit through a strong functional link and a hierarchical reporting line to the executive body.

In BPCE subsidiaries that do not have an Internal Audit department, internal audit coverage may be provided by Groupe BPCE Internal Audit through delegated authority approved by the Boards of the central institution and the entity concerned.

This strong functional link is achieved through the following rules:

- the appointment and termination of officers in an affiliate or direct subsidiary's Internal Audit department is subject to the prior approval of

Groupe BPCE's Head of Internal Audit. Groupe BPCE's Head of Internal Audit is kept informed of the appointment or termination of officers in affiliates' or direct subsidiaries' Internal Audit departments;

- Groupe BPCE has a single Group internal audit charter;
- Groupe BPCE Internal Audit ensures that entities' Internal Audit departments have the resources necessary to fulfill their duties. The budget and staff of these departments are determined by the executive bodies of affiliates and subsidiaries, together with Groupe BPCE Internal Audit;
- entities' Internal Audit departments use audit methods defined by Groupe BPCE Internal Audit that are drawn up in consultation with them;
- multi-year and annual programs followed by the Internal Audit departments of Groupe BPCE institutions are determined in conjunction with and consolidated by Group Internal Audit; Groupe BPCE Internal Audit is kept regularly informed of progress with these programs and of any change in their scope;
- institutions' internal audit reports are communicated to Groupe BPCE Internal Audit as and when they are issued;
- inspection reports from regulatory authorities relating to entities, related follow-up letters and answers to those letters, and sanction procedures are communicated to Groupe BPCE's Internal Audit when they are received or sent, if sent directly to the institution;
- Groupe BPCE's Internal Audit is notified as soon as possible of the start of inspections performed by regulators on entities and subsidiaries, as well as any proceedings against them;
- copies of entities' annual reports, prepared in accordance with Articles 42 and 43 of CBRF Regulation 97-02, and a copy of the annual report prepared by the Chairman of the governing body on internal control, are sent to Groupe BPCE Internal Audit.

This type of organization is duplicated in the subsidiaries and affiliates which themselves are parent companies.

The rules governing how Internal Control is managed between Natixis and the central institution are part of the group's audit process.

Given the size and nature of this subsidiary's activities, a Coordination Committee meets regularly in order to bring together the Groupe BPCE's and Natixis' Internal Audit. It is responsible for all issues related to the operation of Internal Control between the central institution and Natixis Group.

Work done in 2010 and outlook

The implementation of Internal Audit's 2010 audit plan, which will be completed in February 2011, entailed significant upgrading among the Group's retail banks, to which half of available resources were devoted. Seven Caisses d'Epargne banks, seven Banques Populaires banks, all Crédits Maritimes banks, and Crédit Foncier will have been audited under this plan.

Internal Audit will have also audited several BPCE departments, the Group's HR department, real estate and general resources, the IT department (for IT systems security), and the Finance Division (for liquidity management).

Besides the 51 audit assignments launched over the course of 2010 under the audit plan, BPCE's Internal Audit continued its in-depth revision of the audit standards and methodology based on best practices and started in August 2009. In particular, it has drafted a standard outlining how to perform audit assignments within the process and a standard outlining the method for tracking the implementation of recommendations made by audits or supervisory authorities. Finally, a document was developed regarding data storage and confidentiality during audits.

This work will continue in 2011 and will cover the definition of standards, monitoring of recommendations, the creation of risk assessment tools for each auditable unit, adjustments to internal audit tools, and work on methods of reporting to the governance authorities of Groupe BPCE institutions. Also, the significant job of updating the audit guides in 2010 will continue into 2011 and will result in a uniform corpus of guides that are up-to-date for the process. The results of this work will be presented on a regular basis to BPCE's Risk Management committee.

Regarding Natixis, which has also been involved in major assignments conducted by the IG Group, work is underway to align the methods used by

Natixis Internal Audit with those used by the IG Group, particularly with regard to listing recommendations, carrying out assignments, reporting, and annual macro-planning.

Regarding the audit process, Internal Audit is directly responsible for performing internal audits on BPCE IOM subsidiaries as of June 30, 2010.

Finally, BPCE Internal Audit will continue to monitor this work every six months and issue recommendations to promote the disclosure of warnings to the Audit and Risk Committee in accordance with Article 9-1.b of Regulation 97-02.

2.1.3 External auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report by the Chairman of the Supervisory Board

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 12/31/2010.

To the shareholders of

BPCE

50, avenue Pierre Mendès France

F-75013 Paris

To the Shareholders,

In our capacity as statutory auditors of BPCE and in accordance with Article L. 225-235 of the French Commercial Code ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-68 of the French Commercial Code for the year ended on December 31, 2010.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-68 of the French Commercial Code, relating in particular to corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of accounting and financial information;
- to attest that the report includes the other information required by Article L. 225-68 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning internal control and risk management procedures relating to the preparation and treatment of accounting and financial information

The professional standards require us that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information set out in the Chairman's report.

These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the financial and accounting information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining whether any material weakness in internal control relating to the preparation and processing of accounting and financial information that we would have noted during our audit are properly reported in the Chairman's report.

On the basis of this work, we have nothing to report on the information concerning the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L. 225-68 of the French Commercial Code.

Other information

We confirm that the report of the Chairman of the Supervisory Board sets out the other information required by Article L. 225-68 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, April 8, 2011

The Statutory Auditors

KPMG Audit
Department of KPMG SA

Fabrice Odent
Marie-Christine Jolys

PricewaterhouseCoopers Audit

Anik Chaumartin

Mazars

Charles de Boisriou
Jean Latorzeff