A bank committed to the regions it serves

2013 Annual Report

BRED BANQUE POPULAIRE

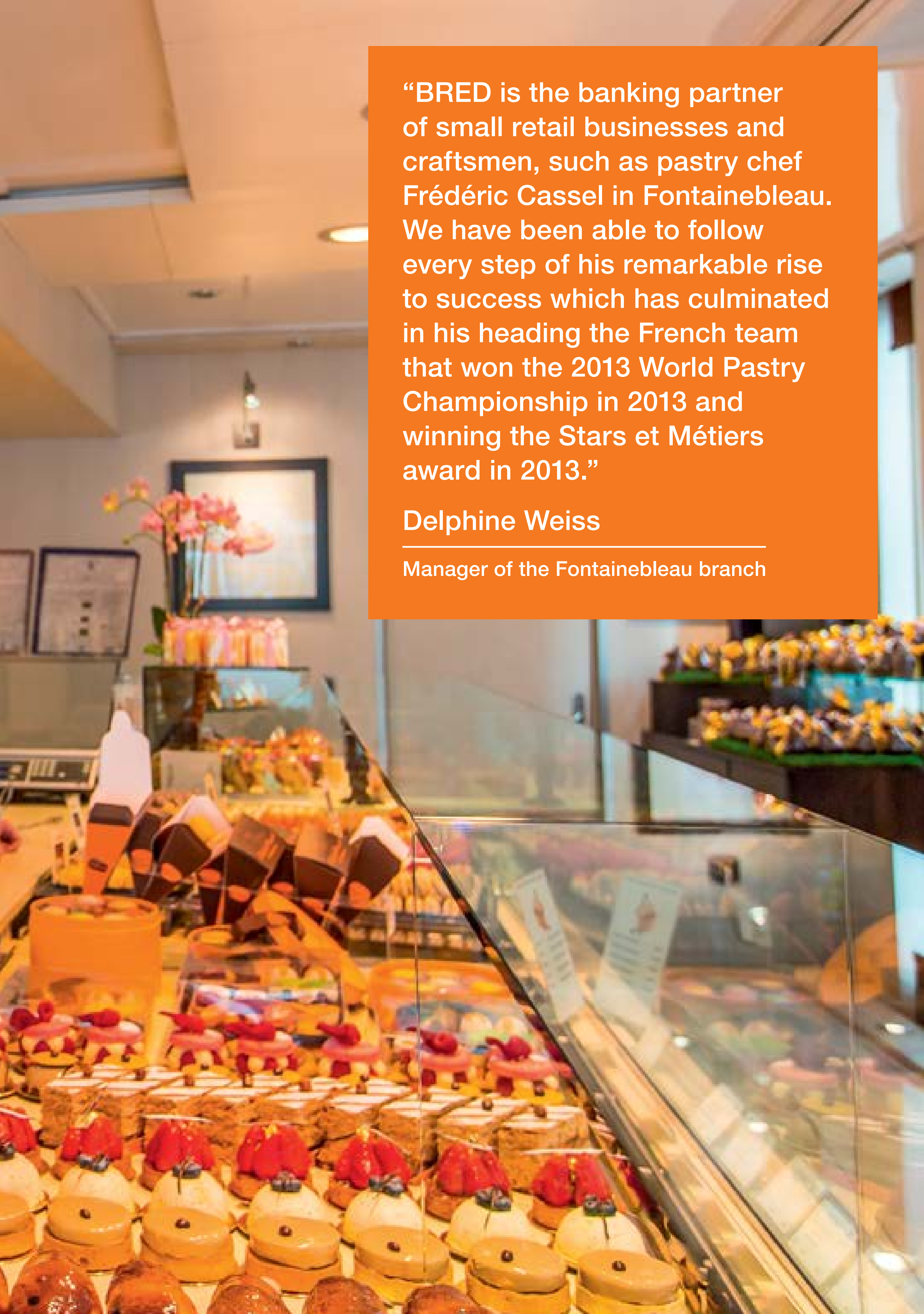
LA BANQUE QUI DONNE ENVIE D'AGIR

GROUPE BPCE

"Our e-branch, BRED Espace, serves customers travelling outside their home region, expatriates and young people from overseas territories studying or working in France, and has a special team, Grand'Zé, dedicated to students of the major engineering and business schools."

Marie Namias

Head of Bred Espace and Grand'Zé



"BRED is the banking partner of small retail businesses and craftsmen, such as pastry chef Frédéric Cassel in Fontainebleau. We have been able to follow every step of his remarkable rise to success which has culminated in his heading the French team that won the 2013 World Pastry Championship in 2013 and winning the Stars et Métiers award in 2013."

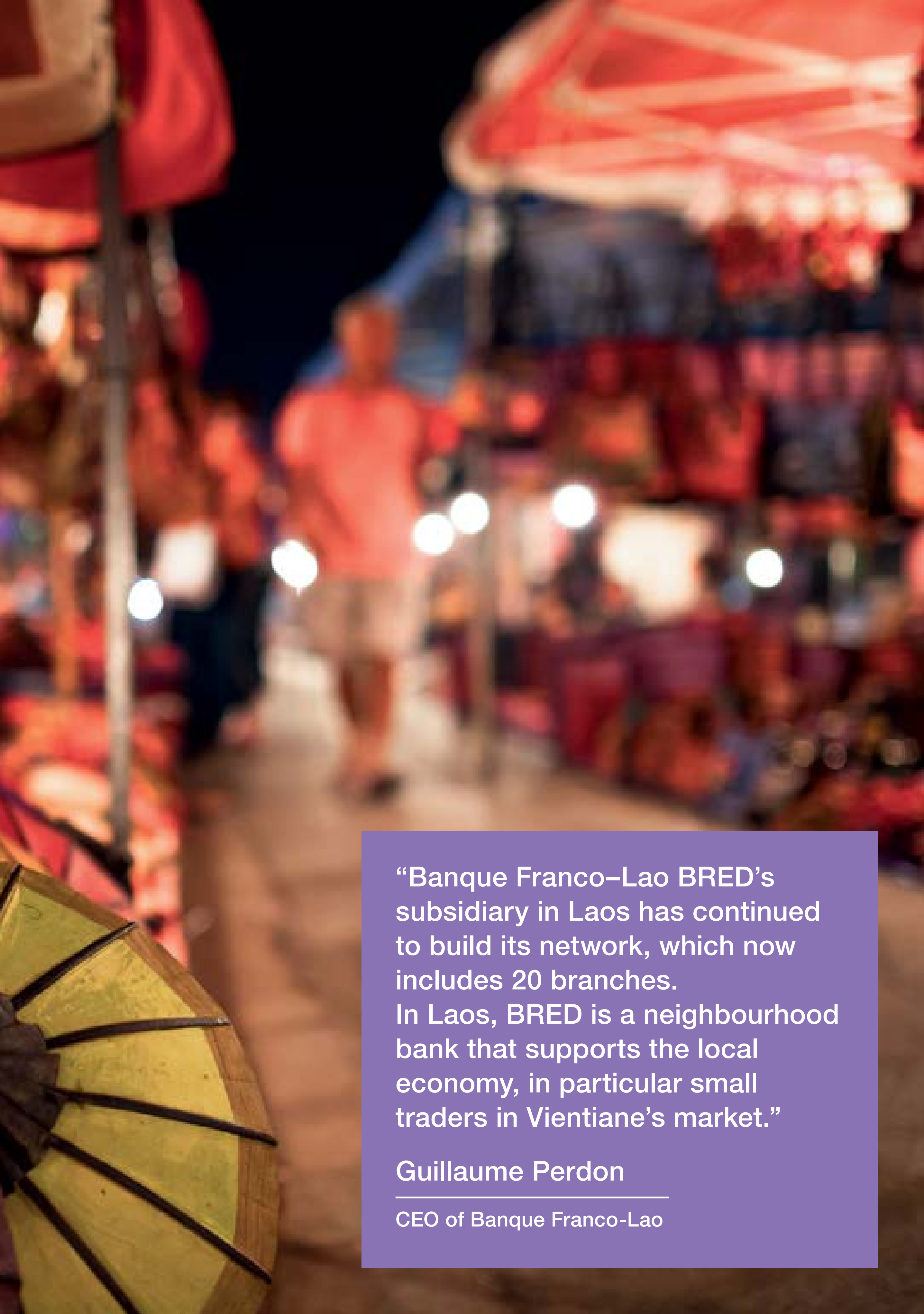
Delphine Weiss

Manager of the Fontainebleau branch

"BRED contributes to the economic development of the regions it serves, such as in the Antilles, where it has operated since 1985 and where it financed some of Fort-de-France's port infrastructure in Martinique."

Éric Montagne

Deputy CEO in charge of the commercial banking division



"Banque Franco–Lao BRED's subsidiary in Laos has continued to build its network, which now includes 20 branches.
In Laos, BRED is a neighbourhood bank that supports the local economy, in particular small traders in Vientiane's market."

Guillaume Perdon

CEO of Banque Franco-Lao

2013 was a very positive year for the BRED group

How is the Group's growth strategy reflected in its performance in 2013?

We have studied the trends in our banking business, particularly with regard to our retail banking activity, which is the largest contributor to our net banking income. This has led us to adapt our business strategy to the changed behaviour of our customers, who are less and less inclined to go to a branch. Encouraging greater proactivity in our account managers, we have given them new means and resources for anticipating customers' needs and offering them the most appropriate solutions, in contrast to a product-driven approach. At the same time, we have worked to make all our branches multi-channel outlets.

This new strategy has had a positive effect on our performance.

In 2013, BRED's consolidated net banking income rose by 5.7% to €955 million.

This growth was driven mainly by the strong momentum of our retail banking activity in France, with a €39 million or 6.9% increase in net banking income. In particular, the net banking income of the branches grew by 7.3%.

Moreover, BRED is the most diversified bank within Groupe BPCE: a cooperative bank that is a commercial bank in France and overseas and a bank for large corporate and institutional customers. We also operate as a commercial bank at international level and have a trading desk focused on serving all our customers in France and abroad as well as an insurance company.

Each of these components contributes to our growth.

Net profit attributable to equity holders of the parent was up by 1.5% to €182.6 million. This is a good performance given the deteriorated economic conditions and increasingly strict regulatory environment. In structural terms, the 9.5% increase in pre-tax profit on ordinary activities (€282 million) is a valuable advantage for the future.

The growth in net banking income and profit on ordinary activities testifies to the solidity of our fundamentals and supports our approach which, rather than relying on drastically cutting back operating costs and investments, focuses on growth by adopting a winning strategy and efficiently reallocating resources.

Olivier Klein

Chief Executive Officer

“We believe in combining ethics and efficiency to create a modern, responsible and, above all, human banking group.”

Olivier Klein

What is the reasoning behind the multi-channel branch concept?

Our customers are increasingly attracted by remote communication channels, and one of the effects has been that their visits to our branches are more and more frequently limited to structuring transactions linked to personal projects, such as property investments, family protection, transmission of wealth, starting up or growing a business, etc.

We have therefore redesigned the traditional branch as a mix between a physical branch where customers can meet their advisors face to face whenever they wish and a remote branch. Our customers can therefore contact their personal account managers or advisors directly by email or telephone without having to go to the branch. In particular they can subscribe to a product directly and receive their contract by post or email, in which case they can opt for electronic signature. In this way we have renewed the closeness of a local banking relationship thanks to the new means of communication available.

By positioning the account manager as the conduit for multi-channel access and the lynchpin of the customer relationship, we draw on our human capital, our most valuable asset. We have also structured our organisation so that customers have a lasting relationship with the same account manager, who can examine which is the best solution for helping them to carry out their projects. For example, BRED has invented the Family package, an approach based on identifying a customer’s family projects and then, together with the customer, drawing on the broad spectrum of services available in our range to put together a ‘unique’ solution tailored to the customer’s needs. This solution based approach is the guideline for all our relations with our customers.

In the present era of e-banking, what do you offer your customers in the way of electronic banking services?

For their day-to-day banking transactions, the customers of our multi-channel branches can of course use our remote banking services whenever they wish, including our online facility and telephone banking through a customer relationship centre with extended opening hours, text messages, electronic bank statements, and banking and stock-market information via a voice server.

We also offer our e-branch services to customers who want an all-electronic banking service. They can contact their personal account managers by email, telephone and videoconference.

In 2014, we will set up a BRED Premier e-branch, dedicated to self-employed professionals.

Will the development of remote customer relationships lead you to downsize the local branch network?

We believe in the future of the physical branch network. In our quality surveys, many customers say how attached they are to their neighbourhood branch. The option to meet their account manager, when they want to, strengthens the relationship of trust that is essential between a bank and its customers. For the same reason, geographical proximity is essential for attracting new customers. Lastly, our branch network is an important element for building BRED’s brand reputation.

Nonetheless, opening a ‘traditional’ branch is currently an investment that is difficult to make profitable. To continue to strengthen our coverage, we intend to create ‘slim’ points of sale with tailored opening hours.

The Group is currently stepping up its wealth management operations. What are your expectations in this area?

We have clear growth potential in this area and have therefore adjusted our commercial organisation. Within our branches, we put our customers in contact with experts from our wealth management circles for complex transactions and ones with strong financial, legal or tax impacts. We have set up teams of experts for dealing with the issues specific to certain professions. For instance we have advisors and branches dedicated specifically to self-employed professionals, to help them with their professional projects and financial management. We are also working to expand and harmonise our range of services.

Lastly, we are seeking to make this division more visible. Comprehensive and coherent, with private bankers, estate planning advisors, wealth managers and specialists in financial engineering and business transmission, it responds to all the issues facing our customers.

BRED is also a corporate and investment bank. What are its strong points in this field?

BRED is a highly reputed corporate and investment bank, which gives us a strong base from which to develop our services.

Our well-targeted and flexible flow management offering has enabled us to win numerous tenders. As well as handling substantial volumes, we offer services with high added value. For example, we currently have highly skilled teams working on personalised electronic billing solutions.

Our trading desk, whose expertise in foreign exchange, interest-rate management and placements is widely acknowledged by the market, is one of the largest placement agents for commercial paper in France and has developed a bond sales activity.

We look for synergies between all of BRED's businesses, many of which contribute to forming an all-round offer. For example, we have recently created financing solutions for mid-tier businesses by drawing on the combined expertise of our trading desk and our loan syndication and securitisation teams.

Over the years, BRED has expanded internationally; do you have further plans in this area?

At international level we operate mainly in the Pacific region, the Horn of Africa and Southeast Asia, where BRED operates as a full-service commercial bank, in line with Groupe BPCE's strategy plan. One project we are currently looking at is setting up in Myanmar with a view to extending our Southeast Asian operations.

We also offer some of our expertise (flow management, modelling, risk measurement, etc.) to foreign banking institutions through our international division.

What is the impact for BRED of the buyback of the cooperative investment certificates held by Natixis?

Like all the other Banques Populaires and the Caisses d'Épargne, we have indeed repurchased the 20% of our capital held in the form of cooperative investment certificates.

This has made our organisation clearer. In keeping with our cooperative ethos, our cooperative shareholders are now the sole owners of the BRED group.

In financial terms, the impact for BRED amounted to €580 million.

BRED's recent €151 million capital increase, with a subscription rate of 112% and added to the earnings allocated to reserves, is enabling us to rebuild our shareholders' equity very quickly. Our Core Tier One solvency ratio, which measures equity as a ratio of banking risk, now stands at 11.8% under Basel 2.5 rules, positioning BRED among the most solvent French banks.

You have mentioned regulatory compliance; how does BRED deal with this issue?

We naturally take constant care to ensure compliance with banking and financial regulations.

For instance, in 2013, to ensure the security and integrity of the BRED group and its businesses in France and abroad, we reorganised our permanent control system and refocused our trading desk's activities, which are now commercial. We have recently taken another step forward by adopting a clearer organisation based on business-line logic. The operational and functional divisions now each have a business-line approach covering the entire BRED group. The various activities of BRED and its subsidiaries are therefore consolidated within coherent business lines, in keeping with the organisational structure sought by the regulators.

To what extent is your cooperative status compatible with your growth strategy?

Our situation as a cooperative bank, owned by its cooperative shareholders through cooperative shares that are free from market pressures, is a real advantage for BRED and a powerful force for its development. The success of our latest capital increase is concrete proof of the confidence our 140,000 cooperative shareholders have in BRED and its cooperative model. This enables us to continue our action over the long term, in France and abroad, with as sole priorities our customers' interests, the development of the regions where we operate, and the bank's security.

We naturally remain committed to our role in financing the real economy, working closely with the individuals, SMEs, craftsmen, small retailers and farmers who are the key players in the growth of the regions we serve.

“The success of our latest capital increase is concrete proof of the confidence our 140,000 cooperative shareholders have in BRED and its cooperative model.”

Stève Gentili

For example, in 2013 alone, we financed more than 5,600 business start-ups.

We continue to develop our long-standing relations with the professional associations and consular bodies responsible for driving the local economy. We also continue to support social, cultural and sports initiatives in the public interest.

In this way we continue to grow in harmony with our cooperative ethos. We believe in combining ethics and efficiency to develop a bank that is at the service of its customers, true to its values, and modern and profitable. The present crisis has been a return to reality and highlights the relevance of our fundamental values: enterprising spirit, solidarity, and remaining close to our customers.

How do you ensure that this closeness is really achieved for your cooperative shareholders?

First, we are institutionally organised to be governed by our customers, who collectively own the bank, with representatives of the cooperative shareholders and customers on our Board of Directors.

What also distinguishes cooperative banks such as BRED from other banks is their extremely close relationship with their cooperative shareholders and customers – including in a geographical sense.

A cooperative bank is a living institution, based on human relations. To strengthen the ties with our cooperative shareholders, we endeavour to keep them informed and gather their views by inviting them to events and meetings at the branches. Many such events were organised following our capital increase to thank customers for their commitment and welcome new cooperative shareholders. Lastly, in this time of social networks, the www.bred-societaires.fr website, dedicated to relations between BRED and its cooperative shareholders, is being constantly upgraded. Now more interactive and informative, it enables cooperative shareholders to express their views and allows all the various members of the BRED community to share their experiences. We also organise “chat” sessions so that cooperative shareholders can speak directly to BRED’s Chairman and its Chief Executive Officer.

Stève Gentili

Chairman

Corporate governance

"BRED's cooperative shareholders allow it to excel in its chosen sector and to expand, because the collective ownership of capital guarantees a high degree of autonomy."

Stève Gentili

Chairman, BRED

Board of Directors

From left to right:

Michèle CLAYZAC Deputy Secretary
Pierre MURRET-LABARTHE Director
Isabelle PASTORET Advisory member of the Board
Isabelle GRATIANT Director
Leïla TURKI Director
François MARTINEAU Senior Vice-Chairman
Raphaël POCHET Director
Jean-Claude BOUCHERAT Director
Georges TISSIE Vice-Chairman
Jean-Pierre FOURES Director
Philippe NOYON Director
Stève GENTILI President
Gérard KUSTER Deputy Secretary
Monique TRNKA Director
Jacques SZMARAGD Director
Daniel GIRON Director
Michel CHATOT Director
François MESSINA Director
Bruno BLANDIN Board Secretary
Nathalie BRIOT Advisory member of the Board

Other attendees of Board meetings

Olivier KLEIN
Chief Executive Officer

Jean DESVERGNES
Honorary Chairman

Éric MONTAGNE
Deputy Chief Executive Officer

Vincent GROS
General Consel

The Statutory Auditors

PricewaterhouseCoopers Audit
Represented by Agnès Hussherr
and Nicolas Montillot

KPMG SA
Represented by Marie-Christine
Jolys

Central Works' Council Delegates

Martine Baroteaux
Pascal Martin de Frémont

Information on officers and directors

(Article L.225-102-1, paragraph 4, of the French Commercial Code)

The main office or position is shown in blue; *offices that have expired are shown in italics*

Chairman

Stève Gentili

- Chairman of the Board of Directors of BRED Banque Populaire, Banque Internationale de Commerce-BRED (BIC-BRED), BRED Gestion, Compagnie financière de la BRED (Cofibred), the BRED Foundation (Fondation d'Entreprise BRED), Spig, Natixis Institutions Jour, and (representing BRED) NJR Invest
- Chairman of the Supervisory Board of BPCE
- Director of Natixis, BCI Mer Rouge, Bercy Gestion Finances +, BRED Cofilease, Natixis Pramex International Milan, Natixis Algérie, Prepar Iard, Promepar Gestion, Thales, BICEC, Banque Commerciale Internationale (BCI Congo), Banca Carige
- Member of the Supervisory Board of Prepar Vie.

Chief Executive Officer

Olivier Klein

- Chief Executive Officer of BRED Banque Populaire
- Chairman of the Board of Directors of Promepar Gestion
- Chairman of Perspectives & Participations SAS
- Chief Executive Officer of Banque International du Commerce – BRED (not a Board member)
- Chief Executive Officer and Board member of Cofibred (Compagnie Financière de la BRED)
- Director of BRED Gestion, Natixis Asset Management, Natixis Global Asset Management, Prepar Iard, Nexity
- Member of the Supervisory Board of Prepar Vie, SOCFIM
- Permanent representative of BRED Banque Populaire on the Board of Banque Calédonienne d'Investissement, BCI Mer Rouge, Caisse Régionale de Crédit Maritime Mutuel d'Outre-mer, Cofibred (Compagnie Financière de la BRED), SOFIAG (Société Financière Antilles-Guyane), SOFIDER (Société Financière pour le Développement de la Réunion)
- Permanent representative of Cofibred on the Board of Click and Trust.

Deputy Chairmen

François Martineau

- Lawyer, Manager of SCP Lussan et Associés
- Deputy Chairman of Associations mutuelles le Conservateur, Assurances mutuelles le Conservateur
- Director of AXA, AXA Assurances Vie Mutuelle, AXA Assurance Iard, Conservateur Finance

Georges Tissié

- Director of Confédération Générale des Petites et Moyennes Entreprises (CGPME - the French association of small and medium-sized enterprises)
- Director of Compagnie Financière de la BRED (Cofibred).

Secrétaire

Bruno Blandin

- Manager of Etablissements Claude Blandin & Fils Sarl, Group holding company (E.C.B.), Caraïbes Marchand de biens, B6, Sca Bonne Mère, Sci Alpha, Sci Martot 321, Sci B & P, Sci Beta, Sci Californie 97, Sci CBP, Sci de l'Angle, Sci l'Epi Epinay, Sci de l'Espérance, Sci de l'Union-Champigny, Sci Delta, Sci Descartes - Champs, Sci du Guesclin Dinan, Sci Energie, Sci Epsilon Voie Verte, Sci Forest hill, Sci Gamma, Sci la Droue Rambouillet, Sci les Neuvilliers-Vire, Sci Loire Sud Nantes, Sci Moise Polka, Sci Phil Villiers le Bel, Sci Theta Eiffel, Sci Pyrénées Paris 20e, Sci Sentier de Falaise, Sci Thema, Sci Turgoti Cherbourg, Sci Wagram Étoile, Sci Eta Lareinty, Sci du Tregor Lannion, Sci Iota Jabrun, Sci Lambda 3 parc d'activité, Sci Kappa Lamartine, Sarl Efo Morangis, Sarl Parc d'activité de Jabrun, Sarl La Lamentine, Sarl Les Hauts de colin
- Chairman of the Board of Directors of Tridom, Elit-Park
- Deputy Chief Executive Officer of Blandin Automobilies SAS, Blandin Distribution Antilles SAS, Energy Caraïbes Services SAS, Blandin SAS, Bca, Les parfumeurs réunis
- Director of BRED Cofilease, Caisse Régionale de Crédit Maritime Mutuel d'Outre Mer, IEDOM (Institut d'Emission des Départements d'Outre-Mer), Union des Entreprises Medef Guadeloupe UDE Medef, Canal Overseas, Port autonome de Guadeloupe, Fedom (Fédération des Dom/Tom)
- Permanent representative of Cofeg on the Board of Directors of SOFIAG-Société Financière Antilles-Guyane
- Honorary consul for Germany in Antilles/Guyana.

Deputy secretaries

Michèle Clayzac

- Chairwoman of the Union of ACEF (Associations pour le Crédit et l'Épargne des Fonctionnaires - associations for credit and savings by public sector employees) in BRED's territory and the Paris and Paris area ACEF
- Chairwoman of the Cooperative Bank Membership Committee on the Board of Directors of BRED Banque

Populaire and on the Board of cooperative shareholders of the branch of BRED Banque Populaire in Saint-Maur-des-Fossés
- Director of Fédération Nationale des Acef Socacef
- Director of the BRED Foundation (Fondation d'Entreprise BRED)

Gérard Kuster
- Special Advisor to the General Secretary of the GDF Suez Group
- Deputy Chairman of Cercle d'Ethique des Affaires
- Director of Transparency International France, Prepar Courtage, Promepar Gestion.

Directors

Jean-Claude Boucherat
- Chairman of the Paris region CESER (Conseil économique, social et environnemental régional – regional economic, social and environmental council)
- Former Chairman of the national assembly of CESER
- Chairman of the Board of Directors of the Association Gestionnaire du Centre Hospitalier Spécialisé en Pneumologie in Chevilly-Larue
- Senior Deputy Chairman of the Association de formation professionnelle Infa
- Deputy Chairman of the Institut d'aménagement et d'urbanisme (IAU) for the Île-de-France region, the Nogent-Le-Perreux section of the Legion of Honour
- Director of OPH Valophis Habitat du Val-de-Marne, Maison de l'Europe de Paris, Établissement public foncier régional d'Île-de-France (EPF)
- Member of the Board of Directors of the Cellule Economique du BTP et Matériaux de Construction d'Ile-de-France
- Member of the Supervisory Board of the Agence Régionale de Développement (regional development agency).

Michel Chatot
- Chairman of the Board of Directors of AREPA (residential association for the elderly)
- *Chairman of the Board of Directors of Immobilier Insertion Défense Emploi (2 IDE)*
- Director of Services Conseil Expertises Territoires (SCET)
- Advisory member of the Board of Directors of Cofibred
- Senior Financial Controller, *Caisse des Dépôts.*

Jean-Pierre Fourès
- Co-manager of Sec Sarl
- Chairman of the Board of cooperative shareholders of BRED Banque Populaire, East Paris region
- Chairman of the Board of cooperative shareholders of BRED Banque Populaire, Seine-Saint-Denis region
- Director of BRED Gestion, Banque Internationale de Commerce – BRED, the BRED Foundation (Fondation d'Entreprise BRED).

Daniel Giron
- Honorary Chairman of Union Professionnelle Artisanale Nationale, Fédération Française des Centres de Gestion et de l'Economie de l'Artisanat, Gestelia Basse Normandie, Chambre de Métiers et de l'Artisanat du Calvados.

Isabelle Gratiant
- Lecturer (University)
- Director of Click and Trust, Prepar Courtage, the BRED Foundation (Fondation d'Entreprise BRED).

François Messina
- Special Adviser to the Head of the Department for environmental matters and sustainable development, Aéroports de Paris
- Executive Director of Fondation Aéroports de Paris.

Pierre Murret-Labarthe
- Honorary advisor *(Conseiller Maître honoraire)* at the Court of Auditors *(Cour des Comptes)*
- Chairman of Comité National de l'Assurance en Agriculture, Assad XV
- Director of Promepar Gestion.

Philippe Noyon
- Manager of Computer Component Service, Rivière Noire
- Chairman of the Board of Directors of Gimac Santé au travail, RPPST (Réseau de services de santé au travail)
- Director of Cofibred-Compagnie Financière de la BRED, the BRED Foundation (Fondation d'Entreprise BRED), SOFIDER, Spig.

Raphaël Pochet
- Security consultant and executive training provider.

Jacques Szmaragd
- Director of the Mutuelle Centrale de Réassurance, Capma-Capmi
- Director of Monceau Assurances, Prepar Iard, Mudetaf
- Chairman of the Supervisory Board of Prepar-Vie
- Manager of Szmaragd & Cie Sarl.

Monique Trnka
- Audiovisual consultant
- Deputy Chairman of the Supervisory Board of Prepar-Vie
- Director of Prepar Courtage, Prepar Iard, Spig.

Leïla Turki
- Senior executive in an asset management company
- Manager of ASK Consulting.

Advisory members of the Board of Directors (*censeurs*)

Isabelle Pastoret
- General Controller, Ministry of Finance, Trade and Industry.

Nathalie Briot
- Institutional relations and lobbying consultant
- Chief of staff to the President and head of institutional relations at ADEME, the French Environment and Energy Management Agency.

Executive Committee

BRED
Executive Committee

From left to right and top to bottom

Olivier KLEIN Chief Executive Officer
Éric MONTAGNE Deputy Chief Executive Officer in charge of Commercial Banking, France
Michèle BOULET Chief Operations Officer
Philippe CUVELIER Chief Information Officer
Pascal DUPHOT Head of French Retail Banking Network
Françoise EPIFANIE Head of Sales and Marketing Division
Balthasar GONZALEZ-COLLADO Group Head of Audit
Emmanuel LEMOIGNE Head of Corporate Banking Division
Olivier LENDREVIE Chief Financial Officer
Stéphane MANGIAVACCA Chief Risk Officer
Marc ROBERT Head of International Banking Division
Christian SCHELLINO Head of Credit Control Division
Stéphane VANONI Head of Human Ressources Division
Pierre VÉDRINES Head of Capital Market Division
Vincent GROS General Counsel

BRED and subsidiaries - organisation

- **Chairman** Stève GENTILI
  - **Chief Executive Officer** Olivier KLEIN
    - Head of Performance and Organisation

OPERATIONAL DEPARTMENTS

- **Major Accounts Department** Emmanuel LEMOIGNE
  - Institutional Customers
  - Retail Sector Customers
  - Industrial and Service Sector Customers
  - Financing Solutions
  - Real Estate Activities
- **Development Department** Françoise EPIFANIE
  - Marketing Department
  - Corporate Marketing Department
  - Professional Partnerships Department
  - Retail Distribution Department BRED Direct
  - Sales Management Department
  - Commercial Communication and Event Management Department
  - PREPAR
  - PROMEPAR GESTION
- **International Department** Marc ROBERT
  - International Commercial Banking Dpt
  - Correspondent Banking and Foreign Trade Dpt
  - Multinational Corporate Lending Department
  - BIC BRED
  - BCI Mer Rouge
  - BRED BANK (Fiji) Limited
  - Banque Calédonienne d'Investissement
  - BRED Vanuatu
  - Banque Franco-Lao
- **Capital Markets Department** Pierre VÉDRINES
  - Networks Department
  - Distribution Department
  - Liquidity Department
  - Market Making Department
- **Deputy Chief Executive Officer** Éric MONTAGNE
  - BRED Espace and Grand'Zé Unit
  - Organisation Intermediaries
  - BRED Banque Privée
  - SME Banking Department
  - SBE
  - Perspectives and participation
  - **French Network** Pascal DUPHOT
    - East Paris Regional Department
    - West Paris Regional Department
    - Normandy Regional Department
    - Hauts-de-Seine Regional Department
    - Val-de-Marne Regional Department
    - Seine-et-Marne/Aisne Regional Department
    - Seine-Saint-Denis Regional Department
  - **Overseas Network** Éric MONTAGNE
    - Martinique & French Guiana Regional Department
    - Indian Ocean Regional Department
    - Guadeloupe and Northern Isles Regional Department
    - Crédit Maritime Mutuel d'outre-mer
    - BRED Cofilease
    - SOFIAG
    - SOFIDER

BRED and subsidiaries - organisation

- Head of Project Management and Business Processes

SUPPORT DEPARTMENTS

- **IT and Operations Department** – Michèle BOULET
  - **Information Systems Department** – Philippe CUVELIER
    - IT Department
    - Decision Support IT Department
    - BRED IT
  - Exchange Systems Department
  - Corporate Client Support Group
  - Financial Production and Financial Services Department
  - Banking Production and Banking Services Department
  - VIALINK
  - CLICKS and TRUST
- **Financial Department** – Olivier LENDREVIE
  - Management Control and Pricing Department
  - General Accounting and Tax Department
  - Financial Communication and Financial Audit Department
  - Investments and Financial Engineering Department
  - FIPROMER
- **Risks and Permanent Control Department** – Stéphane MANGIAVACCA
  - Daily P&L Control Department
  - Market Risks Department
  - Financial Management Risks Department
  - Credit Risk Department
  - Operational Risks & Permanent Control Department
  - Modelling Department
- **Commitments Department** – Christian SCHELLINO
  - Credit Underwriting Department
  - Special Situations Department
  - Loan Workout Department
  - Corporate Credit Middle Office
  - Credit Provisions Department
- **Audit Department** – Baltasar GONZALEZ-COLLADO
- **Human Resources Department** – Stéphane VANONI
  - HR Development Department
  - Employee Relations Department
  - HR Administrative Management Department
  - Staff Banking Office
- **General Counsel** – Vincent GROS
  - BRED Group Compliance Department
  - Investment Services Compliance Department
  - BRED Group Legal Department
  - Corporate Low Department
  - Business Continuity and Security
  - Institutional Communications and Press Relations Department
  - Cooperative Shareholders and Sustainable Development – CSR Department
  - Economic Research Department
  - Real Estate and Logistics Department

■ *Member of Executive Comittee*
□ *Subsidiary*

Chairman's Report

Drawn up pursuant to Article L.225-37 of the French Commercial Code

Ladies and gentlemen,

As in previous years, in my capacity as Chairman of the Board of Directors, I am very happy to submit to you the report I have drawn up pursuant to the requirements of Article L.225-37 of the French Commercial Code.

This report has been drawn up taking into account the work of the Board of Directors and its various committees, meetings with the chairmen of Board committees, General Management and external auditors, and in light of the various reports by the permanent and periodic control structures.

This report was approved by the Board of Directors on 10 March 2014.

Corporate governance of BRED

1 The Board of Directors

1.1 The Board's role and powers

1.1.1 Applicable laws and regulations, Memorandum and Articles of Association

The Board of Directors determines the policies applying to the Company's activities and supervises their proper implementation. Subject to the powers delegated by law to general meetings and within the limits of the Company's objects, the Board considers all matters that might have a bearing on the proper functioning of the Company and, at its meetings, decides on all issues concerning it. The Board performs whatever checks and controls it considers necessary.

The Memorandum and Articles of Association provide that the Board's powers include:

- defining the principles applying to the lending policy;
- authorising commitments exceeding defined limits or that concern the Group's corporate officers;
- examining and approving the annual company and consolidated financial statements, and drawing up the Management Report;
- proposing the dividend to be paid to the shareholders;
- convening general meetings;
- checking the quality and appropriateness of the information provided to the shareholders;
- creating consultative committees to improve the quality of information available on the main issues concerning the Bank.

The Board also performs those tasks and exercises those powers assigned to it by Regulation 97-02 on internal control within credit institutions issued by the French Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière or "CRBF"*). Accordingly, it has a duty to examine the internal control work and findings, on the basis of reports prepared by the managers responsible for permanent and periodic control, to set the global risk limits, to define the thresholds and criteria used to measure the materiality of incidents, to define the compensation policy in light of its impact on risks and, more generally, to ensure the Bank complies with its obligations as set out in the aforesaid Regulation.

The methods of operation of the deciding bodies are outlined in the Banques Populaires corporate governance charter.

1.1.2 Internal Regulations

In addition to the provisions of the Memorandum and Articles of Association, in 1996 the Board of Directors adopted Internal Regulations, which are regularly updated to remain in line with the applicable regulations and market recommendations.

The Internal Regulations detail the conditions of eligibility and obligations of the Board members, the way in which the Board and its committees function, the conditions for transmitting documents prior to meetings, and the rules governing appointment of Board members to the boards of directors of subsidiaries.

1.2 Composition of the Board

The Board of Directors is currently composed of 18 members, all of whom are individuals.

As at 31 December 2013, more than 20% of the Board members were women.

As regards eligibility, directors, who must each be a cooperative shareholder of the Bank and hold at least 100 shares, must have undisputed integrity and experience and an excellent reputation, with 'reputation' meaning not only that of the directors themselves but that of the legal entities they manage or over which they have effective control.

The Board of Directors proposes candidates to general meetings that will enable the various socio-economic categories that form the Bank's customer base and the various regions in which it operates to be fairly represented.

Unless the Chairman of the Board of Directors expressly decides otherwise after consulting the Group's Chairman, a director cannot simultaneously hold an office as a director and hold an office or position in any banking or financial institution outside the Group.

If this occurs, the director involved must resign from one of these offices and/or positions within a reasonable time set by the Chairman.

In accordance with the provisions of the Memorandum and Articles of Association, individuals may not stand for office as a director for the first time if they have reached the age of 68.

The offices and positions of the members of the Board of Directors are listed in the section of the Annual Report entitled "Governance".

Advisory members of the Board (*censeurs*) attend meetings in an advisory capacity.

Board meetings are also attended by representatives of the Central Works Council, the Chief Executive Officer, the Deputy Chief Executive Officer, and the General Secretary. The representative of BPCE is also invited to Board meetings. Lastly, whenever necessary, the Statutory Auditors and the Company's line managers and functional managers also attend meetings.

1.3 Preparation and organisation of the Board's work

Strategic policies and general objectives proposed to the Board of Directors are prepared by the Chairman in agreement with the Chief Executive Officer.

The Board of Directors' work is organised and overseen by its Chairman, who reports thereon to general meetings. The Chairman monitors the operation of the Bank's bodies, and ensures in particular that the directors are able to perform their duties.

The agenda for meetings and the related documents are sent one week in advance to members of the Board of Directors.

1.3.1 The Bureau of the Board

The Bureau of the Board is composed of six members: Stève Gentili, Chairman, François Martineau and Georges Tissié, Vice-Chairmen, Bruno Blandin, Secretary, and Michèle Clayzac and Gérard Kuster, Deputy Secretaries.

It meets to examine organisational and strategic matters before they are presented to the Board of Directors. It expresses an opinion on the admission of new cooperative shareholders and on the acquisition of shares.

1.3.2 Board committees

To help it in its deliberations, the Board of Directors has created four committees, whose members are all Board members.

The Audit and Large Risks Committee

In accordance with CRBF Regulation 97-02, the Audit Committee is responsible for the following tasks:

- It monitors the process of preparing financial information, checking that information provided is clear and assessing the relevance of accounting methods used to prepare the company and consolidated financial statements.
- It monitors the auditing of the company and consolidated financial statements by the statutory auditors.
- It monitors the risk management policy and procedures as well as the effectiveness of internal control and risk management systems.
- It assesses the quality of internal control, including in particular whether risk measurement, monitoring and management systems are coherent, and proposes any additional action it deems necessary.
- It monitors follow-up of the findings of the General Inspection Department and the regulatory and supervisory authorities to ensure appropriate action plans are put in place and implemented when problems have been identified.

It ensures that the Bank's statutory auditors act independently and objectively, and issues recommendations concerning the appointment or re-appointment of statutory auditors put to general meetings, arranging a tender procedure if it considers this appropriate.

The Board of Directors selected Gérard Kuster, chairman of the Committee, as the independent director with specialist financial or accounting skills.

To carry out this work, the Audit Committee meets regularly with the main directors and internal managers responsible for preparing the financial statements, with the Statutory Auditors responsible for auditing them, and with the Bank's own General Inspection Department.

The Committee reports regularly on its work to the Board of Directors and informs it promptly of any problem encountered.

The Committee's functioning is governed by a charter that has been approved by the Board of Directors.

The Audit Committee is composed of eight directors. The General Inspector is regularly invited to attend meetings.

The Compensation Committee

The Compensation Committee assists the Board and provides control and supervision with regard to the compensation policy and, more specifically, the variable compensation paid to risk takers and executives, pursuant to CRBF Regulation 97-02.

Most of its members are Board members who have been selected for their independence and ability to analyse compensation policies and practices. The Committee helps the Board to define the principles of the Bank's compensation policy, which must take risks into account and must comply with the new provisions of said Regulation and new professional standards.

The Committee is chaired by Georges Tissié, and has five members.

The Cooperative Bank Membership Committee

The Cooperative Bank Membership Committee is responsible for all matters relating to cooperative shareholders, notably projects relating to membership policy, specific commercial actions in favour of cooperative shareholders, and the functioning of Cooperative Bank member representation at local level.

The Committee is chaired by Michèle Clayzac, and has eight members.

This Committee is represented at the meetings of cooperative shareholders held at branch level by the Bank, some of which are in fact chaired by Committee members. The Committee is also represented at meetings held by the ACEF public sector employee credit and savings associations (*Associations pour le Crédit et l'Épargne des Fonctionnaires*).

In addition, the Committee meets whenever a general meeting is scheduled.

The Strategy Committee

The Strategy Committee examines matters that are strategic for the Bank and systematically gives its opinion before their referral to the Board of Directors.

The Committee is chaired by Stève Gentili and all the other directors are members.

The Committee meets on a regular basis to consider strategic and topical issues.

1.4 Work carried out by the Board and its committees in 2013

1.4.1 Work carried out by the Board in 2013

The Board of Directors held seven meetings in 2013, as required by the Memorandum and Articles of Association, with an attendance rate by directors of 86%.

Strategy, Business Activity and Operations

- The Board took note of the changes made to the Bank's organisation to better reflect its new strategy, improve security and optimise operations.
- It examined the plans to reorganise the distribution network and regularly reviewed progress reports and the results of commercial activities.
- It was informed of measures introduced to improve the security of the Trading Desk and its commercial results, and also reviewed the Liikanen report and the law on the separation and regulation of banking activities.
- It regularly reviewed the economic situation and the markets, and also examined the adaptation measures taken by the Trading Desk to protect the Bank against further market upsets.
- The Board reviewed the results of the Bank's international growth strategy and took note of new developments, in line with the international development policy it has defined.
- The Board reviewed reports by the Bank's main department heads on the management of major accounts, and of wealth management, student and expatriate customers.
- With regard to the redemption of the cooperative investment certificates (CICs), the Board:
  - approved the terms and conditions of the transaction;
  - authorised the signature of the memorandum of agreement and rider to the agreement on the issuance of deeply subordinated bonds by BPCE, and;

- convened an Extraordinary General Meeting in order to vote on the reduction of the Bank's capital by the buyback and subsequent cancellation of all the CICs.

- The Board renewed its authorisations for the issuance of subordinated securities and Euro Medium Term Notes (EMTN).

Share Capital

- The Board of Directors decided to increase the Bank's share capital in order to support its activities and enhance its stability and financial autonomy.
- It eliminated the recommendation concerning the maximum number of shares held.
- The Board approved share transfers at each meeting.

Corporate Governance

- The Board decided to renew the appointments of two Board members: Michèle Clayzac and Georges Tissié, respectively the Deputy Secretary and Vice-Chairman.
- It modified its Internal Regulations to include, in particular, the right to attend Board meetings via video-conferencing facilities.

Internal Control, Risks, Compliance

- The Board reviewed the results of the Audit Department's work, its 2013 annual audit plan and its 2013–2016 audit plan, and the follow-up of recommendations.
- It reviewed the permanent controls carried out in 2012 by the second-level permanent control functions and took note of the planned controls and action plans for 2013.
- The Board took note of the results of the monitoring of various types of risk (credit, market, settlement, interest rate and liquidity, operational and compliance) by the permanent control functions, and the review of risk limits.
- The Board approved changes to the thresholds used to measure the materiality of incidents.
- It took note of the findings of the audits carried out by BPCE's General Inspection Department on the trading activities of BRED and four of its banking subsidiaries.
- It was informed of the main conclusions of the annual meeting with representatives of the ACPR (the French Prudential Supervision and Resolution Authority).
- The Board reviewed the 2012 internal control report and took note of changes to internal control resources.

Financial Statements, Results and Financial Information

- The Board examined and approved the company and consolidated financial statements for financial year 2012, and also reviewed a summary report of the Audit Committee's work and the findings of the Statutory Auditors.
- It approved the draft report by the Board of Directors for 2012.
- The Board reviewed the company and consolidated results for the first three quarters of 2013, and approved the budget forecast for 2014.

Compensation

- It regularly reviewed summary reports on the Compensation Committee's work.
- On the basis of a proposal by the Compensation Committee, it approved the changes made to the variable compensation policy for traders, risk control officers and senior management.
- It examined the policy on gender equality and equal pay.
- The Board took note of decisions to appoint and promote head office senior executives.

1.4.2 Work carried out by the Committees in 2013

The Audit and Large Risks Committee

The Committee met six times in 2013.

- The Committee reviewed the Audit Department's reports and annual and longer-term audit plans, and monitored the implementation of its recommendations and those made by the French regulators (Autorité de Contrôle Prudentiel et de Résolution - ACPR and Autorité des Marchés Financiers - AMF) and by BPCE.
- The Committee reviewed the Bank's company and consolidated financial statements and Prepar-Vie's company financial statements, and took note of the summary report by the Statutory Auditors on their work.
- It took note of the Statutory Auditors' annual statement of independence and the information on the fees they received for the 2012 financial year.
- The Committee issued an opinion in favour of the re-appointment of Boccuse as Prepar-Vie's statutory auditor.
- The Audit Committee reviewed the findings and permanent control plans presented by the heads of the Risk Department, the Compliance Department and the Financial Audit Department.

- It examined the terms and conditions of the redemption of cooperative investment certificates (CICs).
- The Committee took note of developments in disputes and disputed payments with regard to the commitments of the Bank and its banking subsidiaries.
- It took note of the findings of the audits carried out by BPCE's General Inspection Department on the trading activities of BRED and four of its banking subsidiaries.
- The Committee examined the charter applying to traders, and took note of its observations.
- It took note of the regulatory report on internal control and the report by the head of the Investment Services Compliance Department.
- The Committee regularly reviewed the risk management system (including compliance with thresholds), and in particular [management of] credit risk, market risk, overall balance sheet risk, compliance risk and operational risks, and progress made with the business continuity plan and the information systems security plan.
- The Committee regularly reported on its work to the Board.

Compensation Committee

The Committee met three times during the previous financial year.

- The Compensation Committee examined and expressed an opinion on the variable compensation criteria for executive corporate officers and traders.
- It took note of proposals relating to compensation and promotion of senior executives in light of their performance.
- The Committee received detailed information on the compensation of the heads of the control functions.
- The Committee regularly reviewed implementation of recommendations made by BPCE's General Inspection Department.
- It conducted the annual review of the compensation policy and verified that it complies with the applicable regulations and industry standards.
- It took note of the documents relating to mandatory training for risk takers.
- The Committee regularly reported on its work to the Board.

2 General Management

2.1 Organisation

In accordance with Article 22 of the Articles of Association and with best corporate governance practices, the Board of Directors has opted to separate the functions of Chairman of the Board of Directors and Chief Executive Officer, to achieve a better balance of power between the executive and supervisory functions.

The Chief Executive Officer chairs the Executive Committee (Comex), which is composed of the Deputy Chief Executive Officer and the heads of the main operational and functional departments.

2.2 Chief Executive Officer's role and power

The Chief Executive Officer is vested with the broadest powers to act in the Bank's name in all circumstances and to represent it in dealings with third parties.

He exercises his powers within the limits of the corporate objects, and subject to those expressly reserved by law for general meetings and the Board of Directors.

Pursuant to an internal rule, he must obtain the Board's prior authorisation before taking any decision to:

- acquire or dispose of substantial equity interests or any equity interests when the transaction will substantially modify the consolidation scope;
- acquire or dispose of buildings used as central offices.

In terms of commitments, the Chief Executive Officer cannot make decisions involving amounts above the maximum stated in Article 1 of CRBF Regulation 93-05, in other words, when the net weighted risk would exceed 25% of the consolidated shareholders' equity, calculated in accordance with CRBF Regulation 90-02.

He must also refer any new credit facilities exceeding the maximum limits determined by BPCE to the Board for rating by the special committee set up by it.

3 General meetings

3.1 Convening meetings

General meetings are convened by the Board of Directors under the terms and conditions laid down by law. In particular, as the shares are registered, each cooperative shareholder may be invited to attend these meetings by ordinary letter.

Meetings take place at the registered office or at any other place specified in the notice of the meeting.

The notice of the meeting must be sent at least 15 days before the date of the general meeting.

3.2 Conditions for admission

All cooperative shareholders are entitled to attend general meetings and to take part in the deliberations, either in person or through a proxy-holder, in accordance with the applicable laws and regulations, regardless of the number of shares they own.

A proxy-holder may not be replaced by another person. For any proxy given by a cooperative shareholder without indicating the name of the proxy-holder, the chairman of the general meeting will vote in favour of the resolutions submitted or approved by the Board of Directors and against all other resolutions.

A meeting of the Board of Directors may be convened on the same day as a general meeting, and the Board may vote on amendments proposed at the general meeting while the general meeting is suspended.

Legal persons may take part in general meetings through their legal representatives or any other person that such representatives duly and properly authorise to represent them.

A proxy shall only be valid for one general meeting. However, it may be given for an ordinary general meeting and an extraordinary general meeting held on the same day or within a period of seven days. A proxy given for a general meeting shall be valid for subsequent general meetings convened with the same agenda.

All cooperative shareholders may vote by post, using a form drawn up and sent to the Company under the conditions laid down in the applicable laws and regulations.

Cooperative shareholders may, under the conditions set by the laws and regulations, send their proxy form and postal vote form for any general meeting in paper format or, if this is authorised by the Board of Directors and indicated in the notice of the meeting, in electronic format.

3.3 Conditions for exercising voting rights

In ordinary and extraordinary general meetings, quorums are calculated on the basis of all the shares that make up the share capital, less any shares that have been stripped of their voting rights by law. Each share entitles its holder to one vote.

If votes are cast by post, only forms received by the Company at the latest on the day before the date of the meeting will be counted when calculating the quorum, under the terms and conditions laid down in the applicable laws and regulations.

Pursuant to Article L.512-5 of the French Monetary and Financial Code, the voting rights attached to the shares held directly and/or indirectly through a proxy-holder by any single cooperative shareholder or resulting from the powers granted to such a shareholder may not exceed, at any given general meeting, 0.25% of the total number of voting rights attached to the Company's shares.

4 Principles and rules governing compensation for corporate officers

4.1 Compensation paid to the Chairman of the Board of Directors

The Chairman receives a fixed amount, paid monthly on the basis of a 12-month year, and also has the use of a company car.

4.2 Compensation paid to Board members

The total amount allocated by the general meeting as attendance fees is divided equally by the Board of Directors between its members, after deducting the amount paid to advisory Board members, where applicable.

4.3 Compensation paid to the Chief Executive Officer

In accordance with the recommendations of the Compensation Committee, the Board has determined the Chief Executive Officer's compensation package, which consists of the following:

- a fixed amount paid monthly on the basis of a 12-month year;
- a variable supplement, capped at 80% of the gross annual fixed compensation, calculated on the basis of quantitative and qualitative criteria previously defined by the Board of Directors on the basis of proposals by the Compensation Committee;
- an accommodation allowance and an in-kind benefit in the form of use of a company car.

The variable compensation paid to corporate officers is calculated in accordance with the same deferral rules as those applied to risk takers. These rules essentially provide as follows:

- a substantial proportion of the variable compensation will be deferred;
- the actual compensation paid will be linked to changes in the consolidated shareholders' equity (Group share, excluding capital increases and the revaluation of securities held by BPCE or its subsidiaries, interest on BPCE's cooperative investment certificates and dividends) since 31 December of the year in which compensation is awarded;
- a reduction clause may apply, based on changes in the Bank's return on equity;
- restrictions conditioning payment and relating to effective presence may apply.

In accordance with the rules in force within Groupe BPCE, the Chief Executive Officer:

- is eligible for a benefit scheme and a supplementary and additional supplementary pension scheme;
- will receive a compensatory payment if he is asked to leave or retires.

Internal control and risk management

The main purpose of the internal control system put in place by the BRED group is to guarantee that all risks are managed and to obtain reasonable assurances that the Bank's objectives in this area are being achieved.

1 Framework

The internal control system of BRED and its subsidiaries is governed by the rules laid down in CRBF Regulation 97-02, the provisions of the French Monetary and Financial Code, including in particular regulations governing the prevention of money laundering and the financing of terrorism, and the provisions laid down by the French financial markets authority (*Autorité des Marchés Financiers* or 'AMF').

BRED applies the permanent and periodic control standards defined in the Groupe BPCE control function charters.

2 Internal control organisation

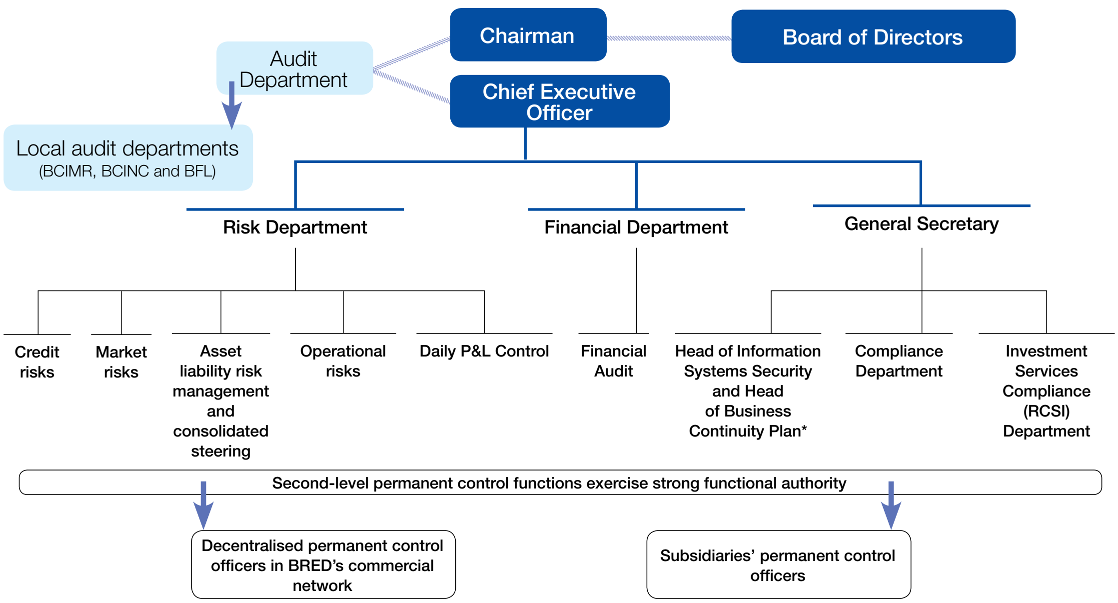
2.1 General organisation

In accordance with banking regulations, the Bank's internal control system is based on first-level controls carried out by the operational managers, second-level permanent controls carried out by dedicated staff members, who do not have any operational duties as defined by the regulations, and periodic controls.

The permanent and periodic control functions are integrated into Groupe BPCE's control structures.

The system is defined and described in procedures and charters covering each of the control functions.

Organisation of BRED's internal control system as at 31 December 2013



** Banking Security and Corporate Foresight Department*

Consolidated control

One of the fundamental principles of internal control is that it is exhaustive in scope: it must cover all types of risks and all the BRED group's consolidated entities – whether banking or non-banking, French or foreign.

Internal control within the subsidiaries is structured around:

- each subsidiary's executive and deciding bodies;
- periodic controls carried out by BRED's Audit Department or by the subsidiary's audit department if it has one, in close collaboration with BRED's Audit Department;
- permanent controls carried out within the subsidiary in close collaboration with BRED's second-level permanent control functions, as part of the BRED group's consolidated risk control system.

2.2 Employees assigned to internal control

Employees assigned to internal control (full-time equivalent)

	Total	Parent company	Subsidiaries
Risk function	81.2	53.1	28.1
Operational risks	45.0	31.1	13.9
Credit risks	24.0	12.2	11.7
Financial risks	12.2	9.7	2.5
Compliance function	43.3	26.9	16.4
Financial audit	8.8	5.9	2.9
Information systems security managers	2.7	1.0	1.7
Business continuity managers	10.1	8.8	1.3
Audit	31.6	23.6	8.0
Total	**177.7**	**119.3**	**58.4**

2.3 Organisational changes in 2013

BRED's internal control system underwent some major organisational changes in 2013:

- The strong functional reporting lines between BRED control departments and "decentralised" control officers within the departments and subsidiaries defined in 2012 were put in place. This significantly reinforces the links within the permanent control and periodic control functions in BRED's consolidation scope, as requested by the Chief Executive Officer.
- Decentralised permanent control officers in operational departments at BRED's head office now report to the Risk Department, with effect from the last quarter of 2013.
- In order to comply with AMF requirements, it was decided in December 2013 to revert to the separation of the two compliance function departments (Compliance Department and Investment Services Compliance Department), operating under the authority of the General Secretary, with effect from January 2014.
- BRED carried out a review of the organisation of its steering of its subsidiaries by linking them to BRED's existing functions (finance, information systems, general secretariat, human resources, commitments). This led to a restructuring in January 2014, during which employees of Cofibred (a holding company that holds most of BRED's equity interests) were reassigned to various BRED departments, and a new steering process was defined with each subsidiary being placed under the supervision of a Comex member with whom it holds regular coordination meetings.
- As part of this restructuring, the Risk Department was renamed the 'Risk and Permanent Control Department', and assumed global permanent control monitoring responsibility with effect from the start of 2014. The Risk Department now reports to the Modelling Department, which is responsible for measuring market risk.

2.4 Responsibility for control tasks

2.4.1 General Management

General Management, under the supervision of the Board of Directors, is responsible for the Group's internal control system as a whole.

Accordingly, it defines and implements the internal control system, in compliance with the requirements defined by BPCE. It monitors the system on a regular basis to ensure it is operating correctly, and that the resources assigned to permanent and periodic control are sufficient in terms of the number of employees, their qualifications, and tools.

In view of the size of the BRED group and the diversity of its activities, the Chief Executive Officer decided that members of the Executive Committee would be fully involved in the control system through delegations of authority and responsibilities, in view of each member's specialist expertise. In particular, these delegations stress the importance of the permanent control system and refer to the obligations incumbent upon each member of the Executive Committee in terms of compliance with the laws and regulations.

General Management also ensures that the necessary reports are made to the proper decision-making bodies.

2.4.2 Operational staff (level 1)

All the Bank's operational departments are responsible for first-level controls, which form the indispensable and essential basis of the control system.

All employees take part in the Bank's first-level permanent control system through self-checks based on controls integrated into operational procedures and automated controls during the processing of transactions.

All line managers, who are responsible for all the risks relating to the units they run, ensure that their staff comply with procedures. In the event of changes to the business activity, regulations, professional standards or operational processes, they update these procedures by adding new controls.

First-level controls notably provide assurances regarding the application of transaction processing procedures and their compliance with the BRED Group's operational policies and the applicable regulations.

2.4.3 Independent permanent control functions (level 2)

Second-level permanent control is essentially the responsibility of:

- the Risk Department, which is responsible for second-level permanent control of credit risks, financial risks, market risks and operational risks. This department was renamed the 'Risk and Permanent Control Department' in 2014;
- the Banking Compliance Department;
- the Investment Services Compliance Department;
- the Financial Audit Department;
- decentralised second-level permanent control officers within the retail bank's local departments and the subsidiaries (subject to strong functional reporting lines).

These units and staff are responsible for preventing and controlling risk, essentially by verifying that the necessary first-level controls are carried out within the operational departments and the subsidiaries. After completion of the controls, they inform the relevant line managers of any corrective action that needs to be taken, if suitable action plans have not already been defined. Second-level permanent control recommendations, like recommendations from periodic control, must be implemented within a reasonable timeframe.

The specific organisation of each department is described in the chapter of this annual report on risk management.

2.4.4 Periodic controls (level 3)

Periodic control is exercised by the Audit-General Inspection Department. It covers all BRED group's activities.

Assignments are conducted in the context of an annual audit plan that is first submitted to BPCE General Inspection and validated by BRED's executive and decision-making bodies.

In accordance with CRBF Regulation 97-02, the Audit Department provides the executive body and the decision-making body with reasonable assurances that the BRED group is functioning correctly, through periodic assignments that are conducted in the context of a four-year audit plan using a risk-based approach.

In order to achieve this objective, Internal Audit makes use of its dedicated and specialist means and resources to conduct objective reviews and issue, in complete independence, its assessments, conclusions and recommendations. Resources allocated to the periodic control structures are constant.

There is a strong functional reporting line between the BRED Audit Department and the subsidiaries' internal audit managers (where subsidiaries have such managers), in compliance with the Groupe BPCE internal audit charter.

The audit assignments carried out by the Audit Department in 2013 focused essentially on governance, commercial actions, commitment management, financial activities, compliance, and more specifically compliance in the area of anti-money laundering measures, information systems, and the continued implementation of the subsidiaries' audit programme. These audits did not identify any major risks that might jeopardise all or any part of the Bank's activities. All recommendations made have been incorporated into action plans approved by General Management.

In 2013, the Audit Department updated the process for monitoring the implementation of recommendations issued by the BRED Audit Department, the BPCE General Inspection Department, and the regulator (*l'Autorité de Contrôle Prudentiel*). In the course of six-monthly checks, the timely implementation of corrective measures decided by duly authorised staff within the context of the internal control system will be verified. The checks will facilitate feedback of alerts to the BRED Audit Committee, in accordance with Article 9-1 b of Regulation 97-02, whenever this is necessary

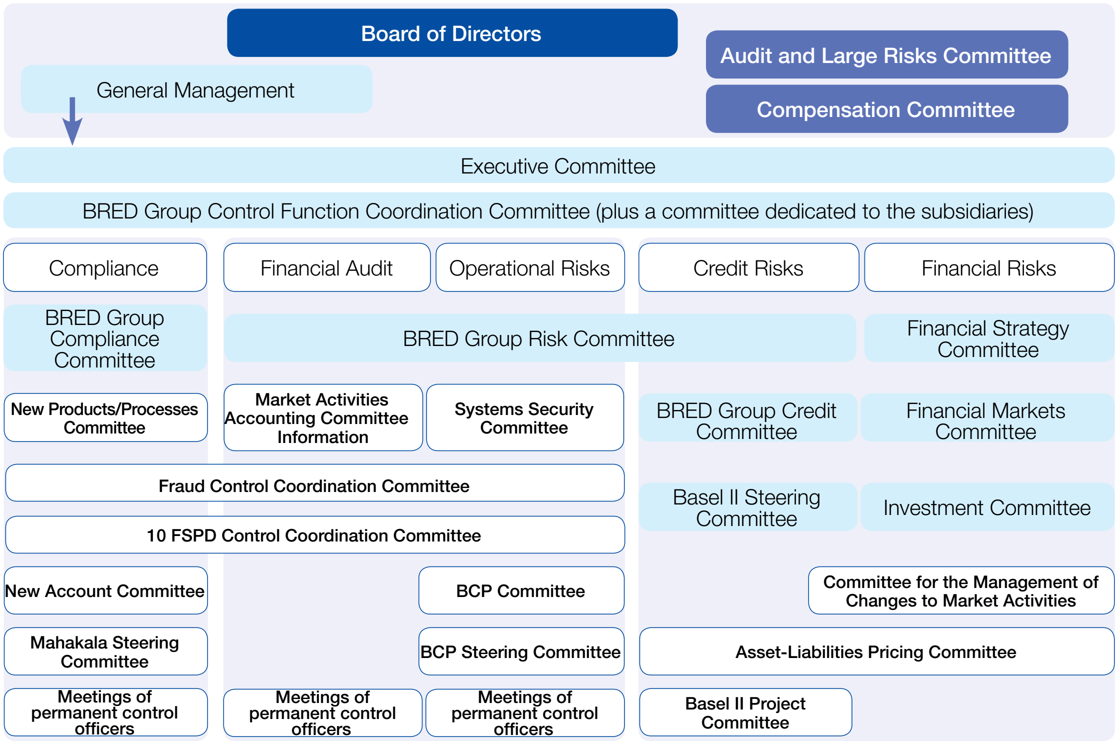
2.4.5 The Board of Directors

The Board of Directors ensures that the main risks are properly managed, defines the principles of the compensation policy, and monitors the quality and reliability of the financial information and the internal control system.

To do so, the Board has set up an Audit and Large Risks Committee, which reviews and assesses the quality of the internal control work carried out, verifying in particular that the consolidated risk measurement, monitoring and management systems are coherent, and makes recommendations whenever it considers additional action should be taken in this regard.

In accordance with Regulation 97-02, the Board has also set up a Compensation Committee, which defines the principles of BRED's compensation policy and monitors its implementation.

Organisation of the BRED group's internal control committees as at 31 dDecember 2013



FSPD: Financial Services Production Department

In blue: committees chaired by the Chief Executive Officer

2.5 Coordination of internal controls

The cross-system nature of the control functions is achieved through umbrella committees and the regular exchange of information between the various control functions. Since the start of 2014, the Risk and Permanent Control Department has been responsible for ensuring that the control system functions properly. As a general rule, the Executive Committee has authority to consider any topic of importance to the BRED group. This means any matters relating to internal control can be referred to it directly without the involvement of one of the specialised committees.

The specialised committees that have remit over all types of risks are:

- **The Audit and Large Risks Committee**, set up by the Board of Directors. In the context of its work preparing for the review by the Board of Directors of the Bank's status and changes in risks and its internal control system, the Audit Committee meets many operational managers and officers responsible for permanent control as well as the General Inspector. The conditions under which the Audit Committee prepares and organises its work and the work carried out in 2013 are described in the chapter on the work of the Board of Directors.
- **The BRED group Control Function Coordination Committee**, chaired by the Chief Executive Officer, which brings together the General Inspector responsible for periodic control and all second-level permanent control officers, the Deputy Chief Executive Officer, the General Secretary, the Chief Financial Officer and the Chief Compliance Officer. This committee, which held two meetings in 2013, is responsible for ensuring that the internal control system is consistent and effective, and also oversees all cross-functional actions aimed at improving said consistency and effectiveness. BRED's action and control plans are presented to the Committee along with the main results of work carried out**.**
- **The Subsidiaries' Control Function Coordination Committee** complements BRED's consolidated risk control system. It was chaired by BRED's Deputy Chief Executive Officer until the last quarter of 2013, when BRED's Chief Executive Officer decided to take over the chair. It met five times in

2013. It was set up by Cofibred, and its members include representatives of each of the BRED control entities.

In addition to regularly reviewing presentations by the internal control functions of their assessments of the subsidiaries' changing risks and control systems, the Subsidiaries' Control Function Coordination Committee validates and monitors progress of the action and control plans determined by the second-level permanent control departments and the subsidiaries' general management teams.

As part of the restructuring early in 2014, the responsibilities of the Subsidiaries' Control Function Coordination Committee were redefined.

3 Internal control and management procedures relating to accounting and financial information

3.1 Roles and responsibilities in the preparation and processing of accounting and financial information

BRED's accounting organisation is based on the principle of decentralisation.

3.1.1 Company financial statements

The computer system underpinning the accounting system allows as many accounts to be created as are needed by users to enable them to follow up transactions with the appropriate level of detail. The presentation according to the chart of accounts for the banking industry is achieved by classifying the accounts, thus satisfying all the accounting and regulatory requirements.

The banking production departments determine the accounting entries for banking transactions and request the opening of the accounts that they judge necessary.

The BRED group's General Accounting Department has exclusive access to the classification tool, ensuring its integrity is preserved, and checks that the modus operandi defined for the accounts is appropriate and consistent.

The production of accounting and financial information is entrusted to several members of staff, each independent of one another, coordinated by the Chief Financial Officer and the Deputy Chief Executive Officer.

Broadly speaking, the production of this information is organised as follows:

- The financial statements are prepared by the General Accounting Department. The accounts that provide the basis for these documents are overseen by the production departments, assisted and controlled by the second-level control officers attached to the operational departments.
- Each month, the results are set out in various management reports by the dedicated Financial Communication Department.
- In liaison with the General Accounting Department and the Financial Communication Department, the Modelling Department produces all the accounting and financial information relating to these activities. A special back office manages the accounts that provide the basis for these documents.
- A special committee (the Market Activities Accounting Committee) meets each fortnight with the back office, the Modelling Department, the General Accounting Department and the Financial Communication Department to examine accounting issues and risks specific to these activities. The Financial Risk Department and the General Inspection Department each have a permanent representative who attends these committee meetings as an observer.

3.1.2 Consolidated financial statements

The information needed to prepare the BRED group's consolidated financial statements and those of Groupe BPCE is recorded in the consolidation application used by all BPCE entities.

The General Accounting Department is responsible for monitoring the internal consistency of the consolidation scopes, charts of accounts, accounting methods and analyses used by all BRED and Groupe BPCE consolidated entities.

The procedures for producing the consolidated data are identical to those described above for the company financial statements: the General Accounting Department is responsible for producing the financial statements, the Financial Communication Department is responsible for the management accounts, and the Management Control Department is responsible for breakdowns by markets.

3.1.3 Regulatory/tax returns and statements

The General Accounting Department is responsible for the production of regulatory/tax returns and statements.

Management accounts are reconciled to the regulatory returns and publishable statements are prepared by the General Accounting Department.

3.2 Control process for accounting and financial data

The process for controlling accounting and financial data mirrors the general organisation of the BRED group's internal control system, and complies with the legal and regulatory requirements resulting, in particular, from CRBF Regulation 97-02.

Financial Audit

The Financial Audit Department is a second-level control function that reports to the Chief Financial Officer and helps ensure the reliability of accounting and financial information and the relevance and reliability of the first-level accounting control system, without in any way replacing this system.

The BRED group Financial Audit charter is consistent with that of Groupe BPCE and has been approved by the Audit Committee, after which the function was created and staff were recruited in 2011.

The Financial Audit Department's involvement in the control process consists of controlling the following: company financial statements, consolidated financial statements, regulatory statements, tax returns, and declarations concerning accounting fraud. It ensures the reliability of the financial data.

The Financial Audit Department has remit over the BRED group as a whole - in other words, all its departments and subsidiaries. In practice, the Financial Audit Department only intervenes with regard to subsidiaries in accordance with the thresholds and needs defined by the BRED group.

The Financial Audit Department's work is structured around the mapping of accounting risks using a methodology that reflects the materiality, inherent risks and internal control risks of each accounting or regulatory item.

It is organised around a central team with permanent control officers reporting to their individual department or subsidiary in accordance with the BRED group's decentralised accounting organisation, in particular the Accounting Procedures and Control Department which is part of the Accounting and Tax Department. To ensure its work is comprehensive, the Financial Audit Department also uses the results of controls carried out by various other Bank departments and by other risk functions when necessary.

The Financial Audit Department is also responsible for:

- internal communication with the BRED group's various control functions, including the Audit Committee;
- external communication (Groupe BPCE Audit, statutory auditors, regulators, Groupe BPCE General Inspection Department, regulatory relations).

In addition to these procedures, the quality of accounting controls is verified by the audit work of the statutory auditors, who work on a collegiate basis and whose findings are based inter alia on the opinions of the statutory auditors appointed by each of the consolidated entities.

Company and consolidated annual financial statements are presented to the Audit Committee before approval by BRED's Board of Directors, which then presents its management report on the financial statements for the financial year to the ordinary general meeting of shareholders.

In 2011, the variable compensation system was adjusted

Statutory Auditors' report

Prepared pursuant to Article L.225-235 of the French Commercial Code, on the report by the Chairman of BRED Banque Populaire's Board of Directors

Financial year ended 31 December 2013

To the cooperative shareholders
BRED Banque Populaire
18, quai de la Rapée – 75012 Paris

Ladies and gentlemen,

In our capacity as Statutory Auditors of BRED Banque Populaire, and in accordance with Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2013.

It is the Chairman's responsibility to submit to the Board of Directors a report on the internal control and risk management procedures implemented within the company and containing the other information required under Article L.225-37 of the French Commercial Code, relating in particular to corporate governance procedures.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to certify that this report contains the other information required under Article L.225-37 of the French Commercial Code. It is not our responsibility to verify the fairness of this other information.

We performed our procedures in accordance with French professional standards.

Information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information

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

These procedures mainly consist of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and obtaining an understanding of existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and the existing documentation;
- determining if any material weaknesses in internal control relating to the preparation and processing of financial and accounting information that we may have identified during the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report as to the information given on the Company's internal control and risk management procedures relating to the preparation and processing of financial and accounting information contained in the Chairman of the Board of Directors' report, prepared in accordance with Article L.225-37 of the French Commercial Code.

We certify that the report by the Chairman of the Board of Directors contains the other information required under Article L.225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine,
25 April 2014

The Statutory Auditors

KPMG Audit
A division of KPMG SA
Marie-Christine Jolys, Partner

PricewaterhouseCoopers Audit
Agnès Hussherr, Partner
Nicolas Montillot, Partner

4 Compensation policy and practices (regulated positions)

to comply with the new requirements arising from the Ministerial Decree of 13 December 2010 amending Regulation 97-02 of 21 February 1997 with effect from 1 January 2011. At the end of 2012, with respect to the 2012 financial year, the system was further adapted to take periodic control recommendations into account. These amendments were made in compliance with applicable labour law. The system was maintained in 2013, with changes to the method of indexing deferred compensation to comply with guidelines published by the European Banking Authority (EBA).

4.1 Decision-making procedure for the compensation policy

On the proposals of General Management and after review by the Compensation Committee, the Board of Directors approves the principles of the variable compensation policy for personnel whose activities could have an impact on the Bank's risk profile and for "accountable managers" as defined in the Banking Act, in accordance with the provisions of Chapter VI Title IV of CRBF Regulation 97-02 as amended and with the professional standards setting out the principles and provisions published by the Financial Stability Board (FSB).

Composition of the Compensation Committee

The Compensation Committee is composed of five directors: Georges Tissié, Chairman, Jacques Szmaragd, Vice-Chairman, and Jean-Claude Boucherat, Daniel Giron and François Martineau, who all meet the following independence criteria, extracted from the criteria listed in the Viénot and Bouton reports: they are not employees of the BRED group; they do not directly or indirectly own or have any link with any company owning more than 10% of the capital of BRED or of one of its subsidiaries; they have no direct or indirect link with any supplier accounting for more than 5% of the Group's purchases of goods or services or for which the Group accounts for more than 5% of sales; they have no direct or indirect link with any customer accounting for more than 5% of the Group's turnover or for whom the Group accounts for more than 5% of purchases; they have no close family ties with any of the Group's corporate officers; and they have not been the Group's auditor in the preceding five years.
Moreover, these directors are not accountable managers within the Company.

Duties of the Compensation Committee

The Compensation Committee met three times in 2013. In particular, it reviews the variable compensation policy for accountable managers and risk takers and verifies its proper application. To this end, the Committee:

- is provided with a file prepared under General Management's supervision, containing in particular the report submitted to the French regulator *Autorité de Contrôle Prudentiel* in application of Article 43-1 of CRBF Regulation 97-02, as amended. This also includes input from the Human Resources Department, the Compliance Department, and the Risk Department (report on compliance with limits and internal procedures, and on the professional conduct of risk takers; recommendation relating to the application of the principles of the compensation policy for risk takers and accountable managers);
- checks in particular that this policy complies with the provisions of Chapter VI Title IV of CRBF Regulation 97-02, as amended, and is in keeping with the professional standards setting out the principles and provisions published by the FSB;
- is informed of any observations made by the ACPR, which was asked by the French Government to verify the level of the variable compensation packages planned for 2013 prior to their allocation, or by any other supervisory bodies;
- reviews the personal situations of the chief compliance and risk officers within the meaning of CRBF regulation 97-02, as amended, and that of the chief internal auditor, the investment services compliance officer, the head of market, risk and the head of ALM risk and consolidated steering;
- reports on its work to the Board of Directors and makes any recommendations it considers appropriate

4.2 Main characteristics of the compensation policy

Generally speaking, compensation is determined independently of the businesses controlled for the periodic and permanent control functions. At the BRED level, individual variable compensation may not exceed 20% of fixed compensation.

Regulated positions

The regulated positions within the BRED group include the corporate officers, the Deputy Chief Executive Officer, the traders (Trading Desk including its manager, Balance Sheet Management and NJR), the Inspector General, the Chief Compliance Officer, the Investment Services Compliance Officer, the Head of Risk, the Head of Market Risk and the Head of ALM Risk and Consolidated Steering, as well as the accountable managers and heads of control functions at subsidiaries that fall within the scope of CRBF regulation 97-02.

In 2014 the European Commission adopted new criteria for identifying categories of employees whose professional activities have a significant impact on their employer's risk profile; as a result, the number of regulated positions will increase in 2014.

Accountable Managers as defined by the Banking Act

Chairman

As BRED has opted for separation of the Chairman and Chief Executive Officer functions, the Chairman receives only fixed compensation, the amount of which remained unchanged.

Chief Executive Officer

The fixed compensation for the CEO remained unchanged. The variable portion of the CEO's compensation allocated in respect of 2013 continues to be calculated in accordance with the rules and procedures defined by BPCE that apply to all Banques Populaires CEOs.

The variable portion is capped at 80% of the fixed portion, and consists of two components:

- a Group component corresponding to 30% of the maximum amount, set as an indication of the solidarity of the Banques Populaires and Caisses d'Epargne with regard to the consolidated Group results and those of both networks;
- a 'Company' component corresponding to 70% of the maximum amount, payable for achievement of BRED's development and performance objectives.

50% of the 'Company' component corresponds to the achievement of common national criteria defined by BPCE, and the other 50% corresponds to the achievement of local criteria defined by BRED.

The common national criteria are based on data specific to BRED illustrating its achievements over the past financial year as compared with the achievements of the other Banques Populaires. These criteria are determined in accordance with predefined rules and are calculated by BPCE.

This means that 50% of the variable portion is based on 'national' or 'Groupe BPCE' criteria, and 50% on 'local' criteria defined and calculated at the level of BRED.

Above a threshold of €100,000, the following rules apply to payment of compensation:

- 50% will be paid in the year of allocation, for the previous year,
- 50% will be deferred and paid in instalments of one-third (i.e. 16.66%) no earlier than 1 October in each of the three years following the year of allocation (2015, 2016 and 2017 for the allocation in 2014 of compensation for 2013), i.e. at least six months after the vesting date which is set as 1 April in each of the three years following the allocation year.

For each deferred instalment, final vesting is subject to the CEO's continued presence in the Company, as well as to satisfaction of a performance condition.

Accordingly:

- in the case of voluntary departure, the deferred amounts not yet vested are definitively lost; in the event of forced departure, retirement or death, they are paid immediately;
- the deferred instalment payable in the year is reduced by 50% if BRED's consolidated return on equity for the year ended is between 0 and 4%, and by 100% if the Group records a consolidated net loss for the year ended.

In addition, the deferred parts of the variable compensation are indexed to changes in the share of consolidated equity attributable to owners of the parent, excluding capital transactions, revaluation of shares in BPCE or its subsidiaries, and interest on cooperative investment certificates and dividends from BPCE since 31 December of the year in respect of which the compensation was allocated.

Regulated positions excluding accountable managers

Generally speaking, employees' compensation is adapted to the qualifications and experience required and takes into account the achievement of targets linked to the job function (see regular documented assessments of each staff member required under internal procedures).

The principles and methods described below relate to regulated positions within BRED's Trading Desk, excluding NJR and Balance Sheet Management. The other employees included under regulated positions are dealt with within the general framework for defining bonuses. However, if their variable compensation were to exceed the threshold set for application of special allocation and payment terms and conditions, they would also be subject to such terms and conditions subject to compliance with the law applicable to work contracts entered into before these regulations were put in place.

The main characteristics of the variable compensation policy for traders are as follows:

- determination, independently of the traders, with approval by General Management, of a budget for bonuses linked to the financial performance with a discretionary power limited to €1 million in the case where the Trading Desk's results would not allow a budget of at least that amount to be achieved;
- proposals for individual bonuses from the Trading Desk line managers, based on a written assessment of their traders' contribution to profit and achievement of objectives (contribution to the development of new activities, professional conduct, etc.) in the form of an individual file;
- introduction of an individual cap of €900,000 for variable compensation attributable to traders;
- formal opinion from the Risk Department concerning the traders' compliance with compliance and risk policies;
- formal opinion from the Human Resources Department on proposals of variable compensation for traders (including compliance with internal standards for variable compensation);
- discretionary decision taken by General Management on bonus proposals for traders. General Management may take any decision that ensures that the total amount of variable compensation does not diminish its capacity to strengthen the Company's equity;
- a strong link between compensation and the activities' medium-term financial performance thanks to a variable portion linked to the traders' continuing service within the Group and regularity of financial performance over time. Conditional compensation allocated in 2014 forms part of the "2014 Long-term loyalty and performance plan";
- discretionary nature of potential bonuses subject to continuing presence within the Group and subsequent performance which must represent, on an individual basis, 50% of the total variable compensation allocated in a given financial year for amounts over €100,000 and 60% for amounts over €500,000, with BPCE guidelines setting a cap of €1 million on this tranche;
- all bonuses subject to conditions of continuing service and performance allocated to risk takers in the form of instruments that align the trader's interests with those of the Bank and thus contribute to containing risk, with a holding period of six months before liquidation and payment;
- spreading of payments allowed via these instruments over the three financial years following the allocation year based on performance indicators and continuing service within the Group at the potential payment date;
- each instrument is indexed in accordance with the applicable EBA guidelines;
- guaranteed variable compensation is forbidden, except temporarily in the case of a hire within the limits defined by CRBF 97-02.

Lastly, traders must comply with all aspects of the internal control system applicable to the Trading Desk. Assessment of compliance with the risk policy is based in particular on proper application of the regulatory requirements; compliance with procedures; correct keeping of Trading Desk records; compliance with limits; and the traders' cooperation with the staff from the Compliance and Risk Departments (responsiveness, quality of exchanges, etc.). Individual reports are submitted every six months to the Trading Desk Manager and the Human Resources Department. If necessary, the Head of Human Resources and the Head of the Risk Department issue warnings to General Management concerning the taking into account in the bonus proposals of any failures to comply with internal and external rules that fall within their scope, and recommend, if appropriate, a deduction from the amounts of variable compensation for which allocation has been requested.

4.3 Quantitative data relating to compensation for regulated positions at BRED

a

Gross amount in €m	Fixed compensation paid in 2013 (1)	Variable compensation allocated in 2014 (2)	Amount (1) + (2)	Staff concerned
Accountable managers	0.9	0.4	1.3	2
Regulated positions, excluding accountable managers	6.0	4.1	10.1	59.7

Breakdown for regulated positions excluding accountable managers

Gross amount in €m	Fixed compensation paid in 2013 (1)	Variable compensation allocated in 2014 (2)	Amount (1) + (2)	Staff concerned
Trading Desk	4.7	3.7	8.4	47.9
Others	1.3	0.4	1.7	11.8

b

Gross amount in €m	Variable compensation allocated in 2014 and paid in 2014 (3)	Variable compensation allocated in 2014 and deferred subject to conditions (4)
Accountable managers	0.2	0.2
Regulated positions, excluding accountable managers	3.2	0.9

(4) Apart from the practical difficulties, putting in place a share-based payment scheme (shares with a fixed value paying annual interest) within a cooperative bank would not fit in with the aims of the regulations and professional standards. The option chosen is a deferred portion wholly conditional upon continuing service and maintaining the financial performance over time, indexed to the amount of BRED's consolidated equity (share attributable to the owners of the parent, excluding capital transactions, revaluation of shares in BPCE or its subsidiaries, interest on BPCE's cooperative investment certificates and dividends).

c

Gross amount in €m	Amount of deferred variable compensation (5)	Amount of vested deferred variable compensation (6)	Amount of non-vested deferred variable non-compensation (7)
Accountable managers	1.1	0	1.1
Regulated positions, excluding accountable managers	3.3	0	3.3

(7) see (4).

d

Gross amount in €m	Deferred variable compensation paid in 2014 (8)	Deferred variable compensation reduced in 2014 (9)
Accountable managers	0.5	0
Regulated positions, excluding accountable managers	1.4	0

(8) and (9) vesting or reduction based on 2013 results under loyalty plans, subject to continued presence within the Company.

e

Gross amount in €m	Payments in respect of new hires in 2013	Nomber of new hires concerned	Severance payments in 2013	Number of beneficiaries
Accountable managers	n/a	n/a	n/a	n/a
Regulated positions excluding accountable managers	0.2	4	Not Available (10)	Not Available (10)

(10) In accordance with Article 43-2, last paragraph, this information is not disclosed to protect the anonymity of the employees.

f

Gross amount in €m	Severance compensation guarantees granted in 2013	Number of beneficiaries	Largest amount granted to a single beneficiary
Accountable managers	n/a	n/a	n/a
Regulated positions, excluding accountable	n/a	n/a	n/a

“ Despite the unfavourable economic conditions, the banking network in France (branches and business centres) achieved 6.9% growth in net banking income in 2013, with a 7.3% increase for the branches alone, thus encouraging us to pursue our customer-focused strategy.”

Olivier Klein

Chief Executive Officer

Activity Report

Economic environment

The fragile recovery in the global economy was confirmed against a background of generally disinflationary conditions, the easing of tensions in Europe, a gradual decline in risk aversion, and still highly accommodative monetary policies on both sides of the Atlantic. It benefited from the steady strengthening of the US economy, Japan's rebound, resilient economic activity in China and the end of the European recession despite the slowdown in emerging countries. However, the global economy grew by only 2.8% in 2013 versus 3% in 2012.

France's GDP remained virtually flat (+0.3%), as it had in 2012, with contrasting quarterly trends. Purchasing power, which had fallen by 1% in 2012, picked up very slightly by 0.3% in 2013, boosted by the sharp drop in inflation (0.7% versus 2% in 2012). Household consumption and business investment remained relatively sluggish. French public spending, already among the highest in Europe, peaked at 57.1% of GDP. Reflecting the major fiscal shock undergone since 2011, taxes and social security contributions increased, rising from 43.7% of GDP in 2011 to 45% in 2012 and then 46% in 2013.

After stagnating in the first half, the stock markets in developed countries rallied significantly in the second half at the expense, of emerging markets. The CAC 40 gained 18%, versus 15.2% in 2012, reaching 4,296 points at 31 December 2013, versus 3,641 points at 31 December 2012.

2013 also saw a major step forward in the reform of bank regulatory mechanisms initiated in response to the 2008 financial crisis. The Basel III reform was transposed into European regulations in June 2013 with the adoption of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV). In addition to increased requirements in terms of the amount and quality of capital, CRR/CRD IV introduced stricter liquidity requirements.

In 2014, a return to more normal economic conditions can be hoped for in developed countries. However, world economic growth, at around just 3.2%, could suffer from the ongoing deleveraging in the private and public sectors, the slowdown in emerging countries, and the contrasting economic conditions in European countries. French GDP, spared by deflation and benefiting from increased European cohesion and a rebound in domestic activity in Germany, and possibly in Italy and Spain as well, could grow by about 0.8%.

Income statement (management presentation)

(€m)	2012 (1)	2013	2013/2012
Net banking income	**901.3**	**954.8**	**5.9%**
Interest and similar income	542.1	572.2	5.5%
Fee income	484.7	488.7	0.8%
Banking expenses	-125.5	-106.1	-15.5%
Operating expenses	**605.2**	**614.1**	**1.5%**
Personnel costs	353.3	356.7	0.9%
o/w incentive schemes	*12.7*	*13.4*	*5.5%*
o/w profit sharing	*19.8*	*21.2*	*7.1%*
Other operating expenses	214.1	221.8	3.6%
Depreciation and impairment	37.8	35.5	-5.9%
Gross operating profit	**296.1**	**340.8**	**15.1%**
Cost of risk excl. collective provisions	*-77.4*	*-80.9*	*4.5%*
Collective provisions	*21.4*	*-0.4*	*-101.7%*
Cost of risk	-56.0	-81.3	45.1%
Operating profit	**240.1**	**259.5**	**8.1%**
Gain on fixed assets	-0.3	1.1	
Share of profit of associates	17.8	21.4	20.2%
Pre-tax profit on ordinary activities	**257.6**	**282.0**	**9.5%**
Income tax	-75.1	-97.8	30.2%
Consolidated profit for the year	**182.4**	**184.2**	**1.0%**
Profit attributable to equity holders of the parent company	**179.9**	**182.6**	**1.5%**

(1) Pro forma management accounts: reclassifications amounting to €1.9 million relative to accounting data between net banking income and operating expenses .

Consolidated income statement – key figures

Net banking income grew by €53.5 million, or 5.9%, to €954.8 million in 2013, marking a clear rebound after the fall of 5.7% recorded in 2012. Non-recurring items, primarily the sale of minority interests in Australian banks, accounted for €23.1 million of this increase. Adjusted for these items, net banking income grew by €30.4 million, i.e. 3.5%.

The outstanding element of the year was the strong upturn recorded by BRED's banking network in France (branches and business centres), which recorded an overall increase of 6.9% in net banking income, with an increase of 7.3% for the branches alone.

Growth in the customer base and strengthened customer relationships resulted in a 6.8% increase in average demand deposits and a 7.8% increase in net fee income. The net interest margin also benefited from the fall in interest rates on regulated savings, increasing by 4.3%.

Continuing the development of its customer-oriented activity, the Trading Desk's contribution to net banking income declined by €8.1 million but nonetheless remained higher than forecast.

Recurring net banking income recorded by the commercial banking subsidiaries at international level and in French overseas territories fell by €4.2 million due to the weak activity of BCI Mer Rouge.

The Group's international trade financing subsidiary, BIC-BRED, recorded a €1.2 million decline in net banking income due to reduced commitment volumes, particularly on Turkish counterparties.

Recurring net banking income generated by the financial management activities (ALM, management of working capital surplus) and related subsidiaries remained unchanged overall.

Growth in operating expenses remained under control at €8.9 million or 1.5%.

- More than half of the 0.9% increase in personnel costs reflected increases in profit sharing and incentive schemes. The headcount (expressed in average full-time equivalents) increased by 0.3%. Meanwhile, personnel costs benefited from the new French competitiveness tax credit (crédit d'impôt compétitivité emploi - CICE) in the amount of €2.9 million. Adjusted for this item, personnel costs excluding profit sharing and incentive schemes increased by 2.1%.
- Other operating expenses were up by €7.7 million or 3.6%, due in particular to the impact of a dispute with a supplier. Recurring expenses grew by only 0.7%.
- Depreciation and impairment charges decreased by €2.3 million or 5.9% due to a lower level of investment pending delivery of the new administrative head office at Joinville in 2014.

The cost of risk excluding collective provisions rose from €77.4 million to €80.9 million. Significant elements included provisions amounting to €14.4 million recorded by BIC-BRED on two significant loans. In contrast, the disposal of the Lehman Brothers receivables resulted in the reversal of provisions for €7.7 million.

The share of profits of associates increased by €3.6 million thanks to the good results achieved by BCI Nouvelle Calédonie and ACLEDA (Cambodia). Pre-tax profit on ordinary activities grew by €24.4 million, or 9.5%, to €282.0 million. Restated for non-recurring items, profit on ordinary activities was up by 6.6% to €241.9 million.

Income tax expense amounted to €97.8 million compared with €75.1 million in 2012. This increase was attributable in particular to an expense of €6.3 million linked to the repurchase of cooperative investment certificates and to a higher tax rate of 38%.

Net profit attributable to equity holders of the parent was up by 1.5% to €182.6 million. Excluding non-recurring items and the impact of changes in taxation, net profit attributable to equity holders of the parent is estimated at €167.3 million, corresponding to an increase of 7.3%.

Significant financial transactions

Several significant financial transactions were completed in 2013.

The Yanne transaction, completed on 6 August 2013 following the decision taken by the Extraordinary General Meeting of Shareholders on 12 July, resulted in the repurchase from Natixis of €782 million of cooperative investment certificates issued by BRED and their subsequent cancellation. Alongside this transaction, BRED benefited from a €95 million reduction in the capital of BPCE and repayment of €96 million of undated deeply subordinated bonds issued by BPCE.

These transactions, which concerned all the Banques Populaires and Caisses d'Épargne, were prompted by the wish to simplify Groupe BPCE's capital ownership structure. Following these transactions, BRED's share capital is wholly owned by its cooperative shareholders thereby returning to a simplified cooperative governance structure.

The repurchase of the cooperative investment certificates had a negative impact on income of €6.3 million due to an additional corporate income tax charge of 3% on the repurchase premium on these securities. Moreover, the cancellation of the certificates resulted in a substantial decrease in the BRED group's regulatory shareholders' equity. Taken as a whole, the Yanne transaction had an impact of around 4 points on the Tier One solvency ratio, all other things being equal.

To bring its solvency ratio back into line with the strongest in the French market, BRED completed a €151 million issue of new cooperative shares in December 2013. The success of this issue – oversubscribed – testifies to the confidence placed in BRED by its cooperative shareholders. This share issue, together with the allocation to reserves of earnings for 2013, enabled BRED to end the year with a solvency ratio of 11.85% that positions the group among the most solvent French banks.

From May to July 2013, Cofibred, the holding company for the BRED group's equity interests, sold the securities it held in two Australian banks (Bank of Queensland and Bendigo) listed on the Sydney Stock Exchange. These disposals of directly owned securities generated capital gains totalling €28.2 million in 2013 and also freed up substantial capital that will be reallocated to continuing the BRED group's strategic development, particularly at international level.

Commercial banking

Despite the present unpropitious economic conditions, BRED's new growth strategy resulted in renewed growth in net banking income in 2013. The commercial network (branches and business centres) recorded a 6.9% increase in net banking income compared with a fall of 2% in 2012.

The new strategy responds to behavioural changes in the Group's customers and is based on two fundamental principles: making the Bank more accessible to and practical for customers, and offering greater added value in the support provided for their personal projects.

The Group is working to develop the bank of the future – a bank based on close ties, quality and innovation capacity; a bank that has successfully converged its distribution channels and offers the best of branch banking and e-banking with a single aim: meeting its customers' expectations.

A bank that proactively serves its customers

BRED seeks growth in net banking income through two major channels: building customer loyalty and renewing its customer base.

Its strategy is underpinned by the proactive approach taken by the sales staff and their capacity to identify and provide for all their customers' needs. In 2013, the Group posted substantial progress in terms of its customer base, reflecting the momentum achieved.

The number of retail customers increased by 1.5%, with a 3.6% increase in active customers. In the professional segment, the number of customers increased by 8.9% while the number of customers with a double banking relationship (covering their professional and personal needs) grew by around to 10%.

In the corporate segment, the customer base grew by around 1.5%.

Accessible and practical banking facilities

In a digital world, the Bank seeks to adapt to new customer behaviour in terms of remote banking relationships and transaction methods: managing customers' emails, online subscription to products and services at bred.fr, telephone sales within the branch, etc.

BRED's strategy is centred on a close relationship between customers and their personal account managers. This relationship has been further strengthened by providing customers with their account managers' direct contact details (telephone number and email address). They can therefore contact their account managers at any time by whichever means they wish. They can go to the branch to meet them in person or discuss matters over the telephone if they prefer.

To make this relationship even easier, since April 2013 the Bank has been offering customers a new online banking service, BredConnect. Once they have subscribed, customers can carry out all their transactions online in total security and sign their contracts using a smartphone. This makes it much easier for them to adapt their contracts or subscribe to new products and services through their account managers, without having to go into the branch. By the end of December, 105,000 customers had subscribed to this service.

For even greater ease, the Bank rolled out a new electronic account statements service in 2013, enabling customers to access a 24-month account history at any time from their computer or mobile phone.

Lastly, and still with a view to making banking as easy as possible for customers, the Bank has expanded the competencies of the BRED Direct staff so that they can operate as a complement to the account managers over extended working hours, to carry out day-to-day banking transactions, and to respond if a customer needs a product or service quickly. BRED carried out 53,000 sales via telephone in 2013.

Helping customers to carry out their personal projects

Knowing customers, understanding their needs and providing lasting support are indispensable elements in providing the added value they expect in the relationship with their account manager.

For this reason, the Group is committed to increasing the stability of its account managers by maintaining them in the same position for a minimum of three years.

BRED has also developed a new approach to enable account managers to draw on its range of products and services to put together personalised and unique solutions for their customers. This enables them to build a special and lasting relationship with their customers, which is the sole guarantee of appropriate, quality advice, and meets the ever-growing demand for personalised service.

In line with this approach, in September 2013 BRED launched a new family approach designed to provide personalised solutions for all the family's projects, whether large or small, while benefiting from specific advantages. Among such projects, property purchases take a major place. In 2013, BRED helped nearly 7,000 customers to purchase properties and enjoyed a record year with €1 billion of financing.

The Group also has as original branch concept Grand'Ze, catering especially for pupils of France's major engineering and business schools. The success of this initiative enabled BRED to start new banking relationships with more than a thousand pupils of such schools in 2013. BRED serves these customers in France and abroad, during their studies, and then during their working life.

For high net worth customers, BRED offers a new privileged relationship offering an in-branch account manager for all day-to-day banking transactions alongside the support and expertise of a specialised wealth management advisor, with the aim of providing optimum quality of service combining demanding standards and excellence.

With regard to professional customers, BRED strengthened its aim of becoming their banking partner for both their professional and personal needs by offering them the option of dealing with the same account manager and benefiting from special offers and services.

The Group also created a BRED Premier counter (Paris Opéra), reserved for self-employed professionals, with specialised advisors, and in line with the existing BRED Premier centres in the French overseas departments.

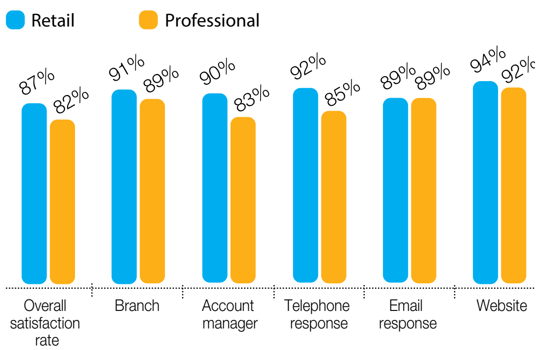
The Bank views its relationship with corporate and institutional customers as a long-term partnership. The advisers and account managers at the Group's 16 business centres for SMEs and at the wholesale banking division are available at each key moment in the life of a business: start up, market development, acquisitions, international expansion, and disposal or transfer. They share their customers' enterprising spirit and draw on BRED's skill centres to find solutions to enable these businesses and their managers to carry out their projects. In 2013, the Group continued to provide proactive cash management services, and in the context of the migration to the Single European Payments Area (SEPA), close to half of the European debits in the French market were made by BRED.

The Bank has also enhanced its range of financing solutions for mid-tier companies by drawing on the joint expertises of the financing department (structured, syndicated and alternative) and the Trading Desk, which is a major player in the placement of commercial paper and has a bond sales activity for institutional customers.

Cultivating excellence in the customer relationship

The Bank must develop a faultless reputation with each of its customers in order to earn recommendation by them. For the Bank and for its customers, the quality of the customer relationship is more important than the range of banking products available.

Customer satisfaction survey



The quality surveys carried out in 2013 once again positioned the Bank very highly in terms of customer satisfaction. 87% of retail customers were satisfied with BRED. The satisfaction rates were particularly good with regard to the branches (91%) and the account managers (90%).

In the professional customer segment, the overall satisfaction rate was 82%, with a satisfaction rate of 83% with regard to account managers. It is true that this customer segment is particularly demanding, and the Bank aims to further improve this satisfaction rate in 2014.

Customer relationship management by telephone and email, developed in 2013, also achieved good satisfaction rates.

98% of the businesses surveyed highlighted the quality of the information and advice provided and the relevance of sales proposals to their needs.

For more than ten years now, BRED has consistently topped EDF's general ranking of banks providing cash management processing solutions. BRED also ranked first in EDF's quality league table thanks to the responsiveness, availability and quality of service of its sales teams.

Ever more firmly implanted in the territories it serves

Although the Bank's customers appreciate and make ever greater use of online or mobile phone banking services, they remain deeply attached to the branch networks, as there are moments when nothing can replace a one-to-one relationship with the account manager.

The Bank therefore continues to invest in its sales network. It opened two new branches in 2013 (Le Neubourg and Nanterre Mont Valérien) and plans around 15 further branch openings for the coming 2 years.

The network renovation programme will also be stepped up in 2014 to strengthen the Group's image of modernity, while gradually adapting the branch format, with redesigned customer reception areas for improved handling of customers' day-to-day transactions and meeting spaces adapted both to one-to-one meetings and remote relationships, as each branch must also be an e-branch.

BRED has also continued to develop BRED Espace (18,000 customers at the end of 2013) to assist its customers outside their home regions, expatriates and young overseas students working or studying in France, and those returning home.

Strengthening our presence also means raising our brand's profile. In 2013, BRED ran an image-building media campaign, in France in June and in the French overseas departments in October.

More modern tools and processes

To better meet its customers' needs, BRED rolled out new tools in 2013 and modernised its workstations: a single messaging service was set up, remote sales with electronic signature went into production, a new Insurance Placement Interview questionnaire was put in place, the processing of contact opportunities was made simpler, and a modern telephone banking solution was implemented in the overseas sites. All these various moves have simplified the sales staff's daily work and facilitated exchanges between the Bank's different departments and between BRED and its customers. Each step to make life easier for customers also makes life easier for our sales staff.

Continuing international expansion

In its second year of operation, BRED Bank Fiji LTD opened a second branch, thus strengthening BRED's presence in the region.

In Laos, Banque Franco-Lao continued to add to its network, bringing the number of branches to 20, and continued to expand its ATM network.

A bank that belongs to its customers

BRED is owned by its cooperative-shareholder customers and a growing number of these customers invest in the Bank each year, as shown by the very successful €151 million rights issue carried out in 2013. At the end of 2013, BRED had 140,111 cooperative shareholders.

A bank that is owned by its cooperative shareholders is a bank with a different vision of the banking business, particularly in terms of its recruitment policy. The Bank recruits an average of between 220 and 260 people each year and to cover its needs it takes on a significant number of young people under work-study schemes. The Bank deliberately maintains a quota of 10% of hires that can be considered atypical in terms of training, experience and age.

The successful integration of these new recruits is ensured by the Bank's professional training system, which provides them with a general banking culture and specific job skills.

A bank that belongs to its cooperative shareholders is also a bank that supports all its customers, even when they face financial difficulties. BRED has introduced a mechanism for dealing with vulnerable customers; after putting in place an amicable solution or over-indebtedness plan, BRED deals with these customers through a specific structure, Hauban, to consolidate their financial situation before transferring them back to the branch. At the end of 2013, 3,500 customers were benefiting from the Hauban mechanism.

In the same way, BRED's cooperative and solidarity values underpin its corporate patronage activities in the regions it serves.

BRED is engaged in social actions in many fields. It is particularly involved in supporting business start-ups, for example through microcredit in particular, as well as social inclusion and solidarity, and actively supports initiatives in the areas of education and research. With the aim of working more efficiently in the public interest in its regions and providing a structure for its corporate patronage activities, BRED has set up its own foundation.

Its actions in 2013 include the signing, in collaboration with Fédération Nationale des Banques Populaires, of two partnership agreements with the business development agency ADIE (*Association pour le Droit à l'Initiative Economique*) relating to financial support for local ADIE offices in Montreuil, La Réunion, Cayenne and Mayotte.

BRED's commitment to ADIE also continued with support, through a special financing arrangement, for business start-ups by young people who are excluded from the traditional banking system. BRED has subscribed to the collateral-free loan fund (*fonds de prêts d'honneur*) that enables ADIE to grant interest-free loans to people under the age of 32 who already have a microcredit.

In line with its action in favour of social inclusion of young people, BRED provides its support to the 180 voluntary workers of Café de l'Avenir, all from business backgrounds, who work to help young graduates start out on careers. BRED takes concrete action to combat youth unemployment by getting its employees involved in this association's work.

BRED also supports the second-chance schools foundation *Fondation des Écoles de la 2e Chance*. It is particularly involved in second-chance schools in the regions where it operates, such as Seine-et-Marne, Val-de-Marne and Paris. Second-chance schools work to ensure the professional and social inclusion of youngsters who drop out of school without qualifications. These schools provide a tailored teaching system to enable them to train under work-study schemes in partner companies and thus enter the job market.

In addition to its work in favour of inclusion, BRED provides financial support through its sponsorship scheme to Médecins sans Frontières, a foundation for research into Alzheimer's disease, and an association for open-air holidays for disadvantaged children, JPA (*Jeunesse au Plein Air*). Each year, in partnership with the cancer research foundation (*ARC - Association pour la Recherche sur le Cancer*), BRED produces the *Octobre Rose* card, a limited edition of the *BRED&Moi* card. As well as the traditional ARC card, BRED's range of *BRED&Moi* cards supporting humanitarian aid schemes includes Médecins du Monde, Institut de la Vision, and Habitat et Humanisme Île-de-France.

For each card subscription for, the Bank donates €6 to the association in question.

Commercial banking in France and overseas departments

At the end of 2013, BRED's network comprised 330 local branches (including 75 in French overseas departments), 16 business centres (including 5 overseas), six BRED Premier branches (including 5 overseas), 11 asset management centres (including 3 overseas centres and a Cercle Premier wealth management centre), and 5 centres for self-employed professionals in overseas departments.

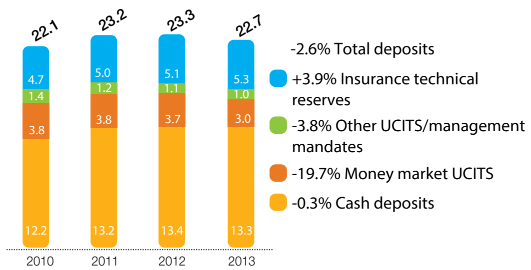
2013 featured robust growth in ordinary demand deposits (up by 6.8%) and regulated savings (up by 7.2%), which again benefited from higher limits on Livret Développement Durable and Livret A regulated savings accounts. This inflow of stable funds enabled the Bank to substantially reduce its use of market term deposits, which accordingly fell by 22.6%.

Savings invested in life insurance benefited from more dynamic market trends and grew by 3.9% to €5.3 billion.

Given the money market rates of close to zero, amounts invested in money market funds dropped by nearly 20%, ending the year at €2,951 million.

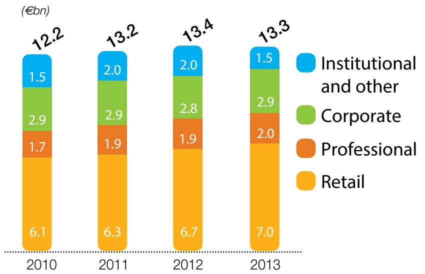
Strong production of home loans resulted in a 1.0% increase in loans to retail customers. The other segments suffered, however, from the weak demand for equipment loans, with a 0.6% decline in loans to professional customers and a 2.0% fall in loans to businesses.

Deposits taken by Commercial Banking France and its subsidiaries (€bn)



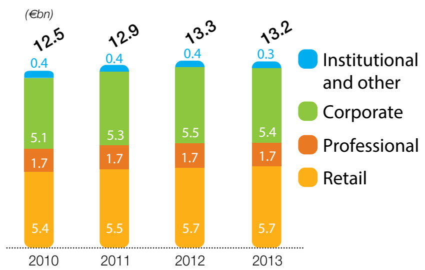
Average deposits over the year

Breakdown of cash deposits - Commercial Banking France and its subsidiaries



Average outstanding loans over the year

Breakdown of outstanding loans - Commercial Banking France and its subsidiaries



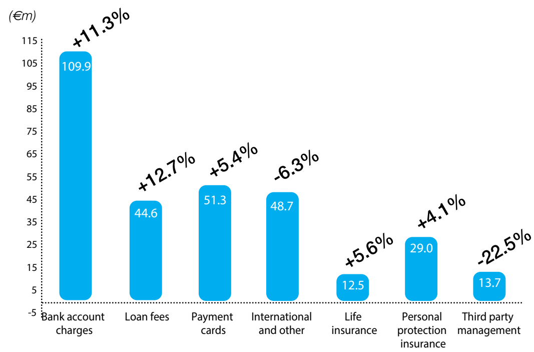
Annual average excluding spot credit and foreign currency loans

The outstanding element of the year was the strong upturn recorded by the banking network, which recorded an overall increase of 6.9% in net banking income compared with a fall of 2.0% in 2012. This upturn reflected the strong performance in terms of growth in the customer base and in customer penetration rates.

Net banking income generated by the wholesale banking division and its subsidiaries increased by 1.6%.

The interest margin increased by €15.9 million (4.3%) to €387.8 million thanks to a 0.27 point decline in interest paid on deposits, whereas interest on loans declined by only 0.15 point. This improvement in the asset-liability margin is attributable to the strong growth of 6.8% in average deposits, which reduced the need to use more costly market funding, and the fall in interest rates on regulated savings. Although all segments of Commercial Banking France recorded an increase in the interest margin, the strongest increase was recorded by the branches, which benefited from the very robust trend in home loan production.

Commercial Banking France - Breakdown of fee income by source (company scope)



Recurring net fee income increased by €26.1 million (7.8%) to €361.9 million. This performance is all the more remarkable given the stricter regulatory and legislative framework for pricing. However, growth in the customer base and the Bank's efforts to increase the penetration rate of products and services per customer resulted in substantial increases in net banking income. The strongest performances concerned bank account charges, up by €11.1 million or 11.3%, and loan fees, which increased by €5.0 million (12.7%). The French commercial banking division's subsidiaries also contributed to this performance, with Prépar-Vie and Fipromer each recording increases of €2 million in net fee income.

Recurring commercial banking expenses rose by 1.3% during the year. Excluding the CICE tax credit, personnel costs increased by €5.8 million (1.8%) to €323.1 million, with half of this increase attributable to increases in profit sharing and incentive schemes. Other operating expenses were up by 2.1% to €181.1 million. Depreciation and impairment charges were down by €3.8 million to €29.9 million pending the move to the new administrative head office at Joinville scheduled for the end of 2014.

Recurring gross operating profit for the Commercial Banking France division and its subsidiaries was up by 20% to €226.8 million, reflecting a significant improvement in the profitability of the BRED group's core businesses before cost of risk.

Excluding collective provisions, the cost of risk was up by €5.3 million (8.4%) to €68.4 million. In contrast, the cost of risk at the wholesale banking division declined by €4 million.

Adjusted for non-recurring items, pre-tax profit on ordinary activities for the commercial banking division France and its subsidiaries amounted to €158.4 million, i.e. 25.8% more than in 2012.

International Commercial Banking

This division comprises BCI Mer Rouge, BCI Nouvelle-Calédonie (accounted for by the equity method) BRED Vanuatu, BRED Fiji, Banque Franco-Lao, and the IT platform BRED IT Thailand.

The recurring net banking income generated by these subsidiaries dropped by €4.2 million to €36.3 million in 2013.

Banque Franco-Lao, BRED Vanuatu and BRED Fiji recorded increases in net banking income, but BCI Mer Rouge posted a fall of nearly 20% in recurring net banking income due to difficulties, now solved, linked to the migration of its information system. Its activity had returned to growth at the end of the year and the outlook for 2014 is encouraging.

Customer deposits were up by 6% to €586 million thanks mainly to the newly created subsidiaries. Cash deposits grew by €14 million (70%) at Banque Franco-Lao and by €7.7 million (73%) at BRED Fiji. BCI Mer Rouge also resumed its growth trend with a €4.1 million (1%) increase in deposits while BRED Vanuatu recorded an €8.3 million (7%) increase. Note that BCI Mer Rouge accounts for 68% of the deposits taken by the international and overseas commercial banking subsidiaries (excluding BCI Nouvelle-Calédonie, which is accounted for using the equity method).

Outstanding loans were up by 11.9%, from €318 million to €356 million. This growth in lending was driven by Banque Franco-Lao, BCI MR (+7.6%) and BRED Fiji, whereas outstanding loans remained stable at BRED Vanuatu. Recurring operating expenses increased from €29.0 million to €30.2 million, due mainly to the launch of BRED Fiji. Non-recurring expenses linked to the migration of BCI Mer Rouge's information systems amounted to €2.3 million.

The cost of risk was down by almost 27% to €7.3 million.

The contribution of BCI Nouvelle-Calédonie, consolidated using the equity method, was up to €11.3 million in 2013 compared with €9.7 million in 2012.

International Trade Financing

This division consists of BIC BRED. Net banking income was down by €1.2 million (13.8%) in 2013 as the result of reduced lending volumes linked to this subsidiary's decision to limit exposure to Turkish counter parties given the macroeconomic uncertainties concerning the country.

2013 was marked by two credit events that resulted in a strong increase in the subsidiary's cost of risk, which amounted to €14.4 million in 2013 compared with net reversals of provisions totalling €1.4 million in 2012.

Asset and Liability Management

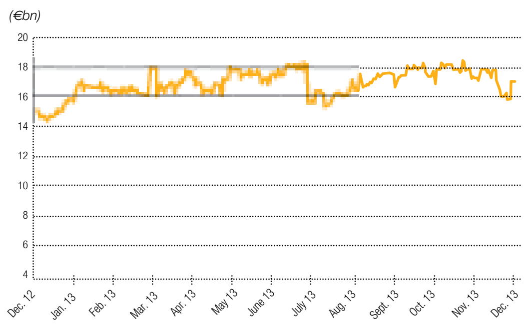
The asset and liability management (ALM) division is responsible for the Group's refinancing and for protecting its net banking income against interest rate risk. By nature, its contribution to the Group's results can be positive or negative depending on market conditions. Although improved compared with the previous year, its impact on pre-tax profit remained negative in 2013 at -€4.4 million.

Trading Desk

Market activities for customers generated income of €66.3 million, corresponding to an €8.1 million or 10.8% decrease in net banking income, which was nonetheless better than had been expected.

The Trading Desk continued to develop its intermediation activities for customers, which now include the secondary bond market, and its cash management offer. BRED focuses its technical expertise on select market making activities in areas that are useful to its institutional customers.

Trading Desk assets



Recurring Trading Desk expenses increased by €4.6 million, reflecting in particular the strengthening of the teams in charge of market activities for customers.

The cost of risk benefited in 2013 from a reversal of provisions amounting to nearly €7.7 million.

Management of Working capital surplus, working capital, and other equity interests

These activities contributed €79.8 million to profit on ordinary activities in 2013 compared with €59.5 million in 2012. These figures include significant non-recurring items in both financial years: reversal of provisions for goodwill on SOFIAG in 2012 and the sales of equity interests in two Australian banks in 2013. Also, some non-recurring expenses that could not be allocated to the other business divisions, and the CICE tax credit, were by convention allocated to working capital.

Outlook

The BRED group has managed to weather these years of financial crisis by preserving a healthy balance, particularly in terms of the coverage of outstanding loans by customer deposits. Meanwhile, backed by solid results and the confidence of its cooperative shareholders, which enable it to constantly strengthen its equity base, BRED can meet the new Basel III regulatory constraints that will apply gradually as from 2014 with serenity.

Having taken full measure of the changes in consumer behaviour, BRED is investing in implementing new customer relationship tools, combining traditional and modern approaches with a single goal: constantly improved response to its customers' needs.

It intends to pursue its international expansion strategy, consisting of seeking growth in regions and markets with strong growth momentum.

Lastly, BRED offers the security of belonging to a very large French banking group – Groupe BPCE – within which it can develop useful synergies.

1 Business review

Consolidated statement of financial position

(€bn)	2011	2012	2013	2013/2012
Loans and advances to credit institutions	11.9	10.1	10.1	
Financial assets at fair value through profit or loss	4.6	5.5	5.2	-6%
Hedging derivatives	0.1	0.1	0.1	22%
Available for sale financial assets	12.7	14.4	13.9	-4%
Held to maturity financial assets	1.1	1.0	1.0	-3%
Customer transactions	14.0	14.1	14.2	1%
Deferred profit sharing	0.1	0.0	0.0	-
Non-current assets	0.5	0.6	0.6	7%
Other assets	0.8	0.6	1.5	160%
Total assets	**45.8**	**46.3**	**46.5**	**0%**
Loans and advances from credit institutions and financial customers	14.9	14.6	11.6	-21%
Financial liabilities at fair value through profit or loss	1.6	1.0	2.1	115%
Hedging derivatives	0.3	0.8	0.4	-47%
Other transactions	2.0	0.8	1.5	77%
Deposits of non-financial customers	18.9	20.0	22.0	10%
Insurance technical reserves	5.1	5.6	5.9	5%
Bond borrowings				-
Subordinated debt	0.5	0.4	0.4	-5%
Capital and reserves	2.6	3.0	2.6	-14%
Total liabilities	**45.8**	**46.3**	**46.5**	

Financial assets at fair value through profit or loss, available for sale and held to maturity decreased by €0.8 billion in 2013, while at the same time loans and advances to credit institutions and financial customers decreased by €3.0 billion.

Loan production increased by €0.1 billion in 2013, i.e. the same level of growth as in 2012. It was entirely financed by customer deposits. Like in 2012, customer deposits significantly exceeded loans (by €7.8 billion compared with €5.9 billion in 2012).

2 Capital and reserves and prudential ratios

2.1 Consolidated capital and reserves and prudential capital

The new ratio has been applied since 2008. It regulates Tier One capital by defining core capital differently. In particular, the core capital must bear 50% of the deduction of securities.

Consolidated capital and reserves calculated according to international standards came to €2,588 million after appropriation of profit for the year, compared with €2,984 million at the end of 2012. This decrease was attributable to:

- the transfer to reserves of €171 million of non-distributed earnings for the year;
- a capital increase of €151 million;
- repurchases for €782 million of cooperative investment certificates formerly subscribed by Natixis;
- various positive adjustments amounting to a total of €63 million, relating mainly to IFRS adjustments.

The supervisory authorities have concluded that some elements of book capital created by the adoption of International Financial Reporting Standards cannot be included in core capital, which is therefore lower than book capital.

(€m)	2010	2011	2012	2013	2013/2012
Capital (1) (2)	432.5	432.5	520.3	573.3	
Consolidated reserves	1,966.5	2,138.8	2,336.9	1,809.0	
IAS/IFRS impact on consolidated reserves	-59.2	-200.3	-30.1	34.3	
Profit for the period	244.4	233.3	179.9	182.6	
Proposed distribution of dividends	-26.2	-28.7	-23.1	-11.2	
Consolidated capital and reserves	**2,558.1**	**2,575.7**	**2,983.8**	**2,588.0**	**-13.3%**
Minority interests	36.1	37.5	32.1	30.9	
Non-current assets and other deductions	-18.7	-23.9	-26.7	-33.7	
IAS/IFRS restatements not admitted/ recyclable capital	59.2	200.3	30.1	-34.3	
Holdings in credit and financial institutions to be deducted from capital (50%)	-589.1	-562.6	-635.3	-473.7	
Other adjustments to deductions	-129.8	-165.3	-261.1	-261.2	
Mutual guarantee fund				5.0	
Core Capital (Tier One)	**1,915.6**	**2,061.7**	**2,122.9**	**1,821.1**	**-14.3%**
Secondary capital (Tier Two) before deductions	**468.3**	**408.8**	**385.6**	**289.2**	
Holdings in credit and financial institutions to be deducted from capital (50%)	-589.1	-562.6	-635.3	-473.7	
Other adjustments to deductions	120.8	153.8	249.7	184.5	
Secondary capital (Tier two)					
Other additional capital	44.1	64.9	64.1	78.7	22.8%
Total prudential capital	**1,959.7**	**2,126.6**	**2,187.0**	**1,899.8**	**-13.2%**

(1) As required by paragraph 1 of Article 225-102 of the French Commercial Code, you are advised that employees do not own any shares issued by the Bank that are managed collectively or that they cannot dispose of freely.
(2) A table is provided in the General Information section of this report detailing currently valid authorisations granted by the Shareholders' General Meeting to the Board of Directors for the purpose of increasing the share capital pursuant to the provisions of paragraph 7 of Article L.225-100 of the French Commercial Code.

2.2 Holdings deducted

Regulatory deductions from capital and reserves amounted to €947 million net of franchise. The total before franchise was down by €380 million to €1,232 million in 2013. This decrease resulted from:

- the repayment of undated deeply subordinated notes (TSSDI) and reduction of capital of BPCE (-€200m);
- the sale of the Bendigo investment securities (-€74 million) and of the equity interest in Bank of Queensland (-€165 million);
- an increase in investments in associates accounted for by the equity method for Prépar-Vie (€14.6 million), BCI Nouvelle-Calédonie (€9.5 million) and ACLEDA (€9 million).

2.3 Prudential ratios

Banking law has instituted regulations governing management standards, in the form of prudential ratios with which credit institutions must comply, in particular so as to guarantee their solvency and liquidity with respect to third parties.

2.3.1 Capital adequacy ratio

Prudential capital decreased by€287.2 million in 2013 due to the buyback of the cooperative investment certificates, which was only partly offset by the issuance of €151 million of cooperative shares at the end of the year.

The amount of capital consumed was down by €27.9 million. Capital consumed was concentrated on loans to customers for 78%, more particularly in the corporate segment, which accounted for 40% of total capital consumed. This breakdown is on the whole similar to that in 2012.

2.3.2 Liquidity ratio

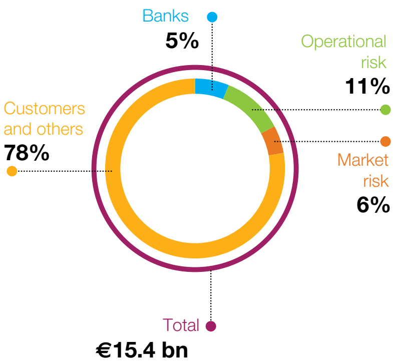
The liquidity ratio is monitored continuously: it ended the year at 136.9% compared with 144% at the end of the previous year, well above the minimum requirement of 100%.

Overall capital adequacy ratio

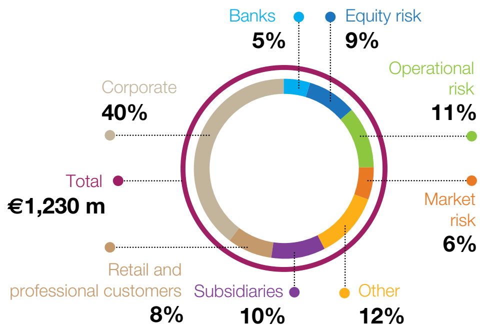
(€m)	2011	2012	2013
Core capital (Tier One)	2,061.7	2,122.9	1,821.1
Secondary capital (Tier Two)			
Additional capital (Tier Three)	64.9	64.1	78.7
Prudential capital	**2,127.0**	**2,187.0**	**1,899.8**
Requirement for counterparty risk	1,072.4	1,057.7	1,021.8
Requirement for market risk	64.8	67.8	78.7
Requirement for operational risk	128.7	132.1	129.2
Total capital requirement	**1,265.9**	**1,257.6**	**1,229.7**
Capital adequacy ratio (1)	**13.4%**	**13.9%**	**12.4%**
Of which, Tier One	*13.0%*	*13.5%*	*11.8%*

(1) The minimum requirement is 8%.

McDonough weighted risks



Consumption of equity



3 Analysis of results

BRED Banque Populaire's operations are organised into seven main divisions:

- Commercial Banking France, which includes all the various activities developed for retail customers and large corporate and institutional customers;
- Trading Desk;
- International Commercial Banking subsidiaries;
- International Trade Financing subsidiary (BIC-BRED);
- Asset and Liability Management;
- Management of Working Capital Surplus;
- Financial Working Capital, which covers management of the portfolio of equity interests.

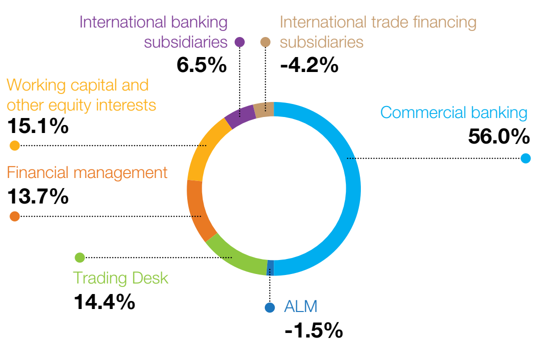
Net banking income for the first three divisions does not include the income on capital allocated to activities and subsidiaries, which is assigned to the working capital division.

Each division's contribution to the main aggregates of the Bred group's consolidated income statement under IFRS is presented below, without adjustments for non-recurrent items:

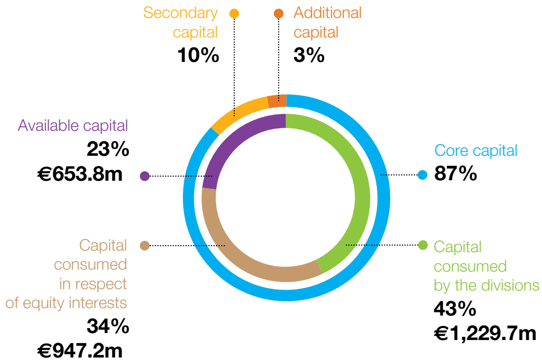
	Commercial banking France		International banking subsidiaries		International trade financing subsidiary		ALM		Trading Desk		Management of working capital surplus		Working capital	
(€m)	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Net banking income	722.1	761.2	47.2	43.0	8.4	7.2	-10.3	-3.5	74.4	66.3	15.4	36.7	44.1	43.9
Gross operating profit	210.4	246.1	18.0	10.5	4.0	3.0	-11.2	-4.4	42.3	36.1	12.3	33.9	40.2	36.7
Profit on ordinary activities (before profit sharing and collective provisions)	145.4	180.8	17.7	14.5	5.4	-11.4	-11.2	-4.4	41.6	43.9	11.6	33.9	47.9	45.9

Contribution of each division to profit on ordinary activities in €m

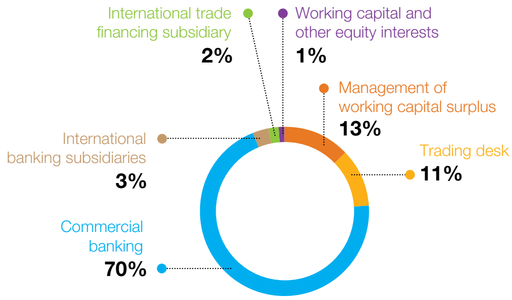
Breakdown by division of normative net profit attributable to equity holders of the parent



Structure of overall shareholders' equity of €2,830.7 million (excluding profit attributable to minority interests) before regulatory deductions at 31 December 2013



Capital requirements excluding equity interests (regulatory capital requirement at 31 December 2013: €1,229.7 million)



(€m)	Net profit 2013 [(1)]	Net profit [(2)] as a % of capital requirement	Return on equity [(3)]
Commercial Banking France and related subsidiaries	102.3	9.7%	11.0%
Trading Desk	26.2	19.7%	22.4%
ALM	-2.7		
Management of Working capital surplus	25.0	15.4%	*17.6%*
International banking subsidiaries	11.9	10.2%	*11.6%*
International trade financing subsidiary	-7.6	*-35.9%*	*-40.9%*
Working capital and other equity interests	27.5	2.1%	2.1%
Of which: Invested outside Groupe BPCE	21.1	17.0%	19.3%
Invested in Groupe BPCE	6.6	1%	1%
Unallocated capital	-0.3	-0.1%	
Capital allocated to operational divisions	0.3	0.0%	
Total BRED	**182.6**	**6.5%**	**7.0%[(4)] 6.1%[(5)]**

(1) Net profit attributable to equity holders of the parent after tax at the statutory rate and employee profit sharing..
(2) Overall capital requirement calculated as at 31 December 2013 (analytical amounts including equity interests net of franchise and after regulatory deductions).
(3) Net profit attributable to equity holders of the parent as a percentage of book capital at 31 December 2013.
(4) As a percentage of consolidated equity attributable to equity holders of the parent at 31 December 2013.
(5) As a percentage of consolidated equity attributable to equity holders of the parent at 31 December 2012

4 Activity of BRED SA and its main subsidiaries

BRED SA – Company financial statements under French GAAP

Income statement (management presentation)

(€m)	2012 (1)	2013	2013/2012
Net banking income	**745.9**	**795.2**	**6.6%**
Interest and similar income	449.1	485.1	8.0%
Fee income	296.8	310.1	4.5%
Operating expenses	**517.9**	**529.9**	**2.3%**
Personnel costs	309.8	319.1	3.0%
o/w incentive schemes	*12.7*	*13.4*	*5.5%*
o/w profit sharing	*19.0*	*20.6*	*8.4%*
Other operating expenses	174.6	181.1	3.7%
Depreciation and impairment	33.5	29.7	-11.3%
Gross operating profit	**228.0**	**265.3**	**16.4%**
Cost of risk excl. collective provisions	71.2	55.2	-22.5%
Collective provisions	-2.4	0.4	
Operating profit	**159.2**	**209.7**	**31.7%**
Net capital gains on fixed assets	0.6	4.6	
Pre-tax profit on ordinary activities	**159.8**	**214.3**	**34.1%**
Regulated provisions and fund for general banking risks	0.2	0.1	-37.5%
Non-recurring items and other items			
Income tax	-47.0	-74.9	59.4%
Net profit	**112.9**	**139.5**	**23.5%**

(1) Pro forma management accounts: reclassifications amounting to €1.9 million relative to accounting data between net banking income and operating expenses.

BRED SA's net banking income increased during the year, up by €49.3 million or 6.6% compared with 2012.

Loan production increased by 24% overall in 2013. Demand deposits and regulated savings continued to grow with a 6.7% increase driven by growth in the customer base. This good performance in terms of intake of stable funds enabled the Bank to reduce its use of market deposits, which are more costly. Total deposits remained stable overall in 2013. The commercial banking interest margin increased by 8% relative to 2012, up by €35.7 million to €481.7 million. The retail banking margin also grew, up by €16.9 million (5%) to €333.4 million.

The management of working capital surplus management activity recorded a significant increase in the interest margin, which amounted to €31.1 million compared with €13.3 million in 2012, thanks to gains on the Bercy fund and interest rate effects.

Working capital made a contribution of €40.6 million, compared with €14.1 million in 2012, due mainly to dividend payments and revenue from BPCE undated deeply subordinated bonds, with the balance relating mainly to intra-Group transactions following the disposal of the securities held in Bank of Queensland.

The Trading Desk generated interest income of €75.5 million in 2013. The €37.5 million decrease relative to 2012 was partly attributable to a non-recurrent item adjusted under IFRS. Interest income for the Trading Desk under IFRS was down from €74.4 million to €66.3 million, i.e. a decrease of €8.1 million.

Net fee income grew by €13.3 million or 4.5%. Bank account charges recorded particularly strong growth with an increase of €11.1 million (11.3%), while loan fees increased by €5 million (12.7%).

Operating expenses were up by €11.9 million (2.3%) due largely to personnel costs which increased by €9.3 million (3%) overall and by €7 million (2.3%) excluding profit sharing and incentive schemes. Consumption increased by 4.6%, or €7.1 million, which was partly offset by a €0.7 million decrease in other banking expenses and lower depreciation and impairment charges (down by €3.8 million due to reduced investment pending the transfer of some departments to the new Joinville premises).

Gross operating profit was up by 16.4% to €265.4 million.

The cost of risk dropped significantly, down to €55.5 million versus €68.8 million the previous year.

Pre-tax profit on ordinary activities came to €241.4 million, corresponding to an increase of 34.1%.

Income tax expense increased by a substantial 59% to €74.9 million, due mainly to an increase in the tax base, the rise in the tax rate to 38% and a tax charge of €6.3 million linked to the repurchase of the cooperative investment certificates.

Net profit amounted to €139.6 million, 23.5% more than in 2012.

In application of Article L. 441-6-1 of the French Commercial Code, it should be noted that BRED does not apply payment terms to its suppliers. It therefore had no outstanding trade payables on its balance sheet at 31 December 2012 and 31 December 2013.

BCI Mer Rouge (51%-owned subsidiary acquired in mid-2007)

Income statement

(€m)	2011	2012	2013	2013/2012
Net banking income	**24.0**	**31.2**	**26.2**	**-16.0%**
Operating expenses	14.1	14.4	18.0	
Gross operating profit	**9.9**	**16.8**	**8.1**	**-51.8%**
Cost of risk	0.0	-10.7	-6.1	
Operating profit	**9.9**	**6.2**	**2.0**	**-67.0%**
Other items	0.0	0.0	0.0	
Income tax	-2.6	-1.7	-0.7	
Profit for the year	**7.3**	**4.4**	**1.4**	**-68.9%**

Djibouti's economy grew by an estimated 5% in 2013 versus 4.8% in 2012. This growth continued to be driven by the strong momentum in Djibouti's two main growth engines: port activities and foreign direct investment. It is also, to a lesser extent, underpinned by the telecommunications, construction and tourism sectors.

Djibouti's current political stability and security have contributed to the country's growth and economic development. Djibouti's geographic location also makes it a strategic stopping point on the world's second busiest trade route. This situation has contributed significantly to attracting foreign investors and international non-governmental organisations. Djibouti is also the only natural port serving the second most populated country in Africa, Ethiopia. The inflation rate in 2013 is expected to stand at 2.5%, lower than in 2012.

During 2013, work to stabilise the new information system continued to occupy intensively BCI Mer Rouge's sales forces a great deal. Strong efforts were nonetheless made to win back deposits, resulting in renewed growth in deposits compared with 2012 and 2011.

The level of lending remained stable. After dropping sharply in 2012 as the result of stricter conditions for documentary credits, commitments rebounded by 28% in 2013.

BCIMR continues to be the leading bank in Djibouti with more than 51% of deposits and 44% of loans.

Net banking income dropped by 16% in 2013, down from €31.2 million to €26.2 million. This fall was attributable to the unwinding in April 2013 of the remaining half of the swap transactions.

Expenses increased by 25% to €18 million, reflecting in particular the start of amortisation of the IT migration project.

The cost of risk declined in 2013 relative to 2012 but remained high at €6 million due to stricter procedures and a prudent provisioning policy.

After tax, net profit amounted to €1.4 million, down by nearly 69% compared with 2012.

Banque Calédonienne d'Investissement (49.9%-owned subsidiary)

Income statement

(€m)	2011	2012	2013	2013/2012
Net banking income	**71.2**	**68.6**	**72.3**	**5.4%**
Operating expenses	33.0	34.0	34.9	
Gross operating profit	**38.2**	**34.6**	**37.4**	**8.1%**
Cost of risk	-2.2	-1.7	-2.6	
Operating profit	**36.0**	**32.8**	**34.7**	**5.8%**
Non-recurring items	1.2			
Income tax	-15.9	-13.7	-14.9	
Profit for the year	**21.3**	**19.2**	**19.8**	**3.6%**

The economy in New Caledonia remained depressed in 2013, dampening company investment and household spending slightly more than in 2012. Most of the country's economic sectors experienced a contraction in activity during the year.

Thus, despite the gradual decline in imports that began in 2012 when the construction of the northern factory ended, the trade deficit increased significantly. The construction and civil engineering sector remained under pressure throughout the year against a generally sluggish economic background. It was in particular faced with the calling into question of the tax incentive system and household uncertainty.

Demand for loans remained at a very similar level to that in 2012 thanks mainly to loans granted on deposits from outside the country. On the whole, consumer prices remained under control in 2013, rising by only 0.7%, well below the inflation rate of previous years (1.6% in 2012, for example).

BCI managed to increase its customer base with 3,481 new accounts opened, bringing the total number of demand deposit accounts to 63,393. BCI also pursued its efforts in terms of innovation in 2013, adding to its range of new products. It also continued to modernise and expand its network of 31 points of sale – opening a new branch in 2013 – and to renew its ATM network.

Net interest income came to €48.2 million, 3.6% more than in 2012.

Overheads increased by 2.2% to €34.9 million.

Taking these elements into account, gross operating profit grew to €37.4 million, up by 8% year on year.

The cost of risk amounted to €2.6 million compared with €1.7 million in 2012, which was a reasonable level given total outstanding loans.

After tax, net profit came to €19.8 million, up by 3.6% relative to 2012.

Banque Franco-Lao (54%-owned subsidiary)

Compte de résultat

(€m)	2011	2012	2013	2013/2012
Net banking income	**1.5**	**3.1**	**4.5**	**47.0%**
Operating expenses	2.0	2.9	3.7	
Gross operating profit	**-0.5**	**0.2**	**0.8**	**322.0%**
Cost of risk		-0.1	-0.3	
Operating profit	**-0.5**	**0.1**	**0.6**	**350.6%**
Non-recurring items				
Income tax				
Profit for the year	**-0.5**	**0.1**	**0.6**	**350.6%**

Economic growth in Laos remained strong at 8.3% in 2013, once again driven by the construction, services, manufacturing and mining sectors which continue to attract significant levels of foreign direct investment. The trade deficit nonetheless increased significantly during the year due to steady appreciation of the local currency throughout the first half, the increase in the government's budget deficit (which forced it to tighten its policy, particularly with regard to public sector wages) and strong domestic demand. Inflation once again began to rise, reaching 7.4% in 2013 versus 4% in 2012.

The banking sector continued to develop in 2013. Market data at the end of 2012 showed that deposits had grown fourfold over four years and that lending had increased by a factor of five over the same period. The ratio of loans to deposits has therefore risen from 50% at the end of 2008 to 85% at the end of 2012. Growth in lending slowed in 2013, dropping to 20% compared with 33% in 2012. The four state banks continue to dominate, with two-thirds of the market in both loans and deposits. The average market share of the other players in the market is around 1%.

For BFL Ltd, which opened in October 2010, 2013 was its third full year in operation and marked an increase in profitability despite ongoing investment in its branch network. Seven new branches were opened during the year, bringing the total to 20 with 13 in Vientiane and 7 in other regions. At the end of 2013, BFL Ltd had an estimated market share of between 1.5% and 2% in both deposits and loans.

At the end of 2013, BFL Ltd had nearly 16,000 accounts and 12,000 customers on its books compared with respectively 7,000 and 5,700 at the end of 2012. In terms of products and services, as well as the increase in sales outlets, 2013 featured the installation of 12 new ATMs and the roll out of around 100 POS terminals. In line with the subsidiary's expansion, the headcount rose from 106 at the end of 2012 to 160 at the end of 2013.

Deposits totalled €50 million at the end of 2013 compared with €34 million at the end of 2012, i.e. an increase of 49%. Loans and advances to customers grew by 75%, from €23 million in 2012 to €39 million in 2013, and continue to be amply covered by deposits.

Net banking income grew by 47% in 2013, reaching €4.5 million, and continues to consist mainly of interest income. Fee income grew by 50%, i.e. at roughly the same pace as interest income. The increase in operating expenses was attributable mainly to branch openings.

The net cost of risk (i.e. net provisions as a proportion of lending) was 0.6% and consisted for one-third of regulatory provisions on performing loans.

2013 confirmed the profitability trend seen in 2012 when the bank broke even for the first time. Net profit for the year came to €0.6 million.

BIC BRED (99.95%-owned subsidiary)

Income statement

(€m)	2011	2012 [1]	2013	2013/2012
Net banking income	**8.8**	**8.4**	**7.3**	**-13.5%**
Operating expenses	4.2	4.4	4.2	
Gross operating profit	**4.6**	**4.0**	**3.0**	**-24.8%**
Cost of risk	-1.1	3.2	-14.4	
Operating profit	**3.5**	**7.2**	**-11.4**	**-258.8%**
Other items		-3.0	12.9	
Income tax	-0.9	-1.1	-0.6	
Profit for the year	**2.6**	**3.0**	**1.0**	**-66.2%**

(1) In 2012, the provision for country risk was broken down between 'net banking income' and 'cost or risk' and the allocation to the fund for general banking risks was broken down between 'net banking income' and 'other items'.

Banque Internationale de Commerce-BRED is specialised in international trade finance. It operates mainly in Europe and some of the non-European Mediterranean regions.

The bank services trade in a variety of commodities, including in particular oil products, metals, food and fertilisers.

Economic conditions in 2013 continued to be affected by the slowdown in a number of euro zone countries, whose effects continued to be felt across all markets.

Starting in the second quarter, BIC-BRED began to reduce its commitments with exposure to Turkey.
The persistently depressed economic conditions and slowdown in international trade led to a strong increase in credit risk. The bank consequently experienced credit defaults requiring significant provisions (€14.4 million) on two counterparties. These provisions were offset by the reversal of provisions from the fund for general banking risks for an amount of €12.9 million.
Net profit was down to €1 million from €3 million in 2012.

BRED Gestion (wholly owned subsidiary)

Income statement

(€m)	2011	2012	2013	2013/2012
Net banking income	**6.3**	**7.3**	**7.3**	**0.4%**
Operating expenses	3.8	4.2	3.5	
Operating profit	**2.5**	**3.0**	**3.8**	**26.5%**
Non-recurring items	12.8			
Income tax	-1.1	-1.0	-1.2	
Profit for the year	**14.2**	**2.1**	**2.7**	**29.7%**

BRED Gestion's main activity is secure processing of large payment flows for institutional and corporate customers.

Its know-how in secure processing of large payment flows has enabled it to maintain its reputation and credibility among its institutional customers and even among its competitors. By constantly adapting its strategy, it has managed to price in the quality and security of its service in a very tightly priced market with increasingly stiff competition.

In 2013, flows processed by BRED Gestion represented:

- €117 billion in 147 million transactions in the SEPA zone, corresponding to an increase of 11.7%.
- €2.2 billion in 8.2 million international transactions, unchanged relative to 2012.

Net banking income amounted to €7.3 million, unchanged relative to 2012.

Operating expenses dropped by 18% to €3.5 million, reflecting a provision recognised in 2012 which was not repeated in 2013.

Net profit came to €2.7 million, up by nearly 30% compared with 2012.

COFIBRED (wholly owned subsidiary)

Income statement

(€m)	2011	2012	2013	2013/2012
Net banking income	**36.3**	**56.5**	**41.8**	**-26.1%**
Operating expenses	3.8	2.2	2.0	
Operating profit	**32.5**	**54.3**	**39.7**	**-26.9%**
Non-recurring items	0.2	4.2	22.7	
Income tax		-0.5	-7.5	
Profit for the year	**32.7**	**58.1**	**54.9**	**-5.4%**

Cofibred's portfolio of equity interests and investments declined by 23.9% in 2013, ending the year at €927 million versus €1,218 million at the end of 2012.

2013 featured the sale of two significant holdings in two Australian banks, Bank of Queensland and Bendigo, which generated a net gain of €28 million. In addition, Cofibred sold the BPCE securities it held to BRED for €14.8 million and increased its investments in ACLEDA by €4.9 million and in Ventech China by €7.2 million.

Other financial charges amounted to €2.9 million and related mainly to foreign exchange hedging and interest on borrowings.

Cofibred's operating expenses amounted to €2 million, relatively stable compared with €2.2 million in 2012.

Cofibred generated profit for the year of €54.9 million, 5.4% less than in 2012.

NJR (wholly owned subsidiary)

Income statement

(€m)	2011	2012	2013	2013/2012
Net banking income	**28.6**	**16.5**	**13.1**	**-20.6%**
Operating expenses	0.8	1.0	1.0	
Operating profit	**27.8**	**15.4**	**12.1**	**-21.8%**
Non-recurring items	-1.8	-0.7	0.0	
Income tax	-3.7	-1.0	-0.2	
Profit for the year	**22.3**	**13.7**	**11.9**	**-13.5%**

NJR's activity remained relatively stable in 2013 in a generally positive market. The size of its portfolio declined slightly, down from €906 million to €858 million. Amortisation of the portfolio is continuing at a healthy rate of 20% a year, i.e. €178 million.

NJR reinvested a large part of these cash flows in the primary and secondary markets in various senior European ABS eligible for ECB refinancing. Overall, NRJ limited the number of investments in the first half of 2013 given the tight spreads on the Core Europe zone and in view of the uncertainty that prevailed in the second quarter (expected tightening in the FED's monetary policy).

In the second half, as the macroeconomic horizon seemed to be clearing, NJR stepped up the volume of purchases in order to keep the portfolio at around €850 million.

In terms of credit risk, the portfolio performed very well. Most of the indicators are positive and the solidity of the securitised structures offsets any risk of default on the underlying loans. No provisions for cost of risk were recorded.

With regard to the peripheral European countries, the waning of fears of the breaking up of the euro zone, the improvement in certain indicators (resumed growth, current account balances in Spain, Portugal and Italy ,and property prices in Ireland), and repurchases of their own debt by issuing banks contributed to a steady contraction in spreads. The portfolio's market value has increased substantially since the beginning of 2012.

Profit on the ABS portfolio came to €12.7 million in 2013 compared with €14.1 million in 2012, with the fall in interest rates and general contraction in spreads only partly offset by the increase in the average margin resulting from amortisation and new investments.

Net profit generated by NJR for the financial year ended 31 December 2013 amounted to €11.9 million, down slightly compared with €13.7 million in 2012.

Prépar-Vie (wholly owned subsidiary)

Income statement

(€m)	2011	2012	2013	2013/2012
Premium income	**46.3**	**23.7**	**35.2**	**48.4%**
Operating expenses	15.0	14.0	15.1	
Gross operating profit	**31.3**	**9.7**	**20.1**	**107.7%**
Non-recurring items	0.0	0.3	0.3	
Income tax	-14.1	0.0	-4.2	
Profit for the year	**17.2**	**9.9**	**16.2**	**62.8%**

The French life insurance market returned to growth in 2013, up by 6% with a net inflow of savings of €10.7 billion.

In savings, policyholders' remuneration remained on a downward trend as bond yields did not allow for higher returns even though some operators chose to draw on reserves to boost policyholders' returns.

Premium income in savings insurance declined by €2.1% to €536 million as the business calendar did not allow a repeat of the 2012 summer campaign.

Prépar-Vie recorded a very satisfactory net inflow of €61 million compared with an outflow of €6 million in 2012, with redemption rates returning to pre-crisis levels.

Premium income from personal protection insurance increased by only 1.3% despite the recovery in loan insurance which, if confirmed, will come into full play over the coming years.

Financial market-related provisions had had a very negative impact on premium income in 2012, which explains the upturn in 2013 with income of €2 million versus a charge of €8.1 million in 2012.

Excluding taxes and duties, operating expenses increased by 3.8%. The development of EuroCroissance proposed in the Berger-Lefèbvre report has been launched and will weigh on expenses out to 2015.

Prépar-Vie posted net profit of €16.2 million, up by 63% compared with 2012.

Prépar-IARD (wholly owned subsidiary)

Income statement

(€m)	2011	2012	2013	2013/2012
Premium income	**5.9**	**6.6**	**6.1**	**-8.0%**
Operating expenses	0.4	0.5	0.5	
Gross operating profit	**5.5**	**6.1**	**5.5**	**-9.3%**
Income tax	-1.9	-2.1	-1.9	
Profit for the year	**3.6**	**4.0**	**3.6**	**-9.0%**

Premium income grew by 5.1%, reflecting two opposing trends:

- strong growth in 'work incapacity' insurance for self-employed professionals and the take-off of innovative policies such as Protection Budget.
- the maturity of more traditional products such as cover for payment instruments and accidental death.

In these conditions, the 8% decline in premium income to €6.1 million is explained primarily by:

- the change in the product mix, resulting in lower margins;
- very prudent provisioning in respect of future claims given the lack of historical data for recently launched policies.

With no significant change in management costs, pre-tax profit was down by 9.3% to €5.5 million. Net profit was down by 9% to €3.6 million.

SOFIAG (wholly owned subsidiary)

Income statement

(€m)	2011	2012	2013	2013/2012
Net banking income	**6.4**	**5.6**	**4.9**	**-13.8%**
Operating expenses	4.7	4.3	4.4	
Gross operating profit	**1.7**	**1.4**	**0.4**	**-68.7%**
Cost of risk	5.1	7.9	1.4	
Operating profit	**6.8**	**9.3**	**1.8**	**-80.6%**
Other items			0.0	
Income tax	-2.0	-3.0	-0.3	
Profit for the year	**4.8**	**6.3**	**1.5**	**-76.2%**

The questioning of the region's tax incentive regime, slowing demand, sharply rising unemployment and sluggish public spending have combined to create an uncertain climate for households and businesses.

French Guiana, however, is enjoying economic growth buoyed in particular by the construction sector. Infrastructure needs, exploitation of natural resources, the strengthening of Kourou's position in the space sector with the use of Russian launchers and strong population growth have created a favourable environment for corporate investment and household consumption, which have been driving growth.

Against this background SOFIAG recorded a 13.8% fall in net banking income to €4.9 million.

After a hesitant first half, production accelerated significantly in the second half, particularly in Martinique and French Guiana.

Given the difficult economic conditions, debt collection was limited to €12.8 million in 2013.

Despite these elements, the cost of risk remained positive with a gain of €1.4 million.

Net profit came to €1.5 million, down very sharply compared with 2012.

SOFIDER (wholly owned subsidiary)

Income statement

(€m)	2011	2012	2013	2013/2012
Net banking income	**19.1**	**17.3**	**18.7**	**8.1%**
Operating expenses	5.3	5.2	5.7	
Gross operating profit	**13.8**	**12.1**	**13.0**	**7.7%**
Cost of risk	-2.8	-1.9	-2.7	
Operating profit	**11.0**	**10.1**	**10.3**	**1.9%**
Other items		0.0	2.8	
Income tax	-3.7	-3.2	-5.1	
Profit for the year	**7.3**	**6.9**	**8.0**	**15.9%**

SME business managers are gradually regaining confidence and investment intentions are beginning to stabilise thanks to the prospect of some major works (new coast road, opening of large shopping centres, ETM, etc.). However, very small businesses continue to be more vulnerable and lack of visibility at their level is still curbing investment.

Household consumption remains sluggish. The only growth (3%) was recorded by basic consumer goods. The number of job seekers increased by 6% while exports dropped by 2%, mainly as the result of the drop in cane sugar production volumes.

The tourism sector contracted by 0.5% during the year while hotel visitor numbers increased by 1.6%. Only the farming, fishing and livestock sectors showed any tangible signs of improvement.

SOFIDER has a 5% share of the market.

The bank operates in all customer segments and all types of financing (consumer, housing, subsidised loans, investments and property development).

Loan production amounted to €115.2 million in 2013, 0.6% more than in 2012, and total outstanding loans increased by 1.2%.

Doubtful and non-performing loans remained under control in 2013 at €79 million compared with €80 million in 2012.

Net banking income grew by 8% to €18.7 million while operating expenses increased by 9.6% to €5.7 million.

Net profit for the year totalled €8 million, 16% more than in 2012.

5 Changes in BRED Banque Populaire's portfolio of equity interests

thresholds crossed

At 31 December 2013, the gross book value of BRED Banque Populaire's portfolio of shareholdings in subsidiaries and associates amounted to €1,735.5 million versus €1,776.4 million at the end of 2012, and was equivalent to its net value.

The decrease in the gross book value was primarily attributable to a €95.03 million reduction in the capital of BPCE, which was partly offset by the subscription to Cofibred's capital increase in an amount of €39.97 million (option for payment of dividends in shares) and the acquisition of Cofibred's holding in BPCE's capital for €13.8 million.

Significant holding thresholds crossed and controlling interests acquired in companies whose registered office is located in France (as a % of capital)

	01.01.2013	During 2013	31.12.2013
Directly held			
OUNAS SAS	0	100	100
COFIBRED 8 SAS	0	100	100
Indirectly held through Cofibred 8 SAS			
SNC JASPE 2*	0	100	100
SAS GIRASOL 2*	0	100	100
SAS GIRASOL 3*	0	100	100

** Subscription to foundation capital.*

"Profit on ordinary activities before tax increased by €24.5 million to €282.0 million, up by 9.5%, thanks to strong growth in net banking income and tight control of expenses."

Olivier Lendrevie

Chief Financial Officer

Consolidated financial statements

Consolidated financial statements for the year ended 31 December 2013 – IFRS

1.1 Consolidated statement of financial position

The data for the year ended 31 December 2012 has not been restated for the impact of IAS 19 as revised. The impact of this standard is explained in note 2.3.

Assets

(€'000)	*Notes*	**31/12/2013**	**31/12/2012**
Cash and amounts due from central banks	*5.1*	3,085,712	4,228,914
Financial assets at fair value through profit or loss	*5.2.1*	5,153,081	5,464,803
Hedging derivatives	*5.3*	81,387	66,946
Available for sale financial assets	*5.4*	13,878,396	14,434,480
Loans and receivables due from credit institutions	*5.6.1*	6,988,728	5,861,452
Loans and receivables due from customers	*5.6.2*	14,223,072	14,090,069
Re-measurement adjustments on interest rate risk hedged portfolio			
Held to maturity financial assets	*5.7*	954,301	985,890
Current tax assets		75	1,882
Deferred tax assets	*5.9*	166,920	193,298
Accrued income and other assets	*5.10*	1,319,271	374,276
Non-current assets held for sale	*5.11*		
Deferred profit sharing	*5.12*		
Investments in associates	*5.13*	232,067	212,190
Investment property	*5.14*	184,399	150,076
Property, plant and equipment	*5.15*	149,584	168,066
Intangible assets	*5.15*	32,762	29,246
Goodwill	*5.16*	4,576	4,576
Total assets		**46,454,331**	**46,266,165**

Liabilities

(€'000)	Notes	31/12/2013	31/12/2012
Amounts due to central banks		6	6
Financial liabilities at fair value through profit or loss	5.2.2	2,132,459	989,788
Hedging derivatives	5.3	410,723	780,742
Amounts due to credit institutions	5.17.1	9,292,793	10,784,699
Amounts due to customers	5.17.2	21,852,949	20,350,578
Debt securities	5.18	2,403,405	3,483,819
Re-measurement adjustments on interest rate risk hedged portfolio			
Current tax liabilities		12,211	2,866
Deferred tax liabilities	5.9	11,656	11,738
Accrued expenses and other liabilities	5.19	1,232,756	604,177
Liabilities directly linked to non-current assets held for sale	5.11		
Technical reserves of insurance companies	5.20	5,878,845	5,600,297
Provisions	5.21	208,579	207,684
Subordinated debt	5.22	385,992	405,994
Shareholders' equity		**2,631,957**	**3,043,777**
Equity attributable to equity holders of the parent		**2,599,144**	**3,006,870**
Capital and share premium account		577,864	1,004,354
Consolidated reserves		1,804,338	1,852,792
Gains and losses recognised directly in equity		34,340	-30,159
Profit for the year		182,602	179,883
Non-controlling interests (minority interests)		**32,813**	**36,907**
Total liabilities and equity		**46,454,331**	**46,266,165**

1.2 Consolidated income statement

The data for the year ended 31 December 2012 has not been restated for the impact of IAS 19 as revised. The impact of this standard is explained in note 2.3.

(€'000)	Notes	2013	2012
Interest and similar income	6.1	1,133,004	1,009,406
Interest and similar expense	6.1	-707,330	-600,825
Fee and commission income	6.2	390,462	405,725
Fee and commission expense	6.2	-117,384	-136,566
Net gains or losses on financial instruments at fair value through profit or loss	6.3	131,863	288,944
Net gains or losses on available for sale financial assets	6.4	84,384	26,168
Income from other activities	6.5	739,519	588,839
Expenses on other activities	6.5	-699,678	-678,491
Net banking income		**954,840**	**903,200**
Operating expenses	6.6	-578,523	-569,309
Depreciation, amortisation and impairment for property, plant and equipment and intangible assets		-35,547	-37,780
Gross operating profit		**340,770**	**296,111**
Cost of risk	6.7	-81,282	-56,032
Operating profit		**259,488**	**240,079**
Share of profits of associates	6.8	21,388	17,790
Net gains or losses on other assets	6.9	1,141	-312
Adjustments to goodwill	6.10		
Profit before tax		**282,017**	**257,557**
Income tax expense	6.11	-97,816	-75,137
Net profit of activities discontinued or being sold			
Total consolidated profit		184,201	182,420
Non-controlling interests (minority interests)		-1,599	-2,537
Profit attributable to equity holders of the parent		**182,602**	**179,883**

1.3 Statement of net income and gains and losses recognised directly in equity

The data for the year ended 31 December 2012 has not been restated for the impact of IAS 19 as revised.
The impact of this standard is explained in Note 2.3.

(€'000)	2013	2012
Total consolidated profit	**184 200**	**182 420**
Liabilities in respect of employee benefits	-4,006,	
Tax impact on liabilities in respect of employee benefits	1,392,	
Items that cannot be reclassified in income	**-2,614,**	
Translation differences	-2,469	-6,348
Changes in the value of available for sale financial assets	127,370	207,353
Changes in the value of hedging derivatives	-24,610	4,496
Actuarial differences on defined benefit plans		
Income tax	-36,214	-38,501
Items that can be reclassified in income	**64,077**	**167,000**
Share of unrealised gains and losses recognised directly in the equity of associates	3,040	-387
Gains and losses recognised directly in equity (after tax)	**64,503**	**166,613**
Total consolidated net profit and gains and losses recognised directly in equity	**248,703**	**349,033**
Attributable to equity holders of the parent	248,913	349,996
Non-controlling interests	-210	-963

1.4 Statement of changes in shareholders' equity

(€'000)	Capital and related premiums: Share capital	Capital and related premiums: Share premiums	Consolidated reserves
Balance at 1 January 2012	**432,488**	**482,202**	**1,871,187**
Changes in capital linked to relations with shareholders			
Capital increase	87,798		-26,014
Reclassification		1,866	-1,866
Change of accounting method			
Dividends			
Impact of acquisitions and disposals on minority interests			
Sub-total	*87,798*	*1,866*	*-27,880*
Gains and losses recognised directly in equity			
Changes in gains or losses recognised directly in equity taken to profit and loss			9,485
Other changes			
Sub-total			*9,485*
Other changes			
Profit for the year			
Other changes			
Sub-total			
Balance at 31 December 2012	**520,286**	**484,068**	**1,852,792**
Appropriation of 2012 profit			**156,763**
Balance at 1 January 2013	**520 286**	**484,068**	**2,009,555**
Changes in capital linked to relations with shareholders			
Capital increase	157 031		53 695
Reclassification			
Change of accounting method			
Impact of acquisitions and disposals on minority interests			
Reduction of capital	-104,057	-479,464	-257,947
Sub-total	*52,974*	*-479,464*	*-204,252*
Gains and losses recognised directly in equity			
Changes in gains or losses recognised directly in equity taken to profit and loss			
Other changes			-965
Sub-total			*-965*
Other changes			
Profit for the year			
Other changes			
Sub-total			
Balance at 31 December 2013	**573,260**	**4,604**	**1,804,338**

Comments:
2012: the €9,485,000 increase in consolidated reserves was recognised as a counter entry in deduction from recyclable reserves.

	Gains and losses recognised directly in equity						
		Change in fair value of instruments					
Translation differences	Revaluation difference on employee benefits	Available for sale financial assets	Hedging derivatives	Net profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Equity attributable to minority interests	Consolidated shareholders' equity
6,051		**-244,505**	**38,180**		**2,585,603**	**37,695**	**2,623,298**
					61,784		61,784
						-1,313	-1,313
					61,784	*-1,313*	*60,471*
-2,828		172,203	740		179,600	-3,841	175,759
-2,828		*172,203*	*740*		*179,600*	*-3,841*	*175,759*
				179,883	179,883	2,537	182,420
						1,829	**1,829**
				179,883	*179,883*	*4,366*	*184,249*
3,223		**-72,302**	**38,920**	**179,883**	**3,006,870**	**36,907**	**3,043,777**
				-179,883	**-23,120**		**-23,120**
3 223		**-72,302**	**38,920**		**2 983 750**	**36,907**	**3 020 657**
					210 726		210 726
	-10,854				-10,854		-10,854
						2	2
					-841,468		-841,468
	-10,854				*-641,596*	*2*	*-641,594*
	8,240	84,322	-14,695		77,867	-1,985	75,882
-2,514					-3,479		-3,479
-2,514	*8,240*	*84,322*	*-14,695*		*74,388*	*-1,985*	*72,403*
				182,602	182,602	1,599	184,201
						-3,710	-3,710
				182,602	*182,602*	*-2,111*	*180,491*
709	**-2,614**	**12,020**	**24,225**	**182,602**	**2,599,144**	**32,813**	**2,631,957**

2013: the change of method refers to application of IAS 19R. In 2013 BRED completed a capital decrease and a rights issue, which are both described in the "Significant events" section (see note 1).

1.5 Statement of cash flows

(€'000)	2013	2012
Profit before tax	**282,015**	**257,556**
Depreciation and amortisation of property, plant, equipment and intangible assets	34,910	37,148
Goodwill impairment		
Net charge to provisions and provisions for impairment	264,570	216,977
Share of profit (loss) of associates	-13,202	-10,263
Net loss (gain) on investing activities	-27,212	-128,760
Net loss (gain) on financing activities		23,050
Other movements	336,275	-416,390
Total non-cash items included in profit before tax	**595,341**	**-278,238**
Cash flows arising from transactions with credit institutions	-2,398,931	4,623,309
Cash flows arising from transactions with customers	1,291,056	-125,061
Cash flows arising from other transactions involving financial assets or financial liabilities	-219,517	-2,085,522
Cash flows arising from other transactions involving non-financial assets or non-financial liabilities	37,056	-923,107
Tax paid	-91,707	-96,280
(Decrease) increase in operating assets and liabilities	**-1,382,044**	**1,393,339**
Net cash from (used in) operating activities (A)	**-504,688**	**1,372,658**
Cash flows related to financial assets and equity interests	319,406	225,954
Cash flows related to investment property	-35,125	-6,976
Cash flows related to property, plant, equipment and intangible assets	-20,759	-31,563
Net cash from (used in) investing activities (B)	**263,523**	**187,415**
Cash flows from (to) the equity holders	-656,469	29,953
Other cash flows from financing activities	-19,992	-95,705
Net cash from (used in) financing activities (C)	**-676,461**	**-65,752**
Effect of changes in foreign exchange rates (D)	**-5,394**	**-2,661**
Net increase (decrease) in cash and cash equivalents (A + B + C + D)	**-923,020**	**1,491,660**
Cash in hand, net debit and credit balances with central banks	**4,228,908**	**1,192,576**
Cash and net balance of accounts with central banks (assets)	4,228,914	1,194,706
Due to central banks (liabilities)	-6	-2,130
Net balance of demand transactions with credit institutions	**159,799**	**1,704,471**
Current accounts with overdrafts	550,921	1,213,102
Demand accounts and loans	1,164	725,951
Demand accounts in credit	-392,286	-234,582
Demand repurchase agreements		
Cash and cash equivalents at 1 January	**4,388,707**	**2,897,047**
Cash in hand, net debit and credit balances with central banks	**3,085,707**	**4,228,908**
Cash and net balance of accounts with central banks (assets)	3,085,712	4,228,914
Due to central banks (liabilities)	-6	-6
Net balance of demand transactions with credit institutions	379,980	159,799
Current accounts with overdrafts	698,138	550,921
Demand accounts and loans	2,361	1,164
Demand accounts in credit	-320,519	-392,286
Demand repurchase agreements		
Cash and cash equivalents at 31 December	**3,465,687**	**4,388,707**
Change in cash and cash equivalents	**-923,020**	**1,491,660**

Note 1
General background

1.1 Significant events

Reorganisation of equity

As part of its strategy plan, Groupe BPCE decided to carry out an internal restructuring operation designed to simplify its structure, ensure a clearer view of Natixis's activities and earnings, and allocate equity within Groupe BPCE in an appropriate manner.

Several operations were therefore performed concomitantly:

- The repurchase and subsequent cancellation by the Banques Populaires (including BRED) and Caisses d'Épargne of the cooperative investment certificates (CICs) subscribed by Natixis, which represented 20% of their capital;
- The repayment by Groupe BPCE, at 104.46% of their nominal value, of the deeply subordinated notes issued at the beginning of 2012 and subscribed by the Banques Populaires (including BRED) and Caisses d'Épargne;
- The channelling of around €2 billion more of BPCE SA's capital to the Banques Populaires (including BRED) and Caisses d'Épargne via a reduction in BPCE's capital.

This operation was completed on 6 August 2013 and reduced the BRED group's capital by €781,720,000, thus bringing it down to €416,229,000.

Increase in the capital of BRED Banque Populaire

At the end of November 2013, BRED Banque Populaire raised its share capital to €573,260,254.10 through a cash capital increase and the capitalisation of reserves.

The cash capital increase took the form of the issue at par value of 15,135,584 shares of €10 each for a total amount of €151,355,840.

The capitalisation of reserves amounted to €5,675,844.10 through the increase from €10.00 to €10.10 of the par value of the shares.

1.2 Guarantee mechanism

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Épargne network, the BPCE central institution, and its subsidiaries.

The two banking networks: the Banque Populaire banks and the Caisses d'Épargne

Groupe BPCE is a cooperative group whose cooperative shareholders own the two retail banking networks, the Banque Populaire banks and the Caisses d'Épargne. Each of the two networks owns an equal share in BPCE, the Group's central institution.

The Banque Populaire network consists of the Banque Populaire banks and the mutual guarantee companies granting them the exclusive benefit of their guarantees.

The Caisse d'Épargne network consists of the Caisses d'Épargne et de Prévoyance, the local savings companies and the Fédération Nationale des Caisses d'Épargne.

The Banque Populaire banks are fully owned by their cooperative shareholders.

The capital of the Caisses d'Épargne is fully-owned by the local savings companies. The local savings companies are cooperative structures with an open-ended share capital owned by the cooperative shareholders. They are tasked with coordinating the cooperative shareholder base, in line with the general objectives defined by the individual Caisse d'Épargne to which they are affiliated, and they cannot perform banking transactions.

BPCE

BPCE, a central body as defined by French banking law and a credit institution approved to operate as a bank, was created pursuant to Law no. 2009-715 of 18 June 2009. BPCE was incorporated as a *société anonyme* with a Management Board and a Supervisory Board, whose share capital is owned jointly and equally by the Caisse d'Épargne and Banque Populaire banks.

BPCE's corporate mission embodies the continuity of the cooperative principles underlying the Banque Populaire banks and the Caisses d'Épargne.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services that they offer, organises depositor protection, approves key management appointments, and oversees the smooth functioning of the Group's institutions.

As a holding company, BPCE is the head entity of the Group. It owns the subsidiaries common to both networks in retail banking, corporate banking and financial services, and their production entities. It also defines the Group's corporate strategy and growth and expansion policies.

In respect of the Group's financial functions, BPCE is responsible in particular for the centralised management of surplus funds, for the execution of any financial transactions required to develop and refinance the

Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group. It also provides banking services to other Group entities.

As provided for in paragraph 6 of Article L.512-107 of the French Monetary and Financial Code, the purpose of the guarantee and shared support mechanism is to ensure the liquidity and capital adequacy of the BPCE group and its affiliates, and to organise financial support within the Banque Populaire and Caisse d'Épargne networks.

BPCE is responsible for taking all measures necessary to guarantee the capital adequacy of the Group and of each of the networks, including implementing the appropriate internal financing mechanisms within the Group and establishing a mutual guarantee fund common to both networks, for which it determines the working rules, the conditions for the provision of financial support to the two networks' existing funds, and the contributions of affiliates to the fund's initial capital and reconstitution.

BPCE manages the Banques Populaires Network Fund and the Caisses d'Épargne et de Prévoyance Network Fund, and has put in place the Mutual Guarantee Fund (*Fonds de Garantie Mutuel*).

The Banques Populaires Network Fund consists of a deposit by the banks in the books of BPCE in the form of an indefinitely renewable ten-year term deposit.

The Caisses d'Épargne et de Prévoyance Network Fund consists of a deposit by the Caisses in the books of BPCE in the form of an indefinitely renewable ten-year term deposit.

The Mutual Garantee Fund consists of deposits made by the Banques Populaires and Caisses d'Épargne in the books of BPCE in the form of indefinitely renewable ten-year term deposits. The fund is topped up each year by an amount equivalent to 5% of the contributions made by the Banques Populaires, the Caisses d'Épargne and their subsidiaries to the Group's consolidated results.

The total amount of deposits made with BPCE in respect of the Banques Populaires Network Fund, the Caisses d'Épargne et de Prévoyance Network Fund and the Mutual Guarantee Fund may not be less than 0.15% and may not exceed 0.3% of the Group's total risk weighted assets.

In the entities' individual financial statements, deposits made under the guarantee and shared support mechanism are recognised in equity under a separate heading.

The mutual guarantee companies, whose sole corporate purpose is to guarantee loans issued by Banque Populaire banks, are covered by the liquidity and capital adequacy guarantee of the Banque Populaire bank with which they are jointly licensed in accordance with Article R. 515-1 of the French Monetary and Financial Code.

The liquidity and capital adequacy of the Caisses de Crédit Maritime Mutuel are guaranteed in respect of each individual Caisse by the Banque Populaire that is both the core shareholder of and provider of technical and functional support to the Caisse in question, as part of its attachment to the partner Banque Populaire bank.

BPCE's management board has full powers to mobilise the resources of the various contributors without notice and in the agreed order, based on the prior authorisations given to BPCE by the contributors.

1.3 Events after the end of the reporting period

None.

Note 2

Applicable accounting standards and comparability

2.1 Regulatory framework

In accordance with EC Regulation No. 1606/2002 of 19 July 2002 on the application of international accounting standards, the Group has prepared its consolidated financial statements for the financial year ended 31 December 2013 under International Financial Reporting Standards (IFRS) as adopted for use by the European Union and applicable at that date, thereby excluding certain provisions of IAS 39 relating to hedge accounting [1].

2.2 Accounting standards

The standards and interpretations used and set forth in BRED's consolidated financial statements for the year ended 31 December 2013 have been supplemented by the standards, amendments and interpretations mandatorily applicable for financial years beginning on or after 1 January 2013, in particular:

- IFRS 13 entitled "Fair Value Measurement" adopted for use by the European Commission on 11 December 2012 with mandatory application to financial years beginning on or after 1 January 2013. IFRS 13 indicates how to measure fair value, but does not change the conditions for applying fair value. This standard applies on a prospective basis. The consequences of this standard relate in particular to the taking into account of the risk of non-execution in the valuation of derivative financial liabilities (Debit Valuation Adjustment – DVA). Also, the details set forth in IFRS 13 have led the Group to change its methods of assessing adjustments for counterparty risk (Credit Valuation Adjustment – CVA) for some counterparties segments. IFRS 13 also requires additional information to be disclosed in the notes to the financial statements. This information is provided in notes 4.1.6, 5.5 and 14.
- IAS 19 (revised) "Employee Benefits", applicable to financial years beginning on or after 1 January 2013 with retroactive effect. This standard changes the method used to recognise defined benefit retirement obligations, generating a change in accounting method with the following new provisions:
  - recognition of all actuarial gains or losses under other comprehensive income that cannot be reclassified in income;
  - immediate recognition of changes in pension schemes in income;
  - measurement of the return on hedging assets using the same rate as that used to discount liabilities.

  At the date of first application, i.e. 1 January 2013, the impact of the first application of IAS 19 as revised was recorded as follows:
  - revaluation differences on employee benefits not recorded at 1 January 2012 with an offsetting entry in gains and losses recognised directly in equity;
  - the cumulative cost of past services not recorded at 1 January 2012 with an offsetting entry in consolidated reserves;
  - the difference in standards impacting profit for the 2012 financial year with an offsetting entry in consolidated reserves. This difference can be broken down into the following three items:
    - spreading of actuarial gains or losses recognised under IAS 19,
    - spreading of changes in pension schemes recognised under IAS 19,
    - difference in rate of return on plan assets;
  - the changes in provisions corresponding to the revaluation differences generated in the 2012 financial year according to IAS 19, as revised, with an offsetting entry in gains and losses recognised directly in equity.

The impacts of the first application of IAS 19, as revised, on the consolidated financial statements at 31 December 2012 and for the financial year ended 31 December 2012 are detailed in paragraph 2.3.

Due to the immaterial nature of the impact of first application of this standard, the comparative financial information has not been restated:

- The amendment to IFRS 7 "Disclosures: Offsetting Financial Assets and Financial Liabilities": this amendment introduces new provisions for the disclosure of information relating to financial assets and liabilities subject to a "master netting agreement" or similar agreements in the notes to the financial statements. This information is presented in note 13 – Offsetting financial assets and liabilities;
- The purpose of the amendment to IAS 1 "Presentation of Financial Statements" is to supplement the financial information provided on "Net income and gains and losses recognised directly in equity". Gains and losses recognised directly in equity must be presented so as to make a clear distinction between items that may subsequently be reclassified in net income from those items that will never be reclassified.

The other standards, amendments and interpretations adopted by the European Union and mandatorily applicable in 2013 did not have a material impact on the Group's financial statements.

The Group has not opted for early adoption of standards, amendments and interpretations adopted by the European Union at 31 December 2012 but not yet in force at that date: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure

1) These standards are available on the website of the European Commission at the following URL: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

of Interests in Other Entities" relating to consolidation adopted by the European Commission on 11 December 2012 and applicable to financial years beginning on or after 1 January 2014. The implementation of these standards is not expected to have a material impact on the BRED group's consolidation scope. SBE, formerly consolidated using the proportional method, will be accounted for using the equity method with effect from 1 January 2014.

2.3 First application of IAS 19, as revised

Under IAS 19 revised, the amount of the provision for the CAR BP pension scheme as at 31 December 2012 would have been €78.1 million. The impact of this standard on the amount of the provision recognised at 31 December 2012 would have been €18.1 million, and can be broken down into three parts:

- €14.6 million in respect of the balance of actuarial differences at 1 January 2012;
- a charge of €0.4 million in respect of the change in the net provision expense recognised in profit or loss;
- €3.9 million in respect of actuarial differences for the 2012 financial year recognised in equity.

The impact on the other pension schemes would have amounted to €1.4 million in 2012.

2.4 Use of estimates

Preparation of the financial statements requires Management to make estimates and assumptions in certain areas with regard to uncertain future events.

These estimates are based on the judgment of the persons preparing these financial statements and the information available at the balance sheet date.

Actual future results may differ from these estimates.

Specifically with respect to the financial statements for the year ended 31 December 2013, accounting estimates drawing on assumptions related mainly to the following measurements:

- the fair value of financial instruments determined on the basis of valuation models (note 4.1.6);
- the amount of impairment of financial assets, and more specifically permanent impairment losses on available-for-sale financial assets and impairment losses on an individual basis or calculated on the basis of portfolios (note 4.1.7);
- provisions recorded under liabilities in the balance sheet, and more specifically the provision for home savings products (note 4.5) and provisions for insurance contracts (note 4.13);
- calculations relating to the cost of pensions and future employee benefits (note 4.10);
- deferred taxes (note 4.12);
- goodwill impairment testing (note 3).

2.5 Presentation of the consolidated financial statements and balance sheet date

As no specific format is required under IFRS, the presentation used by the Group for the condensed statements follows Recommendation No. 2013-04 of 7 November 2013 of the French Accounting Standards Authority (*Autorité des Normes Comptables* – ANC).

The consolidated financial statements are based on the accounts for the year ended 31 December 2013. The Group's consolidated financial statements for the year ended 31 December 2013 were approved by the Board of Directors on 10 March 2014. They will be presented to the General Meeting of Shareholders on 27 May 2014.

Note 3
Consolidation principles and methods

BRED Banque Populaire's consolidated financial statements include the financial statements of BRED Banque Populaire and all its material subsidiaries.

The concept of materiality is not applied merely by reference to monetary thresholds but also results from a qualitative assessment of the significance of the contribution made by the entities to BRED Banque Populaire's consolidated financial statements.

The Amaren II debt securitisation fund was not consolidated for the reasons indicated below.

In accordance with IAS 36, goodwill is tested for impairment on an annual basis.

(€'000)	*Nationality F: French Fo : Foreign*	Voting interest (%)	Ownershio interest (%)
CONSOLIDATED UNDER THE FULL METHOD			
Parent company			
BRED Banque Populaire - 18, quai de la Rapée - 75012 Paris	*F*		
Financial undertakings – Credit institutions			
Banque Franco Lao-23 Singha Road - 159 Nongbone - Vientiane-LAO	*Fo*	54.00	58.60
BCI Mer Rouge - place Lagarde - Djibouti	*Fo*	51.00	51.00
BIC BRED - 18, quai de la Rapée - 75012 Paris	*Fo*	99.95	99.95
BRED Bank Fiji ltd - 96, Thomson Street - Suva - Fiji Islands	*Fo*	100.00	100.00
BRED Cofilease - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
BRED Gestion - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
BRED Vanuatu - Port Vila - Vanuatu	*Fo*	85.00	85.00
EPBF - 181, Chaussée de la Hulpe - B1170 Brussels - Belgium	*Fo*	100.00	100.00
CMMOM - 36, rue Boisneuf - 97158 Pointe-à-Pitre	*F*	24.42	24.42
Socama BRED - 18, quai de la Rapée - 75012 Paris	*F*	100.00	7.20
Socama Normandie - 8, bld Salvador Allende - 27000 Evreux	*F*	100.00	7.05
Sofiag - 12, bd du général de Gaulle - 97242 Fort-de-France	*F*	100.00	100.00
Sofider - 3, rue Labourdonnais - 97400 Saint-Denis de La Réunion	*F*	100.00	100.00
Financial institutions other than credit institutions			
Cofibred - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
NJR Invest - 149, avenue Louise - 1050 Brussels - Belgium	*Fo*	100.00	100.00
NJR Finance BV - Herengracht 450 - NL 1017 Amsterdam - Netherlands	*E*	100.00	100.00
Promepar Gestion - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
Other financial undertakings			
Brd China Ltd - 78 Yang He Yi Cun, Jiangbei Dt, Chongquing China	*Fo*	100.00	99.95
Bercy Gestion Finance – 18, quai de la Rapée - 75012 Paris	*F*	99.99	99.99
Bercy Patrimoine - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
BGF + - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
BRED IT - Thai Wah Tower - Sathorn District - Bangkok - Thailand	*Fo*	100.00	100.00
Cofeg - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
Click and Trust - 18, quai de la Rapée - 75012 Paris	*F*	66.00	66.00
FCC Elide - 41, avenue de l'opéra - 75002 Paris	*F*	100.00	100.00
FCT Eridan - 41, avenue de l'opéra - 75002 Paris	*F*	100.00	100.00
Fipromer - 35, rue des Mathurins - 75008 Paris	*F*	100.00	100.00
Foncière du Vanuatu - Port Vila - Vanuatu	*Fo*	100.00	100.00
IRR Invest - 149, avenue Louise - 1050 Brussels - Belgium	*E*	100.00	100.00
LFI 4 - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
Perspectives et Participations - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
Prépar Courtage - Tour Franklin 92040 La Défense	*F*	99.80	99.80
SPIG - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
Vialink - 18, quai de la Rapée - 75012 Paris	*F*	100.00	100.00
Non financial undertakings - Insurance			
Prépar lard - Tour Franklin - 101, quartier Boïeldieu - 92040 La Défense	*F*	100.00	100.00
Prépar-Vie - Tour Franklin -101, quartier Boïeldieu - 92040 La Défense	*F*	99.91	99.91
CONSOLIDATED UNDER THE PROPORTIONAL METHOD			
Credit institutions			
SBE - 22, rue de Courcelles - 75008 Paris	*F*	50.00	50.00
CONSOLIDATED UNDER THE EQUITY METHOD			
Credit institutions			
ACLEDA 61 Preah Monivong Blvd - Kahn Daun Penh - Cambodia	*Fo*	12.25	12.25
BCEL - 1, Pangkam street - Bang Xiengnheun, Vientiane, Laos	*Fo*	10.00	10.00
BCI - 54, avenue de la Victoire - 98849 Noumea	*F*	49.90	49.90
Socredo - 115, rue Dumont d'Urville - Papeete - Tahiti - Polynesia	*F*	15.00	15.00
Other non-financial companies			
Aurora - 149, avenue Louise - 1050 Brussels - Belgium	*Fo*		100.00

In 2013, the consolidation scope covered 43 companies, including 38 fully or proportionally consolidated companies and 5 consolidated using the equity method.

Changes in the consolidated scope since 1 January 2013: none.

Specific case of special-purpose entities

Separate legal structures created specifically for the purpose of managing a transaction or group of similar transactions (special-purpose entities) are consolidated when they are controlled by the Group in substance, even when there are no capital ties.

Control in substance is assessed based on the following criteria:

- the entity's activities are performed exclusively on the Group's behalf, in such a manner as to benefit the Group;
- the Group has decision-making and management powers over the entity's ordinary operations or over the assets that compose the entity; such powers may be delegated by putting in place a self-steering system;
- BRED Banque Populaire is able to benefit from the majority of the advantages procured by the entity;
- the Group is exposed to the majority of the risks relating to the entity.

Specific case of the Amaren II debt securitisation fund

Given the specific nature of the Amaren II multi-assignor debt securitisation fund and in view of the fact that BRED holds all the units for the amount of the receivables assigned and risks borne, BRED has chosen to present on its balance sheet the securities held in the fund rather than the receivables assigned. The impact of this accounting choice is as follows:

(€'000)	31/12/2013	31/12/2012
Gross amount of securitised receivables	121,019	158,857
Discount on securitised receivables	-10,462	-10,462
Cash	-,3,713	-3,398
Total assets	**106,844**	**144,997**
Amaren II bonds in investment securities	106,844	144,997
Impact on equity: elimination of the discount	10,462	10,462

The Elide debt securitisation fund, created in 2007 and including the new Elide 2, Elide 3 and Elide 4 sub-funds, created in 2008, 2011 and 2012 respectively, and the Eridan debt securitisation fund created in 2010, are consolidated using the full consolidation method.

Note 4
Accounting principles and measurements methods

4.1 Financial assets and liabilities

4.1.1 Loans and receivables

Loans and receivables include loans and advances to credit institutions and customers as well as certain securities that are not quoted on an active market provided these securities are not held for trading purposes (see note 4.1.2).

Loans and receivables are initially recorded at fair value plus any costs directly related to their issuance, less any proceeds directly attributable to issuance. On subsequent balance sheet dates, they are measured at amortised cost using the effective interest method.

The effective interest rate is the rate that discounts estimated future cash flows to the fair value of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any transaction income or costs directly related to the issuance of the loans, which are treated as an adjustment to the actual yield on the loan. No internal costs are taken into account for the calculation of amortised cost.

When loans are granted at below-market interest rates, a discount corresponding to the difference between the face value of the loan and the sum of future cash flows discounted to the market rate is deducted from the loan's face value. The market rate of interest is the rate applied by the vast majority of financial institutions at a given point in time for instruments and counterparties with similar characteristics.

In the case of loans restructured when the borrower encounters financial difficulties, a discount is applied to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used is the original effective interest rate. This discount is expensed to "Cost of risk" in the income statement and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income on an actuarial basis in the income statement over the term of the loan.

The discount is not recognised in cases where it is covered by impairment of the loan.

The restructured loan is re-included in performing loans based on expert appraisal when there is no longer any doubt as to the borrower's ability to honour its commitments.

External costs comprise essentially fees and commissions paid to third parties in connection with arrangement of the loans, mainly commissions paid to business providers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, re-billed costs and, if it is more probable than improbable that the loan will be drawn down, commitment fees. Commitment fees received on loans that will not result in any drawdowns are spread on a straight-line basis over the term of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are spread on a pro rata basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is recalculated at each interest rate fixing date.

Assets with payment arrears are performing financial assets that have recorded payment incidents. For example:

- a debt instrument may be in arrears when the bond issuer no longer pays the coupon;
- a loan is considered to be in arrears if one of the repayments has not been paid at accounting level;
- an overdrawn current account reported under "Loans and advances" is considered to be in arrears if the authorised overdraft is exceeded or the overdraft authorisation has expired on the balance sheet date.

4.1.2 Securities

Securities recorded as assets are classified into four categories as defined by IAS 39:

- financial assets at fair value through profit or loss;
- financial assets held to maturity;
- loans and receivables;
- available for sale financial assets.

Financial assets and liabilities at fair value through profit or loss

This category comprises:

- financial assets and liabilities held for trading, i.e. securities acquired or issued principally for the purpose of selling or repurchasing them in the near term;
- financial assets and liabilities that the BRED group has chosen to recognise at fair value though profit or loss at inception using the fair value option available under IAS 39.

The terms and conditions for applying this option are described in note 4.1.4 "Financial assets and liabilities designated at fair value through profit or loss by option".

These assets are measured at fair value at the initial accounting date and at the balance sheet date. Changes in fair value over the period, interest, dividends and gains or losses on disposal of these instruments are recognised in "Net gain or loss on financial instruments at fair value through profit or loss".

Held to maturity financial assets

This category comprises securities with fixed or determinable payments and maturity that the Group has the intention and ability to hold to maturity.

IAS 39 does not permit the sale or transfer of these securities before maturity except in certain specific circumstances. In all other instances, sale or transfer would expose the Group to the risk of having to reclassify all financial assets held to maturity and of being barred from using this category for a period of two years. Exceptions to the rule apply in the following cases, *inter alia*:

- a significant deterioration in the issuer's credit quality;
- a change in tax regulations that cancels or significantly reduces the tax exemption on interest earned on investments held to maturity;
- a major business combination or a significant disposal (sale of a sector, for example) requiring the sale or transfer of held to maturity investments in order to maintain the entity's existing situation in terms of interest rate risk or its credit risk policy;
- a change in the legal or regulatory provisions that significantly modifies either the definition of an eligible investment or the maximum limit on certain types of investment, requiring that the entity dispose of a held to maturity asset;
- a significant increase in capital requirements forcing the entity to restructure by selling held to maturity assets;
- a significant increase in the risk weighting of held to maturity assets in terms of prudential capital regulations.

In the exceptional disposal cases described above, the income from the disposal is recorded under "Net gains or losses on available for sale financial assets".

Held to maturity assets may not be hedged against interest rate risk.

Financial assets held to maturity are recognised initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method, including any premiums, discounts and acquisition costs, where material.

Loans and receivables

This category comprises non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. This category may not include assets exposed to a risk of material losses unrelated to the deterioration in their credit quality.

Certain securities not quoted on an active market may be classified in this category. These securities are recognised initially at fair value, which corresponds to nominal value plus transaction costs minus any discount and transaction income. Subsequently, the same accounting, measurement and impairment loss recognition methods apply to these securities as for loans and receivables.

When a financial asset recorded under loans and receivables is sold before its maturity, the income from the disposal is recorded under "Net gains or losses on available for sale financial assets".

Available for sale financial assets

Available for sale financial assets are all securities not included in the categories above.

Available for sale financial assets are initially recognised at purchase cost, including transaction costs.

At the balance sheet date, they are measured at their fair value and changes in fair value are recorded as gains and losses recognised directly in equity (except for foreign currency money market securities, for which changes in the fair value of the foreign currency component are recognised in the income statement). The principles used to determine fair value are described in note 4.1.6.

If these assets are sold, these changes in fair value are taken to profit or loss.

Income accrued or received on fixed-income securities is recorded under "Interest and similar income". Income from variable-income securities is included under "Net gains and losses on financial assets available for sale".

Date of recognition

Securities are recognised on the balance sheet on the settlement delivery date.

Rules applicable to partial disposals

The first-in, first-out (FIFO) method is applied to any partial disposals of securities.

4.1.3 Debt and equity instruments issued

Financial instruments issued by the Group are classified as debt or equity instruments depending on whether or not the issuer has a contractual obligation to deliver cash or another financial asset to the holder, or to exchange the instrument under conditions that are potentially unfavourable. This obligation must arise from specific contractual terms and conditions, and not from purely economic constraints.

Debt instruments issued

Debt instruments issued, if they have not been classified as financial liabilities at fair value through profit or loss, are recognised initially at their issue value including transaction costs. They are subsequently measured at amortised cost at each balance sheet date using the effective interest method.

These instruments are recognised on the balance sheet under "Amounts due to credit institutions", "Amounts due to customers" or "Debt securities".

Subordinated debt

Subordinated debt differs from issues of other debt and bonds in that it will be repaid only after all the senior and unsecured creditors, but before the repayment of participating loans and securities and deeply subordinated notes.

Subordinated debt is measured at amortised cost. Subordinated debt that the issuer is obliged to repay is classified as debt and recorded initially at fair value minus transaction costs.

Cooperative shares

The IFRIC 2 interpretation, Members' shares in cooperative entities and similar instruments, clarifies the provisions of IAS 32. In particular, it specifies that the member's contractual right to request redemption does not, in itself, automatically give rise to an obligation for the issuer. The entity must take the contractual terms and conditions into consideration to determine a cooperative share's classification as a debt or equity for accounting purposes.

Based on this interpretation, cooperative shares are classified as equity if the entity has an unconditional right to refuse redemption of such shares or if applicable local laws, regulations or the entity's articles of association prohibit or severely restrict their redemption.

Based on the existing statutory provisions relating to minimum capital requirements, cooperative shares issued by the Group's entities are treated as equity.

4.1.4 Financial assets and liabilities designated at fair value through profit or loss by option

Under the amendment to IAS 39 adopted by the European Union on 15 November 2005, financial assets and financial liabilities may be designated at fair value though profit or loss on initial recognition. This decision is irrevocable.

Compliance with the conditions set forth in IAS 39 must be verified prior to recognition using the fair value option.

This option may be applied only under the specific circumstances described below:

Elimination or significant reduction of an accounting mismatch

Applying the option enables the elimination of accounting mismatches arising from different valuation methods being applied to instruments managed as part of the same strategy. This accounting treatment applies in particular to certain structured loans granted to local authorities.

Harmonisation of accounting treatment with performance management and measurement

The fair value option may be applied to a group of financial assets, financial liabilities or both that is managed and whose performance is evaluated on a fair value basis, on condition this is in accordance with a documented risk management or investment strategy and provided internal reporting is based on fair value measurement.

Compound financial instruments containing one or more embedded derivatives

An embedded derivative is a component of a financial or non-financial hybrid instrument that qualifies as a derivative. It must be separated from the host contract and accounted for as a derivative if the hybrid instrument is not measured at fair value through profit or loss, and if the economic characteristics and risks associated with the derivative are not closely related to those of the host contract.

The fair value option may be applied when the embedded derivative substantially modifies the host contract's cash flows and when the separate recognition of the embedded derivative is not specifically prohibited by IAS 39, e.g. the case of a redemption option embedded in a debt instrument. The option allows the entire instrument to be measured at fair value, avoiding the need to extract, recognise or measure separately the embedded derivative.

This accounting treatment applies in particular to certain structured issues containing significant embedded derivatives.

4.1.5 Derivative instruments and hedge accounting

A derivative is a financial instrument or other contract with the three following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable is not specific to one of the parties to the contract (sometimes called the "underlying");
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that might be expected to have a similar response to changes in market conditions;
- it is settled at a future date.

All derivative financial instruments are recognised on the balance sheet at the trade date, using their fair value at inception. They are re-measured at their fair value at each balance sheet date regardless of whether they were acquired for trading or hedging purposes.

Except for derivative instruments designated as cash flow hedges for accounting purposes or as net investments in foreign operations, changes in fair value are recognised in profit and loss for the period.

Derivative financial instruments are classified into two categories:

Trading derivatives

Trading derivatives are reported in the balance sheet under "Financial assets at fair value through profit or loss" or under "Financial liabilities at fair value through profit or loss". Realised and unrealised gains and losses are recognised in the income statement under "Net gains and losses on financial instruments at fair value through profit or loss".

Hedging derivatives

For a derivative instrument to qualify as a hedging instrument for accounting purposes the hedging relationship must be documented at inception of the hedge (hedging strategy, the nature of the risk being hedged, identification and nature of the hedged item, and hedging instrument). In addition, the effectiveness of the hedge must be demonstrated at inception and verified subsequently. Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges

Fair value hedges seek to reduce exposure to changes in the fair value of an asset or liability carried on the balance sheet, or a firm commitment, and in particular to hedge interest rate risk on fixed-rate assets and liabilities.

The gain or loss on the re-measurement of hedging instruments is recognised in profit and loss symmetrically with the gain or loss on the hedged item within the limit of the risk being hedged. The ineffective portion of the hedge, if any, is recorded in the income statement under "Net gains and losses on financial instruments at fair value through profit or loss".

Accrued interest on a derivative instrument is recognised in profit and loss symmetrically with the accrued interest on the hedged item.

Where identified assets or liabilities are hedged, the re-measurement of the hedged component is recognised on the same line of the balance sheet as the hedged item.

The ineffectiveness relating to double-curve valuation of collateralised derivatives is taken into account in the measurement of effectiveness.

If a hedging relationship is discontinued (investment decision, failure to fulfil effectiveness criteria, or because the hedged item is sold before maturity), the hedging derivative is transferred to the trading portfolio. The re-measurement recorded on the balance sheet in respect of the hedged item is amortised over the residual life of the initial hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the re-measurement gain or loss is recognised in profit and loss for the period.

Cash flow hedges

The purpose of cash flow hedges is to hedge the exposure to cash flow fluctuations attributable to a particular risk associated with a recognised asset or liability or with a future transaction (hedging of interest rate risk on floating-rate assets or liabilities, hedging of conditions relating to future transactions such as future fixed interest rates, future prices, exchange rates, etc.).

The effective portion of changes in the fair value of the derivative instrument is recognised directly in equity under a specific heading recording gains and losses. The ineffective portion is recognised in the income statement under "Net gains and losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging derivative instrument is recognised in profit and loss symmetrically with the accrued interest on the hedged item, and included in net interest income.

The hedged items continue to be accounted for using the treatment applicable to their specific asset category.

If a hedging relationship is discontinued (because the hedge no longer meets the effectiveness criteria, the derivative is sold or the hedged item ceases to exist), the cumulative amounts recognised in equity are transferred to the income statement as and when the hedged item has an impact on profit or loss, or immediately if the hedged item ceases to exist.

Special cases

Documentation of cash flow hedges

Some Group entities classify their macro-hedges of interest rate risk as cash flow hedges (hedging of portfolios of loans and borrowings).

In this case, the portfolios that may be hedged are assessed, for each maturity band, by reference to:

- assets and liabilities with variable interest rates. The entity incurs a risk of variability in future cash flows from floating-rate assets and liabilities insofar as future interest rate levels are not known in advance;
- future transactions deemed to be highly probable (forecasts). Assuming total outstandings remain constant, the entity is exposed to the risk of variability in future cash flows on future fixed-rate loans insofar as the interest rate at which the loan will be granted is not yet known. Similarly, the entity may be exposed to the risk of variance in future cash flows on any refinancing that it will need to raise in the market.

IAS 39 does not permit the designation of a net position by maturity band, the hedged item being considered equivalent to a portion of one or more portfolios of identified variable-rate instruments (portion of outstanding floating-rate deposits or loans). The effectiveness of the hedges is measured by creating a hypothetical instrument for each maturity band and comparing changes in its fair value since inception with those of the derivatives documented as hedges.

The characteristics of this instrument are identical to those of the hedged item. Effectiveness is assessed by comparing the changes in value of the hypothetical instrument with those of the actual hedging derivative instrument.

This method requires the preparation of a schedule by maturity band.

Hedge effectiveness must be demonstrated both prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test verifies whether the hedging relationship was effective at the various balance sheet dates.

At each balance sheet date, changes in the fair value of hedging instruments, excluding accrued interest, are compared with those of the hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealised gains or losses recognised in equity are transferred immediately to profit or loss.

When the hedging relationship ceases, if the hedged item is still shown on the balance sheet or if the future transaction is still highly probable, the cumulative unrealised gains and losses are recognised in equity on a straight-line basis. If the derivative has not been cancelled, it is reclassified as a trading derivative, and subsequent changes in its fair value are recognised in profit or loss.

Documentation as fair value hedges

Some Group entities document their interest rate macro-hedging as fair value hedges by applying the so-called "carve-out" arrangements under IAS 39 as adopted by the European Union.

The version of IAS 39 adopted for use by the European Union does not include certain hedge accounting provisions that appear incompatible with the strategies implemented by European banks to reduce overall exposure to interest rate risk. In particular, this carve-out allows entities to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). Most of the Group's macro-hedges involve plain vanilla interest rate swaps designated at inception as fair value hedges of fixed-rate deposits and loans.

Macro-hedging derivatives are accounted for in the same manner as described above for fair value micro-hedging.

In a macro-hedging relationship, net gains and losses on the revaluation of the hedged item are recorded in "Re-measurement adjustments on interest rate risk hedged portfolios".

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffectiveness relating to double-curve valuation of collateralised derivatives is taken into account.

Effectiveness is tested in two ways:

- asset-based testing: for plain vanilla swaps designated as hedging instruments at inception, the Group verifies prospectively at the date the instrument is designated as a hedge and retrospectively at each balance sheet date that there is no excess hedging;
- quantitative testing: for other swaps, the change in the fair value of the actual swap must offset the changes in the fair value of a hypothetical instrument that exactly reflects the hedged part of the underlying item. These tests are performed prospectively at the date the instrument is designated as a hedge and retrospectively at each balance sheet date.

If a hedging relationship ceases, the revaluation difference is amortised on a straight-line basis over the remaining term of the initial hedge, if the hedged item has not been derecognised. It is taken directly to income if the hedged item is no longer recorded in the balance sheet. In particular, derivatives used for macro-hedging may be disqualified for hedge accounting purposes when the nominal amount of the hedged items falls below the notional amount of the hedging instruments, for example in the case of early reimbursement of loans or withdrawal of deposits.

Hedges of a net investment in a foreign operation

The net investment in a foreign operation is the amount of the participating interest held by the consolidating entity in the net assets of the foreign operation.

The purpose of hedging a net investment in a foreign operation is to neutralise the foreign exchange effects of an investment in an entity whose functional currency is different from the consolidating entity's reporting currency. Net investment hedges are accounted for in the same manner as cash flow hedges.

Unrealised gains and losses initially recognised in equity are taken to profit or loss when the net investment is sold in full or in part.

4.1.6 Determination of fair value

General principles

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an arm's length transaction between market participants at the valuation date.

The Group measures the fair value of an asset or liability using assumptions that market operators would use to set the price of the asset or liability.

These assumptions include, particularly in the case of derivative instruments, an assessment of the counterparty risk (Credit Valuation Adjustment - CVA) and of the non-execution risk (Debit Valuation Adjustment or the risk of our own default on derivatives transactions). These assessments are based on historical data.

CVA and DVA are not calculated for the valuation of derivatives traded with a counterparty that is a member of Groupe BPCE's shared support mechanism (see note 1.2).

Fair value on first recognition

For most of the transactions carried out by the Group, the transaction price, i.e. the consideration given or received, is the best indication of the fair value of the transaction on first recognition. If this is not the case, the Group adjusts the transaction price. The accounting method applied for recognition of this adjustment is described under the heading "Recognition of day-one profit".

Fair value hierarchy

Level 1 fair value and notion of active market

For financial instruments, the most reliable indication of fair value is a quoted price in an active market (level 1 fair value). When this information is available, it should be used without adjustment to determine the fair value. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume.

A fall in market activity may be revealed by indicators such as:

- a significant fall in the primary market for the financial asset or liability (or similar instruments);
- a significant decline in trading volumes;
- infrequent updating of quoted prices;
- steep differences in prices available over time between the various players on the market;
- loss of correlation with indices that previously showed a high correlation with the fair value of the asset or liability;
- a significant rise in the prices or in implied liquidity risk premiums, yields or performance indicators (e.g. probability of default and implied expected loss) compared with the Group's estimate of expected cash flows taking into account all the available market data on credit risk or non-execution risk linked to the asset or liability;
- very wide bid/ask spreads.

Instruments valued based on unadjusted quoted prices in an active market (level 1)

These instruments consist mainly of equities, government bonds, corporate bonds and certain derivatives traded on organised markets (such as plain vanilla options on the CAC 40 and Eurostoxx indices).

Also, in the case of UCITS, the fair value shall be considered to be level 1 if the net asset value (NAV) is calculated daily and can be used to place an order.

Level 2 fair value

If no price is quoted on an active market, the fair value may be determined using an appropriate valuation method that is generally accepted in the financial market, using observable market parameters where possible (level 2 fair value).

If the asset or liability has a specified (contractual) maturity, a level 2 input must be observable for close to the entire duration of the asset or liability. Level 2 inputs include in particular:

- prices in markets, active or not, for similar assets and liabilities;
- other observable market data for the asset or liability, such as:
  - interest rates and interest rate curves observable at standard intervals,
  - implied volatility,
  - credit spreads;
- input data corroborated by the market, i.e. obtained mainly from observable market data or corroborated using such data, by correlation or otherwise.

Instruments valued using recognised models and directly or indirectly observable data (level 2)

- **Level 2 derivative instruments**

This category includes in particular:

- standard interest rate swaps and CMS;
- forward rate agreements;
- standard swaptions;
- standard caps and floors;
- liquid currency forwards;
- liquid currency swaps and foreign exchange options;
- liquid credit derivatives (single name or on Itraax, Iboxx and other such indices).

These instruments are valued using observable data and models generally accepted by the market (such as discounted future cash flow method and interpolation techniques) for the financial instruments in question.

- **Non-derivative level 2 instruments**

Certain complex and/or long-dated financial instruments are valued using a recognised model and market parameters derived from observable data such as yield curves, implied volatility levels of options and consensus data or data obtained from active over-the-counter markets.

The observable nature of the parameters has been demonstrated for all these instruments. In terms of methodology, the observability of these parameters is based on four mandatory criteria:

- they are derived from external sources (via a recognised intermediary if possible);
- they are updated regularly;
- they are representative of recent transactions;
- their characteristics are identical to those of the transaction concerned.

The trading margin on these financial instruments is recognised immediately in profit or loss.

Instruments measured using level 2 inputs include:

- securities not listed on an active market whose fair value is determined using observable market data (for example using market data for listed peers or the earnings multiple method);
- shares or units of UCITS whose NAV is not determined and published on a daily basis but is reported regularly, or in which recent transactions have taken place.

Level 3 fair value

When there is not sufficient observable market data, the fair value can be measured using an internal model that uses unobservable data (level 3 fair value). The model used must be recalibrated on a regular basis by matching its results with the prices of recent transactions.

Over-the-counter instruments valued using unrecognised models or largely non-observable data (level 3)

When the valuations obtained do not rely either on observable data or on models recognised as market standards, such valuations will be regarded as non-observable.

Instruments measured using specific models or based on unobservable data include in particular:

- unlisted shares, usually corresponding to equity interests;
- some UCITS whose NAV is indicative (illiquid, liquidation, etc.) and for which there is no price to support the valuation;
- venture capital funds, whose NAV is frequently merely indicative as it is often not possible to exit from the fund;
- structured equity products with multiple underlyings; fund options, hybrid interest rate products, securitisation swaps, structured credit derivatives and interest rate options;
- securitisation instruments not quoted on an active market.

Fair value hierarchy transfers

Information on transfers between fair value levels is provided in the notes. The amounts indicated in these notes are the amounts calculated on the last valuation date prior to the transfer.

Recognition of day-one profit

Day-one profit generated on initial recognition of a financial instrument cannot be recognised in profit and loss unless the financial instrument can be measured reliably at inception. Financial instruments traded on active markets and instruments valued using accepted models based solely on observable market data are deemed to meet this condition.

In the case of certain structured products, generally put together to respond to a counterparty's specific needs, the valuation models use data that are partially non-observable in active markets. On initial recognition of these instruments, the transaction price is deemed to reflect the market price, and the profit generated at inception (day-one profit) is deferred and taken to profit or loss over the period during which the valuation data are expected to remain non-observable.

When the valuation data become observable, or the valuation technique used becomes widely recognised and accepted, the portion of day-one profit neutralised on initial recognition is taken to income.

In exceptional cases where initial recognition results in a day-one loss, the loss is charged immediately to income regardless of whether the data are observable or not.

Fair value of financial instruments recognised at amortised cost

For financial instruments not carried at fair value on the balance sheet, the fair value is indicated for information only and should be understood to be solely an estimate.

In most cases it is not intended for the fair value indicated to be realised, and in practice such value could not generally be realised.

The fair values thus calculated are used solely for the purpose of disclosure in the notes to the financial statements. They are not indicators used to steer the commercial banking activities, whose management model is based on the receipt of contractual cash flows.

Accordingly, to simplify matters the following assumptions are used:

- **In certain cases, the carrying amount is deemed to be representative of fair value.**
  These include in particular:
  - short-term financial assets and liabilities (whose initial term is one year or less) to the extent that sensitivity to interest rate and credit risk is not material during the period;
  - liabilities repayable on demand;
  - floating-rate loans and borrowings,
  - transactions in a regulated market (particularly regulated savings products) whose prices are set by the public authorities.
- **Fair value of retail customer loan portfolio**
  The fair value of loans is determined using internal valuation models that discount future payments of recoverable principal and interest to their present value over the remaining loan term.
- **Fair value of portfolio of loans to corporate customers, local authorities and credit institutions**
  The fair value of loans is determined using internal valuation models that discount future payments of recoverable principal and interest to their present value over the remaining loan term. The data may be observable or unobservable depending on the loan.
- **Fair value of debt**
  The fair value of fixed-rate debt with a term of over one year owed to credit institutions and customers is deemed to be equal to the present value of future cash flows discounted at the market interest rate applicable at the balance sheet date. The specific credit spread is not taken into account.

4.1.7 Impairment of financial assets

Impairment of securities

With the exception of securities classified as financial assets at fair value through profit or loss, an impairment loss is recognised on an individual basis on securities when there is objective evidence of impairment resulting from one or more loss event having occurred after initial recognition of the asset and that the loss event (or events) has an impact that can be reliably estimated on the financial asset's estimated future cash flows.

The impairment rules differ depending on whether the securities are equity instruments or debt instruments.

For equity instruments, a lasting or significant decrease in value is objective evidence of impairment.

Based on the clarifications provided by IFRIC in July 2009 and the recommendations issued by the stock market regulators, the BRED Banque Populaire group has revised the criteria applied to determine impairment situations for listed equity instruments.

A decline of over 50% or lasting for over 36 months in the value of a security relative to its historical cost is now considered to be objective evidence of impairment, resulting in recognition of a loss.

Moreover, these impairment criteria are supplemented by a line-by-line review of the assets that have recorded a decline in value relative to their historical cost of over 30% or lasting more than six months or if events occur that could represent a material or prolonged decline. When the Group considers that the value of the asset will not be recovered in full, an impairment loss is recognised in the income statement.

In the case of unlisted equity instruments, a qualitative analysis of their situation is performed.

Impairment losses recognised on equity instruments may not be reversed and may not be written back to income. These losses are reported under "Net gains and losses on available for sale financial assets". Any unrealised gains subsequent to recognition of impairment losses are deferred and taken to equity until disposal of the securities.

Impairment losses are recognised in respect of bonds and securitised transactions (asset backed securities, commercial mortgage-backed securities, residential mortgage-backed securities, cash collateralised debt obligations) when there is a known counterparty risk.

The impairment indicators used for debt securities are the same as those used for individually assessing the impairment risk on loans and receivables, irrespective of the portfolio into which the debt securities are ultimately classified. For undated deeply subordinated notes, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

Impairment losses in respect of debt securities may be reversed in the income statement if there is an improvement in the issuer's situation. Impairment losses and reversals are recognised in the income statement under "Cost of risk".

Impairment of loans and receivables

IAS 39 defines the methods for calculating and recognising impairment of loans.

A loan or receivable is impaired if the following two conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis, in the form of "triggering events" or "loss events" that identify counterparty risk occurring after initial recognition of the loans in question. On an individual level, the criteria for deciding whether or not a credit risk has been incurred include the existence of payments past due by more than three months (six months for real estate and nine months for loans to local authorities) or, independently of the existence of a missed payment, the existence of a known credit risk or a dispute.
- these events generate incurred losses.

Impairment is determined as the difference between the amortised cost and the recoverable amount, i.e. the present value of estimated recoverable future cash flows taking into account the impact of any collateral. For short-term assets (maturity of less than one year), future cash flows are not discounted. Impairment is determined globally, without distinguishing between interest and principal. Probable losses arising from off-balance sheet commitments are taken into account through provisions recognised on the liability side of the balance sheet.

Two types of impairment are recognised in the cost of risk:

- impairment on an individual basis;
- impairment on a portfolio basis.

Impairment on an individual basis

Impairment is calculated for each receivable on the basis of repayment schedules, determined by reference to collection experience for each category of receivable. Collateral is taken into account for determining the amount of impairment, and, when collateral fully covers the risk of default, no impairment is recognised.

Impairment on a portfolio basis

Impairment on a portfolio basis concerns outstandings not impaired on an individual basis. In accordance with IAS 39, these are grouped in portfolios based on similar credit risk characteristics that are collectively tested for impairment.

The outstandings of the Banques Populaires are grouped by similar items according to their sensitivity to changes in risk based on the Group's internal ratings system. The impairment test is applied to portfolios linked to counterparties whose ratings have considerably deteriorated since approval and which are therefore considered to be sensitive. These outstandings are impaired, although the credit risk cannot be individually allocated to the counterparties making up these portfolios and to the extent that there is objective evidence that they have collectively lost value.

The impairment amount is calculated using historical data on the probability of default at maturity and expected losses, where necessary adjusted to factor in the circumstances prevailing on the balance sheet date.

This approach may be supplemented by sector or geographical analysis generally based on expert appraisal, taking into account various economic factors intrinsic to the loans and receivables in question. Portfolio-based impairment is calculated based on expected losses at maturity across the identified group.

4.1.8 Reclassification of financial assets

Several types of reclassification are authorised:

- **Reclassifications authorised prior to the amendments to IAS 39 and IFRS 7 adopted by the European Union on 15 October 2008:**

  These include in particular the reclassification of "Available for sale financial assets" as "Held to maturity financial assets". Any fixed-income security with a set maturity date that meets the definition of a "Held to maturity financial asset" may be reclassified if the Group changes its management intention and decides to hold the security to maturity. The Group must also have the ability to hold this instrument to maturity.

- **Reclassifications authorised since the amendments to IAS 39 and IFRS 7 adopted by the European Union on 15 October 2008:**

  These standards define the conditions for reclassifying non-derivative financial assets at fair value (with the exception of those initially designated at fair value by option) to other categories:

  - Reclassification of trading securities as "Available for sale financial assets" or "Held to maturity financial assets"

  Any non-derivative financial asset may be reclassified whenever the Group can demonstrate the existence of "rare circumstances" justifying such reclassification. Note that the IASB classed the financial crisis in the second half of 2008 as a "rare circumstance".

Only securities with fixed or determinable income may be reclassified as “held to maturity financial assets”. Furthermore, the entity must have the intention and ability to hold these instruments to maturity. Instruments included in this category may not be hedged against interest rate risk.

- Reclassification of trading securities or available for sale securities as “Loans and receivables”.

Any non-derivative financial asset meeting the definition of “Loans and receivables” and, in particular, any fixed-income instrument not quoted in an active market may be reclassified if the Group changes its management strategy and decides to hold the instrument for the foreseeable future or to maturity. The Group must also have the ability to hold this instrument over the medium to long term.

Reclassifications are made at fair value at the reclassification date. For instruments transferred to categories measured at amortised cost, this fair value becomes their new amortised cost.

A new effective interest rate is then calculated at the reclassification date so as to bring this new amortised cost into line with the redemption value, which is equivalent to the instrument being reclassified at a discount.

For securities previously classified as available-for-sale financial assets, the impact of spreading the discount over the residual life of the security will generally be offset by the amortisation of the unrealised loss recognised directly in equity under gains and losses at the reclassification date and written back to income on an actuarial basis.

If an impairment loss is recognised after the reclassification of a security previously classified as an available for sale financial asset, the unrealised loss recognised directly in equity under gains and losses at the reclassification date is immediately written back to income.

4.1.9 Derecognition of financial assets and liabilities

A financial asset (or group of similar financial assets) is derecognised when the contractual rights to the asset’s future cash flows have expired or when such rights are transferred to a third party, together with substantially all of the risks and rewards associated with ownership of the asset.

In such cases, an asset or liability reflecting the rights and obligations created or retained in the transfer of the asset (or group of assets) is recognised separately.

When a financial asset is derecognised in full, a gain or loss on disposal is recorded in the income statement reflecting the difference between the carrying amount of the asset and the consideration received.

If control of the transferred asset is retained, the Group continues to recognise the transferred asset to the extent of its continuing involvement in the asset.

If all the conditions for derecognising a financial asset are not met, the Group keeps the asset in the balance sheet and records a liability representing the obligations arising when the asset is transferred.

A financial liability (or a part of a financial liability) is removed from the balance sheet only when it is extinguished, which is to say when the obligation specified in the contract is discharged or cancelled or expires.

Repurchase agreements

The securities are not derecognised in the assignor’s accounts. A liability representing the commitment to return the funds received is identified and recognised under “Securities sold under repurchase agreements”. This represents a financial liability recognised at amortised cost, or at fair value if the liability has been classified as at “fair value by option”.

The assets received are not recognised in the assignee’s books, but a receivable on the assignor is recognised representing the funds lent. The amount disbursed in respect of the asset is recognised under “Securities received under repurchase agreements”.

On subsequent balance sheet dates, the securities continue to be accounted for by the assignor in accordance with the rules applicable to the category in which they were initially classified. The purchaser values the receivable using the appropriate method for its category, i.e. amortised cost if classified in “Loans and receivables” or fair value if classified under “fair value by option”.

Securities lending

Securities lending transactions do not qualify as transfers of financial assets within the meaning of IFRS. Accordingly, these transactions do not lead to derecognition of the securities lent, which continue to be recognised in the category in which they were initially classified and valued accordingly.

Restructuring of financial assets

The Group considers that restructurings resulting in substantial changes in the asset warrant derecognition, to the extent that the rights to the initial cash flows have in substance expired. The following in particular are considered to result in substantial change:

- restructurings resulting in a change of counterparty, particularly where the new counterparty's credit rating is very different from that of the former counterparty;
- restructurings aimed at changing from a highly structured indexation to a simple indexation, to the extent that the two assets do not bear the same risks.

Restructuring of financial liabilities

A substantial change in the terms of an existing debt instrument must be recognised as extinction of the old debt and its replacement by a new debt. To assess the substantial nature of the change, IAS 39 sets a threshold of 10% based on discounted cash flows including any expenses and fees: when the difference is 10% or more, all the costs and expenses incurred are recognised in profit or loss when the debt is extinguished.

The Group considers that there are other changes that can be considered substantial, such as a change of issuer (even within a same group) or a change of currency.

4.2 Investment property

In accordance with IAS 40, investment property is property held to earn rentals and for capital appreciation.

The accounting treatment for investment property is the same as that used for property, plant and equipment (see note 4.3) for Group entities except for some insurance entities, which recognise the property representing insurance investments at fair value, with any adjustment to fair value recorded in income. The fair value is obtained using a multi-criteria approach based on the capitalisation of rents at the market rate and a comparison with market transactions.

The fair value of the Group's investment property is based on regular expert appraisals, except in special circumstances with a material impact on the value of the property.

Investment property leased under an operating lease may have a residual value that will reduce the depreciable amount of the asset.

Gains and losses on the disposal of investment property are taken to profit and loss and reported under "Income from other activities" or "Expenses on other activities".

4.3 Non-current assets

This heading includes operating property, plant and equipment, equipment acquired under operating leases, long-term assets acquired under finance leases and temporarily unrented assets held under finance leases. Interests in non-trading real estate companies (SCIs) are accounted for as property, plant and equipment.

In accordance with IAS 16 and IAS 38, property, plant and equipment and intangible assets are recognised when:

- it is probable that the future economic benefits associated with the assets will accrue to the enterprise; and
- the cost of the asset can be measured reliably.

Property, plant and equipment and intangible assets used in operations are initially recognised at cost plus any directly attributable acquisition costs. Software developed internally that fulfils the criteria for recognition as a non-current asset is recognised at its production cost, which includes external charges and the personnel expenses that can be directly assigned to the project.

The component-based approach is applied to all buildings.

After initial recognition, non-current assets are measured at cost less any accumulated depreciation or amortisation and impairment losses. The depreciable amount of the asset takes into account its residual value where this is material and can be measured reliably.

Non-current assets are depreciated or amortised according to the time over which the asset's expected economic benefits are consumed by the entity, which generally corresponds to the asset's useful life. Where a non-current asset consists of a number of components that have different uses or procure different economic benefits, each component is depreciated or amortised over the period corresponding to the useful life of that component.

The depreciation and amortisation periods used by the Group are as follows

- Facades, roofing and waterproofing: 20 to 40 years;
- Foundations and framework: 30 to 60 years;
- Renovations: 10 to 20 years;
- Technical equipment and installations: 10 to 20 years;
- Fixtures and fittings: 8 to 15 years.

The useful life of other items of property, plant and equipment generally ranges from five to ten years.

Non-current assets are tested for impairment when there is evidence at the balance sheet date that their value might be impaired. If there is such evidence, the asset's recoverable amount is determined and compared with its carrying amount. If the asset's value has been impaired, an impairment loss is recognised in the income statement.

This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer any evidence of impairment.

The accounting method applied to property, plant and equipment and intangible assets used in operations and financed using finance leases is described in note 4.9.

Assets made available to third parties under operating leases are reported under "Property, plant and equipment" when they are movable property.

4.4 Assets held for sale and associated liabilities

Where a decision is made to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately on the balance sheet under "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet under "Liabilities associated with non-current assets held for sale".

Upon classification in this category, non-current assets are no longer depreciated or amortised and are measured at the lower of carrying amount and fair value less costs to sell. Financial instruments continue to be measured in accordance with IAS 39.

4.5 Provisions

Provisions other than those relating to employee benefit obligations, home savings products, execution risk on off-balance sheet commitments and insurance contracts relate mainly to claims and litigation, fines and penalties, tax risks and restructurings.

Provisions are liabilities whose maturity or amount is uncertain but may be reliably estimated. They represent current legal or constructive obligations resulting from a past event whose settlement is likely to require an outflow of resources.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Provisions are discounted when the impact of discounting is material.

Allowances to and reversals of provisions are recognised in the income statement on the line items corresponding to the type of future expenditure provisioned.

Commitments in respect of regulated home savings products

Regulated home savings accounts (*comptes d'épargne logement*, CEL) and regulated home savings plans (*plans d'épargne logement*, PEL) are investment products marketed in France to individuals and governed by the 1965 law on home savings plans and accounts, and subsequent enabling decrees.

Regulated home savings products generate two types of obligations for the banks marketing them:

- an obligation to provide a loan to the customer in the future at a rate set on inception of the contract (for PEL products) or at a rate contingent upon the savings phase (for CEL products);
- an obligation to pay interest on the savings in the future at a rate set on inception of the contract for an indefinite period (for PEL products) or at a rate set on a half-yearly basis according to an indexing formula regulated by law (for CEL products).

Obligations with potentially unfavourable consequences are measured for each generation of regulated home savings plans and for regulated home savings accounts as a whole.

A provision is recognised for the associated risks by discounting future potential results from at-risk savings:

- at-risk savings correspond to the uncertain future level of savings for plans in existence at the date the provision is calculated. This is estimated on a statistical basis for each future period taking into account historical saver behaviour patterns, and corresponds to the difference between the probable savings and the minimum expected savings;
- at-risk loans correspond to the outstanding loans granted but not yet due at the calculation date plus statistically probable loan outstandings based on historical customer behaviour patterns as well as earned and forecast rights relating to regulated home savings accounts and plans.

Earnings of future periods during the savings phase are estimated, for a given generation of contracts, based on the difference between the regulated rate offered and the expected interest accruing on a rival savings product on the market.

Earnings for future periods during the loan phase are estimated based on the difference between the fixed rate agreed at inception for PEL contracts or a rate contingent on the savings phase for CEL contracts, and the expected interest rate for home loans in the non-regulated sector.

Where the algebraic sum of the Group's estimated future obligations in respect of the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Group, a provision is recognised, with no offset between the different generations. The obligations are estimated using the Monte Carlo method in order to reflect the uncertainty of future interest rate trends and their impact on customer behaviour models and at-risk outstandings.

These provisions are recognised under liabilities in the balance sheet and changes are recorded in net interest income.

4.6 Interest income and expense

Interest income and expense are recognised in the income statement on all financial instruments measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The effective interest rate calculation takes into account all transaction costs and income as well as premiums and discounts. Transaction costs and income forming an integral part of the effective interest rate of the contract, such as loan set-up fees and commissions paid to business providers, are treated as additional interest.

4.7 Fees and commissions

Fees and commissions are recorded in the income statement by type of service provided and according to the method used to recognise the associated financial instrument:

- commissions payable on recurring services are spread in profit and loss over the period in which the service is provided (commission on payment instruments, securities custody fees, etc.);
- commissions payable on occasional services are recognised in full in profit and loss when the service is provided (fund transfer fees, payment penalties, etc.);
- commissions payable on execution of a significant transaction are recognised in full in profit and loss on completion of the transaction.

Fees and commissions that are an integral part of the effective return on a financial instrument, such as fees on financing commitments given and loan origination fees, are recognised and amortised as an adjustment to the loan's effective returns over the loan's estimated life. Accordingly these fees and commissions are reported as a component of interest income, not under "Fees and commissions".

Fiduciary and similar fees and commissions are those charged in respect of assets being held or invested on behalf of individual customers, pension schemes or other institutions. In particular, fiduciary transactions cover asset management and custody activities performed on behalf of third parties.

4.8 Foreign currency transactions

The method used to account for foreign currency transactions entered into by the Group depends on whether the assets and liabilities arising from these transactions are monetary or non-monetary items.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are converted at the prevailing exchange rate into the functional currency of the Group entity on whose balance sheet they are recognised. The resulting foreign exchange gains and losses are recognised in income, except in the following two cases:

- only the portion of the foreign exchange gains and losses calculated based on the amortised cost of available for sale financial assets is recognised in income, with any additional gains and losses being recognised in equity;
- foreign exchange gains and losses arising on monetary items designated as cash flow hedges or as part of a net investment in a foreign operation are recognised in equity.

Non-monetary assets carried at historical cost are translated using the exchange rate at the transaction date, while non-monetary assets measured at fair value are translated using the exchange rate at the balance sheet date. Foreign exchange gains and losses on non-monetary items are recognised in income if gains and losses relating to the items are recorded in income, and in equity if gains and losses relating to the items are recorded in equity.

4.9 Finance leases and related items

Leases are analysed to determine whether in substance and economic reality they are finance leases or operating leases.

4.9.1 Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards inherent in ownership of an asset. It is treated as a loan granted by the lessor to the lessee in order to finance the purchase of a non-current asset.

IAS 17 ("Leases") gives five examples of situations that enable a finance lease to be distinguished from an operating lease:

- the lease transfers ownership of the asset to the lessee at the end of the lease term;
- the lessee has the option to purchase the asset at a price sufficiently below the asset's expected fair value at the end of the contract for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

IAS 17 also describes three indicators of situations that could lead to a lease being classified as a finance lease:

- when the lessee cancels the lease and the lessor's losses associated with the cancellation are borne by the lessee (capital loss on the asset);
- when gains or losses from fluctuations in the fair value of the residual value accrue to the lessee;
- when the lessee has the ability to continue the lease at a rent that is substantially below the market rate.

At the inception of the contract, the finance lease receivable is recorded on the lessor's balance sheet in an amount equal to the net investment in the lease, which corresponds to the minimum payments receivable from the lessee discounted at the interest rate implicit in the lease plus any unguaranteed residual value accruing to the lessor.

IAS 17 requires unguaranteed residual values to be reviewed on a regular basis. If there is a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised (calculation of a new payment schedule) and an expense is recognised as an adjustment to the financial income already recorded.

Impairment charges for finance leases are determined using the same method as that described for loans and receivables.

Finance lease income corresponding to interest is recognised in the income statement under "Interest and similar income". It is recognised using the interest rate implicit in the lease in such a way as to produce a constant periodic rate of return on the lessor's net investment in the finance lease. The rate of return implicit in the lease is the discount rate that makes the following two items equal:

- the present value of the minimum lease payments receivable by the lessor plus the unguaranteed residual value;
- the initial value of the asset (i.e. fair value at inception of the lease, plus any direct initial costs comprising expenses incurred specifically by the lessor to set up the lease).

In the lessee's financial statements, finance leases with purchase options are treated as the purchase of a non-current asset financed by a loan.

4.9.2 Operating leases

An operating lease is a lease under which substantially all the risks and rewards of ownership of the corresponding leased asset are not transferred to the lessee.

In the lessor's financial statements, the asset is recognised under property, plant and equipment and depreciated over the lease term. The depreciable amount does not take into account the residual value of the asset. Rent is recognised in income over the lease term.

The leased asset is not recognised on the balance sheet of the lessee. Lease payments are recognised on a straight-line basis over the lease term.

4.10 Employee benefits

The Group grants its employees a variety of benefits that fall into the four categories described below:

4.10.1 Short-term benefits

Short-term benefits include mainly salaries, paid annual leave, mandatory and discretionary profit sharing and bonuses payable within 12 months of the end of the period in which the employees render the related service.

They are recognised as an expense for the period, including amounts remaining due at the balance sheet date.

4.10.2 Long-term benefits

Long-term employee benefits are generally linked to length of service accruing to current employees and payable more than 12 months after the end of the period concerned; these include in particular long-service awards.

A provision is recognised based on the estimated value of these obligations at the balance sheet date.

These obligations are valued using an actuarial method that takes into account demographic and financial assumptions such as age, length of service, the likelihood of continuing service at the allocation date and the discount rate. The calculation spreads costs over the working life of each employee (projected unit credit method).

4.10.3 Severance benefits

Severance benefits are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the Group to terminate a contract or a decision by an employee to accept voluntary redundancy in exchange for a compensatory amount. A provision is set aside for termination benefits. Termination benefits payable more than 12 months after the balance sheet date are discounted to present value.

4.10.4 Post-employment benefits

Post-employment benefits include retirement indemnities, pensions and other post-employment benefits.

These benefits fall into two categories: defined contribution plans, which do not give rise to obligations on the part of the Group needing to be provisioned; and defined benefit plans, which give rise to an obligation for the Group that needs to be measured and provisioned.

The Group records a provision in liabilities for employee benefit obligations that are not funded by contributions charged to income and paid out to pension funds or insurance companies.

The valuation method used is the same as for long-term benefits.

The amount provisioned in respect of these obligations takes into account the value of plan assets set aside to cover said obligations.

Revaluation differences on post-employment benefits, arising from changes in actuarial assumptions or experience adjustments, are recognised in equity (other comprehensive income) without any subsequent transfer to profit or loss. Revaluation differences for long-term benefits are recognised immediately in the income statement.

The annual expense recognised in respect of defined benefit plans includes the current service cost, the net interest cost (the effect of discounting the obligations), and the cost of past service.

The amount of the provision recorded in the balance sheet corresponds to the net amount of the obligation as unrecognised items have ceased to be allowed under IAS19R.

4.11 Share-based payments

Share-based payments are those based on shares issued by the Group, regardless of whether transactions are settled in the form of equity or cash, the value of which fluctuates in line with the share price.

The cost to the Group is calculated on the basis of the fair value at the grant date of the share purchase or subscription options granted by certain subsidiaries. The total cost of the plan is determined by multiplying the unit value of the option by the estimated number of options that will have vested at the end of the vesting period, taking into account the likelihood that the grantees will still be employed by the Group, and any non-market performance conditions that may affect the plan.

The cost to the Group is recognised in income from the date the employees are notified of the plan, without waiting for the vesting conditions, if any, to be satisfied (for example, in the case of a subsequent approval process), or for the beneficiaries to exercise their options.

The corresponding adjustment for the expense recorded under equity-settled plans is an increase in equity.

For cash-settled plans, in respect of which the Group recognises a liability, the cost corresponds to the fair value of the liability. This amount is taken to income over the vesting period and a corresponding fair value adjustment is booked to a debt account at each balance sheet date.

4.12 Deferred tax

Deferred taxes are recognised when timing differences arise between the carrying amount of assets and liabilities on the balance sheet and their tax base, regardless of the date at which the tax becomes due or is recoverable.

Deferred tax is calculated applying the tax regulations and tax rates set forth in the tax laws in force and which will apply when the tax becomes due or is recovered.

Deferred tax assets and liabilities are offset at the level of each tax entity, which may be the company itself or the tax group to which it belongs if there is one. Deferred tax assets are recognised only to the extent that it is probable that the entity concerned can recover them in the foreseeable future.

Deferred taxes are recognised as a tax benefit or expense in the income statement, except for those relating to:

- valuation adjustments on post-employment benefits;
- unrealised gains or losses on available for sale financial assets;
- changes in the fair value of derivatives used as cash flow hedges;

for which the corresponding deferred taxes are recognised as unrealised gains and losses directly in equity

Deferred tax assets and liabilities are not discounted to their present value.

4.13 Insurance activities

The financial assets and liabilities of insurance companies are accounted for in accordance with IAS 39. They are classified in the categories defined by this standard and their measurement and accounting complies with the requirements of this standard.

To a large extent, insurance liabilities continue to be valued in accordance with French generally accepted accounting principles pending amendments to the current requirements of IFRS 4.

In accordance with Phase I of IFRS 4, insurance contracts are classified into three categories:

- contracts that expose the insurer to an insurance risk within the meaning of IFRS 4: this category comprises policies covering personal risk insurance, pensions, property and casualty insurance, and unit-linked savings policies carrying a minimum guarantee. Technical reserves in respect of these contracts continue to be measured in accordance with local GAAP;
- financial contracts such as savings schemes that do not expose the insurer to an insurance risk are recognised in accordance with IFRS 4 if they contain a discretionary profit-sharing feature. Technical reserves in respect of these contracts also continue to be measured in accordance with local GAAP;
- financial contracts without a discretionary profit-sharing feature such as contracts invested exclusively in units of account, not part of a euro fund and without a minimum guarantee, are accounted for in accordance with IAS 39.

Most of the financial contracts issued by the Group's subsidiaries contain discretionary profit-sharing features in favour of holders.

The discretionary profit-sharing feature grants life insurance policyholders the right to receive a share of the financial income generated, in addition to the guaranteed benefits. For these contracts, in accordance with the shadow accounting principles defined in IFRS 4, the deferred profit-sharing reserve is adjusted to include the policyholders' rights to a share of unrealised gains or their participation in unrealised losses on financial instruments measured at fair value in accordance with IAS 39. The share of gains attributable to policyholders is determined on the basis of the characteristics of the contracts likely to generate such gains.

Any change in the deferred profit-sharing reserve is recognised in equity for the portion representing changes in the value of available for sale financial assets and in profit and loss for that portion representing changes in the value of financial assets at fair value through profit or loss.

In addition to the application of the above policies, the Group performs a liability adequacy test at each balance sheet date to assess whether recognised insurance liabilities are adequate, based on the estimated present value of future cash flows from its insurance contracts and investment contracts containing a discretionary profit-sharing feature. This test shows the economic value of the liabilities corresponding to the average derived from stochastic analyses. If the sum of the surrender value and the deferred profit-sharing is lower than the fair value of the technical reserves, the shortfall is recognised in income.

Note 5
Notes to the statement of financial position

5.1 Cash and amounts due from central banks

(€'000)	31/12/2013	31/12/2012
Cash	179,830	175,780
Amounts due from central banks	2,905,882	4,053,134
Total cash and amounts due from central banks	**3,085,712**	**4,228,914**

5.2 Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss comprise instruments held for trading, including derivatives, and certain assets and liabilities that the Group has chosen to recognise at fair value, at their date of acquisition or issue, using the fair value option available under IAS 39.

5.2.1 Financial assets at fair value through profit or loss

Financial assets in the trading book mainly include proprietary securities transactions, repurchase agreements and derivative instruments traded by the Group to manage its risk exposure.

	31/12/2013			31/12/2012		
(€'000)	Trading	Fair value option	Total	Trading	Fair value option	Total
Treasury bills and similar securities	1,234,106		1,234,106	2,250,229		2 250 229
Bonds and other fixed-income securities	1,307,959	33,018	1,340,977	1,314,441	39,868	1 354 309
Fixed-income securities	**2,542,065**	**33,018**	**2,575,083**	**3,564,670**	**39,868**	**3 604 538**
Shares and other variable-income securities	**236,547**	**1,382,278**	**1,618,825**	**71,669**	**1,418,912**	**1,490,581**
Loans to credit institutions						
Loans to customers						
Loans						
Repurchase agreements						
Trading derivatives	**959,173**		**959,173**	**369,684**		**369,684**
Total financial assets at fair value through profit or loss	**3,737,785**	**1,415,296**	**5,153,081**	**4,006,023**	**1,458,780**	**5,464,803**

Conditions for designating financial assets at fair value through profit or loss by option

(€'000)	Accounting mismatches	Fair value measurement	Embedded derivativess	Financial assets at fair value by option
Fixed-income securities		33,018		33,018
Shares and other variable-income securities		1,382,278		1,382,278
Loans and repurchase agreements				
Total		**1,415,296**		**1,415,296**

Loans and receivables designated at fair value through profit or loss by option, and credit risk

	31/12/2013				31/12/2012			
(€'000)	Credit risk exposure	Associ-ated credit deriva-tives	Changes in fair value attributable to credit risk	Changes in fair value of associated credit derivatives	Credit risk exposure	Associ-ated credit deriva-tives	Changes in fair value attributable to credit risk	Changes in fair value of associated credit derivatives
Loans to credit institutions								
Loans to customers								
Total								

5.2.2 Financial liabilities at fair value through profit or loss

(€'000)	31/12/2013	31/12/2012
Repurchase agreements		
Other financial liabilities	950,914	397,276
Financial liabilities held for trading	**950 914**	**397276**
Trading derivatives	**1,181,545**	**592,512**
Interbank term accounts and loans		
Customer term accounts and loans		
Debt securities		
Subordinated debt		
Repurchase agreements		
Other financial liabilities		
Financial liabilities designated at fair value by option		
Total financial liabilities at fair value through profit or loss	**2 132 459**	**989 788**

Conditions for designating financial liabilities at fair value through profit or loss by option

(€'000)	Accounting mismatches	Fair value measurement	Embedded derivatives	Financial liabilities at fair value by option
Interbank term accounts and loans				
Customer term accounts and loans				
Debt securities				
Subordinated debt				
Repurchase agreements				
Total				

Financial liabilities designated at fair value through profit or loss by option, and credit risk

(€'000)	31/12/2013 Fair value	Contractual amount due at maturity	Difference	Difference imputable to credit risk	31/12/2012 Fair value	Contractual amount due at maturit	Difference	Difference imputable to credit risk
Interbank term accounts and loans								
Customer term accounts and loans								
Debt securities								
Subordinated debt								
Repurchase agreements								
Total								

5.2.3 Trading derivatives

The notional amounts of derivative instruments are merely an indication of the volume of the Group's business in this area and do not reflect the market risks associated with such instruments. The positive and negative fair values represent the cost of replacing these instruments, and may fluctuate significantly in response to changes in market parameters.

(€'000)	31/12/2013 Notional amount	Positive fair value	Negative fair value	31/12/2012 Notional amount	Positive fair value	Negative fair value
Interest rate instruments	287,888,165	751,260	990,149	278,253,398	283,396	521,870
Equity instruments	472,987	1,722	2,073	3,393	0	0
Currency instruments	5,954,714	158,599	74,172	5,182,667	26,876	7,635
Other instruments	2,853					
Forward transactions	**294,318,719**	**911,581**	**1,066,394**	**283,439,458**	**310,272**	**529,505**
Interest rate instruments	7,596,684	31,364	100,067	6,374,659	38,915	44,042
Equity instruments	70,073	12,754	14,068	95,484	15,385	17,310
Currency instruments	216,335	2,309	516	160,231	1,530	472
Other instruments						
Options	**7,883,092**	**46,427**	**114,651**	**6,630,374**	**55,830**	**61,824**
Credit derivatives	**266,833**	**1,165**	**500**	**338,985**	**3,582**	**1,183**
Total trading derivatives	**302,468,644**	**959,173**	**1,181,545**	**290,408,817**	**369,684**	**592 512**

5.3 Hedging derivatives

Derivatives only qualify as hedges if they meet the criteria set out in IAS 39 at inception of the relationship and throughout the term of the hedge. In particular, there must be formal documentation showing that the hedging relationship between the derivative and the hedged item is both prospectively and retrospectively effective.

Fair value hedges consist mainly of interest rate swaps used to hedge fixed-rate instruments against changes in fair value due to changes in market interest rates. They transform fixed-rate assets or liabilities into variable-rate instruments and include mostly hedges of fixed-rate loans, securities, deposits and subordinated debt.

Fair value hedging is also used to manage overall interest rate risk.

Cash flow hedges are used to fix or control the variability of cash flows from variable-rate instruments. Cash flow hedges are also used to manage overall interest rate risk.

	31/12/2013			31/12/2012		
(€'000)	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Interest rate instruments	18,460,267	26,708	396,905	15,152,478		775,245
Currency instruments						
Other instruments						
Forward transactions	**18,460,267**	**26,708**	**396,905**	**15,152,478**		**775,245**
Interest rate instruments	2,000,,,			2,000		
Currency instruments						
Other instruments						
Options	**2,000**			**2,000**		
Fair value hedges	**18,462,267**	**26,708**	**396,905**	**15,154,478**		**775,245**
Interest rate instruments	1,020,844	54,679	13,818	1,335,993	66,946	5,497
Currency instruments						
Forward transactions	**1,020,844**	**54,679**	**13,818**	**1,335,993**	**66,946**	**5,497**
Interest rate instruments						
Other instruments						
Options						
Cash flow hedges	**1,020,844**	**54,679**	**13,818**	**1,335,993**	**66,946**	**5,497**
Credit derivatives	**127,096**			**184,697**		
Total hedging instruments	**19,610,207**	**81,387**	**410,723**	**16,675,168**	**66,946**	**780,742**

5.4 Available for sale financial assets

These are non-derivative financial assets that have not been classified in any other category (Financial assets at fair value, Financial assets held to maturity or Loans and receivables).

(€'000)	31/12/2013	31/12/2012
Treasury bills and equivalent	7,343,065	6,554,671
Bonds and other fixed-income securities	4,551,277	5,596,464
Impaired securities	11,606	11,196
Fixed-income securities	**11,905,948**	**12,162,331**
Equities and other variable-income securities	**2,071,883**	**2,414,123**
Loans		
Available for sale financial assets, gross	**13,977,831**	**14,576,454**
Impairment of doubtful debt	-2,442	-2,442
Permanent impairment of equities and other variable-income securities	-96,993	-139,532
Total available for sale financial assets	**13,878,396**	**14,434,480**
Gains and losses recognised directly in equity on available for sale financial assets (before tax)	**335,472**	**152,030**

Fixed-income securities include the related receivables.

5.5 Fair value of financial assets and liabilities

5.5.1 Fair value hierarchy of financial assets and liabilities

The table below provides a breakdown of financial instruments by type of price and valuation model:

(€'000)	31/12/2013				31/12/2012			
	Price quoted in an active market (level 1)	Valuation techniques using observable data (level 2)	Valuation techniques using non-observable data (level 3)	Total	Price quoted in an active market (level 1)	Valuation techniques using observable data (level 2)	Valuation techniques using non-observable data (level 3)	Total
FINANCIAL ASSETS								
Securities	2,256,157	518,911	3,544	2,778,612	3,431,114	205,225		3,636,339
o/w fixed-income securities	*2,019,732*	*518,789*	*3,544*	*2,542,065*				
o/w variable-income securities	*236,425*	*122*		*236,547*				
Derivative instruments	2,245	889,078	67,850	959,173		369,684		369,684
o/w interest rate derivatives	*2,245*	*712,547*	*67,832*	*782,624*				
o/w equity derivatives		*14,458*	*18*	*14,476*				
o/w currency derivatives		*160,908*		*160,908*				
o/w credit derivatives		*1,165*		*1,165*				
o/w other derivatives								
Other financial assets								
Financial assets held for trading	**2 258 402**	**1 407 989**	**71 394**	**3 737 785**	**3 431 114**	**574 909**		**4 006 023**
Securities	1 373 031	2,245	40,020	1,415,296	1,458,780			1,458,780
o/w fixed-income securities	*33 018*			*33,018*				
o/w variable-income securities	*1 340 013*	*2,245*	*40,020*	*1,382,278*				
Other financial assets								
Financial assets designated at fair value through profit or loss by option	**1,373,031**	**2,245**	**40,020**	**1,415,296**	**1,458,780**			**1,458,780**
Interest rate derivatives		81,387		81,387				
Equity derivatives								
Currency derivatives								
Credit derivatives								
Other								
Hedging derivatives		**81,387**		**81,387**		**66,946**		**66,946**
Investments in associates	21	173	775,345	775,539	153	1,035,329		1,035,482
Other securities	11,410,676	1,173,463	518,717	13,102,856	11,019,722	2,379,277		13,398,999
o/w fixed-income securities	*10,664,524*	*870,491*	*368,491*	*11,903,506*				
o/w variable-income securities	*746,152*	*302,972*	*150,226*	*1,199,350*				
Other financial assets								
Available for sale financial assets	**11,410,697**	**1,173,636**	**1,294,062**	**13,878,395**	**11,019,875**	**3,414,606**		**14,434,481**

(€'000)	31/12/2013 Price quoted in an active market (level 1)	31/12/2013 Valuation techniques using observable data (level 2)	31/12/2013 Valuation techniques using non-observable data (level 3))	31/12/2013 Total	31/12/2012 Price quoted in an active market (level 1)	31/12/2012 Valuation techniques using observable data (level 2)	31/12/2012 Valuation techniques using non-observable data (level 3)	31/12/2012 Total
FINANCIAL LIABILITIES								
Securities	5,091			5,091	25,689			25,689
Derivative instruments	77,003	1,050,917	53,625	1,181,545		592,512		592,512
o/w interest rate derivatives	*77,003*	*959,868*	*53,345*	*1,090,216*				
o/w equity derivatives		*15,861*	*280*	*16,141*				
o/w currency derivatives		*74,688*		*74,688*				
o/w credit derivatives		*500*		*500*				
o/w other derivatives								
Other financial liabilities	945,180	643		945,823	370,249	1,338		371,587
Financial liabilities held for trading	**1,027,274**	**1,051,560**	**53,625**	**2,132,459**	**395,938**	**593,850**		**989,788**
Securities								
Other financial liabilities								
Financial liabilities designated at fair value through profit or loss by option								
Interest rate derivatives		410,697	26	410,723				
Equity derivatives								
Currency derivatives								
Credit derivatives								
Other								
Hedging derivatives		**410,697**	**26**	**410,723**		**780,742**		**780,742**

5.5.2 Analysis of assets and liabilities classified in level 3 of the fair value hierarchy

(€'000)	01/01/2013	Reclassi-fications	Gains and losses recognised during the period – in the income statement – On transations in progress at the reporting cate	Gains and losses recognised during the period – in the income statement – On transactions that matured or were redeemed during the period	Gains and losses recognised during the period – In equity
FINANCIAL ASSETS					
Securities		4,171		-915	
o/w fixed-income securities		4,171		-915	
o/w variable-income securities					
Derivative instruments		77,135		-9,285	
o/w interest rate derivatives		77,135		-9,303	
o/w equity derivatives				18	
o/w currency derivatives					
o/w credit derivatives					
o/w other derivatives					
Other financial assets					
Financial assets held for trading		**81,306**		**-10,200**	
Securities		34,015	6,005		
o/w fixed-income securities					
o/w variable-income securities		34,015	6,005		
Other financial assets					
Financial assets designated at fair value through profit or loss by option		**34,015**	**6,005**		
Interest rate derivatives					
Equity derivatives					
Currency derivatives					
Credit derivatives					
Other					
Hedging derivatives					
Investments in associates		790,175			
Other securities		380,271		-87	1,098
o/w fixed-income securities		238,439			
o/w variable-income securities		141,832		-87	1,098
Other financial assets					
Available for sale financial assets		**1,170,446**		**-87**	**1,098**

Transactions during the period		Transfers during the period			
Purchases/issues	Sales/buybacks	To another reporting category	From and to another level	Other changes	31/12/2013
				288	3,544
				288	3,544
					67,850
					67,832
					18
				288	**71,394**
					40,020
					40,020
					40,020
26,294	-41,087			-37	775,345
238,201	-99,348			-1,418	518,717
211,851	-79,439			-2,360	368,491
26,350	-19,909			942	150,226
264,495	**-140,435**			**-1,455**	**1,294,062**

(€'000)	01/01/2013	Reclassi-fications	Gains and losses recognised during the period — in the income statement — On transations in progress at the reporting cate	On transactions that matured or were redeemed during the period	In equity
FINANCIAL LIABILITIES					
Securities					
Derivative instrumentss		50,948		2,677	
o/w interest rate derivatives		50,948		2,397	
o/w equity derivatives				280	
o/w currency derivatives					
o/w credit derivatives					
o/w other derivatives					
Other financial liabilities					
Financial liabilities held for trading		**50,948**		**2,677**	
Securities					
Other financial liabilities					
Financial liabilities designated at fair value through profit or loss by option					
Interest rate derivatives		54		-28	
Equity derivatives					
Currency derivatives					
Credit derivatives					
Other					
Hedging derivatives		**54**		**-28**	

IFRS 13 offers clarifications on the levels of the fair value hierarchy which have led the Group to review the classification of financial instruments in the three different levels. The resulting changes are shown in the "Reclassifications" column.

At 31 December 2013, financial instruments measured using a technique based on non-observable data included in particular:

- unlisted shares, usually corresponding to BPCE equity interests;
- some UCITS whose NAV is indicative (illiquid, liquidation, etc.) and for which there is no price to support the valuation;
- venture capital funds, whose NAV is frequently merely indicative as it is often not possible to exit from the fund;
- structured equity products with multiple underlyings, fund options, hybrid interest rate products, securitisation swaps, structured credit derivatives and interest rate options;
- securitisation instruments not quoted on an active market.

Transactions during the period		Transfers during the period			
Purchases/issues	Sales/buybacks	To another reporting category	From and to another level	Other changes	31/12/2013
					53,625
					53,345
					280
					53,625
					26
					26

5.5.3 Analysis of fair value hierarchy transfers

No fair value hierarchy transfers were made in 2013.

The review of classifications within the three levels based on the clarifications provided in IFRS 13 resulted in reclassifications that are not analysed as transfers.

5.5.4 Sensitivity of level 3 fair values to changes in the principal assumptions

The Group's fair value level 3 assets are sensitive to changes in economic conditions in France and Europe. Excluding BPCE securities, this sensitivity is estimated at €6,442,000. The cumulative impact of the sensitivity of level 3 derivatives to the main factors (interest rates, inflation, equities, etc.) would be a decrease of €2,991,000 in the event of a 100 basis point rise in the underlying factors and an increase of €3,008,000 in the event of a 100 basis point drop in said factors.

5.6 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Most of the loans granted by the Group are classified in this category.

5.6.1 Loans and receivables due from credit institutions

(€'000)	31/12/2013	31/12/2012
Loans and receivables due from credit institutions	6,996,390	5,869,114
Specific impairment	-7,662	-7,662
Impairment on a portfolio basis		
Total loans and receivables due from credit institutions	**6,988,728**	**5,861,452**

Breakdown of loans and receivables due from credit institutions

(€'000)	31/12/2013	31/12/2012
Current accounts with overdrafts	698,295	551,134
Repurchase agreements	4,793,731	2,446,531
Loans and advances	1,491,475	2,858,553
Finance leases		
Securities classified as loans and receivables		
Other loans and receivables due from credit institutions	886	893
Impaired loans and receivables	4,341	4,341
Total loans and receivables due from credit institutions	**6,988,728**	**5,861,452**

Receivables on transactions with the network amounted to €805,567,000 at 31 December 2013 compared with €968,812,000 at 31 December 2012.

At 31 December 2013, the Livret A and LDD account balances centralised with the Caisse des Dépôts et Consignations and reported in the "Current accounts with overdrafts" line amounted to €595,039,000 versus €582,099,000 at 31 December 2012.

There were no outstandings at 31 December 2013 relating to loans and receivables restructured due to financial difficulties faced by the debtor.

5.6.2 Loans and receivables due from customers

(€'000)	31/12/2013	31/12/2012
Loans and receivables due from customers	14,862,003	14,672,932
Specific impairment	-561,855	-506,817
Impairment on a portfolio basis	-77,076	-76,046
Total loans and receivables due from customers	**14,223,072**	**14,090,069**

Breakdown of gross loans and receivables due from customers

(€'000)	31/12/2013	31/12/2012
Current accounts with overdrafts	**1,088,242**	**979,965**
Loans to financial sector customers	4,550	35,260
Short-term credit facilities	1,185,341	1,125,554
Equipment loans	4,310,119	4,441,277
Home loans	5,878,908	5,551,430
Export credits	80,981	185,999
Other credits	947,687	1,048,864
Repurchase agreements	132,074	69,183
Subordinated loans		5
Other facilities to customers	**12,539,660**	**12,457,572**
Securities classified as loans and receivables	167,121	249,313
Other loans and receivables due from customers	125,412	129,563
Impaired loans and receivables	941,568	856,519
Total loans and receivables due from customers	**14,862,003**	**14,672,932**

Outstandings in respect of loans and receivables restructured due to financial difficulties faced by the debtor amounted to €6,577,000 at 31 December 2013. Restructured loans and receivables included in performing loans amounted to €4,048,000 and restructured loans and receivables classified as doubtful amounted to €2,529,000.

5.7 Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the clear intention and ability to hold to maturity.

(€'000)	31/12/2013	31/12/2012
Treasury bills and similar securities		
Bonds and other fixed-income securities	954,301	985,890
Gross amount of held to maturity financial assets	**954,301**	**985,890**
Impairment		
Total held to maturity financial assets	**954,301**	**985,890**

5.8 Reclassification of financial assets

Portfolio of reclassified financial assets

In accordance with the amendments to IAS 39 and IFRS 7 dealing with the reclassification of financial assets, the Group reclassified certain financial assets in the second half of 2008.

Profit or loss arising from reclassified financial assets in 2013

(€'000)	Carrying amount at reclassification date	Carrying amount at 31 December 2013	Carrying amount at 31 December 2012	Fair value at 31 December 2013	Fair value at 31 December 2012
Assets reclassified between 2008 and 2012					
Trading financial assets reclassified as available for sale financial assets					
Trading financial assets reclassified as loans and receivables					
Available for sale financial assets reclassified as loans and receivables	521,227	163,518	244,356	163,488	244,379
Total securities reclassified between 2008 and 2012	*521,227*	*163,518*	*244,356*	*163,488*	*244,379*
Assets reclassified in 2013					
Trading financial assets reclassified as available for sale financial assets					
Trading financial assets reclassified as loans and receivables					
Available for sale financial assets reclassified as loans and receivables					
Total securities reclassified in 2013					
Total securities reclassified	**521,227**	**163,518**	**244,356**	**163,488**	**244,379**

Profit or loss arising from reclassified financial assets in 2013

(€'000)	Net banking income	Cost of risk	Total (before tax)
Trading financial assets reclassified as available for sale financial assets			
Trading financial assets reclassified as loans and receivables			
Available for sale financial assets reclassified as loans and receivables	1,792		1,792
Total	**1,792**		**1,792**

Changes in fair value that would have been recognised if these financial assets had not been reclassified

(€'000)	31/12/2013	31/12/2012
Changes in fair value that would have been recognised in profit or loss		
- Trading financial assets reclassified as available for sale financial assets		
- Trading financial assets reclassified as loans and receivables		
- Available for sale financial assets reclassified as loans and receivables		
Changes in fair value that would have been booked as gains and losses recognised directly in equity		
- Available for sale financial assets reclassified as loans and receivables	-30	23
Total	**-30**	**23**

5.9 Deferred tax

Deferred tax was recognised in respect of the timing differences indicated in the table below in which deferred tax assets are shown as positive amounts and deferred tax liabilities as negative amounts:

(€'000)	31/12/2013	31/12/2012
Unrealised gains on UCITS	21,073	19,452
Tax economic interest groupings		
Provisions for employee-related liabilities	31,490	30,826
Provisions for regulated home savings products	11,086	11,093
Other non-deductible provisions	79,404	83,004
Other sources of timing differences	-1,337	-1,956
Deferred tax linked to timing differences	**141,716**	**142,419**
Deferred tax resulting from the capitalisation of tax losses carried forward	3,554	7,741
Fair value of financial instruments	-8,716	20,379
Provisions on a portfolio basis		
Other balance sheet adjustments	9,646	3,747
Deferred tax resulting from application of IFRS valuation methods	**4,484**	**31,867**
Deferred tax on interest-free loans	**9,065**	**7,274**
Net deferred tax	**155,265**	**181,560**
Deferred tax recognised		
As assets on the balance sheet	166,920	193,298
As liabilities on the balance sheet	11,655	11,738

5.10 Accrued income, prepaid expenses and other assets

(€'000)	31/12/2013	31/12/2012
Collection accounts	99,830	113,796
Prepaid expenses	39,012	44,250
Accrued income	23,061	22,220
Other accruals	45,196	20,941
Accrual accounts - assets	**207,099**	**201,207**
Guarantee deposits paid	977,360	
Securities settlement accounts - debit balances transactions		
Reinsurers' share of technical reserves	8,663	8,752
Other debtors	126,149	164,317
Other assets	**1,112,172**	**173,069**
Total accrued income, prepaid expenses and other assets	**1,319,271**	**374,276**

5.11 Non-current assets classified as held for sale and associated liabilities

None.

5.12 Deferred policyholders' profit-sharing

(€'000)	31/12/2013	31/12/2012
Deferred profit sharing - assets		
Deferred profit sharing - liabilities	270,608	207,054
Deferred profit-sharing	**270,608**	**207,054**
of which deferred profit sharing recognised in equity on full consolidation	*270,608*	*207,054*

5.13 Investments in associates

The Group's main investments in associates are as follows:

(€'000)	31/12/2013	31/12/2012
Acleda	50,096	40,949
BCEL	15,096	14,979
BCI	109,150	99,615
Socredo	39,089	38,012
Financial companies	**213,432**	**193,555**
Aurora	18,635	18,635
Non-financial companies	**18,635**	**18,635**
Total investments in associates	**232,067**	**212,190**

5.14 Investment property

	31/12/2013			31/12/2012		
(€'000)	Gross amount	Accumulated depreciation and impairment	Carrying amount	Gross amount	Accumulated depreciation and impairment	Carrying amount
Investment property						
Measured at historical cost	187,775	-3,376	184,399	153,391	-3,315	150,076
Total investment property	**187,775**	**-3,376**	**184,399**	**153,391**	**-3,315**	**150,076**

5.15 Property, plant and equipment and intangible assets

	31/12/2013			31/12/2012		
(€'000)	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount	Gross amount	Accumulated amortisation, depreciation and impairment	Carrying amount
Property, plant and equipment						
Land and buildings	151,872	-87,317	64,555	152,919	-83,478	69,441
Movable property made available under finance leases						
Equipment, furniture and other property, plant and equipment	260,342	-175,313	85,029	271,383	-172,758	98,625
Total property, plant and equipment	**412,214**	**-262,630**	**149,584**	**424,302**	**-256,236**	**168,066**
Intangible assets						
Leasehold rights	27,532	-25,976	1,556	27,532	-25,158	2,374
Software	52,401	-38,393	14,008	43,053	-33,464	9,590
Other intangible assets	38,968	-21,770	17,198	38,953	-21,670	17,283
Total intangible assets	**118,901**	**-86,139**	**32,762**	**109,538**	**-80,292**	**29,246**

5.16 Goodwill

Goodwill generated by transactions during the financial year is analysed in the note relating to the consolidation scope.

(€'000)	31/12/2013	31/12/2012
Foreign banks	4,576	4,576
Total goodwill	**4,576**	**4,576**

5.17 Amounts due to credit institutions and customers

These liabilities, which are not classified as financial liabilities at fair value through profit or loss, are carried on the balance sheet at amortised cost under "Amounts due to credit institutions" or "Amounts due to customers".

5.17.1 Amounts due to credit institutions

(€'000)	31/12/2013	31/12/2012
Demand deposits	356,500	435,688
Repurchase agreements		
Related liabilities	6	14
Amounts due to credit institutions - repayable on demand	**356,506**	**435,702**
Term loans and deposits	2,566,706	3,653,457
Repurchase agreements	6,342,355	6,669,800
Related liabilities	27,226	25,739
Amounts owed to credit institutions - repayable at agreed maturity dates	**8,936,287**	**10,348,997**
Total amounts due to credit institutions	**9,292,793**	**10,784,699**

Amounts owed in respect of transactions with the network came to €608,196,000 at 31 December 2013 versus €859,741,000 at 31 December 2012.

5.17.2 Amounts due to customers

(€'000)	31/12/2013	31/12/2012
Credit balances on ordinary accounts	**9,090,876**	**8,054,635**
"Livret A" regulated savings accounts	966,829	859,332
"Livret Jeune" regulated savings accounts	47,118	46,145
"Livret B" regulated savings accounts	1,002,284	1,161,021
Regulated home savings plans (PEL) and regulated home savings accounts (CEL)	1,451,794	1,399,124
"Livret de Développement Durable" regulated savings accounts	818,175	731,809
"PEP" regulated savings plans	154,485	152,324
Other regulated savings accounts	124,162	125,534
Related liabilities		
Regulated savings accounts	**4,564,847**	**4,475,289**
Demand deposits and loans	4,291,032	636,874
Term deposits and loans	2,403,827	5,629,059
Related liabilities	41,552	44,627
Other customer accounts	**6,736,411**	**6,310,560**
Demand accounts		
Term accounts	1,446,267	1,493,218
Related liabilities	180	111
Repurchase agreements	**1,446,447**	**1,493,329**
Other amounts due to customers	**14,368**	**16,765**
Total amounts due to customers	**21,852,949**	**20,350,578**

5.18 Debt securities

The table below provides an analysis of debt securities by type of instrument with the exception of subordinated debt securities which are classified under "Subordinated debt".

(€'000)	31/12/2013	31/12/2012
Bonds	196,400	196,400
Interbank instruments and negotiable debt securities	2,205,691	3,270,765
Other debt securities		
Total	*2,402,091*	*3,467,165*
Related liabilities	1,314	16,654
Total debt securities	**2,403,405**	**3,483,819**

5.19 Accrued expenses and other liabilities

(€'000)	31/12/2013	31/12/2012
Collection accounts	208,787	146,291
Prepaid income	101,192	118,593
Accounts payable	73,393	86,000
Other accruals	26,176	9,455
Accrual accounts - liabilities	**409,548**	**360,339**
Securities settlement accounts - credit balances	5,491	1
Guarantee deposits received	409,108	1,220
Sundry creditors	408,609	242,617
Other insurance-related liabilities		
Other liabilities	**823,208**	**243,838**
Total accrued expenses and other liabilities	**1,232,756**	**604,177**

5.20 Technical reserves of insurance contracts

(€'000)	31/12/2013	31/12/2012
Technical reserves of non-life insurance contracts	**4,666**	**3,821**
Technical reserves of life insurance contracts in euro	4,730,273	4,506,927
Technical reserves of life insurance contracts in unit-linked accounts	873,298	882,495
Technical reserves of life insurance	**5,603,571**	**5,389,422**
Technical reserves of financial contracts		
Deferred profit sharing (note 5.12)	**270,608**	**207,054**
Total insurance technical reserves	**5,878,845**	**5,600,297**

Non-life insurance technical reserves include provisions for unearned premiums and outstanding claims reserves.

Life insurance technical reserves comprise mainly mathematical provisions, which correspond generally to the contracts' redemption value.

Technical reserves relating to financial contracts are mathematical provisions determined by reference to the contracts' underlying assets.

Provisions for deferred profit sharing represent unrealised investment income accruing to the policyholders that has not yet been distributed.

5.21 Provisions

(€'000)	31/12/2012	Increase	Used	Unused reversals	Other movements	31/12/2013
Provisions for employee benefit obligations	**95,326**	**3,842**	**-1,511**	**-1,412**	**4,242**	**100,487**
Provisions for regulated home savings products	32,220			-22		32,198
Provisions for off-balance sheet commitments	9,331	4,148	-1,522	-1,948	-5,221	4,788
Provisions for contingencies on real estate development projects						
Provisions for restructuring costs						
Provisions for litigation	48,047	51		-41	-5,200	42,857
Other	22,760	7,944		-4,068	1,613	28,249
Other provisions	**112,358**	**12,143**	**-1,522**	**-6,079**	**-8,808**	**108,092**
Total provisions	**207,684**	**15,985**	**-3,033**	**-7,491**	**-4,566**	**208,579**

5.21.1 Deposits held in regulated home savings products

(€'000)	31/12/2013	31/12/2012
Deposits held in regulated home savings plans (PEL)		
* less than 4 years	467,632	422,518
* more than 4 years and less than 10 years	277,319	268,965
* more than 10 years	514,601	513,985
Deposits held in PEL regulated home savings plans	**1,259,552**	**1,205,468**
Deposits held in CEL regulated home savings accounts	**194,713**	**161,977**
Total deposits held in regulated home savings products	**1,454,265**	**1,367,445**

5.21.2 Loans granted in connection with regulated home savings products

(€'000)	31/12/2013	31/12/2012
Loans granted under PEL regulated home savings plans	5,610	7,612
Loans granted under CEL regulated home savings accounts	9,359	12,017
Total loans granted in connection with regulated home savings products	**14,969**	**19,629**

5.21.3 Provisions for regulated home savings products

(€'000)	01/01/2013	Additions	Reversals	31/12/2013
Provisions for regulated home savings plans				
* less than 4 years	6,900	3,010		9,910
* more than 4 years and less than 10 years	3,187		-1,381	1,806
* more than 10 years	17,330		-2,087	15,243
Provisions for regulated home savings plans	**27,417**	**3,010**	**-3,468**	**26,959**
Provisions for regulated home savings accounts				
Provisions for PEL regulated home savings loans	9	244		253
Provisions for CEL regulated home savings loans	4,794	191		4,985
Provisions for regulated home savings loans	**4,803**	**435**		**5,238**
Total provisions for regulated home savings products	**32,220**	**3,445**	**-3,468**	**32,197**

5.22 Subordinated debt

Subordinated debt differs from other debt instruments and bonds issued in that, in the event of liquidation, it will only be repaid once the claims of all senior and unsecured creditors have been met.

(€'000)	31/12/2013	31/12/2012
Term subordinated debt	369,674	389,352
Undated subordinated debt		
Undated deeply subordinated debt		
Preference shares		
Mutual guarantee deposits	5,698	5,852
Total	*375,372*	*395,204*
Related liabilities	10,620	10,790
Revaluation of the hedged component		
Total subordinated debt	**385,992**	**405,994**

5.23 Ordinary shares and equity instruments issued

5.23.1 Cooperative shares

	31/12/2013			31/12/2012		
(€'000)	Number	Par value	Capital	Number	Par value	Capital
Cooperative shares						
At 1 January	41,622,857	10,00	416,229	36,420,000	9.50	345,990
Capital increase	15,135,584	10,00	151,356	5,202,857	9.50	49,427
Capital decrease						
Other changes		0,10	5,675		0.50	20,812
At 31 December	**56,758,441**	**10,10**	**573,260**	**41,622,857**	**10.00**	**416,229**

The cooperative investment certificates issued by the Banques Populaires (€104,507,000 for BRED as at 31 December 2012) were repurchased and cancelled as part of the simplification of Groupe BPCE's structure described in note 1.

5.23.2 Undated deeply subordinated notes classified as equity

None.

5.24 Change in gains and losses recognised directly in equity

(€'000)	2013	2012
Employee benefit liabilities	-4,006	
Tax impact on employee benefit liabilities	1,392	
Items that cannot subsequently be transferred to the income statement	**-2,614**	
Foreign exchange rate adjustments	-2,469	-6,348
Change in the value of available for sale financial assets	127,370	207,353
Change in the value of hedging derivatives	-24,610	4,496
Income taxes	-36,214	-38,501
Items that may subsequently be transferred to the income statement	**64,077**	**167,000**
Share of unrealised gains and losses recognised directly in the equity of associates	3,040	-387
Gains and losses recognised directly in equity (after income tax)	**64,503**	**166,613**
Attributable to equity holders of the parent	66,311	170,113
Non-controlling interests	-1,808	-3,500

	2013			2012		
(€'000)	Gross	Income tax	Net	Gross	Income tax	Net
Employee benefit liabilities	-4,006	1,392	-2,614			
Foreign exchange rate adjustments	-2,469		-2,469	-6,348		-6,348
Change in the value of available for sale financial assets	127,370	-44,673	82,697	207,353	-34,407	172,946
Change in the value of hedging derivatives	-24,610	8,459	-16,151	4,496	-4,094	402
Share of gains and losses recognised directly in the equity of associates	3,040		3,040	-387		-387
Total gains and losses recognised directly in equity	**99,325**	**-34,822**	**64,503**	**205,114**	**-38,501**	**166,613**
Attributable to equity holders of the parent			66,311			170,113
Non-controlling interests			-1,808			-3,500

Note 6
NOTES TO THE INCOME STATEMENT

6.1 Interest and similar income and expense

This heading comprises interest income and expense, calculated using the effective interest method, on financial assets and liabilities measured at amortised cost, which include interbank and customer loans, held to maturity assets, debt securities and subordinated debt.

It also includes accrued interest receivable on fixed-income securities classified as available for sale financial assets and hedging derivatives, it being specified that accrued interest on cash flow hedging derivatives is taken to income in the same manner and period as the accrued interest on the hedged item.

	2013			2012		
(€'000)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Loans and receivables - customers	526,155	-126,556	399,599	537,310	-148,866	388,444
Loans and receivables - credit institutions	51,386	-45,102	6,284	64,943	-98,763	-33,820
Finance leases	16,643		16,643	57,659		57,659
Debt securities and subordinated debt		-36,761	-36,761		-59,348	-59,348
Hedging derivatives	480,072	-494,984	-14,912	118,193	-284,989	-166,796
Available for sale financial assets	58,748		58,748	121,308		121,308
Held to maturity financial assets				109,993		109,993
Impaired financial assets						
Other interest income and expense		-3,927	-3,927		-8,859	-8,859
Total interest income and expense	**1,133,004**	**-707,330**	**425,674**	**1,009,406**	**-600,825**	**408,581**

6.2 Fee and commission income and expense

Fees and commissions are recorded based on the type of service rendered and on the method of accounting for the financial instrument to which the service relates.

These lines include mainly fees and commissions receivable or payable on recurring services (commission on payment instruments, securities custody fees, etc.) and occasional services (fund transfers, payment incident penalties, etc.), commissions receivable or payable on execution of significant transactions, and commissions receivable or payable on fiduciary and similar assets held or invested on behalf of the Group's customers.

On the other hand, fees and commissions that are in the nature of additional interest and form an integral part of the effective interest rate of a financial instrument are reported as a component of interest income.

Fee and commission income and expense

	2013			2012		
(€'000)	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	3,777	-1,518	2,259	4,877	-1,247	3,630
Customer transactions	143,478		143,478	135,945	-461	135,484
Financial services	25,196	-5,197	19,999	21,675	-5,231	16,444
Sales of life insurance products	2,642		2,642	1,920		1,920
Payment services	171,578	-100,301	71,277	191,476	-120,335	71,141
Securities transactions	13,558	-2	13,556	19,669		19,669
Fiduciary services	1,833		1,833			
Financial instrument and off-balance sheet transactions	22,314	-4,819	17,495	27,349	-4,741	22,608
Other	6,086	-5,547	539	2,814	-4,551	-1,737
Total fees and commissions	**390,462**	**-117,384**	**273,078**	**405,725**	**-136,566**	**269,159**

6.3 Net gains and losses on financial instruments at fair value through profit or loss

This heading includes gains and losses (including the related interest) on financial assets and liabilities classified as held for trading or designated at fair value through profit or loss by option.

Net gains and losses on hedging transactions include gains and losses arising from the re-measurement of derivative instruments used as fair value hedges as well as the symmetrical re-measurement of the hedged items, the re-measurement at fair value of the macro-hedged portfolio, and the ineffective portion of cash flow hedges.

(€'000)	2013	2012
Gains and losses on financial instruments at fair value through profit or loss (excluding hedging derivatives)	**111,957**	**216,041**
Gains and losses on financial instruments held for trading	72,430	136,335
Gains and losses on financial instruments designated at fair value through profit or loss by option	39,527	79,706
Gains and losses on hedging transactions	**-1,221**	**-7,934**
- Ineffective portion of fair value hedges	-1,151	-7,448
Changes in the fair value of the hedging instrument	115,244	-47,404
Changes in fair value of the hedged items attributable to the risks hedged	-116,395	39,956
- Ineffective portion of cash flow hedges	-70	-486
- Ineffective portion of net investment hedges		
Gains and losses on foreign exchange transactions	**21,127**	**80,837**
Total gains and losses on financial instruments at fair value through profit or loss	**131,863**	**288,944**

6.4 Net gains and losses on available for sale financial assets

This heading records dividends from variable-income securities, gains and losses on the disposal of available-for-sale financial assets and other financial assets not measured at fair value, and impairment recognised on variable-income securities due to lasting loss of value.

(€'000)	2013	2012
Gains and losses on disposals	82,401,,	9,535,,
Dividends received	5,981,,	21,683,,
Impairment in value of variable-income securities	-3,998,,	-5,050,,
Total net gains or losses on available for sale financial assets	**84,384,,**	**26,168,,**

6.5 Income and expense from other activities

This heading includes in particular:

- income and expense from investment property (rental income and expense, gains and losses on disposal, depreciation and impairment losses);
- income and expense from insurance activities (in particular earned premium income, paid benefits and claims, and changes in insurance technical reserves);
- income and expense from operating leases;
- income and expense from property development activities (revenue, purchases consumed).

	2013			2012		
(€'000)	Income	Expense	Net	Income	Expense	Net
Income and expense from insurance activities	**545,000**	**-675,638**	**-130,638**	**353,476**	**-597,049**	**-243,573**
Income and expense from real estate activities						
Income and expense from leasing transactions						
Income and expense from investment property	**4,702**	**-1,129**	**3,573**	**2,257**	**-1,515**	**742**
Share of joint ventures	2,573		2,573	2,357		2,357
Transfers of expenses and income	1,301	-115	1,186	1,149	-161	988
Other operating income and expense	181,834	-18,801	163,033	229,600	-78,466	151,134
Additions to and reversals from provisions booked to other operating income and expense	4,109	-3,995	114		-1,300	-1,300
Other operating banking income and expense	**189,817**	**-22,911**	**166,906**	**233,106**	**-79,927**	**153,179**
Total income and expense from other activities	**739,519**	**-699,678**	**39,841**	**588,839**	**-678,491**	**-89,652**

Income and expense from insurance activities

The table below provides a transition between the financial statements of insurance companies included in the scope of consolidation and their translation into the Group's financial statements in accordance with the presentation applicable to banks.

(€'000)	Banking presentation 2013				Insurance presentation 2013	Insurance presentation 2012
	Net banking income	Operating expenses	Gross operating profit	Cost of risk		
Earned premiums	553,263		553,263		553,263	564,369
Revenue or income from other activities						
Other operating income						1,444
Net financial income (loss) before finance costs	214,513	-2,412	212,101		212,101	323,663
Total income on ordinary activities	**767,776**	**-2,412**	**765,364**		**765,364**	**889,476**
Claims and benefits expenses	-473,161	-2,585	-475,746		-475,746	-802,261
Net income and expense of outward reinsurance	-2,800		-2,800		-2,800	-4,814
Policy acquisition costs	-14,404	-2,761	-17,165		-17,165	-16,485
Administrative expenses	-19,193	-3,119	-22,312		-22,312	-21,161
Other recurring operating income and expense	567	-4,714	-4,147		-4,147	-14,751
Total other operating income and expense	**-724,739**	**-13,179**	**-737,918**		**-737,918**	**-859,472**
Operating profit (loss)	**43,037**	**-15,591**	**27,446**		**27,446**	**30,004**

Income and expense recognised in respect of insurance contracts are reported under "Income from other activities" and "Expense on other activities", which are both components of net banking income.

The other components of the operating profit of insurance companies of a banking nature, i.e. interest and fees and commissions, are recorded under these net banking income headings.

The main reclassifications relate to the charging of general operating expenses by type whereas they are charged by function in the insurance presentation.

6.6 Operating expenses

Operating expenses include mainly personnel costs, including wages and salaries net of re-billed amounts, social security charges and employee benefit expenses such as pension costs. Operating expenses also include the full amount of administrative expenses and external services costs.

(€'000)	2013	2012
Personnel costs	**-357,038**	**-352,581**
Taxes and duties	-26,740	-28,638
External services	-191,075	-183,406
Other expenses	-3,670	-4,684
Other administrative expenses	**-221,485**	**-216,728**
Total operating expenses	**-578 523**	**-569 309**

The breakdown of personnel costs is provided in note 8.1.

The CICE (*Crédit d'impôt pour la compétitivité et l'emploi*) tax credit in an amount of €2,938,000 is recorded as a deduction from personnel costs.

6.7 Cost of risk

This item records net impairment charges for credit risks, regardless of whether the impairment is calculated on an individual basis or on a collective basis for a portfolio of similar receivables.

Impairment losses are recognised for both loans and receivables and fixed-income securities when there is a known counterparty risk. This heading also includes losses related to other types of instruments (derivatives or securities designated at fair value through profit or loss by option) recorded as a result of default by credit institutions.

Cost of risk for the period

(€'000)	2013	2012
Net charge to provisions and provisions for impairment	-82,200	-50,606
Recoveries of bad debts written off	7,391	2,659
Irrecoverable loans not covered by provisions for impairment	-6,473	-8,085
Total cost of risk	**-81,282**	**-56,032**

Cost of risk by type of asset

(€'000)	2013	2012
Interbank transactions	216	201
Customer transactions	-87,686	-51,763
Other financial assets	6,188	-4,470
Total cost of risk	**-81,282**	**-56,032**

6.8 Share of profit or loss of associates

(€'000)	2013	2012
Acleda	6,847	5,725
BCEL	2,187	1,537
BCI	11,277	9,708
Socredo	1,077	820
Financial companies	**21,388**	**17,790**
Aurora		
Non-financial companies		
Total share of profit or loss of associates	**21,388**	**17,790**

6.9 Gains and losses on other assets

This heading records gains and losses on the disposal of property, plant and equipment and intangible assets used in operations as well as gains and losses on the disposal of consolidated investments.

(€'000)	2013	2012
Gains or losses on the disposal of property, plant and equipment and intangible assets used in operations	1,141	-312
Gains and losses on the disposal of consolidated investments		
Other		
Total gains and losses on other assets	**1,141**	**-312**

6.10 Change in the value of goodwill

None

6.11 Income tax expense

(€'000)	2013	2012
Current tax	-102,580	-68,340
Deferred tax	4,764	-6,797
Total income tax expense	**-97,816**	**-75,137**

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

(€'000)	2013	2012
Net profit attributable to equity holders of the parent	182,602	179,883
Change in value of goodwill		
Share of minority interests in consolidated companies	-1 599	-2 537
Share of profit or loss of associates	21,388	17,790
Income taxes	-97 816	-75 137
Profit before tax and changes in value of goodwill (A)	**260,629**	**239,767**
Standard income tax rate in France (B)	**38,00%**	**36,10%**
Theoretical tax expense (income) at the tax rate in force in France (A*B)	**-99,039**	**-86,556**
Impact of permanent differences and other taxes	1,223	11,419
Income tax (a)	-97 816	-75 137
Effective tax rate (income tax expense divided by taxable income)	**37,53%**	**31,33%**

Note: the Group tax rate is 34.43%.

Note 7
Risk exposure and regulatory ratios

7.1 Capital management and capital adequacy

The Group is required to comply with the prudential regulations established by the French regulatory authorities pursuant to transposition into French law of the European Directives on the capital adequacy of investment firms and credit institutions and on financial conglomerates.

With effect from 1 January 2008, the Order of 20 February 2007 issued by the French Ministry of the Economy, Finance and Industry defines the "Basel II" method of calculating the capital adequacy ratio as the ratio between total regulatory capital and the sum of:

- regulatory capital requirements for credit risk determined using the standard approach or the internal ratings based approach, depending on the Group entity concerned;
- regulatory capital requirements for the prudential supervision of market risk and operational risk.

Regulatory capital is determined in accordance with CRBF Regulation 90-02 issued on 23 February 1990 by the French Banking and Financial Regulations Committee.

(€'000)	31/12/2013	31/12/2012
Equity attributable to equity holders of the parent	2,599,154	3,006,869
- recyclable reserves	-34,341	30,159
+ translation differences	709	3,223
Minority interests	32,604	36,713
- Minority interests' share of profit or loss	-1,585	-2,520
- Recyclable minority interests' share of unrealised profits or losses	-86	-2,072
Budgeted dividend	-11,155	-23,127
Issues of hybrid Tier One instruments		
Other items (including goodwill and intangible assets)	-29,400	-28,375
Tier One capital before deductions	**2,555,900**	**3,020,870**
Tier Two capital before deductions	**289,174**	**385,659**
Capital deductions	**-1,023,996**	**-1,282,031**
o/w deductions from Tier One capital	-734,822	-896,372
o/w deductions from Tier Two capital	-289,174	-385,659
o/w deductions from total capital		
Other supplementary capital	**78,723**	**64,100**
Total regulatory capital	**1,899,801**	**2,188,598**

Regulatory capital is divided into two categories, which each undergo certain regulatory deductions.

Core (or Tier One) capital corresponds to the Group's consolidated equity, excluding unrealised or filtered deferred gains and losses, plus minority interests and issues of hybrid Tier One instruments (chiefly undated subordinated notes), less goodwill and intangible assets.

Specific ceilings are applied to certain components of Tier One capital. In particular, hybrid instruments and minority interests taken together may not represent more than 50% of Tier One capital.

Supplementary (or Tier Two) capital is divided into two sub-categories:

- Upper Tier Two capital, which comprises undated subordinated notes and certain other financial instruments;
- Lower Tier Two capital, which in particular includes long-term subordinated notes and certain preference shares.

Tier Two capital is taken into account only within the limit of 100% of Tier One capital. Lower Tier Two capital is taken into account only within the limit of 50% of Tier One capital.

Deductions to determine regulatory capital concern mainly equity items (equity investments and subordinated loans) of banking entities that are more than 10%-owned by the Group or which are accounted for using the equity method. Equal amounts are deducted from Tier One and Tier Two capital.

Further to the ministerial decree of 20 February 2007, the Group is required to maintain a capital adequacy ratio of at least 8% at all times.

7.2 Credit risk and counterparty risk

Certain disclosures relating to risk management required by IFRS 7 are provided in the risk management report. These disclosures form an integral part of the audited consolidated financial statements and are preceded by the statement "Information required under IFRS 7".

7.2.1 Credit risk measurement and management

Credit risk arises when a counterparty is unable to meet its payment obligations, and may be reflected in a deterioration in credit quality and even default by the counterparty.

Credit risk exposures comprise existing or potential receivables, and particularly loans, debt instruments, equity instruments, performance swaps, performance bonds, and confirmed or undrawn facilities.

Information on credit risk management procedures and measurement methods, risk concentration, the quality of performing financial assets and the analysis and breakdown of outstandings is provided in the risk management report.

7.2.2 Overall exposure to credit risk and counterparty risk

The table below summarises the overall credit exposure of all the Group's financial assets.

This credit risk exposure corresponds to the carrying amount of these assets without taking into account the impact of any unrecognised netting or collateral.

(€'000)	Performing assets	Non-performing assets	Impairment and provisions	Net outstandings 31/12/2013	Net outstandings t 31/12/2012
Available for sale financial assets at fair value through profit or loss (excluding variable-income securities)	3,501,238			3,501,238	3,934,354
Hedging derivative instruments	81,387			81,387	66,946
Available for sale financial assets (excluding variable-income securities)	9,614,065	11,606	-2,442	9,623,229	9,653,246
Interbank transactions	6,978,836	12,003	-7,662	6,983,177	5,854,132
Customer transactions	13,983,666	941,568	-638,931	14,286,303	14 145 233
Held to maturity financial assets					
Balance sheet exposures	**34,159,192**	**965,177**	**-649,035**	**34,475,334**	**33,653,911**
Financial guarantees given	2,833,355	38,115		2,871,470	3,300,628
Off-balance sheet commitments	1,890,317	35,831	-4,737	1,921,411	1,893,687
Exposures in respect of off-balance sheet commitments and financial guarantees given	**4,723,672**	**73,946**	**-4,737**	**4,792,881**	**5,194 315**
Overall credit risk exposure	**38,882,864**	**1,039,123**	**-653,772**	**39,268,215**	**38,848 226**

The heading "Impairment and provisions" includes both individual and portfolio-based impairment losses.

7.2.3 Impairment and provisions for credit risk

(€'000)	01/01/2013	Charges	Unused reversals	Used reversals	Other changes	31/12/2013
Available for sale financial assets	2,442	2,080				4,522
Interbank transactions	7,662				15	7,677
Customer transactions	582,863	142,149	-58,824	-29,125	-226	636,837
Held to maturity financial assets						
Other financial assets						
Impairment losses deducted from assets	**592,967**	**144,229**	**-58,824**	**-29,125**	**-211**	**649,036**
Provisions for off-balance sheet commitments	**8,605**	**3,060**	**-1,522**	**-1,808**	**-3,598**	**4,737**
Total impairment and provisions for credit risk	**601,572**	**147,289**	**-60,346**	**-30,933**	**-3,809**	**653,773**

7.2.4 Past due financial assets

Assets with past due payments are performing financial assets for which a payment incident has been recorded.

For example:

- a debt instrument is considered past due if the bond issuer is no longer making interest payments;
- a loan is considered past due if a payment or instalment has been missed and recorded as such in the financial statements;
- a current account overdraft carried in "Loans and advances" is considered past due if the overdraft period or authorised limit has been exceeded at the balance sheet date.

The amounts shown in the table below do not include past due payments resulting from technical factors, such as in particular the time lag between the value date and the date of recognition in the customer's account.

Assets with past due payments (outstanding principal and accrued interest in the case of loans and total overdrawn balance in the case of current accounts) can be broken down by due date as follows:

	Non-impaired loans and receivables with past due payments						
(€'000)	<=90 days	> 90 days <=180 days	> 180 days <=1 year	> 1 year	Impaired outstanding loans (net value)	Total past due outstandings at 31 December 2013	Guarantee instruments covering these outstanding loans
Debt instruments							
Loans and advances	344,458	1,844			384,053	730,356	384,340
Other financial assets	625					625	
Total	**345,083**	**1,844**			**393,217**	**740,145**	**384,340**

	Non-impaired loans and receivables with past due payments						
(€'000)	<=90 days	> 90 days <=180 days	> 180 days <=1 year	> 1 year	Impaired outstanding loans (net value)	Total past due outstandings at 31 December 2012	Guarantee instruments covering these outstanding loans
Debt instruments					8,995	8,995	
Loans and advances	363,713	2,015			353,802	719,531	289,968
Other financial assets							
Total	**363,713**	**2,015**			**362,797**	**728,526**	**289,968**

7.3 Market risk

Certain disclosures relating to market risk required by IFRS 7 are provided in the risk management report. These disclosures form an integral part of the audited consolidated financial statements and are preceded by the statement “Information required under IFRS 7”.

Market risk represents the risk of a financial loss due to changes in market variables, in particular:

- interest rates: interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates;
- exchange rates;
- prices: price risk is the risk of a potential loss resulting from changes in market prices, whether they are caused by factors specific to the instrument or its issuer or by factors affecting all instruments traded in the market. Variable-income securities, equity derivatives and commodity derivatives are exposed to this risk;
- more generally any market variable used in the valuation of portfolios.

The systems for measuring and monitoring market risks are described in the risk management report.
The market risk management disclosures required by IFRS 7 and provided in the risk management report cover the following items:

(€’000)	31/12/2013	31/12/2012
Market risk in respect of interest rate positions under the standard approach	47,274	38,493
Market risk in respect of equity positions under the standard approach	20,331	14,110
Market risk in respect of foreign exchange positions under the standard approach	11,088	15,217
Market risk in respect of commodity positions under the standard approach	30	16
Total market risks	**78,723**	**67,836**

7.4 Overall interest rate risk and currency risk

Certain disclosures relating to interest rate risk required by IFRS 7 are provided in the risk management report. These disclosures form an integral part of the audited consolidated financial statements and are preceded by the statement ”Information required under IFRS 7”.

Interest rate risk is the risk that unfavourable changes in interest rates will adversely impact the Bank’s annual results and net asset value. Currency risk is the risk that changes in exchange rates will adversely affect profitability.

7.5 Liquidity risk

Certain disclosures relating to liquidity risk required by IFRS 7 are provided in the risk management report. These disclosures form an integral part of the audited consolidated financial statements and are preceded by the statement “Information required under IFRS 7”.

Liquidity risk is the risk that the Bank may be unable to meet its payment or other obligations at a given moment in time.

The funding procedures and liquidity risk management arrangements are described in the risk management report.

Assets and liabilities by residual maturity

The table below shows the amounts by contractual maturity date.

Financial instruments marked to market on the income statement and held in the trading book, variable-income available for sale financial assets, doubtful loans, hedging derivatives, and revaluation differences on portfolios hedged against interest rate risk are included in the ‘No fixed maturity’ column. These financial instruments are:

- either held for sale or redeemed prior to their contractual maturity date;
- or held for sale or redeemed at an undeterminable date (particularly where they have no contractual maturity date);
- or measured on the balance sheet for an amount affected by revaluation adjustments.

Accrued interest not yet due is shown in the “Less than 1 month” column.

The amounts shown are the contractual amounts excluding forecast interest.

(€'000)	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	TOTAL
Cash in hand and at central banks	3,085,712						3,085,712
Financial assets at fair value through profit or loss				6,651	64,346	5,082,084	5,153,081
Hedging derivatives						81,387	81,387
Available for sale financial assets	320,625	62,428	629,634	7,985,027	2,797,220	2,083,462	13,878,396
Amounts due from credit institutions	4,319,337	683,051	1,349,506	434,786	168,618	33,431	6,988,729
Amounts due from customers	2,073,809	514,753	1,301,863	4,554,110	5,195,087	583,449	14,223,071
Re-measurement adjustments on interest rate risk hedged portfolios							
Held to maturity financial assets	46,769		9,264	209,475	688,793		954,301
Financial assets by maturity	**9,846,252**	**1,260,232**	**3,290,267**	**13,190,049**	**8,914,064**	**7,863,813**	**44,364,677**
Central banks	6						6
Financial liabilities at fair value through profit or loss						2,132,459	2,132,459
Hedging derivatives						410,723	410,723
Amounts due to credit institutions	3,733,468	3,129,088	577,360	1,353,967	498,910		9,292,793
Amounts due to customers	19,864,950	322,862	632,133	866,007	166,997		21,852,949
Debt securities	1,667,532	172,566	193,872	313,977	55,458		2,403,405
Re-measurement adjustments on interest rate risk hedged portfolios							
Subordinated debt	10,682	12,000	41,477	321,208	625		385,992
Financial liabilities by maturity	**25,276,638**	**3,636,516**	**1,444,842**	**2,855,159**	**721 990**	**2,543,182**	**36,478,327**
Financing commitments given to credit institutions	57,745		450,000	424,432			932,177
Financing commitments given to customers	13,317	4,292	31,234	1,889,029	1,421		1,939,293
Financing commitments given	**71,062**	**4,292**	**481,234**	**2,313,461**	**1,421**		**2,871,470**
Guarantee commitments given to credit institutions		103	3,139	265	220,272		223,779
Guarantee commitments given to customers	32,848	11,122	16,272	10,257	1,631,870		1,702,369
Guarantee commitments given	**32,848**	**11,225**	**19,411**	**10,522**	**1,852,142**		**1,926,148**

Note 8
Employee benefits

8.1 Personnel costs

(€'000)	2013	2012
Wages,and,salaries,	-194,912	-191,927
Costs,of,defined benefit,and,defined contribution,plans	-40,701	-42,840
Other,social,security,costs,and,taxes	-85,972	-84,613
Profit-sharing,and,incentive,plans	-35,453	-33,201
Total,personnel,costs	**-357,038**	**-352,581**

8.2 Employee benefit obligations

Groupe BPCE grants its staff a variety of employee benefits.

- The Banques Populaires banks' private supplementary pension plan, managed by Caisse Autonome de Retraite des Banques Populaires (CAR BP), covers the pension benefits deriving from the closure of the banking pension scheme at 31 December, 1993.

The pension plans managed by CAR BP are partly covered by an insurance policy for annuities paid to beneficiaries having passed a reference age and for obligations related to younger beneficiaries.

Annuities paid to beneficiaries having passed the reference age are managed as part of the insurer's general pension assets. These general assets are reserved to the insurer's pension obligations and composed of assets adapted to long-term and predictable payment schedules. They consist very predominantly of bonds so that the insurer can implement the capital guarantee that it is required to give on assets of this type. The insurer is responsible for managing the fund's assets and liabilities.

The other obligations are managed in a unit-linked diversified fund, i.e. with no specific guarantee provided by the insurer. The fund is managed according to a strategic allocation approach, again with a constant focus on fixed-income products (60%, of which more than 80% made up of government bonds), but with significant exposure to equities (40%). This allocation is established with the aim of optimising the portfolio's performances, subject to a level of risk supervised and measured based on numerous criteria. The corresponding asset/liability reviews are performed yearly and presented to the pension plan's monitoring and management committees. The relatively dynamic allocation applied is made possible by the time frame for using the amounts and by the regulation mechanisms specific to the financial oversight of the system. The fund's assets do not include derivatives.

8.2.1 Analysis of employee benefit assets and liabilities recorded on the balance sheet

	Defined benefit pension plans			
(€'000)	CAR BP supplementary pension	Supplementary pension and other plans	Other obligations	31/12/2013
Actuarial liabilities	100,123	3,853	38,717	142,693
Fair value of plan assets	30,168	1,413	11,969	43,550
Fair value of reimbursement rights				
Effect of ceiling on assets				
Net amount reported on the balance sheet	**69,955**	**2,440**	**26,748**	**99,143**
Employee benefit obligations: liabilities	69,955	2,810	26,748	99,513
Employee benefit obligations: assets		370		370

8.2.2 Change in amounts recognised on the balance sheet

(€'000)	Defined benefit pension plans			
	CAR BP supplementary pension	Supplementary pension and other plans	Other obligations	31/12/2013
Actuarial liabilities at start of year	**105,591**	**4,229**	**42,942**	**152,762**
Service cost			2,324	2,324
Past service cost				
- o/w liquidation and reduction of plan				
Interest cost	3,193	101	1,243	4,537
Benefits paid	-4,012	-379	-3,201	-7,592
- o/w amounts paid in respect of liquidation				
Other		30	273	303
- o/w actuarial differences on long-term benefits				
Changes recognised in profit or loss	**-819**	**-248**	**640**	**-427**
Revaluation differences - Demographic assumption			92	92
Revaluation differences - Financial assumptions	-2,758	-119	-4,147	-7,024
Revaluation differences - Past-experience effect	-1,891	-9	-1,605	-3,505
Changes recognised directly in equity that cannot be reclassified in income	**-4,649**	**-128**	**-5,661**	**-10,438**
Translation differences				**-27**
Changes in scope				
Other				**823**
Actuarial liabilities at the end of the year	**100,123**	**3,853**	**37,921**	**142,693**

(€'000)	Defined contributions pension plans			
	CAR BP supplementary pension	Supplementary pension and other plans	Other obligations	31/12/2013
Fair value of plan assets at start of the year	**27,528**	**1,340**	**13,783**	**42,651**
Interest income	825	20	371	1,216
Contributions received				
- from employers				
- from beneficiaries				
Benefits paid	-213	-292	-2,249	-2,754
- o/w amounts paid in respect of liquidation				
Other		341	0	341
- o/w actuarial differences on long-term benefits				
Changes recognised in profit or loss	**612**	**69**	**-1,878**	**-1,197**
Revaluation differences – return on plan assets	2,028	4	64	2,096
Changes recognised directly in equity that cannot be reclassified in income	**2,028**	**4**	**64**	**2,096**
Translation differences				
Changes in scope				
Other				
Fair value of plan assets at end of year	**30,168**	**1,413**	**11,969**	**43,550**

Revaluation differences on pension plans

Actuarial liabilities (€'000)	CAR BP supplementary pension	Supplementary pension and other plans	Retirement indemnities	2013
Cumulative revaluation differences at start of year	**19,860**	**625**	**-2,017**	**18,468**
Revaluation differences generated during the year	-4,649	-128	-5,661	-10,438
Cumulative revaluation differences at the end of the year	15,211	497	-7,677	8,031

Plan assets (€'000)	CAR BP supplementary pension	Supplementary pension and other plans	Retirement indemnities	2013
Cumulative revaluation differences at start of year	**1,318**	**26**	**649**	**1,993**
- *o/w actuarial differences*	1,318	26	586	1,930
- *o/w impact of asset ceiling*				
Revaluation differences generated during the year	2,028	4	64	2,096
Adjustments to asset ceiling				
Cumulative revaluation differences at the end of the year	**3,346**	**30**	**650**	**4,026**
- *o/w actuarial differences*	3,346	30	650	4,026
- *o/w effect of asset ceiling*				

Returns on plan assets are calculated by applying the same discount rate as the one applied to gross liabilities. The difference between the actual return at the balance sheet date and this financial income is a revaluation difference recorded for post-employment benefits in equity (other comprehensive income).

8.2.3 Actuarial expense under defined benefit plans

	Defined benefit pension plans		Other long-term benefits	
(€'000)	CAR BP supplementary pension	Supplementary pension and other plans	Other obligations	2013
Service costs			2,324	2,324
Past service cost				
Interest cost	3,193	101	1,243	4,537
Interest income	-825	-20	-371	-1,216
Benefits paid	-3,799	-87	-952	-4,838
Contributions received				
Revaluation differences on long-term benefits				
Other		-311	273	-38
Total expense for the period	**-1,431**	**-317**	**2,518**	**770**

8.2.4 Main actuarial assumptions

	CAR BP pension fund		Other obligations	
(as a %)	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Discount rate	3.00%	3.00%	2.80%	2.01%
Expected return on plan assets	4.60%	4.40%	2.44%	3.12%

The mortality tables used are:

- TF00/02 for retirement indemnities, long service awards and other benefits;
- TGH TGF 05 for the CAR BP and CGPCE supplementary pension funds.

The discount rate used is a “Euro corporate composite AA” rate.

8.2.5 Sensitivity of actuarial liabilities to changes in main assumptions and other information

At 31 December 2013, a 1% decrease in the discount rate would have had the following impact on actuarial liabilities:

- a 15.7% increase in respect of the CAR BP supplementary pension scheme, i.e. around €15,709,000.

A 1% increase in the discount rate would have had the following impact on actuarial liabilities:

- a decrease of 12.5% in respect of the CAR BP pension plan, i.e. around €12,508,000.

At 31 December 2013 a 1% drop in the inflation rate would have had the following impact on actuarial liabilities:

- a 10.9% decrease in respect of the CAR BP supplementary pension plan, i.e. around €10,941,000.

A 1% increase in the inflation rate would have had the following impact on actuarial liabilities:

- an increase of 15.7% in respect of the CAR BP pension plan, i.e. around €15,708,000.

Payment schedule - (non-discounted) benefits paid to beneficiaries

CAR BP plan	
(€’000)	23,659
Y+1 to Y+5	24,434
Y+6 to Y+10	24,181
Y+11 to Y15	22,665
Y+16 to Y20	66,127
>Y+20	

Breakdown of fair value of plan assets by significant plan

	Weight by category (as a %)	Fair value of assets Total (€’000)	Listed on an active market (as a %)	Not listed on an active market (as a %)
Cash	4.76%	1,437,029		
Equities	39.06%	11,783,640	100%	
Bonds	51.44%	15,519,916	100%	
Real estate				
Derivatives				
Investment funds	4.73%	1,427,650		4.73%
Asset-backed securities				
Structured debt securities				
Total		**30,168,235**		

8.3 Share-based payments

None.

Note 9
Segment reporting

9.1 Income statement segment information

BRED Banque Populaire's operations are organised into seven main divisions:

- Commercial banking France, which includes all the various activities developed for retail customers and large corporate and institutional customers in both banking and financial intermediation (capital management and trading for customers);
- International banking subsidiaries;
- International trade finance subsidiary;
- Trading Desk;
- Management of surplus stable funds;
- Working capital, which covers management of the portfolio of equity interests;
- Asset and liability management, which is responsible for managing the Bank's financial structure.

The breakdown has been adjusted relative to the previous year and the 2012 data has been restated accordingly.

	Commercial banking France		International banking subsidiaries		International trade finance subsidiary	
(€m)	2012	2013	2012	2013	2012	2013
Interest and similar income	371.9	387.8	42.4	38.0	4.8	3.4
Fee income	350.3	373.4	4.9	5.0	3.6	3.8
Net banking income	**722.1**	**761.2**	**47.2**	**43.0**	**8.4**	**7.2**
Operating expenses	-511.7	-515.1	-29.2	-32.5	-4.3	-4.2
Gross operating profit	**210.4**	**246.1**	**18.0**	**10.5**	**4.0**	**3.0**
Provisions	-65.0	-65.3	-10.0	-7.3	1.4	-14.4
Operating profit	**145.4**	**180.8**	**8.0**	**3.2**	**5.407**	**-11.408**
Gain or loss on non-current assets						
Share of profit (loss) of associates			9.7	11.3		
PROFIT ON ORDINARY ACTIVITIES	**145.4**	**180.8**	**17.7**	**14.5**	**5.4**	**-11.4**

	ALM		Trading Desk		Management of surplus stable funds		Working capital and other equity interests	
(€m)	2012	2013	2012	2013	2012	2013	2012	2013
Interest and similar income	-10.3	-3.5	73.9	65.9	15.4	36.7	44.1	43.9
Fee income			0.5	0.4				
Net banking income	**-10.3**	**-3.5**	**74.4**	**66.3**	**15.4**	**36.7**	**44.1**	**43.9**
Operating expenses	-1.0	-0.9	-32.0	-30.2	-3.1	-2.8	-3.9	-7.2
Gross operating profit	**-11.2**	**-4.4**	**42.3**	**36.1**	**12.3**	**33.9**	**40.2**	**36.7**
Provisions	0.0	0.0	-0.7	7.8	-0.7	0.0	0.0	-2.1
Operating profit	**-11.2**	**-4.4**	**41.6**	**43.9**	**11.6**	**33.9**	**40.2**	**34.6**
Gain or loss on non-current assets							-0.3	1.1
Share of profit (loss) of associates							8.1	10.1
PROFIT ON ORDINARY ACTIVITIES	**-11.2**	**-4.4**	**41.6**	**43.9**	**11.6**	**33.9**	**47.9**	**45.9**

Management data not comparable to accounting data.

9.2 Statement of financial position geographic segment information

The geographic analysis of segment loans and deposits is based on the location where business activities are accounted for.

Utilisation

	2012			2013					
(€m)	France	French overseas	Inter-national	France	French overseas	Inter-national	o/w Europe	o/w North America	o/w rest of world
Financial assets	20,148	24	780	19,271	14	782	772		10
Loans and advances to credit institutions	9,210	646	235	9,204	690	180	48		133
Loans and advances to customers	11,020	2,463	607	11,138	2,572	513	143		370
Accrual accounts and other assets	903	171	-505	2,149	-144	-519	-384		-135
Non-current assets	282	157	125	176	294	134	26		108
Total assets	**41,563**	**3,461**	**1,242**	**41,938**	**3,426**	**1,090**	**605**		**486**

Resources

	2012			2013					
(€m)	France	French overseas	Inter-national	France	French overseas	Inter-national	o/w Europe	o/w North America	o/w rest of world
Financial liabilities	1,769	,	1	2,543	,	1	,		1
Amounts due to credit institutions	9,516	646	623	8,224	642	427	497		-70
Amounts due to customers	17,358	2,546	447	18,689	2,692	470	,		471
Debt securities	3,368		116	2,290		114			114
Securities transactions and other liabilities	5,999	302	-82	6,972	219	-55	-77		22
Provisions, shareholders' equity and equivalent	3,251	271	135	2,785	309	132	61		72
Total liabilities	**41,261**	**3,765**	**1,240**	**41,503**	**3,862**	**1,089**	**481**		**610**

9.3 Income statement - geographic segment information

The geographic analysis of segment results is based on the location where business activities are accounted for.

Net banking income

(€m)	31/12/2013	31/12/2012
France	627	549
French overseas	264	280
Other European countries	19	23
North America		
Rest of world	44	51
Rest of world	955	903
Total	**955**	**903**

Note 10
Commitments

10.1 Financing and guarantee commitments

The amounts shown represent the nominal value of the commitments given and received.

Financing commitments

(€'000)	31/12/2013	31/12/2012
Financing commitments given		
credit institutions	932,177	1,535,073
customers	1,939,293	1,734,325
* Confirmed credit facilities	1,894,902	1,713,042
* Other commitments	44,391	21,283
Total financing commitments given	**2,871,470**	**3,269,398**
Financing commitments received		
credit institutions	5,171,754	2,778,448
customers	188,932	32,706
Total financing commitments received	**5,360,686**	**2,811,154**

Guarantee commitments

(€'000)	31/12/2013	31/12/2012
Guarantee commitments given		
credit institutions	223,779	110,566
customers	1,702,369	1,757,665
Other garantees given	6,107,907	4,414,210
Total guarantee commitments given	**8,034,055**	**6,282,441**
Guarantee commitments received		
credit institutions	2,027,948	1,927,013
customers	317,709	652,419
Other guarantees received	984	
Total guarantee commitments received	**2,346,641**	**2,579,432**

Guarantee commitments given include off-balance sheet commitments as well as financial instruments provided as collateral.

Financial instruments provided as collateral include in particular receivables allocated as collateral under refinancing arrangements. Detailed information about these instruments and the arrangements in question is provided in note 12.

Note 11

Related party transactions

Related parties are all companies consolidated by the Group, including associates consolidated using the equity method, BPCE, Natixis, the information technology centres and the Group's senior management.

11.1 Transactions with consolidated companies

Transactions carried out during the year and balances outstanding at year-end with fully consolidated Group companies are wholly eliminated on consolidation.

A list of fully consolidated subsidiaries is presented in the scope of consolidation section (see note 17).

Accordingly, the table below summarises inter-company transactions with:

- companies over which the Group exercises joint control (i.e. joint ventures consolidated under the proportional method) for the part not eliminated on consolidation;
- companies over which the Group exercises significant influence (i.e. associates consolidated using the equity method).

	31/12/2013			31/12/2012		
(€'000)	**Entities exercising joint control or significant influence**	**Joint ventures**	**Associates**	**Entities exercising joint control or significant influence**	**Joint ventures**	**Associates**
Loans and advances	331,844	4,720		541,017		70,107
Other financial assets	693,425	18,000	170,606	988,333	18,000	257,567
Other assets	25,115					
Total assets with related parties	**1,050,384**	**22,720**	**170,606**	**1,529,350**	**18,000**	**327,674**
Debt	651,725			1,425,999	7,455	3,200
Other financial liabilities	188,658			208,828		51,599
Other liabilities						
Total liabilities towards related parties	**840,383**			**1,634,827**	**7,455**	**54,799**
Interest and similar income	-16,886	28		-26,973		-1,027
Fees and commissions	100			790		34,843
Net gain or loss on financial transactions	4,284	512	7,484		512	11,473
Net income from other activities	239			11,187	348	
Total net banking income with related parties	**-12,263**	**540**	**7,484**	**-14,996**	**860**	**45,289**
Commitments given	450,000			603,627		
Commitments received	12,500			30,249		
Commitments in respect of forward financial instruments						
Total commitments involving related parties	**462,500**			**633,876**		

(1) At 31 December 2013, the data relating to Prépar-Vie and Prépar-IARD was no longer restated; the 2012 data relating to these companies is shown under associates and amounted to assets of €160,061,000, liabilities of €54,799,000 and net banking income of €40,791,000.

Note 12

Transferred financial assets, other financial assets pledged as collateral, and assets received as collateral that can be sold or repledged

12.1 Transferred financial assets not wholly derecognised and other financial assets pledged as collateral

	Outright securities lending	Repurchase agreements	Assets transferred or pledged as collateral	Securitisations		Total
(€'000)	Net carrying amount	Net carrying amount	Net carrying amount	Net carrying amount	Fair value	Net carrying amount
Financial assets pledged as collateral						
Trading securities		7,716,110	429,051			8,145,161
Derivatives						
Other financial assets						
Financial assets held for trading		**7,716,110**	**429,051**			**8,145,161**
Securities at fair value through profit or loss by option						
Other financial assets						
Financial assets designated at fair value through profit or loss by option						
Available for sale financial assets		507,587	5,381,149			5,888,736
Other financial assets						
Available for sale financial assets		**507,587**	**5,381,149**			**5,888,736**
Loans and receivables due from credit institutions						
Loans and receivables due from customers			726,758			726,758
Securities equivalent to loans and receivables due from credit institutions						
Securities equivalent to loans and receivables due from customers						
Loans and receivables			**726,758**			**726,758**
Treasury bills and similar securities						
Bonds and other fixed-income securities						
Assets held to maturity						
Total financial assets pledged		**8,223,697**	**6,536,958**			**14,760,655**
Of which transferred financial assets not wholly derecognised		*8,223,697*	*661,560*			*8,885,257*

(€'000)	Outright securities lending Net carrying amount	Repurchase agreements Net carrying amount	Assets transferred or pledged as collateral Net carrying amount	Securitisations Net carrying amount	Securitisations Fair value	TOTAL Net carrying amount
Related liabilities						
Trading securities		7,788,622				7,788,622
Derivatives						
Other financial assets						
Financial assets held for trading		**7,788,622**				**7,788,622**
Securities at fair value through profit or loss by option						
Other financial assets						
Financial assets at fair value through profit or loss by option						
Available for sale financial assets		507,587				507,587
Other financial assets						
Available for sale financial assets		**507,587**				**507,587**
Loans and receivables due from credit institutions						
Loans and receivables due from customers			661,560			661,560
Securities equivalent to loans and receivables due from credit institutions						
Securities equivalent to loans and receivables due from customers						
Loans and receivables			**661,560**			**661,560**
Treasury bills and similar securities						
Bonds and other fixed-income securities						
Assets held to maturity						
Total related liabilities of financial assets not wholly derecognised		**8,296,209**	**661,560**			**8,957,769**

12.1.1 Comments on transferred financial assets

Repurchase agreements and securities lending

The Group carries out repurchase agreements and securities lending transactions.

Under the terms of the said agreements, the security may be re-sold by the assignee during the term of the repurchase or securities lending agreement. The assignee must however return the security to the assignor on maturity of the transaction. The cash flows generated by the security also accrue to the assignor.

The Group considers that it retains virtually all the risks and benefits of securities sold under repurchase agreements or lent. Accordingly, it does not derecognise these securities. A financing amount is recognised under liabilities in respect of securities sold under repurchase agreements or securities lending agreements when such agreements are financed.

Transfers of receivables

The BRED group transfers receivables as security (Articles L. 211-38 or L. 313-23 *et seq*. of the French Monetary and Financial Code) under guaranteed refinancing operations, particularly with the central bank. This type of transfer for security involves the legal transfer of the associated contractual rights, and therefore the "transfer of assets" within the meaning of the amendment to IFRS 7. The Group nevertheless remains exposed to virtually all the risks and benefits, and as such the receivables are maintained on the balance sheet.

12.1.2 Financial assets pledged as collateral but not transferred

Financial assets provided as collateral but not transferred are generally given in guarantee as a pledge. The main mechanisms involved are SFEF (*Société de financement de l'économie française*), and securities pledged as collateral for ECB refinancing operations.

12.1.3 Financial assets received as collateral that can be sold or repledged

The Group did not recognise any material amounts in respect of assets received as security under financial guarantee agreements with the right to reuse the assets.

	Reusable financial instruments			
	Fair value of reusable financial instruments		Fair value of reused financial instruments	
(€'000)	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Fixed-income securities				
Variable-income securities				
Loans and advances				
Other				
Total financial assets received as collateral and which the Group is entitled to reuse				

12.2 Wholly derecognised financial assets for which the Group retains an ongoing commitment

None.

Note 13
Offsetting financial assets and financial liabilities

Financial instruments under offsetting agreements mainly comprise repurchase agreements and over-the-counter derivatives transactions.

13.1 Financial assets

Financial assets under netting agreements not offset in the balance sheet

	31/12/2013				31/12/2012			
(€'000)	Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets recognised in the balance sheet	Related financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives	583,036	174,451	233,218	175,367	494,407		240,831	253,576
Repurchase agreements	4,898,035	4,888,531		9,504	2,305,623	2,301,216		4,406
Other assets								
Total	**5,481,071**	**5,062,982**	**233,218**	**184,871**	**2,800,030**	**2,301,216**	**240,831**	**257,982**

13.2 Financial liabilities

Financial liabilities under netting agreements not offset in the balance sheet

	31/12/2013				31/12/2012			
(€'000)	Net amount of financial liabilities recognised in the balance sheet	Related financial assets and financial instruments given as collateral	Margin calls paid (cash collateral)	Net exposure	Net amount of financial liabilities recognised in the balance sheet	Related financial assets and financial instruments given as collateral	Margin calls paid (cash collateral)	Net exposure
Derivatives	1,163,811	174,451	842,045	147,315	1,398,840		1,313,302	85,538
Repurchase agreements	7,781,756	7,752,190	100	29,466	7,324,729	7,319,419	2	4,570
Other liabilities						738		
Total	**8,945,567**	**7,926,641**	**842,145**	**176,781**	**8,723,569**	**7,320,156**	**1,313,304**	**90,108**

Note 14

Fair value of financial assets and liabilities at amortised cost

For financial instruments not measured at fair value on the balance sheet, fair value calculations are provided for information purposes and must only be interpreted as estimates.

In most cases, the values indicated are not liable to be realised and could not generally be realised in practice.

These fair values are calculated solely for information purposes in the notes to the financial statements. They are not indicators used in overseeing commercial banking activities, for which the management model is based on collection of contractual cash flows.

The simplified assumptions used to measure the fair value of instruments at amortised cost are described in note 4.1.6

	31/12/2013				31/12/2012
(€'000)	Fair value	Price quoted in an active market (level 1)	Measurement techniques using observable data (level 2)	Measurement techniques using non-observable data (level 3)	Fair value
Financial assets at amortised cost					
Loans and receivables due from credit institutions	7,024,215		6,317,630	706,585	5,890,435
Loans and receivables due from customers	15,190,749		1,371,508	13,819,241	15,148,409
Held-to-maturity financial assets	1,019,826	1,019,826			1,045,993
Financial liabilities at amortised cost					
Amounts due to credit institutions	9,369,371		9,369,371		10,904,249
Amounts due to customers	21,851,915		17,365,026	4,486,889	20,359,598
Debt securities	2,399,767		2,399,767		3,478,679
Subordinated debt	455,940		455,940		487,294

Note 15

Sovereign risk

Several euro zone countries are facing economic difficulties and a crisis of confidence concerning their debt. Against this backdrop, in cooperation with the International Monetary Fund, the European Union has developed support mechanisms to aid Greece, Ireland, Portugal and Cyprus. Moreover, the risk premiums of other European countries including Spain, Hungary and Italy have increased significantly since 2011.

Sovereign debt of Italy, Portugal, Spain, Ireland and Greece

At 31 December 2013, BRED Banque Populaire held €772,443,000 of Italian sovereign debt, €225,484,000 of Spanish sovereign debt and €20,020,000 of Portuguese sovereign debt (gross values excluding accrued interest).

At 31 December 2013, no proven counterparty risk indicator warranted recognition of impairment on these securities.

The market value excluding accrued interest of these securities amounts to €820,264,000 for the Italian securities, €218,942,000 for the Spanish securities and €16,502,000 for the Portuguese securities.

Note 16
Statutory Auditors' fees

	TOTAL					KPMG					PWC				
	2013		2012		Var (%)	2013		2012		(%)	2013		2012		(%) change
(€'000)	Amount	%	Amount	%		Amount	%	Amount	%		Amount	%	Amount	%	
Audit															
Statutory audit & review of parent company and consolidated financial statements	**825**	**89.6**	**809**	**93.6**	**2.0**	**433**	**84.1**	**429**	**90.9**	**0.9**	**392**	**96.6**	**380**	**96.9**	**3.2**
- Issuer	388		378			194		189			194		189		
- Fully consolidated subsidiaries	437		431			239		240			198		191		
Other audit procedures and assignments linked directly to the statutory audit	**96**	**10.4**	**55**	**6.4**	**74.5**	**82**	**15.9**	**43**	**9.1**	**90.7**	**14**	**3.4**	**12**	**3.1**	**-**
- Issuer	26		24			12		12			14		12		
- Fully consolidated subsidiaries	70		31			70		31							
Sub-total	*921*	*100*	*864*	*100*	*6.6*	*515*	*100*	*472*	*100*	*9.1*	*406*	*100*	*392*	*100*	*3.6*
Services provided by the audit network to fully consolidated subsidiaries															
- Legal, tax, labour															
- Other															
Sub-total															
Total	**921**	**100**	**864**	**100**	**6.6**	**515**	**100**	**472**	**100**	**9.1**	**406**	**100**	**392**	**100**	**3.6**

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2013

To the cooperative shareholders of BRED Banque Populaire
18, quai de la Rapée
75012 Paris

Ladies and gentlemen,

In fulfilment of the assignment entrusted to us by your General Meeting, we hereby submit our report relating to the year ended 31 December 2013, on:

- the audit of the consolidated financial statements of Bred Banque Populaire, as appended to this report;
- the basis for our opinion;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with French professional standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis or using other methods of selection, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements, as well as evaluating their overall presentation. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements are free from material misstatement and give a true and fair view of the assets and liabilities and of the financial position of the Group formed by the companies and other entities included within the consolidation scope, and of the results of its operations, in accordance with IFRS as adopted by the European Union.

Without calling into question the opinion expressed above, we draw your attention to note 2 – "Applicable accounting standards and comparability" of the notes to the financial statements, which describes the changes in accounting methods arising from application of the new standards and interpretations applied with effect from 1 January 2013.

II. Basis for our opinion

In accordance with the requirements of Article L.823-9 of the French Commercial Code relating to the basis for our opinion, we bring to your attention the following matters:

Accounting estimates

Provisions for credit risk

As stated in notes 4.1.7 and 5.6 to the consolidated financial statements, your Group records impairment provisions and other provisions to cover the credit risks associated with its operations. In the course of our assessment of significant estimates used to prepare the financial statements, we examined the control systems applicable to the monitoring of credit and counterparty risk, the assessment of the risk of non-recovery, and the determination of individual and collective impairment provisions and other provisions to cover these risks.

Impairment provisions for available for sale financial assets

Your Group records impairment provisions for available for sale financial assets (see notes 4.1.7 and 5.4 to the consolidated financial statements):

- for equity instruments when there is objective evidence of a significant or prolonged decline in their value;
- for debt instruments when there is a known counterparty risk.

We examined the control systems applicable to the identification of indications of impairment losses, the valuation of the most important lines, and the estimates that, where applicable, resulted in impairment provisions being recognised.

Valuation of other financial instruments and related impairment provisions

The Group holds positions on securities and other financial instruments. Notes 4.1.2, 4.1.3, 4.1.5 and 4.1.6 to the consolidated financial statements set out the rules and accounting methods relating to securities and financial instruments. We examined the control systems applicable to the accounting classification for these positions and the determination of the criteria used for their valuation. We examined the appropriateness of the accounting methods used by the Group and the information contained in the notes, and we also checked that they had been correctly applied.

Provisions for employee benefit obligations

The Group records provisions to cover its employee benefit obligations. We examined the methods used for the valuation of these obligations as well as the assumptions and parameters used, and also verified the appropriateness of the information contained in notes 4.10 and 8.2 to the financial statements.

Provisions for home savings products

Your Group recognises provisions to cover the risk of potentially adverse consequences of commitments linked to home savings accounts and plans. We examined the methods used to determine these provisions and checked that notes 4.5 and 5.21 to the consolidated financial statements provide the relevant information.

As part of our assessment, we verified the reasonable nature of these estimates.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. Specific verification

As provided for by law, and in accordance with French professional standards, we also specifically verified the information about the Group contained in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine,
25 April 2014

The Statutory Auditors

KPMG Audit
A division of KPMG SA
1, cours Valmy
92923 Paris La Défense Cedex

Marie-Christine Jolys, Associée

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Agnès Hussherr, Associée
Nicolas Montillot, Associé

Risk manag

“Apart from collective provisions, the cost of risk increase is contained within €+3.5m (+4,5%), to reach €80.9m in 2013. Besides, the collective provisions, until benefited from a €21.4m reversal, stayed within a stable level the year over.”

Stéphane Mangiavaca

Chief Risk Officer

Risk management

Bred group compliance and risk management and control

Some of the information presented in this chapter is mandatory under IFRS 7 and is thus covered by the opinions of the Statutory Auditors on the consolidated financial statements. This information is flagged by the statement "Information provided under IFRS 7".

1 Credit risk

1.1 Credit risk management principles

"Information provided under IFRS 7"

BRED Banque Populaire's credit risk management is based on the strict independence of the Commitments Department from the commercial business lines. The Commitments Department is involved in the decision-making process and subsequent monitoring of commitments. It has officers in the regional operational departments who, in addition to making the credit decisions, are responsible for disseminating the credit policy guidelines and best practices so as to ensure efficient risk management.

The Credit Risk Department reports to the Risk Department, which in turn reports directly to General Management.

The Credit Risk Department, which is totally independent from the commercial business lines and from the Commitments Department, is responsible for second level permanent control of credit risk.

Management of credit risk is based essentially on:

- a system of delegation of powers to specific persons, reviewed annually by the Commitments Department and Credit Risk Department;
- an internal rating system that is highly integrated into the decision-making process;
- division of risk criteria;
- continuous monitoring of commitments, using an automated system for controlling positions, past dues for credits repaid in instalments, and monitoring of accounts presenting an anomaly;
- a robust system for detection and prevention of customer risk, for retail, professional and corporate customers, by the provision of risk management tools to the network staff and their managers;
- permanent control by the Commitments Department through delegated risk officers at regional management level.

The Commitments Department and the Credit Risk Department regularly organise training for staff. New recruits and network staff receive general training concerning the internal credit risk management and control system as part of their job training or as part of the 'Superbank' career plan. The delegated risk officers also provide local training at regional management level. The Credit Risk Department is involved in particular in the area of the Basel II internal rating system.

Two key principles govern the decision-making process:

- prior approval is required for all credit transactions,
- delegation of the analysis and approval of loan requests to the most appropriate level of the organisation: either the business line, the Commitments Department, or, in the case of significant commitments, the Credit Committee.

Lending powers are expressed in terms of "nominal and residual risk" determined for each market, with certain restrictions on the exercise of these powers. For the largest commitments, decisions must be taken by at least two people. When they exceed €5 million, the Commitments Department must submit such requests to the Credit Committee and a counter analysis is performed by the Credit Risk Department. During 2013, the Credit Committee's scope was extended to the largest commitments entered into by the subsidiaries while at the same time the committee formerly dedicated to this activity was dissolved.

Decision-making is carried out in compliance with unitary ceilings, whose amounts are set based on customers' size and credit quality, as expressed in an internal rating. The Credit Committee is the only body empowered to authorise commitments that exceed the unitary ceilings, on a temporary or a long-term basis.

Debt collection from customers is the responsibility of two departments: one that is responsible for amicable debt collection and involved at the first level and a second department responsible for collecting debts through legal proceedings, and for monitoring insolvency proceedings. Collection of large debts from corporate and professional customers is the responsibility of the Commitments Department's Special Business section.

The Commitments Department centralises the creation of provisions for doubtful and disputed debts and monitors any changes. Monitoring is in particular performed through a monthly Provisioning Committee meeting attended by the Credit Risk Department.

Loan pricing principles are defined by the Asset/Liability Pricing Committee. Meetings are prepared by the Finance Department, which also acts as secretary. The Risk Department, the Markets and Marketing Department and the Networks management departments are represented on the committee, which bases its decisions on market data (rates applied by competitors and market shares) and profitability analyses produced by the Finance Department, as well as information from the Risk Department on the forecast cost of risk. Operators can request pricing derogations according to a structure of delegations defined by the Asset/Liability Pricing Committee, rising hierarchically within the Networks management departments and, in the case of the largest derogations, rising to the level of the Finance Department.

1.2 Measurement and monitoring of credit risk

"Information provided under IFRS 7"

Internal rating system

The Credit Risk Department oversees the roll-out at the BRED group level of the internal rating system developed by Groupe BPCE. As well as the rating of counterparties (assessment of probability of default) and contracts (estimated losses on default), the system comprises standards for segmentation, identifying incidents, clustering, etc. The internal rating model is validated by the banking regulator within the context of Groupe BPCE. It is highly integrated into the decision-making process as regards decision-making powers, the daily processing of transactions and the division-of-risk matrices.

The Credit Risk Department regularly monitors the breakdown of exposures by rating and the stock of counterparties to be rated. It is responsible for supervising and analysing the overall rating process (data quality, exhaustiveness of ratings, support and training for network staff).

In particular, the Credit Risk Department's internal rating monitoring team is involved in putting in place the Basel II project. It acts as the relay within the BRED group for the regulatory watch carried out by Groupe BPCE, both with regard to rating and credit risk management standards and methods.

In 2013, the monitoring team focused on priority actions such as preparing the IRBA Corporate approval file, overhauling the groups database, integration into the Groupe BPCE counterparties database, the gathering of balance sheets for internal rating purposes, and monitoring indicators. Similarly, for changes in the internal rating system, the Credit Risk Department is responsible for coordinating the change at the commercial entities, including by providing training. The Credit Risk Department informs the various commercial entities (network, business centres, wholesale banking, etc.) regularly, by sending them a rating monitoring chart.

The Credit Risk Department is also responsible for drawing up, every quarter, the list of corporate counterparties for which closer vigilance is required. This watch list is drawn up based on rating criteria and commitments. The performing watch list contains counterparties with high credit risk but for which no credit event has been recorded. Under Basel rules this means a deteriorated rating but not default. The non-performing watch list contains counterparties with proven risk of insolvency and in default under Basel rules. The watch list is reviewed at the quarterly Risk Committee meetings chaired by the Chief Executive Officer.

Monitoring tools

The commercial entities have software tools that enable the staff, as part of first level control, to check compliance with the allocated limits on a daily basis.

The sales departments use a software application, Papillon, for processing loan applications. This application integrates the commitment powers of employees based on the limits set for each employee in terms of amount, rating, customer type, etc.

In addition to these permanent controls, a software application is used to detect functional irregularities for which corrective measures must be taken under the responsibility of the line managers and under the supervision of the Commitments Department and the Credit Risk Department.

At the same time, a risk steering software application (OPIRIS) enables the commercial staff and their managers to regularly measure the quality and monitoring of commitments with retail, professional and corporate customers.

Reporting to and information for executive and deciding bodies

The Credit Risk Department reports regularly to various bodies. Reports are generally drawn up on a quarterly basis (statement of large risks, corporate dashboard, watch list, etc.), with some half-yearly reports (LBO report and country risk report) and some annual reports, such as the ACPR annual survey. The reports are addressed to internal committees: the Audit Committee, Board of Directors, Control Functions Coordination Committee and the Risk Committee. The Credit Risk Department also draws up and presents a summary report, based on reports and analyses received from the subsidiaries, on the type and quality of commitments and changes therein to the Subsidiaries Control Function Coordination Committee.

The Credit Risk Department also carries out work for

Groupe BPCE, particularly as part of regulatory reporting.

As well as these reports, risk studies are carried out from time to time for presentation to General Management.

1.3 Permanent control of credit risk

"Information provided under IFRS 7"

First level control

As well as the controls performed by operational line managers, the delegated risk officers perform first level controls under the supervision of the Commitments Department. In addition to their decision-making role on financing requests from the commercial structures, they monitor the proper functioning of accounts and compliance with commitments.

On a daily basis, they are responsible for approving account transactions resulting in breaches of the authorised limits. They are also responsible for monitoring any irregular functioning of accounts and for contacting sales staff and their line managers to ensure that corrective action is taken.

The delegated risk officers also monitor customers' compliance with the repayment schedules for the loans taken out.

Lastly the delegated risk officers are involved as appraisers in the expert rating process for professional customers.

Second level control

Each year, the Credit Risk Department draws up an annual control plan containing all the controls to be performed at Group level, in collaboration with the subsidiaries for the controls concerning them. In this way the Credit Risk Department coordinates actions in the areas of themed control and methodological control, which are then relayed if appropriate by the second level permanent control staff within the subsidiaries.

Second-level permanent control performed by the Credit Risk Department is based primarily on:

- Ex-post control of credit decisions for all loans falling within the remit of the Commitments Department and the commercial business line.
- Ex-ante control of credit decisions on loan applications from professional and corporate customers that have been exempted from the criteria defined in the lending policy.
- Ex-ante counter-analysis of loans presented to the Credit Committees. This counter-analysis covers in particular the economic and financial situation, the level of indebtedness after the transaction under consideration, the guarantees, clustering, compliance with risk spreading rules, compliance with capital requirements and the rating.
- Validation of the internal corporate customer rating and of the expert rating of professional customers.
- Regular monitoring of irregular functioning of accounts and of proper implementation of the corrective action announced.
- Supervision and analysis of the overall rating procedure (data quality, exhaustiveness of the ratings, etc.).
- Supervision of clustering of counterparties, particularly where these are formal or informal groups.
- As part of one-off controls or audit assignments, the Credit Risk Department's control officers mandatorily verify compliance with powers and delegations.
- Performing control assignments at the network commercial entities and head office departments. Each assignment gives rise to a report containing recommendations and guidance and an assignment follow-up. Themed assignments may also be carried out.

With regard to controlling subsidiaries' credit risk, in collaboration with the subsidiaries' permanent control departments and in accordance with the BRED group's permanent control charter, the Credit Risk Department performs, in particular:

- direct or indirect ex-post control of credit decisions;
- a counter-analysis of loan applications whose size requires either the parent company's opinion or decision through the Groupe BPCE Credit Committee.

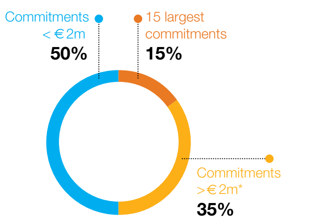
1.4 Credit risk exposure

Overview

"Information provided under IFRS 7"

At end-2013, customer loans and advances amounted to €12.4 billion. Note that the scope of the data below concerns solely loans granted and securitised by BRED.

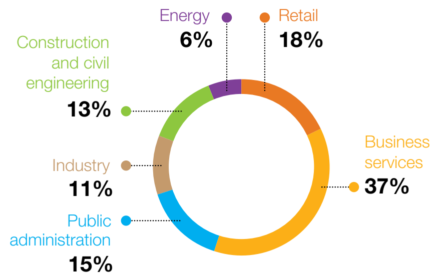
Breakdown of loans and advances by size (1)



(1) As a percentage of total outstandings at a given date, i.e. €12.4 billion at 31 December 2013.

** Excluding 15 largest commitments.*

Breakdown of loans and advances over €2 million by economic sector



Commitments with an authorisation equal to or exceeding €2 million.

Risk concentration remained stable in 2013. The 15 largest commitments represented 15% of the portfolio, virtually unchanged relative to 2012. The proportion of commitments in excess of €2 million rose from 33% to 35%.

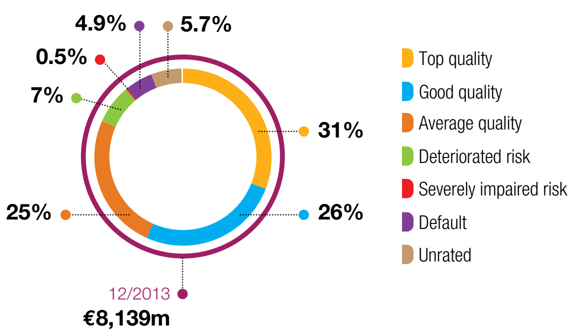
The breakdown of loans and advances by economic sector changed somewhat in 2013 due to a reorganisation of allocations during the year, in favour of public administrations in particular.

Loans and advances to the business services sector continued to predominate, accounting for 39% of commitments. Loans and advances to the industrial and retailing sectors remained stable overall.

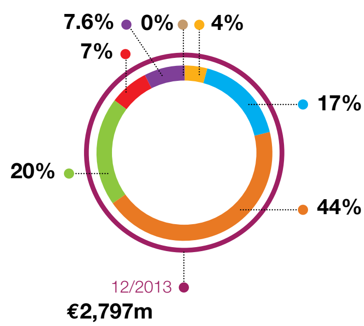
Breakdown of commitments by internal rating

"Information provided under IFRS 7"

Corporate commitments



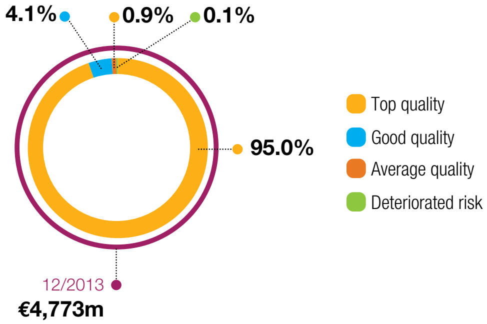
Professional commitments



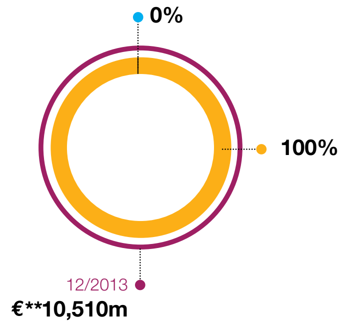
Lending to the Corporate segment contracted slightly in 2013. Top quality commitments increased slightly but so did defaults. The percentage of unrated commitments dropped significantly.

2013 featured a relative increase in outstanding loans and a transfer from good quality to average quality, due to the upgrading of the rating model (NIR v11).

Interbank commitments



Sovereign commitments

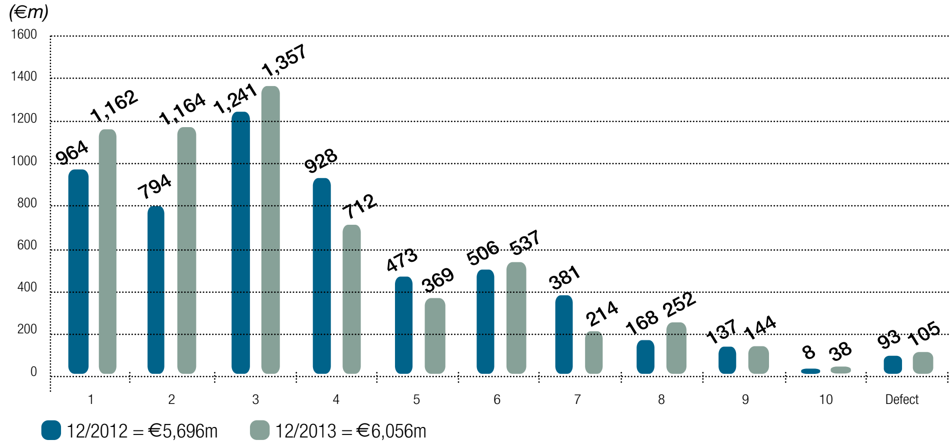


Commitments decreased strongly, down by €2 billion, with a slight dip in rating quality but still very good.

The quality of commitments remained unchanged in 2013 but outstanding loans and advances decreased by 8%.

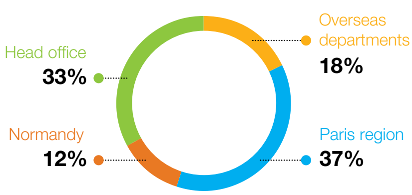
Quality of retail sector commitments

(€m)



Commitments to retail customers increased sharply in 2013 thanks to new home loans in the last few months of the year. Top quality commitments (ratings 1 and 2) increased and defaults also increased slightly.

Geographic breakdown of commitments at 31 December 2013



The breakdown of commitments by geographic location of loan approval remained stable relative to the previous year.

Back-testing of BRED ratings

BRED has its own rating scales for home loans and consumer loans, which are used for securitisation operations.

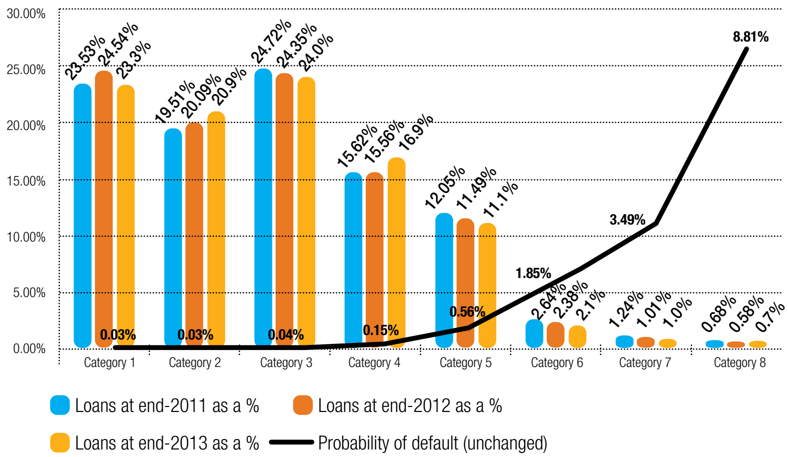
The two rating scales are particularly effective in concentrating a large proportion of the overall risk into a few categories presenting the highest risks, bearing in mind that these represent only a small portion of total outstanding loans.

In the case of home loans, categories 6, 7 and 8 accounted for 43.51% of defaults in 2013 and represented 3.97% of total loans and advances outstanding at 31 December 2013, compared with 3.77% at 31 December 2012.

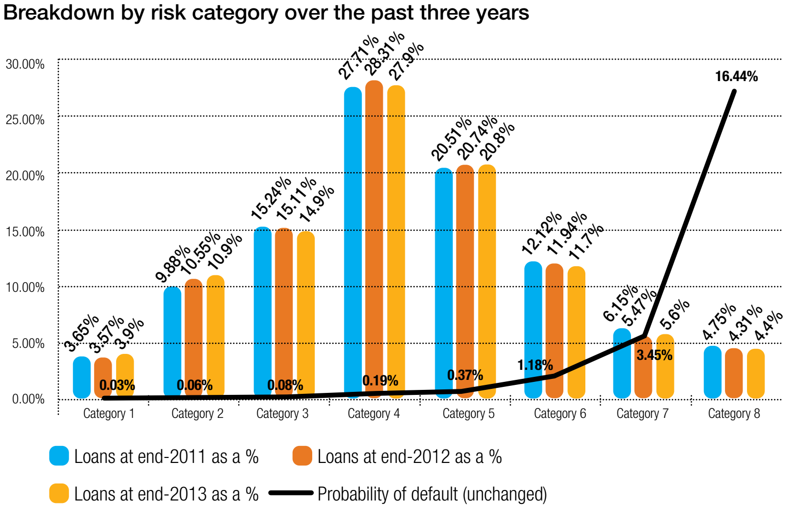
At 31 December 2013, the theoretical probability of default rate and the actual rate observed for the five least risky categories were very close for both rating models. As foreseen, the default rate was very low.

Also as expected, the default rate was significantly higher for the riskier categories, but the volumes concerned are significantly smaller.

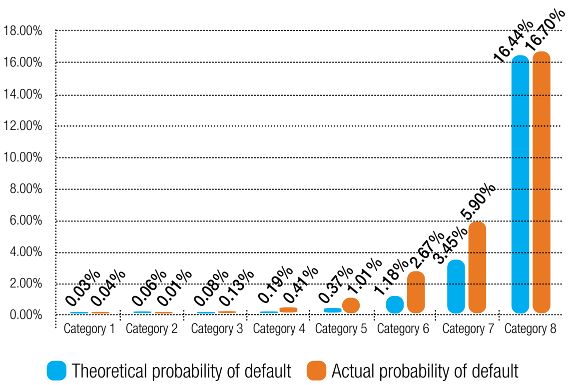
Home loans excluding Casden
Breakdown by risk category over the past three years



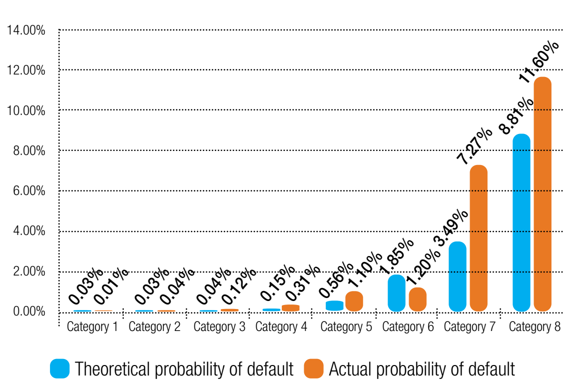
Consumer loans excluding Casden
Breakdown by risk category over the past three years



Consumer loans excluding Casden
Back-testing at end-December 2013
Forecast at end-December 2012, defaults in 2013



Home loans excluding Casden
Back-testing at end-December 2013
Forecast at end-December 2012, defaults in 2013



Analysis of loans and advances reclassified as non-performing in 2013

The amount of loans and advances reclassified as doubtful or non-performing totalled €278.5 million, representing 2.03% of total outstanding loans at end-2013, with 1.05% for the retail segment, 4.41% for the professional segment and 2.39% for the corporate segment.

The increase in loans and advances reclassified as doubtful or non-performing concerned in particular BIC BRED as the result of credit events.

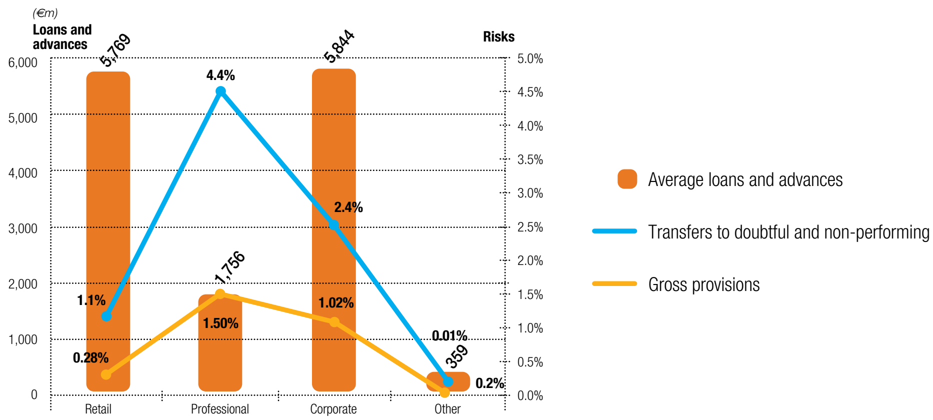
Outstanding doubtful and non-performing loans and advances increased by on average €122 million over the year.

After falling steadily over the past few years, the overall provisioning rate for loans and advances reclassified as doubtful or non-performing increased to 36.8% compared with 28.4% in 2012 and 33.0% in 2011, with a sharp increase for the corporate segment.

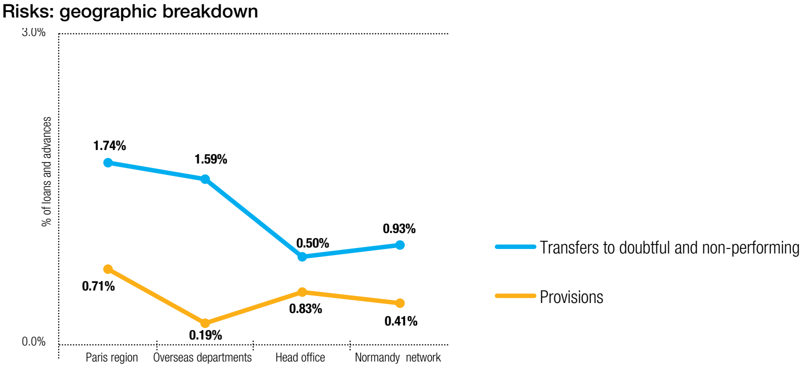
(€m)	Loans and advances[1]	Transfers to doubtful and non-performing	As a % of loans and advances	Provisioning rate of transfers to doubtful and non-performing	Total doubtful and non-performing loans	Provisions for doubtful and non-performing loans
Retail	5,769	60.9	1.05 %	27.0 %	173.6	83.1
Professionals	1,756	77.4	4.41 %	34.1 %	355.4	231.3
Corporate	5,844	139.7	2.39 %	42.7 %	373.5	224.3
Other	359	0.5	0.15 %	3.8 %	4.1	2.3
Total	**13,728**	**278.5**	**2.03 %**	**36.8 %**	**906.7**	**541.0**

(1) Annual average loans and advances (excluding spot credits and foreign currency loans and including subsidiaries). Excluding securitised debt and structured capital markets (SCM).

Risks: breakdown by customer segment



Risks: geographic breakdown

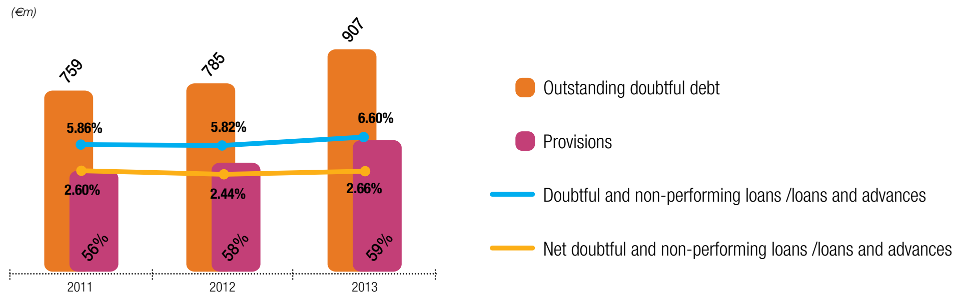


Provisions for credit risk at 31 December 2013

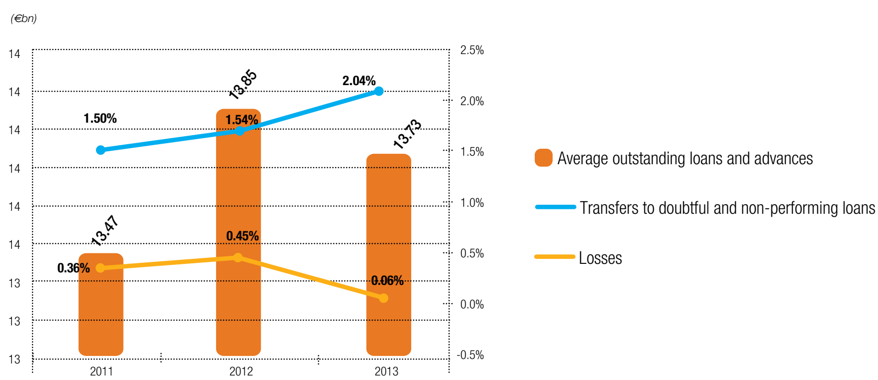
	BRED BP		Subsidiaries		BRED group	
(€m)	2013	2012	2013	2012	2013	2012
Gross provisions for commitments	-95.0	-77.2				
Net provisions written back	+36.9	+28.9				
Gains and losses on receivables	-1.5	-4.0				
Other	-4.4	-13.3				
Cost of risk on commercial loans and advances	**-64.0**	**-65.5**	**-23.2**	**-7.9**	**-87.1**	**-73.4**
Provisions for claims and other transactions	+7.8	+18.1	-2.1	-0.7	+5.7	+17.4
Cost of risk	**-56.2**	**-47.4**	**-25.2**	**-8.6**	**-81.3**	**-56.0**

The cost of risk came to €81.3 million in 2013. Commercial banking cost of risk increased by more than €13 million reflecting a rise in doubtful debts, in particular at the BIC BRED subsidiary.

Change in outstanding doubtful and non-performing loans and advances and in provisions



Change in transfers to doubtful and non-performing loans



2 Market risk

2.1 Market risk management principles

"Information provided under IFRS 7"

General organisation

BRED's main market risks are linked to the activities of the Trading Desk and the Finance Department.

In 2013, the Trading Desk continued the reorganisation process begun in 2010 and designed to place greater emphasis on services for customers while refocusing on simpler instruments, by:

- building up the deposit services activity for institutional investment customers;
- strengthening the distribution capacity;
- developing securities borrowing/lending activities with short- and medium-term investors;
- providing network customers with easy and controlled access to the financial instruments they need;
- developing the market-making desks.

As had been planned the previous year, in 2013 the Financial Management Department was split into an Asset/Liability Management Department, responsible for managing BRED's assets and liabilities and those of its subsidiaries as part of consolidated asset liability management (see section 3), and a Management of Surplus Working Capital Department responsible for managing Surplus Working Capital Department.

The Management of Surplus Working Capital Department is responsible for:

- Reinvesting Surplus Working Capital in a portfolio of assets with the intention of holding them over the medium to long term. The portfolio's investment objective is to benefit from recurring revenues and capital appreciation.
- Managing a trading portfolio covering financial transactions designed to optimise the Bank's earnings and which meet certain liquidity criteria and can be monitored through VaR. Given BRED's strategic orientations, the Department's use of this sub-division is limited.

NJR, which is supervised by the Management of Surplus Working Capital Department, is a structure for investing in securitised assets and real estate, and for refinancing. It can carry up to €1 billion of top quality securitisations eligible for central bank refinancing.

The Modelling Department is responsible in particular for:

- producing risk measurement data,
- designing and managing risk valuation models;
- checking the market parameters used;
- daily calculation of compliance with limits;
- reporting on market risks and performance, and developing monitoring tools.

The Market Risk Department:

- identifies and maps market risks;
- supervises the definition of market risk measurement methods and standards;
- validates, at both the functional and theoretical levels, the risk valuation models and methods proposed by the Modelling Department;
- draws up a proposed framework for supervising market risks;
- performs second level controls on the quality of risk data and results;
- monitors risk indicators, particularly relative to the limits set, and ensures that breaches are rectified;
- performs ex-post controls of the proper application of the decisions issued by the relevant market risk committees;
- produces summary reports (regular reports to the executive and deciding bodies);
- acts to heighten staff awareness of market risks and takes part in risk training.

The Daily P&L Control unit set up within the Risk Department in 2012 is responsible for second level control of production of the Trading Desk's daily profit and loss accounts.

The Financial Audit Department is responsible for verifying compliance with accounting rules and control principles.

The Compliance Department is responsible in particular for ethics and prevention of financial crime.

A special department is responsible for controlling investment services and financial ethics.

Operational management is carried out in a framework of risk mandates for traders, namely a pre-defined set of limits and authorised products. The Audit Committee and the Board of Directors review the trading limits and examine any asset and liability breaches.

Several committees are involved in defining the risk management framework for market activities:

- The Financial Strategy Committee, which sets the general guidelines for BRED's financial strategy.
- The Financial Markets Committee, which monitors market activities and risk exposure on a regular basis. It has particular responsibility for setting market limits and authorising new products and activities.

- The Credit Committee, which sets the credit and counterparty risk limits for transactions with all third parties when these are not covered by the division limits.
- The Market Activities Accounting Committee, which deals with accounting issues.
- The Market Activities Change Management Committee, which reviews new products and possible IT developments.

Recording transactions

The Back Office is responsible for controlling and validating transactions. Any trade carried out by a market trader is immediately imported into the Back Office information system (KTP).

The Back Office operators are then responsible for:

- validating the trade through the counterparty and/or broker confirmation;
- all the post-trade operations (settlement, delivery, matching of contracts or SWIFT messages depending on the product).

The audit trail in the KTP system provides for each event (creation, change, deletion): the date of the action, the identifier, the type of change, cancellation or input, and the author of the changes.

Front Office operators cannot change or cancel any transaction in the Back Office systems.

Compensation

In accordance with the latest regulatory requirements, BRED's Board of Directors determines, based on proposals by General Management and after examination by the Compensation Committee, the principles governing variable compensation paid to employees performing activities that could have an impact on the Bank's risk profile, particularly market traders.

These principles are designed to ensure that such employees and the Bank have the same interests with regard to risk management.

2.2 Measurement and monitoring of market risk

"Information provided under IFRS 7"

Overall market risk is measured using a variety of indicators as described below.

Synthetic value at risk (VaR) indicators make it possible to calculate maximum potential losses for each activity for a given confidence interval (e.g. 99%) over a given horizon (e.g. one day, ten days). These indicators are calculated and monitored on a daily basis for all BRED's trading activities.

Two VaR indicators are calculated based on a parametric variance-covariance model applying a 99% probability for a ten-day time horizon:

- one where past market fluctuations are measured by reference to the recent past, i.e. around one month (the JP Morgan method);
- the other where past market fluctuations are smoothed more and measured over a one-year period (Basel Committee method).

A third VaR indicator is based on a historical model using extreme scenarios derived from a reference observation period. Since 2003, a historical VaR based on a two-year period of observation has supplemented the historical VaR over one year.

The calculation of capital requirements thus generated also provides a synthetic measure of overall risk and of each type of risk.

Stress testing consists of measuring potential losses for the portfolios in extreme market conditions. Two types of stress tests are calculated: historical stress tests based on past market events and hypothetical stress tests based on scenarios drawn up by market experts.

The table below shows other, more analytical indicators produced by the scenario-based method used since 1993, which measures potential losses calculated by reference to normative or extreme fluctuations in key market conditions without integrating any specific assumptions as to correlation:

Risk scenario	Assumptions used
Currency risk	Risk measured by reference to the scenario in the standard CAD method, namely with a variation of 4% for correlated currencies and 8% for uncorrelated currencies.
Interest-rate risk: - Directional risk	Scenario based on an unfavourable 1% rate shift for all currencies and maturities (not taking into account correlation between markets, except for European currencies other than the euro, where compensating factors of 50% were applied).
- Deformation risk	Scenario based on a change in rates for all currencies in the context of a deformation of the yield curve (±0.08% at 1 month, ±0.55% at 2 years, ±1.18% at 5 years, ±2.00% at 10 years and ±2.44% at 30 years).
- Monetary crisis risk	Scenario based on a shift in rates for all currencies in the context of a rise in short rates (+6% overnight, +4% at 1 month, +3% at 3 months, +0.75% at 1 year and +0.25% at 3 years).
Specific risk on trading portfolio in a stress scenario	Change in issuer spreads according to a scenario with three levels of standard deviation: + 0.14% to 1.52% for sovereign issuers, + 0.34% to 6.54% for emerging sovereign issuers, +0.33% to + 1.52% for interbank issuers, +1.37% to 2.21% for corporate issuers.
Stock-market risk	Scenario based on a 15% fluctuation affecting cash, index and equity derivative positions.

Lastly, operating indicators are used to oversee the activity, at global level and/or by desk: size, nominal, sensitivity, loss alert, diversification indicators, etc.

These indicators are calculated on a daily basis using a software application developed in-house by the Modelling Department. This application also calculates the consumption of allocated limits daily.

In addition, counterparty risk measurement software – also developed in-house by the Modelling Department – is used to measure credit and counterparty risk on an individual basis and an aggregate basis by group of counterparties. Monitoring covers solvency risk as well as the risk of loss of market value linked to changes in issuers' spreads. The tool also monitors consumption of allocated credit limits on a daily basis.

At the Groupe BPCE level, BRED is monitored within the overall framework for monitoring the Banques Populaires and Caisses d'Epargne. Groupe BPCE calculates VaR for BRED's trading activities on a daily basis and performs stress tests.

A warning system for unusual transactions was put in place in 2012. This system identifies for each desk any unusual transactions in terms of amount or characteristics based on the desk's trading history.

A number of exposure and profit and loss monitoring reports are prepared and provided to the executive and deciding bodies and to Groupe BPCE on a weekly or monthly basis. Data on consumption of limits is provided to General Management on a daily basis.

Any breach of limits is reported to General Management on a weekly basis. Financial risk reports are presented regularly to the Board of Directors and to the Audit Committee.

2.3 Permanent control of market risk

"Information provided under IFRS 7"

The first-level of control concerns the operating staff at the trading desk and their line managers, who are responsible for constantly adapting their organisations and procedures so as to comply with internal control standards and for permanent monitoring of compliance with the pre-defined limits allocated to them. BRED strengthened the Trading Desk's first-level control system in 2012 by recruiting a first-level control officer. The Front Office managers calculate and perform first-level controls of the daily P&L accounts.

At Back Office level, first-level controls include:

- Daily reconciliation of positions performed automatically between the FO and BO software applications and validation of transactions as effected based on supporting documents.
- Various monthly reconciliations of flows between the FO and BO systems to verify that the flows calculated in the FO system match those actually paid or received.

The Control Department ensures control by regularly reconciling the Front Office business data with the Back Office accounting data. The Daily P&L Control unit, attached to the Risk Department, also performs an ongoing control of the daily profit and loss of the trading portfolio.

The Market Risk Department monitors consumption of and compliance with limits. It verifies compliance with the risk mandates, particularly with regard to the products authorised per desk and the appropriateness of their strategies. It also validates the calculation and valuation methods and indicators developed by the Modelling Department.

The Financial Audit function is responsible for controlling the accounting risks associated with market transactions.

Permanent control staff, who had strong functional links to the Market Risk Department up to the end of 2013 and have reported directly to the that department since that date, control Back Office procedures and report any operational and technical risk linked to the Back Office processing, confirmation and validation chain. They report the control results to the Risk Department, Financial Audit and the Investment Services Compliance Department.

The Compliance Department ensures compliance with prevention of money laundering and terrorist financing procedures. When necessary, it verifies new business relationships, ex-post using a simplified procedure or beforehand in the case of cases considered sensitive.

2.4 Exposure to market risk

Capital requirements

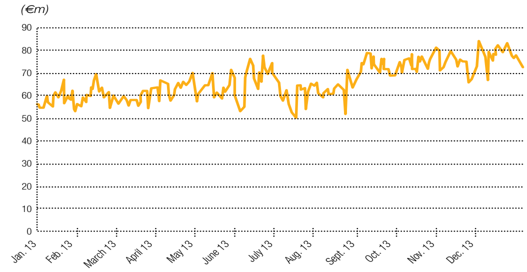
The calculation of capital requirements for the capital adequacy ratio is used to provide a synthetic measure of overall risk and of each type of risk.

Capital requirements

(€m)	31/12/2012	31/12/2013
Interest rate and foreign-exchange risk	39	47
Ownership, commodities and gold risk	14	20
Options risk	15	11
Total market risk	**68**	**79**
Counterparty risk linked to market risk	40	38

At 31 December 2013, based on Mc Donough standards (Basel II), BRED's capital requirement in respect of market risk amounted to €79 million and the requirement in respect of counterparty risk amounted to €38 million.

Capital requirements in respect of market risk



Scope: Finance Department, NJR and Trading Desk

Risk scenarios

"Information provided under IFRS 7"

Changes in the impact on the Trading Desk of the risk scenarios defined below:

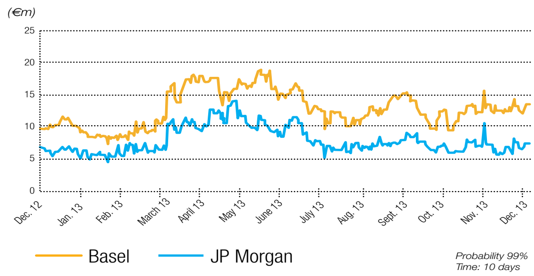
Risk scenario (€m)	Impact at 31/12/2012	Impact at 31/12/2013
Foreign-exchange risk	4.3	5.0
Interest rate risk		
Directional risk	2.5	14.6
Deformation risk	6.4	19.4
Monetary crisis risk	2.8	9.4
Issuer risk in a stress scenario	42.8	59.3
Stock-market risk	8.5	18.2

Trading Desk VaR

"Information provided under IFRS 7"

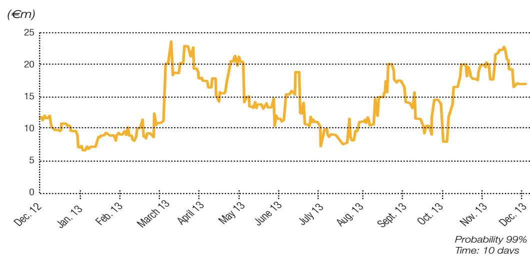
The various results obtained with parametric VaR models range between €4.5 million and €20 million.

Parametric VaR



With the historical model, VaR fluctuated between €6.2 million and €23.7 million in 2013.

Two-year historical VaR



Issuer risk on market activities

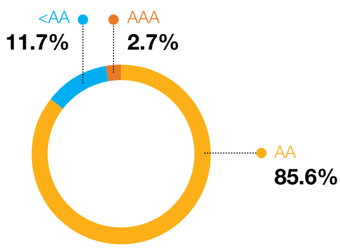
"Information provided under IFRS 7"

(€m)	31/12/2012	31/12/ 2013
Sovereign	9 221	7 869
Interbank	1 706	1 015
Secured bonds	954	1 400
Corporate	2 004	2 168
TOTAL	**13 886**	**12 452**
o/w off-balance sheet	*702*	*737*

Scope of BRED and NJR , excluding securitisations of BRED receivables carried by BRED. The off-balance sheet counterparty risk is calculated based on the replacement value plus an add-on determined by reference to volatility, designed to cover any subsequent fluctuation in the replacement value.

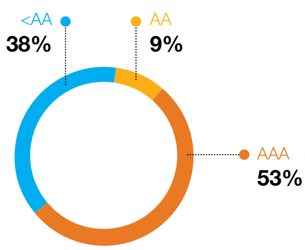
At 31 December 2013, the portfolio of sovereign debt securities consisted for 2.7% of AAA issuers and for 85.6% of AA issuers; 90% of the portfolio was composed of securities with maturities of less than five years.

Sovereign risk by rating

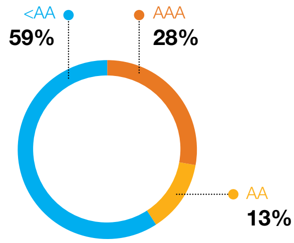


The breakdown of non-sovereign issuer risk by rating and residual maturity at 31 December 2013 was as follows:

Maturing in less than five years (93%)



Maturing in more that five years (7%)



3 Balance sheet risk

"Information provided under IFRS 7"

3.1 Balance sheet risk management principles

General organisation

The management and monitoring of balance sheet risk is organised around an operational department, the Asset/Liability Management (ALM) Department, and a second-level control department, the Balance Sheet Risk Department.

The management and control of balance sheet risk are overseen by the following committees:

- The Financial Strategy Committee, which approves the BRED group's strategic orientations, particularly in the area of asset/liability management. It decides on matters of structural importance in the areas of refinancing, asset allocation and ALM policy.
- The Financial Markets Committee which, as well as monitoring market activities, approves any proposed changes to the list of authorised financial instruments and sets the market limits that apply to the ALM Department. When notified by the Risk Department, the Financial Markets Committee reviews any breaches of limits, including ALM limits. In addition the ALM Department reports to the Financial Markets Committee regularly (at least quarterly) on the Bank's assets/liabilities balance.
- The Asset/Liability Pricing Committee decides on the Bank's pricing policy, in particular with a view to balancing assets and liabilities.

Role of the ALM Department

The ALM Department is responsible for managing the financial balance of the Bank and its subsidiaries on a consolidated basis. Its scope includes asset/liability management (including managing interest rate and foreign exchange risks except for those relating to the Capital Markets Department's activities), refinancing and managing liquidity reserves, equity and solvency. In this capacity, it:

- puts in place the necessary tools for monitoring and overall management of the financial risk of BRED and its subsidiaries as well as for monitoring prudential indicators;
- arranges the Bank's refinancing over more than one year and that of its subsidiaries;
- puts in place interest rate hedges and participates in the subsidiaries' interest rate risk operational management at their request;
- oversees the Bank's overall pricing policy in collaboration with the operating departments; produces and analyses the interest margin;
- coordinates the relationship with Groupe BPCE's ALM department and produces the Groupe BPCE liquidity and interest rate financial indicators as well as the regulatory ALM indicators;
- contributes to drawing up BRED's budget forecasts;
- implements the financial tools for securitising receivables and is responsible for securitisation operations;
- provides assistance to the network with regard to interest rate pricing exceptions for loans and deposits.

As part of its task of managing the Bank's financial structure and within the ALM limits set for it, the ALM Department is responsible for entering into (with regard to BRED) and monitoring (with regard to BRED and its subsidiaries) the following categories of financial transactions:

- Liquidity management: covering BRED's refinancing, loans to subsidiaries and the management of liquidity reserves (LCR or Banque de France), including all the collateral that could be used for operational management of the Group's liquidity, and its structuring when relevant.
- Managing interest rate risk and hedging transactions aimed at protecting the Group's earnings over the long term, and in particular its interest margin.
- Managing the Group's solvency, i.e. all transactions designed to optimise the Group's allocation of equity or to issue market securities that qualify as regulatory capital (excluding management of reserves and shares).
- Foreign-exchange risk: hedging of international customer transactions (micro-hedging) is handled by the Trading Desk. The ALM Department is responsible for overall supervision of foreign exchange risk to ensure its effectiveness.

The ALM Department is also responsible for strategic supervision of the Capital Markets Department's activities on its own portfolio of collateral.

Role of the Balance Sheet Risk Department

The Balance Sheet Risk Department is responsible for second-level control of financial and operational risk of the financial management activities. It verifies the proper application and relevance of first-level controls and the reliability of risk generating processes. Its main tasks in this respect are:

- supervising the definition of first-level control standards and methods by the ALM Department,
- validating the risk monitoring system and checking the reliability of the parameters and measurement methods used,
- verifying, ex-post, the proper application of the control, modelling and measurement standards and methods and the financial risk decisions approved by the relevant committees,
- defining and implementing second-level control of the ALM Department's work,
- monitoring changes in the Bank's structural balance sheet risk and compliance with ALM limits,
- checking the production of balance sheet risk monitoring reports,
- producing summary reports and notifying the executive or deciding bodies when necessary,
- monitoring the implementation of corrective action and resolution of breached limits.

Role of Groupe BPCE departments

These tasks are carried out in liaison with Groupe BPCE's Finance and Risk Departments, which are responsible for defining and approving:

- ALM conventions (run-off rate in particular),
- monitoring indicators, rules and reporting frequency,
- reporting practices and procedures, control standards relating to the reliability of measurement systems, limit-setting and limit-breach management procedures, and the follow-up of action plans,
- the model used to evaluate Groupe BPCE's economic capital requirement with regard to structural balance sheet risk.

The control and management framework is defined in Groupe BPCE's ALM guidelines and ALM risk guidelines. These set forth all the assumptions, modelling rules, conventions and scenarios for producing risk indicators, and the controls that must be implemented. These standards are defined by the Groupe BPCE ALM Committee (for the ALM guidelines) and the Groupe BPCE Standards and Methods Committee (for the ALM risk guidelines). The framework defined at the Groupe BPCE level is added to according to the BRED group's specific needs, particularly with regard to the limits applicable to subsidiaries and the taking into account of market activities.

3.2 Measurement and monitoring of balance sheet risk

Fermat software and reporting

BRED BP now measures balance sheet risk using a Group software application called 'Fermat' to which it migrated at the end of 2013 in the framework of the Féérie project. On a quarterly basis, the ALM Department inputs the BRED group's balance sheet data into the application, which produces measurement indicators, including:

- Static liquidity gaps, which measure balance sheet run-off. These gaps are used to calculate an observation ratio;
- Static interest rate gaps, which measure balance sheet run-off by indexation rate. The interest rate gap set enables the calculation of the sensitivity of the balance sheet's net present value (NPV) to a 200 basis point interest rate shock ('Basel II' indicator);
- Dynamic gaps in liquidity stress situations, which measure the Bank's resistance in different liquidity crisis situations;
- Sensitivity of the net interest margin to interest rate movements, which measures the impact on the forecast net interest margin of changes in the interest rate curve (100 basis point parallel rate shock, steepening, flattening).

These indicators are subject to limits; the value of the indicators and the level of consumption are consolidated by Groupe BPCE in standardised quarterly reports. The ALM Department submits these reports to Groupe BPCE's Finance Department after approval by BRED's Risk Department. The observation ratio and Basel II indicator also enable the definition of criteria for identifying an incident as significant as defined in Article 17b of CRBF Regulation 97-02.

SIRCO Risques tool

SIRCO Risques ALM is the software application used by the risk function to measure ALM risk. The system enables double calculation of ALM risk indicators and has other analysis functions, such as monitoring changes in indicators.

In addition to this input, BRED's Risk Department draws up specific reports for the Groupe BPCE Risk Department, particularly concerning the level of limits consumed.

At subsidiary level

The risk measurements reported to Groupe BPCE are aggregated at the level of the BRED group. The ALM Department also draws up measurement indicators by subsidiary. These are established based on the data entered in Fermat. The indicators produced for BRED subsidiaries include static interest rate and liquidity gaps, sensitivity of the interest rate margin to interest rate shocks and liquidity gaps in stress situations.

These indicators are calculated based on the conventions defined at the Groupe BPCE level and are reported to the subsidiaries concerned. The limits that apply at each subsidiary are approved by their governing bodies.

Additional monitoring indicators

As well as the Groupe BPCE indicators described above, BRED uses an internal interest rate risk measurement that enables it to break down interest rate risk by management entity within the BRED group. Liquidity gaps are also calculated on a monthly basis using an application called Consult. The regulatory liquidity indicators (liquidity ratio, liquidity position reports) also provide a measurement of liquidity risk.

Reporting to executive and deciding bodies

The Chief Executive Officer chairs the Financial Strategy Committee, the Financial Markets Committee and the Asset/Liability Pricing Committee. The Risk Department reports any breaches of limits to General Management. The Finance and Risk Departments report regularly to the Board of Directors on balance sheet risk. The Risk Department also reports thereon to the Audit Committee.

3.3 Permanent control of balance sheet risk

To ensure efficient supervision of balance sheet risk, carried out at first-level by the ALM Department and at second-level by the Risk Department, the departments have put in place a system of first and second-level controls.

A variety of controls are performed at every stage of the ALM indicators' production process to ensure there are no losses of data and that the data is consistent with the accounting balance sheet data.

Any differences or rejected data must be either explained or reprocessed. Any changes in the indicators must be explained by changes in the balance sheet. These checks are formally documented in first-level control files, which are reviewed by the Risk Department before reports are drawn up. Similarly, the validity of any adjustments made by the ALM Department before input into Fermat is also examined by the Risk Department.

BRED's Risk Department also verifies the roll-out of methods defined by Groupe BPCE, the implementation of decisions taken by BRED committees and compliance with General Management's guidelines. Lastly, the Risk Department verifies compliance with ALM limits and authorised products.

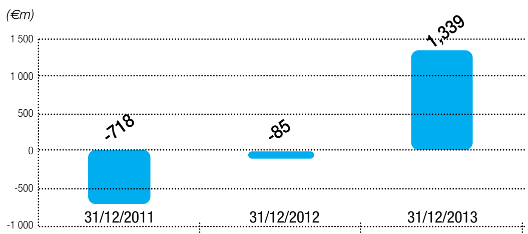
3.4 Exposure to balance sheet risk

Sensitivity of the interest margin to a 100 basis point rise in market interest rates

(€m)	2014	2015
Sensitivity to short-term interest rates		
Sensitivity of existing loan portfolio	1,7	14,7
Sensitivity of future loan production	-7,0	-16,8
Overall sensitivity to short-term interest rates	-5,3	-2,1
Sensitivity to long-term interest rates		
Sensitivity of future loan production	7,0	16,8
Sensitivity to early loan repayments, renegotiation and rescheduling	1,6	5,5
Overall sensitivity to long-term interest rates	8,6	22,3

The margin's sensitivity to long-term interest rates reflects growth in the portfolio of long-term loans. If long rates were to increase by one percentage point, the interest margin earned by the Bank would increase by €8.6 million in 2014. The Bank's margin would decline by €5.3 million in 2014 in the event of a one percentage point rise in short-term interest rates. A one percentage point rise in long and short-term interest rates would result in a €3.3 million increase in the interest margin in 2014.

Change in commercial customer interest margin (excluding financial customers)



In 2013, strong growth in customer deposits secured the commercial customer interest margin.

4 Operational risk

4.1 Operational risk management principles

Operational risk management is the responsibility of the operational departments, which constantly monitor changes in the risks associated with their activities and the related activity and incident indicators so they can take immediate corrective action, within the framework of a system overseen by BRED's Operational Risk Management Department.

The operational risk management policy for BRED and its subsidiaries is based on the standards and methods defined by Groupe BPCE's Risk Department and on Groupe BPCE's Risk Charter and Internal Control Charter.

Supervision by the Operational Risk Management Department

Within the BRED group, the system is overseen by the Operational Risk Department and implemented by correspondents throughout the Group and its subsidiaries.

BRED's Operational Risk Department is responsible for:

- permanent supervision of operational risk through identification, measurement and the monitoring of action plans;
- coordinating the second-level permanent control system for operational risk;
- organising the Bank's risk monitoring in the form of eight large families of major and/or frequent operational risks, including internal and external fraud.

To perform its duties, the Operational Risk Department relies on operational risk officers appointed in BRED's operational departments and on second-level permanent control staff.

These officers report to the Risk Department or, in some cases, to the operational managers or subsidiaries. At the end of 2013, the second-level permanent control officers decentralised in head office departments were all brought under the direct supervision of the Risk Department – mainly the Operational Risk Department. The permanent control officers decentralised within the commercial network and the employees responsible for second-level control within subsidiaries are coordinated at functional level by the central control functions, which also exercise strong functional authority with, in particular, a right of veto on new hires and joint decision-making power with regard to salaries.

4.2 Operational risk measurement and monitoring

BRED's operational risk measurement and monitoring system integrates Groupe BPCE's standard method for calculating capital requirements. This system is organised internally in the form of procedures that are updated regularly by the Operational Risk Department.

Operational risk indicators – now fully integrated into the updates of second-level control plans and into mapped risk ratings – are centralised and analysed by the Operational Risk Department on a monthly basis.

Operational risk mapping

The mapping of operational risk is integrated into the Groupe BPCE system called PARO. Risks and risk ratings are determined on an expert appraisal basis and used as the basis for drawing up annual control plans and monitoring operational action plans. Grouped together in the form of "large risks to be supervised", mapped risks are regularly subjected to consistency checks (matched against risk indicators and permanent control findings) leading, if necessary, to the setting up of cross-company working groups to organise corrective or preventive action in a given area.

Gathering loss and incident data

Loss and incident data is gathered and input into PARO by the operational risk correspondents. The Operational Risk Department validates the data and, in close collaboration with the Groupe BPCE teams, organises training and information briefings for local correspondents. In 2014, the PARO system will be deployed throughout the entire BRED group.

Monitoring fraud

A Fraud Risk Coordination Committee, for which the Operational Risk Department acts as secretary, was put in place in 2011. This committee is responsible for monitoring internal and external fraud risk. It reviews fraud risks (mapping) and the sharing of quantitative and qualitative reports on fraud risk drawn up by the committee members, and monitors the action plans of operating staff. It keeps BRED's Risk Committee informed through regular general reports.

4.3 Exposure to operational risk

With regard to the main operational risks identified in 2013, the operational risk report at 31 December 2013 showed total losses and provisions of around €4,618 000 and 12,041 incidents. Relative to the previous year, this corresponded to a slight increase in terms of total losses (€3,921 000 in 2012) and a decrease in the number of incidents (13,138 in 2012).

In terms of type of risk, like in previous years, external fraud continued to be the operational risk with the greatest impact for the Group, costing it €3.2 million. Its weight increased to 71% of total losses in 2013 compared with 61% in 2012.

Input errors and omissions and processing delays are the second largest source of losses in terms of amount and the largest in terms of number of cases. These losses amounted to €932 thousand in 2013 and represented 20% of total losses compared with 26% in 2012.

5 Compliance risk

5.1 Compliance

Each operational department is responsible for managing the compliance risk affecting its own area of business and for first-level controls. To do so it relies on the specific regulatory watch in place in its business line, disseminated by the relevant Groupe BPCE departments in the form of circulars.

The various capital markets departments, with the support of the Legal Department, take all the regulatory constraints into account when developing new products or changing existing processes.

Compliance risks are managed by two departments: the Compliance Department and the Investment Services Compliance Department.

Pursuant to Article 2 of CRBF regulation 97-02 as amended, these two departments also ensure that procedures for preventing compliance risk are complied with at BRED's subsidiaries in the light of their activities, location and regulatory requirements.

5.1.1 Compliance Department

Mission

The Compliance Department is involved in permanent control of the BRED group. It is organised as a cross-group function, covering all the functions defined in its Charter.

The Compliance Department, whose chief officer is declared to the French regulator, Autorité de Contrôle Prudentiel et de Résolution (ACPR), is responsible for second-level permanent control.

The Compliance Department's task is:

- to prevent compliance risks, as defined in the following way by Article 4 of CRBF Regulation 97-02: «risk of judicial, administrative or disciplinary sanction, of significant financial loss or loss of reputation resulting from failure to comply with the prevailing laws and regulations and professional and ethical standards relating to banking and financial activities or with instructions from the executive body issued in particular pursuant to directives from the decision-making body";
- to preserve the BRED group's image and reputation with regard to its customers, employees and partners.

Within this framework, the Compliance Department takes all necessary action to ensure the compliance of the operations carried out within the BRED group, constantly in the best interests of its customers, employees and partners.

The Compliance Department is responsible for ensuring the consistency and efficiency of the entire compliance control system, bearing in mind that each subsidiary and each of the parent company's operating or control functions retains responsibility for the compliance of its activities and transactions.

The Compliance Department is the designated contact for Tracfin, CNIL and DGCCRF.

Organisation

The Compliance Department has a banking compliance unit, which is responsible for compliance with regulations and professional standards as regards new products or processes, compliance of documents and advertising intended for customers, and compliance of essential services that have been outsourced.

The Compliance Department also has an anti-money laundering and terrorist financing unit, which is responsible for the parent company's monitoring system and supervises the anti-money laundering and terrorist financing systems in place at each of the Group's subsidiaries, whose organisation and efficiency are the responsibility of the Chief Executive Officer of the subsidiary concerned.

This unit has a tool for detecting customer transactions considered as unusual in terms of the "customer profile" and the expected functioning of the customer's account and which may need to be reported to Tracfin [the French body that handles suspicious transaction reports] under the texts transposing the Third European Money Laundering Directive into French law.

The anti-money laundering and terrorist financing unit also uses the Fircosoft application, which monitors customer databases and cash flows that might involve individuals or entities identified under anti-terrorist financing measures, whose assets must be frozen or that have been placed under an embargo.

The French and foreign subsidiaries also use Fircosoft and an automatic or request-based software tool for identifying potentially suspicious transactions from an anti-money laundering and terrorist financing point of view.

Lastly, the Compliance Department has an internal fraud unit with responsibility for performing checks and taking preventive and/or corrective action. Any disciplinary measures are subsequently taken by a Proceedings Committee based on a case file presented at a meeting attended by members of the Human Resources Department, the Legal Department, the Compliance Department and the General Secretary.

5.1.2 Investment Services Compliance Department

Mission

The Investment Services Compliance Department is responsible for ensuring that the Bank and its staff comply with financial ethics in all the investment services provided.

As such, it ensures compliance with the rules applicable to investment services set forth in the French Monetary and Financial Code and the AMF's General Regulation and with the Bank's specific obligations as a custodian and issuer. BRED's accreditation as an investment services provider concerns the taking, transmission and execution of orders for third parties, proprietary trading, portfolio management, underwriting, guaranteed and non-guaranteed investments and investment advisory services.

The Investment Services Compliance Department ensures the consistency and efficiency of the control systems of the subsidiaries included in the Group's accreditation.

Organisation

The Investment Services Compliance Department's activities cover the Bank's two main business sectors:

- customers of the networks (Operational Department and Major Accounts and International Department);
- customers and counterparties of the Capital Markets Department.

It delegates, via specific procedures that are recorded in its official manual, which is available to all employees, part of its tasks to permanent control officers in other specialist departments, mainly the Financial Services Production Department up to the end of 2013 and, since the end of the year, the Risk Department, to which all such officers now report directly.

5.2 **Organisation of control**

5.2.1 Compliance Department

The Compliance Department has a compliance risk mapping tool that enables it to:

- focus its actions on particularly sensitive activities with regard to regulatory and ethical requirements;
- draw up and encourage implementation of formal control plans adapted to the activities of the Bank and its subsidiaries, in conjunction with the Risk Control Department and the Subsidiaries' Control Function Coordination Committee.

Banking and Insurance Compliance Unit

This unit provides supervision and guidance prior to the implementation of new processes or the launch of new products, with final validation (unreserved or subject to conditions precedent) by the Compliance Committee, chaired by the Chief Compliance Officer.

This committee is composed of the head of the Banking and Insurance Compliance Unit, the Investment Services Compliance Officer, the Information Systems Security Officer and the Head of Operational Risk Management within the Risk Department. It has remit over BRED and also over those subsidiaries that have delegated authority to BRED's Compliance Department for this purpose.

The Banking and Insurance Compliance unit also controls the regulatory provisions included in service agreements with providers of essential services that have been outsourced.

Financial Crime Department

The Anti-Money Laundering Unit is responsible for informing Tracfin of any financial transactions that may be connected with money laundering or terrorist financing.

The unit investigates accounts on the basis of referrals from customer relationship managers based on the results of their analysis of unusual transactions identified by the detection software.

This analysis results in second-level controls performed by operational managers under the functional responsibility of the Risk Department, applying a methodology developed by the Anti-Money Laundering Unit. These controls are monitored by the Compliance Department's Financial Crime Department, which also carries out qualitative controls on a test basis, and arranges employee training and employee information sessions if these are considered necessary on the basis of these controls.

5.2.2 Investment Services Compliance Unit

The Investment Services Compliance Officer's main duty is to ensure that the Bank and its employees comply with financial ethics in all its investment services activities, as defined by the French financial markets regulator AMF (Autorité des Marchés Financiers) in its General Regulation (particularly in Book III).

As part of this mission, the Investment Services Compliance unit has published a book of procedures, accompanied by regulatory explanatory, pedagogical and reporting documents.

As in previous years, a Compliance Report was prepared for the AMF presenting a clear map of BRED's compliance system, covering 180 general questions and an audit of 21 recommendations that must be complied with.

The Investment Services Compliance Officer is responsible for permanent regulatory watch with regard to the various texts issued by the AMF (laws and decrees amending the General Regulation, recommendations, positions, etc.) and those issued by the ACPR in joint areas, in particular the marketing of financial instruments linked to life insurance. Accordingly, as well as amendments and supplementary procedures, all the Investment Services Compliance procedures were revised in 2013.

The Investment Services Compliance Officer's controls must provide the AMF, and also BRED's General Management, the Board of Directors and the Audit Committee, with the assurance that the risks associated with investment services are properly covered.

The Investment Services Compliance Officer performs second and third-level controls to ensure that the measures put in place (Book of Procedures) are effective.

To this end, the unit has implemented a control plan called "Monitoring of Controls of Investment Services and Recommendations". This is a powerful tool for planning and monitoring documented compliance controls and the resulting recommendations.

5.3 Significant events in 2013

5.3.1 Compliance Department

Banking and Insurance Compliance Unit

In 2013, the Banking and Insurance Compliance Unit's controls focused on verifying that the various departments had taken into account the most recent regulatory developments, particularly those relating to customer protection (formalisation of the obligation to advise in non-life and personal protection insurance, de-coupling of loans and borrower insurance, controls of the handling of disputed card payments, and of contractual documents for savings products, compliance of website disclaimers, etc.).

For the French subsidiaries governed by French regulations, the unit fulfilled its supervisory role by verifying the compliance of new products and services, CNIL declarations and regulated prices.

The work under way since 2011 on upgrading customer information files continued in 2013. Sample-based tests revealed a satisfactory level of compliance with regard to scanned supporting documents.

In October 2013, an IT and Data Protection Officer was appointed within the Compliance Department to deal with CNIL requirements.

Financial Crime Department

In 2013, the Anti-Money Laundering Unit continued its operational application of the regulatory requirements arising from the transposition into French law of the Third European Money Laundering Directive:

- updating and supplementing the Anti-Money Laundering and Financing of Terrorism (AML-FT) risk classification, which is the cornerstone of the monitoring system the Bank needs to put in place based on its customer profiles, its locations and activities and the products and services it markets;
- enhancing the filtering software that enables more efficient targeting of sample-based tests performed by second-level control staff, in accordance with the risk-based approach required under the Third Directive.

Significant events in 2013 included the drawing up of a plan of on-site support for foreign banking subsidiaries to help them adapt their AML-FT systems to their territories and specific characteristics and a plan for the introduction of a vigilance score for each customer, which is due to be completed in 2014 once the software developments have been completed.

With regard to the quality of response to AML-FT warnings, the direct controls performed by the unit or delegated to permanent control staff showed a satisfactory level of knowledge and use of the filtering software by operating staff, with points for improvement relating mainly to updating customer knowledge

5.3.2 Investment Services Compliance Department

The work begun by the Investment Services Compliance Officer to optimise tools was actively continued throughout 2013. With regard to regulatory testing of suitability and appropriateness under MiFID for individuals and legal entities, the Bank partly implemented the new know-your-customer (KYC) standards published in the ESMA guidelines and the joint position-recommendation circulars issued by AMF and ACPR with regard to investment advice, relating in particular to the principle of proportionality, the methods used to gather information and the quality of such information, with detailed chapters for products and services considered illiquid, complex or risky.

The MiFID version 6 project introduces changes relating to the quality and traceability of information collected about customers prior to giving any advice as to an investment or their taking out a life insurance policy.

For controlling market abuse in the operating network, the Investment Services Compliance Officer uses an independent search instrument, called Holmes. The first version of this software has been enhanced with additional alerts.

This software is currently being further enhanced, in particular with the integration of requests on persons considered sensitive and on their personal transactions, and with regard to the MiFID classification of customers.

In addition to the procedure for handling market abuse, a number of other documents and procedures contribute to control in this area. These include blacklists and watch lists, Chinese wall procedures, information barriers, conflicts of interest procedures, «sensitive persons'» procedures and declarations of personal transactions. The information on market abuse circulated to employees has been added to with a personalised letter to each "sensitive" person stating the rules applicable to such persons, appended to the "Description of Insider Behaviour" document defining insider information and the obligation to refrain from using it.

Also, whenever a trader authorisation is issued – procedure for attributing a professional card – the Investment Services Compliance Officer provides each individual trader with a special document on market abuse and price manipulation containing exact definitions of insider information and dissemination of false information, a glossary and a description of the related penalties.

With regard to the market activities, in connection with the Group's pronounced strategic focus on business for customers since 2011, the Investment Services Compliance Officer oversaw the implementation of a sophisticated market abuse warning and control system, which is used by all the main market players.

"BRED's status as a cooperative bank means it has a natural focus on corporate social responsibility.

This is reflected in the strong ethical values it applies to its business, and its local efforts to help young people to integrate the world of work"

Stéphane Corre

Head of the Cooperative Shareholders and CSR Department

Corporate social responsibility

1 CSR reporting methodology

BRED Banque Populaire endeavours to provide accurate and transparent information on its actions and commitments in relation to corporate social responsibility (CSR).

A table summarising the CSR indicators referred to in this report is available on page 190, and a cross-reference table showing national regulatory obligations and international standards can be found on page 194.

Indicators used

BRED's CSR report refers to a common set of core indicators used by all Groupe BPCE entities, as redefined in 2012 and adjusted in 2013. These indicators are completed by BRED as a separate entity and then consolidated at Group level. In 2013, BRED took part in the work carried out under the aegis of Groupe BPCE with all the Caisses d'Epargne and Banques Populaires, Natixis and Crédit Foncier to define common extra-financial reporting standards, on which the tangible data provided in this CSR report is based.

The CSR reporting protocol encompasses the 42 topics listed in the Decree of 24 April 2012 on companies' obligations to provide transparent social and environmental information. It also refers to the indicators defined by the Global Reporting Initiative (GRI) guidelines and the supplement relating to the financial sector.

The reporting protocol also takes into consideration:

- recommendations made by Groupe BPCE's ad hoc working group;
- observations made by the Statutory Auditors in the course of their audit of the BPCE CSR report for the 2012 financial year;
- changes to the GRI guidelines introduced in version G4;
- the harmonisation of carbon indicators used in the greenhouse gas review.

A CSR reporting user guide has been produced, and was followed by BRED when preparing the CSR chapter of this report. BRED also referred to the BPCE ad hoc methodological guide for carbon-related data.

Exclusions

Some of the topics listed in the Decree of 24 April 2012 are not relevant in view of BRED's business activities. This applies to:

- measures for the prevention, reduction and remediation of air, water and soil emissions that have a serious adverse impact on the environment: this is a minor issue given our business activities;
- noise pollution, other forms of pollution and land cover: given that BRED operates in the services sector it is not concerned by issues relating to the prevention of noise pollution or land cover. The layout of its offices and commercial premises, which often occupy several floors, means that it takes up less surface area than industrial, single-level activities.

Reporting period

Published information concerns the period from 1 January 2013 to 31 December 2013.

When physical data was not exhaustive, the authors carried out order-of-magnitude calculations to estimate the missing data using average ratios supplied by BPCE.

Reporting scope

In 2013, the reporting scope for CSR indicators encompassed BRED without its French or foreign subsidiaries. This reporting scope covers 74.4% of the Group's headcount.

BRED's long-term objective is to comply with its regulatory obligation to provide a consolidated CSR reporting package corresponding to the statutory consolidation scope. However, compliance with this regulatory obligation will only be achieved gradually. The reporting scope for the 2013 financial year was determined on the basis of current possibilities. It will be expanded each year to ultimately achieve the statutory consolidation scope.

Additional information on human resources indicators

Data on employees refers to the headcount as at 31 December 2013. Data covers employees on permanent contracts, fixed-term contracts and work-study contracts (*contrat d'alternance*), as well as employees on long-term leave, irrespective of the reason.

Recruitment data refers to employees hired in 2013 who previously worked outside the company or for another BPCE entity and who were still employed as at 31 December 2013. A switch from a fixed-term contract or work-study contract to a permanent contract within BRED is not counted as a new hire. Whenever a person held a number of fixed-term contracts throughout the year, that person will be counted as one new hire, provided he/she is still employed as at 31 December 2013.

As BRED is part of Groupe BPCE, when the term "transfer" is used in connection with recruitments or departures it means that the employee moved to or came from a Groupe BPCE entity.

As a general rule, each table included in this report indicates the scope of the information provided in the table.

Data on training covers training eligible for continuous professional development funding and non-eligible training, individual training rights, and time spent in the workplace within the framework of professional training contracts (*contrat de professionnalisation*); the data does not include individual training leave.

Accidents at work include all types of accidents in the workplace and when travelling to and from work, irrespective of whether sick leave was taken.

Additional information environmental indicators

The environmental data covers the BRED offices in Paris and Créteil, with the exception of data on greenhouse gases, which also includes branches. Reported energy consumption is based on energy bills, with the exception of fuel oil, for which data is based on actual consumption.

Additional information on societal indicators

The reported SRI funds correspond to the SRI funds listed in the Novethic database, i.e. funds that have been awarded the Novethic SRI label and other funds.

The cooperative model

The GRI guidelines [1] are now the accepted benchmark for monitoring CSR performance. They are based on the standardisation work carried out in the financial sector (see UNEP FI – OECD). However, these international guidelines fail to properly take account of the specific features of "cooperative and mutual finance", and this sector is therefore disadvantaged when compared to the traditional private finance sector.

Such comparative analyses are increasingly common, because of the increased standardisation of reporting protocols and the increased reliance by investors on such analyses when making investment decisions. As a result, the lack of indicators highlighting the cooperative difference in CSR protocols used on the market downplays the CSR performance of Groupe BPCE banks in favour of publicly owned banks.

Accordingly, there is a genuine argument to be made for the creation of specific guidelines for the cooperative and mutual finance sector, to be used in conjunction with the GRI, in order to better reflect its values, specific corporate governance methods and management mechanisms, and acknowledge its high level of corporate responsibility and commitment to serving the enterprise economy and the local economy.

2 Sustainable development strategy and cooperative identity

2.1 BRED's sustainable development strategy

BRED has long since developed an approach based on corporate social responsibility – even if it did not initially use that name – and founded on the tradition of the Banques Populaires and their attachment to cooperative and mutual values and the principles of a strong local presence, social development and human values.

Aware of the need to define a corporate social responsibility policy that is an extension of its core business and to manage its CSR commitments with the same degree of professionalism and integrity that it devotes to its commercial activities, in January 2013 BRED created the Sustainable Development Department and increased the number of employees assigned to this function.

	2013	2012
Number of employees (full-time equivalent) assigned to sustainable development	2.9	1

(1) The Global Reporting Initiative was put in place in 1997 with the aim of developing internationally applicable guidelines on sustainable development and reporting on economic, environmental and social performance, initially by companies and subsequently also by governmental and non-governmental organisations.

The role of the Department is to identify and propose priority issues and objectives in terms of CSR. Its role is also to increase awareness of sustainable development issues within the BRED group and to ensure that all action taken complies with the CSR policy objectives defined by BRED and with the applicable standards and guidelines.

Its first initiative was to allocate time during the introductory training given to new employees in order to explain the main sustainable development and cooperative share ownership issues and the related advantages of the cooperative model. Environmental issues are not discussed during this training, in view of BRED's business activities.

Lastly, it compiles information on and promotes BRED's sustainable development actions and encourages awareness by stakeholders, particularly the cooperative shareholders, by promoting a responsible cooperative model.

Strategic CSR areas

BRED has defined eight symbolic objectives that reflect CSR values and are designed to enhance sustainable and inclusive growth, which will be used as a benchmark for the next three years, thus committing BRED to sustainable performance.

These eight objectives cover economic, social, civic and environmental responsibility.

1. Support the local real economy

Encourage local development, fulfil our role as a source of finance for local investments, and contribute to the creation of wealth. Pursue our policy of financial innovation to serve the economic, social and environmental needs of our customers, with a specific focus on financing new businesses.

2. Foster customer relationships based on transparency and shared interests

BRED proposes solutions that are tailored to the individual needs of its customers, acting in their interest and encouraging innovation and access to banking services.

The prime objective of a cooperative bank such as BRED is to consider the interests of its customers and build a long-term, high-quality relationship with them, proposing products and services that are suited to their needs.

3 Recognise individual merit and foster employee loyalty

Internal promotions are common at all levels of the Bank. This is possible due to a continuous and substantial investment in training and the allocation of time for self-learning. This policy enhances the employees' capacity for mobility; employees can, in particular, move from a support function to a more frontline sales or management function and vice versa.

4. Promote job satisfaction

High-quality dialogue between senior management and employees, pleasant working conditions and a decentralised organisation all encourage autonomy and foster collective recognition.

5. Improve diversity and equal opportunities

BRED undertakes to respect diversity and provide equal opportunities in all areas of its human resources management. Promotion of diversity remains a priority for the BRED group.

6. Make money socially useful

Support the economic and social integration of disadvantaged individuals, promote solidarity and protect vulnerable customers, paying particular attention to sudden events or accidents in their personal or professional life such as illness, redundancy and other life-changing events.

7. Support and develop local action and support local initiatives by our customers and cooperative shareholders

Encourage and take part in local initiatives and innovative action, promote social cohesion.

8. Reduce, sort, recycle

BRED's three main direct environmental challenges are the reduction of greenhouse gases caused by energy consumption in its buildings and business travel, responsible use of paper and the proper management of waste, including obsolete IT equipment.

This strategic plan entails adjustments to BRED's CSR organisation, causing it to adopt a more systemic global organisation rather than pursuing individual, purely symbolic actions. This CSR approach is based on the strategic policy of reinforcing the cooperative model around BRED, its employees and its customers and cooperative shareholders. CSR is thus placed at the heart of the banking business at local level and forms a cornerstone, along with the seven main objectives defined in ISO 26000, underpinning the Bank's five main areas of sustainable development, namely governance, risk, customer and cooperative shareholder relations, communication, and management tools.

(1) ISO 26000 provides guidance for any organisation wishing to assume responsibility for the impact of its decisions and activities and report thereon.

Use of charters in the sustainable development strategy

Global Compact

BRED benefits from and relies on BPCE's signature of the Global Contact for all Group entities, which it renewed in April 2012. This code of good conduct has been adopted by all the cooperative banks, as it is currently the most comprehensive and internationally recognised code. The breadth of organisations backing the code (UN, OECD, ILO, etc.) means that every BRED group entity, irrespective of its corporate status, geographical location or level of commitment to CSR, can initiate, pursue or develop its sustainable development policy in line with universal values. Finally, the aims of the Global Compact are compatible with those of ISO 26000 and the Global Reporting Initiative criteria as regards Group reporting. Moreover, one of the commitments of the Global Compact concerns respect for human rights.

Diversity charters

Three agreements provide a framework for BRED's work to promote solidarity and diversity: a gender equality agreement, an age equality agreement, and a disability agreement.

Gender equality

After an initial company-wide agreement was signed with the trade union organisations in January 2008, BRED confirmed in 2013 that the fair management of its company and employees was a priority and declared that it wished to pursue the work already under way to eliminate any form of work discrimination between men and women by reiterating, in particular, that its career management policy is motivated first and foremost by a desire to achieve strict gender equality.

The agreement identifies five priority areas: effective compensation, recruitment, professional training, terms of employment, and work-life balance.

Age equality agreement

On 27 September 2013 BRED signed an agreement with the employee representative bodies to facilitate the insertion of young employees and equip them with the means to successfully integrate and build their careers within the company, and to also provide continuous career development opportunities for all employees, in particular through extensive training opportunities for both senior employees and those who have spent less time within the company and/or in their current positions. The agreement defines concrete actions intended to promote the employment of young people, in particular through providing fixed-term contracts or part-financing work-study contracts and work experience, while also encouraging the recruitment or continued employment of employees aged over 50, and providing for the transmission of knowledge and skills.

Disability agreement

Based on the agreement signed by the Banques Populaires in October 2007, BRED has put in place a policy on the employment of individuals with disabilities that aims to fully include them in its equal opportunities initiatives, thus reiterating its firm commitment to encourage the recruitment and continued employment of individuals with disabilities.

BRED has created a disability awareness programme called 'Mission Handicap' as part of this policy. Its purpose is to change how people view disability by offering employment opportunities in all the Bank's businesses and all its territories, together with work-study contracts leading to diplomas or other qualifications, individual and tailored induction courses and career development opportunities firmly focusing on skills and knowledge.

2.2 Cooperative identity

History, identity

Since its creation in 1919, BRED has operated as a cooperative bank serving its cooperative shareholders, in the same way as the other Banques Populaires. BRED's original mission was to provide services to craftsmen and small retailers, who formed its entire cooperative shareholder base at that time (this mission was soon extended to SMEs). From 1962, regulatory changes enabled the Banques Populaires banks to accept individual customers. With the creation of associations to facilitate lending and saving by public sector employees (ACEF) and the launch of the Casden Banque Populaire in 1973, BRED extended its services specifically to public sector employees, including staff of the French national educational, research and cultural departments and institutions.

Organisation and cooperative life

The 140,111 cooperative shareholders as at 31 December 2013 form BRED's foundations. They vote at the general shareholders' meeting and directly elect the directors who represent them on the Board of Directors. Cooperative shareholders are invited to meetings at their local branch and to special evening events where they can discuss the Bank's affairs with members of senior management and directors. The cooperative shareholders can also become involved in helping local associations supported by BRED. The cooperative shareholders have their own dedicated and interactive website which provides them with up-to-date information on the Bank: www.bred-societaires.fr.

In 2013, BRED had 18 directors who contribute, through their experience and diversity, to discussions at meetings of the Boards of Directors, which is in the interests of all customers and cooperative shareholders. They are creators of value (company heads, researchers, teachers, etc.) whose occupations mean they are active contributors to economic and social development in their regions.

Cooperative & CSR Dividend: showcasing BRED's cooperative advantage

BRED uses a proprietary tool developed with the other Banques Populaires to report on its cooperative and CSR actions to its cooperative shareholders. Based on ISO 26000 (the CSR benchmark), the Cooperation & CSR Dividend uses a "stakeholder-based" approach. It identifies and measures the value in euros of actions implemented within BRED in favour of its cooperative shareholders and directors, employees, customers and civil society.

This tool is a reflection of the Banques Populaires cooperative advantage; it only takes into account non-commercial initiatives that go beyond the Bank's core business and exceed its regulatory requirements. The tool aims to be traceable and easy to understand.

For the past two years, BRED has published the annual results in a Cooperative & CSR Review. In 2013, BRED's main areas of focus in terms of societal and cooperative responsibility were insertion, employment and solidarity.

2.3 Dialogue with stakeholders

BRED is engaged in ongoing, constructive dialogue with its various stakeholders, either directly or via its subsidiaries. Its recognised experience in finance and sustainable development in the Paris and Greater Paris area, Haute-Normandie and the French overseas departments has led it to work with a variety of stakeholders (government, local authorities, NGOs, etc.) on social, societal and environmental projects.

Dialogue with internal or market stakeholders takes the form of discussions or information meetings such as those held for the cooperative shareholders. With societal and business stakeholders, dialogue is organised on a case-by-case basis, drawing on BRED's expertise on sustainable development in the banking sector.

3 Offers and customer relations

The financial crisis has served as a reminder to citizens and society as a whole that the banking sector must be clearly oriented towards the real economy and focused on an economic, social and societal solidarity through the use of money.

The criticisms levelled at the financial sector as a whole highlight the interest of the cooperative model in that its primary mission is to finance local actors in the real economy and contribute to the local economy through a policy of local recruitment and procurement.

This duty to finance the real economy coexists alongside the duty of the banking profession to combine an ethical approach with commercial efficiency. This means that banks must put in place transparent and fair banking practices, both internally and with regard to their customers.

3.1 Contribution to local financing

Financing and developing the local economy

BRED is a major source of financing for social economy companies and structures, including in parts of Paris and the Greater Paris area, Haute-Normandie, Calvados and the French overseas departements, through its 340 branches, 11 wealth management circles and 16 business centres, which will shortly be joined by a dedicated branch for business and engineering school students ("Grand'Zé"), a central branch dedicated to local economy, and the Résoplus branch for overseas customers and their children who travel to mainland France for their studies. These local establishments have been set up to further BRED's regional sustainable development objectives.

BRED's mission is to support these stakeholders in their local initiatives, which will boost the local economy. Accordingly, despite the difficult economic climate, BRED has continued to provide significant financial support.

This policy has led to the following achievements:

- In 2013, loans to individual customers totalled €5.1 billion, while loans to self-employed professionals and to local businesses totalled €1.6 billion. At the same time, customers deposited a total of €8.8 billion. The fact that this amount exceeds total loans is indicative of the trust our customers place in BRED.
- In an economic environment where the general trend is to express concern about the Banks' reluc-

tance to lend, BRED's consistency is noteworthy in that new loans to individual customers rose by 39.3% and new loans to self-employed professionals and to local businesses rose by 4.1% compared to the previous year. This increase reflects our long-term view and capacity to support our customers, even in a difficult economic climate.

- In 2013 BRED increased its micro-lending business to support investment projects developed by financially vulnerable customers. BRED has consistently offered micro-loans over a number of years, and continues to do so despite the current economic difficulties.
- In 2013, BRED paid €430,000 to local general interest and cooperation structures within the framework of its sponsorship and patronage schemes. Actions focused essentially on the creation of employment opportunities and support for business start-ups.

Local banking

BRED's success is due in a large part to its philosophy of local banking and its local presence. BRED will therefore continue to maintain a strong local presence.

Breakdown of branches

Indicator	2013
Branches, sales outlets, stand-alone ATMs	345
Business centres	16
Number of branches in 'sensitive urban areas'	13

3.2 Fair banking practices and anti-corruption measures

In 2013 BRED was not the subject of any sanctions for anti-competitive conduct or any anti-trust or monopolistic practices.

In accordance with the legal compliance charter and in line with the anti-corruption policies put in place within BPCE entities as part of Groupe BPCE's policy in this connection, BRED has introduced a number of internal control systems.

These systems fall into two categories:

- Financial Security: combating money laundering and the financing of terrorism, and combating internal and external fraud. A framework procedure to prevent and manage internal fraud has been approved and the associated applications are currently being developed. A data processing authorisation application has been filed with the French data protection authority (CNIL).
- Compliance: whistleblowing procedure and procedure for reporting gifts and benefits received by staff.

Within BRED, two business divisions, both of which report to the Bank's Compliance Department, are currently responsible for combating corruption:

- Following targeted checks or reports received via the whistleblowing procedure, the internal fraud division investigates the actions and transactions of any bank employee suspected of improperly benefiting from his or her position (credit decisions or management powers).
- The anti-money laundering division (AML) examines any customer transaction that may require reporting pursuant to the 3rd AML-FT Directive.

Anti-money laundering training

Indicator	2013	2012	2011
Employees trained [(1)] in anti-money laundering policies and procedurest	55%	40%	60%

(1) Figures include training for new employees and regular refresher courses.

For monitoring purposes, customer account managers and the AML division use a filtering tool that flags for analysis any significant or unusual transactions; trigger points vary depending on the customer's risk profile. Politically exposed persons (PEPs) and their immediate families, who are particularly exposed to the risk of corruption, are allocated the highest risk profile. The AML division also regularly updates a list of so-called "sensitive" countries, and any customers residing in countries will rank as high risk. This list is based on the lists issued by the FATF, the OECD and the European and French authorities and also on the Transparency International classification, which is a benchmark in terms of measuring national performance in combatting corruption.

3.3 Quality policy and customer satisfaction

BRED has always put customer satisfaction at the heart of its strategy. The Quality Department, which was created 20 years ago for this purpose, now consists of three business divisions whose cross-functional tasks aim to improve our services and increase customer satisfaction.

The Customer Relations Department, which was created in 1993, centralises correspondence and telephone calls from customers who have encountered difficulties with their bank and are dissatisfied. It follows every complaint through until a final solution is reached. This customer feedback is also a source of information for the internal quality division, and helps to improve our services.

The Department also works in conjunction with the Mediator, within the framework of the Mediation Charter.

The Survey Division is responsible for compiling information on how our customers rate the quality of the services and products we offer.

The Customer Satisfaction Survey, in use since 2003, is a way of regularly measuring customer satisfaction. Results are released every six months along with a report on action taken and future areas of improvement.

More specific surveys are conducted as and when necessary that focus on specific customer categories (individual customers, sole traders and self-employed professionals, corporate customers, private high-wealth customers, etc.) and different areas of activity (means of payment, e-banking, 'mothering', bred.fr, ACEF, etc.).

The Survey Division supplements this quantitative system with qualitative actions. In 2013 four "round table" events were held with individual customers, sole traders and self-employed professionals and with their respective account managers. These events provide an opportunity for each attendee to communicate more directly and spontaneously about their opinions and expectations of the bank.

In addition to the surveys, the quality of the welcome and advice given by branch employees is measured through "mystery visits" by prospective customers. Two such campaigns were conducted in 2013, as a result of which the "good practices" for employees and advisors in direct contact with customers were redefined.

Every year, almost 50,000 customers are questioned as part of the Survey Division's work.

The Internal Quality Division collects information and identifies malfunctions and problems that affect the quality of the services we provide our customers. It operates at every level of the Bank. It may analyse customer complaints to identify structural and functional problems, or analyse feedback on problems observed by bank employees sent to an email address specifically reserved for that purpose and available to everyone.

The Internal Quality Division proposes, quantifies and steers corrective action until the malfunction or problem has been completely resolved, while liaising with all the Bank's relevant departments. It may also examine the feasibility of any suggestions aimed at improving our services.

Every quarter a summary of these three activities is sent to BRED senior executives in the form of a quality management chart.

3.4 Accessibility of our banking services for people with disabilities

Over the years BRED has consistently launched initiatives to facilitate access to banking services for people with disabilities. The website and the online account management service can be used by the blind or partially sighted. BRED is keen to make it services accessible to people with disabilities by installing ATMs with Braille keys and a vocal interface.

Strictly speaking, our branches do not comply with all the requirements of the 2005 decree on access for people with disabilities. Nevertheless, the majority of them do provide access for people with reduced mobility. In metropolitan France, 137 of our branches provide access for people with reduced mobility, representing 53% of all branches. 104 branches are awaiting the installation or modification of a disabled access ramp; this work will be carried out over the next few years. The remaining 16 branches in metropolitan France have steps and no possibility of installing a permanent ramp. A special dispensation will be granted for these branches.

3.5 Exclusion policy relating to the arms and munitions sector

Like all BPCE banks, BRED has introduced an exclusion policy on financing and investing in companies involved in the production, trade or storage of anti-personnel mines and cluster munitions.

This policy applies to the financing of companies as well as to proprietary trading and third-party investment services. The policy is reviewed by the relevant decision-making bodies (Credit Committee, Investment Committee, etc.).

3.6 Responsible marketing

Almost ten years ago BRED put in place a New Products/Processes Committee to validate new new banking and financial products and services offered to customers. The purpose of this procedure is to satisfactorily manage the risks associated with the marketing of products to customers by considering the applicable regulatory requirements at the time of the design of the product and the promotional documents and also when selling the product.

This procedure draws on skills and expertise throughout the company (particularly legal, financial, risk management, information systems and compliance). Contributors meet at a New Products/Processes Committee meeting in order to validate each new product before the market launch.

This procedure also applies to sales processes, including in particular distance selling, and to the standard sales and marketing materials used with customers.

BRED has not put in place a systematic CSR labelling system for all its banking products.

The validation of new products before their market launch also enables BRED to satisfy the criteria set out in Article L. 225 of the Grenelle 2 Act on measures to protect consumer health and safety, reinforcing the already very strict banking regulations on consumer protection.

3.7 Know-your-customer and quality of data

It is essential that we have relevant and up-to-date information on our customers in order to build a quality relationship. This information therefore needs to be updated on a regular basis.

In September 2012, BRED began a process to review and correct errors in our customer files. The Account Management Department responsible for this process has since been enlarged and consequently significant improvements have been made: the number of errors identified has been divided by 3 in less than 15 months.

We are therefore able to improve the reliability of the segmentation and rating of our individual and corporate customers (Basel II), and we are also improving the reliability of the computerised data which is having a positive impact on the processing of tax documents on behalf of our customers, such as the single tax return (IFU), and of the regulatory forms providing information on customers' bank accounts (FICOBA, FICOM).

These improvements, and the processing of all other data, are carried out in compliance with the personal data protection requirements concerning customers and employees issued by the French data protection authority (CNIL). BRED has designated a data protection officer to liaise with this authority. This is indicative of BRED's commitment to respect the privacy and rights of the people whose personal data it processes.

4 Procurement and supplier relations

4.1 Responsible procurement policy

Incorporating CSR into the procurement policy

BRED is fully aware of its economic, social and environmental responsibilities and is committed to incorporating CSR into its procurement policy.

Development can only be sustainable if BRED's commitments are taken into consideration and shared by a maximum number of its partners, including its suppliers, subcontractors and service providers, who must take on board the need to improve their own performance with regard to these criteria, and to ensure, in turn, that their own suppliers share the same social, environmental and economic concerns.

Like the other Groupe BPCE entities, BRED intends to work primarily with companies that share this philosophy.

Applying the responsible procurement policy to everyday purchases

In April 2013, BRED brought its procurement policy into line with the commitments given by Groupe BPCE's suppliers, procurement division and business departments. BRED's procurement managers are accordingly gradually rolling out an ecological and ethical procurement policy throughout the supply chain.

CSR in the procurement process and supplier relations

The responsible procurement policy has been formally integrated into the procurement process by the systematic inclusion of clauses concerning sustainable development in specifications relating to the purchase of IT equipment and services and transport services; more specifically, service providers must inform BRED of any action or event that may have a material impact on the carbon footprint of the services they provide to BRED.

This also includes selection criteria that will favour suppliers who, all other things being equal, can offer procurement certificates and/or undertakings to supply in accordance with environmental and social standards.

Under the procurement policy, BRED may also provide support to any of its suppliers who are experiencing difficulties. For example, the Procurement Department stood by our usual service provider when the price of recycled paper collapsed.

Incorporating the responsible procurement policy into strategies applying to purchasing ranges

IT**:** the installation of signature tablets in branches has reduced the number of paper documents kept on file and has therefore also reduced the volume of documents shipped to mainland France from the overseas departments. Used consumables are collected separately for recycling or controlled destruction and partial recycling of plastic components. Waste electrical and electronic equipment - essentially replaced IT equipment - is processed by protected sector companies (EA/ESAT/EIW), which refurbish and resell usable items and destroy unusable ones after sorting components for recycling.

Paper and printed documents: all paper purchased is FSC/PEFC certified. BRED prints its business cards on recycled paper or card whenever possible. All our chequebook suppliers share our CSR approach and have implemented a procurement policy that prioritises pulp obtained from sustainably managed forests. Most of the printers we use have obtained the Imprim'vert certification.

Office supplies: the thickness of plastic folders and the thickness of the plastic bags used to collect cheques have been reduced.

Transport and deliveries: Since October 2013, deliveries between branches (correspondence, office supplies and cheques) take place at night and are pooled with those of other clients. This means the service is quicker and the number of miles charged to each branch is reduced. Since July 2013 a protected sector company handles the regular shuttle service between the main buildings of BRED and Groupe BPCE. BRED favours maritime transport for deliveries to the overseas departments.

Waste recycling: BRED contributes to the recycling of approximately 120 metric tons of paper each year by our waste collection service provider. Blank paper discarded by the publishing desk is processed separately and recycled. Used fluorescent tubes and bulbs are removed by the maintenance firm and held separately for collection by a specialist service provider.

Procurement policy

Indicators	2013
Rate of incorporation of the responsible procurement policy into strategies for purchasing ranges	27%

Awareness of responsible procurement

Training on responsible purchasing

Indicators	2013	2012
Number of BRED employees who have received training* on responsible purchasing	2	3

* *Training and/or work meetings to raise awareness of the responsible procurement policy.*

4.2 Subcontracting policy

Outside workers

The use of temporary staff is relatively rare, and corresponds to less than 3% of total headcount. This is a sign of BRED's ongoing efforts to align job positions, workload and employee resources.

Subcontracting and compliance with the International Labour Organisation's fundamental conventions

BRED ensures that its suppliers give a contractual undertaking that they will comply with employment laws and regulations. This is done by including a clause on illegal employment in all our contractual documents.

Sample contractual clauses

"The Service Provider solemnly declares that it is up-to-date with its social security payments and only employs staff who have been duly and properly recruited and hold a contract of employment. The selected Service Provider undertakes to provide a solemn statement whenever requested by BRED Banque Populaire and on each contract anniversary date:

Statement on combating illegal employment (Article 324-9 et seq. of the French Employment Code) concerning individuals employed by the service provider directly or by its subcontractors."

4.3 Disability policy

For the past three years, BRED has constantly increased its efforts to encourage the professional and social insertion of vulnerable people with disabilities by subcontracting various services to the protected worker sector.

By increasing its partnerships with stakeholders in the social and inclusive economy, BRED is rolling out a more inclusive responsible procurement policy.

Its objective is to substantially increase its use of companies in the protected worker sector and to therefore increase its rate of indirect employment of people with disabilities.

Subcontracting to the protected worker sector

Indicators	2013	2012	2011
Number of full-time equivalent jobs in the protected worker sector	10.94	9.36	3.16
Amount of purchases from the protected worker sector (in thousands of euros, excl. VAT)	262	262	109

5 Human resources information

5.1 BRED's human resources indicators

Employment

Breakdown of headcount

As at 31 December 2013, BRED employed a total of 3,742 people (in the reporting scope) under permanent contracts, fixed-term contracts, work-study contracts and professional training contracts.

Total headcount according to region and gender

	2013		
	Men	Women	Total
Retail banking - metropolitan France	1,294	1,792	3,086
Retail banking - overseas	205	451	656
Total BRED	**1,499**	**2,243**	**3,742**

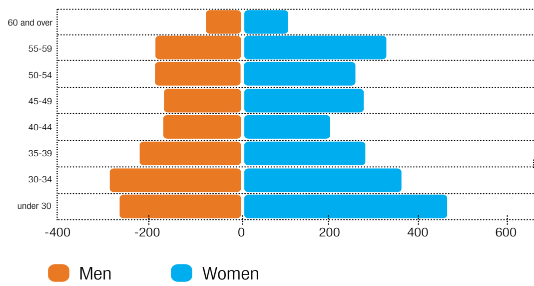
Women account for the majority of staff, representing 60% of employees (and almost 70% overseas).

Distribution of the staff by contract and status

	2013	
Indicators	Number	%
Type de contrat		
Type of contract	3,596	96,1
Permanent contracts, excluding work-study contracts	54	1,4
Fixed-term contracts, excluding work-study contracts	92	2,5
Work-study and professional training contracts		
Non-management staff	1,863	49,8,
Management staff	1,787	47,7,
Work-study and professional training contracts	92	2,5,
Work-study and professional training contracts	**3,742**	**100**

96.1% of staff hold permanent contracts. This figure is split almost evenly between non-management and management staff, with management staff accounting for 47.7%.

2013 headcount according to age



New hires according to contract, grade and gender

BRED is preparing for the gradual replacement of its older employees by creating job opportunities for young people through its policy of offering work-study contracts, apprenticeships and professional training contracts, and through its mentoring initiatives.

Breakdown of new hires

	2013	
Indicators	Number	%
Contract		
Permanent contracts, excluding work-study contracts	124	49.6
Fixed-term contracts, excluding work-study contracts	51	20.4
Work-study and professional training contracts	75	30.0
Non-management/ management staff		
Non-management staff	198	79.2
Management staff	52	20.8
Gender mix		
Women	125	50.0
Men	125	50.0
Total	**250**	**100**

Departures from permanent contracts, including work-study contracts, according to reason and gender (GRILA 2) (Art. R.1.1b)

Employee dismissals represented slightly less than 9% of all departures in 2013. Retirements represented 2.6% of the total employees working on permanent contracts.

Breakdown of departures from permanent contracts, according to reason

	2013		2012	
Indicators	No.	%	No.	%
Resignation	56	26.0	60	27.8
Dismissal	19	8.8	20	9.3
Transfer	14	6.5	18	8.3
Retirement	92	42.8	65	30.1
Severance of contract	3	1.4	7	3.2
Severance during probationary period	30	14.0	42	19.4
Death	1	0.5	4	1.9
Total	**215**	**100**	**216**	**100**

Remuneration

Every year BRED analyses and reviews individual pay levels and changes in keeping with performance targets assigned to employees.

Promotion/pay increases

	2013		2012	
Indicators	Wom.	Men	Wom.	Men
Change of level	119	80	159	114
Change of grade	31	21	38	31
Number of individual pay increases	408	301	850	612

Permanent contracts, excluding work-study contracts, as at 31 December 2013.

Organisation of work

Within BRED, working hours are governed by agreements signed with the employee representatives. The annualised average number of hours worked per week ranges between 37 and 39 hours; after adjustments to reflect compensatory measures such as additional days off the average working week over the year is 35 hours.

In most cases, employees whose working hours are defined in a collective bargaining agreement may choose to work on a part-time basis.

In 2013, 9.6% of employees opted to work part-time. More than 95% of those who opted for part-time work are women.

Employees working part-time under permanent contracts according to gender and grade

	2013		
Indicators	Women	Men	Total
Non-management staff	204	7	211
Management staff	136	14	150
Total	**340**	**21**	**361**

Permanent contracts, excluding work-study contracts, as at 31 December 2013.

Absenteeism

As a company working in the service sector, BRED has a duty to improve working conditions in order to reduce absenteeism.

The global absenteeism rate due to illness, excluding maternity leave, paternity leave and other special leave taken, is slightly more than 4%, which is a slight increase on 2012.

Indicators	December 2013	December 2012
Absenteeism rate for illness	4.29%	4.12%

5.2 Diversity

Diversity is one of BRED's strengths, and takes multiple forms, including its efforts to achieve gender equality when recruiting and promoting employees, its social mix and inclusion of second-generation immigrants, and more particularly its partnership with young people in the 12th arrondissement of Paris and its non-discrimination policy when hiring, as well as its policy of providing employment for people with disabilities in compliance with the various charters signed directly by BRED or in line with the charters signed by BPCE on behalf of the Banques Populaires.

These charters prohibit any form of discrimination on the grounds of origin, gender, family circumstances, maternity, physical appearance, name, health, disability, genetic characteristics, cultural habits, sexual orientation or identity, age, political opinions, trade union activities, or genuine or presumed membership or non-membership of a specific ethnic group, nation, race or religion.

Gender equality

Gender equality is a contributing factor to economic performance and is also a catalyst for creativity and societal progress. Changing mentalities and modifying gender representation are key concerns for BRED. Promoting gender equality has been a core component of BRED's human resources strategy for a number of years.

Providing equal work opportunities for men and women is a priority for BRED, as although 60.2% of employees on permanent contracts are women, only 40% of these hold management or senior management positions; however, equality has almost been achieved at management level, as 48.5% of management level positions were held by women in 2013.

Breakdown of employees on permanent contracts according to gender and grade

	2013		
Indicators	Non-management staff	Management staff	Total
Women	1,298	865	2,163
Men	514	919	1,433
Total	**1,812**	**1,784**	**3,596**

Permanent contracts, excluding work-study contracts, as at 31,December 2013.

In terms of salaries, the average salary ratio between men and women is 98.5 for non-management staff and 107.1 for management staff.

Average basic salary for employees on permanent contracts according to gender and grade

	2013		
(€)	Non-management staff	Management staff	Total
Women	30,564	46,876	36,943
Men	30,106	53,544	44,631
Total	**30 436**	**50,192**	**39,898**

Permanent contracts, excluding work-study contracts, as at 31 December 2013 - Gross annual salary.

These inequalities are, nevertheless, gradually disappearing, thanks to a recruitment and career management policy that promotes mixing and favours an equal gender balance at all levels of the company.

The table showing changes in individual promotions and pay increases (page 58) is an example of BRED's efforts to provide women with equal career development opportunities, as 20.3% of women received a pay increase in 2013, compared to 18% of men.

The Pluri'elles network for management-level female staff within BRED was created in 2013 and now has more than 100 members. This network provides a forum for discussion and mutual support, and complements the HR policy on gender equality.

It objectives are: 1/ to encourage the appointment of women to positions of responsibility, 2/ to participate in concrete actions to raise awareness throughout the company, and 3/ to set up an observatory and act as a think tank, in particular by defining and independently monitoring indicators that will track gender equality changes throughout the BRED group and the number of women in leadership roles.

Employment of people with disabilities

The employment of people with disabilities is a priority for BRED. It created a disability awareness programme called "Mission Handicap" in 2008 to increase awareness within the company and introduce initiatives to improve the insertion of employees with disabilities in BRED's various business lines.

Employment of people with disabilities

Indicators	2013	2012	2011
Direct jobs			
Number of new hires	11	5	9
Number of work stations adapted	15	NC	NC
Employment rate			
Direct employment rate	2.29%	2.04%	1.95%
Indirect employment rate	0.33%	0.27%	0.09%
Total employment rate	**2.62%**	**2.32%**	**2.04%**

A number of initiatives to raise awareness are organised throughout the year. For example, during Disability Week two conferences on hearing were organised at the two head offices with the help of JNA (the national hearing day association). An information brochure was sent out to all BRED employees. All employees also received a wrist rest for more comfortable use of the mouse when working on their computer, and a visit to the Institut de la Vision (Vision Institute) and a conference were organised for the East Paris region employees.

A number of partnerships with organisations and special schools also form part of BRED's disability programme. Without listing them all, they include Handi-Sup in Rouen, the Graine de Partage association, Ethik Management, and the Coubert professional re-adaptation centre.

BRED is also currently facilitating the modification and adaptation of workstations (15 in 2013), has financed two adapted vehicles and has granted six transport subsidies.

Helping senior employees

BRED is keen to help its older members of staff to manage their careers, without any type of age discrimination, and also provides support when they reach retirement age through specific measures.

This support is provided within the framework of the age equality agreement adopted by BRED and approved by the employment inspectorate. Certain measures included in the 2012-2014 "Seniors" action plan have been carried over, including in particular an objective of maintaining all employees aged 55 or over in employment.

5.3 Training, labour relations and working conditions

The quality of the services it provides its customers and the work-life balance of its employees are important to BRED. It therefore offers personalised introductory training to each new employee and a wide range of professional training opportunities, which foster employee loyalty and also improve the professionalism of its employees.

These training initiatives are backed up by constructive dialogue between management, the health and safety and working conditions committee (CHSCT) and the employee representatives.

Each BRED department implements a responsible human resources policy, that:

- respects each individual;
- is firmly focused on improving employees' skills and knowledge and providing them with career development opportunities.

Training

Skills learning benefits our customers and contributes to the personal development of employees

Our training policy directly improves professional performance and, therefore, customer satisfaction, while also enhancing the personal development of employees.

BRED recognises and makes use of the individual skills and contribution of each employee. At the same time, employees are presented with a range of attractive career opportunities, which in itself improves motivation and their sense of personal achievement.

By maintaining its investment in training at more than 5% of the payroll, and with almost 78% of its employees having received training on at least one occasion, BRED's performance in this area places it above average in its sector (4%), while its investment exceeds the statutory minimum of 1.6%. The number of hours allocated to training in 2013 i.e. 169,363, is indicative of the BRED group's sustained efforts to provide training for its employees in the demanding and ever-changing banking sector.

In 2013, BRED defined two priority areas of training:

- training related to the employee's position or necessary in light of changes or to remain in employment: 64%;
- new skills learning: 36%.

Breakdown of number of employees receiving training according to gender and grade

	2013			2012		
Indicators	Wom.	Men	Total	Wom.	Men	Total
Non-management staff	1,070	514	1,584	1,257	527	1,784
Management staff	687	744	1,431	772	831	1,603
Total	**1,757**	**1,258**	**3,015**	**2,029**	**1,358**	**3,387**

Permanent contracts, including work-study contracts, as at 31 December 2013.

Skills development is essential in our business

BRED's objective is to ensure our teams possess the individual and collective skills necessary to provide our customers with a quality service; this means that we have to constantly adapt our employees' technical skills as and when the expectations of customers change, improving qualifications and ensuring a higher level of professionalisation.

Accordingly, in 2013 BRED pursued its training initiatives to enhance the quality of our customer service, focusing in particular on employees' knowledge and familiarity with our commercial offer in a sector where regulations and tax requirements are becoming increasingly sophisticated.

BRED's dynamic training policy, which in many cases equips employees with additional qualifications, reflects its intention to ensure its employees remain attractive on the wider employment market throughout their careers. Training opportunities allow employees to continue to learn and develop, in particular those working in sales and marketing functions where customers expect increasingly personalised and specialised advice.

For example, 77% of BRED employees who took exams in 2013 passed.

Additional actions to promote employee equality and facilitate the work-life balance

Bred's policy of responsible development of its human resources has also led it to define training plans:

- making special provisions for induction training for new employees;
- teaching managers and staff about how to respond to changes to our business activities and, more generally, raising awareness of the possibility of learning through training throughout their career;

(1) http://www.fbf.fr/fr/secteur-bancaire-francais/metiers-de-la-banque/chiffres-cles/les-chiffres-de-la-formation-continue

- helping employees to adapt to changes in their jobs and business sectors, and providing guidance on career development.

As regards gender equality in particular, in 2013 BRED pursued and reinforced its initiatives to provide training that will help women to move into management-level positions.

Health and safety

BRED is aware of the need for a policy on health and working conditions that goes beyond the simple prevention of risks and to encourage employee loyalty.

In addition to investments made in connection with specific projects to improve health and the safety of our employees' working environment, in conjunction with the company doctors BRED has put in place the usual health prevention and monitoring systems such as a mandatory medical check-up every two years for each employee, at which his or her health and working conditions are discussed.

No specific agreements have been signed on health in the workplace. The company doctors are best placed to detect any possible risks and take action if and when necessary. Their main role is to ensure our employees' health is not affected as a result of their occupation. They may be informed of potential issues and take any appropriate action.

Accidents in the workplace in 2013

Indicators	Number	Number of days' absence
Accidents in the workplace	36	357
Accidents when travelling to and from work	63	1,297
Total number of accidents reported	**99**	**1,654**

The severity and frequency of accidents is monitored as part of an action plan to combat stress put in place in 2011.

A special section of the BRED intranet site has been allocated to health, and information is provided on a number of potential health risks such as repetitive strain injuries, smoking and mental health issues.

Likewise, the prevention and management of antisocial behaviour is monitored and employees receive regular information updates, explaining how to react in specific circumstances.

Work-life balance

BRED is aware of the importance of work-life balance for its employees. For the past 20 years or so, most employees have had the possibility of working on a part-time basis: in 2013, 9.9% of employees opted for part-time work, 94.2% of whom are women.

Breakdown of part-time permanent contracts according to time worked

	2013		
Indicators	Women	Men	Total
Less than 50%	15	1	16
50%	36	6	42
50 to 80%	81	4	85
80%	87	4	91
More than 80%	121	6	127
Total	**340**	**21**	**361**

Management-employee dialogue

BRED provides some 4,000 employees with a dynamic working environment and interesting career opportunities. This is possible because BRED is part of a group with a wide range of business activities, many local and international establishments, and a strong corporate culture.

The employee representative bodies in metropolitan France and in BRED's overseas establishments consist of a Central Works' Council, separate works' councils in six establishments, employee representatives on six sites, and four health, safety and working conditions committees (CHSCT).

In 2013, the Central Works' Council held nine meetings: two ordinary meetings and seven extraordinary meetings. The CHSCTs held nine ordinary meetings and several extraordinary meetings to discuss in particular the commercial development of the network, plans to open a new administrative headquarters, the appointment of experts, measures put in place to facilitate the work of sales and marketing staff in the branches, antisocial behaviour, attacks and other risks in branches, the modification of premises and renovation of branches, and plans to change the working hours on certain sites and in certain departments.

Six agreements were signed in 2013:

- an agreement amending the PERCO collective retirement savings plan and the 35-hour working week (19 February 2013);
- an agreement on working on public holidays within the framework of the Target 2 system (17 April 2013);
- an agreement on gender equality, which was signed by all parties (26 April 2013);
- an agreement providing for the early release of funds held in the incentive and profit-sharing plan (4 July 2013);
- the age equality agreement (27 September 2013);
- a collective agreement on BRED supplementary health insurance schemes (13 November 2013).

The mandatory annual negotiations were held with employee representatives. As a result, the profit-sharing and incentive agreements were renewed in 2013.

Pursuant to a company-wide agreement, the trade union organisations have the possibility of using the internal mail service to write to all employees.

Observation of the International Labour Organisation's Conventions

BRED carries on its business activities in France and abroad in compliance with the recommendations contained in the ILO's conventions:

- respect of freedom of association and the right to collective bargaining;
- elimination of discrimination in respect of employment and occupation (see the "diversity" section of this report);
- each BRED group entity ensures compliance with rules on the freedom of association and working conditions in respect of its international activities;
- elimination of forced or compulsory labour and effective abolition of child labour.

In accordance with the signature of and adherence to the Global Compact, BRED abstains from using forced or compulsory labour or child labour in accordance with the International Labour Organisation's conventions, even if local laws authorise such practices.

6 Societal commitments

BRED has a long-standing commitment to its cooperative values and is a universal bank open to all and close to its customers, with a strong local presence.

From its inception, BRED has quite naturally engaged in specific actions to promote internal diversity, thus ensuring that its employees truly reflect its customers.

BRED has set up a number of initiatives in support of civil society in various areas. In particular, it provides help for new businesses (including through micro-finance projects), promotes social inclusion and solidarity, and actively supports education and research. BRED has set up its own foundation in order to take effective action in the local public interest and to structure its patronage.

6.1 National partnerships

In line with the local initiatives of other Banques Populaires, BRED supports the actions of the National Federation of Banques Populaires, whose mission is to define a common partnership and patronage policy and promote initiatives around the theme "*Libérez l'envie d'entreprendre*" (free your entrepreneurial spirit).

The Federation has three priorities: micro-finance, education, and employment/social inclusion. At the request of the Banques Populaires, the Foundation has set up a special fund to finance projects eligible for patronage within the framework of its partnership and patronage policy, which it pursues on those banks' behalf. Its main partners are ADIE, the Banque Populaire micro-financing research chairs at the Audencia and ESC Dijon business schools, and the Entreprendre pour Apprendre and Réseau Entreprendre associations. The Federation is also a member of the European Micro-Finance Network and of Finance et Pédagogie, and was a founding member of the French Micro-Finance Association.

BRED is a member of the jury for the "Entrepreneurs Citoyens" (Public-spirited Entrepreneurs) awards organised by the Fondation d'Entreprise Banque Populaire (Banque Populaire Corporate Foundation). Awards are presented to associations formed by a group of business people from the retail business sector. The objective is to encourage general interest projects with high social impact that are exemplary, innovative and reproducible. In 2012, two projects presented by BRED received awards: Café de l'Avenir and Un plus Un, an innovative project to help low-income families get a foot on the property ladder.

6.2 Equal opportunities

As part of its actions to help young people into employment, BRED supports Le Café de l'Avenir.

25% of young people aged between 15 and 24 are currently unemployed in France. BRED decided to take positive action to combat this situation by encouraging its employees to get involved with this association.

Le Café de l'Avenir organises monthly meetings between volunteers from the world of business and young people who have never been in employment. The mentors encourage and advise the young people, focusing on building up confidence levels and developing a concrete strategy for finding a job. Over the past seven years, Café de l'Avenir's 180 volunteers have helped approximately 3,500 young people.

BRED also supports the Fondation des Ecoles de la 2ème Chance (Second Chance Foundation Schools), showing a special interest in schools in the areas in which it is present, such as Seine-et-Marne, Val-de-Marne and Paris. The purpose of these schools is to promote the professional and social integration of young people who left the school system at an early age without any qualifications or exams. They offer personalised educational programmes, allowing young people to alternate classroom learning and work experience with partner companies and to access the job market.

BRED offers introductory sessions on working in the banking sector and provides advice on how to manage a budget.

BRED takes part in the Phénix Forum, organised by Panthéon-Sorbonne University. This initiative aims to facilitate recruitment of students who have recently obtained a Master 2 in human and social sciences. Young graduates are given the opportunity to gain work experience in the banking sector, while also working towards a qualification through a professional training contract (*contrat de professionalisation*).

6.3 Supporting local associations

Supporting vulnerable people

BRED operates six Second Chance Foundation relay centres in Evreux, Rouen, Vincennes, Provins, Meaux and Melun, as well as a Second Chance Club (Club 2ème Chance) in Sénart. The Foundation offers vocational training courses for vulnerable or highly disadvantaged people of any age who have experienced significant difficulties and who show a real desire to succeed. It can help them to find employment or to start up their own small business.

BRED also supports an association called Habitat et Humanisme Ile-de-France (HH IdF), which aims to eliminate substandard housing. It signed partnership agreement with HH IdF on 30 January 2012.

Education

In 2013, BRED took part in the launch of the annual campaign by its La Jeunesse au Plein Air (JPA) partner organisation. This federation of secular associations provides disadvantaged and disabled children with leisure opportunities. It promotes equal opportunities by helping almost 20,000 children go on holiday every year.

BRED is a partner of the secular French Scouting movement (Eclaireuses et Eclaireurs de France), which celebrated its centenary recently. The movement has 35,000 members: 28,000 children and young people and 4,000 active volunteers.

Another example of BRED's involvement in the education sector is its partnership with Solidarité Laïque, a non-profit association formed in 1991, which has 55 member organisations operating in the public education sector. Its purpose is to actively promote the respect of fundamental rights in France and throughout the world. For example, it represents France in the Global Campaign for Education.

BRED is also actively involved in combating illiteracy through the association Lire et Faire Lire, which offers extracurricular literacy courses that also promote intergenerational solidarity. Volunteers share their love of books and reading with young children outside school hours. BRED has also been involved for a number of years in the "Lire et Faire Lire" prize for poetry, awarded at the Paris Book Fair every year.

BRED supports sporting initiatives through its branches and, more specifically, a large number of sporting associations which encourage young people to grow through effort and surpass themselves. Sport develops a team spirit and cooperative values. Education through sport opens young people's minds and promotes social cohesion, tolerance and diversity.

Health and research

BRED asks all new customers to support the Fondation Recherche Alzheimer, an Alzheimer's research foundation, through its sponsorship programme. The foundation's objective is to facilitate the coordination of work to combat Alzheimer's being conducted by research units throughout France and Europe. 165,000 new cases are diagnosed every year and 1.2 million people could be affected by 2020. It is essential that therapeutic solutions are discovered to combat this terrible disease. As well as research, the foundation has financed the creation of the first comprehensive national tissue bank (Banque Tissulaire Nationale) and launched a European research prize (le Grand Prix Européen de la Recherche) in 2011, which rewards a top Alzheimer's research team.

BRED supports the cancer research association Fondation ARC through its two special bank cards, BRED&Moi ARC and BRED&Moi Octobre Rose. The "Octobre Rose" (Pink October) card displays the symbolic pink ribbon worn in support of the fight against breast cancer. Since its creation, this association has become one of the major players in supporting cancer research.

BRED is one of the partners of cHeer uP!, a federation of 15 associations created by business and engineering school students. Its objective is to help teenagers and young adults suffering from cancer to achieve their dreams. Since 2003 cHeer uP! has organised personal contacts in hospitals between young cancer patients and 350 volunteer students from 16 different business and engineering schools as well as a network of specialists who visit the patients in hospital.

In 2003, BRED took part in one of the first corporate sponsorship programmes set up by Médecins Sans Frontières (MSF). BRED is a regular supporter of this association, relaying calls for funds to its customers via account statements. Forty years after its creation, MSF continues to deliver emergency aid to populations in distress, including victims of natural disasters and wars, motivated by the same values of solidarity cherished by BRED.

BRED has extended its support of medical research by entering into a partnership with the Institut de la Vision (Vision Institute). The Institute was founded by Professor Sahel to provide a forum for discussions and share knowledge on eye-related problems, and is the largest of its kind in Europe. It is housed in the Quinze-Vingts Hospital in Paris. This partnership is an example of BRED's cross-disciplinary initiatives, which aim to marshal a range of resources and energy to support medical research.

Solidarity

As proximity is one of BRED's core values, we include requests for donations in our customer account statements. BRED has also set up a charitable scheme: whenever a customer refers a friend or relative to BRED who then opens an account, BRED will pay €5 to one of the following associations: Médecins Sans Frontières, Fondation pour la Recherche sur Alzheimer, or Jeunesse au Plein Air.

In 2011 we began offering our used computer equipment to partner associations as and when it was replaced. Almost 500 fully equipped computers have been donated so far, thus freeing up the associations' limited funding for other expenditure.

6.4 Micro-lending

For more than ten years BRED has supported micro-entrepreneurs – often refused the traditional sources of financing - who wish to achieve economic security by setting up their own businesses. It supports ADIE (association for the right to economic initiative), a non-profit association whose purpose is to support and assist people who have been excluded from the traditional labour markets and banking systems. ADIE can provide them with micro-loans and logistical support so that they can set up their own small businesses. BRED provides financial support to several Adigo agencies, including one in Montreuil near Paris and one in La Réunion, and also to ADIE advisory centres (Espaces ADIE Conseil) in Normandy. Adigo agencies operate as specialist providers of small loans for the purpose of setting up or expanding an independent business. They provide a much-needed local service.

In 2012, BRED subscribed to an interest-free loan fund, the Fonds de Prêts d'Honneur, for young business creators. Donations to the fund enable ADIE to grant interest-free loans to people aged under 32 who have already benefited from micro-financing. The funds are used in the same way as shareholders' equity to finance the creation or development of the business. Loans are capped at €5,000 and are reserved for the most disadvantaged applicants.

Personal and business micro-loans

(Loan production – number and amount)

	2013		2012	
€	No.	Amount	Nber	Amount
ADIE business micro-loans	371	1,239,753	481	1,624,633

6.5 Vulnerable customers

BRED continues to pursue its ambition to better target and meet the needs of vulnerable customers and other special customers.

Oriel

In 2007 BRED set up a service called Oriel to help vulnerable customers. The Oriel branch serves customers whose financial situation requires specific support and sensitive handling, based on personal contact and dialogue.

With the objective of building successful relationships through a personal service, Oriel caters specifically for customers whose personal or professional situation has altered suddenly and dramatically due to sickness, unemployment or another adverse life event. Oriel aims to provide support early on to prevent over-indebtedness, which is often caused by solvency problems, irregular sources of income or repeated payment incidents.

This BRED initiative to provide specific support to prevent vulnerable people being deprived of banking services and incurring excessive debt responds to concerns expressed by the public authorities and civil society.

Regulated Professions Department

BRED set up the Regulated Professions Department in 1998 to help companies in difficulties. This dedicated team of specialists assists companies in all sectors, proposing short- or medium-term solutions adapted to specific situations. The Department liaises with legal professionals such as insolvency practitioners and lawyers.

It provides companies seeking to turn around their business with advice and the support of a commercial bank. A banking relationship is therefore maintained and, when no other viable alternatives can be found, the company's closure can be organised in a dignified manner.

Protected adults

Almost 14 years ago BRED set up a special Protected Adults unit to offer services to this special category of customer. It works directly with guardians and other representatives and associations appointed by the courts in mainland France and the overseas departments to represent protected adults.

To meet the banking needs of these customers, BRED has developed specific services that facilitate the everyday life of protected adults and their guardians or representatives.

The unit's members provided training for branch staff to ensure these customers receive a friendly welcome and an appropriate service and also to help them to identify and report any cases of abuse of the vulnerable adult.

7 Tackling environmental issues

For BRED, the environment is an intrinsic part of responsible banking. Controlling ecological impact and consumption of resources is also part of the Company's societal responsibility. BRED has two main lines of action.

1. Support for green growth

Banks essentially have an indirect impact on the environment, through the projects they finance. BRED's awareness of this issue has led it to set up initiatives to support new companies operating at the cutting edge of the eco-business sector (water treatment, recycling of waste and waste-to-energy schemes, site rehabilitation and renewable energies) and to also help certain sectors work towards environmental responsibility, including in particular the transport, agriculture and construction sectors. These initiatives are still in their first stages, but will be implemented gradually over the next few years.

2. Reducing its environmental footprint

BRED's service-based business activities have a limited impact on the environment. Nevertheless, areas for improvement can be identified by reviewing how we operate.

In addition to the indirect impact of its financing activities, BRED's everyday operations have a direct impact on the environment. As a bank with a commercial network, the main areas for concern are work travel, buildings and consumables: reducing consumption, increasing use of renewable resources, and improving recycling downstream are BRED's prime objectives.

These actions have the support of BRED's Executive Committee and are coordinated by the Head of Sustainable Development.

7.1 Financing green growth

BRED's approach is consistent with that of BPCE, which has implemented several actions that integrate environmental issues into internal management in order to familiarise employees with these issues; it has also adopted a customer-oriented approach in order to provide new offers and services that will facilitate projects in the green growth sector. The most fundamental action has been the organisation of BPCE reporting procedures in line with the format of GRI guidelines (version 4), allowing the use of standardised steering indicators, and the selection of the most relevant of these. In addition, BPCE has signed the Global Compact*, which provides a standardised framework for action within our banking group.

BRED assists the Bank's local decision-makers with their environmental projects by providing bespoke financing or joint financing solutions.

In 2013, most of the financing solutions put in place by BRED were in the shipping and aviation sectors. In December 2013, BRED was selected to jointly finance, along with BPCE IOM, the construction of a solar power plant with storage facilities and an energy capacity of 2.475 MWp. in Diamant, Martinique.

€3.5 million of the total €7.35 million was financed by BRED through its subsidiary, Sofiag.

Initiatives supporting the development of green growth

€000	2013		2012		2011	
	Number	Loan production	Number	Loan production	Number	Loan production
Regulated products						
Livret Développement Durable (LDD) sustainable development passbook savings account	653	49,625	686	52,557	667	54,841
Loans for energy saving projects	28	347	42	520	55	750
EcoPTZ interest-free eco-loans						
Loan production	109	1,142	95	903		
Amount of outstanding loans	694	7,879	613	7,749		

(1) Global Compact/Pacte Mondial is an initiative of the UN that urges companies to adopt, support and apply to their operations a set of universally accepted principles in the areas of human rights, working conditions, the environment and anti-corruption measures.

SRI funds offered

€m	2013	2012
Assets under management – Novethic SRI labelled funds	132,697	21,904
Assets under management – non-SRI labelled funds (in Novethic database)	99,758	61,339
TOTAL	**232,456**	**83,243**
Total assets under management with employee savings funds (FCP entreprise)	*161,972*	*nd*

In 2013, the responsible investment business grew substantially.

7.2 Reducing the carbon footprint

Energy consumption

BRED's awareness of the issues associated with climate change and energy shortages has led it to implement a number of actions, the purpose of which is to:

- reduce its energy consumption and improve the energy efficiency of its buildings;
- encourage employees to reduce energy consumption on its main sites.

Noteworthy actions defined and put in place by BRED include:

- the purchase of an HQE/HEQ*certified building to replace an older, less energy efficient building;
- an energy audit of its buildings;
- increased use of low-energy lightbulbs;
- a system to automatically switch off lights in unoccupied offices on the Créteil site.

In addition, BRED encourages its employees to avoid using individual means of transport where possible, or to use greener means of transport.

Meeting and conference rooms have been equipped with videoconferencing or telephone conferencing equipment.

Energy expenditure

€m, excl. VAT	2013	2012
Total amount of electricity-related expenditure	2 296,4	2,134,0
Total amount of natural gas expenditure	255.7	196.2
Total amount of heating oil expenditure	99.7	113.1
Total amount of expenditure associated with the steam network	129.9	112.8

In 2013, total energy consumption is estimated at 36,118,140 kWh, i.e. 199 kWh per m^2, and can be broken down as follows:

Energy consumption

Indicators	2013	2012
Total consumption of heating oil (*on a basis of 9.32 kWh per litre*)	983,260	1,155,680
Total consumption of electricity (in kWh)	28,351,019	27,847,025
Total consumption of gas (in kWh – gross heating value)	5,266,261	4,431,820
Total consumption of steam-heat network (in kWh)	1,517,600	1,330,000
Total consumption of cold network (in kWh)	NC	NC,
Proportion of renewable energies in total final energy consumption (wind, solar, geothermal, biomass, etc.) (in kWh)	NC	NC
Total final energy consumption (in kWh)	**36,118,140**	**34,764,525**
Total energy consumption (in kWh/m^2) 114,043 (branches) + 67,611 (head offices and business centres) = 181,654 m^2	198.8	-

Measures taken to reduce transport-related energy consumptions

Indicators	2013	2012
Total petrol consumption by company cars (in litres)	457	2,988
Total diesel consumption by company cars (in litres)	88,427	90,697
Business travel in personal vehicles (in km) – based on standard kilometric allowance	1,843,328	Not known
Business travel by train (in km)	340,242	Not known
Business travel by short-haul air travel (in km)	21,498	Not known

Reducing the carbon footprint

In accordance with regulatory requirements under the Grenelle 2 Act on the Environment (and more specifically article 75 of Act 2010-788 of 12 July 2010), BRED has carried out a carbon review ("Bilan Carbone®") since 2011.

This provides the Company with information on its environmental impact. The current aim is to identify all sources of emissions that can be adjusted in order to reduce its overall impact on climate change.

(1) HQE/HEQ: High Environmental Quality. HEQ certification can be used by project owners as a sign of the environmental quality of their building and completion of the work by an independent third party.

The following action plans have been put in place:

- improvement of energy efficiency (optimisation of lighting, temperature regulation, improving insulation, machine standby management programme, installation of centralised technical management system, etc.);
- reduced consumption of raw materials (paperless offices, scanning, reducing personal printing, use of certified paper, collection and recycling system, sanitary water saving system);
- installation of videoconferencing facilities on all French and international sites, as a low environmental impact alternative to business travel;
- encouragements and incentives to lease low energy consumption vehicles;
- rehabilitation work on leaks of liquid refrigerants to reduce greenhouse gases;
- relocation of Créteil site to a BBC* and HQE certified building in Joinville-le-Point, in 2014.

BRED measures its greenhouse gas emissions using the Bilan Carbone® calculation method developed by ADEME.

The Banques Populaires have developed a sector-based carbon review of the Bank's network activities. It has the same degree of reliability of emission calculations as the initial Bilan Carbone® tool but focuses on 50 key questions for the Bank. It can therefore be updated every year and used to monitor progress.

These reviews enable BRED to obtain an overview of its energy consumption and greenhouse gas emissions. Items that use the most energy and generate the most greenhouse gas emissions are procurement and services, buildings, transport and power.

The item that generates the most greenhouse gas emissions at BRED is procurement and services, which accounts for 39% of all the entity's greenhouse gas emissions.

Calculation of emissions of metric tons of CO_2 equivalent (CO_2e)

	31/12/2013
Direct greenhouse gas emissions (scope 1) in metric tons of CO_2 equivalent	1,560
Indirect greenhouse gas emissions (scope 2) in metric tons of CO_2 equivalent	1,896
Total direct and indirect greenhouse gas emissions (scope 1 and 2)	**3,456**
Total other indirect greenhouse gas emissions (scope 3)	37,064

Data extracted by item (CO_2e emissions)

Indicators	2013	
Power	4,027	10%
Travel	16,042	39%
Inputs	6,398	1%
Fixed assets	6,259	15%
Other items	8,022	20%
TOTAL	**40,749**	**100%**

7.3 Pollution, waste management, sustainable use of resources and protection of biodiversity

Waste management

The Bank complies with regulations on recycling and ensures that its subcontractors are also compliant with respect to the following:

- waste arising from work on its buildings;
- waste electrical and electronic equipment (WEEE);
- office furniture;
- lightbulbs;
- management of liquid refrigerants;
- office consumables (paper, printed material, ink cartridges, etc.).

Banking business waste

Indicators	2013
Total spending on waste management services (€000, excl. VAT)	248.2
Volume of waste produced (metric tons). Paper/cardboard/plastics and WEEE (IT equipment)	619

Sustainable use of resources

Consumption of paper and office equipment

Indicators	2013
Total consumption of virgin paper (metric tons)	280
Total consumption of recycled or FSC/PEFC certified paper (metric tons)	539
Total consumption of virgin paper (kg)/total headcount (kg/FTE) 280,000 kg/3,742 employees	78,8
Total consumption of recycled or FSC/PEFC certified paper (kg)/total headcount (kg/FTE) 539,000 kg/3,742 employees	144
Total tonnage of recycled paper purchased as a percentage of total tonnage of paper purchased	**65.8**

(1) BBC: bâtiment de basse consommation – *low-energy use/energy efficient building. This term describes a building in which the energy needed for heating and air-conditioning is substantially less than in standard buildings.*

Water management

Strictly speaking, the Bank does not have a significant impact on water consumption and waste water, except for domestic use in its offices and branches, and is not affected by any local restrictions on water supply or use. However, several initiatives have been put in place to reduce water consumption (encouraging staff to reduce their water consumption in the Bank's buildings).

Water consumption

Indicators	**2013**
Total spending on water (€000, excl. VAT)	147.4
Total water consumption (m^3)	38,862

As BRED is a service-based company, it is not concerned by issues relating to noise pollution and land cover. The layout of its offices and commercial premises, which often occupy several floors, means that it takes up less surface area than industrial, single-level activities.

Likewise, in view of its activities, BRED is not concerned by the impact of water, air, or soil pollution.

Biodiversity management

Biodiversity is a component of the environmental policy in the same way as other aspects (reducing the carbon footprint, green products, etc.). However, unlike factors such as greenhouse gas emissions, less work has been carried out regarding the integration of biodiversity into banking practices.

BRED is following with interest the ongoing research programme conducted by BPCE and the French natural history museum (Musée national d'histoire naturelle) with a view to sharing the banks' good internal practices with those used by regional nature reserves. Although banking has no direct material impact on biodiversity, the research will enable the Bank to determine the number of branches located in areas of natural interest and to examine whether measures can be taken to protect local biodiversity during renovation work (installation of bird boxes, beehives, etc.).

7.4 Managing environmental and societal risks

It is an acknowledged fact that BRED's service-based activities do not have any major direct impact on the environment. Environmental risks mainly arise from the Company's banking business. The risks arise when environmental criteria are not taken into account in the business projects being financed. In France, the law requires that these criteria are taken into account. In addition, businesses and facilities that represents an environmental risk are covered by "ICPE" regulations (*Installation Classée pour la Protection de l'Environnement* - classified environmental protection facilities). The financing activity of the regional co-operative banks is focused on businesses in France, which mainly comprise professional customers and SMEs not involved in projects with any significant environmental impact.

For 2013, BRED recorded no provisions or guarantees to cover environmental risks in its financial statements.

8 Cross-reference table showing CSR data published and French regulatory obligations

(Art. 225-102-1 of the French Commercial Code)[1]

Human resources information

Information to be included in the management report	Indicators – Annual report	Page
Employment		
Total headcount and breakdown of employees according to gender, age and geographic location	Breakdown of employees as at 31/12 according to: - geographic location - gender	p.177
	- contract (permanent, fixed-term, work-study) - grade (management, non-management)	p.178
	Breakdown of employees as at 31/12 according to age and gender (age pyramid)	p.178
Recruitments and dismissals	New hires according to: - contract (permanent, fixed-term, work-study) - grade (management, non-management). - gender	p.178
	Departures from permanent positions, according to reason	p.178
Compensation and pay increases	Basic average salary of employees with permanent contracts, according to grade and gender and average M/F salary ratio	p.179
Organisation of work		
Organisation of working time	Percentage of employees covered by a collective-bargaining agreement	p.178
	Average weekly working hours on an annual basis	p.178
	Breakdown of permanent contracts as at 31/12 according to working hours	p.182
Absenteeism	Absenteeism rates	p.179
Management-employee relations		
Organisation of management-employee dialogue, including procedures to inform, consult and negotiate with employees	Percentage of collaborators are covered by collective agreement par une convention collective	p.182
	Number of meetings: health and safety and working conditions meetings (CHSCT), personnel representatives, works' council	p.182
Review of collective-bargaining agreements	Description	p.182
Health and safety		
Health and safety conditions in the workplace	Description of health and safety conditions	p.181
Review of agreements signed with trade union organisations and employee representatives concerning health and safety in the workplace		p.181
Accidents in the workplace, including their severity and frequency, and occupational illnesses	Number of accidents in the workplace	p.181
	Monitoring of reasons for accidents in the workplace	p.181

(1) Article L. 225-102-1 of the French Commercial Code (codification of article 225 of the Grenelle 2 Act) requires companies to include "information on the social and environmental consequences of their activities and their societal commitments to promote sustainable development" in their annual management report so that readers can learn about their CSR actions within the consolidated financial scope; the CSR data must be audited by an independent body.

Information to be included in the management report	Indicators – Annual report	Page
Training		
Training policies implemented	Percentage of payroll allocated to training	p.180
	Amount of training expenditure (€)	p.180
	Breakdown of training according to type (specific to position/ development of skills)	p.180
	Breakdown of training according to area	p.181
	Breakdown of employees on permanent contracts as at 31/12 who received training, according to grade and gender	p.181
	Total volume of training expenditure (€) and percentage of employees trained	p.180
Total number of hours of training	Total number of hours of training	p.180
Equal opportunities		
Measures taken in favour of gender equality	Description of gender equality policy	p.179
	Show all indicators according to gender, including: average salary M/F; age pyramid	p.178-179
Measures taken to promote the insertion and employment of people with disabilities	Description of disability policy	p.180
	Rate of employment of people with disabilities (direct and indirect)	p.180
	Number of new hires and adapted workstations	p.180
Anti-discrimination policy	Description of anti-discrimination policy	p.180
Promotion and observation of the ILO's fundamental conventions		
Respect of freedom of association and the right to collective bargaining		p.182
Elimination of discrimination in respect of employment and occupation		
Elimination of forced or compulsory labour		
Effective abolition of child labour		

Environmental information

Information to be included in the management report	Indicators – Annual report	Page
General environmental policy		
Organisation of the company to take account of environmental issues and, if appropriate, procedures for environmental assessment and certification	Description of the environmental policy	p.186
Actions to train and inform employees on the protection of the environment	Description of actions to train and inform employees on the protection of the environment	p.169
Resources allocated to the prevention of environmental risks and pollution		p.186
Pollution and waste management		
Measures for the prevention, reduction and remediation of air, water and soil emissions that have a serious adverse impact on the environment	Not applicable given our business activities	
Measures for the prevention, recycling and elimination of waste	Volume of waste electrical and electronic equipment (WEEE)	p.188
	Total ordinary industrial waste (OIW)	p.188
Management of noise pollution and any other type of pollution caused by a specific activity	Not applicable given our business activities	
Sustainable use of resources		
Water consumption and water supply in light of local restrictions	Total water consumption	p.189
	Total water-related expenditure	p.189
Consumption of raw materials and measures taken ti improve efficient use	Consumption of recycled and/or FSC or PEFC certified paper per FTE as a percentage of total consumption	p.188
	Consumption of virgin paper per FTE as a percentage of total consumption	p.188
	Total paper consumption	p.188
	Total consumption of recycled and/or FSC or PEFC certified paper	
	Total consumption of virgin paper	p.188
Energy consumption, measures taken to improve energy efficiency and use of renewable energies	Total energy consumption per m^2	p.187
	Description of products and services in terms of energy performance of buildings	
	Total business travel by car	p.187
	Description of initiatives to reduce energy consumption and greenhouse gas emissions	p.186
Land cover	Not applicable given our business activities	
Climate change		
Greenhouse gas emissions	Direct greenhouse gas emissions (scope 1)	p.188
	Indirect greenhouse gas emissions (scope 2)	
	Average grams of CO_2 per km (manufacturer information) of company cars and other vehicles	p.188
Measures implemented in view of consequences of current climate change	Description of measures implemented	p.187
Protection of biodiversity		
Measures taken to preserve or increase biodiversity	Description of strategy implemented with regard to biodiversity management policy	p.189

Societal information

Information to be included in the management report	Indicators – Annual report	Page
Territorial, economic and social impact of the company's business activities		
In terms of employment and local development	Financing the social and solidarity-based economy: annual loan production (amount)	p.186
	Loans to individual customers: annual loan production (amount)	p.173
	Loans to self-employed and corporate customers: annual loan production (amount)	p.173
	Savings: total savings as at 31 December 2013	p.173
On local and neighbouring populations	Number of branches/sales outlets/business centres (including stand-alone ATMs)	p.173
	Number of branches in "sensitive urban areas"	p.173
	Number of branches with disabled access (2005 Disability Act) as a proportion of all branches	p.174
Relations with individuals and organisations concerned by the company's activities, including occupational insertion associations, educational establishments, environmental associations, consumer associations and local residents		
Dialogue with interested individuals and organisations	Description of main stakeholders and consultation process	p.172
Partnership and patronage initiatives	Amount of donations made over the financial year to organisations eligible for tax treatment under the patronage system	p.173
Subcontractors and suppliers		
Consideration of social and environmental issues in the procurement policy	Amount of purchases from the protected sector	p.177
	Number of full-time equivalent jobs provided in the protected sector (2013 estimate)	p.177
	Description of responsible procurement policy	p.176
	Training in solidarity-based purchasing	p.177
Scale of subcontracting and consideration of suppliers' and subcontractors' social and environmental responsibility	Description of measures taken	p.177
Fair practices		
Action taken to prevent corruption	Percentage of employees (management and non-management) trained in anti-money laundering policies	p.173
	Description of the current policy and procedures to prevent internal and external fraud	p.173
Measures taken to protect consumers' health and safety	Description of the CSR analysis of new products and services	p.175
	Measures taken to facilitate access by people with disabilities or reduced mobility	p.185

Business indicators

Information to be included in the management report	Indicators – Annual report	Page
Responsible products and services		
Responsible products and services		p.186
Green credit solutions	Eco-PTZ interest-free eco-loans: stock (number and amount) as at 31/12	p.187
SRI	SRI and solidarity funds: assets under management by funds as at 31 December 2013	p.186
LDD sustainable development passbook savings accounts	LDD sustainable development passbook savings accounts: stock (number and amount) as at 31/12	p.185

9 Cross-reference table between French regulatory obligations and international standards

Area/reference	Equivalence GRI 3.1	Equivalence GRI 4[1]	Equivalence Art. 225 French Grenelle 2 Act	Equivalence French NRE Act	Global Compact
Strategy					
Reporting scope	1.8, 3.6, 3.7, 3.8, 3.9, 3.10, 3.12, 3.13	G4-20, G4-21, G4-22, G4-32, G4-33	Art R. 225105		
Sustainable development strategy	1.2, 4.8, 4.12, 4.13, 4.9	G4-2, G4-56, G4-15, G4-16, G4-45, G4-47	Art. R. 2251051I 2° a)	Art. 148-3.3°	
			Art. R. 2251051I 2° a)		
			Art. R. 2251051I 3° b)		
Environment					
Materials	EN1/EN2	G4-EN1, G4-EN2	Art. R. 2251051I 2° c)	148-3 1°	7/8/9
Energy	EN3 to EN7	G4-EN3 to G4-EN7	Art .R. 2251051I 2° c)	148-3 1°	7/8/9
Water	EN8 to EN10	G4-EN8 to G4-EN10	Art. R. 225-105-1I 2° c)	148-3 1°	7/8/9
Biodiversity	EN11/EN12	G4-EN11, G4-EN12	Art. R. 225-105-1I 2° e)	148-3 2°	7/8/9
Emissions, waste and effluents	EN16 to EN18	G4-EN15 to G4-EN19	Art. R. 225-105-1I 2° d)	148-3 1°	7/8/9
Products and services	FS2/FS11/FS7/FS8	FS2/FS11/FS7/FS8	Art. R. 225-105-1I 3° d)		
	EN26	G4-EN27	Art. R. 225-105-1I 3° d)		
Transport	EN29	G4-EN30		148-3 1°	
Environmental actions			Art. R. 225-105-1I 2° a)	148-3 5°	7/8/9
Society					
Communities	SO1/SO9/SO10	G4-S0/G4-S02	Art. R. 225-105-1I 3° a)		
	FS14	FS14	Art R. 225105		
Anti-money laudering procedures	SO2/SO4	G4-SO3	Art. R. 225-105-1I 3° d)		10
Product liability					
Product and service labelling	FS16/FS15		Art. R. 225-105-1I 3° b)		

(1) For the purpose of this chapter of the reference document, we have used the standardised international sustainable development indicators, known as GRI, with regard to the 42 areas defined by law. The Global Reporting Initiative (GRI) was created in 1997 by the Coalition for Environmentally Responsible Economies (CERES), in partnership with the United Nations Environment Programme (UNEP). This international process involves companies, environmental and social NGOs, accounting firms, trade union organisations and investors. Thousands of participants contribute to defining the CSR reporting guidelines. The objective is to achieve reporting of the same standard as financial reporting, based on comparability, credibility, rigour and verification of reported data.

Area/reference	Equivalence GRI 3.1	Equivalence GRI 4[1]	Equivalence Art. 225 French Grenelle 2 Act	Equivalence French NRE Act	Global Compact
Responsible marketing	PR1		Art. R. 225-105-1I 3° d)		
Observation of laws and regulations	PR9			148-3 6°	10
Economy					
Procurement policy	EC2				7/8/9
Economic performance	EC5/EC6		Art. R. 225 – 1051I 3° c)	148-2.9°	1/2
Indirect economic impact	EC7/EC8		Art. R. 225-105-1-I 3° a)		
Employment					
Employment and management-employee relations	4.14/LA1/LA2		Art. R. 225-105-1I 1° a) and c) and d)	Art. 148-2.1° a)	
Health and safety in the workplace	LA9		Art. R. 225-105-1I 1° d)	Art. 148-2.1° a) and b)	
	Training and education		Art. R. 225-105-1I 1° b) and d) a)	Art. 148-2.2°	
Diversity and equal opportunities	LA10		Art. R. 225-105-1I 1° e) a)		
	LA11		Art. R. 225-105-1I 1° e)	Art. 148-2.2°	
Training and education	LA13/LA14		Art. R. 225-105-1I 1° f)	Art. 148-2.3°	1/3/4/5/6
Human rights					
Freedom of association and right to collective bargaining	HR5		Art. R. 225-105-1I 1° g)	Art. 148-2.4°	2/3/4/5
Prohibition of child labour	HR6		Art. R. 225-105-1I 1° g)	Art. 148-2.4°	2/3/4/5
Abolition of forced or compulsory labour	HR7				

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“BRED’s satisfactory performance in 2013 and solvency ratios provide us with a solid base on which to build in all our territories, to better serve our customers and cooperative stakeholders and finance the local economy and local development”

Vincent Gros

General Counsel

General meeting

Ordinary and extraordinary general meeting

of Tuesday 27 May 2014

Agenda

Extraordinary general meeting

1. Amendment of the Memorandum and Articles of Association following the cancellation of the cooperative investment certificates (CICs).
2. Various amendments to the Memorandum and Articles of Association: addition of two new articles and subsequent renumbering of all articles.
3. Adoption of the amended Memorandum and Articles of Association.
4. Delegation of authority to the Board of Directors to increase the share capital by a maximum amount of €400,000,000 by the issue of cash shares or the capitalisation of reserves, and the amendment of article 7 of the Memorandum and Articles of Association accordingly.
5. Delegation of authority to the Board of Directors to carry out a capital increase capped at 0.5% of the share capital, reserved for employees pursuant to Article L.225-129-6 of the French Commercial Code *(Code de commerce)*. Special report by the Statutory Auditors on the waiver of preferential subscription rights*.

Annual ordinary general meeting

6. Management Report by the Board of Directors on the 2013 financial year and reports by the Statutory Auditors on the annual company and consolidated financial statements.
7. Approval of the Statutory Auditors' special report on the agreements referred to in Article L.225-38 of the French Commercial Code.
8. Approval of the annual company financial statements for 2013. Discharge to the Board of Directors.
9. Approval of the consolidated financial statements for 2013. Discharge to the Board of Directors.
10. Appropriation of 2013 income and determination of interest to be paid on shares.
11. Renewal of the appointments of five directors.
12. Appointment of a director.
13. Determination of the amount of Board fees.
14. Consultation on the aggregate amount of all compensation of any kind paid to the categories of employees referred to in Article L.511-71 of the French Monetary and Financial Code (*Code monétaire et financier*).
15. Powers to carry out all filings, publications and other formalities laid down by law.

Report by the Board of Directors

on the resolutions put to the shareholders

The purpose of this report is to present the draft resolutions put to you by your Board of Directors.

The resolutions can be divided into two categories:

- the first five resolutions are put to the shareholders convened as an extraordinary general meeting and concern in particular amendments to your bank's Memorandum and Articles of Association and the renewal of the delegation of authority to the Board of Directors to carry out capital increases;
- the following 13 resolutions (resolution 6 to resolution 18) are put to the shareholders convened as an ordinary general meeting and essentially concern the 2013 financial year (approval of financial statements and regulated agreements) and the composition of the Board of Directors.

**This draft resolution, which is proposed as required by law, has not been approved by the Board of Directors, which asks the cooperative shareholders to vote against it.*

Resolutions put to the shareholders convened as an extraordinary general meeting

Amendments to the Memorandum and Articles of Association

(resolution 1 to resolution 3)

The first item on the agenda of the extraordinary general meeting is the amendment of our bank's Memorandum and Articles of Association [hereinafter, "Articles of Association"] to bring them in line with the standard articles of association for the Banques Populaires, with the aim of simplifying the structure of Groupe BPCE.

The new Articles of Association reflect the operations carried out in 2013 to redeem and cancel the cooperative investment certificates (CICs) and introduce a few modifications concerning governance, to ensure they are in line and consistent with the articles of association of BPCE and the Caisses d'Epargne.

You will be asked to:

- delete all provisions relating to the CICs, namely by deleting references to the CICs in articles 8, 40, 41 and 42, and by also deleting articles 11, 12 and 38 of the Articles of Association;
- increase the terms of office of members of the Board of Directors and advisory members (censeurs) from five to six years, and increase the terms of office of members of the Bureau of the Board from three to six years (Chairman, Deputy Chairman, Secretary);
- modify the rules on the age limit for holding office as Chairman of the Board of Directors, raising it from 68 to 70, and provide that if it is the Chairman of the Board of Director's first term of office he must be able to complete at least half of his term of office;
- include the right to be represented at meetings of the Board of Directors and limit the number of proxies that can be held by any Board member at a Board meeting to one;
- provide, in the Articles of Association, that the Board of Directors draws up its internal regulations, those applying to any committees it has set up, and the annual corporate social responsibility (CSR) programme;
- provide that if the Chief Executive Officer reaches the age limit, he will be deemed to have automatically resigned on the date of the next ordinary general meeting;
- introduce a new article providing that the Chairman and the Chief Executive Officer will represent the Company at general meetings of the National Federation of the Banques Populaires, and will automatically be members thereof;
- amend the provisions relating to the role of BPCE's representative, by deleting the reference to BPCE's representative in article 17 of the Articles of Association, and introducing a new article defining the role and status of BPCE's representative;
- approve a correction to article 3 of the Articles of Association;
- approve the new numbering, the date of entry into effect and the new Articles of Association in their entirety.

Renewal of the delegation of authority concerning capital increases

(resolution 4)

In order to allow your company to support its business activities and to ensure stability and financial autonomy, we propose that you grant your Board of Directors the necessary authority, for a period of 26 months, to decide, subject to authorisation from BPCE, to increase the share capital in one or several operations by a maximum amount of €400,000,000 by the issue of shares at par to be subscribed in cash and, in accordance with the conditions and limits defined in the regulations applying to the Banques Populaires, by the capitalisation of reserves.

The capitalisation of reserves may be carried out by raising the par value of shares or by issuing and distributing new bonus shares or by the simultaneous and combined use of these two methods.

As regards capital increases by the issue of cash shares, the cooperative shareholders shall have preferential subscription rights 'as of right' in proportion to the amount of the shares they hold and, if the Board so decides, a preferential right to subscribe to any remaining shares after exercise of the preferential subscription rights as of right.

Shares that are not subscribed by exercising the preferential subscription rights may be subscribed by any person who is not a cooperative shareholder provided they satisfy the shareholder eligibility conditions. If an insufficient number of subscriptions is received the Board of Directors may make use of the right provided in Article L.225-134 of the French Commercial Code to limit the amount of the capital increase to the amount of subscriptions received, provided this corresponds to at least three-quarters of the initially planned capital increase.

As regards any allocation of bonus shares in connection with the capitalisation of reserves, we ask that you authorise your Board to decide, if it considers this appropriate, that any rights resulting in fractions of shares may not be exercised and that the corresponding shares will be sold and the proceeds of the sale allocated to the holders of the said rights.

We also ask that you delegate authority to your Board to determine the terms and conditions of issuance, to record completion of any capital increases and to amend the Articles of Association accordingly.

This delegation will have the effect of cancelling any unused parts of any earlier delegations of authority concerning the same subject matter.

Principle of capital increases reserved for employees

(resolution 5)

In accordance with the provisions of Article L.225-129-6 of the French Commercial Code, whenever a resolution is adopted to increase the capital by a cash contribution, and otherwise every three years, the shareholders must be asked to vote at an extraordinary general meeting on a draft resolution to increase the capital in accordance with the conditions provided in Articles L.3332-18 to L.3332-24 of the French Employment Code (*Code du travail*), i.e. in favour of the Company's employees.

In compliance with this twofold statutory obligation, we are therefore presenting a fifth resolution to authorise your Board to carry out, no later than 26 months after the date of the meeting, a capital increase reserved for employees in a maximum amount corresponding to 0.5% of the existing capital at the time of the issue.

However, we would like to point out that in the case of cooperative companies and therefore the Banques Populaires, the existence of employee shareholders is not consistent with the ultimate purpose, i.e. to enable employees to share in the market value of their company - in other words, to create shareholder value.

This is because cooperative companies are not listed and the achievement of maximum profits for shareholders is not one of their core values, which include sustainability, responsibility, solidarity and a local presence: in other words, in terms of corporate values, sustainable development, competitiveness and the satisfaction of the customers/cooperative shareholders are primordial. Moreover, please also note that any bank employee can become a cooperative shareholder in an individual capacity in the same way as our customers.

Accordingly, your Board will not approve this draft resolution, as it has consistently refused to do since the introduction of the aforementioned articles, and invites the cooperative shareholders to vote against it. The Board's refusal to approve the resolution will automatically result in any votes to be cast pursuant to blank proxies that do not name a proxy holder being counted as votes against the draft resolution in accordance with Article L.225-106, III, paragraph 5 of the French Commercial Code.

Resolutions put to the shareholders convened as an ordinary general meeting

Approval of the 2013 financial statements

(resolutions 6 and 7)

Your Board asks that you approve its management report and the annual company and consolidated financial statements for the 2013 financial year.

Regulated agreements

(resolution 8)

We ask that you approve the Statutory Auditors' report on the agreements referred to in Article L.225-38 of the French Commercial Code, and the two agreements authorised by the Board of Directors in the previous year.

Appropriation of income

(resolution 9)

With regard to the appropriation of income for the financial year, i.e., €139,592,226.54, in view of the twofold capital increase in December 2013 (issue of shares and capitalisation of reserves), you are asked to allocate to the legal reserve – which currently represents less than one-tenth of the share capital – 5% of the income, i.e. €6,979,611.33.

Given that the retained earnings account shows a positive balance of €110,000,000, the distributable profit stands at €242,612,615.21. We propose that you proceed as follows:

- pay interest at a rate of 2.62% (the statutory maximum) of the average par value of shares in 2013, i.e. €0.262 on each of the 41,622,857 shares with rights accruing from 1 January 2013, and €0.022 on each of the 15,135,584 shares with rights accruing from 1 December 2013, giving a total payment of €11,238,171.38;
- allocate €121,374,443.83 to the other reserves;
- and carry forward the balance, i.e. €110,000,000.

Note that the interest paid on shares is eligible for the 40% tax allowance referred to in Article 158-3-2° of the French Tax Code (*Code général des impôts*) for natural persons who are French tax residents.

In accordance with the law, you are informed that the following amounts were paid out in respect of the last three financial years, and the following income was eligible for the tax allowance:

Financial year	Number of shares	Number of cooperative investment certificates	Total interest paid out on shares *(€)*	Total dividends paid out for cooperative investment certificates *(€)*	Amounts eligible for the 40% allowance* *(€)*
2010	30,350,000	7,587,500	9,105,000	17,071,875	9,105,000
2011	36,420,000	9,105,000	12,382,800	16,297,950	12,382,800
2012	41,622,857	10,405,715	10,535,785.70	12,584,411.18	10,535,785.70

(*) For natural persons.

Board of Directors

(resolutions 10 to 16)

The terms of office of six members of your Board of Directors will expire at the close of this meeting. As Monique Trnka does not wish to renew her appointment, we will ask you to renew five of the six appointments, namely: Stève Gentili, Chairman of the Board of Directors, and François Martineau, Raphaël Pochet, Daniel Giron and Pierre Murret-Labarthe.

We also propose that you appoint Nathalie Briot as a new Board member. Nathalie Briot obtained a postgraduate degree (DEA) in the law of organisations and international economic relations from Panthéon-Sorbonne University, and is also a qualified journalist. She has served as an advisor to the French Banking Federation with special responsibility for defending the interests of the banking industry before the French and European parliaments. In 2002 she was appointed advisor to the Minister for Foreign Affairs, subsequently working as advisor to the Minister of the Interior and to the Prime Minister and then as an Inspector for the Paris Education Board. In 2012 she was appointed Chief of staff to the President and head of institutional relations at ADEME, the French Environment and Energy Management Agency. Nathalie Briot is currently an institutional relations consultant.

Subject to the condition precedent of the approval of the second resolution on the amendment of the Articles of Association, the above persons will be appointed for a six-year term of office, to expire at the end of the general meeting called to vote on the financial statements for the 2019 financial year. In the event this resolution is not adopted, they will be appointed for a five-year term of office, to expire at the end of the general meeting called to vote on the financial statements for the 2018 financial year.

As a result of these renewed appointments and this new appointment the number of Board members will remain at 18, which is the maximum allowed by the Articles of Association.

You will also be asked to set the annual aggregate amount of Board fees for the current financial year, and for all subsequent financial years until a new resolution is adopted by the shareholders, at €285,000.

A list of functions and positions held by corporate officers in office or proposed for renewal or appointment can be found in the "Governance" section of this annual report.

Consultation on the aggregate amount of all compensation of any kind paid to the categories of employees referred to in Article L.511-71 of the French Monetary and Financial Code (*Code monétaire et financier*)

(resolution 17)

Pursuant to Article L.511-73 of the French Monetary and Financial Code, you will be asked to express your opinion on the compensation paid in 2013 to the individuals referred to in Article L.511-71 of the same Code.

Pursuant to these articles, introduced by the Banking Act of 26 July 2013 and amended by the Ordinance of 20 February 2014, at each annual ordinary general meeting the shareholders must be consulted on the aggregate amount of compensation of any kind paid to so-called "regulated" officers and employees, namely:

- the accountable managers, i.e. the Chairman of the Board of Directors and the Chief Executive Officer;
- certain categories of employees including risk-takers, employees with a control function, and any other employee in the same compensation bracket given his or her aggregate income, whose professional activities may have a significant impact on the Company's risk profile.

The BRED group had 62 regulated employees and officers in 2013.

Given the deferred payment of the variable component of these individuals' compensation, as required by European Directive CRD III, the aggregate amount of compensation actually paid in 2013 includes a substantial portion corresponding to payments made for financial years prior to 2013.

Following a review by the Compensation Committee, the aggregate amount of compensation actually paid during the financial year ended 31 December 2013 is €15,306,500. This amount includes fixed compensation for 2013, immediate variable compensation paid in 2013 for the 2012 financial year, and deferred variable compensation paid in 2013 for earlier financial years.

Powers for formalities

(resolution 18)

Lastly, the 18th resolution concerns the grant of powers to carry out all filings, publications and other formalities laid down by law in relation to shareholders' meetings.

Information on candidates for the Board of Directors

(Article L.225-115-3 of the French Commercial Code)

1 Renewal of the appointment of five directors

Stève Gentili

Date of birth: 5 June 1949

- Chairman of the Board of Directors of BRED Banque Populaire, Banque Internationale de Commerce-BRED (BIC-BRED), BRED Gestion, Compagnie Financière de la BRED (COFIBRED), the BRED Foundation (Fondation d'Entreprise BRED), Spig, Natixis Institutions Jour, and (representing BRED) NJR Invest
- Chairman of the Supervisory Board of BPCE
- Director of Natixis, BCI Mer Rouge, Bercy Gestion Finances +, BRED Cofilease, Natixis Pramex International Milan, Natixis Algérie, Prepar Iard, Promepar Gestion, Thales, BICEC, Banque Commerciale Internationale (BCI Congo), Banca Carige
- Member of the Supervisory Board of Prépar-Vie.

Other positions and offices held over the past five years:

- Deputy Chairman of Banque Fédérale des Banques Populaires
- Director of Coface, Société Marseillaise de Crédit, Natixis Pramex Italia Srl.

Stève Gentili holds 10,401 BRED Banque Populaire shares.

François Martineau

Date of birth: 11 June 1951

- Lawyer (*Avocat à la cour*), Manager of SCP Lussan et Associés
- Deputy Chairman of Associations mutuelles le Conservateur Assurances mutuelles le Conservateur
- Director of AXA, AXA Assurances Vie Mutuelle, AXA Assurance Iard, Conservateur Finance

He has not held any other positions or offices over the past five years.

François Martineau holds 1,708 BRED Banque Populaire shares.

Daniel Giron

Date of birth: 12 May 1931

- Honorary Chairman of Union Professionnelle Artisanale Nationale, Fédération Française des Centres de Gestion et de l'Economie de l'Artisanat, Gestelia Basse Normandie, Chambre de Métiers et de l'Artisanat du Calvados.

He has not held any other positions or offices over the past five years.

Daniel Giron holds 1,252 BRED Banque Populaire shares.

Pierre Murret-Labarthe

Date of birth: 24 October 1938

- Honorary Advisor *(Conseiller Maître honoraire)* at the Court of Auditors *(Cour des Comptes)*
- Chairman of Comité National de l'Assurance en Agriculture, Assad XV
- Director of Promepar Gestion.

Other positions and offices held over the past five years:

- Chairman of Commission de contrôle des marchés des sociétés d'autoroutes, Etablissement national des Invalides de la Marine (ENIM).

Pierre Murret-Labarthe holds 1,229 BRED Banque Populaire shares.

Raphaël Pochet

Date of Birth: 3 February 1953

- Security consultant and executive training provider

He has not held any other positions or offices over the past five years.

Raphaël Pochet holds 637 BRED Banque Populaire shares.

2 Appointment of a director

Nathalie Briot

Date of birth: 11 July 1954

- Institutional relations and lobbying consultant,
- Chief of staff to the President and head of institutional relations at ADEME, the French Environment and Energy Management Agency

Other positions and offices held over the past five years:

- Inspector with the Paris Education Board
- Special advisor on institutional relations with Etablissement Public Euroméditerranée (EPAEM)
- Lecturer, Institut d'Etudes Politiques (IEP), Aix-en-Provence

Nathalie Briot holds 100 BRED Banque Populaire shares.

Resolutions

Put to the shareholders at the extraordinary general meeting

1st resolution:

Amendment of the Articles of Association following the cancellation of the cooperative investment certificates (CICs)

Voting in accordance with the quorum and majority conditions applying to an extraordinary general meeting and after reviewing the report by the Board of Directors, the shareholders resolve, following the cancellation of the CICs:

1. To delete all references to the CICs in articles 8, 40, 41 and 42.

Accordingly,

- in article 8 the paragraph *"the share capital may also be increased, subject to authorisation by BPCE, by a resolution of the cooperative shareholders adopted at an extraordinary general meeting, by the issue of cooperative investment certificates (CIC)"* is deleted, and paragraph 6 is amended as follows:

Former wording
The capitalisation of reserves may be carried out by raising the par value of securities (shares or CICs) or by the issue and distribution of new bonus securities, or by the simultaneous and combined use of these two methods.
New wording
The capitalisation of reserves may be carried out by raising the par value of shares or by the issue and distribution of new bonus shares, or by the simultaneous and combined use of these two methods.

- In article 40, the wording *"and the necessary amount to remunerate the CICs"* is deleted; the rest of the article remains unchanged.
- The heading of article 41 is amended as follows: *"Payment of interest on shares"*, with the deletion of the words *"and remuneration of CICs"*.
- In article 41 the wording *"and remuneration of CICs"* is deleted; the rest of the article remains unchanged, subject to any necessary editorial corrections.
- In article 42 the wording *"and the payment of the liquidation surplus payable to holders of cooperative investment certificates"* is deleted; the rest of the article remains unchanged, subject to any necessary editorial corrections.

2. To delete articles 11, 12 and 38 of the Articles of Association and subsequently renumber the following articles.

2nd resolution:

Various amendments to the Articles of Association: addition of two new articles and subsequent renumbering of all articles

Voting in accordance with the quorum and majority conditions applying to an extraordinary general meeting and after reviewing the report by the Board of Directors, the shareholders resolve to:

- increase the terms of office of members of the Board of Directors and advisory members (*censeurs*) from five to six years, and to increase the terms of office of members of the Bureau of the Board from three to six years (Chairman, Deputy Chairman, Secretary);
- raise the age limit for holding office as Chairman of the Board of Directors from 68 to 70, and provide that if it is the Chairman of the Board of Director's first term of office he must be able to complete at least half of his term of office;
- include the right to be represented at meetings of the Board of Directors and limit the number of proxies that can be held by any Board member at a Board meeting to one;
- provide, in the Articles of Association, that the Board of Directors draws up its internal regulations, those applying to any committees it has set up, and the annual corporate social responsibility (CSR) programme;
- provide that if the Chief Executive Officer reaches the age limit, he will be deemed to have automatically resigned on the date of the next ordinary general meeting;
- provide that the Chairman and the Chief Executive Officer will represent the Company at general meetings of the National Federation of the Banques Populaires;
- amend the provisions relating to the role of BPCE's representative;
- correct a reference made in article 3.

Accordingly,

- in article 3-1 of the Articles of Association, the reference to "section 3, chapter V, title I of Book IV of the French Monetary and Financial Code" is replaced by "section 3, chapter V, title I of Book V of the French Monetary and Financial Code".
- Article 13 (previously article 15) is modified as follows:

Former wording
Article 15: Composition of the Board of Directors
I – The Company is governed by a Board of Directors with at least five and no more than 18 members, appointed by the general meeting of cooperative shareholders. Directors may be re-appointed. They will be appointed for a five-year term of office.
(…)
New wording
Article 13: Composition of the Board of Directors
I – The Company is governed by a Board of Directors with at least five and no more than 18 members, appointed by the general meeting of cooperative shareholders. Directors may be re-appointed. They will be appointed for a six-year term of office.
(…)

- Article 14 (previously article 16) is modified as follows:

Former wording
Article 16: Bureau of the Board of Directors
The Board of Directors will elect by a straight majority of its members a Chairman who will hold that office for a three-year term, unless this term exceeds his term of office as a director. The Chairman may be re-elected.

The Board of Directors will elect, under the same conditions and for a three-year term, again provided that this term does not exceed their term of office as a director, one or more Deputy Chairmen and a Secretary. They may be re-elected. The Chairman, Deputy Chairman or Deputy Chairmen and the Secretary form the Bureau of the Board of Directors.

(…)

The Chairman will automatically stand down at the end of the general meeting called to approve the annual financial statements that is held in the year of his 68th birthday.

(…)

New wording

Article 14: Bureau of the Board of Directors

The Board of Directors will elect by a straight majority of its members a Chairman who will hold that office for a six-year term, unless this term exceeds his term of office as a director. The Chairman may be re-elected. The Board of Directors will elect, under the same conditions and for the same term as the Chairman, again provided that this term does not exceed their term of office as a director, one or more Deputy Chairmen and a Secretary. They may be re-elected. The Chairman, Deputy Chairman or Deputy Chairmen and the Secretary form the Bureau of the Board of Directors.

(…)

The age limit for holding office as Chairman of the Board of Directors is 70. When the Chairman reaches this age during his term of office, they will be deemed to have automatically resigned at the next ordinary general meeting.

A person cannot be appointed as Chairman of the Board of Directors if, as at the date of their first appointment, they cannot complete at least half of his term of office as Chairman without reaching the aforementioned age limit

(…)

- In article 15 (previously article 17) the wording *"a representative of BPCE is entitled to attend the Board meetings in an advisory capacity"* is deleted, and paragraph III is modified as follows:

Former wording

Article 17: Operation of the Board

(…)

III - Majority - Representation

Decisions are taken by a majority of the votes cast by members present. In the event of a tie, the chairman of the meeting will have the casting vote, unless the decision concerns the appointment of the chairman.

A member of the Board of Directors cannot designate another member to represent him at a Board meeting.

New wording

Article 15: Operation of the Board

(…)

III - Majority - Representation

Decisions are taken by a majority of the votes cast by members present. In the event of a tie, the chairman of the meeting will have the casting vote, unless the decision concerns the appointment of the chairman.

Any member of the Board of Directors may designate another member to represent him at a Board meeting. A member may hold only one proxy at a given meeting.

- In article 18 (previously article 20) the following wording is added at the end of paragraph II: *"It draws up Internal Regulations that set out its rules of operation and those of any committees it creates. It modifies the said Internal Regulations."*

The words "or represented" are added at the end of paragraph III.

A new paragraph IV is added, as follows:

"*IV - The Board of Directors draws up the annual corporate social responsibility (CSR) programme, in line with the general policies defined by the National Federation of Banques Populaires.*"

- Article 20 (previously article 22) is modified as follows:

Former wording

Article 22: General management of the Company

I – (…)

The Chief Executive Officer may not remain in office after their sixty-fifth birthday.

(…)

New wording

Article 20: General management of the Company

I – (…)

When the Chief Executive Officer reaches the age limit on the date of their sixty-fifth birthday, they will be deemed to have automatically resigned on the date of the next ordinary general meeting, following which the Board of Directors will appoint a replacement.

(…)

- A new article 21 is added, with the following wording:

  "Article 21: Authority to represent the Company at FNBP meetings

  The Chairman and the Chief Executive Officer will represent the Company at general meetings of the National Federation of Banques Populaires (FNBP), and will automatically be members thereof."

  As a result, the remaining articles of the Articles of Association will be renumbered.

- Article 24 (previously article 25), paragraph 3, is modified as follows:

Former wording

Article 25: Advisory members of the Board (censeurs)

(...)

They are appointed for a maximum term of office of five years, to expire at the close of the ordinary general meeting of cooperative shareholders that voted on the financial statements for the previous financial year and that was held in the year in which their term of office expires.

(…)

New wording

Article 24: Advisory members of the Board (censeurs)

(...)

They are appointed for a maximum term of office of six years, to expire at the close of the ordinary general meeting of cooperative shareholders that voted on the financial statements for the previous financial year and that was held in the year in which their term of office expires.

(…)

- A new article 25 is added, with the following wording:

  "Article 25: BPCE Representative

  The BPCE Management Board will designate a BPCE representative (the Representative) for the Banque Populaire ["the Bank"].

  The Representative is responsible for ensuring that the Bank complies with the applicable laws and regulations, and with the rules and policies defined by BPCE within the framework of its powers.

  The Representative will attend all meetings of the Bank's Board of Directors, but will not have the right to vote. The Bank may invite them to attend any meetings of the compensation, audit and accounts committees. They will be invited to meetings in the same way and within the same timeframe as the committee members. They will receive all documents sent or provided to the members.

  The Representative will also attend all of the Bank's general meetings.

  In the course of his assignment, and given the financial ties existing between Group companies, the Representative may ask the Board of Directors to reconsider any decision if the Representative believes that it is in breach of a law or regulation or is contrary to the Group rules laid down by BPCE. In that case, the Representative will immediately inform BPCE. The Board must not reconsider the decision until one calendar week has passed. The initial decision will be suspended until the Board has reconsidered it. The Board cannot be asked to consider a decision a third time."

3rd resolution:

Adoption of the amended Articles of Association

Voting in accordance with the quorum and majority conditions applying to an extraordinary general meeting and after reviewing the report by the Board of Directors, as a result of the adoption of the previous resolutions the shareholders resolve:

1. to adopt article by article and then again in its entirety the wording of the new Articles of Association, which will henceforth govern BRED Banque Populaire, and of which a copy will remain appended to these minutes;
2. that the new Articles of Association will enter into effect on this day, and that, therefore, the provisions relating to the terms of office of the directors contained in article 13-I. of the Articles of Association ("Composition of the Board of Directors") will automatically apply to all current terms of office as at the close of this meeting.

4th resolution:

Delegation of authority to the Board of Directors to increase the share capital by the issue of cash shares or the capitalisation of reserves

Voting in accordance with the quorum and majority conditions applying to an extraordinary general meeting and after reviewing the report by the Board of Directors, the shareholders grant to the Board of Directors, in accordance with Article L.225-129-2 of the French Commercial Code, the necessary authority to decide, subject to prior authorisation by BPCE, to increase the share capital in one or several operations, within a maximum period of 26 months from the date hereof and within a maximum aggregate amount of €400,000,000, by the creation and issue of shares to be subscribed in cash, and by the capitalisation of reserves in accordance with the conditions and limits defined in the regulations applying to the Banques Populaires.

The capitalisation of reserves may be carried out by raising the par value of shares or by issuing and distributing new bonus shares or by the simultaneous and combined use of these two methods.

As regards capital increases by the issue of cash shares, the cooperative shareholders shall have preferential rights to subscribe to the issued shares in proportion to the amount of the shares they hold.

If not all the shares issued are subscribed by exercising the preferential subscription rights based on the number of shares held and, if the Board so decides, the preferential rights to subscribe to any shares remaining after exercise of the preferential subscription rights 'as of right', the Board may allow surplus shares to be subscribed by any person who is not a cooperative shareholder provided they satisfy the shareholder eligibility conditions. If an insufficient number of subscriptions is received the Board of Directors may make use of the right provided in Article L.225-134 of the French Commercial Code to limit the amount of the capital increase to the amount of subscriptions received, provided this corresponds to at least three-quarters of the initially planned capital increase.

In the event of the allocation of bonus shares in order to capitalise reserves, The Board of Directors is expressly authorised by the shareholders to decide, if it considers this appropriate, that any rights resulting in fractions of shares may not be exercised and that the corresponding shares will be sold and the proceeds of the sale allocated to the holders of the said rights.

The Board of Directors will have full powers within this framework and these limits to decide on and carry out any capital increase or increases it considers appropriate and, in particular, to determine the terms and conditions of issuance of the new shares, to record completion of any capital increases and to amend the Articles of Association accordingly.

This delegation will have the effect of cancelling any earlier delegations of authority concerning the same subject matter.

5th resolution:
Principle of a capital increase reserved for employees

NB/ this draft resolution is proposed as required by law but has not been approved by the Board of Directors, which asks the cooperative shareholders to vote against it.

Voting in accordance with the quorum and majority conditions applying to an extraordinary general meeting and after reviewing the report by the Board of Directors and the special report by the Statutory Auditors on the waiver of preferential subscription rights, the shareholders resolve, in application of Article L.225-129-6 of the French Commercial Code, to reserve for Company employees a cash capital increase in accordance with the conditions laid down in Articles. L.3332-18 to L.3332-24 of the French Employment Code.

If this resolution is adopted, the shareholders resolve to authorise the Board of Directors to increase the capital within a maximum period of 26 months from the date hereof and by a maximum amount corresponding to 0.5% of the amount of the share capital at the time of the issue, which will be reserved for Company employees within the framework of an employee savings plan and will be carried out in accordance with the provisions of Articles. L.3332-18 to L.3332-24 of the French Employment Code, and to determine the other conditions of the capital increase.

Put to the shareholders at the ordinary general meeting

6th resolution:
Approval of the annual company financial statements

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, and after reviewing the management report by the Board of Directors, the general report by the Statutory Auditors and the annual company financial statements for the 2013 financial year, the shareholders approve said annual financial statements as presented to them, as well as the transactions shown in these statements or summarised in these reports.

They give full discharge to the Board of Directors for its management until 31 December 2013.

7th resolution:
Approval of the consolidated financial statements

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, and after reviewing the management report by the Board of Directors and the Statutory Auditors' report on the consolidated financial statements for the 2013 financial year, the shareholders approve said consolidated financial statements as presented to them, as well as the transactions shown in these statements or summarised in these reports.

They give full discharge to the Board of Directors for its management until 31 December 2013.

8th resolution:
Approval of regulated agreements

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, and after reviewing the Statutory Auditors' special report on the agreements referred to in Article L.225-38 of the French Commercial Code, and deliberating on the basis of this report, the shareholders approve the report and the agreements referred to therein.

9th resolution:
Appropriation of income and determination of interest to be paid on shares

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, the shareholders note that a profit of €139,592,226.54 was recorded in 2013 and resolves to allocate it as follows, in accordance with the proposals of the Board of Directors:

(€)	
Profit for the year	139,592,226.54
Allocation to the legal reserve (5%)	- 6,979,611.33
Retained earnings	+ 110,000,000.00
Distributable profit	242,612,615.21
Interest on shares	- 11,238,171.38
Allocation to other reserves	- 121,374,443.83
The balance, to be carried forward	110,000,000.00

The shareholders resolve, as proposed by the Board of Directors, to pay out for 2013 interest in the amount of €0.262 on each share with rights accruing from 1 January 2013 and interest in the amount of €0.022 on each share with rights accruing from 1 December 2013.

All the interest paid on shares is eligible for the 40% tax allowance referred to in Article 158-3-2° of the French Tax Code for cooperative shareholders who are natural persons.

Interest on the shares will be paid as from 1 June 2014. All the interest on shares is payable in cash.

In accordance with the law, the shareholders are informed that the following amounts were paid out in the last three financial years and the following income was eligible for the tax allowance:

Financial year	Number of shares	Number of cooperative investment certificates	Total interest paid out on shares (€)	Total dividends paid out for cooperative investment certificates (€)	Amounts eligible for the 40% allowance* (€)
2010	30,350,000	7,587,500	9,105,000	17,071,875	9,105,000
2011	36,420,000	9,105,000	12,382,800	16,297,950	12,382,800
2012	41,622,857	10,405,715	10,535,785.70	12,584,411.18	10,535,785.70

For natural persons.

10th resolution:

Renewal of the appointment of a director

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, the shareholders renew the appointment of Stève Gentili as a director for the term provided in the Articles of Association.

11th resolution:

Renewal of the appointment of a director

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, the shareholders renew the appointment of François Martineau as a director for the term provided in the Articles of Association.

12th resolution:

Renewal of the appointment of a director

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, the shareholders renew the appointment of Raphaël Pochet as a director for the term provided in the Articles of Association.

13th resolution:

Renewal of the appointment of a director

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, the shareholders renew the appointment of Daniel Giron as a director for the term provided in the Articles of Association.

14th résolution:

Renewal of the appointment of a director

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, the shareholders renew the appointment of Pierre Murret-Labarthe as a director for the term provided in the Articles of Association.

15th resolution:

Appointment of a director

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, the shareholders appoint Nathalie Briot as a director for the term provided in the Articles of Association.

16th resolution:

Determination of the amount of Board fees

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, the shareholders set the aggregate annual amount of Board fees allocated to the Board of Directors at €285,000.

This resolution will apply for the current financial year and for all subsequent financial years, until the shareholders adopt a new resolution.

17th resolution:

Consultation on the aggregate amount of all compensation of any kind paid to the categories of employees referred to in Article L.511-71 of the French Monetary and Financial Code

Voting in accordance with the quorum and majority conditions applying to an ordinary general meeting, after having reviewed the report by the Board of Directors, the shareholders indicate that they are in favour of the aggregate amount of all compensation of any kind paid during the financial year ended on 31 December 2013 to the categories of employees and officers referred to in Article L.511-71 of the French Monetary and Financial Code, totalling €15,306,500.

18th resolution:

Powers

The shareholders give full powers to the bearer of an original, copy or excerpt of the minutes of this ordinary and extraordinary general meeting to carry out all legal or administrative formalities and to carry out all filings and publications required by the applicable laws in connection with all of the above resolutions.

Statutory Auditors' special report on regulated agreements

General meeting called to vote on the financial statements for the financial year ended 31 December 2013

To the shareholders
BRED Banque Populaire
18, quai de la Rapée - 75012 Paris

Ladies and gentlemen,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements.

We are required to report, based on the information provided, on the main terms and conditions of agreements that have been disclosed to us and that we have discovered in the course of our assignment, without commenting on their relevance or substance. We do not have an obligation to establish whether any other agreements exist. Under the provisions of Article R.225-31 of the French Commercial Code, it is your responsibility to determine whether the agreements are appropriate and should be approved.

When applicable, we are also required to provide you with the information stipulated in Article R.225-31 of the French Commercial Code on the performance during the past financial year of any agreements that were previously approved by the shareholders.

We carried out the work we considered necessary relating to this assignment in view of the professional policies of the French Statutory Auditors' Association *(Compagnie nationale des commissaires aux comptes).* This included verifying that the information given to us is consistent with the underlying documents.

Agreements requiring the approval of the shareholders

Pursuant to Article L.225-40 of the French Commercial Code, we have been informed of the following agreements that were previously authorised by your Board of Directors.

Memorandum of understanding signed by BRED BP and BPCE

Holders of two corporate offices on the day of the transaction

Stève Gentili, Deputy Chairman of BPCE's Supervisory Board and Chairman of BRED Banque Populaire's Board of Directors.

Type and purpose

At its meeting on 4 June 2013 your Board of Directors authorised the signature of a memorandum of understanding entered into with BPCE concerning the redemption and cancellation of the cooperative investment certificates held by Natixis.

Terms and conditions

The redemption price of the cooperative investment certificates is €781,719,958. The other accounting consequences of the completion of the various transactions are described under the heading "Rider to the Deeply Subordinated Bond Subscription Agreement signed with BPCE".

Rider to the Deeply Subordinated Bond Subscription Agreement signed with BPCE

Holders of two corporate offices on the day of the transaction

Stève Gentili, Deputy Chairman of BPCE's Supervisory Board and Chairman of BRED Banque Populaire's Board of Directors

Type and purpose

On 12 March 2012, your Board of Directors authorised the signature of a subscription agreement for undated deeply subordinated bonds convertible into BPCE shares. The value of the subscribed bonds was €96,048,683.20. The convertible bonds bear interest at a fixed annual rate of 11% until the fifth anniversary of the bond issue, after which a floating rate will apply.

At its meeting on 4 June 2013, your Board of Directors authorised the signature of a draft rider relating to this agreement, to allow BPCE to redeem the deeply subordinated notes.

Terms and conditions

Following signature of the rider, the deeply subordinated bonds were redeemed at their nominal value, i.e., €96,048,683.20, increased by a redemption premium of 4.46%, i.e. €4,284,034.44.

As a result of this agreement, interest of €6,281,320.72 was received in the 2013 financial year.

Agreements already approved by the general meeting

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed of the continued performance over the past financial year of the following agreements previously approved by the general meeting.

Agreements approved in previous years

Tax consolidation agreement between BRED Banque Populaire and BPCE

Holders of two corporate offices on the day of the transaction

Stève Gentili, Deputy Chairman of BPCE's Supervisory Board and Chairman of BRED Banque Populaire's Board of Directors.

Type and purpose

A tax consolidation agreement exists between BPCE, the Banques Populaires, the jointly licensed mutual guarantee companies and the Caisses Régionales de Crédit Maritime Mutuel. This agreement was authorised by the Board of Directors on 7 December 2009 prior to its signature.

Terms and conditions

As a result of this agreement, €7,293,000 was paid in respect of the financial year ended 31 December 2013.

Memorandum of understanding on the mechanism for contributing to Groupe BPCE's capital adequacy

Holder of two corporate offices on the day of the transaction

Stève Gentili, Deputy Chairman of BPCE's Supervisory Board and Chairman of BRED Banque Populaire's Board of Directors

Type and purpose

On 3 December 2012, your Board of Directors authorised the signature of a memorandum of understanding on the mechanism for contributing to Groupe BPCE's solvency. This document provides, *inter alia*, for the introduction of a system to contribute to the Group's prudential capital based on an aggregation system.

Terms and conditions

This agreement has not had any impact on BRED Banque Populaire's 2013 financial statements.

Tax guarantee agreement signed by and between the Banques Populaires (including BRED Banque Populaire) and Banques Populaires Participations (BP Participations) in the presence of BPCE

Type and purpose

As part of plans to simplify Groupe BPCE structures through the merger of BP Participations and CE Participations into BPCE ("project U2"), the Banques Populaires, including BRED, entered into a tax guarantee agreement benefiting BP Participations. As a result of the merger, BP Participations' rights and obligations passed to BPCE. This agreement was approved by the Board of Directors on 21 May 2010 prior to its signature.

Terms and conditions

This agreement has not had any impact on BRED Banque Populaire's 2013 financial statements.

Paris la Défense and Neuilly-sur-Seine
25 April 2014

The Statutory Auditors

KPMG Audit
A division of KPMG SA
Marie-Christine Jolys, Partner

PricewaterhouseCoopers Audit
Agnès Hussherr, Partner
Nicolas Montillot, Partner

Statutory Auditors' special report on the capital increase reserved for members of an employee savings plan

General meeting of 27 May 2014 – Resolution no. 5

To the shareholders
BRED Banque Populaire
18, quai de la Rapée - 75012 Paris

Ladies and gentlemen,

In our capacity as Statutory Auditors of your company, and in performance of our assignment pursuant to Article L.225-135 et seq. of the French Commercial Code, we hereby present our report on the proposed capital increase reserved for Company employees in a maximum amount corresponding to 0.5% of the amount of the share capital at the time of the issue, by the issue of shares with the waiver of preferential subscription rights, on which you will be asked to vote.

This capital increase is submitted for your approval pursuant to Articles L.225-129-6 of the French Commercial Code, and L.3332-18 *et seq.* of the French Employment Code.

Your Board of Directors proposes, on the basis of its report, that you delegate it authority for a period of 26 months to determine the terms and conditions of this operation and to waive your preferential subscription rights to the shares to be issued.

The Board of Directors has a duty to draw up a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. We are required to express an opinion on the accuracy of the figures taken from the financial statements, on the proposal to waive the preferential subscription rights, and on certain other information concerning the issue contained in this report.

We carried out the work we considered necessary relating to this assignment in view of the professional policies of the French Statutory Auditors' Association *(Compagnie nationale des commissaires aux comptes).* This included verifying the content of the report by the Board of Directors relating to this operation and the methods used to calculate the share issue price.

We have the following observation concerning the report by the Board of Directors: the report refers to the provisions contained in Article L.3332-20 of the French Employment Code but does not specify which of the two methods, if either, mentioned in this article would be used.

As the final terms and conditions of the capital increase have not been determined, we cannot express an opinion thereon; nor can we express an opinion on the proposal that you waive your preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report when your Board of Directors makes use of this delegation of authority.

Paris la Défense and Neuilly-sur-Seine
25 April 2014

The Statutory Auditors

KPMG Audit
A division of KPMG SA
Marie-Christine Jolys, Partner

PricewaterhouseCoopers Audit
Agnès Hussherr, Partner
Nicolas Montillot, Partner

General information

Legal structure of BRED Banque Populaire

Company name and registered office

BRED Banque Populaire (abbreviation: BRED)
18, quai de la Rapée
75 604 PARIS

Documents relating to the Company can be consulted at the registered office.

Trade and Companies Register and APE business code

Registered with the Paris Trade and Companies Register under no. 552 091 795

APE code: 6419 Z

Term of the Company and financial year

The Company was initially incorporated for 99 years as from 7 October 1919. Its term was subsequently extended by a further 99 years as from 21 May 2010.

Its financial year starts on 1 January and ends on 31 December of each year.

Legal form and applicable laws

BRED Banque Populaire is a French limited cooperative mutual bank (*société anonyme coopérative de banque populaire*) [the "Company"] with fixed capital, governed by Articles L.512-2 et *seq.* of the French Monetary and Financial Code and all laws and provisions relating to mutual banks, the French Act of 10 September 1947 governing the status of cooperative bodies, Titles I to IV of Book II of the French Commercial Code, Chapter I of Title I of Book V and Title III of the French Monetary and Financial Code, their implementing decrees and the [Company's] Memorandum and Articles of Association.

In addition, the Company is governed by general decisions and in particular those relating to the system of guarantee for the network of mutual banks laid down by BPCE in the context of the powers granted to this Federal Bank under Articles L.511-30, L.511-31, L.511-32, L.512-12, L.512-106 and L.512-107 of the French Monetary and Financial Code.

Corporate object

Pursuant to article 3 of the Memorandum and Articles of Association, the Company has the following corporate object:

I - Conducting all banking transactions with enterprises that are commercial, industrial, small business-related, agricultural or related to professions, either in the form of an individual or a company, and, more generally, with any other organisation or legal person, whether they are cooperative shareholders or not, assisting its customers who are individuals, taking part in the conducting of all transactions guaranteed by a mutual guarantee society incorporated in accordance with Section 3 of Chapter V of Title I of Book IV of the French Monetary and Financial Code, granting holders of regulated home savings accounts or plans all credit or loans for the purposes of financing their purchases of real property, receiving deposits from any person or company and, more generally, carrying out all banking transactions referred to in Title I of Book III of the French Monetary and Financial Code.

II - The Company may also carry out all related transactions referred to in Article L.311-2 of the French Monetary and Financial Code, provide the investment services provided for in Articles L.321-1 and L.321-2 of the above-mentioned Code and perform any other activity that banks are permitted to perform under statutory and regulatory provisions. It may in particular conduct all insurance brokerage operations and, more generally, act as an insurance intermediary.

III - The Company may make all investments in real or movable property required for the performance of its activities, subscribe for or acquire all investment securities for itself, take all holdings in all companies, groupings or associations, and, more generally, conduct all operations of any type whatsoever that are related to the Company's corporate object, directly or indirectly, and which are liable to facilitate the development or completion thereof.

Special clauses in the Memorandum and Articles of Association

Liability of cooperative shareholders

Cooperative shareholders shall only be liable up to the nominal value of the shares they own (article 9 of the Memorandum and Articles of Association).

Approval

All natural and legal persons may become cooperative shareholders, whether they participate in the operations and services of Banque Populaire or not.

To be eligible to be a cooperative shareholder, a person must be approved by the Board of Directors and must be acknowledged to be creditworthy.

If the Board of Directors refuses to approve membership of a person, it need not give any reason for any such refusal.

If membership of a transferee is not approved, the Company is required to acquire or arrange to have acquired the shares [whose transfer is proposed] within three months following the decision to refuse approval. The shares shall be purchased at a price which may not be lower than the par value of the shares.

If, at the end of the above-mentioned period, the shares have not been purchased, the cooperative shareholder selling their shares may carry out the transfer that had been initially planned (article 13 of the Memorandum and Articles of Association).

Terms and conditions for the exercise of voting rights

I - In ordinary and extraordinary general meetings of cooperative shareholders, quorums are calculated on the basis of all the shares that make up the share capital, less any shares that have no voting rights pursuant to the law.

Each share entitles [the holder thereof] to one vote. In the event of voting by post, only forms received by the Company no later than the day before the date of the general meeting will be included in the calculation of the quorum, under the terms and conditions laid down in the applicable legal provisions.

II - Pursuant to Article L.512-5 of the French Monetary and Financial Code, no cooperative shareholder may have more than 0.25% of the total number of voting rights attached to the Company's shares at general meetings, either himself or through proxy-holders, as voting rights attached to shares they hold directly and/or indirectly and to the powers given to him.

III - The limit referred to in the foregoing paragraph shall not apply to the Chairman of the general meeting voting as a result of proxies granted in accordance with the legal obligation arising from Article L.225-106 of the French Commercial Code. The number of voting rights held directly or indirectly shall mean in particular those attached to shares that cooperative shareholders hold on a personal basis, shares that are held by a legal person that they control within the meaning of Article L.233-3 of the French Commercial Code and shares that are equivalent to shares owned as defined in the provisions of Articles L.233-7 et seq. of said Code (article 33).

Amending the Memorandum and Articles of Association

Only extraordinary general meetings shall be authorised to amend the Memorandum and Articles of Association as shall be appropriate, with the approval of BPCE.

However, said Meetings may not change the type, character, object or nationality of the Company, nor may they increase the commitments of its cooperative shareholders, notwithstanding operations arising from an exchange or a reverse split of shares duly and properly decided on and carried out (article 35 of the Memorandum and Articles of Association).

Rights of cooperative shareholders

Cooperative shareholders have the right to receive information on a permanent basis and prior to general meetings of cooperative shareholders under the conditions laid down in statutory and regulatory provisions (article 36 of the Memorandum and Articles of Association).

Appropriation of profits under the Memorandum and Articles of Association

5% shall be drawn from the profits for the financial year, less, where applicable, previous losses, to create the reserve fund laid down by law, until this fund amounts to one-tenth of the capital.

The balance, plus, where applicable, any profit carry-forwards, shall constitute the distributable profit, from which shall be drawn the amount required to pay interest on the shares, within the limit of the maximum rate referred to in Article 14 of the French Act of 10 September 1947 governing the status of cooperative bodies, without it being possible, if there are insufficient operating profits in one financial year, for the cooperative shareholders to claim said payments from operating profits in subsequent years, and the amount required to remunerate the [holders of] cooperative investment certificates.

After the appropriation to reserves booked by the general meeting, the balance shall be divided between customers who are cooperative shareholders in accordance with the applicable statutory and regulatory provisions.

Any profits arising from transactions carried out with customers who are not cooperative shareholders shall not be included in distributions of rebates (*ristournes*).

Until the various reserves, in total, including the legal reserve, have reached the amount of the share capital, allocations to such reserves may not be less than 15% of profits.

Losses carried forward pursuant to a decision by the general meeting shall be recognised in a special account contained in the liabilities on the balance sheet, to be set off against profits of subsequent financial years until they no longer exist, or extinguished by drawing from the reserves.

General meetings, voting on the financial statements for a financial year, shall have the possibility of granting each cooperative shareholder, for all or some of the interest paid out, the choice between payment of the interest in cash or payment in shares (article 40 of the Memorandum and Articles of Association).

Interest on the shares, rebates (*ristournes*) and the remuneration of the [holders of] cooperative investment certificates approved by an ordinary general meeting shall be paid no later than nine months after the end of the financial year.

The terms and conditions for the pay-outs shall be set by the general meeting or, failing this, by the Board of Directors.

Rights to amounts not claimed within the statutory time limits shall lapse in accordance with the law (article 41 of the Memorandum and Articles of Association).

Dependence

BRED Banque Populaire is not dependent on any patents, licenses or industrial, commercial or financial supply agreements.

Exceptional items and disputes

As at 31 December 2013, there were no exceptional items or disputes which could significantly affect the results, the financial position or the activity of BRED Banque Populaire.

Information relating to the capital of BRED Banque Populaire

Composition of capital

The Company's current capital amounts to €573,260,254.10.

It is divided into 56,758,441 shares with a par value of €10.10, all fully paid up, held in registered form only.

BRED has not issued any financial instruments giving access to its capital.

Market for the shares

Shares in BRED Banque Populaire are not listed. Transfers, which take place mainly between the Company's customers, are carried out at par value (€10.10) by account to account transfer following approval by the Board of Directors.

Dividend policy

Interest paid on the shares amounted to:

- €0.40 for 2008
- €0.35 for 2009
- €0.30 for 2010
- €0.34 for 2011
- €0.27 for 2012

Delegations granted by the general meeting of cooperative shareholders to the Board of Directors in the area of increases in capital (Article L.225-100 paragraph 7 of the French Commercial Code)

Date of the general meeting	Overall cap on authorisation	Validity	Capital increases carried out on the basis of this authorisation
Extraordinary general meeting of 16 May 2012	- €400,000,000 million by issuing shares - €100,000,000 million by issuing cooperative investment certificates	26 months	Share capital increase in the amount of €87,798,220 carried out on 29 June 2012, raising the share capital from €432,487,500 to €520,285,720: - by the issue at par of 5,202,857 new shares of €9.50 each for a total amount of €49,427,141.50; - by the issue at par of 1,300,715 cooperative investment certificates of €9.50 each, for a total amount of €12,356,792.50; - by the capitalisation of €26,014,286 drawn from the available reserves, and the corresponding increase of the par value of old and new shares and of cooperative investment certificates from €9.50 to €10.
			Share capital increase in the amount of €157,031,684.10 carried out on 6 December 2013, raising the share capital from €416,228,570 to €573,260,254.10: - by the issue at par of 15,135,584 new shares of €10 each for a total amount of €151,355,840; - by the capitalisation of €5,675,844.10 drawn from the available reserves, and the corresponding increase of the par value of old and new shares from €10 to €10.10.

Report by the Board of Directors

On the use of the delegation of authority to organise a capital increase

On 4 June 2013, the Board of Directors decided to make use of the delegation of authority to increase the capital granted by the shareholders at the extraordinary general meeting of 16 May 2012.

Pursuant to Article L.225-129-5 of the French Commercial Code, the Board has drawn up this report presenting the final terms and conditions of the operation.

You are reminded that at the aforementioned general meeting you delegated authority to your Board of Directors to increase the share capital by a maximum amount of €400,000,000 by the issue at par of cash shares or by the capitalisation of reserves.

In order to allow BRED to support its business activities and to ensure stability and financial autonomy, the Board of Directors decided to make use of this delegation of authority and to carry out the following twofold operation:

1 Cash capital increase

It was planned that the capital would be increased by €151,355,840 by the issue at par of 15,135,584 new shares of €10 each, in registered form only, to be subscribed in cash and paid up immediately in cash at the time of subscription.

As the shares issued under the capital increase will also be offered to the public a prospectus will be prepared and sent to the AMF for approval.

Provided approval is obtained, shares may be subscribed between 20 June and 29 November 2013. If the AMF does not approve the transaction before 20 June 2013, the subscription period will begin on the day after approval is given.

Subscriptions will be reserved first and foremost for current cooperative shareholders, who will have a preferential subscription right based on their existing shares of one new share for 2.75 existing shares. The beneficiaries must exercise their subscription rights before the end of the subscription period, failing which they will lapse.

In order to extend the cooperative shareholder base, no preferential subscription rights will be granted to current cooperative shareholders for any remaining shares.

Shares that have not been subscribed as of right may be subscribed by cooperative shareholders or any other person provided they satisfy the shareholder eligibility criteria.

They will be allocated to applicants pro rata their requests on the basis of the aggregate number of shares requested by all such applicants.

Subscriptions and cash payments may be made at any BRED Banque Populaire branch.

The Bank will deposit subscription amounts in a timely manner with BRED Gestion, which, in its capacity as the custodian, will draw up the certificate attesting to the deposit of funds required by Article L.225-146 of the French Commercial Code.

Dividend rights will accrue to the new shares from 1 December 2013. They will be governed by all the provisions of the Articles of Association, in the same way as existing shares.

The Company will verify the validity of the subscription rights exercised without asking the subscribers to produce any proof.

In the event the subscriptions received do not cover the entire amount of the capital increase, the Board of Directors may limit the amount of the subscription [sic] to the amount of subscriptions actually received, provided they correspond to at least 75% of the initially planned increase.

2 Increase by the capitalisation of reserves

Subject to the effective completion of the cash capital increase, the capital will be increased by the capitalisation of €5,675,844.10 drawn from the available reserves, and the par value of the old and new shares will be raised accordingly from €10 to €10.10.

Upon completion of this twofold operation, article 7 of the Articles of Association will be amended accordingly.

This twofold capital increase will not have any significant impact on the situation of current holders of capital stock assessed on the basis of the Bank's shareholders equity.

This report will be made available to the cooperative shareholders at the registered office within 15 days of the Board of Director's decision to make use of the delegation of authority.

www.bred.fr

Registered office: 18, quai de la Rapée - 75012 Paris - Tel.: +33 1 48 98 60 00

BRED Banque Populaire is a French limited cooperative mutual bank governed by Article L.512-2 et seq. of the French Monetary and Financial Code and all laws and provisions relating to mutual banks and credit institutions, with capital of €573,260,254.10. Registered office: 18, quai de la Rapée, 75604 Paris Cedex 12. Registered with the Paris

Trade and Companies Register under no. 552 091 795. FR VAT no. 09 552 091 795. Registered with ORIAS as an insurance intermediary

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Creation and design: eurokapi

Photos: Eric Demarcq, Nicola Gleichauf, Didier Goupy, Philippe Matsas, Andrew McLeish, Aline Ravenet, Getty images, Thinkstock, DR.

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